



**S. Y. BANCORP, INC.**  
2008 SUMMARY ANNUAL REPORT

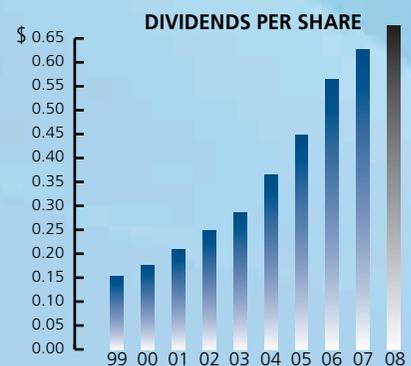
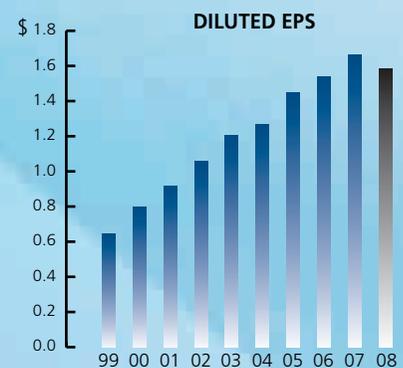
# 2008 Financial Highlights

*“The fundamentals of our business remained strong in 2008, resulting in a solid year-over-year performance highlighted by notable growth in both loans and deposits.”*

*“This growth, combined with the continuation of strong credit quality trends, helped offset the impact of a declining interest rate environment.”*

	2008	2007	Change
<b>FOR THE YEAR</b>			
Net income	\$ 21,676	\$ 24,052	(9.9) %
Cash dividends declared	9,135	8,912	2.5
<b>PER COMMON SHARE</b>			
Net income per share, basic	\$ 1.61	\$ 1.70	(5.3) %
Net income per share, diluted	1.59	1.67	(4.8)
Cash dividends declared	0.68	0.63	7.9
Book value at year end	10.72	9.78	9.6
Market price at year end	27.50	23.94	14.9
<b>AVERAGES FOR THE YEAR</b>			
Total assets	\$ 1,567,967	\$ 1,413,614	10.9 %
Loans	1,295,711	1,159,101	11.8
Deposits	1,216,833	1,081,483	12.5
Stockholders' equity	136,112	139,357	(2.3)
<b>AT YEAR-END</b>			
Total assets	\$ 1,628,763	\$ 1,482,219	9.9 %
Loans	1,349,637	1,201,938	12.3
Deposits	1,270,925	1,106,707	14.8
Stockholders' equity	144,500	133,024	8.6
<b>RATIOS</b>			
Return on average assets	1.38 %	1.70 %	(32) bp
Return on average stockholders' equity	15.93	17.26	(133)
Efficiency	57.05	54.68	237

bp = basis point = 1/100 of a percent



Note: Per share information has been adjusted as necessary for stock splits and stock dividends.



**David P. Heintzman**  
Chairman and CEO

***“Our management philosophy and credit culture by tradition have leaned to the conservative end of the spectrum.”***

## **TO OUR STOCKHOLDERS**

Considering ongoing and deepening recessionary trends evidenced by a continuing downturn in real estate values and wider job losses, it goes without saying that 2008 was an extraordinarily difficult year for most companies. It was especially challenging for our industry. As many banks have reported, the convergence of these pressures has translated into significant credit quality issues, reduced lending activity, a declining deposit base and, in some instances, net losses for companies. On top of this, rapid and pronounced rate cuts by the Federal Reserve had an adverse impact on net interest income.

We are pleased to note that S.Y. Bancorp was able to distance itself from many of the problems suffered by others in 2008. We attribute this success to several factors, one being that our principal market in Louisville did not experience overheated real estate values that other regions of the country witnessed in recent years. Also, in terms of jobs and the general economy, Louisville is diversified and well balanced. Lastly, our management philosophy and credit culture by tradition have leaned to the conservative end of the spectrum, and we have tried to avoid the lending situations and products that have been the root of many current banking problems.

Still, in the face of significant industry headwinds, earnings for 2008 clearly were affected, with net income per diluted share slipping slightly to a level second only to the record amount posted in 2007. Despite this, the fundamentals of our business remained strong in 2008, resulting in a solid year-over-year performance highlighted by notable growth in both loans and deposits. This growth, combined with the continuation of strong credit quality trends, helped offset the impact of a declining interest rate environment. Our growing reach to new markets in Indianapolis and Cincinnati also contributed to our steady progress in 2008.

### **CAPITAL STRENGTH**

Considering current pressures on the economy and uncertainties in the banking industry either way, we are the first to recognize the importance of a strong capital position and what it means to our ability to support the banking and lending needs of our customers now, as well as the growth of our company over the longer term. Already considered well capitalized from a regulatory perspective, in the fourth quarter of 2008, we decided to further strengthen our balance sheet by raising additional capital. Importantly, we accomplished this by more conventional means, opting out of the Treasury Department's widely publicized – and controversial – Troubled Assets Relief Program, or TARP, even though we were approved to participate in this program. In our view, the potential dilution and uncertainty surrounding this program presented unnecessary burdens and risks for the Company and our shareholders.

In the fourth quarter of 2008 we sold \$30 million of 10% cumulative trust preferred securities in an over-subscribed public offering. The trust preferred securities will mature on December 31, 2038, unless called earlier on or after December 31, 2013. This successful capital offering resulted in net proceeds of approximately \$28.5 million and, together with the issuance of \$10 million

***“These accomplishments demonstrate not only the drive and experience of our service-minded people, but also the trust and confidence that our customers continue to place in S.Y. Bancorp.”***

of 10-year term subordinated debentures during the third quarter of 2008, helped increase our total risk-based capital ratio to 13.90% at year's end from 10.82% at December 31, 2007, with both ratios exceeding the 10% level required to be considered a well-capitalized institution.

**FINANCIAL REVIEW**

Highlights of our performance in 2008 include:

- » Total assets rose 10% to \$1.629 billion at December 31, 2008.
- » Our loan portfolio increased 12% for the year to \$1.350 billion.
- » Deposits increased 15% to \$1.271 billion at December 31, 2008.
- » Earnings per diluted share declined 5% to \$1.59 for the year.
- » Net income totaled \$21.7 million, down 10% in 2007.
- » Return on average assets was 1.38% for the year versus 1.70% in 2007.
- » Return on average equity was 15.93%, down from 17.26% in 2007.

As mentioned earlier, we were pleased by the fundamental strength of our business over the past year, as measured by the growth of our loan portfolio and the expansion of our deposit base. We believe these accomplishments demonstrate not only the drive and experience of our service-minded people, but also the trust and confidence that our customers continue to place in S.Y. Bancorp. As to the decline in net income for 2008, it primarily was attributable to lower non-interest income, higher non-interest expenses for the year and, mindful of the times, a somewhat higher provision for loan losses. Nevertheless, considering the challenging backdrop for 2008 and the significant problems now being reported by many peer financial institutions, we are pleased to have reported substantial net income for the year, along with high returns on average assets and equity – at levels that would be considered very solid in the best of years.

Regarding credit quality, our metrics for non-performing loans and net charge-offs remained at historically low levels

in 2008. Despite these favorable trends, we continue to be cautious about credit quality in the near future because of uncertainties in the economy and the unknown depth and duration of the current recession. Moreover, a continuation of the volatility and disruption we saw in credit markets during 2008 could place additional pressure on credit quality going forward. Consequently, we considered it prudent to strengthen our allowance for loan losses at December 31, 2008, by increasing our provision for loan losses for the year.

A bright spot on the income statement, one that partially mitigated the foregoing pressures, was an increase in our net interest income for the year. Driven primarily by loan growth, net interest income – our largest source of revenue – increased 6% versus 2007, even though net interest margin declined during the year due to significant rate reductions by the Federal Reserve, coupled with ongoing heavy competition for deposits.

**STRENGTHENING OUR MANAGEMENT TEAM**

Perhaps our most important work of 2008 dealt with the ongoing formation of our leadership team. In this regard, there were several promotions and additions in 2008 that will lend strength to our current operations and position us to meet the challenges – and growth – ahead of us.

In July, we named James A. (Ja) Hillebrand, a 12-year veteran of Stock Yards Bank & Trust, President of S.Y. Bancorp and Stock Yards Bank & Trust Company, as well as a director of the Company. Most recently serving as Executive Vice President and Director of Private Banking, Ja has helped us solidify our presence in Indianapolis and establish operations in our newest market in Cincinnati. This promotion helps divide responsibilities allowing Ja to devote his focus on growing all facets of our banking business. By relinquishing the position of President, I can place more emphasis on the operational and financial aspects of our business, along with increased attention on our very profitable investment management business and strategic matters that will shape our long-term future. At the same time, we promoted Philip Poindexter, formerly Stock Yards Bank's Executive Vice President and Director of Commercial Lending, to the newly created position of Chief Lending Officer. Phil now directly oversees our commercial and private banking

activities for Louisville, Cincinnati and Indianapolis, as well as small business lending, treasury and international services.

In early 2009, we named William M. Dishman, III to the newly created position of Chief Risk Officer. In this position, Bill is responsible for developing and implementing enterprise-wide risk management strategies that address all aspects of risk within the organization. We also announced that we will begin offering correspondent banking services in 2009, and appointed James T. McKenzie as Senior Vice President and Division Manager of Correspondent Banking. In this new position, he will be responsible for developing and directing the department to offer loan and deposit services, asset management, international services, trust operations, and other services to community banks across the Kentucky/Indiana region.

#### **OUTLOOK**

Although we are pleased with our progress over the last year, especially in light of the tough operating environment, we know 2009 will be an uncertain time for us all. In fact, considering an economy in recession and the lack of visibility on the speed and reach of the government's stimulus plan, the coming year will likely be even more challenging than 2008. Thus far, we have avoided the adverse effects of

lending practices that have troubled other banks. Yet, it is not realistic to assume that we can completely escape the impact of declining real estate values and their effect on credit quality, even though our markets have fared reasonably well in the downturn to date. With this in mind, we expect our provision for loan losses and net loan charge-offs will increase in 2009. Added to this will be ongoing pressure on net interest margin in 2009, reflecting the impact of an unprecedented low-rate environment on the lending side combined with relatively high costs still on the funding side, as well as the impact of our recently issued trust preferred securities and significantly higher FDIC premiums.

Recognizing that we have little control over many of the questions and issues that must be addressed in order to revive the national economy, we remain focused on the fundamental strengths of our business. For more than a century, our ability to offer a high level of service to our customers, meeting and addressing their needs, requirements and challenges, has helped differentiate us from many of our competitors that have come and gone. Considering the recent consolidation and customer dislocation occurring in our industry, marked by bank failures and takeovers, we believe there will be attractive opportunities for us to gain market share and attract

new, productive bankers to our company in the year ahead. Also, we believe our presence in three markets, including our home market of Louisville and now Indianapolis and Cincinnati, creates opportunities for growth and adds diversity to our business. Lastly, having been considered staid by some in the past with respect to market expansion and lending practices, we believe our conservative culture will continue to provide a steady hand at the rudder as we weather the current economic storm. With these organizational strengths taken together, we remain confident about our prospects for growth over the longer term.

On behalf of all of our Directors and employees, thank you for your ongoing interest and support.

David P. Heintzman  
Chairman and Chief Executive Officer

***“We remain focused on the fundamental strengths of our business.”***



# S.Y. BANCORP, INC.

## Selected Consolidated Financial Data

(Dollars in thousands, except per share data)

	As of and for the year ended December 31,				
	2008	2007	2006	2005	2004
<b>INCOME STATEMENT</b>					
Net interest income	\$ 56,858	53,691	\$ 53,875	\$ 49,235	\$ 44,221
Provision for loan losses	4,050	3,525	2,100	225	2,090
Non-interest income	27,809	30,332	28,693	27,362	24,676
Non-interest expenses	48,885	46,531	46,610	44,672	38,973
Net income	21,676	24,052	22,896	21,644	18,912
<b>PER SHARE</b>					
Basic EPS	\$ 1.61	1.70	\$ 1.58	\$ 1.48	\$ 1.31
Diluted EPS	1.59	1.67	1.55	1.46	1.27
Cash dividends declared	0.68	0.63	0.57	0.45	0.37
Book value	10.72	9.78	9.54	8.67	7.96
Market value	27.50	23.94	28.00	23.83	22.95
<b>BALANCE SHEET</b>					
Total loans	\$ 1,349,637	1,201,938	\$ 1,148,954	\$ 1,053,871	\$ 984,841
Allowance for loan losses	15,381	13,450	12,203	12,035	12,521
Total assets	1,628,763	1,482,219	1,426,321	1,330,438	1,212,015
Total deposits	1,270,925	1,106,707	1,103,242	1,031,357	950,083
Stockholders' equity	144,500	133,024	137,444	125,797	116,647
<b>AVERAGE BALANCE SHEET</b>					
Total loans	\$ 1,295,711	1,159,101	\$ 1,093,844	\$ 1,015,261	\$ 913,502
Total assets	1,567,967	1,413,614	1,353,651	1,270,178	1,148,652
Total deposits	1,216,833	1,081,483	1,061,481	997,979	896,412
Stockholders' equity	136,112	139,357	131,971	121,614	109,414
<b>EARNINGS PERFORMANCE</b>					
Return on average assets	1.38 %	1.70 %	1.69 %	1.70 %	1.65 %
Return on average equity	15.93	17.26	17.35	17.80	17.28
Net interest margin, fully tax equivalent	3.93	4.16	4.36	4.25	4.20
<b>KEY RATIOS</b>					
Non-performing loans to total loans	0.35 %	0.28 %	0.59 %	0.44 %	0.57 %
Non-performing assets to total assets	0.39	0.49	0.65	0.59	0.75
Net loan charge-offs to average loans	0.16	0.20	0.18	0.07	0.15
Allowance for loan losses to average loans	1.19	1.16	1.12	1.19	1.37
Average stockholders' equity to average assets	8.68	9.86	9.75	9.57	9.53
Tier I risk-based capital	12.11	9.82	10.81	13.44	13.64
Total risk-based capital	13.90	10.82	11.77	14.56	14.91
Leverage	10.62	9.21	10.18	11.15	11.34

Note: Per share information has been adjusted as necessary for stock splits and stock dividends.

# S.Y. BANCORP, INC.

## DIRECTORS

**David P. Heintzman**  
Chairman and CEO,  
S.Y. Bancorp, Inc. and  
Stock Yards Bank & Trust Company

**James A. Hillebrand**  
President,  
S.Y. Bancorp, Inc. and  
Stock Yards Bank & Trust Company

**David H. Brooks**  
Retired Chairman and CEO,  
S.Y. Bancorp, Inc. and  
Stock Yards Bank & Trust Company

**James E. Carrico**  
Senior Vice President,  
Wells Fargo Insurance  
Services of Kentucky, Inc.

**Charles R. Edinger, III**  
President,  
J. Edinger & Son, Inc.

**Carl G. Herde**  
Vice President of Finance and CFO,  
Baptist Healthcare System, Inc.

**Richard A. Lechleiter**  
Executive Vice President and CFO,  
Kindred Healthcare, Inc.

**Bruce P. Madison**  
President and CEO,  
Plumbers Supply Company, Inc.

**Nicholas X. Simon**  
President and CEO,  
Publishers Printing Company

**Norman Tasman**  
President,  
Tasman Industries, Inc.  
and Tasman Hide Processing, Inc.

**Robert L. Taylor**  
Professor of Management  
and Dean Emeritus, College of Business,  
University of Louisville

**Kathy C. Thompson**  
Senior Executive Vice President,  
S.Y. Bancorp, Inc. and  
Stock Yards Bank & Trust Company

## OFFICERS

**David P. Heintzman**  
Chairman and CEO,  
S.Y. Bancorp, Inc. and  
Stock Yards Bank & Trust Company

**James A. Hillebrand**  
President,  
S.Y. Bancorp, Inc. and  
Stock Yards Bank & Trust Company

**Kathy C. Thompson**  
Senior Executive Vice President,  
S.Y. Bancorp, Inc. and  
Stock Yards Bank & Trust Company

**Nancy B. Davis**  
Executive Vice President,  
Chief Financial Officer, Secretary and Treasurer  
S.Y. Bancorp, Inc. and  
Stock Yards Bank & Trust Company

## STOCK YARDS BANK & TRUST COMPANY

### EXECUTIVE OFFICERS

**David P. Heintzman**  
Chairman and CEO

**James A. Hillebrand**  
President

**Nancy B. Davis**  
Executive Vice President  
Chief Financial Officer

**William M. Dishman, III**  
Executive Vice President  
Chief Risk Officer

**Gregory A. Hoek**  
Executive Vice President  
Retail Banking Group

**Philip S. Poindexter**  
Executive Vice President  
Chief Credit Officer

**Phillip S. Smith**  
Executive Vice President  
Commercial Real Estate

**Kathy C. Thompson**  
Senior Executive Vice President  
Wealth Management Group

### LOUISVILLE - CORPORATE CENTER

1040 East Main Street  
Louisville, Kentucky 40206  
(502) 582-2571

### INDIANAPOLIS - REGIONAL CENTER

536 East Market Street  
Indianapolis, Indiana 46204  
(317) 238-2800

### CINCINNATI - REGIONAL CENTER

101 West Fourth Street  
Cincinnati, Ohio 45202  
(513) 824-6100

# S.Y. BANCORP, INC.

## **STOCKHOLDER INFORMATION**

### **Common Stock**

S.Y. Bancorp, Inc.'s common stock trades on the NASDAQ Global Select Market under the symbol SYBT.

### **Trust Preferred Securities**

S.Y. Bancorp, Inc.'s trust preferred securities trade on the NASDAQ Global Select Market under the symbol SYBTP.

### **Forms 10-K And 10-Q**

S.Y. Bancorp, Inc.'s annual report on Form 10-K and quarterly reports on Form 10-Q, as filed with the Securities and Exchange Commission, can be found at [www.syb.com](http://www.syb.com) (see "Investor Relations") or by writing or calling Nancy B. Davis, Executive Vice President, S.Y. Bancorp, Inc., [nancy.davis@syb.com](mailto:nancy.davis@syb.com), (502) 625-9176.

### **Transfer Agent**

The transfer agent for the common stock of S.Y. Bancorp, Inc. is Stock Yards Bank & Trust Company, (502) 625-9133.

### **Automatic Dividend Reinvestment Service**

The Company's automatic dividend reinvestment service enables stockholders to reinvest cash dividends in additional shares of S.Y. Bancorp, Inc. stock. For additional information, contact the Transfer Agent at Stock Yards Bank & Trust Company.

### **Mailing And Street Addresses**

The mailing address for S.Y. Bancorp, Inc. is P.O. Box 32890, Louisville, Kentucky 40232-2890. The street address is 1040 E. Main Street, Louisville, Kentucky 40206.

### **Internet Address**

The Internet address for S.Y. Bancorp, Inc. is [www.syb.com](http://www.syb.com). Stockholders can find share prices, trading volume, insider trading information, and other pertinent information (see "Investor Relations").