

***SYB BOARD OF DIRECTORS  
CORPORATE GOVERNANCE GUIDELINES  
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## **THE MISSION OF THE STOCK YARDS BANCORP, INC. BOARD OF DIRECTORS**

The Stock Yards Bancorp, Inc. (SYB) Board of Directors (the Board) represents the owners' interest in perpetuating a successful business, including optimizing long-term financial returns. The Board is responsible for determining that the Corporation is managed in such a way to ensure this result. This is an active, not a passive, responsibility. The Board has the responsibility to ensure that in good times, as well as difficult ones, management is capably executing its responsibilities. The Board's responsibility is to regularly monitor the effectiveness of management policies and decisions including the execution of its strategies.

In addition to fulfilling its obligations for increased stockholder value, the Board has responsibility to SYB customers, employees and to the communities where it operates -- all of whom are essential to a successful business. All of these responsibilities, however, are founded upon the successful perpetuation of the business.

### **GUIDELINES ON SIGNIFICANT CORPORATE GOVERNANCE ISSUES**

#### **Selection and Composition of the Board**

##### **1) Board Membership Criteria**

The Nominating and Corporate Governance Committee (the Committee) is responsible for determining with the Board, the appropriate skills and characteristics required of Board members in the context of the current make-up of the Board. Final approval of a candidate is determined by the full Board. In assessing potential new directors, the Committee considers individuals from various disciplines and backgrounds. The selection of qualified directors is complex and crucial to SYB's long-term success. Potential board candidates are evaluated based upon various criteria, such as (1) their broad-based business, or professional skills and experiences that indicate whether the candidate will be able to make a significant and immediate contribution to the Board's discussion and decision-making in the array of complex issues facing the Corporation; (2) exhibited behavior that indicates he or she is committed to the highest ethical standards and the values of the Corporation; (3) special skills, expertise, and background that add to and complement the range of skills, expertise, and background of the existing directors; (4) whether the candidate will effectively, consistently, and appropriately take into account and balance the legitimate interests and concerns of all our stockholders in reaching decisions; and (5) personal integrity, and sound judgment. In addition, directors must have time available to devote to Board activities and to enhance their knowledge of Stock Yards Bancorp, Inc. and the banking industry.

## **2) Selection of New Directors**

The Board itself should be responsible, in fact as well as procedure, for selecting its own members and in recommending them for election by the stockholders. The Board delegates the screening process involved to the Nominating and Corporate Governance Committee with direct input from the Chairman and Chief Executive Officer. The Nominating and Corporate Governance Committee will consider director nominees recommended by stockholders. The Committee uses the same criteria for screening candidates proposed by stockholders, members of the Board, and members of senior management. Background and credit checks are conducted with the candidate's knowledge and consent. In the case of a vacancy in a board seat between annual stockholder meetings, the Board may elect a director to serve out the remaining term of the vacancy.

## **3) Extending the Invitation to a Potential Director to Join the Board**

The invitation to join the Board should be extended by the Board itself via the Chairman and Chief Executive Officer of the Corporation, together with an independent director, when appropriate.

## **4) Director Orientation and Continuing Education**

The Board and management will conduct an orientation process for new directors to become familiar with the Corporation's vision, strategic direction, core values including ethics, financial matters, corporate governance practices and other key policies and practices through a review of background material and meetings with senior management. The Board also recognizes the importance of continuing education for its directors and is committed to provide such education in order to improve both Board and Committee performance. The Board acknowledges that director continuing education may be provided in a variety of different forms including: external or internal education programs, presentations or briefings on particular topics, educational materials and meetings with key management. It is the responsibility of the Nominating and Corporate Governance Committee to advise the Directors about their continuing education on subjects that would assist them in discharging their duties.

## **Board Leadership**

### **5) Selection of Chairman and Chief Executive Officer**

The Board has decided that the role of the Chairman and Chief Executive Officer be held by one person. Based on the current banking industry practices coupled with the complexity of the business and other qualitative issues, the Board has decided on this dual role. The Board is free to change this decision at any time if it seems best for the Corporation.

## 6) **Chair of the Nominating and Corporate Governance Committee**

The Chair of the Nominating and Corporate Governance Committee will be an independent director and will act as the Lead Director. See section 18 of this document for information on the role of the lead director. The Chair of the Committee, together with the members of that Committee, will develop the agendas for those executive sessions and periodically review and propose revisions to the Board's procedures and the Corporate Governance Guidelines.

## **Board Composition and Performance**

### 7) **Size of the Board**

The Board in recent years has averaged 11 members. The Board believes that a Board ranging in size from 10 to 14 is appropriate.

### 8) **Mix of Management and Independent Directors**

Historically, three inside directors have been on the Board. These include the Chairman and CEO, the manager of a significant business unit, the trust department, as well as the President of the Bank. The Board believes that as a matter of policy, there should be a majority of independent Directors on the SYB Board. The Board believes that management should encourage senior managers to understand that Board membership is not necessary or a prerequisite to any higher management position in the Corporation. Senior executives other than the Chairman, the President of the Bank and the manager of the trust company currently attend Board meetings on a periodic basis even though they are not members of the Board.

On matters of corporate governance, the Board assumes decisions will be made by the independent Directors.

### 9) **Board Definition of What Constitutes Independence for Directors**

The Board is comprised of a substantial majority of directors who qualify as independent under the Listing Standards of the NASDAQ Stock Market. The Nominating and Corporate Governance Committee will review annually the make-up of the Board to ensure the independent members of the Board are properly qualified as such under NASDAQ definitions.

In determining independence, the Committee evaluates whether directors have any material relationship with SYB. The Committee considers all relevant facts and circumstances. In assessing materiality of a director's relationship to SYB, the Board will consider all relevant facts and circumstances in making an independence determination, and not merely from the standpoint of the Director, but also from that of persons or organizations with which the Director has an affiliation.

An independent Director of the Corporation is a director who:

An evaluation of independence shall include, but not be limited to, a determination that the Director:

- has not been an employee of or directly received any consulting, advisory, or other compensatory fees from the Company or a subsidiary at any time in the prior three (3) years (other than compensation as a Board member or fixed compensation from a retirement-type program that is not dependent on continued service);
- does not have a Family Member who has directly received compensation or fees from the Company or a subsidiary in any of the last three (3) years exceeding \$120,000, (except with respect to a Family Member who is a non-Executive Officer employee of the Company);
- has not, or does not have a Family Member who has, served as a director, executive officer, partner or controlling shareholder in an entity which SYB paid, or which paid SYB, for property or services in the ordinary course of business in the past three years, in an amount in excess of the greater of (A) \$120,000 in a year, or (B) 5% of the recipient's consolidated gross revenues for the year.
- has not been, at any time in the past three (3) years, an executive officer of another entity, if such entity has had an Executive Officer of this Company or subsidiary serving on its compensation committee (i.e., no interlocking relationship); or
- has not been an employee or partner in the Company's outside auditor within the last three (3) years.

“Family Member” for purposes of these standards includes a director's spouse, parents, children or siblings, whether by blood, marriage or adoption, or any person residing in such director's home. A director who ceases to be independent due to a change in circumstances shall notify the Chairman of those circumstances.

Each independent director shall notify the Chair of the Nominating and Corporate Governance Committee, as soon as practicable, of any event, situation or condition that may affect the Board's evaluation of his or her independence.

#### 10) **Directors Who Change Their Present Job Responsibility**

Whenever a Board member's principal occupation or business changes significantly, the Committee will consider the surrounding circumstances and then make a recommendation to the Board whether or not the Director should be asked to resign.

### 11) *Limits on Outside Board Memberships*

Non-management directors are encouraged to limit the number of other boards of U.S. public companies (excluding non-profits and subsidiaries) on which they serve, to no more than two, taking into account potential board attendance, participation and effectiveness on these boards. In addition, no board member may serve on the board of a competing institution or corporation. Any questions as to what defines a competing institution or corporation should be directed to the Chairman and the Lead Director. The number of audit committees on which the Corporation's Audit Committee members may sit concurrently shall be reviewed annually by the Nominating and Corporate Governance Committee and the Board. Non-management directors should advise the Chairman of the Board and the Chair of the Nominating and Corporate Governance Committee in advance of accepting an invitation to serve on another board.

### 12) *Meeting Attendance*

Directors are expected to attend meetings of the Board, Committees on which they serve, the Annual Meeting of Stockholders and any special meetings.

### 13) *Term Limits and Retirement Age*

The Board does not believe it should establish term limits. While term limits could help ensure that there are fresh ideas and viewpoints available to the Board, they hold the disadvantage of losing the contribution of directors who have been able to develop, over a period of time, increasing insight into the Corporation and its operations and, therefore, provide an increasing contribution to the Board as a whole.

As an alternative to strict term limits, the Nominating and Corporate Governance Committee, in conjunction with the Chairman and Chief Executive Officer, will formally review each director's continuation on the Board in line with their re-election to the Board. The review will include a review of the Director's prior results in regard to their election to the board by shareholders. This will also allow each director the opportunity to conveniently confirm his/her desire to continue as a member of the Board. In addition, to ensure that the Board remains composed of high functioning members able to keep their commitments to Board service, the Committee will evaluate the qualifications and performance of each incumbent director before recommending the nomination of that director for an additional term.

It is the general policy of the Board that directors will not stand for re-election after reaching age 70.

#### 14) **Board Compensation**

It is appropriate for the staff of the Corporation to report once a year to the Compensation Committee the status of SYB Board compensation in relation to compensation paid to directors at comparable corporations. Members of the Audit Committee may not directly or indirectly receive any compensation from the Corporation other than their compensation for service as directors.

Changes in Board compensation, if any, should come at the suggestion of the Compensation Committee, but with full discussion and concurrence by the Board.

#### 15) **Loans to Directors and Executive Officers**

All loans to directors and executive officers must be in full compliance with SYB Loan Policy regarding such loans. Any such loans will be made on non-preferential terms and in full compliance with Federal Reserve Regulation O.

#### 16) **Stock Ownership By Non-Management Directors**

Non-management directors are required to own stock equal in value of \$25,000 upon joining the board and \$100,000 within five years of joining the Board or the adoption of this ownership requirement. 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 SYB stock or changes in director compensation. Ownership guidelines are reviewed each year to ensure they continue to be effective in aligning directors' and stockholders' interests.

#### 17) **Executive Sessions of Independent Directors**

The independent directors of the Board will meet in executive session at least four times each year. The Lead Director will lead these sessions.

During the course of these sessions, the non-management directors review CEO performance, compensation, and succession planning; future Board agendas and the flow of information to directors; the Board's corporate governance matters; and any other issues raised by the independent directors.

#### 18) **Role of the Lead Director**

The Lead Director is elected annually by the Board of Directors and then also serves as Chair of the Nominating and Corporate Governance Committee. The Lead Director serves as the Chair of the executive sessions of the independent directors and is also responsible for advising the Chairman and Chief Executive Officer of decisions reached, and suggestions made, at executive sessions. The Lead Director also reviews and approves matters such as the agendas for Board meetings and executive sessions, the

information sent to the Board, and meeting schedules (both as to when they occur and the sufficiency of time allocated to agenda items).

19) **Access to Outside Advisors**

The Board, as well as each Committee may from time to time, at its request, retain the services of one or more independent outside advisors (financial, legal, compensation, etc.) as is considered appropriate, at the Corporation's expense.

20) **Assessing the Board's Performance**

The Board must perform a self-evaluation on an annual basis. The Nominating and Corporate Governance Committee is responsible to report annually to the Board an assessment of the Board's performance. The Committee usually reviews the evaluation structure prior to the July meeting when the full Board conducts its evaluation during the executive session. The assessment will include a review of the Board's overall effectiveness and the areas in which the Board or management believes the Board can make an impact on the Corporation. The purpose of the evaluation is to increase the effectiveness of the Board, not to focus on the performance of individual Board members. A summary of the self-evaluation results will be reported to the Board annually.

The Nominating and Corporate Governance Committee will also utilize the results of this evaluation process in determining the characteristics and assessing critical skills required of prospective candidates for election to the Board and making recommendations to the Board with respect to assignments of Board members to various committees.

21) **Election Results for Directors**

In an uncontested election, any nominee for director who receives a greater number of votes "withheld" from his or her election than votes "for" such election shall be subject to immediate performance review by the Nominating and Corporate Governance Committee. The Committee will use the voting results to evaluate a director's continued service on the Board and may recommend the Board to move for request of such director's resignation from the Board.

The Board will act upon any recommendation by the Committee within 90 days following certification of the shareholder vote and promptly communicate to shareholders any action taken.

Any director subject to a performance review due to election results shall not participate in any recommendation of the Nominating and Governance Committee or action by the Board in that regard. However, if more than half of the Nominating and Corporate Governance Committee received a majority "withheld" vote in the same election, then the independent directors who did not receive a majority "withheld" shall appoint a committee among themselves to consider any recommendation to the Board.



## 22) **Ethics and Conflicts of Interest**

The Board expects all directors, as well as officers and employees, to act ethically at all times and to adhere to SYB's policies in this regard. Directors are required to annually sign and acknowledge a copy of SYB's code of business Conduct and Ethics. The Board will not permit any waiver of any ethics policy for any director or executive officer. If an actual or potential conflict of interest arises for a director, the director shall promptly inform the Chairman and the Lead Director. If a significant conflict exists and cannot be resolved, the director should resign. All directors will excuse themselves from any discussion or decision affecting their business or personal interests or immediate family. Any questions regarding information which could affect directors' personal or business interests should be directed to Chairman and Lead Director. If necessary, outside legal counsel may be consulted by the Chairman or Lead Director for clarification.

## 23) **Confidentiality**

Directors, like all employees, should maintain the confidentiality of information entrusted to them by the Corporation or any other confidential information about the Corporation that they receive from any source in their capacity as a director, except when disclosure is authorized by the Board of Directors or legally required. Directors are expected to take steps to minimize the risk of disclosure of confidential communications coming to them from the Corporation and of confidential discussions involving directors. All discussions occurring at Board or Board Committee meetings are presumed to be confidential to the extent disclosure of them is not legally required. Directors may not use confidential information for their own personal benefit or for the benefit of persons or entities outside the Corporation or in violation of any law or regulation including insider trading laws and regulations. These responsibilities with regard to confidential information apply to directors during and after their service on the Board. For purposes of this guideline, "confidential information" is all non-public information relating to the Corporation and its customers, including information that could be useful to competitors or otherwise harmful to the Corporation's interests or objectives if disclosed.

## 24) **Board's Interaction with Advisors, Institutional Investors, Press, Customers, Etc.**

The Board believes that as a general matter the management speaks for SYB. Individual board members may meet or otherwise communicate with various constituencies that are involved with SYB. If comments from the Board are appropriate, they should, in most circumstances, come from the Chairman. Any interested parties desiring to communicate with the Lead Director or with the non-management directors as a group, may send a letter by regular or express mail addressed to the Stock Yards Bancorp, Inc., 1040 East Main Street, Louisville, KY 40206, Attention: Lead Director or Non-Management Directors.

## **Board Relationship to Senior Management**

### **25) Regular Attendance of Non-Directors at Board Meetings**

The Board encourages the periodic attendance at each board meeting of non-board members who are in the most senior management positions of the Corporation. Should the Chairman and Chief Executive Officer want to add additional people as attendees on a regular basis, it is expected that this suggestion would be made to the Board for its concurrence.

### **26) Board Access to Senior Management**

Board members have complete access to SYB's management. It is assumed that Board members will use judgment to be sure that this contact is not distracting to the business operation of the Corporation and that such contact, be copied to the Chairman and Chief Executive Officer. If the matter involves inquiry into the actions of the Chairman and CEO, the director will copy the Lead Director or if initiated by the Lead Director the independent members of the Board will be copied.

Furthermore, the Board encourages management to, from time to time, bring managers into Board meetings who: (a) can provide additional insight into the items being discussed because of personal involvement in these areas, and/or (b) are managers with future potential that the senior management believes should be given exposure to the Board.

## **Meeting Procedures**

### **27) Selection of Agenda Items for Board Meetings**

The Chairman and Chief Executive Officer will establish the agenda for each Board meeting. If appropriate, the Lead Director will add items for inclusion in the agenda upon his review of the agenda. Each board member may suggest the inclusion of additional item(s) on the agenda.

### **28) Board Materials Distributed in Advance**

Information important to the Board's understanding of the business will be distributed in writing to the Board before the board meetings. Management will try to provide material that efficiently furnishes the desired information.

## **Committee Matters**

### **29) Board Committees**

Membership on the Audit, Nominating and Corporate Governance and Compensation committees will consist only of independent directors as defined in Section 9. In conjunction with the role that the Corporation has with its operating entity, Stock Yards Bank, directors will also serve on the Loan and Trust committees of the Bank, although those directors are not required to be independent.

The Board of Directors will assure that each Committee of the Corporation mentioned above has a charter setting forth the purpose, authority and duties of each Committee. (The Bank committees will have no charter.) On an annual basis, each Committee will review its charter and will present any modifications to the Board for approval. All Committee charters are available on the Corporation's Web site, [www.syb.com](http://www.syb.com).

### **30) Committee Performance Evaluation**

Each board Committee will perform an annual evaluation of its performance, including a review of its compliance with the Committee charter. The purpose of such review is to increase the effectiveness of the Committee, not to focus on the performance of individual Committee members. The three Committees of the Corporation (Audit, Compensation and Nominating and Corporate Governance) will conduct periodic executive sessions of the independent Directors without management.

### **31) Assignment and Rotation of Committee Members**

The Nominating and Corporate Governance Committee is responsible, after consultation with the Chairman and Chief Executive Officer, and with consideration of the desires and expertise of individual Board members, for the assignment of board members to various Committees. Generally, the Board at its first meeting following the Annual Meeting of Stockholders, shall elect the members of each committee.

Consideration should be given to rotating Committee members periodically at approximately five-year intervals, but the Board does not feel that such a rotation should be mandated as a policy, since there may be reasons at a given point in time to maintain an individual director's Committee membership for a longer period. Depending on independent directors' time commitment, they may request more or less committee involvement.

### **32) Frequency of Committee Meetings**

The Committee Chair, in consultation with Committee members, will determine the frequency of the meetings of each committee.

### 33) **Committee Agenda**

The Chair of each committee, in consultation with the appropriate members of the committee and management, will develop the committee's agenda. Each committee will issue a schedule of agenda subjects to be discussed for the ensuing year at the beginning of each year (to the degree these can be foreseen). This forward agenda will also be shared with the Board.

### **Leadership Development**

#### 34) **Formal Evaluation of the Chairman and Chief Executive Officer**

The independent Directors should make this evaluation annually, and it should be communicated to the Chairman and Chief Executive Officer by the Lead Director in conjunction with the Chairman of the Compensation Committee. The evaluation should be based on objective criteria including performance of the business, accomplishment of long-term strategic objectives, development of management, etc. The evaluation will be used by the Compensation Committee in the course of its deliberations when considering the compensation of the Chairman and Chief Executive Officer.

#### 35) **Succession Planning**

Selecting a Chief Executive Officer and planning for succession is a major responsibility of the Board. An annual report will be made by the Chief Executive Officer to the Board on succession planning.

There should also be available, on a continuing basis, the Chairman and Chief Executive Officer's recommendation as to a successor in the event of an unexpected disability.

These guidelines are also available on our Web site, [www.syb.com](http://www.syb.com).