COMMUNITY TRUST BANCORP INC /KY/
Form 10-K
March 14, 2016

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, 2015
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 (State or Other Jurisdiction of Incorporation or Organization)	61-0979818 (IRS Employer Identification No.)
346 North Mayo Trail Pikeville, Kentucky (Address of Principal Executive Offices)	41501 (Zip Code)
(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, or a smaller reporting company. See definition of "accelerated filer, large accelerated filer, and smaller reporting 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

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, 2015 was $578.0 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 February 29, 2016 was 17,553,490.

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 26, 2016.

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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 and regulations 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, 2015, CTBI had total consolidated assets of $3.9 billion and total consolidated deposits, including repurchase agreements, of $3.2 billion. Total shareholders' equity at December 31, 2015 was $475.6 million. Trust assets under management at December 31, 2015 were $1.9 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 disruptive and volatile. Some financial institutions have failed and others have been forced to seek acquisition partners. 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 banks in the states where they do business (exclusive of inter-bank and foreign deposits).

The Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank Act") may impact our competitive environment. 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. Moreover, the Dodd-Frank Act's interstate branching provisions permit banks to establish de novo branches at a location where a bank based in that state could establish a branch.

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, 2015, CTBI and subsidiaries had 984 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 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 will be phased-in over four years beginning on January 1, 2016.

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, 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 the Bank, 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 new 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 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.

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 slowly recovering. Commerce and business growth across a wide range of industries and regions in the U.S. remains reduced and local governments and many businesses continue to experience financial difficulty. Future federal budget negotiations, the implementation of the Patient Protection and Affordable Care Act, the level of U.S. debt, the Federal Open Market Committee's plan for economic easing, and declining oil prices 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. 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.

Overall, during recent years, the business environment has been adverse for many households and businesses in the United States and worldwide. While economic conditions in the United States and worldwide have improved since the recession, there can be no assurance that this improvement will continue. 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 many areas of the United States, unemployment rates remain elevated in certain markets in which we operate. Recent economic conditions in the coal industry could result in increased unemployment in the markets we serve where coal is a major contributor to the economy. 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. The coal industry is likely to continue to be adversely affected by legislation and administrative rule-making as well as the increased availability of alternative energy sources such as natural gas. High levels of unemployment and depressed real estate asset values in the markets we serve would likely prolong the economic recovery period in our market area. 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 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. 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 21, 2010, the Dodd-Frank Act was signed into law. This law has significantly changed the bank regulatory structure and affected the lending, deposit, investment, trading, and operating activities of financial institutions and their holding companies. The Dodd-Frank Act has required the adoption of a broad range of implementing rules and regulations and preparation of numerous studies and reports for Congress. Significant discretion has been given in drafting the implementing rules and regulations, and consequently, many of the details and the full impact of the Dodd-Frank Act are still unknown. This legislation includes, among other things: (i) changes in the manner in which the FDIC deposit insurance assessments are computed and an increase in the minimum designated reserve ratio for the Deposit Insurance Fund; (ii) authorization of interest-bearing demand deposits; (iii) requirements for capital regulations applicable to banks and bank holding companies which call for higher levels of capital; (iv) creation of the Consumer Financial Protection Bureau, responsible for the drafting of regulations for the implementation of federal consumer protection laws which affect banks and bank holding companies; (v) a permanent increase in the maximum amount of deposit insurance for banks; (vi) a prohibition of certain proprietary trading and equity investment activities by banks; (vii) restrictions related to mortgage lending; (viii) allowance of de novo interstate branching; and (ix) additional corporate governance provisions relating to non-binding shareholder votes on executive compensation and rules prohibiting incentive compensation that encourages inappropriate risks.

Many aspects of the Dodd-Frank Act are subject to rulemaking and take effect over several years, making it difficult to anticipate the overall financial impact on CTBI. However, compliance with this law and the subsequent implementing regulations will result in additional operating costs that could have a material adverse effect on our financial condition and results of operations.

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 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. Under the final rules, institutions are subject to limitations on paying dividends, engaging in share repurchases, and paying discretionary bonuses if its capital level falls below the buffer amount. These limitations establish a maximum percentage of eligible retained income that could be utilized for such actions. 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.

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 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.

Government Policies and Oversight
Our business may be adversely affected by 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.

Federal banking regulators are increasing 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.

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, 2015, commercial real estate loans, including multi-family loans, comprised approximately 39% 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, 2015, other commercial loans comprised approximately 13% 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, 2015, 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. Economic conditions in the coal industry could result in increases in unemployment in many of our market areas, which is likely to impact the repayment risk associated with our consumer loans. 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, 2015, consumer loans comprised approximately 18% 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, 2015, approximately 69% of our loan portfolio is secured by real estate, 39% 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 real estate owned, related real estate expense will likely remain high.

During the recent economic downturn, 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.

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 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. The recent economic crisis is likely to result in increased consolidation in the financial industry and 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, or general purpose reloadable prepaid cards. 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. As more fully described under "Results of Operations and Financial Condition" in Item 7, the resolution of 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 continue 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.

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

(in thousands)	2015 Average Balances	Interest	Average Rate	2014 Average Balances	Interest	Average Rate	2013 Average Balances	Interest	Average Rate
Earning assets:									
Loans (1)(2)(3)	$2,791,871	$131,304	4.70 %	$2,642,231	$128,929	4.88 %	$2,579,805	$132,087	5.12 %
Loans held for sale	1,075	95	8.84	943	74	7.85	3,894	223	5.73
Securities:									
U.S. Treasury and agencies	446,081	7,425	1.66	474,062	9,302	1.96	487,650	9,910	2.03
Tax exempt state and political subdivisions (3)	101,382	4,162	4.11	95,460	3,963	4.15	80,694	3,460	4.29
Other securities	59,705	1,728	2.89	66,793	2,012	3.01	90,178	2,515	2.79
Federal Reserve Bank and Federal Home Loan Bank stock	22,812	1,010	4.43	23,978	1,136	4.74	30,559	1,367	4.47
Federal funds sold	3,344	13	0.39	4,007	15	0.37	3,207	11	0.34
Interest bearing deposits	90,106	219	0.24	103,823	248	0.24	97,492	228	0.23
Other investments	6,285	56	0.89	9,307	87	0.93	8,886	87	0.98
Investment in unconsolidated subsidiaries	1,845	35	1.90	1,846	34	1.84	1,846	35	1.90
Total earning assets	3,524,506	$146,047	4.14 %	3,422,450	$145,800	4.26 %	3,384,211	$149,923	4.43 %
Allowance for loan and lease losses	(35,735)			(34,544)			(34,159)		
	3,488,771			3,387,906			3,350,052		
Nonearning assets:									
Cash and due from banks	53,641			55,658			55,405		
Premises and equipment, net	49,103			50,923			52,825		

Other assets	198,767			185,044			193,259		
Total assets	$3,790,282			$3,679,531			$3,651,541		
Interest bearing liabilities:									
Deposits:									
Savings and demand deposits	$1,018,866	$2,299	0.23 %	$956,389	$2,141	0.22 %	$911,473	$2,281	0.25 %
Time deposits	1,217,225	7,317	0.60	1,291,896	7,657	0.59	1,384,500	9,032	0.65
Repurchase agreements and federal funds purchased	256,091	938	0.37	233,431	841	0.36	221,266	940	0.42
Advances from Federal Home Loan Bank	15,821	49	0.31	4,210	27	0.64	1,921	26	1.35
Long-term debt	61,341	1,170	1.91	61,341	1,131	1.84	61,341	1,161	1.89
Total interest bearing liabilities	2,569,344	$11,773	0.46 %	2,547,267	$11,797	0.46 %	2,580,501	$13,440	0.52 %
Noninterest bearing liabilities:									
Demand deposits	720,508			660,833			624,646		
Other liabilities	34,748			36,141			37,612		
Total liabilities	3,324,600			3,244,241			3,242,759		
Shareholders' equity	465,682			435,290			408,782		
Total liabilities and shareholders' equity	$3,790,282			$3,679,531			$3,651,541		
Net interest income, tax equivalent		$134,274			$134,003			$136,483	
Less tax equivalent interest income		2,027			1,933			1,796	
Net interest income		$132,247			$132,070			$134,687	
Net interest spread			3.68 %			3.80 %			3.91 %
Benefit of interest free			0.13			0.12			0.12

funding			
Net interest margin	3.81 %	3.92 %	4.03 %

(1) Interest includes fees on loans of $1,782, $1,848, and $1,848 in 2015, 2014, and 2013, 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 2015 and 2014 and also between 2014 and 2013.

(in thousands)	Total Change 2015/2014	Change Due to Volume	Rate	Total Change 2014/2013	Change Due to Volume	Rate
Interest income:						
Loans	$ 2,375	$7,141	$(4,766)	$ (3,158)	$3,145	$(6,303)
Loans held for sale	21	11	10	(149)	(127)	(22)
U.S. Treasury and agencies	(1,877)	(572)	(1,305)	(608)	(280)	(328)
Tax exempt state and political subdivisions	199	244	(45)	503	616	(113)
Other securities	(284)	(220)	(64)	(503)	(612)	109
Federal Reserve Bank and Federal Home Loan Bank stock	(126)	(57)	(69)	(231)	(281)	50
Federal funds sold	(2)	(2)	0	4	3	1
Interest bearing deposits	(29)	(32)	3	20	15	5
Other investments	(31)	(29)	(2)	0	4	(4)
Investment in unconsolidated subsidiaries	1	0	1	(1)	0	(1)
Total interest income	247	6,484	(6,237)	(4,123)	2,483	(6,606)
Interest expense:						
Savings and demand deposits	158	141	17	(140)	109	(249)
Time deposits	(340)	(438)	98	(1,375)	(627)	(748)
Repurchase agreements and federal funds purchased	97	83	14	(99)	50	(149)
Advances from Federal Home Loan Bank	22	42	(20)	1	20	(19)
Long-term debt	39	0	39	(30)	0	(30)
Total interest expense	(24)	(172)	148	(1,643)	(448)	(1,195)
Net interest income	$ 271	$6,656	$(6,385)	$ (2,480)	$2,931	$(5,411)

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, assuming a 35% tax rate.

Investment Portfolio

The maturity distribution and weighted average interest rates of securities at December 31, 2015 are as follows:

Available-for-sale

	Estimated Maturity at December 31, 2015										
	Within 1 Year		1-5 Years		5-10 Years		After 10 Years		Total Fair Value		Amortiz 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	$36,800	0.66%	$169,149	1.14%	$96,306	1.75%	$138,715	2.24%	$440,970	1.58%	$442,71
State and political subdivisions	6,616	3.45	29,961	3.59	64,445	4.06	28,193	4.53	129,215	4.02	125,66
Other securities	0	0.00	0	0.00	0	0.00	24,751	2.12	24,751	2.12	25,000
Total	$43,416	1.09%	$199,110	1.51%	$160,751	2.68%	$191,659	2.56%	$594,936	2.13%	$593,38

Held-to-maturity

	Estimated Maturity at December 31, 2015										
	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%	$480	2.48%	$0	0.00%	$480	2.48%	$468
State and political subdivisions	0	0.00	1,181	4.30	0	0.00	0	0.00	1,181	4.30	1,183
Total	$0	0.00%	$1,181	4.30%	$480	2.48%	$0	0.00%	$1,661	3.77%	$1,651

Total Securities

	Estimated Maturity at December 31, 2015										
	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	$43,416	1.09%	$200,291	1.53%	$161,231	2.68%	$191,659	2.56%	$596,597	2.14%	$596,587

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, 2015.

The book values of securities available-for-sale and securities held-to-maturity as of December 31, 2015 and 2014 are presented in note 3 to the consolidated financial statements.

The book value of securities at December 31, 2013 is presented below:

(in thousands)	Available-for-Sale	Held-to-Maturity
U.S. Treasury and government agencies	$ 77,838	$ 480
State and political subdivisions	118,055	1,182
U.S. government sponsored agency mortgage-backed securities	370,860	0
Total debt securities	566,753	1,662
Marketable equity securities	55,000	0
Total securities	$ 621,753	$ 1,662

Loan Portfolio

(in thousands)	2015	2014	2013	2012	2011
Commercial:					
Construction	$78,020	$121,942	$110,779	$119,447	$120,577
Secured by real estate	1,052,919	948,626	872,542	807,213	798,887
Equipment lease financing	8,514	10,344	8,840	9,246	9,706
Commercial other	358,898	352,048	374,881	376,348	374,597
Total commercial	1,498,351	1,432,960	1,367,042	1,312,254	1,303,767
Residential:					
Real estate construction	61,750	62,412	56,075	55,041	53,534
Real estate mortgage	707,874	712,465	697,601	696,928	650,075
Home equity	89,450	88,335	84,880	82,292	84,841
Total residential	859,074	863,212	838,556	834,261	788,450
Consumer:					
Consumer direct	126,406	122,136	122,215	122,581	123,949
Consumer indirect	390,130	315,516	287,541	281,477	340,382
Total consumer	516,536	437,652	409,756	404,058	464,331
Total loans	$2,873,961	$2,733,824	$2,615,354	$2,550,573	$2,556,548
Percent of total year-end loans					
Commercial:					
Construction	2.71 %	4.46 %	4.24 %	4.68 %	4.72 %
Secured by real estate	36.64	34.70	33.36	31.65	31.25
Equipment lease financing	0.30	0.38	0.34	0.36	0.38
Commercial other	12.49	12.88	14.33	14.76	14.65
Total commercial	52.14	52.42	52.27	51.45	51.00
Residential:					
Real estate construction	2.15	2.28	2.15	2.16	2.09
Real estate mortgage	24.63	26.06	26.67	27.32	25.43
Home equity	3.11	3.23	3.25	3.23	3.32
Total residential	29.89	31.57	32.07	32.71	30.84
Consumer:					
Consumer direct	4.40	4.47	4.67	4.80	4.85
Consumer indirect	13.57	11.54	10.99	11.04	13.31
Total consumer	17.97	16.01	15.66	15.84	18.16

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, 2015			
(in thousands)	Within One Year	After One but Within Five Years	After Five Years	Total
Commercial secured by real estate and commercial other	$206,611	$225,176	$980,030	$1,411,817
Commercial and real estate construction	90,832	15,443	33,495	139,770
	$297,443	$240,619	$1,013,525	$1,551,587
Rate sensitivity:				
Fixed rate	$72,722	$65,899	$55,554	$194,175
Adjustable rate	224,721	174,720	957,971	1,357,412
	$297,443	$240,619	$1,013,525	$1,551,587

Nonperforming Assets

(in thousands)	2015	2014	2013	2012	2011
Nonaccrual loans	$16,563	$20,971	$19,958	$16,791	$25,753
90 days or more past due and still accruing interest	12,046	17,985	23,599	19,215	11,515
Total nonperforming loans	28,609	38,956	43,557	36,006	37,268
Other repossessed assets	183	90	0	5	58
Foreclosed properties	40,674	36,776	39,188	46,986	56,545
Total nonperforming assets	$69,466	$75,822	$82,745	$82,997	$93,871
Nonperforming assets to total loans and foreclosed properties	2.38 %	2.74 %	3.12 %	3.20 %	3.59 %
Allowance to nonperforming loans	126.16%	88.43 %	78.08 %	92.33 %	89.01 %

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, 2015					
Commercial construction	$ 3,402	4.36 %	$ 30	0.04 %	$78,020
Commercial secured by real estate	5,928	0.56	3,757	0.36	1,052,919
Equipment lease financing	0	0.00	0	0.00	8,514
Commercial other	1,485	0.41	310	0.09	358,898

Real estate construction	249	0.40	55	0.09	61,750
Real estate mortgage	5,206	0.74	6,925	0.98	707,874
Home equity	183	0.20	448	0.50	89,450
Consumer direct	110	0.09	126	0.10	126,406
Consumer indirect	0	0.00	395	0.10	390,130
Total	$ 16,563	0.58 %	$ 12,046	0.42 %	$ 2,873,961
December 31, 2014					
Commercial construction	$ 4,339	3.56 %	$ 1,863	1.53 %	$ 121,942
Commercial secured by real estate	6,725	0.71	4,682	0.49	948,626
Equipment lease financing	0	0.00	0	0.00	10,344
Commercial other	2,423	0.69	2,367	0.67	352,048
Real estate construction	602	0.96	383	0.61	62,412
Real estate mortgage	6,513	0.91	7,742	1.09	712,465
Home equity	369	0.42	422	0.48	88,335
Consumer direct	0	0.00	141	0.12	122,136
Consumer indirect	0	0.00	385	0.12	315,516
Total	$ 20,971	0.77 %	$ 17,985	0.66 %	$ 2,733,824

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, 2015. See note 19 to the consolidated financial statements for further information.

Analysis of the Allowance for Loan and Lease Losses

(in thousands)	2015	2014	2013	2012	2011
Allowance for loan and lease losses, beginning of year	$34,447	$34,008	$33,245	$33,171	$34,805
Loans charged off:					
Commercial construction	3	15	1,135	1,034	2,510
Commercial secured by real estate	1,379	2,163	1,607	2,035	4,018
Commercial other	1,961	3,141	2,265	3,233	4,092

Real estate construction	135	123	89	189	319
Real estate mortgage	1,421	1,058	744	1,123	1,589
Home equity	129	115	241	248	171
Consumer direct	1,306	1,326	1,166	1,245	961
Consumer indirect	3,536	3,495	3,802	3,483	3,874
Total charge-offs	9,870	11,436	11,049	12,590	17,534
Recoveries of loans previously charged off:					
Commercial construction	13	28	309	35	30
Commercial secured by real estate	60	305	163	303	140
Commercial other	585	621	557	764	441
Real estate construction	4	2	4	28	26
Real estate mortgage	117	40	56	151	82
Home equity	54	5	11	11	16
Consumer direct	435	566	495	538	452
Consumer indirect	1,599	1,553	1,649	1,384	1,451
Total recoveries	2,867	3,120	3,244	3,214	2,638
Net charge-offs:					
Commercial construction	(10)	(13)	826	999	2,480
Commercial secured by real estate	1,319	1,858	1,444	1,732	3,878
Commercial other	1,376	2,520	1,708	2,469	3,651
Real estate construction	131	121	85	161	293
Real estate mortgage	1,304	1,018	688	972	1,507
Home equity	75	110	230	237	155
Consumer direct	871	760	671	707	509
Consumer indirect	1,937	1,942	2,153	2,099	2,423
Total net charge-offs	7,003	8,316	7,805	9,376	14,896
Provisions charged against operations	8,650	8,755	8,568	9,450	13,262
Balance, end of year	$36,094	$34,447	$34,008	$33,245	$33,171
Allocation of allowance, end of year:					
Commercial construction	$2,199	$2,896	$3,396	$4,033	$4,023
Commercial secured by real estate	14,434	13,618	14,535	13,541	11,753
Equipment lease financing	79	119	121	126	112
Commercial other	4,225	4,263	5,238	5,469	5,608
Real estate construction	550	534	397	376	354
Real estate mortgage	6,678	6,094	4,939	4,767	4,302
Home equity	839	756	601	563	562
Consumer direct	1,594	1,574	1,127	1,102	917
Consumer indirect	5,496	4,593	3,654	3,268	5,540
Balance, end of year	$36,094	$34,447	$34,008	$33,245	$33,171
Average loans outstanding, net of deferred loan costs and fees	$2,791,871	$2,642,231	$2,579,805	$2,549,459	$2,580,351
Loans outstanding at end of year, net of deferred loan costs and fees	$2,873,961	$2,733,824	$2,615,354	$2,550,573	$2,556,548

Net charge-offs to average loan type:					
Commercial construction	(0.01)%	(0.01)%	0.77%	0.86%	1.93%
Commercial secured by real estate	0.13	0.21	0.17	0.21	0.48
Commercial other	0.39	0.70	0.46	0.64	0.95
Real estate construction	0.21	0.20	0.16	0.30	0.58
Real estate mortgage	0.18	0.15	0.10	0.15	0.24
Home equity	0.08	0.13	0.28	0.28	0.18
Consumer direct	0.71	0.63	0.55	0.57	0.41
Consumer indirect	0.55	0.67	0.75	0.67	0.68
Total	0.25%	0.31%	0.30%	0.37%	0.58%
Other ratios:					
Allowance to net loans, end of year	1.26%	1.26%	1.30%	1.30%	1.30%
Provision for loan losses to average loans	0.31%	0.33%	0.33%	0.37%	0.51%

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)	2015	2014	2013
Deposits:			
Noninterest bearing deposits	$720,508	$660,833	$624,646
NOW accounts	36,227	31,208	27,888
Money market accounts	613,804	585,467	569,717
Savings accounts	368,835	339,714	313,868
Certificates of deposit of $100,000 or more	571,660	598,684	635,502
Certificates of deposit < $100,000 and other time deposits	645,565	693,212	748,998
Total deposits	2,956,599	2,909,118	2,920,619
Other borrowed funds:			
Repurchase agreements and federal funds purchased	256,091	233,431	221,266
Advances from Federal Home Loan Bank	15,821	4,210	1,921
Long-term debt	61,341	61,341	61,341
Total other borrowed funds	333,253	298,982	284,528
Total deposits and other borrowed funds	$3,289,852	$3,208,100	$3,205,147

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. The maximum balance for federal funds purchased and repurchase agreements at any month-end during 2014 occurred at November 30, 2014, with a month-end balance of $252.3 million. The maximum balance for federal funds purchased and repurchase agreements at any month-end during 2013 occurred at October 31, 2013, with a month-end balance of $230.4 million.

Maturities and/or repricing of time deposits of $100,000 or more outstanding at December 31, 2015 are summarized as follows:

(in thousands)	Total

	Certificates of Deposit	Other Time Deposits	
Three months or less	$ 112,961	$ 7,958	$ 120,919
Over three through six months	91,654	8,604	100,258
Over six through twelve months	252,012	13,863	265,875
Over twelve through sixty months	102,768	16,937	119,705
Over sixty months	102	0	102
	$ 559,497	$ 47,362	$ 606,859

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, 2015:

Location	Owned	Leased	Total
Banking locations:			
Community Trust Bank, Inc.			
*Pikeville Market (lease land to 3 owned locations)	9	1	10
10 locations in Pike County, Kentucky			
Floyd/Knott/Johnson Market (lease land to 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 to 1 owned location)	2	0	2
1 location in Pike County, Kentucky, 1 location in Mingo County, West Virginia			
Whitesburg Market (lease land to 1 owned location)	4	1	5
5 locations in Letcher County, Kentucky			
Hazard Market (lease land to 2 owned locations)	3	0	3
4 locations in Perry County, Kentucky			
*Lexington Market (lease land to 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 to 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 to 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 to 1 owned location)	3	0	3
2 locations in Boyle County, Kentucky and 1 location in Mercer County, Kentucky			
*Ashland Market (lease land to 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 to 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 to 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 to 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 15 to the consolidated financial statements included herein for the year ended December 31, 2015, 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 February 29, 2016, there were approximately 5,100 holders of record of our outstanding common shares.

Dividends

The annual dividend paid to our stockholders was increased from $1.181 per share to $1.220 per share during 2015. 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 45.86%. 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, 2015.

Stock Repurchases

CTBI did not acquire any shares of common stock through the stock repurchase program during the years 2015 and 2014. 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 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, 2010 in CTBI's common stock and in each index and the reinvestment of all dividends paid during the five-year period.

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 ($)

	2010	2011	2012	2013	2014	2015
Community Trust Bancorp, Inc.	100.00	105.84	122.40	173.35	159.59	157.72
NASDAQ Stock Market (U.S.)	100.00	100.31	116.79	155.90	175.33	176.17
NASDAQ Bank Stocks	100.00	74.57	100.48	137.27	153.50	156.89

Item 6. Selected Financial Data 2011-2015

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

Year Ended December 31	2015	2014	2013	2012	2011
Interest income	$144,020	$143,867	$148,127	$153,722	$158,460
Interest expense	11,773	11,797	13,440	21,588	27,005
Net interest income	132,247	132,070	134,687	132,134	131,455
Provision for loan losses	8,650	8,755	8,568	9,450	13,262
Noninterest income	46,809	45,081	49,304	45,957	43,832

Noninterest expense	105,443		105,999		110,251		103,554		106,387	
Income before income taxes	64,963		62,397		65,172		65,087		55,638	
Income taxes	18,531		19,146		20,000		20,225		16,811	
Net income	$46,432		$43,251		$45,172		$44,862		$38,827	
Per common share:										
Basic earnings per share	$2.66		$2.50		$2.63		$2.64		$2.31	
Diluted earnings per share	$2.66		$2.49		$2.62		$2.63		$2.30	
Cash dividends declared-	$1.220		$1.181		$1.154		$1.136		$1.118	
as a % of net income	45.86	%	47.24	%	43.79	%	43.10	%	48.43	%
Book value, end of year	$27.12		$25.64		$23.70		$23.31		$21.61	
Market price, end of year	$34.96		$36.61		$41.05		$29.80		$26.75	
Market to book value, end of year	1.29	x	1.43	x	1.73	x	1.28	x	1.24	x
Price/earnings ratio, end of year	13.14	x	14.64	x	15.57	x	11.30	x	11.58	x
Cash dividend yield, for the year	3.49	%	3.23	%	2.81	%	3.81	%	4.18	%
At year-end:										
Total assets	$3,903,934		$3,723,765		$3,581,716		$3,635,664		$3,591,179	
Long-term debt	61,341		61,341		61,341		61,341		61,341	
Shareholders' equity	475,583		447,877		412,492		400,344		366,866	
Averages:										
Assets	$3,790,282		$3,679,531		$3,651,541		$3,641,660		$3,505,903	
Deposits, including repurchase agreements	3,201,545		3,130,338		3,127,709		3,139,229		3,016,671	
Earning assets	3,524,506		3,422,450		3,384,211		3,357,134		3,221,648	
Loans	2,791,871		2,642,231		2,579,805		2,549,459		2,580,351	
Shareholders' equity	465,682		435,290		408,782		389,377		355,773	
Profitability ratios:										
Return on average assets	1.23	%	1.18	%	1.24	%	1.23	%	1.11	%
Return on average equity	9.97		9.94		11.05		11.52		10.91	
Capital ratios:										
Equity to assets, end of year	12.18	%	12.03	%	11.52	%	11.01	%	10.22	%
Average equity to average assets	12.29		11.83		11.19		10.69		10.15	
Risk based capital ratios:										
Tier 1 leverage	12.40	%	12.04	%	11.51	%	10.65	%	9.89	%
Common equity Tier 1 capital	14.58		--		--		--		--	
Tier 1 capital	16.70		16.51		16.15		15.23		13.88	
Total capital	17.95		17.76		17.40		16.49		15.14	
Other significant ratios:										
Allowance to net loans, end of year	1.26	%	1.26	%	1.30	%	1.30	%	1.30	%
Allowance to nonperforming loans, end of year	126.16		88.43		78.08		92.33		89.01	
Nonperforming assets to loans and foreclosed properties, end of year	2.38		2.74		3.12		3.20		3.59	
Net interest margin	3.81		3.92		4.03		3.99		4.13	
Efficiency ratio	58.20		59.12		59.33		57.93		60.23	

Other statistics:					
Average common shares outstanding	17,431	17,326	17,158	17,013	16,844
Number of full-time equivalent employees, end of year	984	1,012	1,022	1,035	1,015

Quarterly Financial Data
(Unaudited)

(in thousands except ratios and per share amounts)

Three Months Ended	December 31	September 30	June 30	March 31
2015				
Net interest income	$ 33,195	$ 32,965	$33,182	$32,905
Net interest income, taxable equivalent basis	33,692	33,467	33,697	33,418
Provision for loan losses	1,910	2,520	2,319	1,901
Noninterest income	11,810	12,035	12,228	10,736
Noninterest expense	25,778	27,534	26,313	25,818
Net income	11,870	11,222	12,402	10,938
Per common share:				
Basic earnings per share	$ 0.68	$ 0.64	$0.71	$0.63
Diluted earnings per share	0.68	0.64	0.71	0.63
Dividends declared	0.310	0.310	0.300	0.300
Common stock price:				
High	$ 37.15	$ 37.63	$35.49	$36.47
Low	33.68	33.62	31.54	31.53
Last trade	34.96	35.51	34.87	33.16
Selected ratios:				
Return on average assets, annualized	1.22 %	1.18 %	1.32 %	1.18 %
Return on average common equity, annualized	9.91	9.50	10.78	9.70
Net interest margin, annualized	3.74	3.77	3.85	3.89

Three Months Ended	December 31	September 30	June 30	March 31
2014				
Net interest income	$ 33,499	$ 32,988	$32,833	$32,750
Net interest income, taxable equivalent basis	34,010	33,475	33,320	33,198
Provision for loan losses	3,375	3,300	735	1,345
Noninterest income	12,038	12,006	10,972	10,065
Noninterest expense	28,019	25,863	25,256	26,861
Net income	9,992	10,924	12,195	10,140
Per common share:				
Basic earnings per share	$ 0.58	$ 0.63	$0.70	$0.59
Diluted earnings per share	0.57	0.63	0.70	0.58
Dividends declared	0.300	0.300	0.290	0.291
Common stock price:				

High	$ 37.54	$ 36.35	$38.60	$41.13
Low	33.19	33.47	32.33	34.18
Last trade	36.61	33.63	34.22	37.71
Selected ratios:				
Return on average assets, annualized	1.07 %	1.18 %	1.33 %	1.13 %
Return on average common equity, annualized	8.87	9.89	11.32	9.72
Net interest margin, annualized	3.90	3.88	3.92	3.97

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:

v Our Business

v Financial Goals and Performance

v Results of Operations and Financial Condition

v Contractual Obligations and Commitments

v Liquidity and Market Risk

v Interest Rate Risk

v Capital Resources

v Impact of Inflation, Changing Prices, and Economic Conditions

v Stock Repurchase Program

v 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 and one trust 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, 2015, we had total consolidated assets of $3.9 billion and total consolidated deposits, including repurchase agreements, of $3.2 billion. Total shareholders' equity at December 31, 2015 was $475.6 million. Trust assets under management, which are excluded from CTBI's total consolidated assets, at December 31, 2015, were $1.9 billion, including CTB's investment portfolio totaling $0.6 billion.

Through our subsidiaries, we engage 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 our banking subsidiary, Community Trust Bank, Inc. ("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 depositories for securities, and as providers of full service brokerage 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 2016. Rather, the goals represent a range of target performance for 2016. There is no assurance that any or all of these goals will be achieved. See "Cautionary Statement Regarding Forward Looking Statements."

	2015 Goals	2015 Performance	Variance	2016 Goals
Earnings per share	$2.59	$2.66	$0.07	$2.72 - $2.82
Net income	$45.4 million	$46.4 million	$1.0 million	$48.0 - $49.2 million
ROAA	1.21%	1.23%	0.02%	1.22% - 1.28%
ROAE	9.81%	9.97%	0.16%	9.4% - 10.4%
Revenues	$181.5 million	$179.1 million	($2.4 million)	$183.0 - $189.6 million
Noninterest revenue as of % of total revenue	25.00%	26.19%	1.19%	26.0% - 26.5%
Assets	$3.81 billion	$3.90 billion	$0.09 billion	$3.8 - $4.2 billion
Loans	$2.84 billion	$2.87 billion	$0.03 billion	$2.9 - $3.1 billion
Deposits, including repurchase agreements	$3.13 billion	$3.23 billion	$0.10 billion	$3.2 - $3.4 billion
Shareholders' equity	$472.0 million	$475.6 million	$3.6 million	$485.0 - $520.0 million

Results of Operations and Financial Condition

For the year ended December 31, 2015, we reported earnings of $46.4 million, or $2.66 per basic share, compared to $43.3 million, or $2.50 per basic share for the year ended December 31, 2014. Earnings for the year ended December 31, 2013 were $45.2 million or $2.63 per basic share.

2015 Highlights

v Our loan portfolio increased $140.1 million from December 31, 2014.

v Our investment portfolio decreased $45.2 million from December 31, 2014.

v Deposits, including repurchase agreements, increased $122.6 million from December 31, 2014.

v Nonperforming loans at $28.6 million decreased $10.3 million from December 31, 2014. Nonperforming assets at $69.5 million decreased $6.4 million from December 31, 2014.

v Net loan charge-offs for the year 2015 were $7.0 million, or 0.25% of average loans annualized, compared to $8.3 million, or 0.31%, experienced for the year 2014.

v

CTBI's investments in low income housing and other community related investments provided tax credits to offset current income tax expense for the year 2015 in the amount of $2.7 million compared to $1.1 million for the year 2014. The amortization of our investment in these partnerships for the year 2015 was $2.6 million compared to $0.9 million for the year 2014.

v Noninterest expense for the year nominally decreased in total from prior year as the increase in amortization expense was offset by decreases in occupancy and equipment expense, data processing expense, and repossession expense.

Income Statement Review

(dollars in thousands) Year Ended December 31	2015	2014	2013	Change 2015 vs. 2014 Amount	Change 2015 vs. 2014 Percent
Net interest income	$132,247	$132,070	$134,687	$177	0.1 %
Provision for loan losses	8,650	8,755	8,568	(105)	(1.2)
Noninterest income	46,809	45,081	49,304	1,728	3.8
Noninterest expense	105,443	105,999	110,251	(556)	(0.5)
Income taxes	18,531	19,146	20,000	(615)	(3.2)
Net income	$46,432	$43,251	$45,172	$3,181	7.4 %
Average earning assets	$3,524,506	$3,422,450	$3,384,211	$102,056	3.0 %
Yield on average earnings assets	4.14 %	4.26 %	4.43 %	(0.12)%	(2.8)%
Cost of interest bearing funds	0.46 %	0.46 %	0.52 %	0.00 %	0.0 %
Net interest margin	3.81 %	3.92 %	4.03 %	(0.11)%	(2.8)%

Net Interest Income

Net interest income for the year ended December 31, 2015 increased $0.2 million, or 0.1%, from prior year. Our yield on average earning assets decreased 12 basis points from prior year. Our cost of interest bearing funds remained flat to prior year. Average loans to deposits, including repurchase agreements, for the year ended December 31, 2015 were 87.2% compared to 84.4% for the year ended December 31, 2014.

Net interest income for the year ended December 31, 2014 decreased $2.6 million, or 1.9%, from prior year. Our yield on average earning assets decreased 17 basis points from prior year. Our cost of interest bearing funds decreased 6 basis points from prior year. Average loans to deposits, including repurchase agreements, for the year ended December 31, 2014 were 84.4% compared to 82.5% for the year ended December 31, 2013.

Provision for Loan Losses

The provision for loan losses that was added to the allowance for 2015 of $8.7 million was a $0.1 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 that was added to the allowance for 2014 of $8.8 million was a $0.2 million increase from 2013.

Noninterest Income

Noninterest income for the year ended December 31, 2015 increased $1.7 million, or 3.8%, from prior year as a result of increases in gains on sales of loans ($0.5 million), deposit service charges ($0.4 million), trust revenue ($0.3 million), and loan related fees ($0.3 million) and decreased securities losses ($0.1 million). Year over year, we had a $0.5 million fluctuation in the fair value adjustments of our mortgage servicing rights.

Noninterest income for the year ended December 31, 2014 decreased $4.2 million, or 8.6% from 2013. The year over year decrease was primarily attributable to a $1.6 million decrease in gains on sales of loans, a $0.8 million decline in deposit service charges, a $1.2 million decline in loan related fees resulting from the fluctuation in the fair value of our mortgage servicing rights, and a decline in other noninterest income due to the 2013 death benefits received in bank owned life insurance of $0.9 million. The decrease in gains on sales of loans from 2013 was reflective of the decline in secondary market residential real estate mortgage activity, and the decrease in deposit service charges from 2013 was a result of the change in our processing of overdrafts. Trust revenue for the year increased $0.8 million.

Noninterest Expense

Noninterest expense for the year ended December 31, 2015 decreased $0.6 million, or 0.5%, from prior year, as a result of decreases in occupancy and equipment expense ($0.6 million), data processing expense ($1.1 million), and repossession expense ($0.2 million), partially offset by the $1.7 million increase in the amortization expense related to tax credits.

Noninterest expense for the year ended December 31, 2014 decreased 3.9% from 2013. The decrease was a result of the $6.2 million accrual booked in the fourth quarter 2013 related to the Federal Reserve determination regarding an error in the manner in which we processed certain non-PIN based point-of-sale transactions. The matter was resolved in 2014, and a favorable adjustment in the accrual of $0.8 million was booked based on actual customer refunds. As a result of the determination, we were required to modify our processing of overdraft transactions, revise our disclosures related to these transactions, and provide restitution to accountholders charged these fees from June 28, 2010 to the date our methodology was revised. The determination also resulted in impediments to CTBI's merger and acquisition activity for an unspecified period of time.

Income Taxes

As disclosed in our September 30, 2015 Form 10-Q, CTBI was under IRS examination of our 2013 corporate income tax return. In November 2015, we were notified by the IRS that the review has been completed and no changes were proposed to our return.

Balance Sheet Review

CTBI's total assets at $3.9 billion increased $180.2 million, or 4.8%, from December 31, 2014. Loans outstanding at December 31, 2015 were $2.9 billion, increasing $140.1 million, or 5.1%, year over year. We experienced growth during the year of $65.4 million in the commercial loan portfolio, $74.6 million in the indirect loan portfolio, and $4.2 million in the consumer direct loan portfolio, partially offset by a $4.1 million decrease in the residential loan portfolio. CTBI's investment portfolio decreased $45.2 million, or 7.0%, from December 31, 2014. The decline in the investment portfolio year over year was utilized to support loan growth. Deposits, including repurchase agreements, at $3.2 billion increased $122.6 million, or 3.9%, from December 31, 2014.

Shareholders' equity at December 31, 2015 was $475.6 million compared to $447.9 million at December 31, 2014. CTBI's annualized dividend yield to shareholders as of December 31, 2015 was 3.55%.

Loans

(in thousands) December 31, 2015

Loan Category	Balance	Variance from Prior Year	Net Charge-Offs	Nonperforming	ALLL
Commercial:					
Construction	$78,020	(36.0)%	$ (10)	$ 3,432	$2,199
Secured by real estate	1,052,919	11.0	1,319	9,685	14,434
Equipment lease financing	8,514	(17.7)	0	0	79
Other commercial	358,898	1.9	1,376	1,795	4,225
Total commercial	1,498,351	4.6	2,685	14,912	20,937
Residential:					
Real estate construction	61,750	(1.1)	131	304	550
Real estate mortgage	707,874	(0.6)	1,304	12,131	6,678
Home equity	89,450	1.3	75	631	839
Total residential	859,074	(0.5)	1,510	13,066	8,067
Consumer:					
Consumer direct	126,406	3.5	871	236	1,594
Consumer indirect	390,130	23.6	1,937	395	5,496
Total consumer	516,536	18.0	2,808	631	7,090
Total loans	$2,873,961	5.1 %	$ 7,003	$ 28,609	$36,094

Asset Quality

CTBI's total nonperforming loans were $28.6 million at December 31, 2015, a 26.6% decrease from the $39.0 million at December 31, 2014. The decrease for the year included a $5.9 million decrease in loans 90+ days past due and a $4.4 million decrease in nonaccrual loans. Loans 30-89 days past due at $14.4 million was a decrease of $0.7 million from December 31, 2014. Our loan portfolio management processes focus on the immediate identification, management, and resolution of problem loans to maximize recovery and minimize loss. Our loan 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, 2015 totaled $49.9 million compared to $59.1 million at December 31, 2014. Included in certain loan categories of impaired loans are troubled debt restructurings that were classified as impaired. At December 31, 2015, CTBI had $27.4 million in commercial loans secured by real estate, $6.1 million in commercial real estate construction loans, $7.4 million in commercial other loans, and $1.7 million in real estate mortgage loans that were modified in troubled debt restructurings and 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 $40.7 million at December 31, 2015 was an increase from $36.8 million at December 31, 2014. Sales of foreclosed properties for the year ended December 31, 2015 totaled $13.4 million while new foreclosed properties totaled $18.8 million. At December 31, 2015, the book value of properties under contracts to sell was $3.0 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 2015 to reflect the decrease in current market values of foreclosed properties totaled $1.7 million. There were 135 properties reappraised during 2015. Of these, 49 were written down by a total of $1.5 million. Charges during the year ended December 31, 2014 were $1.7 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 eighty-seven percent of our OREO properties have been reappraised within the past 12 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, 2015 is shown below:

(in thousands)

Appraisal Aging Analysis		Holding Period Analysis	
Days Since Last Appraisal	Current Book Value	Holding Period	Current Book Value
Up to 3 months	$12,677	Less than one year	$13,504
3 to 6 months	12,283	1 to 2 years	4,638
6 to 9 months	4,952	2 to 3 years	1,897
9 to 12 months	5,419	3 to 4 years	2,608
12 to 24 months	4,424	4 to 5 years	10,897
Over 24 months	919	Over 5 years*	7,130
Total	$40,674	Total	$40,674

* 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.

Net loan charge-offs for the year were $7.0 million, or 0.25% of average loans annualized, a decrease from prior year's $8.3 million, or 0.31% of average loans annualized. Of the total net charge-offs, $2.7 million were in commercial loans, $1.9 million were in indirect auto loans, $1.5 million were in residential real estate mortgage loans, and $0.9 million were in direct consumer loans.

Our loan loss reserve as a percentage of total loans outstanding at December 31, 2015 remained at 1.26% from December 31, 2014. Our reserve coverage (allowance for loan and lease loss reserve to nonperforming loans) improved to 126.2% at December 31, 2015 compared to 88.4% at December 31, 2014.

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, 2015, 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	$1,791,584	$1,791,584	$0	$0
Certificates of deposit and other time deposits	1,189,198	983,997	204,807	394
Repurchase agreements and other short-term borrowings	254,821	254,821	0	0
Advances from Federal Home Loan Bank	101,056	100,120	541	395
Interest on advances from Federal Home Loan Bank*	43	23	19	1
Long-term debt	61,341	0	0	61,341
Interest on long-term debt*	62,259	1,693	10,848	49,718
Annual rental commitments under leases	9,026	1,943	3,742	3,341
Total contractual obligations	$3,469,328	$3,134,181	$219,957	$115,190

*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 $61.3 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	$28,143	$17,505	$10,638	$0
Commitments to extend credit	455,273	370,685	70,847	13,741
Total other commitments	$483,416	$388,190	$81,485	$13,741

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. As of December 31, 2015, we had approximately $187.6 million in cash and cash equivalents and approximately $594.9

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 $105.5 million and $640.2 million at December 31, 2014. 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. 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 $101.1 million at December 31, 2015 compared to $61.2 million at December 31, 2014. As of December 31, 2015, we had a $218.3 million available borrowing position with the Federal Home Loan Bank compared to $312.3 million at December 31, 2014. 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. 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, and issuance of long-term debt. At December 31, 2015 and December 31, 2014, we had $44 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, 2015 were federal funds sold of $0.8 million compared to $4.9 million at December 31, 2014, and deposits with the Federal Reserve were $130.6 million at December 31, 2015 compared to $40.9 million at December 31, 2014. 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 2015, available-for-sale ("AFS") securities comprised approximately 99.7% of the total investment portfolio, and the AFS portfolio was approximately 125.1% of equity capital. Ninety-two 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, 2015:

Change in Interest Rates (basis points)	Percentage Change in Net Interest Income (12 Months)
+400	7.54%
+300	5.46%

+200	3.33%
+100	1.35%
-25	(0.30)%

The following table shows our estimated earnings sensitivity profile as of December 31, 2014:

Change in Interest Rates (basis points)	Percentage Change in Net Interest Income (12 Months)
+400	2.42%
+300	1.79%
+200	1.11%
+100	0.51%
-25	(0.14)%

The simulation model used the yield curve spread evenly over a twelve-month period. The measurement at December 31, 2015 estimates that our net interest income in an up-rate environment would increase by 7.54% at a 400 basis point change, 5.46% increase at a 300 basis point change, 3.33% increase at a 200 basis point change, and a 1.35% 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 0.30% 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. Virtually 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 2015 and 2014, $80.6 million and $51.2 million, respectively, was 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, 2015 is presented below. In the 12 month repricing GAP, rate sensitive liabilities ("RSL") exceeded rate sensitive assets ("RSA") by $250.8 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	$1,445,646	$226,299	$192,621	$171,287	$766,140	$442,845	$659,097
Liabilities and Equity	890,167	365,399	422,977	608,160	1,044,800	65,290	507,143
Repricing difference	555,479	(139,100)	(230,356)	(436,872)	(278,659)	377,555	151,954
Cumulative GAP	555,479	416,379	186,023	(250,849)	(529,509)	(151,954)	0
RSA/RSL	1.62 x	0.62 x	0.46 x	0.28 x	0.73 x	6.78 x	1.30 x
Cumulative GAP to total assets	14.23 %	10.67 %	4.77 %	(6.43)%	(13.56)%	(3.89)%	0.00 %

Capital Resources

We continue to grow our shareholders' equity while also providing an annual dividend yield for the year 2015 of 3.55% to shareholders. Shareholders' equity increased 6.2% from December 31, 2014 to $475.6 million at December 31, 2015. Our primary source of capital growth is the retention of earnings. Cash dividends were $1.220 per share for 2015 and $1.181 per share for 2014. We retained 54.1% of our earnings in 2015 compared to 52.8% in 2014.

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, 2015 were 12.40%, 14.58%, 16.70%, and 17.75%, respectively, all exceeding the threshold for meeting the definition of "well-capitalized." See note 21 to the consolidated financial statements for further information.

As of December 31, 2015, 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.

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 will be phased-in over four years beginning on January 1, 2016.

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, 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 the Bank, 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 new 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 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.

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 slowly recovering. Commerce and business growth across a wide range of industries and regions in the U.S. remains reduced and local governments and many businesses continue to experience financial difficulty. While reflecting some improvement in many parts of the country and in parts of our own service area, unemployment levels remain elevated. There can be no assurance that these conditions will continue to improve and these conditions could worsen. Regionally, recent economic conditions in the coal industry could result in additional unemployment in the markets we serve where coal is a major contributor to the economy. In addition, future federal budget negotiations, the implementation of the Patient Protection and Affordable Care Act, the level of U.S. debt, the Federal Open Market Committee's plan for economic easing, and declining oil prices 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 many areas of the United States, unemployment rates remain elevated in certain markets in which we operate. 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.

Overall, during recent years, the business environment has been adverse for many households and businesses in the United States and worldwide. 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, 2015, 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 2015:

	Board Authorizations	Repurchases*		
		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	0	-	0	
2010	0	-	0	
2011	0	-	0	
2012	0	-	0	
2013	0	-	0	
2014	0	-	0	
2015	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. During the quarter ending December 31, 2015, CTBI implemented a new model for determining the appropriate level for the allowance for loan and lease losses (ALLL). The new model uses the same underlying methodology and criteria for determining the appropriate level of the ALLL under ASC 450 as did the previous model but applies the criteria at the individual loan level that is then aggregated up to the loan segment level for evaluation. This did not change CTBI's process for evaluating the ASC 310-35 impairment analysis performed on individual impaired loans. In the new model the historic and qualitative factors of the ALLL allocations are based upon shared common credit risk traits, such as the market that the credit was originated, the credit score of the mortgage or consumer loan borrower or the loan grade assigned to a commercial loan, which are then applied to each loan individually based on the loan's credit risk traits. The new model was built on the premise that the assumptions contained in the previous model were appropriate but would be more accurately applied by having the ability to evaluate the criteria allocations at the loan level to address the particular credit risk characteristics specific to each loan type. The implementation of the new model did not have significant impact on the financial position or results of operations of CTBI for the fourth quarter of 2015. Since arriving at an appropriate ALLL involves a high degree of management judgment, we use an ongoing quarterly analysis to develop a range of estimated losses. In accordance with accounting principles generally accepted in the United States, we use our best estimate within the range of potential credit loss to determine the appropriate ALLL. 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, a charge off is taken, if necessary, in order that the remaining balance reflects the fair value estimated less costs to sell of the collateral then transferred to other real estate owned or other repossessed assets. 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. Based upon management's judgment, "best case," "worst case," and "most likely" scenarios are determined. The total of each of these weighted factors is then applied against the applicable portion of the portfolio and the ALLL is adjusted accordingly to approximate the most likely scenario. 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 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. 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 by a charge to income.

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	2015	2014
Assets:		
Cash and due from banks	$51,974	$56,299
Interest bearing deposits	134,846	44,285
Federal funds sold	791	4,933
Cash and cash equivalents	187,611	105,517
Certificates of deposit in other banks	3,832	8,197
Securities available-for-sale at fair value (amortized cost of $593,381 and $638,395, respectively)	594,936	640,186
Securities held-to-maturity at amortized cost (fair value of $1,651 and $1,644, respectively)	1,661	1,662
Loans held for sale	1,172	2,264
Loans	2,873,961	2,733,824
Allowance for loan and lease losses	(36,094)	(34,447)
Net loans	2,837,867	2,699,377
Premises and equipment, net	48,188	49,980
Federal Home Loan Bank stock	17,927	17,927
Federal Reserve Bank stock	4,887	4,869
Goodwill	65,490	65,490
Core deposit intangible (net of accumulated amortization of $8,324 and $8,138, respectively)	291	477
Bank owned life insurance	62,335	60,697
Mortgage servicing rights	3,236	2,968
Other real estate owned	40,674	36,776
Other assets	33,827	27,378
Total assets	$3,903,934	$3,723,765
Liabilities and shareholders' equity:		
Deposits:		
Noninterest bearing	$749,975	$677,626
Interest bearing	2,230,807	2,196,631
Total deposits	2,980,782	2,874,257
Repurchase agreements	251,225	235,186
Federal funds purchased and other short-term borrowings	3,596	11,041
Advances from Federal Home Loan Bank	101,056	61,170
Long-term debt	61,341	61,341
Deferred taxes	8,920	9,492
Other liabilities	21,431	23,401
Total liabilities	3,428,351	3,275,888

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 2015 – 17,536,914; 2014 – 17,466,375	87,685	87,332
Capital surplus	217,032	214,684
Retained earnings	169,855	144,697
Accumulated other comprehensive income, net of tax	1,011	1,164
Total shareholders' equity	475,583	447,877
Total liabilities and shareholders' equity	$3,903,934	$3,723,765

See notes to consolidated financial statements.

Consolidated Statements of Income and Comprehensive Income

(in thousands except per share data) Year Ended December 31	2015	2014	2013
Interest income:			
Interest and fees on loans, including loans held for sale	$130,829	$128,457	$131,725
Interest and dividends on securities:			
Taxable	9,153	11,314	12,425
Tax exempt	2,705	2,576	2,249
Interest and dividends on Federal Reserve Bank and Federal Home Loan Bank stock	1,010	1,136	1,367
Other, including interest on federal funds sold	323	384	361
Total interest income	144,020	143,867	148,127
Interest expense:			
Interest on deposits	9,616	9,798	11,313
Interest on repurchase agreements and other short-term borrowings	938	841	940
Interest on advances from Federal Home Loan Bank	49	27	26
Interest on long-term debt	1,170	1,131	1,161
Total interest expense	11,773	11,797	13,440
Net interest income	132,247	132,070	134,687
Provision for loan losses	8,650	8,755	8,568
Net interest income after provision for loan losses	123,597	123,315	126,119
Noninterest income:			
Service charges on deposit accounts	24,282	23,892	24,650
Gains on sales of loans, net	1,978	1,468	3,098
Trust and wealth management income	9,286	9,011	8,199
Loan related fees	3,821	3,531	4,697
Bank owned life insurance	2,158	1,996	2,747
Brokerage revenue	1,426	2,454	2,245
Securities losses	(106)	(211)	(45)
Other noninterest income	3,964	2,940	3,713
Total noninterest income	46,809	45,081	49,304
Noninterest expense:			
Officer salaries and employee benefits	11,652	11,076	10,432
Other salaries and employee benefits	42,911	43,417	42,411
Occupancy, net	7,826	8,017	7,804
Equipment	3,049	3,414	3,865
Data processing	6,743	7,877	7,308
Bank franchise tax	5,174	4,857	4,493
Legal fees	2,236	2,444	2,392
Professional fees	1,884	1,832	1,790
FDIC insurance	2,382	2,400	2,442
Other real estate owned provision and expense	3,533	3,897	5,154
Repossession expense	1,265	1,508	1,522
Amortization of limited partnership investments	2,580	859	729

Other noninterest expense	14,208	14,401	19,909
Total noninterest expense	105,443	105,999	110,251
Income before income taxes	64,963	62,397	65,172
Income taxes	18,531	19,146	20,000
Net income	$46,432	$43,251	$45,172
Other comprehensive income (loss):			
Unrealized holding gains (losses) on securities available-for-sale:			
Unrealized holding gains (losses) arising during the period	(342)	13,928	(31,878)
Less: Reclassification adjustments for realized losses included in net income	(106)	(211)	(45)
Tax (benefit) expense	(83)	4,949	(11,142)
Other comprehensive income (loss), net of tax	(153)	9,190	(20,691)
Comprehensive income	$46,279	$52,441	$24,481
Basic earnings per share	$2.66	$2.50	$2.63
Diluted earnings per share	$2.66	$2.49	$2.62
Weighted average shares outstanding-basic	17,431	17,326	17,158
Weighted average shares outstanding-diluted	17,483	17,397	17,240
Dividends declared per share	$1.220	$1.181	$1.154

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, 2013	17,174,231	$78,065	$160,670	$148,944	$ 12,665	$400,344
Net income				45,172		45,172
Other comprehensive loss, net of tax of $11,142					(20,691)	(20,691)
Cash dividends declared ($1.154 per share)				(19,827)		(19,827)
Issuance of common stock	228,260	1,038	5,310			6,348
Issuance of restricted stock	950	4	(4)			0
Stock-based compensation and related excess tax benefits			1,146			1,146
Balance, December 31, 2013	17,403,441	79,107	167,122	174,289	(8,026)	412,492
Net income				43,251		43,251
Other comprehensive income, net of tax of ($4,949)					9,190	9,190
Cash dividends declared ($1.181 per share)				(20,539)		(20,539)
Issuance of 10% stock dividend		7,910	44,394	(52,304)		0
Issuance of common stock	69,138	346	1,646			1,992
Vesting of restricted stock	(8,945)	(45)	45			0
Issuance of restricted stock	4,576	23	(23)			0
Forfeiture of restricted stock	(1,835)	(9)	9			0
Stock-based compensation and related excess tax benefits			1,491			1,491
Balance, December 31, 2014	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 ($1.220 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

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

(in thousands) Year Ended December 31	2015	2014	2013
Cash flows from operating activities:			
Net income	$46,432	$43,251	$45,172
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	3,932	4,314	4,562
Deferred taxes	115	(1,048)	582
Stock-based compensation	783	852	698
Excess tax benefits of stock-based compensation	104	760	572
Provision for loan losses	8,650	8,755	8,568
Write-downs of other real estate owned and other repossessed assets	1,656	1,730	2,480
Gains on sale of mortgage loans held for sale	(1,978)	(1,468)	(3,098)
Securities losses	106	211	45
Gains on sale of assets, net	(321)	(73)	(19)
Proceeds from sale of mortgage loans held for sale	80,571	51,181	134,695
Funding of mortgage loans held for sale	(77,501)	(51,149)	(109,939)
Amortization of securities premiums and discounts, net	3,098	2,661	3,976
Change in cash surrender value of bank owned life insurance	(1,638)	(1,506)	(1,488)
Mortgage servicing rights:			
Fair value adjustments	289	830	(206)
New servicing assets created	(557)	(374)	(854)
Changes in:			
Other assets	(6,274)	(60)	4,647
Other liabilities	(2,488)	(1,339)	323
Net cash provided by operating activities	54,979	57,528	90,716
Cash flows from investing activities:			
Certificates of deposit in other banks:			
Purchase of certificates of deposit	0	(245)	(4,472)
Maturity of certificates of deposit	4,365	1,616	240
Securities available-for-sale (AFS):			
Purchase of AFS securities	(81,456)	(217,949)	(197,264)
Proceeds from sales of AFS securities	44,198	135,411	42,936
Proceeds from prepayments, calls, and maturities of AFS securities	79,068	63,023	112,412
Securities held-to-maturity (HTM):			
Proceeds from prepayments and maturities of HTM securities	1	0	0
Change in loans, net	(161,702)	(132,906)	(76,442)
Purchase of premises and equipment	(2,246)	(2,081)	(2,105)
Proceeds from sale of premises and equipment	239	82	48
Redemption of stock by FHLB	0	7,746	0
Additional investment in Federal Reserve Bank stock	(18)	(1)	(1)
Cancellation of Federal Reserve Bank stock	0	18	0
Proceeds from sale of other real estate owned and repossessed assets	9,287	6,714	9,914
Additional investment in other real estate owned and repossessed assets	(85)	0	(6)
Additional investment in bank owned life insurance	0	(5,504)	(7,306)
Net cash used in investing activities	(108,349)	(144,076)	(122,046)

Cash flows from financing activities:			
Change in deposits, net	106,525	19,183	(48,774)
Change in repurchase agreements, federal funds purchased, and other short-term borrowings, net	8,594	25,695	(1,902)
Advances from Federal Home Loan Bank	170,000	60,000	30,000
Payments on advances from Federal Home Loan Bank	(130,114)	(116)	(30,143)
Issuance of common stock	2,082	1,992	6,348
Netting of common stock	(189)	0	0
Excess tax benefits of stock-based compensation	(104)	(760)	(572)
Dividends paid	(21,330)	(20,570)	(24,546)
Net cash provided by (used in) financing activities	135,464	85,424	(69,589)
Net increase (decrease) in cash and cash equivalents	82,094	(1,124)	(100,919)
Cash and cash equivalents at beginning of year	105,517	106,641	207,560
Cash and cash equivalents at end of year	$187,611	$105,517	$106,641
Supplemental disclosures:			
Income taxes paid	$20,527	$15,818	$20,827
Interest paid	11,609	11,922	13,717
Non-cash activities:			
Loans to facilitate the sale of other real estate owned and repossessed assets	4,343	6,168	3,528
Common stock dividends accrued, paid in subsequent quarter	239	216	167
Real estate acquired in settlement of loans	18,557	12,199	7,384

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. During the quarter ending December 31, 2015, CTBI implemented a new model for determining the appropriate level for the allowance for loan and lease losses (ALLL). The new model uses the same underlying methodology and criteria for determining the appropriate level of the ALLL under ASC 450 as did the previous model but applies the criteria at the individual loan level that is then aggregated up to the loan segment level for evaluation. This did not change CTBI's process for evaluating the ASC 310-35 impairment analysis performed on individual impaired loans. In the new model the historic and qualitative factors of the ALLL allocations are based upon shared common credit risk traits, such as the market that the credit was originated, the credit score of the mortgage or consumer loan borrower or the loan grade assigned to a commercial loan, which are then applied to each loan individually based on the loan's credit risk traits. The new model was built on the premise that the assumptions contained in the previous model were appropriate but would be more accurately applied by having the ability to evaluate the criteria allocations at the loan level to address the particular credit risk characteristics specific to each loan type. The implementation of the new model did not have significant impact on the financial position or results of operations of CTBI for the fourth quarter of 2015. Since arriving at an appropriate ALLL involves a high degree of management judgment, we use an ongoing quarterly analysis to develop a range of estimated losses. In accordance with accounting principles generally accepted in the United States, we use our best estimate within the range of potential credit loss to determine the appropriate ALLL.

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, a charge off is taken, if necessary, in order that the remaining balance reflects the fair value estimated less costs to sell of the collateral then transferred to other real estate owned or other repossessed assets. 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. Based upon management's judgment, "best case," "worst case," and "most likely" scenarios are determined. The total of each of these weighted factors is then applied against the applicable portion of the portfolio and the ALLL is adjusted accordingly to approximate the most likely scenario. 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 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. 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 by a charge to income.

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, 2013. The activity to core deposit intangible for the years ended December 31, 2015, 2014, and 2013 is shown below.

Core Deposit Intangible:

(in thousands)	2015	2014	2013
Beginning balance, January 1	$477	$690	$904
Amortization	(186)	(213)	(214)
Ending balance, December 31	$291	$477	$690

Amortization of core deposit intangible is estimated at approximately $0.2 million annually for year one and $0.1 million for year two, at which time core deposit intangible will be fully amortized.

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, 2015, 2014, and 2013, CTBI has not recognized a significant amount of interest expense or penalties in connection with income taxes.

As disclosed in our September 30, 2015 Form 10-Q, CTBI was under IRS examination of our 2013 corporate income tax return. In November 2015, we were notified by the IRS that the review has been completed and no changes were proposed to our return.

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.

On June 2, 2014, CTBI issued a 10% stock dividend to shareholders of record on May 15, 2014. Based on the number of common shares outstanding on the record date, CTBI issued 1,582,137 new shares. The fair market value of the additional shares issued, aggregating $52.3 million, was charged to retained earnings, and common stock and additional paid-in capital were increased by $7.9 million and $44.4 million, respectively. All references in the consolidated financial statements and accompanying footnotes to the number of common shares and per share amounts are based on the increased number of shares giving retrospective effect to the stock dividend.

New Accounting Standards –

Ø Reclassification of Residential Real Estate Collateralized Consumer Mortgage Loans upon Foreclosure – In January 2014, the FASB also issued ASU No. 2014-04, Receivables—Troubled Debt Restructurings by Creditors (Subtopic 310-40): Reclassification of Residential Real Estate Collateralized Consumer Mortgage Loans upon Foreclosure, which clarifies when an in-substance foreclosure or repossession of residential real estate property occurs, requiring a creditor to reclassify the loan to other real estate. According to ASU 2014-04, a consumer mortgage loan should be reclassified to other real estate either upon the creditor obtaining legal title to the real estate collateral or when the borrower voluntarily conveys all interest in the real estate property to the creditor through a deed in lieu of foreclosure or similar legal agreement. ASU 2014-04 also clarifies that a creditor should not delay reclassification when a borrower has a legal right of redemption. ASU 2014-04 was effective for interim and annual periods beginning after December 15, 2014. The adoption of this ASU did not have a material impact on CTBI's consolidated financial statements as our practice was already consistent with the new guidance.

Ø Elimination of Extraordinary Reporting – In January 2015, the FASB issued ASU No. 2015-01, Income Statement – Extraordinary and Unusual Items (Subtopic 225-20): Simplifying Income Statement Presentation by Eliminating the Concept of Extraordinary Items. ASU No. 2015-01 eliminates from U.S. GAAP the concept of an extraordinary item. The FASB issued this ASU as part of its initiative to reduce complexity in accounting standards. The objective of the simplification initiative is to identify, evaluate, and improve areas of U.S. GAAP for which cost and complexity can be reduced while maintaining or improving the usefulness of the information provided to the users of financial statements. The amendments in this ASU are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015. A reporting entity may apply the amendments prospectively. A reporting entity also may apply the amendments retrospectively to all prior periods presented in the financial statements. Early adoption is permitted provided that the guidance is applied from the beginning of the fiscal year of adoption. The effective date is the same for both public business entities and all other entities. For an entity that prospectively applies the guidance, the only required transition disclosure will be to disclose, if applicable, both the nature and the amount of an item included in income from continuing operations after adoption that adjusts an extraordinary item previously classified and presented before the date of adoption. An entity retrospectively applying the guidance should provide the disclosures in paragraphs 250-10-50-1 through 50-2. The adoption of this ASU is not expected to have a material impact on CTBI's consolidated financial statements.

Ø Intangibles – Goodwill and Other – Internal-Use Software – In April 2015, the FASB issued ASU No. 2015-05, Intangibles – Goodwill and Other – Internal-Use Software (Subtopic 350-40). The amendments in this update provide guidance to customers about whether a cloud computing arrangement includes a software license. If a cloud computing arrangement includes a software license, then the customer should account for the software license element of the arrangement consistent with the acquisition of other software licenses. If a cloud computing arrangement does not include a software license, the customer should account for the arrangement as a service contract. The guidance will not change GAAP for a customer's accounting for service contracts. In addition, the guidance in this update supersedes paragraph 350-40-25-16. Consequently, all software licenses within the scope of Subtopic 350-40 will be accounted for consistent with other licenses of intangible assets. For public business entities, the amendments will be effective for annual periods, including interim periods within those annual periods, beginning after December 15, 2015. Early adoption is permitted. An entity can elect to adopt the amendments either (1) prospectively to all arrangements entered into or materially modified after the effective date or (2) retrospectively. For prospective transition, the only disclosure requirements at transition are the nature of and reason for the change in accounting principle, the transition method, and a qualitative description of the financial statement line items affected by the change. For retrospective transition, the disclosure requirements at transition include the requirements for prospective transition and quantitative information about the effects of the accounting change. We do not expect the adoption of this ASU to have a material effect on CTBI's consolidated financial statements.

Ø Business Combinations: Simplifying the Accounting Measurement-Period Adjustments – In September 2015, the FASB issued ASU No. 2015-16, Business Combinations (Topic 805): Simplifying the Accounting for Measurement-Period Adjustments. Topic 805 requires that an acquirer retrospectively adjust provisional amounts recognized in a business combination, during the measurement period. To simplify the accounting for adjustments made to provisional amounts, the amendments in the Update require that the acquirer recognize adjustments to provisional amounts that are identified during the measurement period in the reporting period in which the adjustment amount is determined. The acquirer is required to also record, in the same period's financial statements, the effect on earnings of changes in depreciation, amortization, or other income effects, if any, as a result of the change to the provisional amounts, calculated as if the accounting had been completed at the acquisition date. In addition an entity is required to present separately on the face of the income statement or disclose in the notes to the financial statements the portion of the amount recorded in current-period earnings by line item that would have been recorded in previous reporting periods if the adjustment to the provisional amounts had been recognized as of the acquisition date. For public business entities, the amendments in this Update are effective for fiscal years beginning after December 15, 2015, including interim periods within those fiscal years. The amendments in this Update should be applied prospectively to adjustments to provisional amounts that occur after the effective date of this Update with earlier application permitted for financial statements that have not been issued. The adoption of this ASU is not expected to have a material impact on CTBI's consolidated financial statements.

Ø Income Taxes – In November 2015, the FASB issued ASU No. 2015-17, Income Taxes (Topic 740). Topic 740 requires an entity to separate deferred income tax liabilities and assets into current and noncurrent amounts in a classified statement of financial position. Deferred tax liabilities and assets are classified as current or noncurrent based on the classification of the related asset or liability for financial reporting. Deferred tax liabilities and assets that are not related to an asset or liability for financial reporting are classified according to the expected reversal date of the temporary difference. To simplify the presentation of deferred income taxes, the amendments in this Update require that deferred income tax liabilities and assets be classified as noncurrent in a classified statement of financial position. The amendments in this Update apply to all entities that present a classified statement of financial position. The current requirement that deferred tax liabilities and assets of a tax-paying component of an entity be offset and presented as a single amount is not affected by the amendments in this Update. For public business entities, the amendments in this Update are effective for annual periods beginning after December 15, 2016, and interim periods within those annual periods. This ASU has no material impact on CTBI's consolidated financial statements.

Ø 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 fair value of financial instruments measured at amortized cost for entities that are not public business entities and 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. 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. Management does not expect this ASU to have a material impact on CTBI's consolidated financial statements.

Ø Leases – In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842). Under the new guidance, lessees will be required to recognize the following for all leases (with the exception of short-term leases) at the commencement date:

-A lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and
-A right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term.

Under the new guidance, lessor accounting is largely unchanged. Certain targeted improvements were made to align, where necessary, lessor accounting with the lessee accounting model and Topic 606, Revenue from Contracts with Customers.

The new lease guidance simplified the accounting for sale and leaseback transactions primarily because lessees must recognize lease assets and lease liabilities. Lessees will no longer be provided with a source of off-balance sheet financing.

Public business entities should apply the amendments in ASU 2016-02 for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years (i.e., January 1, 2019, for a calendar year entity). Nonpublic business entities should apply the amendments for fiscal years beginning after December 15, 2019 (i.e., January 1, 2020, for a calendar year entity), and interim periods within fiscal years beginning after December 15, 2020. Early application is permitted for all public business entities and all nonpublic business entities upon issuance.

Lessees (for capital and operating leases) and lessors (for sales-type, direct financing, and operating leases) must apply a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. The modified retrospective approach would not require any transition accounting for leases that expired before the earliest comparative period presented. Lessees and lessors may not apply a full retrospective transition approach. We are currently evaluating the impact of ASU 2016-02 on our consolidated financial statements.

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 $69.4 million and $64.5 million at December 31, 2015 and 2014, respectively.

At December 31, 2015, CTBI had cash accounts which exceeded federally insured limits, and therefore are not subject to FDIC insurance, with $130.6 million in deposits with the Federal Reserve, $22.4 million in deposits with Fifth Third Bank, and $4.2 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, 2015 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	$240,434	$ 311	$ (1,351)	$239,394
State and political subdivisions	125,665	3,707	(157)	129,215
U.S. government sponsored agency mortgage-backed securities	202,282	1,564	(2,270)	201,576
Total debt securities	568,381	5,582	(3,778)	570,185
CRA investment funds	25,000	0	(249)	24,751
Total available-for-sale securities	$593,381	$ 5,582	$ (4,027)	$594,936

Held-to-Maturity

(in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Treasury and government agencies	$ 480	$ 0	$ (12)	$468
State and political subdivisions	1,181	2	0	1,183
Total held-to-maturity securities	$ 1,661	$ 2	$ (12)	$1,651

The amortized cost and fair value of securities at December 31, 2014 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	$190,563	$ 509	$ (2,140)	$188,932
State and political subdivisions	133,951	3,973	(466)	137,458
U.S. government sponsored agency mortgage-backed securities	288,881	2,876	(2,850)	288,907
Total debt securities	613,395	7,358	(5,456)	615,297
CRA investment funds	25,000	0	(111)	24,889
Total available-for-sale securities	$638,395	$ 7,358	$ (5,567)	$640,186

Held-to-Maturity

(in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Treasury and government agencies	$ 480	$ 0	$ (19)	$461
State and political subdivisions	1,182	1	0	1,183
Total held-to-maturity securities	$ 1,662	$ 1	$ (19)	$1,644

The amortized cost and fair value of securities at December 31, 2015 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	$43,386	$43,403	$0	$0
Due after one through five years	189,343	189,131	1,181	1,183
Due after five through ten years	86,596	88,577	480	468
Due after ten years	46,774	47,498	0	0
U.S. government sponsored agency mortgage-backed securities	202,282	201,576	0	0
Total debt securities	568,381	570,185	1,661	1,651
CRA investment funds	25,000	24,751	0	0
Total securities	$593,381	$594,936	$1,661	$1,651

In 2015, there was a net loss of $106 thousand realized on sales and calls of AFS securities, consisting of a pre-tax gain of $839 thousand and a pre-tax loss of $945 thousand. There was a net loss of $211 thousand realized in 2014 and a net loss of $45 thousand realized in 2013.

The amortized cost of securities pledged as collateral, to secure public deposits and for other purposes, was $228.2 million at December 31, 2015 and $267.1 million at December 31, 2014.

The amortized cost of securities sold under agreements to repurchase amounted to $285.5 million at December 31, 2015 and $280.9 million at December 31, 2014.

CTBI evaluates its investment portfolio on a quarterly basis for impairment. The analysis performed as of December 31, 2015 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, 2015 was 62.8% compared to 44.1% as of December 31, 2014. 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, 2015 that are not deemed to be other-than-temporarily impaired.

Available-for-Sale

(in thousands)	Amortized Cost	Gross Unrealized Losses	Fair Value
Less Than 12 Months			
U.S. Treasury and government agencies	$ 142,147	$ (487)	$ 141,660
State and political subdivisions	11,190	(106)	11,084
U.S. government sponsored agency mortgage-backed securities	92,009	(899)	91,110
Total debt securities	245,346	(1,492)	243,854

CRA investment funds	25,000	(249)	24,751
Total <12 months temporarily impaired AFS securities	270,346	(1,741)	268,605
12 Months or More			
U.S. Treasury and government agencies	54,772	(864)	53,908
State and political subdivisions	3,187	(51)	3,136
U.S. government sponsored agency mortgage-backed securities	49,908	(1,371)	48,537
Total debt securities	107,867	(2,286)	105,581
CRA investment funds	0	0	0
Total ≥12 months temporarily impaired AFS securities	107,867	(2,286)	105,581
Total			
U.S. Treasury and government agencies	196,919	(1,351)	195,568
State and political subdivisions	14,377	(157)	14,220
U.S. government sponsored agency mortgage-backed securities	141,917	(2,270)	139,647
Total debt securities	353,213	(3,778)	349,435
CRA investment funds	25,000	(249)	24,751
Total temporarily impaired AFS securities	$ 378,213	$ (4,027)	$ 374,186

Held-to-Maturity

(in thousands)	Amortized Cost	Gross Unrealized Losses	Fair Value
12 Months or More			
U.S. Treasury and government agencies	$ 480	$ (12)	$ 468
Total temporarily impaired HTM securities	$ 480	$ (12)	$ 468

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 amortized cost. CTBI does not consider those investments to be other-than-temporarily impaired at December 31, 2015, 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 amortized cost. CTBI does not consider those investments to be other-than-temporarily impaired at December 31, 2015, because CTBI does not intend 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, 2015, 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 ($24.8 million of the total fair value and $249 thousand of the total unrealized losses in common stock investments). The severity of the impairment (fair value is approximately 1.0% less than cost) and the duration of the impairment correlates with the decline in long-term interest rates in 2015. 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, 2015.

The analysis performed as of December 31, 2014 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, 2014 that are not deemed to be other-than-temporarily impaired.

Available-for-Sale

(in thousands)	Amortized Cost	Gross Unrealized Losses	Fair Value
Less Than 12 Months			
U.S. Treasury and government agencies	$ 31,185	$ (87)	$ 31,098
State and political subdivisions	8,800	(23)	8,777
U.S. government sponsored agency mortgage-backed securities	50,115	(442)	49,673
Total debt securities	90,100	(552)	89,548
CRA investment funds	25,000	(111)	24,889
Total <12 months temporarily impaired AFS securities	115,100	(663)	114,437
12 Months or More			
U.S. Treasury and government agencies	65,209	(2,053)	63,156
State and political subdivisions	21,308	(443)	20,865
U.S. government sponsored agency mortgage-backed securities	86,389	(2,408)	83,981
Total debt securities	172,906	(4,904)	168,002
CRA investment funds	0	0	0
Total ≥12 months temporarily impaired AFS securities	172,906	(4,904)	168,002
Total			
U.S. Treasury and government agencies	96,394	(2,140)	94,254
State and political subdivisions	30,108	(466)	29,642
U.S. government sponsored agency mortgage-backed securities	136,504	(2,850)	133,654
Total debt securities	263,006	(5,456)	257,550
CRA investment funds	25,000	(111)	24,889
Total temporarily impaired AFS securities	$ 288,006	$ (5,567)	$ 282,439

Held-to-Maturity

(in thousands)	Amortized Cost	Gross Unrealized Losses	Fair Value
12 Months or More			

U.S. Treasury and government agencies	$ 480	$ (19)	$ 461
Total temporarily impaired HTM securities	$ 480	$ (19)	$ 461

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 2015	December 31 2014
Commercial construction	$78,020	$121,942
Commercial secured by real estate	1,052,919	948,626
Equipment lease financing	8,514	10,344
Commercial other	358,898	352,048
Real estate construction	61,750	62,412
Real estate mortgage	707,874	712,465
Home equity	89,450	88,335
Consumer direct	126,406	122,136
Consumer indirect	390,130	315,516
Total loans	$2,873,961	$2,733,824

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, variable, and tax exempt 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 fixed 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 $1.2 million at December 31, 2015 and $2.3 million at December 31, 2014.

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 2015	December 31 2014
Commercial:		
Commercial construction	$ 3,402	$ 4,339
Commercial secured by real estate	5,928	6,725
Commercial other	1,485	2,423
Residential:		
Real estate construction	249	602
Real estate mortgage	5,206	6,513
Home equity	183	369
Consumer:		
Consumer direct	110	0
Total nonaccrual loans	$ 16,563	$ 20,971

The following tables present CTBI's loan portfolio aging analysis, segregated by class, as of December 31, 2015 and 2014:

	December 31, 2015						
(in thousands)	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	$36	$6	$3,431	$3,473	$74,547	$78,020	$ 30
Commercial secured by real estate	2,947	622	7,923	11,492	1,041,427	1,052,919	3,757
Equipment lease financing	199	0	0	199	8,315	8,514	0
Commercial other	762	121	1,476	2,359	356,539	358,898	310
Residential:							
Real estate construction	443	62	291	796	60,954	61,750	55
Real estate mortgage	1,128	3,888	10,907	15,923	691,951	707,874	6,925
Home equity	527	148	580	1,255	88,195	89,450	448
Consumer:							

Consumer direct	835	479	126	1,440	124,966	126,406	126
Consumer indirect	2,133	814	395	3,342	386,788	390,130	395
Total	$9,010	$6,140	$25,129	$40,279	$2,833,682	$2,873,961	$ 12,046

	December 31, 2014						
(in thousands)	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	$40	$31	$6,171	$6,242	$115,700	$121,942	$ 1,863
Commercial secured by real estate	2,471	1,595	10,763	14,829	933,797	948,626	4,682
Equipment lease financing	0	0	0	0	10,344	10,344	0
Commercial other	826	55	4,205	5,086	346,962	352,048	2,367
Residential:							
Real estate construction	92	144	985	1,221	61,191	62,412	383
Real estate mortgage	1,005	5,171	13,049	19,225	693,240	712,465	7,742
Home equity	779	197	703	1,679	86,656	88,335	422
Consumer:							
Consumer direct	1,307	295	141	1,743	120,393	122,136	141
Consumer indirect	2,304	586	385	3,275	312,241	315,516	385
Total	$8,824	$8,074	$36,402	$53,300	$2,680,524	$2,733,824	$ 17,985

*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, boats, 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 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:

Ø 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.

Ø 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.

Ø

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.

Ø 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.

Ø 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, 2015 and 2014:

(in thousands)	Commercial Construction	Commercial Secured by Real Estate	Equipment Leases	Commercial Other	Total
December 31, 2015					
Pass	$ 62,978	$937,196	$ 8,514	$ 312,100	$1,320,788
Watch	4,931	71,830	0	37,670	114,431
OAEM	2,206	13,765	0	963	16,934
Substandard	6,780	29,232	0	7,072	43,084
Doubtful	1,125	896	0	1,093	3,114
Total	$ 78,020	$1,052,919	$ 8,514	$ 358,898	$1,498,351
December 31, 2014					
Pass	$ 101,314	$834,751	$ 10,344	$ 307,270	$1,253,679
Watch	9,857	69,123	0	36,114	115,094
OAEM	934	10,973	0	881	12,788
Substandard	5,647	27,901	0	5,772	39,320
Doubtful	4,190	5,878	0	2,011	12,079
Total	$ 121,942	$948,626	$ 10,344	$ 352,048	$1,432,960

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, 2015 and 2014:

(in thousands)	Real Estate Construction	Real Estate Mortgage	Home Equity	Consumer Direct	Consumer Indirect	Total
December 31, 2015						
Performing	$ 61,446	$695,743	$88,819	$126,170	$389,735	$1,361,913
Nonperforming (1)	304	12,131	631	236	395	13,697

Total	$ 61,750	$707,874	$89,450	$126,406	$390,130	$1,375,610
December 31, 2014						
Performing	$ 61,427	$698,210	$87,544	$121,995	$315,131	$1,284,307
Nonperforming (1)	985	14,255	791	141	385	16,557
Total	$ 62,412	$712,465	$88,335	$122,136	$315,516	$1,300,864

(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 $4.4 million at December 31, 2015 compared to $5.9 million at December 31, 2014.

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, 2015, 2014, and 2013:

	December 31, 2015				
(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	$2,861	$ 2,862	$ 0	$ 4,574	$ 200
Commercial secured by real estate	30,761	32,166	0	30,605	1,378
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
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

	December 31, 2014				
(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	$5,653	$ 5,654	$ 0	$ 5,415	$ 205
Commercial secured by real estate	31,639	33,268	0	34,650	1,180
Commercial other	13,069	14,597	0	15,663	783
Real estate mortgage	1,277	1,277	0	1,507	53
Loans with a specific valuation allowance:					
Commercial construction	3,974	3,974	734	4,216	0
Commercial secured by real estate	2,718	2,876	827	4,376	11
Commercial other	738	862	181	531	1
Totals:					
Commercial construction	9,627	9,628	734	9,631	205
Commercial secured by real estate	34,357	36,144	827	39,026	1,191
Commercial other	13,807	15,459	181	16,194	784
Real estate mortgage	1,277	1,277	0	1,507	53
Total	$59,068	$ 62,508	$ 1,742	$ 66,358	$ 2,233

	December 31, 2013				
(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	$5,457	$ 5,458	$ 0	$ 5,595	$ 240
Commercial secured by real estate	35,258	36,173	0	32,472	1,231
Commercial other	14,839	16,435	0	15,396	568
Real estate mortgage	1,024	1,024	0	934	43
Loans with a specific valuation allowance:					
Commercial construction	4,353	4,359	1,189	4,935	0
Commercial secured by real estate	4,039	4,326	1,005	5,033	1
Commercial other	330	453	102	525	0
Totals:					
Commercial construction	9,810	9,817	1,189	10,530	240
Commercial secured by real estate	39,297	40,499	1,005	37,505	1,232
Commercial other	15,169	16,888	102	15,921	568
Real estate mortgage	1,024	1,024	0	934	43
Total	$65,300	$ 68,228	$ 2,296	$ 64,890	$ 2,083

*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 with 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 2015, 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, 2015 and 2014:

(in thousands)	Year Ended December 31, 2015 Number of Loans	Term Modification	Rate Modification	Combination	Post-Modification Outstanding Balance
Commercial:					
Commercial construction	3	$ 428	$ 0	$ 0	$ 428
Commercial secured by real estate	21	4,244	0	1,760	6,004
Commercial other	7	3,847	0	0	3,847
Residential:					
Real estate mortgage	3	0	0	848	848
Total troubled debt restructurings	34	$ 8,519	$ 0	$ 2,608	$ 11,127

(in thousands)	Year Ended December 31, 2014 Number of Loans	Term Modification	Rate Modification	Combination	Post-Modification Outstanding Balance
Commercial:					
Commercial construction	1	$ 7	$ 0	$ 0	$ 7
Commercial secured by real estate	11	5,707	0	68	5,775
Commercial other	8	1,268	0	0	1,268
Residential:					
Real estate mortgage	2	0	0	848	848
Total troubled debt restructurings	22	$ 6,982	$ 0	$ 916	$ 7,898

No charge-offs have resulted from modifications for any of the presented periods. We have 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, 2015 Number of Loans	Recorded Balance
Commercial:		
Commercial secured by real estate	3	$ 114
Total defaulted restructured loans	3	$ 114

(in thousands)	Year Ended December 31, 2014 Number of Loans	Recorded Balance
Commercial:		
Commercial other	1	$ 88
Residential:		
Real estate mortgage	1	581
Total defaulted restructured loans	2	$ 669

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	2015	2014	2013
Net gain on sale of loans held for sale	$1,978	$1,468	$3,098
Net loan servicing income (expense)			
Servicing fees	1,197	1,129	1,121
Late fees	88	112	98

Ancillary fees	212	149	368
Fair value adjustments	(289)	(830)	206
Net loan servicing income	1,208	560	1,793
Mortgage banking income	$3,186	$2,028	$4,891

Mortgage loans serviced for others are not included in the accompanying balance sheets. Loans serviced for the benefit of others (primarily FHLMC) totaled $458 million, $441 million, and $456 million at December 31, 2015, 2014 and 2013, 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 $986 thousand, $888 thousand, and $855 thousand at December 31, 2015, 2014, and 2013, respectively.

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

(in thousands)	2015	2014	2013
Fair value of MSRs, beginning of period	$2,968	$3,424	$2,364
New servicing assets created	557	374	854
Change in fair value during the period due to:			
Time decay (1)	(168)	(162)	(159)
Payoffs (2)	(247)	(202)	(423)
Changes in valuation inputs or assumptions (3)	126	(466)	788
Fair value of MSRs, end of period	$3,236	$2,968	$3,424

(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 $3.2 million, $3.0 million, and $3.4 million at December 31, 2015, 2014, and 2013, respectively. Fair values for the years ended December 31, 2015, 2014, and 2013 were determined by third-party valuations using a discount rate of 10.1%, 10.1%, and 10.0%, respectively, and weighted average default rates of 2.64%, 3.61%, and 3.36%, respectively. Prepayment speeds generated using the Andrew Davidson Prepayment Model averaged 10.0%, 11.3%, and 9.7% at December 31, 2015, 2014, and 2013, 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 2015 and 2014 is as follows:

(in thousands)	2015	2014
Related party extensions of credit, beginning of period	$37,473	$33,103
New loans and advances on lines of credit	867	5,500
Repayments	(9,116)	(1,281)

Increase (decrease) due to changes in related parties	0	151
Related party extensions of credit, end of period	$29,224	$37,473

The aggregate balances of related party deposits at December 31, 2015 and 2014 were $12.5 million and $12.4 million, respectively.

A director of CTBI is a shareholder in a law firm that provided services to CTBI and its subsidiaries during the years 2015, 2014, and 2013. Approximately $1.2 million in legal fees and $0.1 million in expenses paid on behalf of CTBI, $1.3 million total, were paid to this law firm during 2015. Approximately $1.0 million in legal fees and $0.1 million in expenses, $1.1 million total, were paid during 2014, and approximately $1.1 million in legal fees and $0.2 million in expenses, $1.3 million in total, were paid during 2013.

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, 2015, 2014, and 2013:

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	$6,263	$33,421	$0	$8,460	$0	$1,744	$0	$0	$0	$49,888

impairment										
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

2014

(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	$3,396	$14,535	$121	$5,238	$397	$4,939	$601	$1,127	$3,654	$34,008
Provision charged to expense	(513)	941	(2)	1,545	258	2,173	265	1,207	2,881	8,755
Losses charged off	15	2,163	0	3,141	123	1,058	115	1,326	3,495	11,436
Recoveries	28	305	0	621	2	40	5	566	1,553	3,120
Balance, end of year	$2,896	$13,618	$119	$4,263	$534	$6,094	$756	$1,574	$4,593	$34,447
Ending balance: Individually evaluated for impairment	$734	$827	$0	$181	$0	$0	$0	$0	$0	$1,742
Collectively evaluated for impairment	$2,162	$12,791	$119	$4,082	$534	$6,094	$756	$1,574	$4,593	$32,705
Loans										
Ending balance: Individually evaluated for impairment	$9,627	$34,357	$0	$13,807	$0	$1,277	$0	$0	$0	$59,068
Collectively evaluated for impairment	$112,315	$914,269	$10,344	$338,241	$62,412	$711,188	$88,335	$122,136	$315,516	$2,674,756

2013

(in thousands)	Commercial Construction	Commercial Secured by Real	Equipment Lease Financing	Commercial Other	Real Estate Construction	Real Estate Mortgage	Home Equity	Consumer Direct	Consumer Indirect	Total

		Estate								
ALLL										
Balance, beginning of year	$4,033	$13,541	$126	$5,469	$376	$4,767	$563	$1,102	$3,268	$33,245
Provision charged to expense	189	2,438	(5)	1,477	106	860	268	696	2,539	8,568
Losses charged off	1,135	1,607	0	2,265	89	744	241	1,166	3,802	11,049
Recoveries	309	163	0	557	4	56	11	495	1,649	3,244
Balance, end of year	$3,396	$14,535	$121	$5,238	$397	$4,939	$601	$1,127	$3,654	$34,008
Ending balance:										
Individually evaluated for impairment	$1,189	$1,005	$0	$102	$0	$0	$0	$0	$0	$2,296
Collectively evaluated for impairment	$2,207	$13,530	$121	$5,136	$397	$4,939	$601	$1,127	$3,654	$31,712
Loans										
Ending balance:										
Individually evaluated for impairment	$9,810	$39,297	$0	$15,169	$0	$1,024	$0	$0	$0	$65,300
Collectively evaluated for impairment	$100,969	$833,245	$8,840	$359,712	$56,075	$696,577	$84,880	$122,215	$287,541	$2,550,054

8. Premises and Equipment

Premises and equipment are summarized as follows:

(in thousands)		
December 31	2015	2014
Land and buildings	$76,709	$76,795
Leasehold improvements	4,793	4,760
Furniture, fixtures, and equipment	35,382	34,234
Construction in progress	196	227
Total premises and equipment	117,080	116,016
Less accumulated depreciation and amortization	(68,892)	(66,036)
Premises and equipment, net	$48,188	$49,980

Depreciation and amortization of premises and equipment for 2015, 2014, and 2013 was $3.7 million, $4.1 million, and $4.3 million, respectively.

9. Other Real Estate Owned

Activity for other real estate owned was as follows:

(in thousands)	2015	2014
Beginning balance of other real estate owned	$36,776	$39,188
New assets acquired	18,850	12,199
Capitalized costs	85	0
Fair value adjustments	(1,656)	(1,730)
Sale of assets	(13,381)	(12,881)
Ending balance of other real estate owned	$40,674	$36,776

Carrying costs and fair value adjustments associated with foreclosed properties were $3.5 million, $3.9 million, and $5.2 million for 2015, 2014, and 2013, respectively. See note 1 for a description of our accounting policies relative to foreclosed properties and other real estate owned.

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

(in thousands) December 31	2015	2014
1-4 family	$7,493	$10,337
Agricultural/farmland	116	116
Construction/land development/other	22,570	18,735
Multifamily	833	1,289
Non-farm/non-residential	9,662	6,299
Total foreclosed properties	$40,674	$36,776

10. Deposits

Major classifications of deposits are categorized as follows:

(in thousands) December 31	2015	2014
Noninterest bearing deposits	$749,975	$677,626
NOW accounts	44,567	31,998
Money market deposits	614,911	577,677
Savings	382,131	348,038
Certificates of deposit and other time deposits of $100,000 or more	606,859	619,887
Certificates of deposit and other time deposits less than $100,000	582,339	619,031
Total deposits	$2,980,782	$2,874,257

Certificates of deposit and other time deposits of $250,000 or more at December 31, 2015 and 2014 were $190.6 million and $184.4 million, respectively.

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

	Maturities by Period at December 31, 2015				
(in thousands)	Total	2 Years	3 Years	4 Years	5 Years

		Within 1 Year					After 5 Years
Certificates of deposit and other time deposits of $100,000 or more	$606,859	$487,052	$55,495	$25,927	$14,806	$23,477	$ 102
Certificates of deposit and other time deposits less than $100,000	582,339	496,945	41,213	20,010	11,549	12,330	292
Total maturities	$1,189,198	$983,997	$96,708	$45,937	$26,355	$35,807	$ 394

11. Borrowings

Short-term debt is categorized as follows:

(in thousands) December 31	2015	2014
Repurchase agreements	$251,225	$235,186
Federal funds purchased	3,596	11,041
Total short-term debt	$254,821	$246,227

All federal funds purchased and the majority of repurchase agreements mature and reprice daily. The average rates paid for federal funds purchased and repurchase agreements on December 31, 2015 were 0.27% and 0.40%, respectively.

The maximum balance for repurchase agreements at any month-end during 2015 occurred at September 30, 2015, with a month-end balance of $256.2 million. The average balance of repurchase agreements for the year was $244.9 million.

On November 2, 2015, Community Trust Bancorp, Inc. entered into a revolving credit promissory note 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, with an unused commitment fee of 0.15%. Currently, all $12 million remain available for general corporate purposes. The agreement, which was effective November 2, 2015, replaced the agreement dated October 31, 2014, and will mature on October 31, 2016.

Long-term debt is categorized as follows:

(in thousands) December 31	2015	2014
Junior subordinated debentures, 2.00%, due 6/1/37	$61,341	$61,341

On March 31, 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.

On November 27, 2015, the coupon rate was set at 2.00% for the March 1, 2016 distribution date, which was based on the three-month LIBOR rate as of November 27, 2015 of 0.41% 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 $288.1 million and $283.3 million at December 31, 2015 and December 31, 2014, 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, 2015 and December 31, 2014 is presented in the following tables:

	December 31, 2015 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	$19,184	$0	$10,401	$48,695	$78,280
State and political subdivisions	58,676	494	1,656	9,159	69,985
U.S. government sponsored agency mortgage-backed securities	27,810	6	12,278	62,866	102,960
Total	$105,670	$500	$24,335	$120,720	$251,225

	December 31, 2014 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	$6,790	$1,000	$6,834	$14,076	$28,700
State and political subdivisions	59,451	0	1,839	12,474	73,764
U.S. government sponsored agency mortgage-backed securities	39,315	0	15,871	77,536	132,722
Total	$105,556	$1,000	$24,544	$104,086	$235,186

13. Advances from Federal Home Loan Bank

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

(in thousands)	2015	2014
Monthly amortizing	$1,056	$1,170
Term	100,000	60,000
Total FHLB advances	$101,056	$61,170

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

	Principal Payments Due by Period at December 31, 2015						
(in thousands)	Total	Within 1 Year	2 Years	3 Years	4 Years	5 Years	After 5 Years
Outstanding advances, weighted average interest rate – 1.53%	$1,056	$ 120	$ 98	$ 403	$ 20	$ 20	$ 395

At December 31, 2014, CTBI had monthly amortizing FHLB advances totaling $1.2 million at a weighted average interest rate of 1.70%.

CTBI utilizes the FHLB cash management advance to facilitate any short-term funding needs. These short-term advances typically have a two-week maturity and require the total payment to be made at maturity. At December 31, 2015, CTBI had a $100.0 million term advance with a fixed interest rate of 0.34% and a maturity date of January 6, 2016. At December 31, 2014, CTBI had a $60.0 million term advance with a fixed interest rate of 0.17% and a maturity date of January 5, 2015.

Advances totaling $101.1 million at December 31, 2015 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, 2015, CTBI had a $490.3 million FHLB borrowing capacity with $101.1 million in advances and $170.9 million in letters of credit used for public fund pledging leaving $218.3 million available for additional advances. The advances had fixed interest rates ranging from 0.00% to 6.42% with a weighted average rate of 0.35%. 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)	2015	2014	2013
Current income tax expense	$18,416	$20,194	$19,418
Deferred income tax expense (benefit)	115	(1,048)	582
Total income tax expense	$18,531	$19,146	$20,000

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

(in thousands)	2015		2014		2013	
Computed at the statutory rate	$22,737	35.00%	$21,839	35.00%	$22,810	35.00%
Adjustments resulting from:						
Tax-exempt interest	(1,275)	(1.96)	(1,204)	(1.93)	(1,126)	(1.73)
Housing and new markets credits	(2,692)	(4.14)	(1,076)	(1.72)	(996)	(1.52)
Dividends received deduction	(128)	(0.20)	(178)	(0.29)	(291)	(0.45)
Bank owned life insurance	(549)	(0.84)	(503)	(0.81)	(791)	(1.22)
ESOP dividend deduction	(298)	(0.46)	(284)	(0.46)	(281)	(0.43)
Other, net	736	1.13	552	0.89	675	1.04

Total	$18,531	28.53%	$19,146	30.68%	$20,000	30.69%

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

(in thousands)	2015	2014
Deferred tax assets:		
Allowance for loan and lease losses	$12,633	$12,019
Interest on nonperforming loans	806	1,039
Accrued expenses	2,087	1,911
Allowance for other real estate owned	2,185	1,901
Other	665	1,145
Total deferred tax assets	18,376	18,015
Deferred tax liabilities:		
Depreciation and amortization	(20,150)	(19,181)
FHLB stock dividends	(3,460)	(3,460)
Loan fee income	(552)	(744)
Mortgage servicing rights	(1,133)	(1,039)
Capitalized lease obligations	(211)	(681)
Unrealized gains on AFS securities	(544)	(1,231)
Limited partnership investments	(650)	(395)
Other	(596)	(776)
Total deferred tax liabilities	(27,296)	(27,507)
Net deferred tax liability	$(8,920)	$(9,492)

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.

In 2015, CTBI was subject to an examination by the IRS for the tax year 2013. In November of 2015, CTBI was notified that the examination was being concluded with no proposed changes to our 2013 corporate income tax return. With a few exceptions, CTBI is no longer subject to U.S. federal tax examinations by tax authorities for years before 2012, and state and local income tax examinations by tax authorities for years before 2011. 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, 2015, 2014, and 2013. The 401(k) Plan owned 515,062, 503,082, and 487,330 shares of CTBI's common stock at December 31, 2015, 2014, and 2013, 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 $1.5 million for the years ended December 31, 2015, 2014, and 2013. The ESOP owned 765,630, 752,710, and 746,260 shares of CTBI's common stock at December 31, 2015, 2014, and 2013, 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, 2015, 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, all of which were available at December 31, 2015. 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 2006 Plan had 1,650,000 shares authorized, 1,533,794 available for issuance on December 31, 2015 related to awards issued prior to its termination. In January 2016, 18,069 shares were issued under the terms of the 2015 Plan pursuant to awards granted and earned under the 2006 Plan. Accordingly, this issuance did not reduce the shares available under the 2015 Plan. Additional shares will not be issued under the 2015 Plan pursuant to awards granted under the 2006 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, 2015:

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	122	$32.29	568	(a)

Restricted stock	(c)	(b)	(a)
Performance units	(d)	(b)	(a)
Stock appreciation rights ("SARs")	(e)	(b)	(a)
Total			568

(a) Under the 2015 Plan, 550,000 shares are authorized for issuance, none have been issued. Under the 2006 Plan, 1.65 million shares (plus any shares reserved for issuance under the 1998 Stock Option Plan) were authorized for issuance as nonqualified and incentive stock options, SARS, restricted stock and performance units. As of December 31, 2015, 1.5 million shares were available for issuance pursuant to awards granted prior to the termination of the plan on April 28, 2015. In January of 2016, 18,069 restricted stock shares were issued pursuant to these awards. 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, 2015. 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 2006 Plan at December 31, 2015; however as discussed above, the 2006 Plan terminated in April 2015 and only 18,069 shares will be issued in 2016 relative to awards granted and earned under the 2006 Plan.

Plan Category	Shares Available for Future Issuance
Shares available at January 1, 2015	1,563,702
1998 Plan forfeitures in 2015	0
2006 Plan stock option issuances for 2015	(20,000)
2006 Plan restricted stock issuances in 2015	(10,582)
2006 Plan forfeitures in 2015	674
2006 Plan shares canceled at plan termination	(1,515,725)
Shares available for future issuance	18,069

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:

	2015	2014	2013
Expected option life (in years)	7.0	7.0	7.5
Expected volatility	30.77%	30.77%	39.11%
Expected dividend yield	3.72%	3.40%	3.74%
Risk-free interest rate	1.54%	2.01%	1.33%

The expected option life is derived from the "safe-harbor" rules for estimating option life in ASC 718, Share-Based Payment. 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 2015, 2014, and 2013 was $0.8 million, $0.9 million, and $0.7 million, respectively. Included in stock-based compensation expense were dividends paid on restricted stock shares in the amount of $80 thousand, $121 thousand, and $124 thousand, respectively, for the same periods.

CTBI's stock option activity for the 2006 Plan for the years ended December 31, 2015, 2014, and 2013 is summarized as follows:

December 31	2015		2014		2013	
	Options	Weighted Average Exercise Price	Options	Weighted Average Exercise Price	Options	Weighted Average Exercise Price
Outstanding at beginning of year	98,821	$ 32.35	97,047	$ 32.29	163,524	$ 31.56
Granted	20,000	32.27	10,000	34.75	1,650	30.64
Exercised	(247)	24.12	(5,757)	34.62	(68,127)	30.52
Forfeited/expired	0	--	(2,469)	34.29	0	--
Outstanding at end of year	118,574	$ 32.36	98,821	$ 32.35	97,047	$ 32.29
Exercisable at end of year	87,749	$ 32.12	86,264	$ 32.25	92,997	$ 32.56

A summary of the status of CTBI's 2006 Plan for nonvested options as of December 31, 2015, and changes during the year ended December 31, 2015, is presented as follows:

Nonvested Options	Options	Weighted Average Grant Date Fair Value
Nonvested at January 1, 2015	12,557	$ 7.61
Granted	20,000	6.60
Vested	(1,732)	6.48
Forfeited	0	--
Nonvested at December 31, 2015	30,825	$ 7.02

The weighted average remaining contractual term in years of the options outstanding at December 31, 2015 was 3.5 years.

The weighted-average fair value of options granted from the 2006 Plan during the year 2015 was $0.13 million, or $6.60 per share. The weighted-average fair value of options granted from the 2006 Plan during the years 2014 and 2013 were $0.08 million or $7.76 per share and $0.01 million or $8.23 per share; respectively.

The following table shows the intrinsic values of options exercised, exercisable, and outstanding for the 2006 Plan for the years ended December 31, 2015, 2014, and 2013:

(in thousands)	2015	2014	2013
Options exercised	$3	$11	$477
Options exercisable	275	376	790
Outstanding options	334	421	849

The following table shows restricted stock activity for the years ended December 31, 2015, 2014, and 2013:

December 31	2015		2014		2013	
	Grants	Weighted Average	Grants	Weighted Average	Grants	Weighted Average

		Fair Value at Grant		Fair Value at Grant		Fair Value at Grant
Outstanding at beginning of year	101,309	$ 26.19	107,511	$ 25.91	106,561	$ 25.38
Granted	10,582	32.27	4,561	37.85	11,904	30.64
Vested	(46,482)	23.66	(8,949)	28.35	(10,954)	25.87
Forfeited	(674)	33.31	(1,814)	28.38	0	--
Outstanding at end of year	64,735	$ 28.92	101,309	$ 26.19	107,511	$ 25.91

CTBI's stock option activity for the 1998 Plan for the years ended December 31, 2015, 2014, and 2013 is summarized as follows:

December 31	2015		2014		2013	
	Options	Weighted Average Exercise Price	Options	Weighted Average Exercise Price	Options	Weighted Average Exercise Price
Outstanding at beginning of year	43,960	$ 29.43	78,066	$ 28.91	195,279	$ 28.08
Granted	0	--	0	--	0	--
Exercised	(40,980)	29.42	(34,106)	28.25	(117,213)	27.54
Forfeited/expired	0	--	0	--	0	--
Outstanding at end of year	2,980	$ 29.49	43,960	$ 29.43	78,066	$ 28.91
Exercisable at end of year	2,980	$ 29.49	43,960	$ 29.43	78,066	$ 28.91

The weighted average remaining contractual term in years of the shares outstanding at December 31, 2015 was 0.07 years.

The following table shows the intrinsic values of options exercised, exercisable, and outstanding for the 1998 Plan for the years ended December 31, 2015, 2014, and 2013:

(in thousands)	2015	2014	2013
Options exercised	$241	$270	$1,175
Options exercisable	16	316	948
Outstanding options	16	316	948

There were no nonvested options in the 1998 Plan shares as of December 31, 2015 and December 31, 2014.

The following table shows the unrecognized compensation cost related to nonvested share-based compensation arrangements granted under the plans at December 31, 2015, 2014, and 2013 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, 2015, 2014, and 2013.

(in thousands)	2015	2014	2013
Unrecognized compensation cost of unvested share-based compensation arrangements granted under the plan at year-end	$495	$861	$1,366
Grant date fair value of shares vested for the year	1,111	343	521
Cash received from option exercises under all share-based payment arrangements for the year	1,212	1,163	5,306
	82	93	303

Tax benefit realized for the tax deductions from option exercises of the share-based payment arrangements for the year

The unrecognized compensation cost related to nonvested share-based compensation arrangements granted under the plans at December 31, 2015 is expected to be recognized over a weighted-average period of 2.5 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
2016	$ 1,943	$ 584
2017	1,535	256
2018	1,146	111
2019	663	27
2020	398	21
Thereafter	3,341	66
Total	$ 9,026	$ 1,065

Rental expense net of rental income under operating leases was $1.3 million for 2015, $1.3 million for 2014, and $1.2 million for 2013.

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, 2015 and December 31, 2014 and indicate the level within the fair value hierarchy of the valuation techniques.

(in thousands)		Fair Value Measurements at December 31, 2015 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	$239,394	$44,702	$ 194,692	$ 0
State and political subdivisions	129,215	0	129,215	0
U.S. government sponsored agency mortgage-backed securities	201,576	0	201,576	0
CRA investment funds	24,751	24,751	0	0
Mortgage servicing rights	3,236	0	0	3,236

(in thousands)		Fair Value Measurements at December 31, 2014 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	$188,932	$492	$ 188,440	$ 0
State and political subdivisions	137,458	0	137,458	0
U.S. government sponsored agency mortgage-backed securities	288,907	0	288,907	0
CRA investment funds	24,889	24,889	0	0
Mortgage servicing rights	2,968	0	0	2,968

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, 2015 and December 31, 2014. There have been no significant changes in the valuation techniques during the year ended December 31, 2015. 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, and U.S. government sponsored agency mortgage-backed 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, 2015, 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, 2015.

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)	2015	2014
Beginning balance	$2,968	$3,424
Total recognized gains (losses)		
Included in net income	126	(467)
Issues	557	374

Settlements	(415)	(363)
Ending balance	$3,236	$2,968
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	$126	$(467)

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)	2015	2014
Total losses	$(289)	$(830)

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, 2015 and December 31, 2014 and indicate the level within the fair value hierarchy of the valuation techniques.

(in thousands)		Fair Value Measurements at December 31, 2015 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)	$3,192	$0	$ 0	$ 3,192
Other real estate/assets owned	6,798	0	0	6,798

(in thousands)		Fair Value Measurements at December 31, 2014 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)	$4,665	$0	$ 0	$ 4,665
Other real estate/assets owned	6,472	0	0	6,472

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 $1.8 million and $0.4 million for the years ended December 31, 2015 and December 31, 2014, 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/assets owned were $1.7 million for the years ended December 31, 2015 and December 31, 2014, 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, 2015 and December 31, 2014.

(in thousands)	Quantitative Information about Level 3 Fair Value Measurements	
	Valuation Technique(s)	Unobservable Input

	Fair Value at December 31, 2015			Range (Weighted Average)
Mortgage servicing rights	$3,236	Discount cash flows, computer pricing model	Constant prepayment rate	6.1% - 22.4% (10.0%)
			Probability of default	0.0% - 100.0% (2.6%)
			Discount rate	10.0% - 11.5% (10.1%)
Impaired loans (collateral-dependent)	$3,192	Market comparable properties	Marketability discount	0.0% - 76.7% (26.8%)
Other real estate/assets owned	$6,798	Market comparable properties	Comparability adjustments	5.0% - 51.8% (11.7%)

(in thousands)	Quantitative Information about Level 3 Fair Value Measurements			
	Fair Value at December 31, 2014	Valuation Technique(s)	Unobservable Input	Range (Weighted Average)
Mortgage servicing rights	$2,968	Discount cash flows, computer pricing model	Constant prepayment rate	4.6% - 25.1% (11.3%)
			Probability of default	0.0% - 100.0% (3.6%)
			Discount rate	10.0% - 11.5% (10.1%)
Impaired loans (collateral-dependent)	$4,665	Market comparable properties	Marketability discount	5.0% - 10.0% (7.0%)
Other real estate/assets owned	$6,472	Market comparable properties	Comparability adjustments	3.0% - 67.0% (18.0%)

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

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, 2015 and indicates the level within the fair value hierarchy of the valuation techniques.

(in thousands)		Fair Value Measurements at December 31, 2015 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	$187,611	$187,611	$0	$ 0
Certificates of deposit in other banks	3,832	0	3,836	0
Securities available-for-sale	594,936	69,453	525,483	0
Securities held-to-maturity	1,661	0	1,651	0
Loans held for sale	1,172	1,196	0	0
Loans, net	2,837,867	0	0	2,833,267
Federal Home Loan Bank stock	17,927	0	17,927	0
Federal Reserve Bank stock	4,887	0	4,887	0
Accrued interest receivable	12,194	0	12,194	0
Mortgage servicing rights	3,236	0	0	3,236
Financial liabilities:				
Deposits	$2,980,782	$749,975	$2,208,120	$ 0
Repurchase agreements	251,225	0	0	250,873
Federal funds purchased	3,596	0	3,596	0
Advances from Federal Home Loan Bank	101,056	0	100,905	0
Long-term debt	61,341	0	0	49,073
Accrued interest payable	1,071	0	1,071	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, 2014 and indicates the level within the fair value hierarchy of the valuation techniques.

(in thousands)		Fair Value Measurements at December 31, 2014 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	$105,517	$105,517	$0	$0
Certificates of deposit in other banks	8,197	0	8,213	0
Securities available-for-sale	640,186	25,381	614,805	0
Securities held-to-maturity	1,662	0	1,644	0
Loans held for sale	2,264	2,321	0	0
Loans, net	2,699,377	0	0	2,691,906
Federal Home Loan Bank stock	17,927	0	17,927	0
Federal Reserve Bank stock	4,869	0	4,869	0
Accrued interest receivable	13,548	0	13,548	0
Mortgage servicing rights	2,968	0	0	2,968
Financial liabilities:				
Deposits	$2,874,257	$677,626	$2,192,848	$0
Repurchase agreements	235,186	0	0	235,193
Federal funds purchased	11,041	0	11,041	0
Advances from Federal Home Loan Bank	61,170	0	61,106	0
Long-term debt	61,341	0	0	35,615
Accrued interest payable	908	0	908	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)	2015	2014
Standby letters of credit	$28,143	$28,524
Commitments to extend credit	455,273	459,380
Total off-balance sheet financial instruments	$483,416	$487,904

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, 2015, we maintained a credit loss reserve of approximately $5 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 78% of the total standby letters of credit are secured, with $18.4 million of the total $28.1 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, 2015, a credit loss reserve recorded in other liabilities of $219 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, 2015 of $24.8 million had interest rates ranging predominantly from 3.25% to 5.00%, respectively, and terms predominantly less than 1 year. These credit commitments were based on prevailing rates, terms, and conditions applicable to other loans being made at December 31, 2015.

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 $3.2 million and $0.3 million at December 31, 2015 and 2014, respectively, and mortgage loans held for sale amounted to $1.2 million and $2.3 million at both December 31, 2015 and 2014, 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, 2015 and 2014, our concentrations of lessors of non-residential buildings credits were 44% and 39% of Tier 1 Capital plus the allowance for loan and lease losses, respectively. Lessors of residential buildings and dwellings were 36% and 34%, respectively. Hotel/motel industry credits were 34% and 31%, 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, 2015 are without merit or that the ultimate liability, if any, will not materially affect our consolidated financial position or results of operations.

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 2016, approximately $50.0 million plus any 2016 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, 2015 and 2014. We believe, as of December 31, 2015, 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 Amount	Ratio	For Capital Adequacy Purposes Amount	Ratio
As of December 31, 2015:				
Tier 1 capital (to average assets)	$468,304	12.40%	$151,066	4.00%
Common equity Tier 1 capital (to risk weighted assets)	468,304	14.58	144,538	4.50
Tier 1 capital (to risk weighted assets)	468,304	16.70	168,253	6.00

Total capital (to risk weighted assets)	503,296	17.95	224,310	8.00
As of December 31, 2014:				
Tier 1 capital (to average assets)	$439,877	12.04%	$146,139	4.00%
Tier 1 capital (to risk weighted assets)	439,877	16.51	106,572	4.00
Total capital (to risk weighted assets)	473,097	17.76	213,107	8.00

Community Trust Bank, Inc.'s Capital Ratios

(in thousands)	Actual Amount	Ratio	For Capital Adequacy Purposes Amount	Ratio	To Be Well-Capitalized Under Prompt Corrective Action Provision Amount	Ratio
As of December 31, 2015:						
Tier 1 capital (to average assets)	$445,107	11.84%	$150,374	4.00%	$187,967	5.00 %
Common equity Tier 1 capital (to risk weighted assets)	445,107	15.91	125,895	4.50	181,848	6.50
Tier 1 capital (to risk weighted assets)	445,107	15.91	167,859	6.00	223,812	8.00
Total capital (to risk weighted assets)	480,099	17.16	223,822	8.00	279,778	10.00
As of December 31, 2014:						
Tier 1 capital (to average assets)	$416,861	11.47%	$145,374	4.00%	$181,718	5.00 %
Tier 1 capital (to risk weighted assets)	416,861	15.69	106,274	4.00	159,411	6.00
Total capital (to risk weighted assets)	450,081	16.94	212,553	8.00	265,691	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 would be: (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 current 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 will be phased-in over four years beginning on January 1, 2016.

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, 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 the Bank, 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 new 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 current rules); and (iv) a Tier 1 leverage ratio of 5% (unchanged from current 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. 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.

22. Parent Company Financial Statements

Condensed Balance Sheets

(in thousands)		
December 31	2015	2014
Assets:		
Cash on deposit	$1,462	$995
Investment in and advances to subsidiaries	531,702	503,252
Goodwill	4,973	4,973
Premises and equipment, net	145	207
Other assets	911	1,173
Total assets	$539,193	$510,600
Liabilities and shareholders' equity:		
Long-term debt	$61,341	$61,341
Other liabilities	2,269	1,382
Total liabilities	63,610	62,723
Shareholders' equity	475,583	447,877
Total liabilities and shareholders' equity	$539,193	$510,600

Condensed Statements of Income and Comprehensive Income

(in thousands)			
Year Ended December 31	2015	2014	2013
Income:			
Dividends from subsidiary banks	$19,808	$19,534	$13,035
Other income	414	196	545
Total income	20,222	19,730	13,580
Expenses:			
Interest expense	1,170	1,131	1,161
Depreciation expense	130	153	163
Other expenses	2,465	2,550	2,442
Total expenses	3,765	3,834	3,766

Income before income taxes and equity in undistributed income of subsidiaries	16,457	15,896	9,814
Income tax benefit	(1,371)	(1,548)	(1,416)
Income before equity in undistributed income of subsidiaries	17,828	17,444	11,230
Equity in undistributed income of subsidiaries	28,604	25,807	33,942
Net income	$46,432	$43,251	$45,172
Other comprehensive income (loss):			
Unrealized holding gains (losses) on securities available-for-sale:			
Unrealized holding gains (losses) arising during the period	(342)	13,928	(31,878)
Less: Reclassification adjustments for realized losses included in net income	(106)	(211)	(45)
Tax expense (benefit)	(83)	4,949	(11,142)
Other comprehensive income (loss), net of tax	(153)	9,190	(20,691)
Comprehensive income	$46,279	$52,441	$24,481

Condensed Statements of Cash Flows

(in thousands)			
Year Ended December 31	2015	2014	2013
Cash flows from operating activities:			
Net income	$46,432	$43,251	$45,172
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	130	153	163
Equity in undistributed earnings of subsidiaries	(28,604)	(25,807)	(33,942)
Stock-based compensation	783	838	658
Excess tax benefits of stock-based compensation	104	760	572
Changes in:			
Other assets	240	(558)	660
Other liabilities	968	563	1,505
Net cash provided by operating activities	20,053	19,200	14,788
Cash flows from investing activities:			
Purchase of premises and equipment	(45)	(125)	(148)
Repayment of investments in and advances to subsidiaries	0	(14)	(40)
Net cash used in investing activities	(45)	(139)	(188)
Cash flows from financing activities:			
Issuance of common stock	2,082	1,992	6,348
Netting of common stock	(189)	0	0
Excess tax benefits of stock-based compensation	(104)	(760)	(572)
Dividends paid	(21,330)	(20,570)	(24,546)
Net cash used in financing activities	(19,541)	(19,338)	(18,770)
Net increase (decrease) in cash and cash equivalents	467	(277)	(4,170)
Cash and cash equivalents at beginning of year	995	1,272	5,442
Cash and cash equivalents at end of year	$1,462	$995	$1,272

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)	2015	2014	2013
Numerator:			
Net income	$46,432	$43,251	$45,172
Denominator:			
Basic earnings per share:			
Weighted average shares	17,431	17,326	17,158
Diluted earnings per share:			
Dilutive effect of equity grants	52	71	82
Adjusted weighted average shares	17,483	17,397	17,240
Earnings per share:			
Basic earnings per share	$2.66	$2.50	$2.63
Diluted earnings per share	2.66	2.49	2.62

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. 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. There were no options to purchase common shares that were excluded from the diluted calculations above for the year ended December 31, 2014. Options to purchase 65,519 common shares at a weighted average price of $35.409 were excluded from the diluted calculations above for the year ended December 31, 2013.

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, 2015, 2014, and 2013 were:

	Amounts Reclassified from AOCI		
Year Ended December 31 (in thousands)	2015	2014	2013
Affected line item in the statements of income			
Securities losses	$(106)	$(211)	$(45)
Tax benefit	(37)	(74)	(15)
Total reclassifications out of AOCI	$(69)	$(137)	$(30)

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Audit Committee, Board of Directors
and Stockholders
Community Trust Bancorp, Inc.
Pikeville, Kentucky

We have audited the accompanying consolidated balance sheets of Community Trust Bancorp, Inc. (Company) as of December 31, 2015 and 2014, and the related consolidated statements of income and comprehensive income, changes in shareholders' equity and cash flows for each of the years in the three-year period ended December 31, 2015. The Company's management is responsible for these financial statements. Our responsibility is to express an opinion on these financial statements based on our audits.

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 financial statements are free of material misstatement. Our audits included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

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, 2015 and 2014, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2015, 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, 2015, 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 March 14, 2016, expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

/s/ BKD, LLP
Louisville, Kentucky
March 14, 2016

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Audit Committee, Board of Directors
and Stockholders
Community Trust Bancorp, Inc.
Pikeville, Kentucky

We have audited Community Trust Bancorp, Inc.'s (Company) internal control over financial reporting as of December 31, 2015, based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). 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 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.

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.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2015, based on criteria established in Internal Control – Integrated Framework (2013) issued by COSO.

We have also 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 March 14, 2016, expressed an unqualified opinion thereon.

/s/ BKD, LLP
Louisville, Kentucky
March 14, 2016

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, 2015, 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, 2015 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, 2015 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, 2015.

There were no changes in CTBI's internal control over financial reporting that occurred during the year ended December 31, 2015 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, 2015 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, 2015.

The effectiveness of CTBI's internal control over financial reporting as of December 31, 2015 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.

March 14, 2016 /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

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; 69	Chairman, President and CEO	1992	Chairman, President and CEO of Community Trust Bancorp, Inc.
Mark A. Gooch; 57	Executive Vice President and Secretary	1997	President and CEO of Community Trust Bank, Inc.
Larry W. Jones; 69	Executive Vice President	2002	Executive Vice President/ Central Kentucky Region President of Community Trust Bank, Inc.
James B. Draughn; 56	Executive Vice President	2001	Executive Vice President/Operations of Community Trust Bank, Inc.
Kevin J. Stumbo; 55	Executive Vice President, Chief Financial Officer, and Treasurer	2002	Executive Vice President/ Chief Financial Officer of Community Trust Bank, Inc.
Ricky D. Sparkman; 53	Executive Vice President	2002	Executive Vice President/ South Central Region President of Community Trust Bank, Inc.
Richard W. Newsom; 61	Executive Vice President	2002	Executive Vice President/ Eastern Region President of Community Trust Bank, Inc.
	Executive Vice President	2002	

James J. Gartner; 74			Executive Vice President/ Chief Credit Officer of Community Trust Bank, Inc.
Steven E. Jameson; 59	Executive Vice President	2004 (2)	Executive Vice President/ Chief Internal Audit & Risk Officer
D. Andrew Jones; 53	Executive Vice President	2010	Executive Vice President/ Northeastern Region President of Community Trust Bank, Inc.
Andy D. Waters; 50	Executive Vice President	2011 (3)	President and CEO of Community Trust and Investment Company
C. Wayne Hancock; 41	Executive Vice President	2014 (4)	Executive Vice President/Senior Staff Attorney

(1) The ages listed for CTBI's executive officers are as of February 29, 2016.

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

(3) Mr. Waters has been with Community Trust and Investment Company since 2004, serving as Senior Vice President/Manager of Trust and Estate Services prior to becoming President and CEO effective January 1, 2011.

(4) 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, 2015, 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, 2015, 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, all of which were available at December 31, 2015. 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 2006 Plan had 1,650,000 shares authorized, 1,533,794 available for issuance on December 31, 2015 related to awards issued prior to its termination. In January 2016, 18,069 shares were issued under the terms of the 2015 Plan pursuant to awards granted and earned under the 2006 Plan. Accordingly, this issuance did not reduce the shares available under the 2015 Plan. Additional shares will not be issued under the 2015 Plan pursuant to awards granted under the 2006 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	122	$ 32.29	568
Equity compensation plans not approved by shareholders	0	--	0
Total			568

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}
10.3	Second restated Pikeville National Corporation 1989 Stock Option Plan (commonly known as Community Trust Bancorp, Inc. 1989 Stock Option Plan) {incorporated by reference to registration statement no. 33-36165}

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 (2016) {incorporated herein by reference to current report on Form 8-K dated January 28, 2016}
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 (2016) {incorporated herein by reference to current report on Form 8-K dated January 28, 2016}
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}
10.12	Community Trust Bancorp, Inc. 2013 Executive Committee Long-Term Incentive Compensation Plan {incorporated herein by reference to current report on Form 8-K dated January 29, 2013}
10.13	Community Trust Bancorp, Inc. 2014 Executive Committee Long-Term Incentive Compensation Plan {incorporated herein by reference to current report on Form 8-K dated January 30, 2014}
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}
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

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.

Date: March 14, 2016 By: /s/ Jean R. Hale
Jean R. Hale
Chairman, President, and Chief Executive Officer

/s/ Kevin J. Stumbo
Kevin J. Stumbo
Executive Vice President

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.

March 14, 2016	/s/ Jean R. Hale Jean R. Hale	Chairman, President, and Chief Executive Officer
March 14, 2016	/s/ Kevin J. Stumbo	Executive Vice President, Chief Financial Officer, and Treasurer

	Kevin J. Stumbo	
March 14, 2016	/s/ Charles J. Baird Charles J. Baird	Director
March 14, 2016	/s/ Nick Carter Nick Carter	Director
March 14, 2016	/s/ James E. McGhee, II James E. McGhee II	Director
March 14, 2016	/s/ M. Lynn Parrish M. Lynn Parrish	Director
March 14, 2016	/s/ James R. Ramsey James R. Ramsey	Director
March 14, 2016	/s/ Anthony W. St. Charles Anthony W. St. Charles	Director

COMMUNITY TRUST BANCORP, INC. AND SUBSIDIARIES
INDEX TO EXHIBITS

Exhibit No.	Description of Exhibits
3.1	Articles of Incorporation for CTBI {incorporated herein by reference}
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}
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}
10.3	Second restated Pikeville National Corporation 1989 Stock Option Plan (commonly known as Community Trust Bancorp, Inc. 1989 Stock Option Plan) {incorporated herein by reference}
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 (2016) {incorporated herein by reference}
10.8	Restricted Stock Agreement{incorporated herein by reference}
10.9	Employee Incentive Compensation Plan (2016) {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}
10.12	Community Trust Bancorp, Inc. 2013 Executive Committee Long-Term Incentive Compensation Plan {incorporated herein by reference}
10.13	Community Trust Bancorp, Inc. 2014 Executive Committee Long-Term Incentive Compensation 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}
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 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