STREAMLINE HEALTH SOLUTIONS INC.
Form 10-Q
December 09, 2014
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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q
(Mark One)

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended October 31, 2014

OR

¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission File Number: 0-28132

STREAMLINE HEALTH SOLUTIONS, INC.
(Exact name of registrant as specified in its charter)

Delaware	31-1455414
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

1230 Peachtree Street, NE, Suite 600,
Atlanta, GA 30309
(Address of principal executive offices) (Zip Code)
(404) 446-2052
(Registrant’s telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ¨	Accelerated filer x	Non-accelerated filer ¨ (Do not check if a smaller reporting company)	Smaller reporting company ¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No x

The number of shares outstanding of the Registrant’s Common Stock, $.01 par value, as of December 3, 2014: 18,469,145

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PART I. FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

STREAMLINE HEALTH SOLUTIONS, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

	October 31, 2014	January 31, 2014
ASSETS		
Current assets:		
Cash and cash equivalents	$5,944,750	$17,924,886
Accounts receivable, net of allowance for doubtful accounts of $477,994 and $267,264, respectively	5,917,038	7,999,571
Contract receivables	213,652	1,181,606
Prepaid hardware and third-party software for future delivery	33,473	25,640
Prepaid client maintenance contracts	1,017,261	909,464
Other prepaid assets	1,447,214	1,407,515
Deferred income taxes	95,498	95,498
Other current assets	55,694	144,049
Total current assets	14,724,580	29,688,229
Non-current assets:		
Property and equipment:		
Computer equipment	4,854,578	3,769,564
Computer software	2,521,293	2,239,654
Office furniture, fixtures and equipment	687,407	889,080
Leasehold improvements	1,227,999	697,570
	9,291,277	7,595,868
Accumulated depreciation and amortization	(6,012,436)	(6,676,824)
Property and equipment, net	3,278,841	919,044
Contract receivables, less current portion	52,263	78,395
Capitalized software development costs, net of accumulated amortization of $10,904,467 and $7,949,352, respectively	10,044,129	10,238,357
Intangible assets, net of accumulated amortization of $2,981,391 and $1,930,366, respectively	11,797,610	12,175,634
Deferred financing costs, net of accumulated amortization of $107,271 and $98,102, respectively	120,760	44,898
Goodwill	15,889,595	11,933,683
Other	841,432	500,634
Total non-current assets	42,024,630	35,890,645
	$56,749,210	$65,578,874

See accompanying notes to condensed consolidated financial statements.

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STREAMLINE HEALTH SOLUTIONS, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

	October 31, 2014	January 31, 2014
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$2,173,577	$1,796,418
Accrued compensation	1,073,771	1,782,599
Accrued other expenses	962,247	554,877
Current portion of long-term debt	1,214,280	1,214,280
Deferred revenues	8,215,846	9,658,232
Current portion of note payable	—	300,000
Current portion of capital lease obligations	795,339	105,573
Total current liabilities	14,435,060	15,411,979
Non-current liabilities:		
Term loans	5,887,331	6,971,767
Warrants liability	1,791,901	4,117,725
Royalty liability	2,376,564	2,264,000
Swap contract	—	111,086
Note payable	600,000	600,000
Lease incentive liability	220,883	74,434
Capital lease obligations	772,804	121,089
Deferred revenues, less current portion	114,433	—
Deferred income tax liabilities	825,677	816,079
Total non-current liabilities	12,589,593	15,076,180
Total liabilities	27,024,653	30,488,159
Series A 0% Convertible Redeemable Preferred Stock, $.01 par value per share, $8,849,985 and $8,849,985 redemption value, 4,000,000 shares authorized, 2,949,995 and 2,949,995 shares issued and outstanding, net of unamortized preferred stock discount of $2,498,816 and $3,250,317, respectively	6,351,169	5,599,668
Stockholders' equity:		
Common stock, $.01 par value per share, 45,000,000 shares authorized; 18,458,745 and 18,175,787 shares issued and outstanding, respectively	184,588	181,758
Additional paid in capital	77,953,327	76,983,088
Accumulated deficit	(54,764,527)	(47,562,713)
Accumulated other comprehensive loss	—	(111,086)
Total stockholders' equity	23,373,388	29,491,047
	$56,749,210	$65,578,874

See accompanying notes to condensed consolidated financial statements.

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STREAMLINE HEALTH SOLUTIONS, INC.
CONDENDSED CONSOLIDATED STATEMENTS OF OPERATIONS
Three and Nine Months Ended October 31,
(Unaudited)

	Three Months Ended		Nine Months Ended	
	2014	2013	2014	2013
Revenues:				
Systems sales	$345,919	$347,532	$999,209	$2,905,846
Professional services	447,939	966,962	1,731,888	2,925,553
Maintenance and support	4,062,442	3,523,551	12,411,419	10,524,595
Software as a service	1,980,343	1,893,489	5,887,368	5,622,237
Total revenues	6,836,643	6,731,534	21,029,884	21,978,231
Operating expenses:				
Cost of systems sales	835,398	611,887	2,505,190	1,911,609
Cost of professional services	681,350	1,262,559	2,446,466	3,503,765
Cost of maintenance and support	756,469	739,887	2,553,180	2,519,952
Cost of software as a service	770,347	520,062	2,113,390	1,613,217
Selling, general and administrative	4,230,347	3,373,230	12,925,597	10,362,246
Research and development	2,275,410	1,370,178	6,850,973	3,627,336
Total operating expenses	9,549,321	7,877,803	29,394,796	23,538,125
Operating loss	(2,712,678)	(1,146,269)	(8,364,912)	(1,559,894)
Other income (expense):				
Interest expense	(180,583)	(580,390)	(523,599)	(1,734,763)
Loss on early extinguishment of debt	(114,522)	—	(114,522)	—
Miscellaneous income (expense)	752,219	(4,510,439)	1,803,509	(6,316,867)
Loss before income taxes	(2,255,564)	(6,237,098)	(7,199,524)	(9,611,524)
Income tax benefit (expense)	—	4,680	(2,290)	(158,944)
Net loss	$(2,255,564)	$(6,232,418)	$(7,201,814)	$(9,770,468)
Less: deemed dividends on Series A Preferred Shares	(269,152)	(374,162)	(751,501)	(731,309)
Net loss attributable to common shareholders	$(2,524,716)	$(6,606,580)	$(7,953,315)	$(10,501,777)
Basic net loss per common share	$(0.14)	$(0.50)	$(0.44)	$(0.82)
Number of shares used in basic per common share computation	18,309,677	13,257,943	18,210,034	12,884,711
Diluted net loss per common share	$(0.14)	$(0.50)	$(0.44)	$(0.82)
Number of shares used in diluted per common share computation	18,309,677	13,257,943	18,210,034	12,884,711

See accompanying notes to condensed consolidated financial statements.

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STREAMLINE HEALTH SOLUTIONS, INC.
CONDENDSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
Three and Nine Months Ended October 31,
(Unaudited)

	Three Months Ended		Nine Months Ended	
	2014	2013	2014	2013
Net loss	$(2,255,564)	$(6,232,418)	$(7,201,814)	$(9,770,468)
Other comprehensive gain (loss), net of tax:				
Fair value of interest rate swap liability	(4,153)	—	(3,436)	—
Reclassification adjustment for loss on settlement of interest rate swap liability realized in net loss	114,522	—	114,522	—
Other comprehensive income	$110,369	$—	$111,086	$—
Comprehensive loss	$(2,145,195)	$(6,232,418)	$(7,090,728)	$(9,770,468)

See accompanying notes to condensed consolidated financial statements.

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STREAMLINE HEALTH SOLUTIONS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
Nine Months Ended October 31,
(Unaudited)

	Nine Months Ended	
	2014	2013
Operating activities:		
Net loss	$(7,201,814)	$(9,770,468)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities:		
Depreciation	670,955	490,043
Amortization of capitalized software development costs	2,735,990	2,086,885
Amortization of intangible assets	1,051,025	946,228
Amortization of other deferred costs	172,804	296,942
Valuation adjustment for warrants liability	(2,325,824)	2,082,789
Share-based compensation expense	1,286,145	1,203,919
Other valuation adjustments	119,593	4,140,441
Loss on disposal of property and equipment	110,710	—
Loss on exit of operating lease	234,823	—
Provision for accounts receivable	252,803	—
Deferred tax expense	—	150,634
Changes in assets and liabilities, net of assets acquired:		
Accounts and contract receivables	3,360,780	2,509,842
Other assets	(314,501)	(627,883)
Accounts payable	410,395	87,014
Accrued expenses	(801,074)	(150,206)
Deferred revenues	(2,124,790)	(2,683,899)
Net cash (used in) provided by operating activities	(2,361,980)	762,281
Investing activities:		
Purchases of property and equipment	(1,862,855)	(106,392)
Capitalization of software development costs	(503,464)	(1,047,938)
Payment for acquisition, net of cash received	(6,058,225)	(3,000,000)
Net cash used in investing activities	(8,424,544)	(4,154,330)
Financing activities:		
Principal repayments on term loan	(910,710)	(937,501)
Principal repayments on note payable	(300,000)	—
Principal payments on capital lease obligation	(165,115)	—
Payment of deferred financing costs	(256,212)	—
Proceeds from exercise of stock options and stock purchase plan	438,425	1,093,285
Net cash (used in) provided by financing activities	(1,193,612)	155,784
Decrease in cash and cash equivalents	(11,980,136)	(3,236,265)
Cash and cash equivalents at beginning of period	17,924,886	7,500,256
Cash and cash equivalents at end of period	$5,944,750	$4,263,991

See accompanying notes to condensed consolidated financial statements.

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STREAMLINE HEALTH SOLUTIONS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

NOTE 1 — BASIS OF PRESENTATION

The accompanying unaudited Condensed Consolidated Financial Statements have been prepared by Streamline Health Solutions, Inc. (“we”, “us”, “our”, or the “Company”), pursuant to the rules and regulations applicable to quarterly reports on Form 10-Q of the U.S. Securities and Exchange Commission. Certain information and note disclosures normally included in annual financial statements prepared in accordance with U.S. generally accepted accounting principles have been condensed or omitted pursuant to those rules and regulations, although we believe that the disclosures made are adequate to make the information not misleading. In the opinion of our management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation of the Condensed Consolidated Financial Statements have been included. These Condensed Consolidated Financial Statements should be read in conjunction with the consolidated financial statements and notes thereto included in our most recent annual report on Form 10-K, Commission File Number 0-28132. Operating results for the nine months ended October 31, 2014 are not necessarily indicative of the results that may be expected for the fiscal year ending January 31, 2015.

NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Our significant accounting policies are presented in “Note 2 – Significant Accounting Policies” in the fiscal year 2013 Annual Report on Form 10-K. Users of financial information for interim periods are encouraged to refer to the footnotes contained in the Annual Report on Form 10-K when reviewing interim financial results.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles (“GAAP”) requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Fair Value of Financial Instruments

The Financial Accounting Standards Board’s (“FASB”) authoritative guidance on fair value measurements establishes a framework for measuring fair value, and expands disclosure about fair value measurements. This guidance enables the reader of the financial statements to assess the inputs used to develop those measurements by establishing a hierarchy for ranking the quality and reliability of the information used to determine fair values. Under this guidance, assets and liabilities carried at fair value must be classified and disclosed in one of the following three categories:

Level 1: Quoted market prices in active markets for identical assets or liabilities.

Level 2: Observable market based inputs or unobservable inputs that are corroborated by market data.

Level 3: Unobservable inputs that are not corroborated by market data.

The carrying amounts of cash and cash equivalents, accounts receivable, accounts payable and accrued expenses approximate fair value based on the short-term maturity of these instruments. Cash and cash equivalents are classified as Level 1. The carrying amount of our long-term debt approximates fair value since the interest rates being paid on the amounts approximate the market interest rate. Long-term debt and the interest rate swap are classified as Level 2. The initial fair value of royalty liability and warrants liability was determined by management with the assistance of an independent third-party valuation specialist, and by management thereafter. We used the Black-Scholes option pricing model to estimate the fair value of warrants liability. The fair value of the royalty liability is determined based on the probability-weighted revenue scenarios for the Looking Glass® Clinical Analytics solution licensed from Montefiore Medical Center (discussed below). The contingent consideration for royalty liability and warrants liability are classified as Level 3.

Revenue Recognition

We derive revenue from the sale of internally-developed software either by licensing or by software as a service (“SaaS”), through the direct sales force or through third-party resellers. Licensed, locally-installed clients utilize our support and maintenance services for a separate fee, whereas SaaS fees include support and maintenance. We also derive revenue from professional services that support the implementation, configuration, training, and optimization of the applications. Additional revenues are also derived from reselling third-party software and hardware components.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

We recognize revenue in accordance with Accounting Standards Codification (ASC) 985-605, Software-Revenue Recognition, and ASC 605-25, Revenue Recognition — Multiple-element arrangements. We commence revenue recognition when the following criteria all have been met:

- Persuasive evidence of an arrangement exists,
- Delivery has occurred or services have been rendered,
- The arrangement fees are fixed or determinable, and
- Collectibility is reasonably assured.

If we determine that any of the above criteria have not been met, we will defer recognition of the revenue until all the criteria have been met. Maintenance and support and SaaS agreements are generally non-cancelable or contain significant penalties for early cancellation, although clients typically have the right to terminate their contracts for cause if we fail to perform material obligations. However, if non-standard acceptance periods, non-standard performance criteria, or cancellation or right of refund terms are required, revenue is recognized upon the satisfaction of such criteria, as applicable.

Revenues from resellers are recognized gross of royalty payments to resellers.

Multiple Element Arrangements

We follow the accounting revenue guidance under Accounting Standards Update (ASU) 2009-13, Multiple-Deliverable Revenue Arrangements — a consensus of the FASB Emerging Issues Task Force.

Terms used in evaluation are as follows:

- VSOE — the price at which an element is sold as a separate stand-alone transaction
- TPE — the price of an element, charged by another company that is largely interchangeable in any particular transaction
- ESP — our best estimate of the selling price of an element of the transaction

We follow accounting guidance for revenue recognition of multiple-element arrangements to determine whether such arrangements contain more than one unit of accounting. Multiple-element arrangements require the delivery or performance of multiple solutions, services and/or rights to use assets. To qualify as a separate unit of accounting, the delivered item must have value to the client on a stand-alone basis. Stand-alone value to a client is defined in the guidance as those that can be sold separately by any vendor or the client could resell the item on a stand-alone basis. Additionally, if the arrangement includes a general right of return relative to the delivered item, delivery or performance of the undelivered item or items must be considered probable and substantially in the control of the vendor.

We have a defined pricing methodology for all elements of the arrangement and proper review of pricing to ensure adherence to our policies. Pricing decisions include cross-functional teams of senior management, which uses market conditions, expected contribution margin, size of the client's organization, and pricing history for similar solutions when establishing the selling price.

Software as a Service

We use ESP to determine the value for a software-as-a-service arrangement as we cannot establish VSOE and TPE is not a practical alternative due to differences in functionality from our competitors. Similar to proprietary license sales, pricing decisions rely on the relative size of the client purchasing the solution and include calculating the equivalent value of maintenance and support on a present value basis over the term of the initial agreement period. Typically revenue recognition commences upon client go live on the system and is recognized ratably over the contract term. The software portion of SaaS for Health Information Management ("HIM") products does not need material modification to achieve its contracted function. The software portion of SaaS for our Patient Financial Services ("PFS") products require material customization and setup processes to achieve their contracted function.

System Sales

We use the residual method to determine fair value for proprietary software licenses sold in a multi-element arrangement. Under the residual method, we allocate the total value of the arrangement first to the undelivered elements based on their VSOE and allocate the remainder to the proprietary software license fees.

Typically pricing decisions for proprietary software rely on the relative size and complexity of the client purchasing the solution. Third-party components are resold at prices based on a cost-plus margin analysis. The proprietary software and third-party components do not need any significant modification to achieve their intended use. When these revenues meet all criteria for revenue recognition and are determined to be separate units of accounting, revenue is recognized. Typically this is upon shipment of components or electronic download of software. Proprietary licenses are perpetual in nature, and license fees do not include rights to version upgrades, fixes or service packs.

Maintenance and Support Services

The maintenance and support components are not essential to the functionality of the software, and clients renew maintenance contracts separately from software purchases at renewal rates materially similar to the initial rate charged for maintenance on the initial purchase of software. We use VSOE of fair value to determine fair value of maintenance and support services. Rates are set based on market rates for these types of services, and our rates are comparable to rates charged by our competitors, which are based on the knowledge of the marketplace by senior management. Generally, maintenance and support is calculated as a percentage of the list price of the proprietary license being purchased by a client. Clients have the option of purchasing additional annual maintenance service renewals each year for which rates are not materially different from the initial rate but typically include a nominal rate increase based on the consumer price index. Annual maintenance and support agreements entitle clients to technology support, upgrades, bug fixes and service packs.

Term Licenses

We cannot establish VSOE fair value of the undelivered element in term license arrangements. However, as the only undelivered element is post-contract customer support, the entire fee is recognized ratably over the contract term. Typically revenue recognition commences once the client goes live on the system. Similar to proprietary license sales, pricing decisions rely on the relative size of the client purchasing the solution. The software portion of our Looking Glass® Coding & CDI products generally do not require material modification to achieve their contracted function.

Professional Services

Professional services components that are not essential to the functionality of the software, from time to time, are sold separately by us. Similar services are sold by other vendors, and clients can elect to perform similar services in-house. When professional services revenues are a separate unit of accounting, revenues are recognized as the services are performed.

Professional services components that are essential to the functionality of the software and are not considered a separate unit of accounting are recognized in revenue ratably over the life of the client, which approximates the duration of the initial contract term. We defer the associated direct costs for salaries and benefits expense for professional services contracts. As of October 31, 2014 and January 31, 2014, we had deferred costs of $528,000 and $441,000, respectively. These deferred costs will be amortized over the identical term as the associated revenues. Amortization expense of these costs was $121,000 and $50,000 for the nine months ended October 31, 2014 and 2013, respectively.

We use VSOE of fair value based on the hourly rate charged when services are sold separately, to determine fair value of professional services. We typically sell professional services on a fixed-fee basis. We monitor projects to assure that the expected and historical rate earned remains within a reasonable range to the established selling price.

Severances

From time to time, we enter into termination agreements with associates that may include supplemental cash payments, as well as contributions to health and other benefits for a specific time period subsequent to termination. For the three months ended October 31, 2014 and 2013, we incurred $20,000 and zero in severance expenses, respectively, and $596,000 and $380,000 for the nine months ended October 31, 2014 and 2013, respectively. At October 31, 2014 and January 31, 2014, we had accrued severances of $216,000 and zero, respectively.

Equity Awards

We account for share-based payments based on the grant-date fair value of the awards with compensation cost recognized as expense over the requisite vesting period. We incurred total compensation expense related to stock-based awards of $421,000 and $378,000 for the three months ended October 31, 2014 and 2013, respectively, and $1,286,000 and $1,204,000 for the nine months ended October 31, 2014 and 2013, respectively.

The fair value of the stock options granted have been estimated at the date of grant using a Black-Scholes option pricing model. The option pricing model inputs (such as, expected term, expected volatility, and risk-free interest rate) impact the fair value estimate. Further, the forfeiture rate impacts the amount of aggregate compensation. These assumptions are subjective and are generally derived from external (such as, risk-free rate of interest) and historical (such as, volatility factor, expected term, and forfeiture rates) data. Future grants of equity awards accounted for as stock-based compensation could have a material impact on reported expenses depending upon the number, value, and vesting period of future awards.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

We issue restricted stock awards in the form of our common stock. The fair value of these awards is based on the market close price per share on the day of grant. We expense the compensation cost of these awards as the restriction period lapses, which is typically a one-year service period to the Company.

Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis and for tax credit and loss carry-forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. In assessing net deferred tax assets, we consider whether it is more likely than not that some or all of the deferred tax assets will not be realized. We establish a valuation allowance when it is more likely than not that all or a portion of deferred tax assets will not be realized. We provide for uncertain tax positions and the related interest and penalties based upon management's assessment of whether certain tax positions are more likely than not to be sustained upon examination by tax authorities. We believe we have appropriately accounted for any uncertain tax positions.

Net Loss Per Common Share

We present basic and diluted earnings per share ("EPS") data for our common stock. Basic EPS is calculated by dividing the net income (loss) attributable to common stockholders of the Company by the weighted average number of shares of common stock outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to common stockholders and the weighted average number of shares of common stock outstanding adjusted for the effects of all dilutive potential common shares comprised of options granted, unvested restricted stock, warrants and convertible preferred stock. Potential common stock equivalents that have been issued by us related to outstanding stock options, unvested restricted stock and warrants are determined using the treasury stock method, while potential common stock issuable upon conversion of Series A Convertible Preferred Stock are determined using the "if converted" method.

Our unvested restricted stock awards and Series A Convertible Preferred Stock are considered participating securities under ASC 260, Earnings Per Share, which means the security may participate in undistributed earnings with common stock. Our unvested restricted stock awards are considered participating securities because they entitle holders to non-forfeitable rights to dividends or dividend equivalents during the vesting term. The holders of the Series A Convertible Preferred Stock would be entitled to share in dividends, on an as-converted basis, if the holders of common stock were to receive dividends, other than dividends in the form of common stock. In accordance with ASC 260, a company is required to use the two-class method when computing EPS when a company has a security that qualifies as a "participating security." The two-class method is an earnings allocation formula that determines EPS for each class of common stock and participating security according to dividends declared (or accumulated) and participation rights in undistributed earnings. In determining the amount of net earnings to allocate to common stockholders, earnings are allocated to both common and participating securities based on their respective weighted-average shares outstanding for the period. Diluted EPS for our common stock is computed using the more dilutive of the two-class method or the if-converted method.

In accordance with ASC 260, securities are deemed to not be participating in losses if there is no obligation to fund such losses. For the nine months ended October 31, 2014 and 2013, the unvested restricted stock awards and the Series A Convertible Preferred Stock were not deemed to be participating since there was a net loss from operations. As of October 31, 2014, there were 2,949,995 shares of preferred stock outstanding, each share is convertible into one share of our common stock. For the nine months ended October 31, 2014 and 2013, the Series A Convertible Preferred Stock would have an anti-dilutive effect if included in diluted EPS and therefore, was not included in the calculation. As of October 31, 2014 and 2013, there were 61,062 and 29,698, respectively, unvested restricted shares of common stock outstanding that were excluded from the calculation as their effect would have been anti-dilutive.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The following is the calculation of the basic and diluted net earnings (loss) per share of common stock:

	Three Months Ended	
	October 31, 2014	October 31, 2013
Net loss	$(2,255,564)	$(6,232,418)
Less: deemed dividends on Series A Preferred Stock	(269,152)	(374,162)
Net loss attributable to common shareholders	$(2,524,716)	$(6,606,580)
Weighted average shares outstanding used in basic per common share computations	18,309,677	13,257,943
Stock options and restricted stock	—	—
Number of shares used in diluted per common share computation	18,309,677	13,257,943
Basic net loss per share of common stock	$(0.14)	$(0.50)
Diluted net loss per share of common stock	$(0.14)	$(0.50)

	Nine Months Ended	
	October 31, 2014	October 31, 2013
Net loss	$(7,201,814)	$(9,770,468)
Less: deemed dividends on Series A Preferred Stock	(751,501)	(731,309)
Net loss attributable to common shareholders	$(7,953,315)	$(10,501,777)
Weighted average shares outstanding used in basic per common share computations	18,210,034	12,884,711
Stock options and restricted stock	—	—
Number of shares used in diluted per common share computation	18,210,034	12,884,711
Basic net loss per share of common stock	$(0.44)	$(0.82)
Diluted net loss per share of common stock	$(0.44)	$(0.82)

Diluted net loss per share excludes the effect of 2,648,785 and 2,562,317 outstanding stock options for the three and nine months ended October 31, 2014 and 2013, respectively. The inclusion of these shares would be anti-dilutive. For the nine months ended October 31, 2014 and 2013, the warrants to purchase 1,400,000 shares of common stock would have an anti-dilutive effect if included in diluted net loss per share and therefore were not included in the calculation.

Recent Accounting Pronouncements

In August 2014, the FASB issued an accounting standard update relating to disclosures of uncertainties about an entity’s ability to continue as a going concern. The update provides guidance about management’s responsibility to evaluate whether there is substantial doubt about an entity’s ability to continue as a going concern and to provide related footnote disclosures in the event that there is such substantial doubt. The update will be effective for us on February 1, 2017.

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606), which supersedes the revenue recognition requirements in ASC 605, Revenue Recognition. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The ASU also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. This guidance is effective for us on February 1, 2017. Early adoption is not permitted. The guidance is to be applied using one of two retrospective application methods. We are currently evaluating the impact of the adoption of this accounting standard update on our internal processes, operating results, and financial reporting. The impact is currently not known or reasonably estimable.

In July 2013, the FASB issued an accounting standard update relating to the presentation of an unrecognized tax benefit when a net operating loss carryforward, a similar tax loss, or a tax credit carryforward exists. This update amends existing GAAP that required in certain cases, an unrecognized tax benefit, or portion of an unrecognized tax benefit, to be presented in the financial statements as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss, or a tax credit carryforward when such items exist in the same taxing jurisdiction. The amendments in this update are effective for fiscal years, and interim periods within those years, beginning after December 15, 2013. Early adoption is permitted. The

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amendments should be applied prospectively to all unrecognized tax benefits that exist at the effective date, and retrospective application is permitted. The Company adopted this update on January 31, 2014 and it did not have a material impact on our financial statements.

NOTE 3 — ACQUISITIONS AND STRATEGIC AGREEMENTS

On October 25, 2013, we entered into a Software License and Royalty Agreement (the “Royalty Agreement”) with Montefiore Medical Center (“Montefiore”) pursuant to which Montefiore granted us an exclusive, worldwide 15-year license of Montefiore’s proprietary clinical analytics platform solution, Clinical Looking Glass® (“CLG”), now known as our Looking Glass® Clinical Analytics solution. In addition, Montefiore assigned to us the existing license agreement with a customer using CLG. As consideration under the Royalty Agreement, Streamline paid Montefiore a one-time initial base royalty fee of $3,000,000, and we are obligated to pay on-going quarterly royalty amounts related to future sublicensing of CLG by Streamline. Additionally, Streamline has committed that Montefiore will receive at least an additional $3,000,000 of on-going royalty payments within the first six and one-half years of the license term. The Montefiore agreements were accounted for as a business combination with the purchase price representing the $3,000,000 initial base royalty fee, plus the present value of the $3,000,000 on-going royalty payment commitment. The purchase price was allocated to the tangible and intangible assets acquired and liabilities assumed based on their estimated fair values as of the acquisition date as follows:

	Balance at October 25, 2013
Assets purchased:	
License agreement	$ 4,431,000
Existing customer relationship	408,000
Covenant not to compete	129,000
Working capital	124,000
Other assets	25,000
Goodwill (1)	108,000
Total assets purchased	$ 5,225,000
Consideration:	
Cash paid	3,000,000
Future royalty commitment	2,225,000
Total consideration	$ 5,225,000

(1) Goodwill represents the excess of purchase price over the estimated fair value of net tangible and intangible assets acquired, which is not deductible for tax purposes.

On February 3, 2014, we completed the acquisition of Unibased Systems Architecture, Inc. (“Unibased”), a provider of patient access solutions, including enterprise scheduling and surgery management software, for healthcare organizations throughout the United States, pursuant to an Agreement and Plan of Merger dated January 16, 2014 (the “Merger Agreement”) for a total purchase price of $6,500,000, subject to net working capital and other customary adjustments. A portion of the total purchase price was withheld in escrow as described in the Merger Agreement for certain transaction and indemnification expenses.

Pursuant to the Merger Agreement, we acquired all of the issued and outstanding common stock of Unibased, and Unibased became a wholly-owned subsidiary of Streamline. Under the terms of the Merger Agreement, Unibased stockholders received cash for each share of Unibased common stock held. The preliminary purchase price was allocated to the tangible and intangible assets acquired and liabilities assumed based on their estimated fair values as of the acquisition date as follows:

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	Balance at February 3, 2014
Assets purchased:	
Cash	$ 59,000
Accounts receivable	487,000
Other assets	82,000
Internally-developed software	2,017,000
Client relationships	647,000
Trade name	26,000
Goodwill (1)	3,956,000
Total assets purchased	7,274,000
Liabilities assumed:	
Accounts payable and accrued liabilities	350,000
Deferred revenue obligation, net	797,000
Deferred income taxes	9,000
Net assets acquired	$ 6,118,000
Cash paid	$ 6,118,000

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(1) Goodwill represents the excess of purchase price over the estimated fair value of net tangible and intangible assets acquired, which is not deductible for tax purposes.

The operating results of Unibased are not material for proforma disclosure.

NOTE 4 — LEASES

We rent office and data center space and equipment under non-cancelable operating leases that expire at various times through fiscal year 2022. Future minimum lease payments under non-cancelable operating leases for the next five fiscal years are as follows:

	Departmental Gross Revenue		**Departmental Income Before Overhead Allocations**	
	Percentage Increase over Prior Year	**Bonus as Percentage of Base Salary**	**Percentage Increase over Prior Year**	**Bonus as Percentage of Base Salary**
Threshold	2%	2.625%	1%	2.625%
	3%	5.250%	2%	5.250%
	4%	7.875%	3%	7.875%
	5%	10.500%	4%	10.500%
Target	6%	13.125%	5%	13.125%
	8%	15.750%	8%	15.750%
	10%	18.380%	10%	18.380%
	12%	21.000%	12%	21.000%
	14%	23.630%	14%	23.630%
Maximum	Over 14%	26.250%	Over 14%	26.250%
Actual Results	4%	7.875%	1%	2.625%

Bancorp EPS

Bancorp	**Bonus as Percentage of**

	EPS		Base Salary
Threshold	$ 1.71		1.75%
	$ 1.72		3.50%
	$ 1.73		5.25%
	$ 1.74		7.00%
Target	$ 1.75		8.75%
	$ 1.78		10.50%
	$ 1.81		12.25%
	$ 1.84		14.00%
	$ 1.87		15.75%
Maximum	$ 1.90	or greater	17.50%
Actual Results	$ 1.85		14.00%

For 2012, combined achievement levels of the three incentive components resulted in a bonus of 24.50% of base salary, or $82,075.

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 and compliance. Mr. Poindexter s bonus targets cover a matrix of all areas of his responsibility including: Commercial Banking, Private Banking, Business Banking, Treasury Management, International, and Correspondent Banking. The Commercial Banking, Private Banking, and Business Banking areas of all three markets are the source of significant loan and deposit growth. Net interest income comprises approximately two-thirds of the Company s consolidated revenues. Shareholder value is enhanced as growth in these areas significantly impacts the profitably of the Company. Mr. Poindexter s matrix assigns various weights to several categories including: average over average net loan and deposit growth, growth of loan fees and service charges, customer satisfaction and charge-offs. The program requires a minimum of 50 points for any incentive bonus to be paid. Additionally, certain point deductions are considered to promote quality of growth including deductions for excessive charge-offs and non-compliance with established customer service standards. The matrix below used to compute the incentive is structured such that achievement of target performance in all categories results in a cash incentive equal to 22.50% of base salary. Goals are considered aggressive and relatively difficult to achieve.

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

	Component Weight at Target Performance	Points Earned
Loan growth	45%	45.58
Non interest deposit growth	10%	20.00
Interest bearing deposit growth	5%	
Loan fees	10%	
Service charges	5%	3.62
Officer production management	5%	
Treasury services revenue	5%	9.17
International revenue	5%	3.57
Credit quality/Charge offs	10%	7.92
Total	100%	89.86

Once certain performance is obtained, achievement under the target results in a prorated cash incentive, while performance exceeding targets results in a cash incentive proportionately higher, up to a maximum of 45% of base salary. The following summarizes the parameters of the plan:

	Bonus as a Percentage of Salary		
	Threshold	Target	Maximum
Operations points	50	100	200
Operations bonus %	11.25%	22.50%	45.00%

In addition to departmental goals, Mr. Poindexter has a component of his cash incentive based on overall performance of the Company, as follows:

	Bancorp EPS			Bonus as Percentage of Base Salary
Threshold	$	1.71		1.50%
	$	1.72		3.00%
	$	1.73		4.50%
	$	1.74		6.00%
Target	$	1.75		7.50%
	$	1.78		9.00%
	$	1.81		10.50%
	$	1.84		12.00%
	$	1.87		13.50%
Maximum	$	1.90	or greater	15.00%
Actual results	$	1.85		12.00%

For 2012, Mr. Poindexter achieved 89.86 points under his departmental matrix plan resulting in a 20.22% bonus. Additionally, Mr. Poindexter received a 12% bonus under Bancorp EPS performance plan. In aggregate, Mr. Poindexter earned a cash bonus of 32.22% of base salary, or $84,495.

Long-Term Incentives. The Committee believes the long-term incentive stock awards to executives best serve the interests of shareholders by providing those persons having responsibility for the management and growth of the Company with an opportunity to increase their ownership of the Company s common stock and to have a stake in the future of the Company. Additionally, these equity awards further the Company s competitive advantage against significantly larger institutions by attracting and retaining talented individuals critical to the Company s success. Equity awards also provide the Company an advantage over smaller community banks where equity compensation often is not available. Stock Appreciation Rights (SARs) give the executive the right to receive S.Y. Bancorp Common Stock equal in value to the difference between the price of the Common Stock s trading value as of the date of grant and that at a future exercise date. The vesting period of these SARs is typically five years and the exercise period is ten years. Therefore, if the common stock market price increases, executives have an incentive because they can exercise and be issued stock based on the appreciation from the lower grant date option price. The vesting period of the restricted shares is also typically five years. The number of equity awards granted to each executive is based upon a formula determined by the Committee to be commensurate with responsibilities. Regarding the granting of SARs in 2012, the following executives received awards with a value relative to their base salary, based on the value the awards have as determined accounting purposes.

Name	Accounting Value of SARs Awarded as Percentage of Base Salary
Mr. Heintzman	25.0%
Ms. Davis	15.0%
Mr. Hillebrand	20.0%
Ms. Thompson	17.5%
Mr. Poindexter	15.0%

In 2011, the Committee amended the 2005 Stock Incentive Plan to allow for the issuance of performance based restricted stock units (RSUs). The amendment provided that RSUs may be awarded to employees and directors of the Company and the Company s affiliates on such terms and conditions as the Committee deems appropriate, including vesting upon the achievement of specified performance goals. Upon the award of RSUs, the Committee is required to establish a period of time during which the RSUs are subject to forfeiture. Upon the expiration of such period, and upon satisfaction of any conditions or performance goals applicable to the vesting of the RSUs, the RSU recipient will receive shares of Company common stock equal to the number of RSUs awarded and earned by the recipient. RSU recipients do not have any rights as shareholders of the Company with respect to the RSUs at any time before the recipients receive shares of Company common stock. The Committee may, however, grant RSUs that provide the recipient the right to receive an amount equal to the cash distributions the recipient would have been entitled to receive had the recipient held the shares of the Company s common stock underlying the RSUs on the date of such cash distributions.

The granted RSUs 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 the Bank mid-cycle due to death, disability or retirement (age 60). RSUs 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 RSUs until the stock is actually issued.

In 2012, the Committee approved the following RSUs:

Performance period:	Three years, beginning January 1, 2012 through December 31, 2014
Plan goals:	1. Grow diluted earnings per share at the targeted compounded rate of 8% per year from the base year.
	2. Rank at the target percentile or higher compared to peer community banks over the plan period as measured by SNL Financial for all public banks $1-$2.5 billion in assets using Return on Assets (ROA) as the performance measurement ratio. Performance will be measured by averaging the three annual rankings.
Performance ranges:	The RSUs provide for threshold, target and maximum performance goals as follows:

	Minimum	Target	Maximum
Three year cumulative EPS	$ 5.41	$ 6.01	$ 6.57
Peer bank performance percentile	>50%	75%	90%

The long-term incentive will be determined as a percentage of the participant s Year 1 base salary and will be denominated in shares of Company common stock valued on the date of grant. Fractional shares will not be distributable.

A summary of the long-term incentive plan follows (all amounts are expressed as a percentage of salary):

	EPS			Bancorp vs. Peers			Total Value of Stock Which May Be Earned, Based on Grant-Date Value as a % of Base Salary		
	Minimum	Target	Maximum	Minimum	Target	Maximum	Minimum	Target	Maximum
Heintzman	5.0%	12.5%	25.0%	5.0%	12.5%	25.0%	10.0%	25.0%	50.0%
Davis	3.0%	7.5%	15.0%	3.0%	7.5%	15.0%	6.0%	15.0%	30.0%
Hillebrand	4.0%	10.0%	20.0%	4.0%	10.0%	20.0%	8.0%	20.0%	40.0%
Thompson	3.5%	8.8%	17.5%	3.5%	8.8%	17.5%	7.0%	17.6%	35.0%
Poindexter	3.0%	7.5%	15.0%	3.0%	7.5%	15.0%	6.0%	15.0%	30.0%

Bonus payouts:

Shares earned at the end of the performance period will be distributed to RSU participants by March 1 of the year following the performance period. All payouts of RSUs will be made in shares of Company common stock based on the total number of shares per participant determined at the beginning of the performance period.

Prior to the December 2012 announcement of the Company s acquisition of The BANCorp, Inc., the Committee had not anticipated the short-term costs associated with an acquisition which could provide a disincentive for executives who hold RSUs that are earned based on EPS to bring attractive acquisition opportunities to the Board s attention, unless EPS were determined without regard to such costs. Therefore in March 2013, the Committee amended the 2012 RSU awards to exclude transaction costs of an acquisition from the cumulative EPS growth calculation for the 2012 RSU awards.

Special Equity Grants In February 2012, the committee granted executive management stock grants for achieving record EPS performance in 2011, one of the most challenging operating environments since the Great Depression. Preservation of shareholder value was a key factor in the Committee s decision to grant the shares. The table below compares the performance of the Company s Common Stock to two bank stock indexes; the SNL NASDAQ Bank index and the SNL Midwest Bank index for the last five years. The graph assumes the value of the investment in the Company s Common Stock and in each index was $100 at December 31, 2006 and that all dividends were reinvested.

	Period Ending					
	12/31/2006	**12/31/2007**	**12/31/2008**	**12/31/2009**	**12/31/2010**	**12/31/2011**
S.Y. Bancorp, Inc.	100.00	87.71	103.54	82.85	98.05	84.75
SNL Midwest Bank index	100.00	77.94	51.28	43.45	53.96	50.97
SNL NASDAQ Bank index	100.00	78.51	57.02	46.25	54.57	48.42

As evidenced by the table above and in recognition of the Company s outstanding performance throughout the financial crisis, the Committee deemed it appropriate to make stock grants that are restricted based on three years of additional service before the awards are vested. The number of shares granted were determined based on the value per share on the date of grant as a percentage of each executive s base salary as follows:

Heintzman	25%
Davis	15%
Hillebrand	25%
Thompson	18%
Poindexter	15%

Post-Employment Compensation and Benefits To enhance the objective of retaining key executives, the Company previously established Senior Executive Severance Agreements (the Severance Agreement) for Mr. Heintzman, Ms. Davis and Ms. Thompson, concluding it to be in the best interests of S.Y. Bancorp, its shareholders and the Bank to take reasonable steps to compensate these key executives in the event of a change in control or similar event. With these agreements in place, if S.Y. Bancorp should receive takeover or acquisition proposals from third parties, S.Y. Bancorp will be able to call upon the key executives of the Bank 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. These severance agreements have been in place since the mid-1990s and were updated in 2005 to reflect tax law changes and then restated and amended in their entirety in early 2010 based on the Committee s review of peer group comparables and current trends. In 2010, similar agreements were added for the same reasons for Messrs. Hillebrand and Poindexter, as well as other executive officers.

Supplemental Retirement Benefits The Bank has a nonqualified deferred compensation plan which, until 2006, merely provided executives 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 and ESOP contributions they do not receive under the Bank s qualified retirement plan because of certain limits under the Internal Revenue Code.

In the 1980 s, the Bank created a plan (called the Senior Officer Security Plan, or SOSP) to enhance the retirement security of key executives 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 the plan therefore is not expected to yield that level of income replacement currently. This plan covers two current executive officers, and there is no intention of adjusting their defined benefit payments or adding additional participants.

Stock Ownership/Retention Guidelines

As noted above, equity compensation is awarded to align executives and shareholders interest over the longer term; therefore, management and the Committee expect executives to own stock exclusive of unexercised stock options or SARs. While retention or disposition of shares acquired upon the exercise of stock options or SARs is at the discretion of the Company maintains minimum ownership guidelines based upon salary multiples. The Chief Executive Officer is expected to own stock at a multiple three times his base salary. For all other executives, that multiple is two times base pay. For the officers in the Summary Compensation Table, all have exceeded the applicable guideline level with the exception of Mr. Poindexter.

Conclusion

In summary, the Committee believes the total compensation program for S.Y. Bancorp s executive officers is competitive with programs offered by similar institutions, and executive compensation is appropriate to further the long-term goals and objectives of the Company and its shareholders.

COMPENSATION COMMITTEE REPORT

The Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis with management. Based upon this review and discussion, the Committee has recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this proxy statement.

The Compensation Committee of the Board of Directors of S.Y. Bancorp, Inc.

Richard A. Lechleiter, Chairman
Charles R. Edinger, III
Norman Tasman

The report of the Compensation Committee shall not be deemed filed for purposes of Section 18 of the Securities Exchange Act of 1934 or otherwise subject to the liabilities of that section, nor shall it be deemed soliciting material or subject to Regulation 14A of the Exchange Act or incorporated by reference in any filing under the Exchange Act or the Securities Act of 1933, except as shall be expressly set forth by specific reference in such filing.

Executive Compensation Tables and Narrative Disclosure

The following table sets forth information concerning the compensation of our Chief Executive Officer, Chief Financial Officer, and the three most highly compensated executive officers other than the Chief Executive Officer and Chief Financial Officer. Throughout this section, we refer to executives named in this table individually, as the Executive and collectively as the Executives .

Summary Compensation Table

Name and Principal Position	Year	Salary ($) (1)	Bonus ($)	Stock Awards ($) (2)	Option Awards ($) (3)	Non- Equity Incentive Plan Compensation ($) (1) (4)	Change in Pension Value and Nonqualified Deferred Compensation Earnings ($) (5)	All Other Compensation ($) (6) (7)	Total ($)
David P. Heintzman	2012	535,000		278,180	95,397	428,000	66,750	71,591	1,474,918
Chairman and CEO	2011	535,000		190,974	72,485		233,688	81,769	1,113,916
	2010	511,000		93,191	122,962	153,300	89,598	95,170	1,065,221
Nancy B. Davis	2012	225,000		70,187	24,071	108,000		24,810	452,068
CFO	2011	216,000		44,425	17,559			27,562	305,546
	2010	210,000		30,936	30,620	46,200		22,373	340,129
James A. Hillebrand	2012	360,000		167,742	51,353	230,400		33,630	843,125
President	2011	340,000		87,199	36,852			35,400	499,451
	2010	316,000		47,790	48,033	94,800		39,748	546,371
Kathy C. Thompson									
Senior EVP and manager	2012	335,000		121,938	41,815	82,075	54,404	44,514	679,746
of Investment Management	2011	325,000		75,312	30,825	42,600	127,887	48,273	649,897
and Trust	2010	313,000		47,848	48,096	140,900	50,091	46,894	646,829
Phillip S. Poindexter	2012	262,000		81,728	28,029	84,495		28,766	485,018
EVP and Chief Lending	2011	254,000		52,236	20,649			34,012	360,897
Officer	2010	247,000		36,416	36,045	94,600		26,455	440,516

(1) Officers deferred the following amounts in 2012, 2011 and 2010. In addition to salary, the 2012 and 2010 amounts for all of the named executives included deferral of non-equity incentive compensation.

	2012		2011		2010	
	Qualified Plan	Nonqualified Plan	Qualified Plan	Nonqualified Plan	Qualified Plan	Nonqualified Plan
Heintzman	22,500	57,780	22,000	32,100	22,000	39,855
Davis	22,500	34,200	22,000	7,200	22,000	18,750
Hillebrand	17,000	13,824	16,500		16,500	5,688
Thompson	22,500	20,854	16,500	18,380	16,500	22,695
Poindexter	17,000	9,465	16,500	5,080	16,500	9,670

(2) In 2012 and 2011, stock awards include restricted stock units (RSU) entitling executives to the issuance of one share of common stock for each vested RSU after the expiration of a three-year performance period. The value of the RSU grants measured at the grant date value was $20.57 in 2012 and $21.99 in 2011. The amount of related compensation included in the table above is that associated with the most probable performance outcome at the time of the grant. The table below reflects first the amount of compensation included in the Summary Compensation Table and the maximum amount achievable under these grants. Stock awards include restricted stock granted each year shown in the table, in addition to the RSUs

In 2012 these grants were made based on extraordinary performance when compared to peers. In 2011 and 2010, these grants were made based on achievement of return on assets or return on equity at the 90th percentile or higher when compared to peers as described in Compensation Discussion and Analysis in the respective Proxy Statements . The values of the restricted stock grants measured at the grant date value were $22.86, $24.28 and $21.03 in 2012, 2011 and 2010 respectively. Awards were determined as described in the Compensation Discussion and Analysis in the respective Proxy Statements. For assumptions used in valuation of stock awards and other information regarding stock-based compensation, refer to Note 15 to the 2012 consolidated financial statements.

	2012		2011	
	Most Probable on Date of Grant	Maximum	Most Probable on Date of Grant	Maximum
Heintzman	144,426	240,710	141,297	235,491
Davis	36,446	60,743	34,227	57,042
Hillebrand	77,742	129,570	71,830	119,714
Thompson	63,302	105,504	60,088	100,142
Poindexter	42,432	70,720	40,242	67,070

(3) Stock appreciation rights were granted with an exercise price equal to the closing price of the common stock on the applicable grant date, or $ 22.86, $23.76, and $21.03 in 2012, 2011, and 2010, respectively. The fair value of each SAR was $3.93, $5.04, and $5.31, respectively. These amounts were determined as described in the Compensation Discussion and Analysis in the respective Proxy Statements. For assumptions used in valuation of stock appreciation rights and other information regarding stock-based compensation, refer to Note 15 to the 2012 consolidated financial statements.

(4) Non-equity incentive plan compensation is fully vested when paid. These amounts were determined in accordance with the plan performance criteria described in the Compensation Discussion and Analysis in the respective Proxy Statements.

(5) Totals include the change in actuarial value of defined benefit as follows:

	Heintzman	Davis	Hillebrand	Thompson	Poindexter
2012	66,750			54,404	
2011	233,688			127,887	
2010	89,598			50,091	

Assumptions used in calculating the change in actuarial value of the defined benefit above include a discount rate of 3.79% for December 31, 2012, 3.95% for December 31, 2011 and 5.20% for December 31, 2010, retirement age of 65, and payments occurring for 15 years, with no pre- or post-retirement mortality.

Earnings on the Executives nonqualified deferred compensation balances are not included above. The investment alternatives of the nonqualified plan do not and have not offered above-market rates of interest or preferential returns.

(6) All Other Compensation consists of the following:

	Heintzman	Davis	Hillebrand	Thompson	Poindexter
2012					
Matching contribution to 401(k)	15,000	13,500	15,000	15,000	15,000
Contribution to ESOP	5,000	4,500	5,000	5,000	5,000
Contribution to nonqualified plan (a)	33,846	1,813	3,047	15,077	3,186

Other	17,745	4,997	10,583	9,437	5,580
	71,591	24,810	33,630	44,514	28,766
2011					
Matching contribution to 401(k)	14,700	12,960	14,700	14,700	14,700
Contribution to ESOP	4,900	4,320	4,900	4,900	4,900
Contribution to nonqualified plan (a)	50,360	5,772	10,197	21,334	10,573
Other	11,809	4,510	5,603	7,339	3,839
	81,769	27,562	35,400	48,273	34,012
2010					
Matching contribution to 401(k)	14,700	12,600	14,700	14,700	14,700
Contribution to ESOP	4,900	4,200	4,900	4,900	4,900
Board fees	13,000	0	13,000	13,000	0
Contribution to nonqualified plan (a)	46,784	1,163	2,079	8,155	1,598
Other	15,786	4,410	5,069	6,139	5,257
	95,170	22,373	39,748	46,894	26,455

(a) Includes a Bank contribution to supplement the contributions that the Executive does not receive under the Bank s tax-qualified 401(k) and ESOP plan because of plan or Internal Revenue code limits.

(7) Perquisites totaled less than $10,000 for each Executive and are therefore not included in the table.

The following table sets forth information concerning plan-based awards made to the Executives during the last fiscal year.

Grants of Plan-Based Awards Table

Name	Grant date	Payouts under non-equity incentive plan awards (1) Threshold ($)	Target ($)	Maximum ($)	Estimated future payouts under equity incentive plan awards (2) Threshold (#)	Target (#)	Maximum (#)	All other stock awards: number of shares of of stock or units (#)(3)	All other option awards: number of securities underlying options (#)(4)	Exercise or base price of option awards ($/Sh)	Grant date fair value of stock and option awards ($)
Heintzman	02/20/12		428,000		2,340	5,851	11,702	5,851	24,274	22.86	95,397
Davis	02/20/12		108,000		591	1,477	2,953	1,476	6,125	22.86	24,071
Hillebrand	02/20/12		230,400		1,260	3,150	6,299	3,937	13,067	22.86	51,353
Thompson	02/20/12		82,075		1,026	2,565	5,129	2,565	10,640	22.86	41,815
Poindexter	02/20/12		84,495		688	1,719	3,438	1,719	7,132	22.86	28,029

All material terms and conditions of grants are described in Compensation Discussion and Analysis. Grants comprised of:

(1) Cash incentives

(2) Restricted stock units

(3) Restricted stock shares

(4) Stock appreciation rights

The following table sets forth information concerning equity stock options and SARs held by the Executives as of the end of the last fiscal year.

Outstanding Equity Awards at Fiscal Year End Table

	Option Awards				Stock Awards			
Name	**Number of securities underlying unexercised options (#) Exercisable**	**Number of securities underlying unexercised options (#) Unexercisable**	**Option exercise price ($)**	**Option expiration date**	**Number of shares or units of stock that have not vested (#)**	**Market value of shares or units of stock that have not vested ($)**	**Equity incentive plan awards: number of unearned shares, units or other rights that have not vested (#)**	**Equity incentive plan awards: market or payout value of unearned shares, units or other rights that have not vested ($)**
Heintzman								
	15,750		20.1714	12/16/2013				
	25,095		22.8095	12/14/2014				
	31,500		24.0667	1/17/2016				
	22,000		26.8300	2/20/2017				
	13,500		23.3700	2/19/2018				
	7,380	4,920	22.1400	2/17/2019	785	17,600		
	7,020	10,530	21.0300	2/16/2020	2,885	64,682		
	2,876	11,506	23.7600	3/15/2021				
			24.2800	4/19/2021	1,364	30,581	10,709	219,856
		24,274	22.8600	2/20/2022	5,821	131,179		
			22.8600	2/20/2022			11,702	240,710
	125,121	51,230			10,855	244,042	22,411	460,566
Davis								
	4,725		20.1714	12/16/2013				
	6,300		22.8095	12/14/2014				
	8,400		24.0667	1/17/2016				
	5,000		26.8300	2/20/2017				
	3,200		23.3700	2/19/2018				
	1,800	1,200	22.1400	2/17/2019	269	6,031		
	2,330	3,496	21.0300	2/16/2020	745	16,703		
	696	2,788	23.7600	3/15/2021				
			24.2800	4/19/2021	280	6,278	2,594	53,255
		6,125	22.8600	2/20/2022	1,476	33,092		
			22.8600	2/20/2022			2,953	60,743
	32,451	13,609			2,770	62,104	5,547	113,998
Hillebrand								
	6,300		22.8095	12/14/2014				
	9,450		24.0667	1/17/2016				
	6,000		26.8300	2/20/2017				
	3,436	859	23.3700	2/19/2018	126	2,825		
	3,000	2,000	22.1400	2/17/2019	328	26,478		
	3,600	5,400	21.0300	2/16/2020	1,181	21,142		
	1,462	5,850	23.7600	3/15/2021				
			24.2800	4/19/2021	422	9,461	5,444	111,765
		13,067	22.8600	2/20/2022	3,937	88,268		
			22.8600	2/20/2022			6,299	129,570
	33,248	27,176			5,994	148,174	11,743	241,336
Thompson								
	9,765		20.1714	12/16/2013				
	9,345		22.8095	12/14/2014				
	14,700		24.0667	1/17/2016				
	9,500		26.8300	2/20/2017				
	6,000		23.3700	2/19/2018				
	3,300	2,200	22.1400	2/17/2019	354	7,937		

	3,604	5,407	21.0300	2/16/2020	1,182	26,500		
	1,223	4,893	23.7600	3/15/2021				
			24.2800	4/19/2021	418	9,372	4,554	93,494
		10,640	22.8600	2/20/2022	2,565	57,507		
			22.8600	2/20/2022			5,129	105,504
	57,437	23,140			4,519	101,316	9,683	198,997
Poindexter								
	7,875		22.8095	12/14/2014				
	9,450		24.0667	1/17/2016				
	6,000		26.8300	2/20/2017				
	2,960	740	23.3700	2/19/2018	110	2,466		
	2,220	1,480	22.1400	2/17/2019	246	5,515		
	2,743	4,115	21.0300	2/16/2020	876	19,640		
	819	3,278	23.7600	3/15/2021				
			24.2800	4/19/2021	329	7,376	3,050	62,617
		7,132	22.8600	2/20/2022	1719	38,540		
			22.8600	4/25/2022			3,438	70,720
	32,067	16,745			3,280	73,537	6,488	133,336

(1) Unvested options and stock appreciation rights vest 20% each year beginning one year after the grant date and each anniversary thereafter.

(2) Unvested shares vest ratably over three or five years beginning one year from the date of grant and each anniversary thereafter.

(3) Unearned restricted stock units are earned over three year performance periods ending December 31, 2014 and 2013 based on goals described in the Compensation Discussion and Analysis.

The following table sets forth the stock options exercised by or stock awards vested for the Executives during the last fiscal year:

Option Exercises and Stock Vested Table

	Option Awards		Stock Awards	
Name	**Number of Shares Acquired on Exercise (#)**	**Value Realized on Exercise ($)**	**Number of Shares Acquired on Vesting (#)**	**Value Realized on Vesting ($)**
David P. Heintzman	16,590	74,719	3,295	74,414
Nancy B. Davis	5,250	27,253	782	17,671
James A. Hillebrand	6,300	27,120	1,258	28,442
Kathy C. Thompson	7,140	22,998	1,164	26,294
Phillip S. Poindexter	0	0	985	22,275

Noncontributory Nonqualified Pension Plan

The 2005 Restated Senior Officer Security Plan (the SOSP) provides benefits, beginning at age 65, of $136,500 per year for 15 years for Mr. Heintzman and $82,000 per year for 15 years for Ms. Thompson, as a means to supplement their retirement income, after also considering expected Social Security benefits and the broad-based retirement plan applicable to Bank employees generally. The total potential benefit vests at 4% per year of service so that it is fully vested if the Executive works for the Bank for a total of 25 years. Mr. Heintzman is fully vested, and as of December 31, 2012, Ms. Thompson was 80% vested in their respective benefits. The retirement benefit also becomes fully vested in the event of the Executive s disability or a change of control of the Bank or S.Y. Bancorp while the Executive is employed by the Bank.

If the Executive terminates employment before age 55, benefit payments can begin as early as age 55 (or such later age as the Executive has elected), but the annual payment amount will be lowered to an actuarially equivalent value . If the Executive leaves the Bank after age 55, benefit payments do not begin until age 65.

Death benefits are provided in lieu of these retirement payments if the participant dies while in the employ of the Bank before age 65 or after leaving the Bank due to disability. The death benefits are provided by the Bank endorsing over to the Executive via a split dollar agreement a right to payment of a portion of the death benefits due under several insurance policies purchased by the Bank on the Executives. At December 31, 2012,, the SOSP provided for a $3,393,722 death benefit for Mr. Heintzman and a $1,762,805 death benefit for Ms. Thompson.

If an executive dies after employment termination (other than on account of disability) but before retirement payments begin, the Executive s selected beneficiary is paid a death benefit equal to the retirement payments to which the Executive would have been entitled, at the same time and in the same amounts those payments would have even paid to the Executive. The following table illustrates these pension benefits:

Pension Benefit Table

Name	Plan Name	Number of Years of Credited Service (#)	Present Value of Accumulated Benefit ($)	Payments During Last Fiscal Year ($)
David P. Heintzman	Senior Officers Security Plan	28	1,043,854	
Nancy B. Davis				
James A. Hillebrand				
Kathy C. Thompson	Senior Officers Security Plan	20	488,978	
Phillip S. Poindexter				

Contributory Nonqualified Deferred Compensation Plan

The Executive Nonqualified Deferred Compensation Plan (the NQ Plan) allows the Executive to defer receipt of and income taxes on up to 10% of base salary and 50% of annual incentive compensation. In addition, based on those deferrals, Executives are credited with the amount of 401(k) match and ESOP contribution that they do not receive under the Bank s tax-qualified 401(k) and Employee Stock Ownership Plan (KSOP) applicable to employees generally, because of plan and Internal Revenue Code limits on pay that can be taken into account. This Bank credit to the Executive s plan accounts is vested in accordance with the same vesting schedule as applies in the KSOP, but all Executive s in the Summary Compensation Table have sufficient tenure with the Bank to be 100% vested in all contributions to the NQ Plan.

As amounts are credited to the NQ Plan, the value of the plan will increase or decrease based on the actual investment performance of certain investment funds selected by the Company, from which the Executives can designate (and re-designate as often as they wish) how their account balances should be allocated.

The Executives have elected between a lump sum distribution or annual installments over no more than 10 years from the NQ Plan, but that election applies only if they leave the Bank s employ due to death or after age 55. If the Executive s termination of employment occurs other than on account of death and prior to age 55, benefits are automatically paid in a lump sum.

The Executive also may elect (prior to the year in which credits are to be made) to have some or all of their own deferrals paid to them in a lump sum or installments over up to six years, while still employed by the Bank, provided they timely designate the amount and time for that payment, and subject to Internal Revenue Code restrictions on later accelerating the payment or delaying it. Executives may also apply to receive a distribution in the event of an unforeseeable emergency.

Nonqualified Deferred Compensation Table

Name		Executive Contributions in Last Fiscal Year ($)	Registrant Contributions in Last Fiscal Year ($) (2)	Aggregate Earnings in Last Fiscal Year ($)	Aggregate Withdrawals/ Distributions ($)	Aggregate Balance at Last Fiscal Year End ($)
David P. Heintzman	(1)	32,100	33,846			721,644
						218,216
Nancy B. Davis		7,200	1,813			253,805
James A. Hillebrand	(1)		3,047			39,950
						5,630
Kathy C. Thompson		18,880	15,077			341,742
Phillip S. Poindexter		5,240	3,186			55,503

(1) For Messrs. Heintzman and Hillebrand, includes first an employee account, then a director fee deferral account accumulated from period when they received separate directors fees.

(2) Includes an amount for each officer equal to the 401(k) match and ESOP contribution not received under the Bank s tax-qualified 401(k) and Employee Stock Ownership Plan because of plan limits, as described above.

Other Potential Post-Employment Payments

Various benefit plans of the Bank have special terms that apply if a change in control occurs:

- The SOSP, described above, provides that a change in control of the Bank during the Executive s employment will trigger the Executive becoming fully vested in the SOSP benefit.

- The Nonqualified Deferred Compensation Plan discussed above provides that at a change in control while the Executive is still employed, any Bank credits to this plan that are then unvested will be 100% vested.

- The Executives ability to exercise stock awards is fully accelerated upon a change in control and any unvested stock-based compensation awards become 100% vested at change in control.

- Each of the Executives had Severance Agreements as of the end of 2011 that generally only applied in the event of a change in control. The following summarizes those agreements.

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

Their change in control severance payment for these executives will equal three times the sum of their highest monthly base salary during the sixth months prior to termination or resignation, plus the highest annual cash bonus paid to them for the current and preceding two fiscal years preceding their termination or resignation. They also have a right to participate in the Bank s health plans at their cost for three years following severance, and are subject to an 18 month prohibition on competing with the Bank in any way within a 50 mile radius of any Bank office, in addition to the confidentiality and nonsolicitation covenants that bind other executives. In addition, rather than capping the amount paid based on Section 280G of the Internal Revenue Code, these agreements allow each executive to be paid the described severance amount, or an amount that is just below the Section 280G threshold, if the net amount they would receive after reduction for any triggered excise tax, would be higher than the full amount after excise taxes are paid by them.

Certain features of the prior Severance Agreements are preserved for Mr. Heintzman, Ms. Davis and Ms. Thompson. The Bank will pay these executives the described severance if they resign for any reason in connection with a change in control (good reason is not required). In addition, because the prior Severance Agreements required the Bank to also pay a tax gross-up to these executives if their severance exceeded the Section 280G threshold described above and therefore triggered an excise tax, and because the Bank s calculations indicate that Mr. Heintzman and Ms. Thompson would be due such a tax gross up under the prior Severance Agreements terms as of the end of 2008, the Severance Agreements grandfather that higher amount for a period of time. If change in control negotiations begin within three years after the date of the Severance Agreements (and conclude in a change in control occurring), the severance payment for Mr. Heintzman and Ms. Thompson will be the greater of (i) the severance payment and related tax gross up that would have been payable as of December 31, 2008 under the prior Severance Agreements, or (ii) the severance payment described above (three times current base salary and historical bonus).

Mr. Poindexter

The Severance Agreement for Mr. Poindexter is similar to the one for Mr. Hillebrand, with a few exceptions. His change in control agreement provides that, in the event he is terminated without cause or resigns for good reason (as those terms are defined in the Severance Agreements) during negotiations or within two years following a change in control of the Bank or S.Y. Bancorp, the Bank will pay him a severance payment equal to two times the sum of his highest monthly base salary during the sixth months prior to his termination or resignation, plus the highest annual cash bonus paid to him for the current and preceding two fiscal years preceding his termination or resignation. Mr. Poindexter also has a right to participate (at his cost) in the Bank s health plans for active employees for two years, with Federal Law (COBRA) continuation coverage rights to begin thereafter.

If the amount of any severance payment plus other payments that are triggered by or enhanced due to a change in control would cause the Bank to forfeit a tax deduction for some of the severance payment, the severance payment is reduced to an amount no less than $1.00 below the amount which the Bank can pay without a limitation on its deduction under Section 280G of the Internal Revenue Code and which the Mr. Poindexter can receive without subjecting the executive to an excise tax. Section 280G, in general, denies a tax deduction for part of the compensation received in connection with a change in control, and imposes an excise tax on the recipient of such a payment, if the total paid exceeds three times an executive s five-year average W-2 reported income.

The Severance Agreement requires that Mr. Poindexter maintain the confidentiality of all information regarding the business of the Bank and Bancorp and that he not solicit customers or employees of the Bank for a period of 12 months following the receipt of any severance payment.

Payment under each of the Severance Agreements is made only if the Executive fully releases all claims against S.Y. Bancorp and the Bank.

The following table estimates the amount that would have been payable under the Severance if their terms had been triggered as of December 31, 2012, plus the other amounts that vest or accelerate if there is a change in control.

Executive	**Change in Control Severance Agreement (1)**	**Difference between lump sum value of SOSP if fully vested, as compared with its value at actual percentage now vested (2)**	**Value realized if unvested options and stock awards were exercised/vested (3)**
Heintzman	$ 2,889,000	$ 0	$ 762,511
Davis	$ 999,000	$ 0	$ 191,663
Hillebrand	$ 982,000	$ 0	$ 405,630
Thompson (1)	$ 1,604,142	$ 136,808	$ 323,850

Poindexter	$	713,200	$	0	$	225,134

(1) For Ms. Thompson, this is the grandfathered amount that the Bank had previously calculated would have been due, including excise tax gross-up payment, had she terminated as of December 31, 2008. But for the grandfathering until early 2013 of this amount in the revised agreements, under the Severance Agreements and using base salary and historical bonuses through the end of 2012, she would have been paid $1,427,700 in severance.

(2) This amount is the lump sum present value of 100% of the SOSP benefit, less the present value of the percentage of the benefit already vested, using an interest rate of 2.87% (120% of the IRS-published applicable federal rate as dictated by the SOSP s terms) and the actual attained age of the Executive as of the fiscal year end.

(3) This is the total value as of December 31, 2012 of restricted stock or restricted stock units that would become vested as a result of change in control, plus the value (if positive) that each executive could have realized if all above-water unvested stock options or SARs were exercised at that date. Still unvested stock options and SARs granted in 2008, 2011 and 2012 had exercise prices above the market value of the Bancorp s stock at December 31, 2012, but that negative difference did not reduce the value realized as reflected above.

Director Compensation

The following table sets forth information concerning the compensation of our Directors for the last fiscal year:

Director Compensation Table

Name	Fees Earned or Paid in Cash ($) (1)	Stock Awards ($) (2)	Option Awards ($) (2)	Non-Equity Incentive Plan Compensation ($)	Change in Pension Value and Nonqualified Deferred Compensation Earnings ($) (3)	All Other Compensation ($) (4)	Total ($)
Mr. Brooks	36,000	12,000				91,272	139,272
Mr. Edinger	33,500	12,000					45,500
Mr. Herde	38,900	12,000					50,900
Mr. Lechleiter	33,300	12,000					45,300
Mr.Madison	35,400	12,000					47,400
Mr. Northern	35,000	12,000					47,000
Mr. Priebe	12,000		3,990				15,990
Mr. Simon	31,000	12,000					43,000
Mr. Tasman	35,000	12,000					47,000

(1) Of this total, the directors deferred receipt and taxation of the following amounts of 2012 fees:

Mr. Brooks	
Mr. Edinger	33,500
Mr. Herde	19,450
Mr. Lechleiter	33,300
Mr. Madison	35,400
Mr. Northern	35,000
Mr. Priebe	12,000
Mr. Simon	17,250
Mr. Tasman	35,000

(2) In January 2012 each non-employee Director received a Restricted Stock Award under the 2005 Stock Incentive Plan. The number of shares granted was equal to $12,000 divided by the fair market value per share on the grant date. Based on the closing price on the grant date of $20.60 each received 582 shares with the exception of Mr. Priebe who received the customary 1,000 stock appreciation rights upon joining the Board in August 2012. The restricted stock awards fully vest one year from the date of grant, and the stock appreciation rights vest

20% each year following the grant date.

(3) Each director has the option of deferring some or all of his cash fees. Investment options include Company stock and various mutual funds. Earnings on the Directors nonqualified deferred compensation balances are not included above. The investment alternatives of the nonqualified plan do not and have not offered above market rates of interest or preferential returns.

(4) Mr. Brooks, a former executive of the Bank, participated in both the Director and the Executive NQ Plan. During 2012 he received distributions of $7,272 from his account in the Executive NQ Plan. Mr. Brooks, is also a participant in the SOSP (described in more detail above), and under that plan has an annual defined benefit of $84,000. He received his first annual payment under this plan in 2006, and payment of that same amount will continue for a total of 15 years. This amount is reflected under All Other Compensation above. The actuarially-determined present value of his benefit obligation declined in 2012 because he is receiving annual benefits, so no amount is included for the change in this pension value above.

Messrs. Heintzman and Hillebrand and Ms. Thompson serve as directors for the Company. Prior to 2011 employee directors received compensation for each meeting of the Board of Directors attended. This is included in the Summary Compensation Table.

The Compensation Committee reviewed Board compensation in 2012. Their review of director compensation included benchmark institutions and the related form and substance of how directors are compensated. For 2012, non-employee directors received an annual retainer of $12,000. The Company s non-employee directors received $1,000 for each meeting of S.Y. Bancorp s Board of Directors he attended, if the meeting was not held immediately before or after a meeting of the Board of Directors of the Bank. S.Y. Bancorp s directors are also directors of the Bank, and received $1,000 for each Bank board meeting attended.

Non-employee directors of S.Y. Bancorp and the Bank who are members of the various committees of the Board of Directors received $600 during 2012 per meeting of S.Y. Bancorp s Audit Committee, $500 per meeting of S.Y. Bancorp s Compensation Committee, and Nominating and Corporate Governance Committee, $500 per meeting attended of the Bank s Trust Committee, and the Bank s Loan Committee. In addition, the Chairman of the Audit Committee received an annual retainer of $7,500, the Chairman of the Compensation Committee received an annual retainer of $3,500, and the Chairman of the Nominating and Governance Committee received an annual retainer of $3,500. Annual retainers are prorated if a director serves in a position for a portion of the year.

Directors may defer all or a portion of their fees pursuant to the Director Nonqualified Deferred Compensation Plan (the Director NQ Plan), and the amounts so deferred then increase or decrease in value based on how the director elects that the account be allocated as among various investment options provided by the Bank. The investment options are currently the same options available under the Executive NQ Plan, except that directors may also direct that their fees be invested in Company stock, which is then actually purchased and held in trust at the Bank. Approximately 82 percent of the total amounts owed directors under this NQ Plan as of the last fiscal year end was invested in the Company s stock.

REPORT OF THE AUDIT COMMITTEE

The Audit Committee acts under a written charter approved and adopted by the Board of Directors. The Audit Committee reviews S.Y. Bancorp s financial reporting process on behalf of the Board of Directors. Management has the primary responsibility for the financial statements and the reporting process, including the system of internal controls.

The Committee discussed with management, the internal auditors and the independent auditors the quality and adequacy of S.Y. Bancorp s internal controls and the internal audit function s organization, responsibilities, budget and staffing. The Committee reviewed both with the independent and internal auditors their audit plans, audit scope and identification and evaluation of financial and related audit risks. The Committee also discussed the results of the internal audit examinations.

In this context, the Audit Committee has met and held discussions with management and the independent auditors. Management represented to the Audit Committee that S.Y. Bancorp s consolidated financial statements were prepared in accordance with accounting principles generally accepted in the United States of America, and the Audit Committee has reviewed and discussed the quarterly and year end consolidated financial statements contained in filings with the Securities and Exchange Commission with management and the independent auditors. The Audit Committee discussed with the independent auditors matters required to be discussed by Statement on Auditing Standards No. 114, Communication with Audit Committees as adopted by the Public Company Accounting Oversight Board in Rule 3200T.

In addition, the Audit Committee has discussed with the independent auditors the auditors independence from S.Y. Bancorp and its management, including the matters in the written disclosures required by the applicable requirements of the Public Company Accounting Oversight Board. The Audit Committee has also considered whether the independent auditors provision of non-audit services to S.Y. Bancorp is compatible with the auditors independence.

In reliance on the reviews and discussions referred to above, the Audit Committee recommended to the Board of Directors that the audited consolidated financial statements be included in S.Y. Bancorp s Annual Report on Form 10-K for the year ended December 31, 2012, for filing with the SEC.

The Audit Committee of the Board of Directors of S.Y. Bancorp, Inc.

Carl G. Herde, Chairman

Richard A. Lechleiter

Bruce P. Madison

Stephen M. Priebe

The following table presents fees for professional audit services rendered by KPMG LLP for the audits of S.Y. Bancorp s financial statements for 2012 and 2011 and fees billed for other services rendered by KPMG LLP:

		2012		**2011**
Audit fees, excluding audit related (1)	$	331,000	$	306,500
Audit-related fees				
All other fees				
Total fees	$	331,000	$	306,500

(1) Audit fees include fees for the consolidated audit and review of Form 10-K as well as fees for the reviews of quarterly financial information filed with the SEC on Form 10-Q, FDICIA reporting and $20,000 related to the audit of compliance with requirements applicable to U.S Housing and Urban Development assisted programs.

The Audit Committee is responsible for pre-approving all auditing services and permitted non-audit services to be performed by its independent auditors, except for both 2012 and 2011, they pre-approved the performance of unspecified audit-related services for which fees may total up to $20,000 annually. For 2012 and 2011, no fees were incurred under this approval.

TRANSACTIONS WITH MANAGEMENT AND OTHERS

The Bank has had, and expects to have in the future, banking transactions in the ordinary course of business with certain directors and officers of S.Y. Bancorp and the Bank and their associates, as well as with corporations or organizations with which they are connected as directors, officers, shareholders or partners. These banking transactions are made on substantially the same terms including interest rates and collateral as those prevailing at the time for comparable transactions with persons not related to the Bank or S.Y. Bancorp. In the opinion of management of S.Y. Bancorp and the Bank, such transactions do not involve more than the normal risk of collectibility or present other unfavorable features. Loans made to directors and executive officers are in compliance with federal banking regulations and are thereby exempt from insider loan prohibitions included in the Sarbanes-Oxley Act of 2002.

At December 31, 2012, loans to directors and officers of S.Y. Bancorp and the Bank and their associates totaled $6,099,000 equaling 3.0% of the Bancorp s consolidated stockholders equity.

Compensation Committee Interlocks and Insider Participation

During 2012 Messrs. Edinger, Lechleiter and Tasman, all of whom are independent, non-employee directors, served on the Compensation Committee of the Board of Directors. None have served as an officer of S.Y. Bancorp nor had any relationship with S.Y. Bancorp requiring disclosure under the Securities and Exchange Commission s rules regarding related persons transactions. The Compensation Committee members have no interlocking relationships requiring disclosure under the rules of the Securities and Exchange Commission.

Review of Related Person Transactions

Bancorp has written procedures for reviewing transactions between Bancorp and its directors and executive officers, their immediate family members and entities with which they have a position or relationship. These procedures are intended to determine whether any such related person transactions impair the independence of a director or present a conflict of interest on the part of a director or executive officer. Quarterly we require each of our directors and executive officers to complete a questionnaire listing any related person transactions. These are compiled by the internal audit department, and results are reported to the Audit Committee of the Board of Directors. Annually we require each director and executive officer to complete a directors and officers questionnaire that elicits information about related person transactions. Any related person transactions identified are discussed with the Audit Committee and evaluated to determine whether any likelihood exists that the transaction could impair the director s independence or present a conflict of interest for that director. Any such conclusion would be considered by the Board of Directors. Should it be determined a director is no longer independent, he/she would be removed from the Audit, Compensation or Nominating and Corporate Governance Committee(s) as applicable. If the transaction were to present a conflict of interest, the Board would determine the appropriate response. Upon receiving notice of any transaction on the part of an executive officer that may present a conflict of interest, the internal auditor will discuss the transaction with the Chief Executive Officer or if the transaction involves the Chief Executive Officer, the Chair of the Audit Committee, to determine whether the transaction presents a conflict of interest. In a case involving a conflict of interest, the Chief Executive Officer, or Chair of the Audit Committee, along with the director of Human Resources will determine the appropriate response.

There were no transactions in 2012 with related persons needing to be disclosed under the SEC s disclosure requirements.

The Audit Committee established a procedure under which any related person transaction or series of transactions in excess of $25,000, other than banking transactions in the ordinary course of business and in compliance with federal banking regulations, will be reported to and preapproved by the audit committee.

ANNUAL REPORT ON FORM 10-K

A copy of S.Y. Bancorp, Inc. s 2012 Annual Report on Form 10-K as filed with the Securities and Exchange Commission, without exhibits, will be provided without charge following receipt of a written or oral request directed to: Nancy B. Davis, Executive Vice President, Treasurer and Chief Financial Officer, S.Y. Bancorp, Inc., P.O. Box 32890, Louisville, Kentucky 40232, (502) 625-9176; or nancy.davis@syb.com. A copy of the Form 10-K may also be obtained at the company s website, www.syb.com or the SEC s website, www.sec.gov.

OTHER MATTERS

The officers and directors of S.Y. Bancorp do not know of any matters to be presented for shareholder approval at the Annual Meeting other than those described in this Proxy Statement. If any other matters should come before the Annual Meeting, the Board of Directors intends that the persons named in the enclosed form of proxy, or their substitutes, will vote such proxy as recommended by the Board or, if no recommendation is given in their own discretion in the best interests of S.Y. Bancorp.

By Order of the Board of Directors

/s/ David P. Heintzman

David P. Heintzman
Chairman and Chief Executive Officer
S.Y. Bancorp, Inc.

Louisville, Kentucky
March 25, 2013

APPENDIX A

S.Y. BANCORP, INC.

ANNUAL CASH INCENTIVE PLAN

SECTION 1 INTRODUCTION

1.1 **Purpose.** The purpose of the S.Y. Bancorp, Inc. Annual Cash Incentive Plan (the ***Plan***) is to

(a) motivate and reward eligible executives by making a portion of their cash compensation dependent on the achievement of certain corporate, business unit and individual performance goals;

(b) further link an executive s interests with those of S.Y. Bancorp, Inc. (the ***Company***) and its Affiliates by creating a direct relationship between key Company performance measurements and individual incentive payouts;

(c) enable the Company to attract and retain superior employees by providing a competitive incentive program that rewards outstanding performance.

1.2 **Performance-Based Compensation**. Awards under the Plan are intended to qualify as performance-based compensation deductible by the Company under the qualified performance-based compensation exception to Section 162(m) of the Code, but shall not limit the Committee s ability to make Awards that do not so qualify.

1.3 **Effective Date.** The Plan is effective as of the date approved by the Compensation Committee of the Board, as reflected by execution hereof (the ***Effective Date***), subject to approval by the Company s shareholders at the first annual meeting of shareholders to occur after the Effective Date and before the first payments hereunder, and shall remain in effect until it has been terminated pursuant to Section 8.6.

SECTION 2 DEFINITIONS

As used in this Plan, the following terms shall have the following meanings:

2.1 ***Affiliate*** means the Bank and any other subsidiary corporation of the Company, as defined in section 424(f) of the Code, respectively. Subsidiary corporation includes any entity which becomes a Subsidiary corporation after the date of adoption of this Plan.

2.2 ***Award*** means an award granted pursuant to the Plan, the payment of which shall be contingent on the attainment of Performance Goals with respect to a Performance Period, as determined by the Committee pursuant to Section 6.1.

2.3 ***Bank*** means Stock Yards Bank & Trust Company, a Kentucky banking corporation with its principal office located at 1040 East Main Street, Louisville, Kentucky 40206.

2.4 ***Base Salary*** means the Participant s annualized rate of base salary on the last day of the Performance Period before (i) deductions for taxes or benefits and (ii) deferrals of compensation pursuant to any Company or Affiliate-sponsored plans.

2.5 ***Board*** means the Board of Directors of the Company, as constituted from time to time.

2.6 A ***Change of Control*** shall be deemed to have taken place for purposes of the Plan if

(a) any Person (as defined below) is or becomes the Beneficial Owner (as defined in this Section 2.7) of securities of the Company representing 20% or more of the combined voting power of the Company s then outstanding securities (unless (A) such Person is the Beneficial Owner of 20% or more of such securities as of the Effective Date or (B) the event causing the 20% threshold to be crossed is an acquisition of securities directly from the Company);

(b) during any period of two consecutive years beginning after the Effective Date, individuals who at the beginning of such period constitute the Board and any new director (other than a director designated by a person who has entered into an agreement with the Company to effect a transaction described in clause (i) (iii) or (iv) of this Change in Control definition) whose election or nomination for election was approved by a vote of at least two-thirds of the directors then still in office who either were directors at the beginning of the period or whose election or nomination for election was previously so approved cease for any reason to constitute a majority of the Board;

(c) the shareholders of the Company approve a merger or consolidation of the Company with any other corporation (other than a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the entity surviving such merger or consolidation), in combination with voting securities of the Company or such surviving entity held by a trustee or other fiduciary pursuant to any employee benefit plan of the Company or such surviving entity or of any Subsidiary of the Company or such surviving entity, at least 80% of the combined voting power of the securities of the Company or such surviving entity outstanding immediately after such merger or consolidation); or

(d) the shareholders of the Company approve a plan of complete liquidation or dissolution of the Company or an agreement for the sale or disposition by the Company of all or substantially all of the Company s assets.

For purposes of the definition of Change in Control, ***Person*** shall have the meaning ascribed to such term in Section 3(a)(9) of the Securities Exchange Act of 1934, as amended, as supplemented by Section 13(d)(3) of such Act; provided, however, that Person shall not include (i) the Company, any subsidiary or any other Person controlled by the Company, (ii) any trustee or other fiduciary holding securities under any employee benefit plan of the Company or of any subsidiary, or (iii) a corporation owned, directly or indirectly, by the shareholders of the Company in substantially the same proportions as their ownership of securities of the Company.

For purposes of the definition of Change in Control, a Person shall be deemed the ***Beneficial Owner*** of any securities which such Person, directly or indirectly, has the right to vote or dispose of or has beneficial ownership (within the meaning of Rule 13d-3 under the Securities Exchange Act of 1934, as amended) of, including pursuant to any agreement, arrangement or understanding (whether or not in writing); provided, however, that: (i) a Person shall not be deemed the Beneficial Owner of any security as a result of an agreement, arrangement or understanding to vote such security (x) arising solely from a revocable proxy or consent given in response to a public proxy or consent solicitation made pursuant to, and in accordance with the Securities Exchange Act of 1934, as amended, and the applicable rules and regulations thereunder or (y) made in connection with, or to otherwise participate in, a proxy or consent solicitation made, or to be made, pursuant to, and in accordance with, the applicable provisions of the Securities Exchange Act of 1934, as amended, and the applicable rules and regulations thereunder; in either case described in clause (x) or clause (y) above, whether or not such agreement, arrangement or understanding is also then reportable by such Person on Schedule 13D under the Securities Exchange Act of 1934, as amended (or any comparable or successor report); and (ii) a Person engaged in business as an underwriter of securities shall not be deemed to be the Beneficial Owner of any securities acquired through such Person s participation in good faith in a firm commitment underwriting until the expiration of forty days after the date of such acquisition.

2.7 ***Code*** means the Internal Revenue Code of 1986, as amended from time to time, including regulations thereunder and successor provisions and regulations.

2.8 ***Committee*** means the Compensation Committee of the Board, which committee shall consist of three or more members of the Board, each of whom is both a non-employee director within the meaning of Rule 16b-3 promulgated under the Exchange Act and an outside director within the meaning of such term as contained in applicable regulations interpreting section 162(m) of the Code. If for any reason the appointed Committee does not meet the requirements of Rule 16b-3 or section 162(m) of the Code, such noncompliance with such requirements shall not affect the validity of Awards, grants, interpretations or other actions of the Committee.

2.9 ***Company*** means S.Y. Bancorp, Inc., and any successor thereto.

2.10 ***Covered Employee*** has the meaning set forth in Section 162(m)(3) of the Code.

2.11 ***Determination Date*** means the latest date on which Performance Goals can be designated hereunder, which shall be the earlier of: (a) the 90th day of the Performance Period or (b) the date as of which 25% of the Performance Period has elapsed, provided, however, that, as of such date, the outcome of any such Performance Goal is substantially uncertain.

2.12 ***Disability*** unless otherwise defined in an employment agreement between the Participant and the Company, shall mean total and permanent disability in accordance with the Company s long-term disability plan, as determined by the Committee.

2.13 ***Maximum Award*** means as to any Participant for any Plan Year shall be no more than $750,000. The Maximum Award limit shall be pro-rated for any Award payable with respect to a Performance Period that is shorter than one year.

2.14 ***Negative Discretion*** means the discretion of the Committee to reduce or eliminate the size of an Award in accordance with Section 6.1(c) of the Plan, *provided that,* the exercise of such discretion with respect to one Participant shall not have the effect of increasing the amount payable hereunder to other Participants.

2.15 ***Participant*** means as to any Performance Period, the executive officers of the Company or an Affiliate who are deemed likely to be Covered Employees and other key employees of the Company or an Affiliate/the employees of the Company or an Affiliate who are designated by the Committee to participate in the Plan for that Performance Period.

2.16 ***Performance Criteria*** means the objective performance criteria upon which the Performance Goals for a particular Performance Period are based, which would allow a third party with knowledge of the relevant performance results to calculate an Award s value, are based and which include one of or any combination of the following performance criteria for the Company as a whole or any business unit, division, department or any combination of these and may be applied on an absolute basis and/or relative to one or more peer group companies or indices, or any combination thereof, as the Committee shall determine:

(i) earnings or earnings per share (whether on a pre-tax, after-tax, operational or other basis, diluted or undiluted, and before or after adjustments for extraordinary items and business combination acquisition and restructuring costs);

(ii) return on equity;

(iii) return on assets;

(iv) net or gross revenues or revenue growth over prior year or as compared to budget;

(v) expenses or expense levels;

(vi) one or more operating ratios;

(vii) stock price (including, but not limited to, growth measures and total shareholder return);

(viii) stockholder return;

(ix) the accomplishment of mergers, acquisitions, dispositions, public offerings or similar extraordinary business transactions;

(x) economic value added;

(xi) net or gross income or income growth over prior year or as compared to budget, which, if determined for a department or business unit, may be determined solely with reference to direct costs of that department or business unit.

2.17 ***Performance Goals*** means the goals selected by the Committee, in its discretion to be applicable to a Participant for any Performance Period. Performance Goals shall be based upon the attainment of one or more Performance Criteria. Performance Goals may include a threshold level of performance below which no Award will be paid and levels of performance at which specified percentages of the Target Award will be paid and may also include a maximum level of performance above which no additional Award amount will be paid.

2.18 ***Performance Period*** means the period for which performance is calculated, which unless otherwise indicated by the Committee, shall be no shorter than one year and otherwise be within the time period prescribed by, and shall otherwise comply with the requirements of, Code Section 162(m), or any successor provision thereto, and the regulations thereunder.

2.19 ***Plan*** means the S.Y. Bancorp, Inc. Annual Cash Incentive Plan, as hereafter amended from time to time.

2.20 ***Plan Year*** means the Company s fiscal year, which commences on January 1st and ends on December 31st.

2.21 ***Pro-rated Award*** means an amount equal to the Award otherwise payable to the Participant for a Performance Period in which the Participant was actively employed by the Company or an Affiliate for only a portion of the Performance Period, multiplied by a fraction, the numerator of which is the number of days the Participant worked during the Performance Period and the denominator of which is the number of days in the Performance Period.

2.22 ***Target Award*** means the target award payable under the Plan to a Participant for a particular Performance Period, expressed as a percentage of the Participant s Base Salary. In special circumstances, the target award may be expressed as a fixed amount of cash.

SECTION 3 ADMINISTRATION

3.1 **Administration**. The Plan shall be administered by the Committee. Subject to the provisions of the Plan and applicable law, the Committee shall have the power, in addition to other express powers and authorizations conferred on the Committee by the Plan, to: (i) designate Participants; (ii) determine the terms and conditions of any Award; (iii) determine whether, to what extent, and under what circumstances Awards may be forfeited or suspended; (iv) interpret, administer, reconcile any inconsistency, correct any defect and/or supply any omission in the Plan or any instrument or agreement relating to, or Award granted under, the Plan; (v) establish, amend, suspend, or waive any rules for the administration, interpretation and application of the Plan; and (vi) make any other determination and take any other action that the Committee deems necessary or desirable for the administration of the Plan.

3.2 **Decisions Binding.** All determinations and decisions made by the Committee, the Board, and any delegate of the Committee pursuant to the provisions of the Plan shall be final, conclusive and binding on all persons, and shall be given the maximum deference permitted by law.

3.3 **Delegation By the Committee**. The Committee, in its sole discretion, may delegate all or part of its authority and powers under the Plan to one or more directors and/or officers of the Company; provided, however, that the Committee may not delegate its responsibility to (i) make Awards to executive officers; (ii) make Awards which are intended to constitute qualified performance-based compensation under Section 162(m) of the Code; or (iii) certify the satisfaction of the Performance Goals pursuant to Section 6.1 in accordance with Section 162(m) of the Code.

3.4 **Agents; Limitation of Liability**. The Committee may appoint agents to assist in administering the Plan. The Committee and each member thereof shall be entitled to, in good faith, rely or act upon any report or other information furnished to it or him by any officer or employee of the Company, the Company s certified public accountants, consultants or any other agent assisting in the administration of the Plan. Members of the Committee and any officer or employee of the Company acting at the direction or on behalf of the Committee shall not be personally liable for any action or determination taken or made in good faith with respect to the Plan, and shall, to the extent permitted by law, be fully indemnified and protected by the Company with respect to any such action or determination.

SECTION 4 ELIGIBILITY AND PARTICIPATION

4.1 **Eligibility**. Only executive level and other key employees of the Company and its participating Affiliates are eligible to participate in the Plan

4.2 **Participation**. The Committee, in its discretion, shall select, no later than the Determination Date, the persons who shall be Participants for the Performance Period. Only eligible individuals who are designated by the Committee to participate in the Plan with respect to a particular Performance Period may participate in the Plan for that Performance Period. An individual who is designated as a Participant for a given Performance Period is not guaranteed or assured of being selected for participation in any subsequent Performance Period.

4.3 **New Hires; Newly Eligible Participants**. A newly hired or newly eligible Participant will be eligible to receive a Pro-rated Award reflecting participation for a portion of the Performance Period. The amount of any Award paid to such Participant shall not exceed that proportionate amount of the Maximum Award set forth in Section 2.14.

SECTION 5 TERMS OF AWARDS

5.1 **Determination of Target Awards**. Prior to, or reasonably promptly following the commencement of each Performance Period, but no later than the Determination Date, the Committee, in its sole discretion, shall establish the Target Award for each Participant, the payment of which shall be conditioned on the achievement of the Performance Goals for the Performance Period.

5.2 **Determination of Performance Goals and Performance Formula**. Prior to, or reasonably promptly following the commencement of, each Performance Period, but no later than the Determination Date, the Committee, in its sole discretion, shall establish in writing the Performance Goals for the Performance Period and shall prescribe a formula for determining the percentage of the Target Award which may be payable based upon the level of attainment of the Performance Goals for the Performance Period. The Performance Goals shall be based on one or more Performance Criteria, each of which may carry a different weight, and which may differ from Participant to Participant.

5.3 **Adjustments**. The Committee is authorized, in its sole discretion, to provide at the time an Award is made that some or all of the following events shall result in adjustment or modification to the calculation of a Performance Goal for a Performance Period, provided that the amount to be adjusted is objectively determinable:

- significant litigation or claim judgments or settlements;

- the effect of changes in tax laws, accounting standards or principles, or other laws or regulatory rules affecting reporting results;

- any reorganization and restructuring programs;

- extraordinary nonrecurring items as described in Accounting Principles Board Opinion No. 30 (or any successor pronouncement thereto);

- transaction costs related to acquisitions or divestitures;

- any other specific unusual or nonrecurring events or objectively determinable category thereof; and

- a change in the Company s fiscal year.

No adjustment shall be made if the effect would be to cause an Award to fail to qualify as performance-based compensation under Section 162(m).

SECTION 6 PAYMENT OF AWARDS

6.1 **Determination of Awards; Certification.**

(a) Following the completion of each Performance Period, the Committee shall determine the extent to which the Performance Goals have been achieved or exceeded. If the minimum Performance Goals established by the Committee are not achieved, then no payment will be made.

(b) To the extent that the Performance Goals are achieved, the Committee shall certify in writing, in accordance with the requirements of Section 162(m) of the Code, the extent to which the Performance Goals applicable to each Participant have been achieved and shall then determine, in accordance with the prescribed formula, the amount of each Participant s Award.

(c) In determining the amount of each Award, the Committee may reduce or eliminate the amount of an Award by applying Negative Discretion if, in its sole discretion, such reduction or elimination is appropriate.

(d) In no event shall the amount of an Award for any Plan Year exceed the Maximum Award.

6.2 **Form and Timing of Payment**. Except as otherwise provided herein, as soon as practicable following the Committee s certification pursuant to Section 6.1 for the applicable Performance Period, each Participant shall receive a cash lump sum payment of his or her Award, less required withholding. In no event shall such payment be made later than 2½ months following the end of the Performance Period.

6.3 **Employment Requirement**. Except as otherwise provided in Section 7, no Award shall be paid to any Participant who is not actively employed by the Company or an Affiliate on the last day of the Performance Period.

6.4 **Deferral of Awards**. A Participant may defer the payment of an Award that would otherwise be paid under the Plan, but only if and to the extent such deferral is consistent with the terms of the Company s or Affiliate s separate Executive Deferred Compensation Plan.

SECTION 7 TERMINATION OF EMPLOYMENT

7.1 **Employment Requirement**. Except as otherwise provided in Section 7.2, if a Participant s employment terminates for any reason prior to the last day of the Performance Period, all of the Participant s rights to an Award for the Performance Period shall be forfeited.

7.2 **Termination of Employment Due to Death or Disability**. If a Participant s employment is terminated by reason of his or her death or Disability during a Performance Period, the Participant or his or her beneficiary will be paid a Pro-rated Award reflecting participation for a portion of the Performance Period. In the case of a Participant s Disability, the employment termination shall be deemed to have occurred on the date that the Committee determines that the Participant is Disabled. Payment of such Pro-rated Award will be made at the same time and in the same manner as Awards are paid to other Participants.

7.3 **Change in Control**. If a Change in Control occurs during a Performance Period, Awards under the Plan will be calculated based on the Company s performance as of the date of the Change in Control, prorated, if appropriate based on the type of goal, of a period of shorter than the entire Performance Period. If the minimum Performance Goals are achieved and certified by the Committee pursuant to Section 6.1, each Participant will receive an Award calculated based on the prescribed formula in accordance with Section 6.1(b). Awards paid in connection with a Change in Control will be paid no later than 2½ months following the date of the Change in Control.

SECTION 8 GENERAL PROVISIONS

8.1 **Compliance With Legal Requirements**. The Plan and the granting of Awards shall be subject to all applicable federal and state laws, rules and regulations, and to such approvals by any regulatory or governmental agency as may be required.

8.2 **Non-transferability**. A person s rights and interests under the Plan, including any Award previously made to such person or any amounts payable under the Plan may not be assigned, pledged, or transferred, except in the event of the Participant s death, to a designated beneficiary in accordance with the Plan, or in the absence of such designation, by will or the laws of descent or distribution.

8.3 **No Right to Employment**. Nothing in the Plan or in any notice of Award shall confer upon any person the right to continue in the employment of the Company or any Affiliate or affect the right of the Company or any Affiliate to terminate the employment of any Participant.

8.4 **No Right to Award**. Unless otherwise expressly set forth in an employment agreement signed by the Company and a Participant, a Participant shall not have any right to any Award under the Plan until such Award has been paid to such Participant and participation in the Plan in one Performance Period Year does not connote any right to become a Participant in the Plan in any future Performance Period.

8.5 **Withholding**. The Company shall have the right to withhold from any Award, any federal, state or local income and/or payroll taxes required by law to be withheld and to take such other action as the Committee may deem advisable to enable the Company and Participants to satisfy obligations for the payment of withholding taxes and other tax obligations relating to an Award.

8.6 **Amendment or Termination of the Plan**. The Board or the Committee may, at any time, amend, suspend or terminate the Plan in whole or in part; provided, that, no amendment that requires shareholder approval in order for the Plan to continue to comply with Section 162(m) shall be effective unless approved by the requisite vote of the shareholders of the Company. Notwithstanding the foregoing, no amendment shall adversely affect the rights of any Participant to Awards allocated prior to such amendment, suspension or termination.

8.7 **Unfunded Status**. Nothing contained in the Plan, and no action taken pursuant to its provisions, shall create or be construed to create a trust of any kind or a fiduciary relationship between the Company and any Participant, beneficiary or legal representative or any other person. To the extent that a person acquires a right to receive payments under the Plan, such right shall be no greater than the right of an unsecured general creditor of the Company. All payments to be made hereunder shall be paid from the general funds of the Company and no special or separate fund shall be established and no segregation of assets shall be made to assure payment of such amounts except as expressly set forth in the Plan. The Plan is not intended to be subject to the Employee Retirement Income Security Act of 1974, as amended (ERISA).

8.8 **Governing Law**. The Plan shall be construed, administered and enforced in accordance with the laws of the Commonwealth of Kentucky, without regard to conflicts of law.

8.9 **Beneficiaries**. To the extent that the Committee permits beneficiary designations, any payment of Awards due under the Plan to a deceased Participant shall be paid to the beneficiary duly designated by the Participant in accordance with the Company s practices. If no such beneficiary has been designated or survives the Participant, payment shall be made by will or the laws of descent or distribution.

8.10 **Section 162(m) of the Code; Bifurcation of the Plan**. It is the intent of the Company that the Plan and the Awards made under the Plan to Participants who are or may become persons whose compensation is subject to Section 162(m) of the Code satisfy any applicable requirements to be treated as qualified performance-based compensation under Section 162(m) of the Code. The provisions of the Plan may at any time be bifurcated by the Board or the Committee so that certain provisions of the Plan or any Award intended to satisfy the applicable requirements of Section 162(m) of the Code are only applicable to persons whose compensation is subject to Section 162(m) of the Code.

8.11 **<u>Section 409A of the Code</u>**. It is intended that payments under the Plan qualify as short-term deferrals exempt from the requirements of Section 409A of the Code. In the event that any Award does not qualify for treatment as an exempt short-term deferral, it is intended that such amount will be paid in a manner that satisfies the requirements of Section 409A of the Code. The Plan shall be interpreted and construed accordingly.

8.12 **<u>Expenses</u>**. All costs and expenses in connection with the administration of the Plan shall be paid by the Company.

8.13 **<u>Section Headings</u>**. The headings of the Plan have been inserted for convenience of reference only and in the event of any conflict, the text of the Plan, rather than such headings, shall control.

8.14 **<u>Severability</u>**. In the event that any provision of the Plan shall be considered illegal or invalid for any reason, such illegality or invalidity shall not affect the remaining provisions of the Plan, but shall be fully severable, and the Plan shall be construed and enforced as if such illegal or invalid provision had never been contained therein.

8.15 **<u>Gender and Number</u>**. Except where otherwise indicated by the context, wherever used, the masculine pronoun includes the feminine pronoun; the plural shall include the singular, and the singular shall include the plural.

8.16 **<u>Non-exclusive</u>**. Nothing in the Plan shall limit the authority of the Company, the Board or the Committee to adopt such other compensation arrangements, as it may deem desirable for any Participant.

8.17 **<u>Notice</u>**. Any notice to be given to the Company or the Committee pursuant to the provisions of the Plan shall be in writing and directed to the Chairman of the Board of the Company at 1040 East Main Street, Louisville, Kentucky, 40206.

8.18 **<u>Successors</u>**. All obligations of the Company under the Plan with respect to Awards granted hereunder shall be binding upon any successor to the Company, whether the existence of such successor is the result of a direct or indirect purchase, merger, consolidation or otherwise, of all or substantially all of the assets of the Company.

8.19 **<u>Term of Plan</u>**. This Plan shall remain in full force and effect until five years after its Effective Date (the ***Initial Term***), if not sooner terminated in accordance with Section 8.6, unless the shareholders of the Company re-approve it within the 12-month period following its expiration, in which case it shall remain in effect for an additional 5 years after the expiration of that Initial Term.

IN WITNESS WHEREOF, the Company has adopted this Plan as of the date set forth below.

S.Y. BANCORP, INC.

By:

Title:

Date:

S.Y. BANCORP, INC.

1040 EAST MAIN STREET

LOUISVILLE, KENTUCKY 40206

PROXY FOR HOLDERS OF COMMON STOCK

ANNUAL MEETING OF SHAREHOLDERS - APRIL 24, 2013

This proxy is solicited by the Board of Directors of S.Y. Bancorp, Inc.

The undersigned hereby appoints David P. Heintzman and James A. Hillebrand or either of them, attorneys with power of substitution and revocation to each, to vote any and all shares of Common Stock of S.Y. Bancorp, Inc. (Bancorp) held of record by the undersigned, in the name and as the proxy of the undersigned, at the Annual Meeting of Shareholders of Bancorp (the Annual Meeting) to be held at The Olmsted, 3701 Frankfort Avenue, Louisville, Kentucky 40207 on April 24, 2013 at 10:00 a.m., Eastern Time, or any adjournment thereof, hereby revoking any prior proxies to vote said stock, upon the following proposals more fully described in the Notice of and Proxy Statement for the meeting (receipt of which is hereby acknowledged):

	FOR	AGAINST	ABSTAIN
(1) A proposal to approve the action of the Board of Directors fixing the number of directors at twelve;	o	o	o

(2) ELECTION OF DIRECTORS

Nominees are: Charles R. Edinger, III, David P. Heintzman, Carl G. Herde, James A. Hillebrand, Richard A. Lechleiter, Bruce P. Madison, Richard Northern, Stephen M. Priebe, Nicholas X. Simon, Norman Tasman, and Kathy C. Thompson.
Mark one box only.

o FOR ALL nominees listed above

o FOR ALL nominees listed above EXCEPT the following:

o WITHHOLD authority to vote for ALL nominees listed above

	FOR	AGAINST	ABSTAIN
(3) The ratification of KPMG LLP as the independent registered public accounting firm for S.Y. Bancorp, Inc. for the year ending December 31, 2013;	o	o	o
(4) The approval of the action of the Board of Directors to adopt the Annual Cash Incentive Plan, including the performance criteria that will be used under that plan to establish goals for covered executives;	o	o	o
(5) The advisory approval of the compensation of Bancorp s named executive officers.	o	o	o

The Board of Directors recommends a vote FOR the proposal fixing the number of directors at twelve, FOR ALL nominees for director listed above, FOR the ratification of KPMG LLP, FOR approval of the Annual Cash Incentive Plan, and FOR the approval of executive compensation.

This proxy, properly signed and dated, will be voted as directed, but if no instructions are specified, this proxy will be voted for the proposal to fix the number of directors at twelve, for all nominees for director, for the ratification of KPMG LLP, for the cash incentive plan, and for the approval of executive compensation. If any other business is properly presented at such meeting, this proxy will be voted by those named in this proxy in their best judgment. At the present time, the Board of Directors knows of no other business to be presented at the meeting.

Date_____________, 2013

(Signatures)

Should the above signed be present and elect to vote at the Annual Meeting of Shareholders or at any adjournment thereof and after written notification to the Secretary of the Corporation at the Meeting of the shareholder s decision to terminate this proxy, then the power of said attorneys and proxies shall be deemed terminated and of no further force and effect.

Please sign exactly as your name appears on this proxy card. When signing as attorney, executor, administrator, trustee or guardian, please give your full title. If shares are held jointly, only one signature is required but each holder should sign, if possible.

PLEASE ACT PROMPTLY

SIGN, DATE & MAIL YOUR PROXY CARD TODAY

Important Notice Regarding the Availability of Proxy Materials for the Shareholders Meeting to Be Held on April 24, 2013: The notice and proxy statement and annual report are available at http://irinfo.com/sybt/sybt.html.