

Stock Yards Bancorp, Inc.  
Form DEF 14A  
March 24, 2017  
**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**SCHEDULE 14A**

Proxy Statement Pursuant to Section 14(a) of  
the Securities Exchange Act of 1934 (Amendment No. )

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

**Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to §240.14a-12

**Stock Yards Bancorp, Inc.**

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

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(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

**1040 East Main Street  
Louisville, Kentucky 40206  
502.582.2571**

March 24, 2017

Dear Shareholder:

We invite you to attend the 2017 Annual Meeting of Shareholders of Stock Yards Bancorp, Inc., to be held at 10:00 a.m., Eastern Time, on **Thursday, April 27, 2017**, at The Olmsted, 3701 Frankfort Avenue, Louisville, Kentucky 40206. There is a map on the back cover for your reference.

The enclosed Notice and Proxy Statement contain complete information about matters to be considered at the Annual Meeting, at which we will also review Stock Yards Bancorp's business and operations. Only shareholders of record on the record date for the meeting and their proxies are entitled to vote at the Annual Meeting.

Your vote is important. Whether or not you plan to attend the Annual Meeting of Shareholders, we hope you will vote as soon as possible. You may vote your shares via a toll free number or over the Internet, or by completing, signing and returning the enclosed proxy card in the envelope provided. Instructions regarding each of the three methods of voting are contained in the Proxy Statement.

Sincerely yours,

/s/ David P. Heintzman

David P. Heintzman

Chairman and Chief Executive Officer

**Important Notice Regarding the Availability of Proxy Materials for the Shareholders Meeting to Be Held on April 27, 2017: The Notice and Proxy Statement and Annual Report are available at <http://irinfo.com/sybt/sybt.html>.**

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**Stock Yards Bancorp, Inc.**

1040 East Main Street  
Louisville, Kentucky 40206

NOTICE OF THE  
2017 ANNUAL MEETING OF SHAREHOLDERS

March 24, 2017

To our Shareholders:

The Annual Meeting of Shareholders of Stock Yards Bancorp, Inc., a Kentucky corporation, will be held on **Thursday, April 27, 2017** at 10:00 a.m., Eastern Time, at The Olmsted, 3701 Frankfort Avenue, Louisville, Kentucky 40206 for the following purposes:

- (1) To elect eleven directors to serve until the next Annual Meeting of Shareholders and until their respective successors are duly elected and qualified;
- (2) To ratify the selection of KPMG LLP as the independent registered public accounting firm for Stock Yards Bancorp, Inc. for the year ending December 31, 2017;
- (3) To approve a non-binding resolution to approve the compensation of Stock Yards Bancorp's named executive officers;
- (4) To hold an advisory vote on the frequency of future shareholder advisory votes on executive compensation; and
- (5) To transact such other business as may properly come before the meeting.

The record date for the determination of the shareholders entitled to vote at the meeting or at any adjournment thereof is the close of business on March 6, 2017.

Your vote is important. Whether or not you plan to attend the Annual Meeting of Shareholders, we hope you will vote as soon as possible. Please review the instructions with respect to each of your voting options as described in the Proxy Statement. The Board of Directors of Stock Yards Bancorp appreciates your cooperation in directing proxies to vote at the meeting. If your schedule permits, I hope you will join me at the meeting.

By Order of the Board of Directors

/s/ David P. Heintzman

David P. Heintzman  
Chairman and Chief Executive Officer

**WE URGE SHAREHOLDERS TO VOTE AS SOON AS POSSIBLE**

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**Stock Yards Bancorp, Inc.**

1040 East Main Street  
Louisville, Kentucky 40206

PROXY STATEMENT  
FOR THE 2017 ANNUAL MEETING OF SHAREHOLDERS

**General Information about the Annual Meeting**

*Why have I received these materials?*

We are mailing this Proxy Statement and the accompanying proxy to shareholders on or about March 24, 2017. The proxy is solicited by the Board of Directors of Stock Yards Bancorp, Inc. (referred to throughout this Proxy Statement as “Stock Yards Bancorp”, “Bancorp”, “the Company” or “we” or “our”) in connection with our Annual Meeting of Shareholders that will take place on Thursday, April 27, 2017. We invite you to attend the Annual Meeting and request you to vote on the proposals described in this Proxy Statement.

*What am I voting on?*

Electing eleven directors to serve until the next Annual Meeting of Shareholders and until their respective successors are duly elected;

Ratifying the selection of KPMG LLP as the independent registered public accounting firm for Stock Yards Bancorp, Inc. for the year ending December 31, 2017;

Approving a non-binding resolution to approve the compensation of the Company's named executive officers; and

Determining shareholders' preferred frequency for conducting future advisory votes on executive compensation.

*Where can I find more information about these voting matters?*

Information about the nominees for election as directors is contained in Item 1;

Information about the ratification of the selection of KPMG LLP as the independent registered public accounting firm is contained in Item 2;

Information about the non-binding resolution to approve the compensation of Stock Yards Bancorp's named executive officers is contained in Item 3; and

Information about the frequency of future shareholder advisory votes on executive compensation is contained in Item 4.

*What is the relationship of Stock Yards Bancorp and Stock Yards Bank & Trust Company?*

Stock Yards Bancorp is the holding company for Stock Yards Bank & Trust Company (referred to throughout this Proxy Statement as "the Bank"). Stock Yards Bancorp owns 100% of Stock Yards Bank & Trust Company. Because Stock Yards Bancorp has no significant operations of its own, its business and that of Stock Yards Bank & Trust Company are essentially the same.



*Who is entitled to vote at the Annual Meeting?*

Holders of record of Common Stock (“Common Stock”) of Stock Yards Bancorp as of the close of business on March 6, 2017 will be entitled to vote at the Annual Meeting. On March 6, 2017, there were 22,642,046 shares of Common Stock outstanding and entitled to one vote on all matters presented for vote at the Annual Meeting.

*How do I vote my shares?*

If you are a “record” shareholder of Common Stock (that is, if you hold Common Stock in your own name in Stock Yards Bancorp’s stock records maintained by our transfer agent), you may vote your shares by using one of the following three options.

By Internet – If you have Internet access, we encourage you to vote on [www.proxyvote.com](http://www.proxyvote.com) by following instructions on the proxy card;

By Telephone – by making a toll-free telephone call from the U.S. or Canada to 1(800) 690-6903; or

By Mail – You can vote by completing, signing and returning the enclosed proxy card in the postage-paid envelope provided.

If your shares are held in a stock brokerage account or by a bank or other holder of record, you are considered the beneficial owner of those shares. This Notice of Annual Meeting and Proxy Statement and any accompanying documents have been forwarded to you by your broker, bank or other holder of record. As the beneficial owner, you have the right to direct your broker, bank or other holder of record how to vote your shares by using the voting instruction card provided by them or by following their instructions for voting by telephone or over the Internet. Beneficial owners who wish to vote at the Annual Meeting will need to obtain a proxy form from the institution that holds your shares and to follow the voting instructions on such form.

If you are a participant in the Stock Yards Bank & Trust Company 401(k) and Employee Stock Ownership Plan (“KSOP”), are still employed by the Bank and have a Bank email address, you will receive an electronic version of the proxy card for the shares that you own through that savings plan. If you are a participant no longer employed by the Bank or for another reason do not have a Bank email address, you will receive a paper version of the proxy card via postal mail. In either case, that proxy card will serve as a voting instruction card for the trustee of the plan. If you own shares through the plan and do not vote, the plan trustee will be instructed by the plan’s administrative committee to vote the plan shares as the Board of Directors recommend.

*What if I return my proxy card but do not provide voting instructions?*

If you vote by proxy card, your shares will be voted as you instruct. If you return your proxy card but do not mark your voting instructions on your signed card, Mr. Heintzman, Chairman and Chief Executive Officer, and Mr. James A. Hillebrand, President, as proxies named on the proxy card, will vote your shares FOR the election of the eleven director nominees, FOR the ratification of KPMG LLP, FOR the approval of the compensation of the named executive officers and 1 YEAR for the preferred frequency of future shareholder advisory votes on executive compensation.

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*Can I change my vote after I have voted?*

Yes. You may change your vote at any time before the polls close at the Annual Meeting. You may do this by:

Signing another proxy card with a later date and returning it to us prior to the Annual Meeting;

Voting again by telephone or through the Internet prior to 11:59 p.m., Eastern Time, on April 26, 2017;

Giving written notice of revocation to the Secretary of the Company prior to the Annual Meeting; or

Voting again at the Annual Meeting.

Your attendance at the Annual Meeting will not have the effect of revoking a proxy unless you notify our Corporate Secretary in writing before the polls close that you wish to revoke a previous proxy.

*What is a broker non-vote?*

If you are a beneficial owner whose shares are held of record by a broker, you must instruct the broker how to vote your shares. If you do not provide voting instructions, your shares will not be voted on any proposal on which the broker does not have the discretionary authority to vote. This is called a “broker non-vote”. In these cases the broker can register your shares as being present at the Annual Meeting for purposes of determining the presence of a quorum but will not be able to vote on those matters for which specific authorization is required under the rules of the New York Stock Exchange (“NYSE”) that govern brokers.

If you are a beneficial owner whose shares are held of record by a broker, your broker has discretionary voting authority to vote your shares on the ratification of KPMG LLP (Item 2) even if the broker does not receive voting instructions from you. However your broker does not have discretionary authority to vote on the election of directors (Item 1), the approval of executive compensation (Item 3) or the determination of shareholders’ preferred frequency for conducting future advisory votes on executive compensation (Item 4) without instructions from you, in which case a broker non-vote will occur and your shares will not be voted on these matters.

*What constitutes a quorum for purposes of the Annual Meeting?*

The presence at the Annual Meeting in person or by proxy of the holders of more than 50 percent of the voting power of all outstanding shares of Common Stock entitled to vote shall constitute a quorum for the transaction of business. Proxies marked as abstaining (including proxies containing broker non-votes) on any matter to be acted upon by shareholders will be treated as present at the meeting for purposes of determining a quorum but will not be counted as votes cast on such matters.

*What vote is required to approve each item?*

You may vote “FOR” each nominee for director or “AGAINST” each nominee, or “ABSTAIN” from voting on one or more nominees. Unless you mark “AGAINST” or “ABSTAIN” with respect to a particular nominee or nominees or for all nominees, your proxy will be voted “FOR” each of the director nominees named in this Proxy Statement. A nominee will be elected as a director if the number of “FOR” votes exceeds the number of “AGAINST” votes.

The selection of the independent registered public accounting firm will be ratified if the votes cast for it exceed the votes cast against it.

The proposal to approve the compensation of our named executive officers disclosed in this Proxy Statement will pass if votes cast for it exceed votes cast against it. Because this vote is advisory, it will not be binding upon Bancorp or the Board of Directors.

The option of one year, two years or three years that receives the highest number of votes cast by shareholders will be the frequency of the advisory vote on executive compensation selected by shareholders. Because this vote is advisory, however, it will not be binding upon Bancorp or the Board of Directors. However, the Board of Directors will take into account the outcome of the vote when considering frequency of this vote.

Any other item to be voted upon at the Annual Meeting will pass if votes cast for it exceed votes cast against it.

*Who counts the votes?*

Broadridge Financial Solutions will count votes cast by proxy at the Annual Meeting. They will also certify the results of the voting and will also determine whether a quorum is present at the meeting. Any votes cast in person at the Annual Meeting will be included in the final voting tally.

*How are abstentions and broker non-votes treated?*

You may abstain from voting on one or more nominees for director. You may also abstain from voting on any or all other proposals. Abstentions will be treated as shares that are present and entitled to vote for purposes of determining the presence of a quorum, but will not be counted in the number of votes cast for or against any nominee or with respect to any other matter. If a broker does not receive voting instructions from the beneficial owner of shares on a particular matter and indicates on the proxy that it does not have discretionary authority to vote on that matter, we will treat these shares as present at the meeting for purposes of determining a quorum but the shares will not count as votes cast on the matter. Abstentions and broker non-votes will not affect the outcome of any matters to be voted on at the Annual Meeting.

*What information do I need to attend the Annual Meeting?*

We do not use tickets for admission to the Annual Meeting. If you are voting in person, we may ask for photo identification.

*How does the Board recommend that I vote my shares?*

The Board recommends a vote FOR each of the nominees for director set forth in this document, FOR the ratification of the selection of the independent registered public accounting firm, FOR the approval of the compensation of the named executive officers and 1 YEAR for the frequency of future shareholder advisory votes on executive compensation.

With respect to any other matter that properly comes before the Annual Meeting, the proxy holders will vote as recommended by the Board of Directors or, if no recommendation is given, in their own discretion in the best interests of Stock Yards Bancorp. At the date this Proxy Statement went to press, the Board of Directors had no knowledge of any business other than that described herein that would be presented for consideration at the Annual Meeting.

*Who will bear the expense of soliciting proxies?*

Stock Yards Bancorp will bear the cost of soliciting proxies in the form enclosed. In addition to the solicitation by mail, proxies may be solicited personally or by telephone, facsimile or electronic transmission by our employees. We reimburse brokers holding Common Stock in their names or in the names of their nominees for their expenses in sending proxy materials to the beneficial owners of such Common Stock. The Company has engaged the services of Laurel Hill Advisory Group, LLC., a professional proxy solicitation firm, to aid in the solicitation of proxies from certain brokers, bank nominees and other institutional owners. The Company's costs for such services will not exceed \$14,000.

*Is there any information that I should know about future annual meetings?*

Any shareholder who intends to present a proposal at the 2018 Annual Meeting of Shareholders must deliver the proposal to the Corporate Secretary at 1040 East Main Street, Louisville, Kentucky 40206 no later than November 24, 2017, if the proposal is submitted for inclusion in our proxy materials for that meeting pursuant to Rule 14a-8 under the Securities Exchange Act of 1934. In addition, our Bylaws impose certain advance notice requirements on a shareholder nominating a director or submitting a proposal to an Annual Meeting. Such notice must be submitted to the Secretary of Stock Yards Bancorp no later than January 26, 2018. The notice must contain information prescribed by the Bylaws, copies of which are available from the Secretary. These requirements apply even if the shareholder does not desire to have his or her nomination or proposal included in our Proxy Statement.

## **CORPORATE GOVERNANCE AND RELATED MATTERS**

### **Role of the Board and Governance Principles**

The Stock Yards Bancorp's Board of Directors represents shareholders' interests in perpetuating a successful business including optimizing shareholder returns. The Directors are responsible for determining that the Company is managed to ensure this result. This is an active responsibility, and the Board monitors the effectiveness of policies and decisions including the execution of the Company's business strategies. Strong corporate governance guidelines form the foundation for Board practices. As a part of this foundation, the Board believes that high ethical standards in all Company matters are essential to earning the confidence of investors, customers, employees and vendors. Accordingly, Stock Yards Bancorp has established a framework that exercises appropriate measures of oversight at all levels of the Company and clearly communicates that the Board expects all actions be consistent with its fundamental principles of business ethics and other corporate governance guidelines. The Company's governance guidelines and other related matters are published on the Company website: [www.syb.com](http://www.syb.com) under the Investor Relations tab.

### **Board Leadership Structure**

The Board of Directors believes the most effective leadership structure for the Company is a combined Chairman and Chief Executive Officer position filled by Mr. Heintzman. He is the director most familiar with the business of the Company and the banking industry, and the Board believes that he is best suited to lead discussions on important issues affecting the Bank and Bancorp. Combining the Chief Executive Officer and Chairman positions creates a firm link between management and the Board and promotes development and implementation of corporate strategy. As the Board is committed to strong corporate governance practices, the Board has designated a lead independent director. In addition to an independent lead director, three committees of the Board provide independent oversight of management – the Audit Committee, the Compensation Committee and the Nominating and Corporate Governance Committee. Each is composed entirely of independent directors.

The Chair of the Nominating and Corporate Governance Committee (currently Charles R. Edinger III) acts in the role of lead director. The lead director presides at executive sessions of the Board which consist of non-management directors and are held at least four times annually. He has authority to call special meetings of the independent directors and committees of the Board, serves as liaison between the Chairman and board members and is available to discuss with any director concerns he or she may have regarding the Board, the Company or the management team. The lead independent director is responsible for providing advice and consultation to the Chairman and Chief Executive Officer and informing him of decisions reached and suggestions made during executive sessions of the Board of Directors. The lead director reviews and approves matters such as agendas for Board meetings and executive sessions, and information distributed to board members.

## **Board Evaluation Process**

The Board conducts an annual self-assessment to enhance its effectiveness. Through regular evaluation of its policies, practices and procedures, the Board identifies areas for further consideration and improvement. The evaluation process is led by the Nominating and Corporate Governance Committee. Each director is requested to complete a questionnaire and provide feedback on a range of issues, including his or her assessment of the Board's overall effectiveness and performance; its committee structure; priorities for future Board discussion and attention; the composition of the Board and the background and skills of its members; the quality, timing and relevance of information received from management; and the nature and scope of agenda items. The lead director then meets with each director individually to discuss his or her questionnaire responses and any other thoughts or suggestions the director may have regarding the Board's overall effectiveness or specific Board practices or policies. The lead director prepares a summary of findings drawn from the questionnaire responses and director interviews for presentation to the full Board of Directors. The Audit and Compensation Committees also conduct their own self-assessments led by the committee chairs.



## **Board Oversight of Risk Management**

The Board of Directors has a significant role in the oversight of risk management. The Board receives information regarding risks facing the Company, their relative magnitude and management's plan for mitigating these risks. Primary risks facing the Company are credit, operational, interest rate, liquidity, compliance/legal, strategic and reputational risks. After assessment by management, reports are made to committees of the Board. Credit risk is addressed by the Bank's Risk Committee. Operational and compliance/legal risks are addressed by the Audit Committee of Bancorp and the Bank's Risk Committee. Interest rate and liquidity risks are addressed by the Asset/Liability Committee comprised of Bank management and reports are made monthly to the Board. Strategic and reputational risk is addressed by the above committees in addition to the Compensation Committee of Bancorp along with other executive compensation matters. Oversight of the trust department is addressed by the Trust Committee of the Bank. Corporate governance matters are addressed by the Nominating and Corporate Governance Committee of Bancorp. The full Board hears reports from each of these committees at the Board meeting immediately following the Committee meeting. The Bank's Director of Internal Audit has a direct reporting line to the Audit Committee of the Board. The Chief Risk Officer, Information Security Officer and Compliance Officer make regular reports to the Audit and Risk Committees and the full Board when appropriate. During 2016, the Risk Committee assumed oversight responsibility for a broader range of enterprise-related risks within the Bank and has become the primary board level committee focused on risk management and related policies and processes.

## **Shareholder Communications with the Board of Directors**

Shareholders may communicate directly to the Board of Directors in writing by sending a letter to the Board at: Stock Yards Bancorp Board of Directors, P.O. Box 32890, Louisville, KY 40232-2890. Communications directed to the Board of Directors will be received by the Chairman and processed by the Nominating and Corporate Governance Committee when the communications concern matters related to the duties and responsibilities of the Board of Directors.

## **BOARD OF DIRECTORS' MEETINGS AND COMMITTEES**

During 2016, the Board of Directors of Stock Yards Bancorp held thirteen regularly scheduled meetings. All directors of Stock Yards Bancorp are also directors of the Bank. During 2016, the Bank's Board of Directors also held thirteen regularly scheduled meetings.

All directors attended at least 75% of the number of meetings of the Board and committees of the Board on which they served that were held during the period he or she served as a director. All directors are encouraged to attend annual meetings of shareholders, and all attended the 2016 Annual Meeting.

Stock Yards Bancorp has an Audit Committee, a Compensation Committee and a Nominating and Corporate Governance Committee of the Board of Directors. The Bank has a Risk Committee and a Trust Committee of the Board of Directors.

### **Audit Committee**

The Board of Directors of Stock Yards Bancorp maintains an Audit Committee comprised of directors who are not officers of Stock Yards Bancorp. For 2016, the Audit Committee was comprised of Messrs. Brown, Herde (Chairman), Lechleiter and Priebe. Upon joining the Board in October 2016, Ms. Heitzman replaced Mr. Brown on the Audit Committee. Each of these individuals meets the SEC and NASDAQ independence requirements for membership on an audit committee and each is financially literate within the meaning of the NASDAQ listing rules. The Board of Directors has adopted a written charter for the Audit Committee, and this charter is available on Stock Yards Bancorp's website: [www.syb.com](http://www.syb.com).

The Audit Committee oversees Stock Yards Bancorp's financial reporting process on behalf of the Board of Directors. Management has primary responsibility for the financial statements and the reporting process including the systems of internal controls. In fulfilling its oversight responsibilities, the Committee, among other things, considers the appointment of the external auditors for Stock Yards Bancorp, reviews with the auditors the plan and scope of the audit and audit fees, monitors the adequacy of reporting and internal controls, meets regularly with internal and external auditors, reviews the independence of the external auditors, reviews Stock Yards Bancorp's financial results as reported in Securities and Exchange Commission filings, and approves all audit and permitted non-audit services performed by its external auditors. The Committee reviews and evaluates identified related party transactions and discusses with management the Company's major financial risk exposures and the steps management has taken to monitor and control those exposures. The Audit Committee meets with our management at least quarterly to consider the adequacy of our internal controls and the objectivity of our financial reporting. This Committee also meets with the external auditors and with our internal auditors regarding these matters. Both the independent auditors and the internal auditors regularly meet privately with this Committee and have unrestricted access to this Committee. The Audit Committee held five meetings during 2016.

The Board of Directors has determined that Messrs. Herde and Lechleiter and Ms. Heitzman are audit committee financial experts for Stock Yards Bancorp and are independent as described in the paragraph above. See "REPORT OF THE AUDIT COMMITTEE" for more information.

### **Nominating and Corporate Governance Committee**

The Board of Directors of Stock Yards Bancorp maintains a Nominating and Corporate Governance Committee. Members of this Committee are Messrs. Brown, Edinger (Chairman) and Northern, all of whom are non-employee directors meeting the NASDAQ independence requirements for membership on a nominating and governance committee. Responsibilities of the Committee are set forth in a written charter satisfying the NASDAQ's corporate governance standards, requirements of federal securities law and incorporating other best practices. The Board of Directors has adopted a written charter for the Nominating and Corporate Governance Committee, and this charter is available on Stock Yards Bancorp's website: [www.syb.com](http://www.syb.com).

Among the Committee's duties are identifying and evaluating candidates for election to the Board of Directors, including consideration of candidates suggested by shareholders. To submit a candidate for consideration by the Committee, a shareholder must provide written communication to the Committee. The Committee would apply the same board membership criteria to shareholder-nominated candidates as it would to Committee-nominated candidates. The Committee also assists the Board in determining the composition of Board committees, assessing the Board's effectiveness and developing and implementing the Company's corporate governance guidelines. This Committee held four meetings during 2016.

### **Compensation Committee**

The Board of Directors of Stock Yards Bancorp maintains a Compensation Committee. Members of this Committee are Messrs. Edinger, Lechleiter (Chairman) and Tasman, all of whom meet the NASDAQ independence requirements for membership on the Compensation Committee. The Board of Directors has adopted a written charter for the Compensation Committee, and this charter is available on Stock Yards Bancorp's website: [www.syb.com](http://www.syb.com). The responsibilities of this Committee include oversight of executive and Board compensation and related programs. The Compensation Committee held six meetings during 2016. See "EXECUTIVE COMPENSATION AND OTHER INFORMATION - REPORT ON EXECUTIVE COMPENSATION" for more information.

### **Risk Committee**

In 2015, the Company established a new Bank Risk Committee. This Committee is responsible for monitoring the Bank's commercial and consumer loan portfolio and the related credit risk. The Committee reviews and discusses with management its assessment of asset quality and trends in asset quality, credit quality administration and underwriting standards and the effectiveness of portfolio risk management systems. The Committee is also responsible for reviewing and approving significant lending and credit policies and compliance with those policies. During 2016, the Risk Committee significantly expanded its duties to include oversight responsibility for a wider range of enterprise-related risks within the Bank, including regulatory compliance, information security, cybersecurity, insurance and physical security. Members of this Committee are Messrs. Edinger, Northern (Chairman) and Tasman. The Committee meets monthly and held eleven meetings in 2016.

**Trust Committee**

The members of the Bank’s Trust Committee are Messrs. Brown, Herde and Priebe and Ms. Heitzman. This Committee held six meetings in 2016. The Trust Committee oversees the operations of the investment management and trust department of the Bank to help ensure it operates in accordance with sound fiduciary principles and is in compliance with pertinent laws and regulations.

**ITEM 1. ELECTION OF ELEVEN DIRECTORS**

The Board of Directors presently consists of eleven members. Directors serve a one-year term and hold office until the Annual Meeting following the year of their election and until his or her successor is elected and qualified, subject to his or her death, resignation, retirement, removal or disqualification.

The eleven directors nominated by the Nominating and Corporate Governance Committee of the Board of Directors for election this year to hold office until the 2018 Annual Meeting and until their respective successors are elected and qualified are:

<b>Name, Age and Year</b>	<b>Principal Occupation;</b>
<b>Individual Became Director (1) Certain Directorships (2) (3)</b>	
J. McCauley Brown Age 64 Director since 2015	Retired Vice President, Brown-Forman Corporation
Charles R. Edinger III Age 67 Director since 1984	President, J. Edinger & Son, Inc.
David P. Heintzman (4) Age 57 Director since 1992	Chairman and Chief Executive Officer, Stock Yards Bancorp, Inc. and Stock Yards Bank & Trust Company
Donna L. Heitzman (4)	Retired Portfolio Manager,

Age 64  
Director since 2016

KKR Prisma Capital

Carl G. Herde  
Age 56  
Director since 2005

Vice President/Finance,  
Kentucky Hospital Association

James A. Hillebrand  
Age 48  
Director since 2008

President,  
Stock Yards Bancorp, Inc. and Stock Yards Bank & Trust Company

Richard A. Lechleiter (3)  
Age 58  
Director since 2007

President, Catholic Education Foundation of Louisville

Richard Northern  
Age 68  
Director since 2011

Partner, Wyatt, Tarrant & Combs LLP

<b>Name, Age and Year Individual Became Director (1)</b>	<b>Principal Occupation; Certain Directorships (2) (3)</b>
Stephen M. Priebe Age 53 Director since 2012	President, Hall Contracting of Kentucky
Norman Tasman Age 65 Director since 1995	President, Tasman Industries, Inc. and Tasman Hide Processing, Inc.
Kathy C. Thompson  Age 55  Director since 1994	Senior Executive Vice President, Stock Yards Bancorp, Inc. and Stock Yards Bank & Trust Company, Manager of the Bank's Investment Management and Trust Department

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(1) Ages listed are as of December 31, 2016.

(2) Each nominee has been engaged in his or her chief occupation for five years or more with the exception of Messrs. Brown, Herde and Lechleiter and Ms. Heitzman as described below.

Mr. Lechleiter is a director of Amedisys, Inc., a publicly-traded healthcare services company. No other nominee holds, or at any time in the last five years has held, any directorship in a company with a class of securities registered pursuant to Section 12 of the Securities Exchange Act of 1934 or subject to the requirements of Section 15(d) of such Act or any company registered as an investment company under the Investment Company Act of 1940, other than Stock Yards Bancorp.

(4) There is no family relationship between Mr. Heintzman and Ms. Heitzman.

Our Board of Directors, through a process managed by the Nominating and Corporate Governance Committee, conducts an annual review of director independence. During this review, the Nominating and Corporate Governance Committee considers transactions and relationships between each director or any member of his or her immediate family and the Company. The purpose of this review is to determine whether any such relationships or transactions are inconsistent with a determination that the director is independent.

As a result of this review, and based upon the advice and recommendations of the Nominating and Corporate Governance Committee, the Board of Directors has affirmatively determined that Messrs. Brown, Edinger, Herde,

Lechleiter, Northern, Priebe and Tasman and Ms. Heitzman satisfy the independence requirements of the NASDAQ Stock Market. As employees of the Bank, Messrs. Heintzman and Hillebrand and Ms. Thompson do not satisfy these requirements.

In performing its independence review, the Nominating and Corporate Governance Committee noted that the Bank has a business relationship with Wyatt, Tarrant & Combs, of which Mr. Northern is a partner. Additionally, the Committee noted that the Bank and Mr. Heintzman have made charitable donations to the Catholic Education Foundation of Louisville, of which Mr. Lechleiter is the President. However, in all cases, the Committee determined that these relationships were not material to the director or his affiliated company or organization.

Our Articles of Incorporation and Bylaws require majority voting for the election of directors in uncontested elections. This means that the director nominees in an uncontested election for directors must receive a number of votes cast “for” his or her election that exceeds the number of votes cast “against.” The Company’s corporate governance guidelines further provide that any incumbent director who does not receive a majority of “for” votes in an uncontested election must, within five days following the certification of the election results, tender to the Chairman of the Board his or her resignation from the Board. The resignation will specify that it is effective upon the Board’s acceptance of the resignation. The Board will, through a process managed by the Nominating and Corporate Governance Committee and excluding the nominee in question, accept or reject the resignation within 90 days after certification of the shareholder vote. The Board will promptly communicate any action taken on the resignation.



## **Additional Information Regarding the Background and Qualifications of Director Nominees**

The Nominating and Corporate Governance Committee considers the particular experience, qualifications, attributes and expertise of each nominee for election to the Board. Having directors with different points of view, professional experience, education and skills provides broader perspectives and more diverse considerations valuable to the directors as they fulfill their leadership roles. Potential Board candidates are evaluated based upon various criteria, including:

Direct industry knowledge, broad-based business experience, or professional skills that indicate the candidate will make a significant and immediate contribution to the Board's discussion and decision-making in the array of complex issues facing Bancorp;

Behavior and reputation that indicate he or she is committed to the highest ethical standards and the values of Bancorp;

Special skills, expertise, and background that add to and complement the range of skills, expertise, and background of the existing directors;

The ability to contribute to broad Board responsibilities, including succession planning, management development, and strategic planning; and

Confidence that the candidate will effectively, consistently, and appropriately take into account and balance the legitimate interests and concerns of all Bancorp's shareholders in reaching decisions.

Directors must have time available to devote to Board activities and to enhance their knowledge of Stock Yards Bancorp, Inc. and the banking industry.

All non-management directors are required to own stock equal in value to three times their annual director compensation within five years of joining the Board and to maintain that minimum ownership level for the remainder of their service as a director. "Annual director compensation" is defined as the total of a director's annual retainer fee, board meeting attendance fees and stock grants; committee fees (both attendance and chair fees) are excluded. The Nominating and Corporate Governance Committee may exercise its discretion in enforcing the guidelines when the accumulation of Common Stock is affected by the price of Bancorp stock or changes in director compensation. Management directors also have ownership targets as set forth elsewhere in this Proxy Statement. All directors' ownership positions meet or exceed the requirement, and some of the more tenured directors are among the Company's largest shareholders.

The Nominating and Corporate Governance Committee of the Board of Directors has presented a slate of eleven nominees for election as directors at the 2017 Annual Meeting. If elected, we expect that all of the aforementioned nominees will serve as directors and hold office until the 2018 annual meeting of shareholders and until their respective successors have been elected and qualified. However, if for any reason a nominee should become unable or unwilling to serve, proxies may be voted for another person nominated as a substitute by the Board of Directors, or the Board may reduce the number of directors to be elected.

All eleven nominees are standing for re-election and were last elected to the Board of Directors by shareholders at the 2016 Annual Meeting except Ms. Heitzman, who was first appointed in October 2016 to fill a vacancy on the Board of Directors and will be standing for election by shareholders for the first time. Below is a summary of the Committee's consideration and evaluation of each director nominee.

**Mr. Brown** retired as a Vice President of Brown-Forman Corporation, a Fortune 1,000 company, in 2015. His extensive experience in business, management and accounting, and his deep ties to the Louisville community, bring valuable local and global perspectives to our Board. Additionally, his widespread commitment to community organizations in Louisville and beyond gives him a strong sense of the needs, prospects and potential of our region. Mr. Brown currently serves on the Nominating and Corporate Governance Committee of Bancorp and the Bank's Trust Committee. He previously served on the Audit Committee of Bancorp during 2016.

**Mr. Edinger** is President of J. Edinger & Son, Inc., a family owned business, which is typical of the Bank's historical customer base. He brings this perspective to the Board, and he has the skills necessary to serve as lead director. Mr. Edinger is a long-serving member of the Board with a deep understanding of the role of the Board and of the Company and its operations. He chairs the Nominating and Corporate Governance Committee of Bancorp, and he serves on the Compensation Committee of Bancorp and the Bank's Risk Committee.

**Mr. Heintzman** holds an accounting degree, and prior to joining the Bank, worked as a certified public accountant for an international accounting firm. He joined the Bank in 1985 and has served as Chief Financial Officer, Executive Vice President and President. In January 2005 he assumed the position of Chairman and Chief Executive Officer. Mr. Heintzman has been instrumental in the Bank's growth strategies and profitable execution. His commitment to ethical standards sets the example for the Bank and its employees, and his tenure and experience in all areas of the business provide a unique perspective of the business and strategic direction of the Company.

**Ms. Heitzman**, CPA, CFA, with expertise in the institutional credit markets and experience with investment strategies, provides our Board with a deep knowledge and understanding of capital markets, finance and accounting. Ms. Heitzman recently retired as a portfolio manager for New York City-based KKR Prisma Capital. She joined that company in 2004 to help construct and manage customized portfolios. Before joining KKR Prisma, Ms. Heitzman served in various capacities at AEGON USA, previously Providian Capital. As a portfolio manager in capital market strategies, she facilitated significant growth and broad diversification of a \$1 billion fund portfolio. Ms. Heitzman serves on the Audit Committee of Bancorp and has been designated by the Board of Directors as an audit committee financial expert. She also serves on the Bank's Trust Committee.

**Mr. Herde** holds an accounting degree, is a certified public accountant and joined Baptist Healthcare System, Inc., one of the largest not-for-profit health care systems in Kentucky, in 1984 as controller. He served as the Chief Financial Officer from 1993 until his retirement from Baptist in September 2016. He now serves as the Vice President of Finance for the Kentucky Hospital Association. He has extensive experience in financial reporting and corporate finance. Mr. Herde chairs the Audit Committee of Bancorp and has been designated by the Board of Directors as an audit committee financial expert. He also serves on the Bank's Trust Committee.

**Mr. Hillebrand** joined Stock Yards Bank in 1996 as director and developer of the private banking group. Prior to joining the Bank, he was with a regional bank and a community bank where he specialized in private banking. He has directed the expansion of the Bank into the Indianapolis and Cincinnati markets and was named President in 2008.

**Mr. Lechleiter** is the President of the Catholic Education Foundation of Louisville. From February 2002 until his retirement in January 2014, he served as the Executive Vice President and Chief Financial Officer of Kindred Healthcare, Inc., a Fortune 500 healthcare services company based in Louisville. Mr. Lechleiter also served in senior financial positions at other large publicly held healthcare services companies such as Humana Inc. and HCA, Inc. during his professional financial career spanning nearly 35 years. His extensive experience in business leadership,

financial reporting, corporate finance, investor relations, mergers and acquisitions and corporate governance is valuable to the Board. Mr. Lechleiter serves on the Audit Committee of Bancorp and has been designated by the Board of Directors as an audit committee financial expert. He also chairs the Compensation Committee of Bancorp.

**Mr. Northern** is a partner in the Louisville office of Wyatt, Tarrant & Combs LLP where he has practiced law since 1980. Earlier in his career Mr. Northern was a White House Fellow, served as Special Assistant to the United States Secretary of the Interior Cecil Andrus and was the Legislative Director for U.S. Representative Romano Mazzoli. Mr. Northern's legal experience is valuable to the Board including corporate governance, compliance, strategy and acquisition and development activities. He serves on the Nominating and Corporate Governance Committee of Bancorp and chairs the Bank's Risk Committee.

**Mr. Priebe** is President of Hall Contracting of Kentucky, which provides construction services in the areas of heavy construction, asphalt, civil, pipeline, and highway and bridge construction. A registered professional civil engineer, he began his career at Hall in 1986. Mr. Priebe has had extensive involvement with many civic organizations throughout his career. He has worked with the Kentucky Transportation Cabinet Disadvantaged Business Enterprise Training Program and is actively mentoring a local electric contractor. Mr. Priebe's business acumen and familiarity with the local and regional economic climate bring valuable perspective to the Board. Mr. Priebe serves on the Audit Committee of Bancorp and the Bank's Trust Committee.

**Mr. Tasman** is President of Tasman Industries, Inc. and Tasman Hide Processing headquartered in Louisville. This family-owned business was founded in 1947 and operates 14 locations in North America with offices in Europe and Asia. The company produces leather and finished products used by the military and general population. Mr. Tasman's extensive knowledge of consumer demands and global business trends brings a unique perspective to the Board. He serves on the Compensation Committee of Bancorp and the Bank's Risk Committee.

**Ms. Thompson** joined the Bank in 1992 as Manager of the Investment Management and Trust Department, at which time the Trust Department had \$200 million in assets under management. Under her leadership, the department has grown to \$2.5 billion in assets under management and is one of the most profitable bank-owned trust companies in the country. Prior to joining the Company, Ms. Thompson practiced estate planning law and worked in a regional bank's trust department where she specialized in investment management and estate and personal financial planning.

**THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE FOR THE ELECTION OF EACH OF THESE NOMINEES**

## **ITEM 2. RATIFICATION OF THE SELECTION OF THE INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

The Audit Committee has selected KPMG LLP as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2017 and has directed that management submit the selection of the independent registered public accounting firm to shareholders for ratification at the Annual Meeting. KPMG LLP has been engaged to audit the consolidated financial statements of Stock Yards Bancorp for the past 29 years. Representatives of KPMG LLP are expected to be present at the meeting, will have an opportunity to make a statement if they so desire and will be available to respond to appropriate questions.

Shareholder ratification of the selection of KPMG LLP as the Company's independent registered public accounting firm is not required by the Company's Bylaws or otherwise. However, we are submitting the selection of KPMG LLP to the shareholders for ratification as a matter of good corporate practice. If the shareholders fail to ratify the selection, the Audit Committee will reconsider whether or not to retain KPMG LLP. Even if the selection is ratified, the Audit Committee in its discretion may direct the appointment of a different independent audit firm at any time during the year if it is determined that such a change would be in the best interests of the Company and its shareholders.

**THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE FOR THE RATIFICATION OF THE SELECTION OF KPMG LLP**

**ITEM 3. ADVISORY VOTE ON EXECUTIVE COMPENSATION**

We are asking our shareholders to provide an advisory vote on the compensation of the named executive officers disclosed in the REPORT ON EXECUTIVE COMPENSATION section of this Proxy Statement. We have included this proposal among the items to be considered at the Annual Meeting pursuant to the requirements of Section 14A of the Securities Exchange Act of 1934. While this vote is non-binding on our Company and the Board of Directors, it will provide the Compensation Committee with information regarding investor sentiment about our executive compensation philosophy, policies and practices which the Committee will be able to consider when determining future executive compensation arrangements. Our current policy is to hold an advisory vote on executive compensation each year. We expect to hold the next advisory vote at our 2018 annual meeting of shareholders. Following is a summary of some of the key points of our 2016 executive compensation program. See the REPORT ON EXECUTIVE COMPENSATION section of this Proxy Statement for more information.

The pay-for-performance compensation philosophy of the Compensation Committee supports Stock Yards Bancorp's primary objective of creating value for its shareholders. The Committee strives to ensure that compensation of Stock Yards Bancorp's executive officers is market-competitive to attract and retain talented individuals to lead Stock Yards Bancorp and the Bank to growth and higher profitability while maintaining stability and capital strength. Our executive compensation program has been designed to align managements' interests with those of our shareholders. In addition, the program seeks to mitigate risks related to compensation. In designing the 2016 compensation program, the Compensation Committee used key performance measurements to motivate our executive officers to achieve short-term and long-term business goals after reviewing peer and market data and the Company's business expectations for 2016.

We believe that the information provided regarding executive compensation in this Proxy Statement demonstrates that our executive compensation program was designed appropriately and is working to maximize shareholder return while mitigating risk and aligning managements' interests with our shareholders. Accordingly, the Board of Directors recommends that shareholders approve the following advisory resolution:

RESOLVED, that the shareholders of Stock Yards Bancorp, Inc. approve, on an advisory basis, the compensation paid to the Company's named executive officers as disclosed in the Stock Yards Bancorp, Inc. 2017 Proxy Statement pursuant to the executive compensation disclosure rules of the Securities and Exchange Commission, including the Compensation Discussion and Analysis, the Summary Compensation Table and the other executive compensation tables and related narratives.

**THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE FOR THE APPROVAL OF THE COMPENSATION OF OUR NAMED EXECUTIVE OFFICERS AS DESCRIBED IN THIS PROXY STATEMENT**

**ITEM 4. ADVISORY VOTE ON THE FREQUENCY OF FUTURE "SAY-ON-PAY" VOTES**

As described in Item 3 above, our shareholders have the opportunity to cast an advisory vote to approve the compensation of our named executive officers, which we refer to as a "say-on-pay" vote. This Item 4 affords shareholders the additional opportunity to cast an advisory vote on how often we should include a say-on-pay proposal in our proxy materials for future annual shareholder meetings or any special shareholder meeting for which we must include executive compensation information in the proxy statement for that meeting. We have included this proposal among the items to be considered at the Annual Meeting pursuant to the requirements of Section 14A of the Exchange Act. Under this Item 4, shareholders may vote to conduct the say-on-pay vote every year, every two years or every

three years. Shareholders that do not have a preference regarding the frequency of future say-on-pay votes may abstain from voting on this proposal.

Our shareholders voted on a similar proposal in 2011. At that year's annual meeting, a majority of our shareholders voted to hold the say-on-pay vote every year, which was the recommendation of our Board of Directors. We continue to believe that say-on-pay votes should be conducted every year so that our shareholders may annually express their views on our executive compensation program.

This vote, like the say-on-pay vote described in Item 3 above, is advisory and not binding on Bancorp or the Board of Directors. Shareholders are not voting to approve or disapprove the Board's recommendation. However, the Board values the opinions expressed by shareholders in their votes on this proposal and will consider the outcome of the vote when making future decisions regarding the frequency of conducting a say-on-pay vote.

It is expected that the next vote on a say-on-pay frequency proposal will occur at the 2023 annual meeting of shareholders.

Shareholders may cast their advisory vote to conduct advisory votes on executive compensation every "1 Year," "2 Years" or "3 Years," or they may abstain from this vote.



The option of every year, every two years or every three years that receives the highest number of votes cast by shareholders will reflect the shareholders' preferred frequency for holding future say-on-pay votes. However, because this vote is advisory and not binding on the Board of Directors or the Company, the Board may decide that it is in the best interests of our shareholders and the Company to hold an advisory vote on executive compensation more or less frequently than the option selected by our shareholders.

**THE BOARD OF DIRECTORS RECOMMENDS THAT YOU SELECT "ONE YEAR" AS THE PREFERRED FREQUENCY FOR HOLDING FUTURE ADVISORY VOTES ON EXECUTIVE COMPENSATION**

**SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT**

Set forth in the following table is the beneficial ownership of our Common Stock as of December 31, 2016 for each person or entity known by us to beneficially own more than five percent of the outstanding shares of our Common Stock; all our directors and executive officers as a group; and directors, executive officers and employees as a group. "Executive officer" means the chairman, president, any vice president in charge of a principal business unit, division or function, or other officer who performs a policy making function or any other person who performs similar policy making functions and is so designated by the Board of Directors. For a description of the voting and investment power with respect to the shares beneficially owned by the nominees for election as directors and named executive officers of Stock Yards Bancorp, see the tables below.

<u>Name of Beneficial Owner</u>	<b>Amount and Nature of Beneficial Ownership</b>	<b>Percent of Stock Yards Bancorp Common Stock (1)</b>
Fidelity Management & Research Company 245 Summer Street Boston, MA 02210	1,851,951 (2)	8.2%
BlackRock, Inc. 55 East 52 <sup>nd</sup> Street New York, NY 10055	1,502,422 (2)	6.7%
Directors and executive officers of Bancorp and the Bank as a group (16 persons)	1,429,664 (3)	6.2%
	2,301,607 (3) (4)	9.9%

Directors, executive officers, and employees of Bancorp and the Bank as a group (497 persons)

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Shares of Stock Yards Bancorp Common Stock subject to stock options and stock appreciation rights that are currently exercisable or may become exercisable within the following 60 days under Stock Yards Bancorp's Stock Incentive Plans are deemed outstanding for purposes of computing the percentage of Stock Yards Bancorp Common Stock beneficially owned by the person and group holding such options and stock appreciation rights but are not deemed outstanding for purposes of computing the percentage of Stock Yards Bancorp Common Stock beneficially owned by any other person or group.

(2) Based upon Schedule 13G filed with the SEC as of December 31, 2016.

Includes 374,396 shares held by directors and executive officers subject to outstanding stock options and stock appreciation rights that are currently exercisable or may become exercisable within the following 60 days and 110,507 shares held in KSOP accounts.

The shares held by the group include 294,212 shares held by non-executive officers and employees of the Bank. In addition, includes 160,978 shares subject to stock options and stock appreciation rights that are currently exercisable or may become exercisable within the following 60 days held by non-executive officers of the Bank and 416,753 shares held by non-executive officers and employees of the Bank in their KSOP accounts, with sole voting power and investment power. Stock Yards Bancorp has not undertaken the expense and effort of compiling the number of shares other officers and employees of the Bank may hold other than directly in their own name.

The following table shows the beneficial ownership of Stock Yards Bancorp, Inc.'s Common Stock as of December 31, 2016 by each nominee for election as directors and each named executive officer.

Name	Number of Shares Beneficially				Percent of Stock Yards Bancorp Common Stock
	Owned	(1)	(2)	(3) (4)	
J. McCauley Brown	7,424			(6)	(5)
Nancy B. Davis	121,736				(5)
Charles R. Edinger III	332,948			(7)	1.45%
David P. Heintzman	194,079			(8)	(5)
Donna L. Heitzman	1,185				(5)
Carl G. Herde	40,190				(5)
James A. Hillebrand	83,119			(9)	(5)
Richard A. Lechleiter	21,111			(10)	(5)
Richard Northern	39,296				(5)
Phillip S. Poindexter	63,059				(5)
Stephen M. Priebe	13,352				(5)
Norman Tasman	299,092			(11)	1.31%
Kathy C. Thompson	67,828				(5)

Includes, where noted, shares in which members of the nominee's or executive officer's immediate family have a beneficial interest. The column does not, however, include the interest of certain of the listed nominees or (1) executive officer in shares held by other non-dependent family members in their own right. In each case, the principal disclaims beneficial ownership of any such shares, and declares that the listing in this Proxy Statement should not be construed as an admission that the principal is the beneficial owner of any such securities.

Includes shares subject to outstanding stock options and SARs that are currently exercisable or may become (2) exercisable within the following 60 days and unvested restricted shares issued under Stock Yards Bancorp's Stock Incentive Plan(s) as follows:

Name	Number of Stock Options and SARs	Number of Unvested Restricted Stock Grants
Brown	300	1,018
Davis	20,237	897
Edinger	-	1,018
Heintzman	126,026	1,723
Heitzman	-	-
Herde	-	1,018
Hillebrand	78,829	-
Lechleiter	-	1,018

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Northern	1,500	1,018
Poindexter	29,845	5,430
Priebe	1,200	1,018
Tasman	-	1,018
Thompson	35,019	1,556

(3) Includes shares held in Directors' Deferred Compensation Plan as follows:

Name	Number of Shares
Brown	895
Edinger	33,436
Heitzman	185
Herde	17,922
Hillebrand	419
Lechleiter	16,453
Northern	15,103
Priebe	9,689
Tasman	57,760

(4) Includes shares held in the Company's KSOP as follows:

Name	Number of Shares
Davis	113
Heintzman	24,362
Hillebrand	20,733
Poindexter	11,703
Thompson	30,999

(5) Less than one percent of outstanding Stock Yards Bancorp Common Stock.

(6) Includes 3,987 shares owned by Mr. Brown's wife.

(7) Includes 100,399 shares owned by Mr. Edinger's wife.

(8) Includes 6,061 shares owned by Mr. Heintzman's wife.

(9) Includes 22,715 shares held jointly by Mr. Hillebrand and his wife; 11,634 shares owned by Mr. Hillebrand's wife; and 586 shares held as custodian for children.

(10) Includes 900 shares held as custodian for children.

(11) Includes 89,038 shares held jointly by Mr. Tasman and his wife; and 7,027 shares held as custodian for their son.

## **SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE**

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires our executive officers, our directors and persons who own more than 10% of a registered class of Stock Yards Bancorp's Common Stock to file initial reports of ownership and changes in ownership with the SEC and the NASDAQ. Such executive officers, directors and shareholders are required by SEC regulations to furnish us with copies of all Section 16(a) forms they file. Based

solely on a review of the copies of such forms furnished to us and written representations from the applicable executive officers and our directors, all persons subject to the reporting requirements of Section 16(a) filed the required reports on a timely basis for the year ended December 31, 2016, with the exception of Michael J. Croce, Executive Vice President and Director of Retail Banking of the Bank, who sold 2,389 shares on November 30, 2016 and reported the transaction on December 22, 2016, and Mr. Tasman, who sold 1,500 shares on December 19, 2016 and reported the transaction on January 19, 2017. In each of these cases, the required report was not filed on a timely basis due to an administrative error.

## **EXECUTIVE COMPENSATION AND OTHER INFORMATION**

### **REPORT ON EXECUTIVE COMPENSATION**

#### **Compensation Discussion and Analysis**

This Compensation Discussion and Analysis (“CD&A”) reflects our 2016 executive compensation program with respect to the named executive officers (“NEOs”) whose compensation is detailed in the compensation tables that follow the CD&A. In this discussion, we explain our compensation philosophy and program, factors considered by the Compensation Committee (the “Committee”) in making compensation decisions and additional details of our practices.

Our 2016 NEOs are:

David P. Heintzman, Chairman and Chief Executive Officer (“CEO”);  
Nancy B. Davis, Chief Financial Officer (“CFO”);  
James A. Hillebrand, President;  
Kathy C. Thompson, Senior Executive Vice President and Manager of the Wealth Management and Trust (“WM&T”);  
and  
Phillip S. Poindexter, Executive Vice President and Chief Lending Officer.

#### **Executive Summary**

##### **2016 Business Highlights**

Sixth consecutive year of record net income and earnings per share (“EPS”);

EPS growth in 26 of the last 28 years demonstrating a long history of earnings growth;

Strong net loan growth resulting in 10% net interest income growth for the year;

11% growth in fee income; and

90.6% Total Shareholder Return (“TSR”) from December 31, 2015 to December 31, 2016.

<b>Year Ended December 31,</b>	<b>2016</b>	<b>2015</b>	<b>Change</b>
Net income	\$41,027,000	\$37,187,000	10.3%
Net income per share, diluted <sup>1</sup>	\$1.80	\$1.65	9.1%
Return on average equity (“ROAE”)	13.49	% 13.55	%
Return on average assets (“ROAA”)	1.42	% 1.44	%

The Company’s 2016 ROAA continued our trend of significantly outperforming similar community banks, as measured by our compensation peer group. The following chart illustrates the Company ROAA compared to that of its compensation peer group.

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<sup>1</sup> Adjusted for May 2016 3-for-2 stock split effectuated as a 50% stock dividend.



The Company's actual performance in 2016 resulted in more than \$13 million in additional net income against the peer median.

(1) See page 23 for a listing of the compensation peer group.

Additionally, the graphs below illustrate superior long-term performance of the Company.



**Mix of Pay**

We believe that our executive compensation program strikes an appropriate balance between fixed and variable pay as well as short and long-term pay. The charts below present the mix of 2016 direct compensation at Target and Maximum performance.

**2016 Target Compensation**

**2016 Maximum Compensation**

As demonstrated above, variable pay at Target for the CEO represents 50% of direct compensation. However, when the Bank performs at Maximum, payouts for variable pay significantly increase commensurate with that outperformance. Short-term cash compensation can maximize at 100% of base salary and long-term equity awards maximize at 102.5% of base salary for the CEO. At Maximum, base salary, or fixed pay, represents 33% of direct compensation for the CEO, while variable, or at-risk pay, represents 67% of direct compensation, clearly rewarding superior performance.

**Say On Pay Results**

At the 2016 Annual Meeting of Shareholders, 91.2% of the votes were cast in favor of the advisory vote to approve executive compensation, commonly known as “Say on Pay”. This vote is consistent with the 2015 Say on Pay result. The Committee believes its compensations practices are properly aligned with the interests of shareholders.

**Recently Adopted Governance Best Practices**

In 2013, the Company adopted a double trigger in its change in control agreements, which requires both a change in control and associated termination of employment by the Company without “cause” or by the employee for “good reason” (as those terms are defined in the change in control agreements) before severance benefits become payable. Additionally, SARs granted after 2013 have a double trigger requirement for accelerated vesting following a change of control event.

Beginning with grants made in 2015, all of our performance share grant agreements were modified to require all NEOs to hold any shares earned after the three year performance period for a period of 12 months (net of shares withheld for taxes). We instituted this policy in order to further encourage an ownership culture among our executive team, and to enhance long-term alignment between executives and shareholders.

**Connecting Pay and Performance**

Stock Yards Bancorp continues to be one of the top-performing banks in the country. Our shareholders have been rewarded with superior results over one, three and ten-year time periods, as evidenced below. In all three measurement periods, the Company clearly sets itself apart from peers and the industry as a whole.

The 10-year TSR is especially indicative of strong long-term performance, in that it begins before the 2008 financial crisis and includes results through and following the crisis. As the table below indicates, our shareholders have earned superior returns over short, medium and especially long-term time horizons.

	Median Total Shareholder Return of Peer Groups <sup>(1)</sup>		
	One Year	Three Year	Ten Year
	Ended	Ended	Ended
	December 31,	December 31,	December 31,
	2016	2016	2016
Compensation Peer Group <sup>(2)</sup>	53.1%	67.2%	115.1%
Midwest banks \$1.5-\$6.0 billion in assets <sup>(3)</sup>	53.7%	92.1%	93.0%
Nationwide banks \$1.0-\$6.0 billion in assets <sup>(4)</sup>	41.5%	72.1%	72.1%
<b>SYBT</b>	<b>90.6%</b>	<b>138.2%</b>	<b>234.0%</b>

Source: SNL Financial. Market data as of 12/31/16.

Total Return equals the return of a security over a period, including price appreciation and the reinvestment of (1) dividends. Dividends are assumed to be reinvested at the closing price of the security on the ex-date of the dividend.

(2) See page 23 for a listing of the compensation peer group. Nicolet Bankshares, Inc. has been excluded due to limited trading volume.

(3) Midwest peers represent 35 major exchange-traded banks (Nasdaq, NYSE and NYSE Mkt) headquartered in the Midwest with total assets between \$1.5B and \$6.0B. Excludes merger targets.

(4) Nationwide peers represent 177 major exchange-traded banks (Nasdaq, NYSE and NYSE Mkt) headquartered in the U.S. with total assets between \$1.0B and \$6.0B. Excludes merger targets.

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The Committee believes stock price follows earnings growth over the long term, and management should be incented with respect to performance measures related to the operations of the Company. Over the short term, stock price is not controllable by management and should not be a tool to judge management's performance. Often, price-to-earnings and price-to-book ratios expand or contract based on economic and broad market conditions, and the entire financial services sector is impacted to some degree. We believe our earnings per share growth, shown below, aligns management's interests with shareholders and drives TSR over the long term.

Earnings per Share Growth		
One Year	Three Year	Ten Year
Ended	Ended	Ended
December 31,	December 31,	December 31,
2016	2016	2016
<b>SYBT9.1%</b>	<b>42.9%</b>	<b>74.8%</b>

Source:  
SNL  
Financial.

Additionally, the Committee believes that it uses appropriately challenging targets in setting goals for both short-term and long-term incentives, and that the Company's financial results must far exceed peer median performance in order to achieve Target-level awards.. For example, under the Company's performance share goals, executives do not achieve Target award vesting unless our ROAA is better than 75% of our comparator group (which is comprised of banks with \$1.5 to \$3.0 billion in assets).

## Compensation Philosophy and Process

### Objective of the Company's Compensation Program

Our compensation program is designed to achieve the following objectives:

- To attract, retain, and motivate top executive talent;
- To link overall compensation to company performance;
- To align executive interests with shareholder interests;
- To place at risk a significant portion of total compensation, making it contingent on Company performance while remaining consistent with our risk management policies; and
- To support the Company's objective of creating shareholder value without taking unnecessary risks.

The Committee believes that Bancorp's pay policies and practices do not create risks reasonably likely to have a material adverse effect on the Company.

### **Role of the Compensation Committee**

The Compensation Committee assists our Board in establishing the compensation of our executive officers. The Compensation Committee is responsible for annually assessing the performance of the eight executive officers including the NEOs and for determining both their annual salary and incentive (short- and long-term) compensation goals and payout/grant levels. Each of the three members of our Compensation Committee is independent as is defined under NASDAQ listing standards. The Compensation Committee retains an independent executive compensation consultant to assist in evaluating the compensation practices at the Company and to provide advice and ongoing recommendations regarding executive compensation consistent with our business goals and pay philosophy.

In 2015, the Compensation Committee engaged McLagan to provide executive compensation consulting services for its 2016 compensation programs and pay levels. The scope of McLagan's executive compensation consulting assignment included the establishment and evaluation of the peer group of banks, as well as a comparison of management's levels of base salary, annual cash incentive awards and equity-based compensation to those paid by the banks in the peer bank group (see page 23). The Compensation Committee used data developed by McLagan in its determination of overall competitive pay practices.

McLagan performed services solely on behalf of the Compensation Committee and has no other relationship with Bancorp or its management. The Compensation Committee has assessed the independence of McLagan and has concluded that McLagan's work did not involve any conflicts of interest.



### **Compensation Committee Actions**

The Compensation Committee held six meetings during 2016, and its actions included finalizing all aspects of 2016 executive compensation based on recommendations made by McLagan. In addition, the Committee reviewed its compensation philosophy with McLagan, reviewed the Committee charter, reviewed the company-wide retirement plan programs, reviewed the 2017 Bancorp operating budget and its effect on incentive compensation programs for 2017 (including setting the EPS benchmarks for short-term compensation payouts), discussed executive succession planning, and received education on compensation trends, compliance issues and best practices.

### **Role of Executives in Compensation Committee Deliberations**

The Compensation Committee works closely with the CEO, who provides administrative support to the Compensation Committee. The CEO attends Compensation Committee meetings to discuss Bancorp's compensation and performance matters. The general counsel of Bancorp works with the Committee Chair to provide administrative support and, along with other executives, provide pertinent financial, tax, accounting, or operational information. Executives in attendance may provide their insights and suggestions, but only Compensation Committee members may vote on decisions regarding executive compensation. The Committee regularly conducts a portion of its business in executive session.

For each executive officer other than himself, the CEO makes recommendations to the Compensation Committee regarding base salary. The Compensation Committee reviews recommendations made by the CEO and information from the executive compensation consultant review. The Committee's decisions are based on a variety of factors, including short- and long-term Company performance, the officer's level of responsibility, an assessment of individual performance, and competitive market data.

### **Peer Selection Process**

Each year the Compensation Committee re-evaluates and updates the peer group, with the consultant's guidance, to ensure ongoing relevance. The Compensation Committee uses this information for making compensation decisions, such as changes to base salaries, annual cash incentive awards, and long-term equity awards.

For 2016, the Committee worked with the consultant to select peer banks using the following criteria:

Located in the continental United States;

Total assets less than \$6 billion;

Total revenue from \$50 to \$250 million;

Location in a metropolitan area with a population of 200,000 or more. Bancorp competes against money center, regional, and community banks in its three primary markets. Competition for talented executives is greater in larger markets than in smaller communities, which often drives higher levels of compensation in those larger markets;

Insider ownership less than 35% with no single holder owning more than 15%. Certain banks comparable in size to Bancorp are controlled by a family or other group and pay for top executives may not be indicative of market conditions if the executive is also a substantial owner;

Non-interest income greater than 12.5% of revenue with WM&T revenue greater than \$3.0 million. Bancorp has a large portion of non-interest income earned by its WM&T business;

Market capitalization greater than \$100 million;

Non-performing assets / total assets less than 3.0%; and

Return on average assets greater than .5%.

The table below lists the peer banks approved by the Compensation Committee for 2016.

1 <sup>st</sup> Source Corporation, Indiana (SRCE)	Orrstown Financial Services, Inc., Pennsylvania (ORRF)
Bryn Mawr Bank Corporation, Pennsylvania (BMTCC)	Peapack-Gladstone Financial Corporation, New Jersey (PGC)
City Holding Company, West Virginia (CHCO)	QCR Holdings, Inc., Illinois (QCRH)
CoBiz Financial Inc., Colorado (COBZ)	Sandy Spring Bancorp, Inc., Maryland (SASR)
Enterprise Bancorp, Inc., Massachusetts (EBTC)	Southside Bancshares, Inc., Texas (SBSI)
Farmers National Banc Corp., Ohio (FMNB)	Univest Corporation of Pennsylvania, Pennsylvania (UVSP)
First Busey Corporation, Illinois (BUSE)	Washington Trust Bancorp, Inc., Rhode Island (WASH)
Merchants Bancshares, Inc., Vermont (MBVT)	WSFS Financial Corporation, Delaware (WSFS)
Nicolet Bankshares, Inc., Wisconsin (NCBS)	

The asset size, net income and market capitalization of the Peer Group as of December 31, 2016 compared to our asset size, net income and market capitalization is set forth in the table below.

<b>Peer Bank</b>	<b>Total Assets (1)</b>	<b>Net Income (1)</b>	<b>Market Capitalization (1)</b>
	<b>As of year end 2016</b>	<b>For year ended 2016</b>	<b>As of year end 2016</b>
1st Source Corporation	\$5,486	\$ 57.8	\$ 1,155.6
Bryn Mawr Bank Corporation	3,422	36.0	714.0
City Holding Company	3,970	52.1	1,022.7
CoBiz Financial Inc.	3,630	34.9	701.9
Enterprise Bancorp, Inc.	2,526	18.8	431.0
Farmers National Banc Corp.	1,966	20.6	384.1
First Busey Corporation	5,425	49.7	1,176.9
Merchants Bancshares, Inc.	2,067	14.9	373.3
Nicolet Bankshares, Inc.	2,301	18.5	407.9
Orrstown Financial Services, Inc.	1,415	6.6	185.6
Peapack-Gladstone Financial Corporation	3,879	26.5	532.9
QCR Holdings, Inc.	3,302	27.7	567.5
Sandy Spring Bancorp, Inc.	5,091	48.3	955.8
Southside Bancshares, Inc.	5,564	49.4	1,075.2
Univest Corporation of Pennsylvania	4,231	19.5	821.6
Washington Trust Bancorp, Inc.	4,381	46.5	962.4
WSFS Financial Corporation	6,765	64.1	1,454.9
<b>Median <sup>(1)</sup></b>	<b>\$3,879</b>	<b>\$ 34.9</b>	<b>\$ 714.0</b>
<b>Stock Yards Bancorp, Inc.</b>	<b>\$3,039</b>	<b>\$ 41.0</b>	<b>\$ 1,061.9</b>

On a total asset basis, Bancorp is slightly below the 50<sup>th</sup> percentile of the peer group; however, on a net income basis it is significantly above the median. On a ROAA and ROAE basis as shown below, it ranks well above the 90<sup>th</sup> percentile of the peer group. For 2016 and consistently for many years, Bancorp performed at or near the 90<sup>th</sup> percentile of not only this peer group but the broader peer group of similar sized banks.

	Total Assets (1)	ROAA		ROAE
25 <sup>th</sup> percentile	\$2,526	0.79 %		8.92 %
50 <sup>th</sup> percentile	\$3,879	1.00 %		9.61 %
75 <sup>th</sup> percentile	\$5,091	1.07 %		10.54 %
<b>Stock Yards Bancorp</b>	<b>\$3,039</b>	<b>1.42 %</b>		<b>13.49 %</b>

(1) Dollars in millions

## Benchmarking 2016 Compensation

The Compensation Committee considers a number of factors in determining appropriate pay levels and plan designs for our executive officers. These factors include competitive compensation data from peer companies and the banking market in general. The Compensation Committee does not view competitive market prescriptively or tie the compensation levels of our executives to specific market percentiles. Instead, the Committee applies judgment and discretion in establishing targeted pay levels, taking into account not only competitive market data, but also factors such as company, business unit and individual performance, scope of responsibility, internal pay equity, skill sets, leadership potential and succession planning.

## Compensation Components

Compensation Component	Purpose	Link to Performance	Fixed or Performance Based	Short or Long-term
Base salary	Attract and retain executives through market competitive payments	Based on each executive's performance and responsibilities. Used as a basis for short and long-term incentive award goals.	Fixed	Short-term
Cash incentives	Reward executives for achievement of certain annual financial goals	Incentives are 100% quantitative to goals important for near term financial success. Includes a measurement of our corporate performance for all executives, as well as business line performance for certain executives.	Performance	Short-term
Performance stock units	Reward executives for sustained long-term performance while aligning the value of awards with the success of our shareholders	Awards vest based on achievement of three-year goals on EPS growth and Return on Assets versus peers.	Performance	Long-term
Stock appreciation rights	Align interests of executives with shareholders by rewarding increases in our stock price.	Awards only have value if stock price increases.	Performance	Long-term
Other executive compensation	Primarily Company-matching retirement contributions	Success of Company allows it to approve benefit plan matching levels.	Linked to performance	Short and long-term

**Base Salary**

We provide a base salary as the fundamental element of executive compensation. In support of our focus to attract and retain top talent, our philosophy is to pay base salaries that are within a competitive range of market practice. Individual pay will vary within the range depending on each executive's position, performance, experience, and contribution. Salaries are the basis from which incentives and other select benefits are derived.

Executive	2015	2016	Percentage
	Base Salary	Base Salary	Change
Heintzman	\$ 545,000	\$ 550,000	0.9%
Davis	\$ 249,000	\$ 270,000	8.4%
Hillebrand	\$ 386,000	\$ 400,000	3.6%
Thompson	\$ 354,000	\$ 360,000	1.7%
Poindexter	\$ 290,000	\$ 300,000	3.5%

**Short-Term Cash Incentives**

The objective of annual cash incentive compensation is to deliver variable compensation that is conditioned on the attainment of certain financial, departmental and/or operating results of Bancorp. Therefore, the Committee established an incentive program based upon the achievement of certain earnings per share goals as well as line of business goals applicable to specific officers' duties. The table below summarizes the short-term incentive targets and actual payments for 2016 performance.

	Target % of Base	Target \$	Actual Earned
	Salary		
Heintzman	50%	\$275,000	\$440,000
Davis	30%	\$79,500	\$129,600
Hillebrand	40%	\$160,000	\$256,000
Thompson	35%	\$126,000	\$173,268
Poindexter	35%	\$105,000	\$165,180

**Mr. Heintzman, Ms. Davis and Mr. Hillebrand**

For 2016, the determination as to whether cash incentives would be paid to Mr. Heintzman and two non-line of business executive officers, Ms. Davis and Mr. Hillebrand, was based solely upon the achievement of diluted earnings per share ("EPS") objectives as set forth below.

The Committee strongly supports the use of EPS exclusively in the determining short-term cash incentive for certain executives without specific line of business oversight. The Committee believes that EPS, over the long-term, drives total shareholder return. Oftentimes boards use several goals to focus management on specific operational objectives while also balancing credit quality and other risks. With virtually all areas of the Company operating at high performance levels and operating ratios at superior levels, growth in EPS should be, and is, the primary focus of the management team. Establishing the appropriate mix of revenue growth, expense control measures, risk profile and other tactics should result in higher EPS over time. Therefore, the Committee believes aligning pay with EPS growth gives management the appropriate incentive to make the best decisions.

Target performance level for the diluted EPS goal represented a 4.8% increase in diluted EPS over 2015, after adjustment for our stock split in 2016. With the Company already performing above the 90<sup>th</sup> percentile to peers (1.42% on an ROAA basis), target performance significantly exceeds that of most other banks and therefore the Committee believed the goals to be appropriately challenging.

The annual cash incentive formula includes increasingly higher payout percentages for corresponding higher EPS levels, further reinforcing the Committee's pay-for-performance philosophy. EPS targets and corresponding bonus percentages for 2016 were as follows.

	Bancorp		Bonus as a Percentage of Base Salary		
	EPS	EPS Growth	Mr. Heintzman	Ms. Davis	Mr. Hillebrand
Threshold	\$ 1.67	1.2%	10%	6%	8%
	\$ 1.69	2.4%	20%	12%	16%
	\$ 1.71	3.6%	30%	18%	24%
	\$ 1.72	4.2%	40%	24%	32%
Target	\$ 1.73	4.8%	50%	30%	40%
	\$ 1.75	6.1%	60%	36%	48%
	\$ 1.78	7.9%	70%	42%	56%
	\$ 1.80	9.1%	80%	48%	64%
	\$ 1.82	10.3%	90%	54%	72%
Maximum	\$ 1.83 or greater	10.9%	100%	60%	80%
<b>Actual Results</b>	<b>\$ 1.80</b>	<b>9.1%</b>	<b>80%</b>	<b>48%</b>	<b>64%</b>



For 2016, the Company earned \$1.80 per diluted share, and accordingly, the following incentive payments were made:

Name	2016 Base Salary	Incentive Percentage	Incentive Payment
Heintzman	\$550,000	80%	\$440,000
Davis	\$270,000	48%	\$129,600
Hillebrand	\$400,000	64%	\$256,000

**Ms. Thompson**

Ms. Thompson's short-term incentive includes three components: departmental gross revenues, income before overhead allocations, and consolidated EPS of the Company. According to the 2016 *Trust Performance Report* produced by A.M. Publishing, the WM&T department ranks 121<sup>st</sup> in bank-owned and independent trust companies in the United States based on revenues. In addition, the WM&T department contributed 44% of the Company's total non-interest income and 13% of the Company's net income, distinguishing the Company from most of its peers in terms of the scope and impact of its WM&T department. The *Report* ranks the WM&T department's return on assets on both a gross and net basis significantly above that of the median for peer banks with \$1-10 billion in assets, as evidenced below for the year ended 2015 (date of latest available information).

	SYB	Peer
Gross revenue as percentage of assets under management	0.80%	0.40%
Net revenue as percentage of assets under management	0.32%	0.11%

Ms. Thompson has both line of business and overall bank performance components to her short-term incentive plan. Growth in departmental profitability directly affects the profitability of the Company and significantly enhances shareholder value. Not only is the WM&T department a significant contributor to EPS, but the business referrals from this department to other lines of business are significant; therefore, the Committee believes Ms. Thompson should share in the overall success of the Company. Ms. Thompson's incentive is weighted 75% for her line of business and 25% for overall Company performance, and the Compensation Committee considers her line of business goals to be appropriately challenging to attain. The matrix used to compute the incentive award, shown below, is structured such that achievement of target performance in all categories results in a cash incentive equal to 35% of base salary.

Respective targets and corresponding bonus percentages for Ms. Thompson's line of business components are as follows:

**Line of Business Component**

	Departmental gross revenues		Departmental income before overhead allocation and taxes	
	Percentage Increase over Prior Year	Bonus as Percentage of Base Salary	Percentage Increase over Prior Year	Bonus as Percentage of Base Salary
Threshold	1%	2.625%	1%	2.625%
	2%	5.250%	2%	5.250%
	3%	7.875%	3%	7.875%
	4%	10.500%	4%	10.500%
Target	5%	13.125%	5%	13.125%
	6%	15.750%	7%	15.750%
	7%	18.375%	8%	18.375%
	8%	21.000%	9%	21.000%
	9%	23.625%	10%	23.625%
Maximum	10% or greater	26.250%	11% or greater	26.250%
<b>Actual Results</b>	<b>7%</b>	<b>18.375%</b>	<b>7%</b>	<b>15.75%</b>

**EPS Component**

	Bancorp EPS	EPS Growth	Bonus as Percentage of Base Salary
Threshold	\$ 1.67	1.2%	1.75%
	\$ 1.69	2.4%	3.50%
	\$ 1.71	3.6%	5.25%
	\$ 1.72	4.2%	7.00%
Target	\$ 1.73	4.8%	8.75%
	\$ 1.75	6.1%	10.50%
	\$ 1.78	7.9%	12.25%
	\$ 1.80	9.1%	14.00%
	\$ 1.82	10.3%	15.75%
Maximum	\$ 1.83 or greater	10.9%	17.50%
<b>Actual Results</b>	<b>\$ 1.80</b>	<b>9.1%</b>	<b>14.00%</b>

In summary, the following details the components of Ms. Thompson's 2016 short term cash incentive.

Departmental gross revenue	18.375 %
Departmental income before overhead allocation and taxes	15.750 %
EPS component	14.000 %
<b>Total</b>	<b>48.125 %</b>

For 2016, Ms. Thompson received a cash incentive of \$173,268.

**Mr. Poindexter**

The Committee believes its incentive matrix plan for Mr. Poindexter drives achievement of the Company's annual performance goals to support its strategic business objectives and promote the attainment of specific financial goals while encouraging teamwork, policy compliance and risk avoidance. Mr. Poindexter's incentive is weighted 75% for his line of business and 25% for overall Company performance. Having a bank wide goal encourages referrals across

department lines which ultimately return a higher EPS to the Bancorp.

**Line of Business Component**

Mr. Poindexter's line of business bonus consists of a matrix of all areas of his responsibility including: Commercial Banking, Private Banking, Corporate Cash Management, International, and Correspondent Banking. The Commercial Banking areas are the source of significant loan and deposit growth. Net interest income comprises approximately two-thirds of the Company's consolidated revenues. Growth in these areas significantly impacts the profitability of the Company. Mr. Poindexter's matrix assigns various weights to several categories including: net loan and deposit growth, related fee income, credit quality and overall management. The program requires attainment of a minimum of 50 points in aggregate for any incentive bonus to be paid. Additionally, certain point deductions are considered to promote asset quality including deductions for higher than expected loan provisioning and non-compliance with established customer service standards. Conversely, better than expected credit quality provides additional points. The matrix used to compute the incentive award, shown below, is structured such that achievement of target performance in all categories results in a cash incentive equal to 26.25% of base salary. Goals are considered appropriately challenging and difficult to achieve.

In 2016, the Company achieved record loan production of approximately of \$714 million which resulted in record net loan growth of \$272 million, or 13.4% growth over 2015. This compares to \$690 million of production for 2015.

The following is a summary of Mr. Poindexter's performance under the short-term incentive plan.

Specific Components	Component Weight at Target Performance	Departmental Points Earned
Loan growth	50%	100.00
Non-interest deposit growth	5%	10.00
Interest bearing deposit growth	5%	10.00
Loan fees	5%	7.13
Deposit service charge revenue	5%	1.04
Officer production management	5%	8.33
Corporate cash management revenue	5%	5.82
International revenue	5%	2.12
Credit card revenue	5%	10.00
Credit quality	10%	2.00
<b>Total</b>	<b>100%</b>	<b>156.44</b>

The following summarizes the parameter of the plan.

	Bonus as a Percentage of Salary			
	Threshold	Target	Maximum	Actual
Departmental points	50	100	200	156.44
Departmental bonus %	13.125%	26.25%	52.50%	41.06%

### EPS Component

With commercial banking being the largest contributor to earnings, the Committee believes it is important to keep Mr. Poindexter not only focused on growth but on expense control as well. Additionally, this component is extremely sensitive to asset quality as higher provisioning and chargeoffs directly impact EPS.

Bancorp  
EPS

EPS  
Growth

Bonus as  
Percentage of Base

			Salary
Threshold	\$ 1.67	1.2%	1.75%
	\$ 1.69	2.4%	3.50%
	\$ 1.71	3.6%	5.25%
	\$ 1.72	4.2%	7.00%
Target	\$ 1.73	4.8%	8.75%
	\$ 1.75	6.1%	10.50%
	\$ 1.78	7.9%	12.25%
	\$ 1.80	9.1%	14.00%
	\$ 1.82	10.3%	15.75%
Maximum	\$ 1.83 or greater	10.9%	17.50%
<b>Actual Results</b>	<b>\$ 1.80</b>	<b>9.1%</b>	<b>14.00%</b>

For 2016, Mr. Poindexter achieved 156.44 points under his departmental matrix plan resulting in a bonus equal to 41.06% of salary. Additionally, Mr. Poindexter received a bonus under the Bancorp EPS plan equal to 14% of salary. In aggregate, Mr. Poindexter earned a cash incentive of 55.06% of base salary, or \$165,180.

### **Long-Term Incentives**

The Committee believes that long-term incentive stock awards best align executives with interests of shareholders by providing individuals who have responsibility for management and growth of the Company with an opportunity to increase their ownership of the Company's Common Stock and to have a meaningful interest in the future of the Company. In addition, equity awards allow Bancorp to effectively compete for executive talent both with other publicly traded banks, that regularly offer equity as part of the executive compensation program, and non-public banks whose lack of equity awards can put them at a competitive disadvantage.

### **Committee's Equity Award Philosophy**

The Company's 2015 Omnibus Equity Compensation Plan is aligned with shareholders' interests in the following ways:

- Includes a double-trigger to accelerate vesting upon a change in control;
- Includes a clawback policy;
- Requires a minimum vesting period of one year;
- Excludes liberal share recycling; and
- Prohibits repricing of SARs or options or buy-out of underwater awards without shareholder approval.

In addition, our grant practices demonstrate a commitment to performance-based compensation tied to long-term shareholder value.

- The Committee will generally require a minimum post-vesting holding period of one year in certain grant agreements for executive officers (net of a portion which may be sold to pay income taxes);
- Executives receive stock appreciation rights which gain value only through stock price appreciation;
- Vesting of annual performance unit grants to executives is based on earnings per share growth and return on assets relative to peers, measures which should contribute to increases in shareholder value;
- Stock appreciation rights vest over five years; and
- No dividends are accrued or paid on performance unit grants until grants are earned.

### **2016 Equity Awards**

In 2016, the Committee continued its historical approach to long-term equity incentives to have performance-based awards at target constitute 70% of the grant date value and stock appreciation rights represent 30%. The Committee favors continuing the use of SARs because they directly align the interests of executives with shareholders' interests as value is only realized through a rising stock price.

The long-term incentive award was determined as a percentage of the participant's 2016 base salary and was expressed as a number of shares of Company Common Stock valued on the date of grant. Fractional shares are not distributable. The table below summarizes the equity awards made to NEOs under the 2016 long-term incentive plan:

**2016 Grant Summary**

	PSUs at Target (1)		SARs (2)	
	Number Granted (3)	Fair Value	Number Granted	Fair Value
Heintzman	7,851	\$177,511	24,799	\$88,119
Davis	2,313	\$52,297	7,305	\$25,957
Hillebrand	4,567	\$103,271	14,428	\$51,267
Thompson	3,597	\$81,328	11,362	\$40,373
Poindexter	2,997	\$67,762	9,469	\$33,646

(1) Because grantees are not entitled to dividend payments during the performance period and have a one-year post vesting holding period, the fair value of these PSUs is estimated based upon the fair value of the underlying shares on the date of the grant, which was \$25.76, adjusted for non-payment of dividends and illiquidity discounts. The resulting fair value was \$22.61 per share.



(2) SARs are valued using Black Scholes value.

(3) All share values and grants have been adjusted for May 2016 3 for 2 stock split.

**Performance Stock Units (“PSUs”)**

In 2016, the Committee granted PSUs to each of the NEOs under the following terms:

Performance period: Three years, beginning January 1, 2016 through December 31, 2018

Performance goals at 50% weighting each: 1. Grow diluted earnings per share at established levels to meet a cumulative three-year aggregate EPS goal, excluding one-time acquisition costs. This aggregate goal has been adjusted for the May, 2016 3-2 stock split.

2. Rank at the 75<sup>th</sup> percentile (Target performance) compared to peer community banks over the plan period as measured by SNL Financial for all public banks \$1.5-\$6.0 billion in assets using ROAA as the performance measurement ratio. Performance will be measured by averaging the three annual rankings.

Performance ranges: The PSUs provide for minimum, target and maximum performance goals as follows:

	<u>Minimum</u>	<u>Target</u>	<u>Maximum</u>
Three year cumulative EPS		See Below	
Peer bank ROAA performance percentile	>50%	75%	90%

Three-year EPS targets have been established by the Compensation Committee and consider Bancorp’s strategic plan as well as projected growth targets in order to maintain our standard as a top-performing community bank. We have elected not to disclose these targets for competitive reasons.

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The table below summarizes the design of the PSU portion of the 2016 long-term incentive plan (all amounts are expressed as a percentage of 2016 base salary):

	EPS			Bancorp ROAA vs. Peers			Total Value of PSUs that may be Earned, Based on Grant-Date		
	Minimum	Target	Maximum	Minimum	Target	Maximum	Minimum	Target	Maximum
	Value, as a % of Base Salary								
Heintzman	7.0%	17.5 %	43.75 %	7.0%	17.5 %	43.75 %	14.0%	35.0 %	87.50 %
Davis	4.2%	10.5 %	26.25 %	4.2%	10.5 %	26.25 %	8.4 %	21.0 %	52.50 %
Hillebrand	5.6%	14.0 %	35.0 %	5.6%	14.0 %	35.0 %	11.2%	28.0 %	70.00 %
Thompson	4.9%	12.25 %	30.625 %	4.9%	12.25 %	30.625 %	9.8 %	24.5 %	61.25 %
Poindexter	4.9%	12.25 %	30.625 %	4.9%	12.25 %	30.625 %	9.8 %	24.5 %	61.25 %

Shares certified as earned by the Compensation Committee at the end of the performance period will be distributed to PSU participants by March 31 of the year following the performance period. All payouts of PSUs will be made in shares of Bancorp Common Stock based on the percentage earned of the maximum number of shares per participant determined at the beginning of the performance period.

PSUs generally require the executive to remain employed until the end of a performance cycle in order to vest and be paid in shares of Common Stock, with prorated awards still paid to those who leave Bancorp mid-cycle due to death, disability or retirement (age 60). PSUs also vest at the target level (50% of the maximum) if a change in control occurs before a performance cycle ends. Executives do not receive the benefit of any dividends or other distributions paid on stock related to PSUs until after the stock is actually issued. In addition, executives are required to observe a one-year holding period after vesting, net of any shares sold to pay income taxes.

### **Stock Appreciation Rights (“SARs”)**

SARs provide an executive with the right to receive Stock Yards Bancorp Common Stock equal in value to the appreciation in Bancorp stock, if any, over the stock price as of the grant date as compared with the stock price during the exercise period. The vesting period of these SARs is typically five years and the exercise period is ten years.

### **Other Executive Benefits**

**Post-Employment Compensation and Benefits** To enhance the objective of retaining key executives, the Company established Change in Control Severance (“CICS”) Agreements, concluding it to be in the best interests of Bancorp, its shareholders and the Bancorp to take reasonable steps to compensate key executives, including all NEOs, in the event of a change in control or similar event. With these agreements in place, if Bancorp should receive takeover or acquisition proposals from third parties, Bancorp will be able to call upon these key executives for their advice and assessment of whether such proposals are in the best interests of shareholders, free of the influences of their personal employment situations. The CICS Agreements were updated in 2013 to require a both a significant change in Bancorp’s ownership and termination of employment before executives would receive any payment under the agreements. This approach is commonly referred to as a double-trigger.

**Supplemental Retirement Benefits** The Bank has a nonqualified deferred compensation plan which, until 2006, merely provided all executive officers, including all NEOs, with the ability to defer a portion of their cash compensation and related taxes, and instead receive such compensation after their employment with the Bank ends or, in certain cases, while still employed by the Bank through in-service distributions. Amendments in 2006 provided executives with Bank contributions for the amount of match they do not receive under the KSOP because of certain limits under the Internal Revenue Code.

In the 1980's, the Bank created a plan (called the Senior Officer Security Plan ("SOSP")) to enhance the retirement security of certain NEOs by granting them a fixed annual benefit per year after retirement. This fixed amount was originally designed to supplement broader-based retirement programs and bring the executives' retirement income from combined sources of the tax-qualified employer retirement programs, social security and this plan to a level of approximately 70% of their pre-retirement income. Once implemented, the benefit amounts were never adjusted and therefore the plan is not expected to yield the level of income replacement contemplated. This plan still covers two current executive officers, Mr. Heintzman and Ms. Thompson, and there are no intentions to adjust their payments or add additional participants.

### **Stock Ownership Guidelines**

The Committee believes that the executive officers of Bancorp should maintain meaningful equity interests in Bancorp to ensure that their interests are aligned with those of our shareholders. We adopted stock ownership guidelines that require our executive officers to own directly or indirectly a minimum level of Bancorp Common Stock, depending upon the executive's position. Shares held by the executive, the executive's spouse, or minor children, including, without limitation, shares held for the account of the executive in the Dividend Reinvestment Plan, the Bancorp KSOP plan, an IRA, or unvested time-based stock grants are deemed owned by the executive under the guidelines. The CEO is required to maintain ownership of Common Stock worth three (3) times his base salary. Each of the other executive officers is required to maintain ownership of Common Stock worth two (2) times his or her base salary. The valuation is based on the closing price on the last trading day of the preceding calendar year.

All officers in the summary compensation table exceeded the applicable guidelines as evidenced below.

	Base salary	Multiplier	Goal	Actual at December 31, 2016
Mr. Heintzman	\$550,000	3	\$1,650,000	\$9,112,009
Ms. Davis	\$270,000	2	\$540,000	\$4,770,683
Mr. Hillebrand	\$400,000	2	\$	