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Stock Yards Bancorp

Field & Main Bancorp to Merge

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CORPORATE SPEAKERS:

James Hillebrand
Stock Yards Bancorp; Chairman, Chief Executive Officer
Clay Stinnett
Stock Yards Bancorp; Chief Financial Officer
Philip Poindexter
Stock Yards Bancorp; President

PARTICIPANTS:

Terence McEvoy
Stephens; Analyst
Ynyra Bohan
Hovde Group; Analyst
Kelly Motta
KBW; Analyst
Zachary Ingebrigtson
Piper Sandler; Analyst

PRESENTATION:

Operator^ Hello. And thank you for standing by. My name is Regina, and I will be your conference operator today.

At this time I would like to welcome everyone to the Stock Yards Bancorp and Field & Main Bancorp Merger Conference Call. (Operator Instructions)

I'd now like to turn the conference over to Ja Hillebrand, Chairman and CEO.

Please go ahead.

James Hillebrand^ Thank you, Regina. And good morning, everybody. Thanks for joining us on the call this morning. This is Ja Hillebrand, Chairman and CEO of Stock Yards Bancorp.

I'm also joined on the call today by our CFO, Mr. Clay Stinnett; and our President, Phil Poindexter.

Stock Yards Bancorp

Field & Main Bancorp to Merge

As many of you know yesterday evening, we issued a press release announcing the merger to acquire Field & Main Bancorp, the holding company for Field & Main Bank.

In addition to this release, I would like to direct everyone to the prepared investor presentation slides that can be accessed either through the Investor Relations page on our website or as part of our SEC Form 8-K filing yesterday evening.

Before we get started, I encourage you to look over our forward-looking statements that can be found on Slide 2 and three of the investor presentation.

Let me start with sharing a little bit of information about Field & Main for those of you who may not be familiar with them. Just like us, they are deeply rooted in the state of Kentucky. Privately held and headquartered in Henderson, Kentucky, Field & Main has roots dating back to 1887.

It operates six total retail branches located in Henderson, Lexington and Cynthiana, Kentucky and Evansville, Indiana. This combination joins two community banks whose values and cultures are closely aligned and significantly expands our reach into Western Kentucky.

Field & Main customers will continue to receive the outstanding service they have come to rely on with the added benefit of our extended branch presence throughout Louisville, Central, Eastern and Northern Kentucky as well as into the Cincinnati and Indianapolis metropolitan markets. This partnership represents a unique opportunity to accelerate Stock Yards' strategic expansion across the long-desired Western Kentucky market, one of the most attractive and economically vibrant regions in the state.

Our recently announced addition of a Bowling Green market President underscores our commitment to meaningful long-term growth in the corridor stretching from Henderson through Owensboro, Bowling Green and Hopkinsville to Paducah and beyond.

Field & Main's franchise provides an immediately scalable presence in this region and its community first, relationship-driven culture aligns closely with Stock Yards' long-standing focus on disciplined growth, profitability and high-touch customer service.

Together, the combined organization will be positioned to deepen market penetration, enhance operating leverage and deliver expanded capabilities to customers across Western Kentucky and adjacent markets.

Stock Yards Bancorp

Field & Main Bancorp to Merge

As of December 31, 2025, Field & Main reported approximately $861 million in assets, $652 million in loans and $781 million in deposits. And Field & Main maintains a wealth management and trust department with total assets under management of approximately $800 million at year-end.

I couldn't be more excited about this transaction.

I do believe it's an important strategic combination for both of our companies.

With this combination, we are creating Kentucky's premier community banking franchise with combined assets of approximately $10.4 billion, $7.9 billion in gross loans, $8.6 billion in deposits and $8.4 billion in trust assets under management.

We will be serving customers through an 81 branch network that stretches throughout Louisville, Central, Eastern, Western and Northern Kentucky as well as the Cincinnati and Indianapolis metropolitan markets.

However as I remind our team each and every single day community banking isn't about size, it's about service. Both banks understand that relationships are far more important than the assets. Together, we will be more nimble and powerful to help more consumers and more businesses in this region to meet their financial goals. The focus is on better, not bigger.

This merger represents our fifth acquisition since 2012 and our first announcement since 2021.

We have extensive and valuable experience transitioning customers with smooth and swift conversions as well as a long track record of growing earnings and tangible book value. And I would ask you to please take note of our earnings announcement that also happened yesterday knowing that this M&A transaction is getting all the attention, please look at the incredible growth in our tangible book value as well as our earnings per share.

We're really proud of our team and the organic growth that we continue to provide year in and year out.

I hope I've provided you with a nice introduction to Field & Main and how we view it as an excellent strategic fit with our organization.

We are confident this acquisition will drive long-term shareholder value.

As illustrated in our investor presentation, this transaction is very attractive financially with approximately 5.7% earnings per share accretion in 2027.

In wrapping up, we are thrilled to welcome Field & Main to the Stock Yards family and have the utmost respect for their management team and staff.

As is the case with many community banking M&A opportunities, we know that people are critical.

With minimal market overlap, we are expecting to preserve most customer-facing jobs and be minimally disruptive to existing Field & Main customers.

Now with respect to the management team, I'm very excited to announce that Doug Lawson, a well-respected individual, who's their President and Chief Operating Officer of Field & Main, will join us as a market President.

In addition, we welcome to Field & Main's current Board member, Scott Davis, to our Board of Directors.

And before I turn it over to Clay to discuss the key financial metrics, I would like to say there's never been a more exciting time to be here at Stock Yards Bank as we continue to grow. Clay?

Clay Stinnett^   Thank you, Ja. Good morning, everybody.

As Ja indicated, we view this combination as an exciting opportunity to leverage the past success of both organizations into what we believe will be an exceptional community banking franchise.

Field & Main has strong market positions in the communities they serve, and we're confident this combination will only strengthen those positions.

If I can start to look at the financial metrics with you, I'll turn you to Page 11 of the investor presentation.

Field & Main shareholders will have the right to receive 0.655 shares of Stock Yards' common stock for each share of Field & Main common stock with total consideration to consist of 100% stock. Based upon the closing price of Stock Yards' common stock of $68.01 on January 26, 2026, the implied per share purchase price is $44.55 with an aggregate transaction value of approximately $105.7 million. The transaction is expected to be 5.7% accretive to Stock Yards' earnings per share once cost savings are fully phased in.

In addition, tangible book value dilution is expected to be approximately 0.9% and be earned back in just under one year utilizing the crossover method.

Post-closing, Stock Yards' capital ratios are expected to exceed well-capitalized levels.

Next, I'll try to highlight some of our major financial modeling assumptions.

We expect overall cost saves of 34% of Field & Main's noninterest expenses to be fully recognized in 2027 which assumes no contemplated branch closures.

We expect gross credit marks of $16.5 million or 2.6%.

Interest rate marks are expected to be $9.6 million related to the loan portfolio accreted over five years on a straight-line basis. The loss of approximately $7.9 million on the securities portfolio is modeled to accrete over seven years straight line with no impact to equity at close.

Finally, onetime transaction costs are expected to be $16.9 million are expected to be largely recognized in 2026 and are fully reflected in the closing balance sheet.

In terms of our process, I would highlight that we deployed some of our top internal credit talent to conduct a review of over 90% of loan relationships over $1 million and ended up reviewing over 60% of the entire loan portfolio.

We believe the credit profile is solid, and our estimated credit mark is both conservative and prudent in today's environment.

With this merger, we expect to manage our balance sheet at year-end 2026 to stay below the $10 billion threshold for regulatory purposes.

We expect to formally cross the $10 billion threshold at year-end 2027.

We have extensively studied and prepared to cross $10 billion and expect to be able to offset any income reduction or additional costs when potentially incurred in 2028.

Finally, I'll touch on capital. The pro forma TCE ratio is expected to be approximately 9.5% and the total risk-based capital ratio, approximately 13.4% at close.

So given all the financial metrics of the deal, we're very enthusiastic about the path this provides for our company.

With that, I'll turn it back over to you, Ja.

James Hillebrand^   Okay. Thanks, Clay.

I'm very excited about this path forward about this acquisition, the positive impact it will have for our company -- for our combined company.

It builds on our strength and enhances scale, profitability and performance.

We do anticipate closing this transaction sometime during the second quarter of this year, pending customary approvals, and I look forward to welcoming the Field & Main team to our Stock Yards family.

So this concludes our prepared remarks for now.

I'd like to open it up now for all questions, if that's okay Regina?

QUESTION & ANSWER:

Operator^   (Operator Instructions) Our first question will come from the line of Terry McEvoy with Stephens.

Terence McEvoy^   Congratulations on last night's news and the acquisition of Field & Main. Maybe I'll just start with the $10 billion and the expenses there. How much of the expenses related to crossing $10 billion are in the current expense run rate that was just reported last night as well?

Clay Stinnett^   Terry, it's Clay. Most of the -- on the expense side, we're most of the way there.

I mean we're going to continue to build out a little bit there, but I would say we're 80% to 90% there in terms of the expense side of things. The major impact to crossing is going to be the hit to interchange and basically the income reduction there.

So that will be the bigger piece.

I think in terms of expenses, we feel like we're largely there.

Terence McEvoy^ Perfect. And then as a follow-up, I'll stick with expenses.

Could you just help with the timing of the cost saves? Maybe what's the date for the core conversion? I think you said 30% by 2026.

Is that fully achieved in the fourth quarter? And maybe one in 2027, do you expect to hit that full run rate of cost saves?

Cl;ay Stinnett^ Yes. The full rate of cost saves is not going to be hit until '27, so that 34%.

I think of that 34%, we'll recognize maybe once again hoping to close sometime in the second quarter.

System conversion isn't until October. And so from a cost saves perspective of that 34%, let's assume they're with us for about half year's income.

And then probably a third of the 34% we can recognize -- hope to recognize in '26.

I hope that helps.

Operator^ Our next question will come from the line of Brendan Nosal with Hovde Group.

Ynyra Bohan^ This is Ynyra Bohan on for Brendan Nosal. Going back to the $10 billion question, can you discuss the levers you have to pull to accomplish staying under the $10 billion in 2026? And then if you do have the wiggle room below $10 billion, does that impact the 6% EPS accretion from the deal?

Clay Stinnett^ No. We've modeled that -- well I mean we've modeled in that we won't cross until year-end '27.

So first year impact once again would be starting at July one of the following year, so July one of '28.

But in terms of balance sheet modeling, we think we'll be at year-end '26, let's call it, $10.5 billion or so.

We currently have about $500 million in deposits that are ICS deposits, and we expect to expand that somewhat.

You'll be able to do a one-way sweep on those ICS deposits, those insured cash sweeps and so move them off the balance sheet at year-end. And actually, Field & Main adds about another $200 million in ICS deposits, so actually enhances the ability to minimize that balance sheet at year-end '26.

So we'll be keenly focused on that to make sure that we can push that off until '27. Hope that makes sense.

Ynyra Bohan^   Yes. And one follow-up kind of to do still with M&A. The $9.99 billion is an odd spot even only temporarily.

Can you just talk about the appetite and criteria for additional M&A, particularly in light of the expected balance sheet at end of the year, the smaller size of this transaction and the more accommodative regulatory environment?

James Hillebrand^   Sure. The environment is opportune for sure.

We did not want to do a larger M&A transaction that created more risk.

I think you'll agree this is right up our alley what we like to do.

We believe there will be additional opportunities due to the environment, and it seems like that space is pretty active right now.

So regardless of future opportunities, as you know we're always focused on organic growth and feel there continue to be runways for growth in all of our markets.

So -- and I think you can look at the last -- gosh, look at the last five years, this organic growth rate, while our last three transactions over the last five years have gotten the headlines, our organic growth has been stellar and feel really confident in not just M&A opportunities, but the organic growth being strong and not creating any issues as we navigate the $10 billion.

Operator^ Our next question comes from the line of Kelly Motta with KBW.

Kelly Motta^ Congratulations on the deal.

It looks like a great partnership with a like-minded bank here.

I think Ja, you've kind of answered it, but I'm going to ask the question in a different way.

Stock Yards has been one of the strongest top-tier organic growers the past several years.

I had you crossing $10 billion at the end of this year, actually, and now you're adding these assets.

So I guess embedded in your expectation to stay under $10 billion -- just under $10 billion to end year-end.

Can you discuss more about kind of what you're seeing in terms of your organic growth? And your partner looks like they were growing pretty strongly, too.

So what's kind of embedded in here as we look ahead?

James Hillebrand^ Sure.

I'll let Clay or Phil chime in as well.

But yes, organic growth has been strong.

We've had some -- and we've talked to many of you over the calendar year of 2025 about the -- what we thought would be headwinds with payoffs earlier in the year.

It didn't really happen until end of third and into fourth quarter.

We started seeing some of those larger commercial real estate balances that we have that were -- most of them were construction loans that would typically go out to a permanent lender, still sitting on our balance sheet, we thought as rates would start ticking down.

Our customers would do what they typically do and take advantage of those lower rates and pay those off and then reload with their next construction project, what have you.

And so that started happening towards the end of the year, but we had a great growth of 6.5% and more in line with where we typically are kind of that mid- to high single-digit loan growth.

We are very fortunate to have four years of double-digit loan growth.

But the opportunities are out there.

We had more -- gosh, not net loan growth, but largest production, larger than last year.

So we're very excited about the opportunities continuing for the organic piece.

Clay Phil, do you want to expand on that?

Clay Stinnett^   Yes. I'll hop in. Kelly, in terms of organic growth, certainly, it's going to be hard to, given the pickup in payoffs, replicate the double-digit growth we've seen over the last few years, but certainly ended -- we feel like we ended '25 on a strong note and hope to replicate that at least in '26.

I do think what you'll see in terms of managing the balance sheet for '26 is working on making the balance sheet a little more efficient.

I think we can grow loans at a mid- to high single digits type number without growing the balance sheet at the same level by reallocating some resources within the balance sheet.

So shrinking the investment portfolio somewhat, utilizing cash.

We've got a large cash position at year-end, those kind of things.

So don't know that we need to grow the deposit portfolio at the same rate that we're growing the loan portfolio in order to fund it.

So I think we'll be very mindful of the overall balance sheet size to try to manage that number as we get to the end of '26.

Philip Poindexter^   Clay, can I add a comment on to that? This is Phil Poindexter.

We're -- we generally give guidance on loan growth in the sort of mid- to high single digits. And I think I'm very optimistic, optimistic for a lot of reasons.

I think in past deals when we've come in, we've seen lift in markets.

We saw that in Lexington through having more capital, more capacity, better product offering and technology.

So we expect to have lift in the Western Kentucky market. Gives us scale to grow in Western Kentucky.

And then a lot of you know we also went to the South Central market late last year with the hire of Rick Seadler, who's our market President in Bowling Green. And we feel like that market is particularly well positioned to grow organically.

So we're optimistic and we're going to keep the momentum going regardless of the $10 billion.

I think we have the ability to model through this.

But I'm a believer in you grow when you can grow, and we feel good about loan demand in the economy right now.

We feel very confident that we can continue to grow organically.

Kelly Motta^   My follow-up is just a ticky-tacky modeling question. Regarding the Durbin interchange impact, I know you guys had been running some studies with Visa or Mastercard.

Obviously it's not until a second year '28 event based on all your color, but I'm wondering if there's any preliminary estimate you could share as to how to think about that impact.

Clay Stinnett^   Yes, Kelly, we're modeling -- I mean it's roughly with both companies. And obviously we haven't done a study on Field & Main's interchange income, but using a similar kind of hit rate that our interchange study came up with.

I think that number -- and once again we're talking about a number out into '28 and '29.

So it will be a half year impact in '28, full year impact in '29. That number is going to be somewhere around $9.5 million annually.

Operator^   Our next question will come from the line of Nathan Race with Piper Sandler.

Zachary Ingebrigtson^   This is Zach Ingebrigtson on for Nate Race today.

I guess to start off, what's your expectations for the margin on a stand-al1 basis this year until the deal closes? And then where do you see the margin on a pro forma basis in the latter half of this year?

Clay Stinnett^   Yes.

I do think from a margin standpoint, we're asset sensitive.

So hope to maintain the margin, optimistic depending on the shape of the yield curve and those kind of things that maybe we could see it pick up a few basis points, but largely sideways.

I do think Field & Main will be ultimately accretive to our margin.

It's obviously a pretty small part of the combined entity.

So I don't know that it's going to have a big impact, but should have a positive impact. And generally, I would say the balance sheet is slightly liability sensitive.

So assuming we get some rate cuts, that should be helpful.

Zachary Ingebrigtson^   Great. And then my next question is, do you guys plan on reallocating some of the cost saves to add some additional wealth advisers across your existing footprint?

Philip Poindexter^   They've got a great wealth team down there right now. They have about $800 billion (sic) [$800 million] in assets under management, that Ja mentioned. And certainly, we will look to do that in Bowling Green as we become more established.

I think this market will give us some scale to make that easier to do.

But it's a very, very important part of what we do, and we'll be active in the Western Kentucky markets and the South.

James Hillebrand^   Yes.

We think the existing team there at Field & Main have capacity and they're doing an outstanding job, very impressed with them and the capacity they have to continue to grow, and we'll complement that with whatever is needed.

Operator^ (Operator Instructions) And that will conclude our question and answer session as well as our call for today.

We thank you all for joining.

You may now disconnect.