

COMMUNITY TRUST BANCORP INC /KY/
Form DEF 14A
March 20, 2015

COMMUNITY TRUST BANCORP, INC.

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS
TO BE HELD APRIL 28, 2015

The Annual Meeting of Shareholders of Community Trust Bancorp, Inc. ("CTBI") will be held at Community Trust Bank, Inc., 346 North Mayo Trail, Pikeville, Kentucky, on Tuesday, April 28, 2015 at 10:00 a.m. EDT for the following purposes:

1. To elect a Board of seven directors to hold office until the next Annual Meeting of Shareholders and until their successors are elected and qualify.
2. To consider and approve the proposed 2015 Stock Ownership Incentive Plan.
3. To ratify and approve the appointment of BKD, LLP as CTBI's Independent Registered Public Accounting Firm for the fiscal year ending December 31, 2015.
4. To approve the advisory (nonbinding) resolution relating to executive compensation.
5. To transact such other business as may properly come before the meeting or any adjournment thereof.

Only those holders of stock of record at the close of business on February 27, 2015 are entitled to notice of and to vote at the Annual Meeting and any adjournment thereof.

The Board of Directors recommends that you vote FOR each of the nominees for director, FOR the approval of the proposed 2015 Stock Ownership Incentive Plan, FOR the ratification and approval of the independent registered public accounting firm, and FOR the approval of the advisory (nonbinding) resolution relating to executive compensation, and that you grant discretion on such other business as may properly come before the meeting or any adjournment.

This year CTBI is furnishing all proxy materials, including the Proxy Card, to our shareholders via direct mail, except for shareholders who have previously elected to receive their documents via electronic delivery. However, all of the proxy materials listed below may be obtained over the Internet at <http://materials.proxyvote.com/204149>:

- Notice of Annual Meeting of Shareholders
- CTBI's Proxy Statement
- CTBI's 2014 Annual Report to Shareholders
- Form of Proxy

Shareholders are cordially invited to attend the Annual Meeting of Shareholders. You may obtain directions to the meeting location by calling our Investor Relations Department toll-free at (800) 422-1090. We hope you will attend the meeting and vote your shares in person.

By Order of the Board of Directors

/s/ Jean R. Hale
Jean R. Hale
Chairman of the Board,
President and Chief Executive Officer

Pikeville, Kentucky
April 3, 2015

IMPORTANT

WHETHER OR NOT YOU EXPECT TO BE PRESENT AT THE MEETING, PLEASE SUBMIT A PROXY. IN THE EVENT YOU ATTEND THE MEETING, YOU MAY REVOKE YOUR PROXY AND VOTE YOUR SHARES IN PERSON AT ANY TIME BEFORE YOUR PROXY IS EXERCISED.

Community Trust Bancorp, Inc.
346 North Mayo Trail
Pikeville, Kentucky 41501

PROXY STATEMENT

Annual Meeting of Shareholders
to be held April 28, 2015

INTRODUCTION

This Proxy Statement and accompanying proxy are furnished in connection with the solicitation of proxies by the Board of Directors ("Board") of CTBI for use at the Annual Meeting of Shareholders (the "Annual Meeting") to be held on Tuesday, April 28, 2015, at 10:00 a.m. (EDT), at Community Trust Bank, Inc., 346 North Mayo Trail, Pikeville, Kentucky, and any adjournments thereof. A copy of CTBI's 2014 Annual Report to Shareholders accompanies this Proxy Statement.

In accordance with rules adopted by the U.S. Securities and Exchange Commission ("SEC"), our proxy materials may also be accessed on the Internet at <http://materials.proxyvote.com/204149>. The cost of solicitation of proxies will be borne by CTBI. In addition to the use of the mail, proxies may be solicited in person, by telephone and other means of communication by directors, officers, and other employees of CTBI, none of whom will receive additional compensation for such services. CTBI will also request brokerage houses, custodians, and nominees to forward soliciting materials to the beneficial owners of stock held of record by them and will pay the reasonable expenses of such persons for forwarding such materials. This Proxy Statement and the accompanying proxy are first being mailed or given to shareholders of CTBI on or about April 3, 2015.

RECORD DATE AND VOTING SECURITIES

The Common Stock of CTBI ("Common Stock") is the only class of outstanding voting securities. Only holders of Common Stock of record at the close of business on February 27, 2015 (the "Record Date") are entitled to notice of and to vote at the Annual Meeting. At the Record Date, there were 17,479,236 shares of Common Stock outstanding. With respect to the election of directors, shareholders have cumulative voting rights. Accordingly, each shareholder will have the right to cast as many votes in the aggregate as equals the number of shares of Common Stock held by the shareholder multiplied by the number of directors to be elected at the Annual Meeting. Each shareholder may cast all of his or her votes for one candidate or distribute such votes among two or more candidates. Shareholders will be entitled to one vote for each share of Common Stock held of record on the Record Date with regard to all proposals and other matters that properly come before the Annual Meeting or any adjournment thereof.

Each proxy, unless the shareholder otherwise specifies, will be voted in favor of the election of the seven nominees for director named herein, the approval of the 2015 Stock Ownership Incentive Plan, the approval of the appointment of BKD, LLP as CTBI's Independent Registered Public Accounting Firm for the fiscal year ending December 31, 2015, and the approval of the advisory (nonbinding) resolution relating to executive compensation. Where a shareholder has appropriately specified how the proxy is to be voted, it will be voted accordingly. As to any other matter which may properly be brought before the Annual Meeting or any adjournment thereof, a vote may be cast pursuant to the accompanying proxy in accordance with the judgment of the person or persons voting the proxy. Shareholders may vote by mail, by telephone, or over the Internet by following the instructions on the Proxy Card. A shareholder may revoke his or her proxy at any time prior to its exercise. Revocation may be effected by written notice to CTBI, by a subsequently dated proxy received by CTBI, by oral revocation in person at the Annual Meeting or any adjournment

thereof, or by voting in person at the Annual Meeting or any adjournment thereof.

A majority of the outstanding shares present in person or by proxy is required to constitute a quorum to transact business at the Annual Meeting. Abstentions will be treated as present for purposes of determining a quorum, but as unvoted shares for purposes of determining the approval of any matter submitted to the shareholders for a vote. If a broker indicates that it does not have discretionary authority as to certain shares to vote on a particular matter, such shares will not be considered as present and entitled to vote with respect to such matter. At the Annual Meeting, brokers and other nominees will not have discretionary authority with respect to election of directors, approval of the 2015 Stock Ownership Incentive Plan, or approval of the advisory nonbinding resolution relating to executive compensation. Therefore, if you hold shares through a broker or other nominee and do not provide voting instructions to your broker or other nominee, your shares will not be voted with respect to such proposals.

PRINCIPAL SHAREHOLDERS

The following table sets forth information as to each shareholder known by CTBI to beneficially own more than five percent of the Common Stock as of the Record Date.

<u>Beneficial Owner Name and Address</u>	<u>Amount and Nature of Beneficial Ownership</u>	<u>Percent of Class</u>
Community Trust and Investment Company As Fiduciary 100 East Vine St., Suite 400 Lexington, Kentucky 40507	1,831,624 (1)	10.5%
BlackRock Inc. 55 East 52 nd Street New York, NY 10022	972,183 (2)	5.6%

The shares indicated are held by Community Trust and Investment Company, a subsidiary of CTBI, in fiduciary capacities as trustee, executor, agent, or otherwise. Of the shares indicated, Community Trust and Investment Company has sole voting rights with respect to 1,297,384 shares and no voting rights with respect to 534,240 shares. Community Trust and Investment Company has sole investment authority with respect to 462,077 shares, (1) shared investment authority with respect to 92,925 shares, and directed investment authority with respect to 5,000 shares; 763,274 shares are held by CTBI's Employee Stock Ownership Plan ("ESOP") and 508,348 shares are held by the 401(k) Plan. Each participant for whom shares are maintained in his or her Plan account is entitled to direct the Trustee as to the manner in which voting rights will be exercised with respect to such shares. The Trustee will vote in its discretion all unallocated shares and all shares for which no voting instructions are timely received.

This information is taken from a Schedule 13G/A filed February 2, 2015 with respect to holdings of BlackRock (2) Inc. subsidiaries as of December 31, 2014. The Schedule 13G/A reports sole voting power with respect to 936,736 shares and sole dispositive power with respect to 972,183 shares.

ELECTION OF DIRECTORS

CTBI's directors are elected at each Annual Meeting of Shareholders and hold office until the next election of directors or until their successors are duly elected and qualify. The persons named below, all of whom currently serve as directors of CTBI, have been nominated for election to serve until the next Annual Meeting of Shareholders.

Charles J. Baird

Nick Carter
Jean R. Hale
James E. McGhee II
M. Lynn Parrish
Dr. James R. Ramsey
Anthony W. St. Charles

Unless authority to do so is withheld, it is the intention of the persons named in the proxy to vote for the election of each of the nominees listed above. All nominees have indicated a willingness to serve and CTBI does not anticipate that any of the above nominees will decline or be unable to serve if elected as a director. However, in the event that one or more of such nominees is unable, unwilling, or unavailable to serve, the persons named in the proxy shall have authority, according to their judgment, to vote for such substitute nominees as they, after consultation with CTBI's Board of Directors, shall determine. If considered desirable, cumulative voting will be exercised by the persons named in the proxy to elect as many of such nominees as possible.

The Nominating and Corporate Governance Committee assists the Board in identifying qualified persons to serve as directors of CTBI. The Committee will evaluate proposed director nominees, including incumbent directors, prior to recommending re-nomination. The Nominating and Corporate Governance Committee selects as candidates for nomination individuals of high personal and professional integrity and ability who can contribute to the Board's collective effectiveness in serving the interests of CTBI's shareholders. Maturity of judgment and community leadership are considered strengths for Board members. Although the Committee does not utilize a specific or formulaic diversity policy or requirement, it does consider the make-up of the Board as a whole and favorably views Board diversity with respect to the following attributes: professional and life experience, education, skills, age, race, and gender.

Each of the above-listed nominees has been identified as possessing good judgment, strength of character, and an independent mind, as well as a reputation for integrity and the highest personal and professional ethics. Each nominee also brings a strong and varied background and set of skills to the Board of Directors, giving the Board, as a whole, competence and experience in a range of areas.

The Nominating and Corporate Governance Committee will consider candidates nominated by shareholders. The Nominating and Corporate Governance Committee will evaluate candidates recommended by shareholders on the same basis as it evaluates any other properly recommended nominee. Shareholders who desire to recommend a candidate for election at the next Annual Meeting of Shareholders should submit the name of the candidate and information concerning the qualifications of the candidate by mail to the Nominating and Corporate Governance Committee at CTBI's address on or before February 18, 2016.

INFORMATION ABOUT DIRECTORS

The age (as of February 27, 2015), business experience, and position of each of the directors currently serving are as follows:

Charles J. Baird, age 65, was appointed to the Board in 1987. He currently serves as Chairman of the Board's Corporate Retirement and Employee Benefit Committee and as Vice Chairman of the Board's Executive Committee. Mr. Baird has been an attorney with Baird and Baird, PSC since 1975. He became President of Baird and Baird, PSC in 2009. In addition to his nearly 40 years of legal and management experience, he has attended seminars on banking law, corporate finance, and numerous legal matters, has been involved in numerous significant acquisitions during his legal career, and has been a director of many organizations over the years. Mr. Baird is currently Chairman of the Eastern Kentucky Exposition Center and Coal Operators and Associates, Inc. He was a member of the Workers' Compensation Board Nominating Commission of Kentucky from 1987 until 2010, serving as Chairman for 10 years,

and resumed service as a member from 2013 to present. Mr. Baird also serves as a director of Community Trust and Investment Company, a subsidiary of CTBI.

Nick Carter, age 68, was appointed to the Board in 2008. He currently serves as Chairman of the Board's Compensation Committee and as a member of the Audit and Asset Quality Committee. Mr. Carter was President and COO of Natural Resource Partners L.P. (a coal, mineral, and aggregate reserve ownership business) and its subsidiaries (NYSE:NRP) from 2002 until his retirement in September 2014. For twelve years prior to joining Natural Resource Partners, Mr. Carter managed a \$120 million private coal landholding company with operations in five states. In those capacities, Mr. Carter attended and spoke at several investor conferences each year and has attended numerous conferences and seminars relating to business management and legal matters. Mr. Carter is a director of Vigo Coal Company and a director and non-executive Chairman of New Birmingham Inc., a frack sand producer, and he is a former director of the National Bank of Hustonville. Mr. Carter also serves as a director of Community Trust and Investment Company.

Jean R. Hale, age 68, was appointed to the Board in 1993 and was elected Chairman in 2004. She currently serves as Chairman of the Board's Executive Committee and as a member of the Corporate Retirement and Employee Benefit Committee. Ms. Hale has been employed by CTBI since 1969 and held various positions within the company, primarily in the lending area, serving as Executive Vice President and Senior Lender, Senior Vice President/Commercial Lending, and Vice President/Consumer Lending, as well as serving as Compliance and CRA Officer, prior to becoming President and CEO of Community Trust Bank, Inc., CTBI's lead subsidiary, in 1993 and President and CEO of CTBI in 1999. She is Chairman of the Board of the Kentucky Economic Development Finance Authority and a member of the Kentucky Economic Development Partnership Board, the Commonwealth Seed Capital, LLC Board, University of Pikeville Board of Trustees, and the ARH Foundation Board. In addition, she serves on the Executive Committee and as Chair of the Development Committee and Finance Committee for SOAR (Shaping Our Appalachia Region). Ms. Hale also serves as Chairman of the Board of Community Trust Bank, Inc. and Community Trust and Investment Company.

James E. McGhee II, age 57, was appointed to the Board in 2005. He currently serves as Chairman of the Board's Risk and Compliance Committee, as Vice Chairman of the Corporate Retirement and Employee Benefit Committee and the Nominating and Corporate Governance Committee, and as a member of the Executive Committee and the Audit and Asset Quality Committee. Mr. McGhee was an executive officer of Mountain Valley Explosives from 1995 until 2006 at which time he sold the company and formed Three JC Investments, LLC. Over the years, Mr. McGhee has started several small businesses involving property and energy. He also served as Executive Director of Dyno Explosives Distributors Association. In addition to Mr. McGhee's business management experience, he has attended several business related safety, sales, and management seminars and an accounting for non-accountants seminar.

M. Lynn Parrish, age 65, was appointed to the Board in 1993. He currently serves as the lead independent director of the Board, Chairman of the Board's Nominating and Corporate Governance Committee, Vice Chairman of the Audit and Asset Quality Committee and the Compensation Committee, and a member of the Executive Committee and the Risk and Compliance Committee. Mr. Parrish has been President of Marwood Land Company since 1992. He co-founded Coal-Mac, Inc., an independent coal company, in 1978 and served as its president until 1992. In 1993, he co-founded Knott Floyd Land Company, Inc., another independent coal company, and served as its chairman of the board and president until 2006. Mr. Parrish has served on several boards of directors over the years and is currently a board member of the Kentucky Chamber of Commerce, Coal Operators and Associates, Inc., CEDAR, Inc., and the University of Pikeville, among others.

Dr. James R. Ramsey, age 66, was appointed to the Board in 2003. He currently serves as Chairman of the Board's Audit and Asset Quality Committee. Dr. Ramsey has been President of the University of Louisville since 2002. Prior to becoming President of the University of Louisville, Dr. Ramsey held various positions, including State Budget Director and Interim Commissioner of the Office of the New Economy for the Commonwealth of Kentucky and Vice President of Finance and Administration of the University of North Carolina and Western Kentucky University. Dr.

Ramsey has an extensive resume of financial and economic experience. He has served as a director of Texas Roadhouse, Inc. (NASDAQGS:TXRH) since 2004. He also served as trustee of Churchill Tax Free Fund of Kentucky from 1987 to 2013 and Narragansett Tax Free Bond Fund, Rhode Island from 2004 to 2013, and upon the merger of these funds with three other single state tax-free mutual funds—Colorado, Utah, and Arizona, he currently serves as trustee of the newly created Aquila Municipal Trust. Dr. Ramsey currently serves on the Audit and Compensation Committees of Texas Roadhouse, Inc. He is also an advisory director of LG&E.

Anthony W. St. Charles, age 56, was appointed to the Board in 2010. He currently serves on the Board's Audit and Asset Quality Committee, Corporate Retirement and Employee Benefit Committee, Risk and Compliance Committee, and Compensation Committee. Mr. St. Charles is the President and Chief Executive Officer of The St. Charles Group, LLC of Cincinnati, Ohio. Mr. St. Charles has provided consulting services and subject matter expertise to financial institutions and technology companies in the United States and Europe for the past 26 years. Prior to the formation of his own company, Mr. St. Charles was involved in Sales and Consulting with the Unisys Corporation for five years and held officer level positions with U.S. Bank for fourteen years.

SECURITY OWNERSHIP OF DIRECTORS AND EXECUTIVE OFFICERS

Directors

Name	Amount and Nature of Beneficial Ownership	Percent (1) of Class
Charles J. Baird	230,162	(3) 1.3%
Nick Carter	5,500	(2)
Jean R. Hale	240,371	(4) 1.4%
James E. McGhee II	24,404	(2)
M. Lynn Parrish	174,242	(5) 1.0%
Dr. James R. Ramsey	10,325	(2)
Anthony W. St. Charles	7,130	(2)
All directors and executive officers as a group (17 in number including the above named individuals)	923,600	(6) 5.3%

Under the rules of the Securities and Exchange Commission, a person is deemed to beneficially own a security if the person has or shares the power to vote or direct the voting of such security or the power to dispose or to direct the disposition of such security. A person is also deemed to beneficially own any shares of which that person has the right to acquire beneficial ownership within sixty days. Shares of Common Stock subject to options exercisable within sixty days are deemed outstanding for computing the percentage of class of the person holding such options but are not deemed outstanding for computing the percentage of class for any other person. Unless otherwise indicated, the named persons have sole voting and investment power with respect to shares held by them.

(2) Less than 1 percent.

Includes 6,213 shares held as trustee under various trust agreements established by Mr. Baird's mother, Florane J. Baird, for her grandchildren, 185,000 shares held as trustee of the Bryan M. Johnson Testamentary Trust FBO (3) Rosemary Dean, 30,800 shares held as trustee of the Carolyn A. Baird Family Trust, 220 shares held as trustee under various trust agreements established for Mr. Baird's grandchildren, and 229 shares held by Mr. Baird's wife, over which Mr. Baird has no voting or investment power.

Includes 30,152 shares which Ms. Hale may acquire pursuant to options exercisable within sixty days of the (4) Record Date, 7,253 restricted shares awarded under CTBI's stock ownership plans, 20,037 shares held in the ESOP, and 66,596 shares held in the 401(k) Plan which Ms. Hale has the power to vote.

Includes 113,796 shares held by Mr. Parrish's wife, Jessica J. Parrish, as trustee of the Trust under the M. Lynn (5) Parrish 2006 GRAT over which Mr. Parrish has no voting or investment power.

Includes 79,068 shares which may be acquired by all directors and executive officers as a group pursuant to (6) options exercisable within sixty days of the Record Date.

Executive Officers

The following persons are executive officers of Community Trust Bancorp, Inc. as of the Record Date. They are not nominated to serve as directors. Their security ownership as of the Record Date is as follows:

Name	Position	Amount and Nature of Beneficial Ownership	Percent of Class
James B. Draughn	Executive Vice President	33,301 (2)	(1)
James J. Gartner	Executive Vice President	5,487 (3)	(1)
Mark A. Gooch	Executive Vice President and Secretary	70,564 (4)	(1)
Charles Wayne Hancock	Executive Vice President	3,646 (5)	(1)
D. Andrew Jones	Executive Vice President	12,308 (6)	(1)
Larry W. Jones	Executive Vice President	18,102 (7)	(1)
Richard W. Newsom	Executive Vice President	32,675 (8)	(1)
Ricky D. Sparkman	Executive Vice President	20,027 (9)	(1)
Kevin J. Stumbo	Executive Vice President, CFO and Treasurer	29,780 (10)	(1)
Andy D. Waters	Executive Vice President	5,576 (11)	(1)

(1) Less than 1 percent.

(2) Includes 5,295 shares which Mr. Draughn may acquire pursuant to options exercisable within sixty days of the Record Date, 2,964 restricted shares awarded under CTBI's stock ownership plans, 8,134 shares held in the ESOP,

and 11,716 shares held in the 401(k) Plan which Mr. Draughn has the power to vote.

- (3) Includes 2,691 restricted shares awarded under CTBI's stock ownership plans, 300 shares held in the ESOP, and 161 shares held in the 401(k) Plan which Mr. Gartner has the power to vote.

Includes 23,339 shares which Mr. Gooch may acquire pursuant to options exercisable within sixty days of the
(4) Record Date, 5,224 restricted shares awarded under CTBI's stock ownership plans, 13,707 shares held in the ESOP, and 15,582 shares held in the 401(k) Plan which Mr. Gooch has the power to vote.

- (5) Includes 1,220 restricted shares awarded under CTBI's stock ownership plans, 1,411 shares held in the ESOP, and 835 shares held in the 401(k) Plan which Mr. Hancock has the power to vote.

Includes 688 shares which Mr. Andrew Jones may acquire pursuant to options exercisable within sixty days of the
(6) Record Date, 2,350 restricted shares awarded under CTBI's stock ownership plans, 6,747 shares held in the ESOP, and 1,875 shares held in the 401(k) Plan which Mr. Jones has the power to vote.

Includes 10,646 shares which Mr. Larry Jones may acquire pursuant to options exercisable within sixty days of the
(7) Record Date, 3,184 restricted shares awarded under CTBI's stock ownership plans, and 12 shares held in the ESOP which Mr. Jones has the power to vote.

- (8) Includes 2,673 restricted shares awarded under CTBI's stock ownership plans, 9,840 shares held in the ESOP, and 13,721 shares held in the 401(k) Plan which Mr. Newsom has the power to vote.

Includes 2,673 restricted shares awarded under CTBI's stock ownership plans, 6,137 shares held in the ESOP,
(9) 4,942 shares held in the 401(k) Plan which Mr. Sparkman has the power to vote, and 188 shares held in an individual retirement account.

Includes 8,728 shares which Mr. Stumbo may acquire pursuant to options exercisable within sixty days of the
(10) Record Date, 2,736 restricted shares awarded under CTBI's stock ownership plans, 6,755 shares held in the ESOP, and 9,213 shares held in the 401(k) Plan which Mr. Stumbo has the power to vote.

Includes 220 shares which Mr. Waters may acquire pursuant to options exercisable within sixty days of the
(11) Record Date, 2,192 restricted shares awarded under CTBI's stock ownership plans, 2,809 shares held in the ESOP which Mr. Waters has the power to vote, and 220 shares held in an individual retirement account.

DIRECTORS' COMPENSATION

Directors of CTBI, excluding the Chairman of the Audit Committee, the Chairman of the Risk and Compliance Committee, and the Chairman of the Compensation Committee, who are not also officers of CTBI, were paid \$7,500 per quarter for 2014, plus \$600 for any committee meeting attended the day prior to regularly scheduled quarterly Board meetings. The Chairman of the Audit Committee was paid \$10,000 per quarter. The Chairman of the Risk and Compliance Committee and the Chairman of the Compensation Committee were each paid \$8,750 per quarter for 2014. Directors are paid \$100 for special committee meetings by telephone and \$300 for other committee meetings held on days other than the day prior to regularly scheduled quarterly Board meetings. Directors who are also officers of CTBI did not receive additional compensation for serving as a director. No option awards, stock awards, retirement benefits, or other benefits are provided to directors of CTBI. The following table shows the total fees paid in 2014 to each director.

	2014
Director	Fees Paid

Charles J. Baird	\$30,700	
Nick Carter	40,600	
Jean R. Hale	0	(1)
James E. McGhee II	39,500	
M. Lynn Parrish	35,400	
Dr. James R. Ramsey	44,000	
Anthony W. St. Charles	35,600	
Total	\$225,800	

(1) As an officer of CTBI, Ms. Hale does not receive directors' fees..

For information concerning director compensation for 2015, see the Role of the Compensation Committee section of the Compensation Discussion and Analysis.

CORPORATE GOVERNANCE

The Board of Directors has determined that the following five of CTBI's seven directors are "independent" as defined by applicable law and NASDAQ listing standards: Nick Carter, James E. McGhee II, M. Lynn Parrish, Dr. James R. Ramsey, and Anthony W. St. Charles. The independent directors have no relationships with CTBI or its independent auditors other than immaterial relationships which were therefore not considered by the Board in confirming independence. Mr. Parrish has been selected by the Board of Directors as the "lead independent director."

The lead independent director presides over executive sessions of the Board and acts as the liaison between independent directors and the Chairman of the Board. The lead independent director also provides input to the Chairman of the Board concerning the agendas for Board meetings and performs other duties as assigned by the Board from time to time.

The leadership structure of the Board consists of a combined Chairman and Chief Executive Officer position, which has been held by Ms. Hale since 2004. The Board believes that a unified Chief Executive Officer and Chairman is appropriate and in the best interests of CTBI and its shareholders. The Board believes that combining these roles provides the following advantages:

- The Chief Executive Officer is the director most familiar with CTBI's business and is best suited to lead discussions on important matters affecting CTBI's business;

- The combination of the roles creates a firm link between management and the Board and facilitates the development and implementation of corporate strategy; and

- The combination of the positions contributes to a more effective and efficient Board, and the Board believes it does not undermine the Board's independence, particularly in light of the role played by the Board's lead independent director.

The lead independent director serves an important corporate governance function by providing separate leadership for the non-management and independent directors. The Board makes the determination of the appropriate leadership structure based on current circumstances. The Board also believes that the solid and profitable performance of CTBI under Ms. Hale's direction, particularly in light of the recent financial crisis, demonstrates the effectiveness of CTBI's leadership structure. Ms. Hale is the direct link between executive management and the Board, and as a banking professional with more than 40 years of industry experience, she provides critical insight and perception to the Board, as well as feedback to executive management, through her understanding of the issues at hand.

During 2014, the Board held four executive sessions, under the guidelines for executive sessions prescribed in the Corporate Governance Guidelines, which included only non-management directors.

Corporate Governance Guidelines and the Code of Business Conduct and Ethics adopted by the Board may be found on CTBI's website at www.ctbi.com. The Code of Business Conduct and Ethics governs the actions of CTBI's directors, officers, and employees. The Code is reviewed by the Nominating and Corporate Governance Committee and approved by the Board.

Shareholders may communicate directly with the Board of Directors by sending a written communication addressed to the Chairman of the Board of Directors at CTBI's address.

The Board of Directors held six meetings during the 2014 fiscal year, including the annual organizational meeting. Each director attended at least 75% of the aggregate number of Board meetings and meetings of Board committees on which such director served in 2014. It is the Board's policy that directors should attend each Annual Meeting of Shareholders subject to a substantial personal or business conflict. All of CTBI's directors attended the 2014 Annual Meeting of Shareholders. The Board has the following committees: Audit and Asset Quality Committee, Compensation Committee, Executive Committee, Nominating and Corporate Governance Committee, Risk and Compliance Committee, and Corporate Retirement and Employee Benefit Committee.

The Audit and Asset Quality Committee (the "Audit Committee") Charter, which is subject to annual review, was last reviewed and approved in January 2015 and may be found on CTBI's website at www.ctbi.com. The Audit Committee consists of Dr. James R. Ramsey (Chairman), M. Lynn Parrish (Vice Chairman), Nick Carter, James E. McGhee II, and Anthony W. St. Charles, all of whom meet the independence standards of Rule 5605(a)(2) and the audit committee qualifications of Rule 5605(c)(2) of the NASDAQ listing standards. The Board of Directors has determined that none of the Audit Committee members has a relationship to CTBI that may interfere with his independence from CTBI and its management. The Board has determined that Dr. James R. Ramsey is an audit committee financial expert for CTBI and is independent as described above. For further information regarding the Audit Committee, please see the Report of the Audit and Asset Quality Committee below.

The Compensation Committee consists of Nick Carter (Chairman), M. Lynn Parrish (Vice Chairman), and Anthony W. St. Charles, all of whom meet the applicable independence standards. The Compensation Committee Charter can be found on CTBI's website at www.ctbi.com. The Compensation Committee met eight times during 2014. See the Role of the Compensation Committee section of the Compensation Discussion and Analysis for more information.

The Nominating and Corporate Governance Committee consists of M. Lynn Parrish (Chairman) and James E. McGhee II (Vice Chairman); both meet the applicable independence standards. The Nominating and Corporate Governance Committee Charter can also be found on CTBI's website at www.ctbi.com. The Nominating and Corporate Governance Committee: (i) evaluates and recommends nominee directors for election to the Board and appointment to committee membership and (ii) develops and recommends to the Board policies and guidelines relating to corporate governance and the identification and nomination of directors and committee members. This committee is also responsible for the annual review of the Board's performance as a whole, each committee's performance as a whole, each individual director's performance, and the annual review of CTBI's succession plans for its Chief Executive Officer and other executive officers. Each of our directors is evaluated annually on the basis of

personal characteristics, financial literacy, mature confidence, high performance standards, and core competencies. The Nominating and Corporate Governance Committee met three times in 2014. See Election of Directors for more information.

The Risk and Compliance Committee consists of James E. McGhee II (Chairman), M. Lynn Parrish, and Anthony W. St. Charles, all of whom meet the applicable independence standards. The Risk and Compliance Committee Charter may be found on CTBI's website at www.ctbi.com. The Risk and Compliance Committee: (i) oversees management's compliance with all of CTBI's regulatory obligations arising under applicable federal and state banking and financial institutions laws, rules, and regulations and (ii) oversees management's implementation and enforcement of CTBI's risk management policies and procedures. On a quarterly basis, CTBI's Chief Internal Audit/Risk Officer provides a comprehensive risk report to the Risk and Compliance Committee. The Risk and Compliance Committee met four times during 2014.

Under our Corporate Governance Guidelines, the Board is charged with providing oversight of our risk management processes. The Audit Committee and the Risk and Compliance Committee are primarily responsible for overseeing our risk management function on behalf of the Board. In carrying out its responsibilities, the Audit and Risk and Compliance Committees work closely with our Chief Risk Officer and other members of our enterprise-wide risk management team. Risk is inherent with every business, and how well a business manages risk can ultimately determine its success. We face a number of risks, including general economic risks, credit risks, regulatory risks, audit risks, reputational risks and others, such as the impact of competition. Management is responsible for the day-to-day management of risks CTBI faces, while the Board, as a whole and through its committees, has responsibility for the oversight of risk management. In its risk oversight role, the Board has the responsibility to satisfy itself that the risk management processes designed and implemented by management are adequate and functioning as designed.

While the full Board of Directors is charged with ultimate oversight responsibility for risk management, various committees of the Board and members of management also have responsibilities with respect to our risk oversight. The Audit Committee plays a large role in monitoring and assessing our financial, legal, and organizational risks. CTBI utilizes an enterprise-wide risk management ("EWRM") process designed to provide the Board and management with the capabilities needed to identify, assess, and manage the full spectrum of risks inherent to our industry. While business unit managers are primarily responsible for managing risk inherent in their areas of responsibility, CTBI has established a risk management governance structure to establish policies, monitor adherence to the policies, and manage the overall risk profile of CTBI. CTBI's EWRM program is not intended to replace normal risk management activities conducted by the business unit managers. The EWRM program is designed to provide a portfolio view of risks across the entire enterprise.

As an integral part of the risk management process, management has established various committees consisting of senior executives and others within CTBI. The purpose of these committees is to closely monitor risks and ensure that adequate risk management practices exist within their respective areas of authority. Some of the principal committees include the Asset/Liability Management (ALCO) Committee, the Loan Portfolio Risk Management Committee, the Senior Credit Committee, the Information Technology Steering Committee, and various compliance-related committees. Overlapping membership of these committees by senior executives and others helps provide a unified view of risk on an enterprise-wide basis. To facilitate an enterprise-wide view of CTBI's risk profile and coordinate the enterprise risk management governance process, a Chief Risk Officer has been appointed, who oversees the process and reports on CTBI's risk profile. Additionally, risk champions are assigned for various areas. The risk champions facilitate implementation of the enterprise risk management and governance process across CTBI. The Risk and Compliance Committee oversees and supports the EWRM process. The Board of Directors, through its Risk and Compliance Committee, has overall responsibility for oversight of CTBI's enterprise risk management governance process. The Risk and Compliance Committee monitors and assesses regular reports from the management team's EWRM Committee regarding comprehensive organizational risk as well as particular areas of concern. In addition, the Nominating Committee considers risks related to succession planning. The Compensation Committee considers

risks related to the attraction and retention of critical employees and risks relating to CTBI's compensation programs and contractual employee arrangements and oversees incentives that encourage a level of risk-taking consistent with our overall strategy. The Compensation Committee reviews compensation and benefit plans affecting employees in addition to those applicable to executive officers.

REPORT OF THE AUDIT AND ASSET QUALITY COMMITTEE

The Audit and Asset Quality Committee (the "Audit Committee") oversees the financial reporting process of CTBI on behalf of the Board of Directors. All directors who serve on the Audit Committee meet the independence standards of Rule 5605(a)(2) and the audit committee qualifications of Rule 5605(c)(2) of the NASDAQ listing standards. The Audit Committee monitors the integrity of CTBI's financial statements, the qualifications and independence of CTBI's independent registered public accounting firm ("independent auditor"), the performance of CTBI's internal audit function, CTBI's system of internal controls, financial reporting, and disclosure controls, and compliance with the Corporate Governance Guidelines and Code of Business Conduct and Ethics. The Audit Committee has established procedures for the confidential, anonymous submission of concerns about accounting matters, internal controls, and auditing matters. Management has the responsibility for the preparation of CTBI's consolidated financial statements and management's assertion on the design and effectiveness of CTBI's internal control over financial reporting. The independent auditor has the responsibility for the examination of those consolidated financial statements.

The Audit Committee reviewed with the independent auditor, which is responsible for expressing an opinion on the conformity of the audited financial statements with accounting principles generally accepted in the United States of America, its judgments as to the quality, not just the acceptability, of CTBI's accounting principles and such other matters as are required to be discussed with the Audit Committee under auditing standards generally accepted in the United States of America. Additionally, the Audit Committee's review included discussion with CTBI's independent auditor of matters required to be discussed pursuant to the Public Company Accounting Oversight Board ("PCAOB") Auditing Standard No. 16 ("AS 16") and Statement on Auditing Standards No. 61, Communication with Audit Committees, as amended (AICPA, Professional Stand