COMMUNITY TRUST BANCORP INC /KY/
Form DEF 14A
March 21, 2013

COMMUNITY TRUST BANCORP, INC.

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS
TO BE HELD APRIL 23, 2013

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 23, 2013 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 ratify and approve the appointment of BKD, LLP as CTBI's Independent Registered Public Accounting Firm for the fiscal year ending December 31, 2013.

3. To approve the advisory (nonbinding) resolution relating to executive compensation.

4. 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 28, 2013 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 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 2012 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 1, 2013

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 23, 2013

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 23, 2013, 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 2012 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 1, 2013.

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 28, 2013 (the "Record Date") are entitled to notice of and to vote at the Annual Meeting. At the Record Date, there were 15,640,590 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 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 appointment of BKD, LLP as CTBI's Independent Registered Public Accounting Firm for the fiscal year ending December 31, 2013, 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 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.

Beneficial Owner Name and Address	Amount and Nature of Beneficial Ownership	Percent of Class
Community Trust and Investment Company	1,641,234 (1)	10.5%
As Fiduciary		
100 East Vine St., Suite 400		
Lexington, Kentucky 40507		
BlackRock Inc.	856,120 (2)	5.5%
40 East 52nd Street		
New York, NY 10022		

(1) 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 1,504,023 shares and no voting rights with respect to 137,211 shares. Community Trust and Investment Company has sole investment authority with respect to 357,587 shares and shared investment authority with respect to 84,478 shares; 689,238 shares are held by CTBI's Employee Stock Ownership Plan ("ESOP") and 509,931 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.

(2) This information is taken from a Schedule 13G/A filed February 8, 2013 with respect to holdings of BlackRock Inc. subsidiaries as of December 31, 2012. The Schedule 13G/A reports sole voting and investment power with respect to 856,120 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 15, 2014.

INFORMATION ABOUT DIRECTORS

The age (as of February 28, 2013), business experience, and position of each of the directors currently serving are as follows:

Charles J. Baird, age 63, 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 38 years of legal and management experience, Mr. Baird 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. He is currently

Chairman of the Eastern Kentucky Exposition Center and Coal Operators and Associates, and he was a member of the Workers' Compensation Board Nominating Commission of Kentucky from 1987 until 2010, serving as Chairman for 10 years. Mr. Baird also serves as a director of Community Trust and Investment Company, a subsidiary of CTBI.

Nick Carter, age 66, 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 and the Risk and Compliance Committee. Mr. Carter has been President and COO of Natural Resource Partners L.P. (a coal, mineral, and aggregate reserve ownership business) and its subsidiaries (NYSE:NRP) since 2002. For twelve years prior to joining Natural Resource Partners, Mr. Carter managed a $120 million private coal landholding company with operations in five states. Mr. Carter attends and speaks at several investor conferences each year and has attended numerous conferences and seminars relating to business management and legal matters. Mr. Carter is currently Chairman of the National Council of Coal Lessors and a director of Vigo Coal Company, 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 66, 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. 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 55, 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 as a member of the Nominating and Corporate Governance Committee, 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. 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 63, 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 a member of the Executive Committee, the Risk and Compliance Committee, and the Compensation 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 64, 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, trustee of Churchill Tax Free Fund of Kentucky since 1987, and trustee of Narragansett Tax Free Bond Fund, Rhode Island since 2004. 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 54, 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 seventeen 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(1)	Percent of Class
Charles J. Baird	221,050(3)	1.4%
Nick Carter	5,000	(2)
Jean R. Hale	226,813(4)	1.5%
James E. McGhee II	20,963(5)	(2)
M. Lynn Parrish	159,462(6)	1.0%
Dr. James R. Ramsey	8,500	(2)
Anthony W. St. Charles	6,069	(2)
All directors and executive officers as a group (16 in number including the above named individuals)	941,225(7)	6.0%

(1) 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.

(3) Includes 5,649 shares held as trustee under various trust agreements established by Mr. Baird's mother, Florane J. Baird, for her grandchildren, 180,000 shares held as trustee of the Bryan M. Johnson Testamentary Trust FBO

Rosemary Dean, 28,000 shares held as trustee of the Carolyn A. Baird Family Trust, 200 shares held as trustee under various trust agreements established for Mr. Baird's grandchildren, and 201 shares held by Mr. Baird's wife, over which Mr. Baird has no voting or investment power.

(4) Includes 45,213 shares which Ms. Hale may acquire pursuant to options exercisable within sixty days of the Record Date, 16,822 restricted shares awarded under CTBI's stock ownership plans, 16,504 shares held in the ESOP, and 55,198 shares held in the 401(k) Plan which Ms. Hale has the power to vote.

(5) Includes 149 shares held by Mr. McGhee's son, over which Mr. McGhee has no voting or investment power.

(6) Includes 103,451 shares held by Mr. Parrish's wife, Jessica J. Parrish, as trustee of the Trust under the M. Lynn Parrish 2006 GRAT over which Mr. Parrish has no voting or investment power and 1,060 shares held by his son, Jesse Marvin Parrish, over which Mr. Parrish has no voting or investment power.

(7) Includes 176,795 shares which may be acquired by all directors and executive officers as a group pursuant to 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	49,442(2)	(1)
James J. Gartner	Executive Vice President	31,881(3)	(1)
Mark A. Gooch	Executive Vice President and Secretary	72,516(4)	(1)
D. Andrew Jones	Executive Vice President	10,165(5)	(1)
Larry W. Jones	Executive Vice President	21,685(6)	(1)
Richard W. Newsom	Executive Vice President	34,876(7)	(1)
Ricky D. Sparkman	Executive Vice President	33,868(8)	(1)
Kevin J. Stumbo	Executive Vice President and Treasurer	30,490(9)	(1)
Andy D. Waters	Executive Vice President	8,444(10)	(1)

(1) Less than 1 percent.

(2) Includes 26,933 shares which Mr. Draughn may acquire pursuant to options exercisable within sixty days of the Record Date, 6,158 restricted shares awarded under CTBI's stock ownership plans, 6,371 shares held in the ESOP, and 9,128 shares held in the 401(k) Plan which Mr. Draughn has the power to vote.

(3) Includes 17,234 shares which Mr. Gartner may acquire pursuant to options exercisable within sixty days of the Record Date, 5,933 restricted shares awarded under CTBI's stock ownership plans, 2,672 shares held in the ESOP, and 4,317 shares held in the 401(k) Plan which Mr. Gartner has the power to vote.

(4) Includes 34,001 shares which Mr. Gooch may acquire pursuant to options exercisable within sixty days of the Record Date, 11,632 restricted shares awarded under CTBI's stock ownership plans, 11,061 shares held in the ESOP, and 12,512 shares held in the 401(k) Plan which Mr. Gooch has the power to vote.

(5) Includes 1,031 shares which Mr. Andrew Jones may acquire pursuant to options exercisable within sixty days of the Record Date, 2,011 restricted shares awarded under CTBI's stock ownership plans, 5,270 shares held in the ESOP, and 1,488 shares held in the 401(k) Plan which Mr. Jones has the power to vote.

(6) Includes 12,010 shares which Mr. Larry Jones may acquire pursuant to options exercisable within sixty days of the Record Date, 6,354 restricted shares awarded under CTBI's stock ownership plans, and 2,378 shares held in the ESOP which Mr. Jones has the power to vote.

(7) Includes 8,243 shares which Mr. Newsom may acquire pursuant to options exercisable within sixty days of the Record Date, 5,915 restricted shares awarded under CTBI's stock ownership plans, 7,848 shares held in the ESOP, and 11,146 shares held in the 401(k) Plan which Mr. Newsom has the power to vote.

(8) Includes 16,214 shares which Mr. Sparkman may acquire pursuant to options exercisable within sixty days of the Record Date, 5,915 restricted shares awarded under CTBI's stock ownership plans, 4,699 shares held in the ESOP, 4,046 shares held in the 401(k) Plan which Mr. Sparkman has the power to vote, and 1,400 shares held in an individual retirement account.

(9) Includes 11,685 shares which Mr. Stumbo may acquire pursuant to options exercisable within sixty days of the Record Date, 5,949 restricted shares awarded under CTBI's stock ownership plans, 5,202 shares held in the ESOP, and 7,446 shares held in the 401(k) Plan which Mr. Stumbo has the power to vote.

(10) Includes 4,231 shares which Mr. Waters may acquire pursuant to options exercisable within sixty days of the Record Date, 1,855 restricted shares awarded under CTBI's stock ownership plans, 1,874 shares held in the ESOP which Mr. Waters has the power to vote, and 200 shares held in an individual retirement account.

DIRECTORS' COMPENSATION

Directors of CTBI, excluding the Chairman of the Audit Committee and the Chairman of the Risk and Compliance Committee, who are not also officers of CTBI, were paid $5,000 per quarter for 2012, plus $600 for any committee meeting attended the day prior to regularly scheduled quarterly Board meetings. The Chairman of the Audit Committee was paid $7,500 per quarter and the Chairman of the Risk and Compliance Committee was paid $6,250 per quarter for 2012. Directors are paid $100 for special committee meetings by telephone and $300 for other committee meetings held on days other than days 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 2012 to each director.

Director	2012 Fees Paid
Charles J. Baird	$20,300
Nick Carter	23,300

Nick A. Cooley	23,300 (1)
Jean R. Hale	0 (2)
James E. McGhee II	28,300
M. Lynn Parrish	23,300
Dr. James R. Ramsey	32,900
Anthony W. St. Charles	23,200
Total	$174,600

(1) Mr. Cooley retired from the Board on January 29, 2013.

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

For information concerning director compensation for 2013, 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 2012, 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 2012 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 2012. 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 who were serving at the time attended the 2012 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 2013 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, and Anthony W. St. Charles, all of whom meet the applicable independence standards. The Compensation Committee met ten times during 2012. 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; 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 twice in 2012. See Election of Directors for more information.

The Risk and Compliance Committee consists of James E. McGhee II (Chairman), Nick Carter, 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 2012.

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 Statement on Auditing Standards No. 61, Communication with Audit Committees, ("SAS 61"), as amended (AICPA, Professional Standards, Vol. 1 AU Section 380), as adopted by the Public Company Accounting Oversight Board ("PCAOB") in Rule 3200T. SAS 61 requires CTBI's independent auditor to provide the Audit Committee with additional information regarding the scope and results of its audit of CTBI's financial statements, including with respect to: (i) its responsibility under audit standards performed in accordance with standards of the PCAOB (United States), (ii) significant accounting policies, (iii) management judgments and estimates, (iv) any significant audit adjustments, (v) any disagreements with management, and (vi) any difficulties encountered in performing the audit.

The Audit Committee received from BKD, LLP a letter providing the disclosures required by applicable requirements of the PCAOB, with respect to any relationships between BKD, LLP and CTBI that, in its professional judgment, may reasonably be thought to bear on independence. BKD has discussed its independence with the Audit Committee and has confirmed in such letter that, in its professional judgment, it is independent of CTBI within the meaning of the federal securities laws.

The Audit Committee pre-approves all audit and non-audit services performed by the independent auditor. The Audit Committee will periodically grant general pre-approval of certain audit and non-audit services. Any other services must be specifically approved by the Audit Committee, and any proposed services exceeding the pre-approved cost levels must be specifically pre-approved by the Audit Committee. In periods between Audit Committee meetings, the Chairman of the Audit Committee has the delegated authority from the Audit Committee to pre-approve additional services, and such pre-approvals are then communicated to the full Audit Committee.

The Audit Committee discussed with CTBI's internal auditor and independent auditor the overall scope and plans for their respective audits. The Audit Committee met with its internal auditor and independent auditor, with and without management present, to discuss the results of their examinations, their evaluations of CTBI's internal controls, and the overall quality of CTBI's financial reporting. The Audit Committee held twelve meetings during fiscal year 2012.

In fulfilling its oversight responsibilities, the Audit Committee reviewed with management and the independent auditor the audited consolidated financial statements of CTBI as of and for the year ended December 31, 2012 and management's assertion on the design and effectiveness of CTBI's internal control over financial reporting as of December 31, 2012.

In reliance on the reviews and discussions referred to above, the Audit Committee recommended to the Board of Directors that the audited financial statements be included in the Annual Report on Form 10-K for the year ended December 31, 2012 for filing with the Securities and Exchange Commission. The Audit Committee has also recommended, subject to shareholder ratification, the selection of BKD, LLP as CTBI's independent registered public accounting firm.

Dr. James R. Ramsey, Chairman
M. Lynn Parrish, Vice Chairman
Nick Carter, Member
James E. McGhee II, Member
Anthony W. St. Charles, Member

March 7, 2013

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Audit Committee of the Board of Directors of CTBI engaged BKD, LLP ("BKD") to serve as its independent registered certified public accounting firm for the year ended December 31, 2012.

Aggregate fees billed to CTBI for the fiscal years ending December 31, 2012 and 2011 by CTBI's principal accounting firm, BKD, LLP, were as follows:

	2012	2011
Audit fees	$317,300	$414,800
Audit related fees	63,614	60,128
Subtotal	380,914	474,928
Tax fees	33,750	36,610
Total	$414,664	$511,538

Audit related fees included payments for audits of CTBI's ESOP and 401(k) Plan and out-of-pocket expenses related to the audit of the consolidated financial statements. Tax fees include payments for preparation of the federal and state corporate income tax returns and the preparation of the Form 5500s for the CTBI sponsored benefit plans.

RATIFICATION OF THE SELECTION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Audit Committee requests that shareholders ratify its selection of BKD to examine the consolidated financial statements of CTBI for the fiscal year ending December 31, 2013. Although action by the shareholders on this matter is not required, the Board believes that it is appropriate to seek shareholder ratification of this appointment in light of the critical role played by independent auditors in maintaining the integrity of CTBI's financial controls and reporting. Even if shareholders vote on an advisory basis in favor of the appointment, the Audit Committee may, in its discretion, direct the appointment of different auditors at any time during the year if it determines that such a change would be in the best interest of CTBI and its shareholders. BKD is not expected to have a representative present at the Annual Meeting. THE BOARD OF DIRECTORS RECOMMENDS A VOTE "FOR" THE RATIFICATION OF THE SELECTION OF BKD, LLP AS THE INDEPENDENT REGISTERED PUBLIC

ACCOUNTING FIRM OF CTBI.

ADVISORY VOTE ON EXECUTIVE COMPENSATION

The compensation of our Chief Executive Officer, Principal Financial Officer, and other three most highly compensated executive officers ("Named Executive Officers") is described in the Compensation Discussion and Analysis and Executive Compensation sections of this Proxy Statement. Shareholders are urged to read both of these sections of this Proxy Statement, which discuss our compensation policies and procedures with respect to our Named Executive Officers. As discussed in the Compensation Discussion and Analysis, the Compensation Committee seeks to establish executive compensation at fair, reasonable, and competitive levels, with a meaningful portion of compensation tied to performance.

In accordance with Section 951 of the Dodd-Frank Wall Street Reform and Consumer Protection Act and the changes to Section 14A of the Securities Exchange Act of 1934, we are providing CTBI's shareholders the opportunity to vote on an advisory (nonbinding) resolution to approve the compensation of our Named Executive Officers. At our 2011 Annual Meeting of Shareholders, shareholders approved the annual submission of our Named Executive Officer compensation to shareholders for approval on an advisory (nonbinding) basis. Accordingly, the following resolution will be submitted for a shareholder vote at the 2013 Annual Meeting:

"RESOLVED, that the shareholders of Community Trust Bancorp, Inc. ("CTBI") approve, on an advisory basis, the overall compensation of CTBI's Named Executive Officers, as described in the Compensation Discussion and Analysis and Executive Compensation sections set forth in the Proxy Statement for this Annual Meeting."

This advisory vote, commonly referred to as a "say-on-pay" advisory vote, is nonbinding on CTBI and the Board. However, the Board values constructive dialogue on executive compensation and other important governance topics with CTBI's shareholders and encourages all shareholders to vote their shares on this matter.

Approval of this resolution requires the affirmative vote of a majority of the votes cast at the Annual Meeting. While this vote is required by law, it will neither be binding on CTBI or the Board, nor will it create or imply any change in the fiduciary duties of, or impose any additional fiduciary duty on, CTBI or the Board. However, the Compensation Committee will take into account the outcome of the vote when considering future executive compensation decisions. Brokers and other nominees do not have discretionary voting power over the advisory vote on 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 this proposal. THE BOARD OF DIRECTORS RECOMMENDS A VOTE "FOR" THE APPROVAL OF THE ADVISORY (NONBINDING) RESOLUTION RELATING TO EXECUTIVE COMPENSATION.

INTEREST OF MANAGEMENT IN CERTAIN TRANSACTIONS

In the ordinary course of business, CTBI, through its wholly-owned commercial bank subsidiary, Community Trust Bank, Inc. (the "Bank"), has had in the past and expects to have in the future banking transactions, including lending to its directors, officers, principal shareholders, and their associates. When these banking transactions are credit transactions, they are made in the ordinary course of business, on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with others. None of the credits are disclosed as nonaccrual, past due, restructured, or potential problem credits. In the opinion of CTBI's Board of Directors, such transactions do not involve more than the normal risk of collectability or present any other unfavorable features.

Mr. Charles J. Baird, a director of CTBI, is a shareholder in Baird and Baird, P.S.C., a law firm that provided services to CTBI and its subsidiaries during 2012 and will be retained by CTBI and its subsidiaries during the fiscal year 2013. Approximately $1.3 million in legal fees and $0.2 million in expenses paid on behalf of CTBI, $1.5 million in total, were paid to Baird and Baird, P.S.C. during 2012.

The Board of Directors has determined that the Compensation Committee of the Board should review and approve related party transactions. Accordingly, at each calendar year's first regularly scheduled Compensation Committee meeting, management recommends related party transactions to be entered into by CTBI for that calendar year, including the proposed aggregate value of such transactions if applicable. After review, the Compensation Committee recommends approval or disapproval of such transactions and at each subsequently scheduled meeting, management updates the Compensation Committee as to any material change to those proposed transactions. In the event management recommends any further related party transactions subsequent to the first calendar year meeting, such transactions may be presented to the Compensation Committee for consideration. The Compensation Committee provides a report to the Board of Directors at each regularly scheduled meeting of the related party transactions approved by the Compensation Committee since the date of its previous report to the Board.

SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934 (the "Act") requires CTBI's executive officers and directors and persons who own more than ten percent (10%) of the Common Stock to file initial reports of ownership and changes in ownership with the Securities and Exchange Commission ("SEC"), as well as to furnish CTBI with a copy of such report. Additionally, SEC regulations require CTBI to identify in its Proxy Statement those individuals for whom one of the referenced reports was not filed on a timely basis during the most recent fiscal year. Based upon a review of Forms 3, 4, and 5 furnished to CTBI, there were two late Form 4 filings, each with respect to one transaction, on behalf of Charles J. Baird that were filed past the due date in 2012.

COMPENSATION DISCUSSION AND ANALYSIS

Introduction

This Compensation Discussion and Analysis is intended to provide shareholders with an understanding of our executive compensation philosophy, our decision making process, the key compensation-related decisions made by the Compensation Committee in 2012, and any changes approved for 2013. It also describes the key components of compensation provided to CTBI's executive officers, including the Named Executive Officers.

Executive Summary

CTBI performed well during the recent economic recession. Analyses performed for the Compensation Committee during 2011 and 2012 showed that CTBI's financial results and total shareholder return consistently exceeded the median of peer companies over multiple time periods. Despite this good performance, CTBI's executive compensation has been conservatively positioned, with total pay (salaries, annual bonuses, and long-term incentives) for CTBI's top five executives ("Named Executive Officers") consistently below the median of peer companies. This lack of alignment between performance and pay is substantially due to the relatively modest cash and stock incentives historically provided by CTBI's executive incentive plans.

During 2012, the Compensation Committee continued its ongoing review of the compensation program for executive officers and monitored the impact of certain changes implemented in 2012, especially in regard to the executive incentive plans. As described in more detail below, the thrust of the changes made in 2012 and early 2013 is to increase the portion of total pay that is performance-based. This should enable CTBI to accomplish three significant objectives: (i) improve the alignment of executive pay with CTBI performance, (ii) provide executives a pay opportunity that is more competitive with industry practices, and (iii) retain qualified management.

In order to accomplish those objectives, in early 2012 the Committee adopted, and the Board of Directors approved, the following strategy for managing executive compensation over the next several years:

- Manage executive officer salaries toward the median of market values (contingent on meeting or exceeding performance standards)
  - Salaries for some executives have been noticeably below market, so a series of adjustments may be made over more than one year in order to control expense.
  - Managing salaries toward the median also will control the portion of total pay that is "fixed," enabling CTBI to gradually provide more incentive pay that is variable and performance-based.
- Increase the cash incentive opportunity under the Senior Management Incentive Plan
  - The annual cash incentive potential for executive officers will be increased gradually over several years, beginning in 2012 and continuing in 2013.
  - The increased incentives are not guaranteed but will be paid only if the executives achieve performance targets set each year by the Compensation Committee.
  - This will increase the portion of total pay that is performance-based, improve the alignment of pay with performance and improve the competitiveness of the total pay opportunity.
- Slightly reduce the stock-based incentive opportunity under the Senior Management Incentive Plan in order to offset some of the increase in cash incentives and control the potential dilution to shareholders that could result from the use of stock-based incentives
- Introduce a performance-based long-term incentive plan
  - Beginning in 2012, CTBI will grant performance units to executive officers.
  - Performance units are cash-based long-term incentives that are earned for achieving one or more specific financial goals over a multi-year period.
  - Performance units will be earned for achieving a target level of Cumulative Net Income during a three-year performance period.
  - The Committee believes that sustained growth in earnings (as reflected in the Cumulative Net Income target) will result in value for shareholders.
  - This will increase the portion of total pay that is performance-based, improve the alignment of pay with performance and provide a more competitive pay opportunity.

After careful consideration, the Compensation Committee concluded the changes described above were necessary to ensure that CTBI pays executives for performance and agreed to implement them over several years, beginning in 2012 and continuing in subsequent years. This will enable CTBI to maintain a conservative posture versus market pay practices while making sequential improvements to the executive incentive plans and adjustments as necessary.

The Committee reviewed the compensation strategy adopted earlier in 2012 and the progress CTBI had made towards accomplishing the objectives described above. Based on this review, the Committee concluded it would be appropriate to continue the implementation of the compensation strategy. Accordingly, the Committee approved certain changes to the compensation plans for executive officers for 2013, including modest base salary increases and adjustments to annual and long-term incentive potentials as further described below. During 2013, the Committee will continue to monitor the implementation of the executive compensation strategy.

Role of the Compensation Committee

The principal duties of the Compensation Committee are to establish the executive compensation strategy of CTBI; approve compensation plans that support the implementation of the strategy; assess and monitor the potential risk associated with various compensation arrangements, especially incentive compensation plans; approve the compensation of the CEO; review the recommendations of the CEO and approve the compensation of the other executive officers of CTBI; and make recommendations to the Board of Directors concerning executive officer compensation. The Committee is responsible for establishing, implementing and continually monitoring adherence with CTBI's executive compensation philosophy.

To accomplish these responsibilities, the Compensation Committee reviews and approves corporate goals and objectives relevant to the compensation of CTBI's CEO, and it evaluates the performance of the CEO relative to the approved goals and objectives. The Committee determines and approves the CEO's compensation based on this evaluation of performance. Additionally, the Committee reviews compensation levels for CTBI's other executive officers relative to goals and objectives relevant to their responsibilities, considers the CEO's evaluation of their achievements, and approves their compensation based on this evaluation.

The Committee strives to establish and maintain compensation plans that are: (i) focused on rewarding performance, (ii) aligned with the interests of shareholders, (iii) competitive with the practices of peer companies, and (iv) sufficient to enable CTBI to attract and retain a strong management team.

The Committee has followed certain guiding principles to ensure the effectiveness of CTBI's executive compensation strategy. The Committee recognizes the importance of perceived fairness of compensation practices, both internally and externally, and believes that the long-term success of CTBI and its ability to create value for shareholders is dependent on attracting, motivating, rewarding, and retaining skilled executives. Significant time is devoted by the Committee to monitoring the relationship between executive pay and CTBI performance, and adjusting compensation plans and practices as needed from year to year to maintain an appropriate alignment of pay with performance. The Committee recognizes that the competition for talented executives among financial institutions similar to CTBI is intense, and it considers compensation data and other labor market indicators as it reviews CTBI's compensation plans. Current economic and industry environments are considered when reviewing executive compensation. Full disclosure is made to the independent members of the Board of Directors of CTBI's executive compensation policies, practices, and issues to ensure that all directors understand the implications of the Committee's decisions. Likewise, the Committee works with management to ensure that public filings related to executive compensation are transparent and comply with applicable regulations.

The Compensation Committee has established various processes to assist it in ensuring CTBI's executive compensation program is achieving its objectives. Among these are:

- Assessment of Company Performance – The Committee considers various measures of company and industry performance, including but not limited to asset growth, asset quality, earnings per share, return on assets, return on equity, total shareholder return, and execution of CTBI's growth strategy. The Committee does not apply a formula or assign relative weights to these measures. Instead it makes a subjective determination after considering such measures individually and collectively.
- Assessment of Individual Performance – Individual performance assessments impact the compensation of all CTBI employees, including the CEO and other Named Executive Officers. Goals and objectives are established for the CEO, and performance relative to those goals and objectives is evaluated. The Committee reviews the performance of other executive officers and considers the CEO's recommendations concerning the officers' achievements. Additionally, the Committee applies its own judgment based on the interactions of the Board and/or the Committee with each executive officer. The performance evaluation of each executive officer considers their contributions to CTBI's performance and other leadership accomplishments.
- Total Compensation Review – The Compensation Committee annually reviews each executive's base salary, annual incentive, and stock-based incentives. In addition to these primary compensation elements, the Committee reviews other executive compensation arrangements, including, for example, payments that could be required under various severance and change in control scenarios. This "holistic" review process ensures that the Committee considers the executive's total compensation prior to changing any single component.

The Committee meets in executive session without management or guests present when making decisions about the compensation arrangements for Named Executive Officers and at other times as needed.

In addition to its responsibilities for executive compensation, the Committee periodically reviews the compensation provided to the CTBI Board of Directors to ensure that the compensation provided for service on the Board and its committees is commensurate to the amount of work required from the individual directors as well as from the Board in aggregate. The Committee periodically compares the pay arrangements for the Board and the actual amounts earned by individual directors to amounts paid to outside directors of banking companies in the Peer Group (as defined below) and to survey data for director compensation. In late 2012, the Committee reviewed the existing compensation program for outside directors of CTBI and determined it would be appropriate to adjust the annual retainer for service on the Board from $20,000 to $25,000. The retainer for the Chairman of the Audit Committee was maintained at $10,000, resulting in a total retainer of $35,000. The retainer for the Chairman of the Risk and Compliance Committee was maintained at $5,000, and a retainer of an equal amount was established for the Chairman of the Compensation Committee, in each case resulting in a total retainer of $30,000. These adjustments were deemed necessary to provide the Board of Directors with compensation that is comparable to amounts paid to outside directors at similar publicly traded financial institutions. These changes were approved by the Board of Directors and became effective in January 2013.

Executive Compensation Philosophy

The Compensation Committee believes that executive officer compensation is an integral component of CTBI's business and human resources strategies. It is important to CTBI's success that highly talented individuals serve as executive officers. The Committee strives to provide compensation which is sufficient to attract and retain such individuals. The Committee seeks to establish executive compensation at fair, reasonable, and competitive levels. The Committee also believes that executive compensation should be strategy-focused and recognize individual achievements as well as group contributions and CTBI results. Therefore, the Committee desires to offer a competitive, market-driven executive officer compensation package which provides for a meaningful portion of compensation to be based upon performance. As a result, CTBI's executive compensation package includes incentive-based cash and equity compensation in addition to base salary and employee benefits.

The goal of the Compensation Committee is to offer market competitive compensation, without being the highest or lowest provider. This should enable CTBI to attract and retain key personnel whose performance and success should contribute to shareholder value. Total compensation packages, including base salaries plus cash- and stock-based incentives, are set at levels the Committee believes are sufficient to attract and retain qualified executives. The compensation of Named Executive Officers is based on the same criteria and performance factors used for all other executive officers.

Compensation Consultant

The Compensation Committee may engage outside advisors as necessary to assist with its oversight of executive compensation. Pearl Meyer & Partners ("PM&P" or "Consultant") was retained during 2012 to review CTBI's executive compensation plans. The role of the Consultant is to provide analyses, information, and advice to assist the Committee in making decisions related to compensation of executive officers. The Committee believes that no conflicts of interest are raised by the work of the Consultant under the criteria specified in SEC rules.

During December 2012 and January 2013, PM&P performed a compensation review which included: (i) evaluating the competitiveness of pay for eleven executive officers, including each of the Named Executive Officers, and (ii) developing recommendations for managing executive pay in 2013. PM&P's analysis revealed that CTBI's executive compensation was somewhat more competitively positioned in 2012 than in 2011 as a result of changes approved by the Committee and the Board of Directors in early 2012. However, CTBI's budgeted levels of pay (i.e., the amount of salary and annual and long-term incentives that executives would receive if performance met budget) still were significantly below the median pay levels for similar positions in comparable financial institutions. Additionally, based on separate analyses of banking industry performance prepared by PM&P, CTBI's performance on a variety of metrics (such as EPS growth, ROE, and ROA) exceeded the median results of similar financial institutions, resulting in pay and performance being somewhat misaligned. CTBI's business performance relative to other banks would have supported higher levels of pay for executives. These results were similar to the outcome of its 2011 analysis of CTBI's executive pay; therefore, PM&P recommended the Committee continue to implement the executive compensation strategy it had adopted in early 2012. As described previously in the Executive Summary, the thrust of the executive compensation strategy is to increase the portion of executive pay that is contingent on performance and provide a total compensation opportunity that is more competitively positioned with current practices in the banking industry. In January 2013, the Committee approved certain changes to the compensation of the Named Executive Officers, including base salary increases and adjustments to their annual and long-term incentive potentials, as further described below.

PM&P also reviewed the compensation program for the Board of Directors in late 2012. The analysis found that CTBI's compensation program for outside directors was structured in a manner that was consistent with banking industry practices, in terms of providing retainers and meeting fees for board and committee service. However, the amount of compensation provided to CTBI directors was below the median levels of compensation paid to outside directors of banks within the Peer Group and median values reported in survey data for comparable banks. Based on these results, PM&P developed several alternatives for adjusting the compensation of the Board of Directors. After considering the outcome of the PM&P analysis, the Committee decided to adjust the annual retainers for Board members and the Compensation Committee Chairman, as described previously. The Board of Directors approved the adjustments to the annual retainers in January 2013.

Peer Group

CTBI periodically compares its executive pay and business performance, as well as the compensation of the Board of Directors, to a group of comparable, publicly traded financial institutions ("Peer Group"). In establishing a Peer Group, CTBI seeks to include regional bank holding companies that are similar to CTBI in terms of assets, business lines, and geographic footprint. During 2012, the Committee worked with PM&P to update the Peer Group to ensure it continued to include organizations that were comparable to CTBI. The resulting 2012 Peer Group included the fifteen companies listed below. The Committee believes the Peer Group provides a reasonable basis of comparison for CTBI due to their similar business lines and geographic locations, as well as their comparable size, as reflected in their assets. At the time the Peer Group was constructed, CTBI's assets were $3.6 billion, and the companies included in the Peer Group ranged in asset size from $2.1 billion to $6.2 billion, with a median of $3.2 billion and an average of $3.7 billion.

Bank	Ticker	Bank	Ticker
1st Source Corporation	SRCE	Lakeland Financial Corporation	LKFN
City Holding Company	CHCO	MainSource Financial Group, Inc.	MSFG
First Busey Corporation	BUSE	Renasant Corporation	RNST
First Bancorp	FBNC	S.Y. Bancorp, Inc.	SYBT
First Community Bancshares, Inc.	FCBC	Stellar One Corporation	STEL
First Financial Bancorp	FFBC	Towne Bank	TOWN
First Financial Corporation	THFF	Wesbanco, Inc.	WSBC
First Merchants Corporation	FRME		

Executive Compensation Components

CTBI's executive compensation program includes the following major components, each of which are described further below.

- Base Salaries
- Annual Incentive Plan
- Long-Term Incentive Plan
- Benefits and Perquisites
- Employment Contracts, Termination of Employment, and Change in Control Arrangements

Base Salaries

Salaries for CTBI's executives are established based upon the scope of their responsibilities, taking into account competitive market compensation paid by other similarly situated companies for comparable positions. The Committee sets the CEO's base salary, subject to approval of the Board of Directors. Any salary increase for the CEO is determined based on the Committee's review of the CEO's leadership and contributions to the achievement of performance objectives for CTBI, which for 2012 included asset and revenue growth, asset quality, core earnings performance, identification of strategic opportunities, and execution of the current business strategy and operating plan. The Committee also considers how the CEO's salary compares to salaries of CEO's within the Peer Group. Base salaries for other executive officers, including the other Named Executive Officers, are approved by the Committee after considering recommendations from the CEO. In approving any salary increases for Named Executive Officers, the Committee considers performance for the prior year, responsibilities for the upcoming year, how the current salaries compare to those paid by peer companies to executives with similar responsibilities, and CTBI's budget for salary increases for employees other than executive officers. The Committee's objective is to pay base salaries which will be sufficient to attract, motivate, and retain management for successful performance while maintaining affordability within CTBI's business plan.

The Committee has established a policy of managing executive officer salaries to the market median, recognizing that a series of increases over several years may be required to adjust salaries to the desired level for any executive whose current salary is below the market (contingent upon the executive sustaining the required level of performance). After considering both CTBI and individual performance, as well as how individual officer salaries compared to the market median, the Committee determined that it was appropriate to increase executive salaries slightly for 2013. The salary increases for 2013 reflect the Committee's desire to balance the need to compensate our Named Executive Officers at levels that are competitive with the market and recognize their performance and value to CTBI with the need to control expenses in an economic environment that continues to be challenging for CTBI and other financial institutions. The salary increases approved for the Named Executive Officers for 2013 ranged from 3.9% to 4.7%. The increase for the CEO was at the low end of the range, which the Committee determined was appropriate based on: (i) how the CEO's salary compared to the market median and (ii) the adjustments to the CEO's annual and long-term incentive potentials, as described in more detail below. The following table shows the 2013 base salary for each Named Executive Officer and the percentage increase over 2012.

	Base Salary 2012	Base Salary 2013	% Increase 2012 to 2013
Jean R. Hale Chairman, President, and Chief Executive Officer	$485,000	$505,000	4.1%
Kevin J. Stumbo Executive Vice President and Treasurer (Principal Financial Officer)	$191,000	$200,000	4.7%
Mark A. Gooch	$358,000	$372,000	3.9%

Executive Vice President and Secretary			
Larry W. Jones Executive Vice President	$220,000	$230,000	4.5%
James B. Draughn Executive Vice President	$211,000	$221,000	4.7%

Annual Incentive Plan

The Named Executive Officers ("NEOs"), other executive officers, and other members of senior management may earn annual cash incentive bonuses as well as stock-based awards under the Senior Management Incentive Compensation Plan ("the Incentive Plan"). Bonuses and stock awards are earned for achieving targets set for earnings per share ("EPS") and return on average assets ("ROAA") of CTBI. A cash-based employee incentive plan for employees not covered by another incentive plan is paid based upon the same performance criteria as the Senior Management Incentive Plan. The Incentive Plan was designed to reward participants for meeting or exceeding annual profit goals, and it was adopted to achieve the following objectives:

- Increase the profitability and growth of CTBI in a manner which is consistent with other goals of the company
- Pay for performance
- Provide an incentive opportunity which is competitive with other financial institutions in the Peer Group
- Attract and retain executive officers and other key employees and encourage excellence in the performance of individual responsibilities
- Motivate and appropriately reward those members of senior management who contribute to the success of CTBI

At the beginning of each year, the Committee establishes a target (base) level of performance for EPS and ROAA. The Committee also establishes a performance range relative to the base level and an associated payment scale which defines the percent of salary that participants may earn as a cash bonus for a given level of performance. In addition, the Committee establishes a separate payment scale which defines the percentage of salary that participants may receive as a stock award for a given level of performance. Stock awards under the Incentive Plan may be granted as either restricted shares or stock options.

2012 Annual Incentive Plan

For 2012, the target (base) level of ROAA was 1.11%, and the target (base) level of EPS was $2.63, which represented 3.58% growth over the prior year. The Committee believed the target (base) levels of performance were challenging, but appropriate given the expectations at the beginning of 2012 for improvement over the 2011 results. In January 2013, the Committee evaluated CTBI's performance for 2012 and determined that results for ROAA and EPS were significantly above the base levels required by the Incentive Plan. For purposes of the 2012 Incentive Plan, ROAA was 1.23%, and EPS was $2.90. As a result of this relatively high level of performance, participants in the Senior Management Incentive Plan, including the CEO and other Named Executive Officers, earned cash bonuses and restricted stock awards at the sixth tier on the payment scale the Committee had established at the beginning of 2012. Specifically, the CEO of CTBI earned a cash incentive of 70% of base salary, and other NEOs earned cash incentives equal to 35% of their base salaries. The amounts of these cash incentives are shown in the Bonus column of the Summary Compensation Table. Restricted stock awards granted as a result of performance in 2012 were approximately 7% of salary for the CEO and other NEOs. The value of these awards is shown in the Equity Compensation column of the Summary Compensation Table.

2013 Annual Incentive Plan

Prior to setting the Incentive Plan for 2013, the Committee considered the outcomes for 2012, the adjustments made to the Incentive Plan for 2012, and the adjustments that were planned for 2013, based on the Consultant's analyses and the executive compensation strategy adopted in January 2012.

As a result of these discussions, the Committee recommended, and the Board approved, several adjustments to the Senior Management Incentive Plan for 2013 which are intended to more closely align pay with performance and further improve the competitiveness of the pay opportunity. These changes are consistent with the Committee's plan to phase in changes gradually over at least three years, allowing time for CTBI and the executives to adjust to the changes. Adjustments approved for the CEO and other Named Executive Officers in the 2013 Incentive Plan are listed below:

- Increase the cash incentive component payable if results meet or exceed the target (base) level of ROAA and EPS
- Reduce the stock-based incentive component payable to Named Executive Officers other than the CEO if results meet or exceed the target (base) level of ROAA and EPS; maintain the stock award for the CEO at its 2012 level (which represented a reduction from 2011)
    - Allow executives to earn modest cash and stock incentives if results are just slightly below goal
    - Allow executives to earn target (base) level incentives if the goal for net income is achieved
- Continue to differentiate the incentive potential of the CTBI CEO, Jean Hale, from other executive officers, and increase the potential for the CEO of Community Trust Bank, Inc. ("CTB"), Mark Gooch, to place it between the CTBI CEO and the other Named Executive Officers
- Maintain the continued service period of four years for executive officers to fully vest in stock awards made under the Incentive Plan

These changes will continue to shift the mix of executive compensation so that a larger portion of executive pay is contingent upon performance. By implementing these and other changes gradually, the Committee and the executives will have time to adjust to the new approach, and CTBI will be able to budget for any increase in compensation expense that may result. Although the Committee intends to make gradual changes over the transition period, any changes will be determined annually, so that the Committee can slow or accelerate the pace of change depending on circumstances at the beginning of each year.

The following table shows the target (base) level of ROAA performance and the cash incentive awards that may be earned by the CEO and other Named Executive Officers ("Other NEOs") for various levels of performance in 2013:

Target/ROAA	Cash Incentive Award as a % of Salary		
	CTBI CEO	CTB CEO	Other NEOs
1.10%	32%	25.0%	18%