S Y BANCORP INC
Form 424B4
May 30, 2001

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Registration Numbers 333-60554
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PROSPECTUS

1,800,000 Preferred Securities

S.Y. BANCORP CAPITAL TRUST I

9.00% Cumulative Trust Preferred Securities
(Liquidation Amount $10 Per Preferred Security)

Fully, irrevocably and unconditionally guaranteed
on a subordinated basis, as described in this prospectus, by

Parent Company of

S.Y. Bancorp Capital Trust I is offering 1,800,000 preferred securities at $10 per security. The preferred securities represent an indirect interest in our 9.00% subordinated debentures. The debentures have the same payment terms as the preferred securities and will be purchased by S.Y. Bancorp Capital Trust I using the proceeds from its offering of the preferred securities.

The preferred securities have been approved for listing on the American Stock Exchange under the symbol "SYI.Pr". Trading is expected to commence on or prior to delivery of the preferred securities.

Investing in the preferred securities involves risks. See "Risk Factors" beginning on page 10.

The preferred securities are not savings accounts, deposits or obligations of any bank and are not insured by the Bank Insurance Fund of the Federal Deposit Insurance Corporation or any other governmental agency.

	Per Preferred Security	Total
Public offering price	$ 10.00	$ 18,000,000
Proceeds to S.Y. Bancorp Capital Trust I	$ 10.00	$ 18,000,000

This is a firm commitment underwriting. We will pay underwriting commissions of $0.40 per preferred security, or a total of $720,000, for arranging the investment in our subordinated debentures. The underwriters have been granted a 30-day option to purchase up to an additional 200,000 preferred securities to cover over-allotments, if any.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.

Stifel, Nicolaus & Company
Incorporated

J.J.B. Hilliard, W.L. Lyons, Inc.

May 29, 2001

SUMMARY

This summary highlights information contained elsewhere in, or incorporated by reference into, this prospectus. Because this is a summary, it may not contain all of the information that is important to you. Therefore, you should also read the more detailed information set forth in this prospectus, our financial statements and the other information that is incorporated by reference in this prospectus, before making a decision to invest in the preferred securities. The words "we," "our" and "us" refer to S.Y. Bancorp and its wholly-owned subsidiary, Stock Yards Bank & Trust Company, unless we indicate otherwise. Unless otherwise indicated, the information in this prospectus assumes that the underwriters will not exercise their option to purchase additional preferred securities to cover over-allotments.

S.Y. Bancorp, Inc.

S.Y. Bancorp, Inc. is a one-bank holding company headquartered in Louisville, Kentucky that provides commercial and retail banking services in Louisville and southern Indiana through the 15 full service banking offices of Stock Yards Bank & Trust Company, a bank chartered under the laws of the Commonwealth of Kentucky. Stock Yards Bank & Trust Company has an investment management and trust department offering a wide range of trust and investment services. Assets under management by this department totaled approximately $1 billion at March 31, 2001. Stock Yards Bank & Trust Company also originates and sells single-family residential mortgages through its operating division, Stock Yards Mortgage Company, and offers securities brokerage services through an arrangement with Raymond James Financial Services, Inc. At March 31, 2001, we had total assets of $863 million, deposits of $738 million and stockholders' equity of $63 million.

Financial Summary:

We have maintained strong profitability while we have continued to grow our franchise over the five- and ten-year periods ending December 31, 2000. Operating and financial highlights include:

- our diluted earnings per share have increased at a compound annual growth rate of 22.75% since 1995 and 20.16% since 1990;
- our book value per share has increased at a compound annual growth rate of 16.45% since 1995 and 12.89% since 1990;
- our total assets increased at a compound annual growth rate of 21.31% since 1995 and 15.26% since 1990;
- our total deposits increased at a compound annual growth rate of 20.93% since 1995 and 16.59% since 1990;
- our return on average stockholders' equity has averaged 19.64% over the past five years and 16.06% over the past ten years;
- our return on average assets has averaged 1.51% over the past five years and 1.31% over the past ten years;
- our annual net charge-offs to average loans have averaged 0.14% since 1995 and 0.17% since 1990; and
- based on June 30, 2000, FDIC data, our share of deposits in the Louisville metropolitan area has doubled over the last five years to 4.16%.

	As of or For the Three Months Ended	Compound Annual	As of or For the Year Ended December 31,

	March 31, 2001	March 31, 2000	Growth or Average for the Five Years Ended December 31, 2000	2000	1999	1998	1997	1996
	(Dollars in thousands, except per share data)							
Net income	$ 3,039	$ 2,592	23.37%	$ 11,592	$ 9,706	$ 8,218	$ 6,534	$ 5,179
Diluted earnings per share	0.44	0.38	22.75	1.70	1.41	1.21	0.96	0.77
Total assets	863,399	719,445	21.31	852,260	689,815	609,788	478,597	415,365
Loans	693,153	582,135	21.31	664,634	546,858	448,286	370,293	301,548
Deposits	738,325	612,993	20.93	725,657	569,962	517,612	417,571	355,251
Stockholders' equity	63,155	51,776	16.90	60,288	50,254	43,943	36,917	31,594
Return on average stockholders' equity(1)	19.84%	20.47%	19.64%	21.21%	20.20%	20.20%	19.12%	17.45%
Return on average assets(1)	1.47	1.50	1.51	1.55	1.52	1.52	1.50	1.47

(1) Certain financial ratios for interim periods have been annualized.

We attribute the strong profitability reflected in these results primarily to the following:

We pursue full service, attentive, long-term relationships with our commercial and retail customers. Our customer contact officers generally have long tenure with our bank, which helps provide the continuity of service that we believe customers want. In our experience, satisfied customers are easier to retain and more profitable to the bank.

The long tenure of our executive management team has helped provide a focus on long-term strategy. Five of our six executive officers have been working together at the bank since 1992. Three of these individuals have worked together at the bank for 16 years.

With a solid reputation and broad range of products, our bank continues to capitalize on its tradition of attention to customer service. We have taken advantage of the local market disruption and big-bank aversion that has resulted from large out-of-state banks entering the Louisville market through acquisitions. With the second largest deposit share of Louisville based banks, our 4.16% market share allows abundant room for continued growth.

Our growth has come from internal loan and deposit sources, rather than through acquisitions. Strategic branching throughout the Louisville area, including southern Indiana, has been one of the most important catalysts for the bank's growth. Branches serve to gather deposits to fund our loans, and this deposit growth has kept pace with loan demand. We have not utilized out-of-market deposits or other wholesale funding sources.

After 85 years in one location, the bank has opened 14 branch offices since 1989. Our five-year plan is to open one to two new offices each year to continue our expansion throughout the Louisville metropolitan area and to serve new suburban development.

Leveraging our commercial relationships and building a strong wealth management product line, the bank's trust department has amassed approximately $1 billion of assets under management. This growth has fueled the bank's increase in non-interest income to 33% of total revenue in 2000 from 25% in 1996, providing greater balance and mix to our operations and growth potential.

Our Business Strategy:

Focus on locally-owned and operated businesses. Our lending activities target primarily commercial loans and owner-occupied real estate loans to local businesses with annual revenues ranging from start-up to $40 million. Typically, our customers' financing requirements range from $50,000 to $750,000. Our legal lending limit was approximately $10.6 million as of March 31, 2001, and this limit accommodates most credit opportunities we encounter. As of March 31, 2001, our largest lending relationship was approximately $8.2 million, and we had only eight relationships borrowing more than $5 million from our bank.

Decentralized decision-making. Our private banking and commercial lenders have extensive lending experience and are empowered to exercise substantial authority over credit and pricing decisions. We require loan committee approval for larger credits. This approach, coupled with continuity of service by our staff members, enables us to develop long-term customer relationships, maintain high quality service and respond quickly to customer needs.

Investment management and trust business. Our bank has developed a large and profitable investment management and trust business. While we obtained trust powers in the 1970s, in 1992 we reorganized the department and began to experience significant growth. At December 31, 1992, we had $198 million assets under management. At March 31, 2001, assets under management had grown to approximately $1 billion. This department of the bank focuses primarily on investment management relationships through personal trust and retirement accounts, placing an emphasis on internal investment expertise and high levels of customer contact.

Full service branch network. As we have expanded our branch network, we have grown our retail business. Branches serve to gather deposits to fund our commercial loans. Customers can obtain virtually all of the services we offer at any of our locations. We have retail lenders in each branch, and selected branches have full time commercial and/or mortgage lenders on site. Some branches have trust officers, securities brokers or private bankers on site. For branch offices without a specific area represented on a full time basis, appropriate officers will meet customers on an appointment basis at their home or office.

Our Growth Strategy:

We believe the opportunities for market share growth within Louisville and its surrounding communities remain strong, and that our position as a locally based, community bank will allow us to actively pursue those opportunities. Our current market area is the Louisville metropolitan area, where we have 15 banking offices. Two of these offices are located in southern Indiana, a part of the Louisville market. As of June 30, 2000, our share of the Louisville metropolitan area bank and thrift deposit market was approximately 4.16%. We plan to continue our expansion through maximizing the capacity of our existing branches and establishing new branches in our designated market area.

We include the five counties contiguous to Jefferson County, Kentucky, in our evaluation of possible locations for future branches. As Louisville expands, the surrounding counties may offer some of the best potential for growth. Our five-year plan is to open one to two new offices each year to continue our expansion throughout the Louisville metropolitan area and to serve new suburban development.

S.Y. Bancorp Capital Trust I

S.Y. Bancorp Capital Trust I is a newly created Delaware business trust. We created the trust to offer the preferred securities and to purchase the debentures. The trust has a term of 31 years but may be dissolved earlier as provided in the trust agreement. Upon issuance of the preferred securities offered by this prospectus, the purchasers in this offering will own all of the issued and outstanding preferred securities of the trust. In exchange for our capital contribution to the trust, we will own all of the common securities of the trust.

Our principal executive offices, as well as those of the trust, are located at 1040 East Main Street, Louisville, Kentucky 40206. The main telephone number for us and the trust is (502) 582-2571.

The Offering

The issuer	S.Y. Bancorp Capital Trust I
Securities being offered	1,800,000 preferred securities, which represent preferred undivided interests in the assets of the trust. Those assets will consist solely of the debentures and payments

	received on the debentures. The trust will sell the preferred securities to the public for cash. The trust will use that cash to buy the debentures from us.
Offering price	$10 per preferred security.
When the trust will pay distributions to you	Your purchase of the preferred securities entitles you to receive cumulative cash distributions at a 9.00% annual rate. Distributions will accumulate from the date the trust issues the preferred securities and are to be paid quarterly on March 31, June 30, September 30 and December 31 of each year, beginning September 30, 2001. As long as the preferred securities are represented by a global security, the record date for distributions on the preferred securities will be the business day prior to the distribution date. We may defer the payment of cash distributions, as described below.
When the trust must redeem the preferred securities	The debentures will mature and we must redeem the preferred securities on June 30, 2031. We have the option, however, to shorten the maturity date to a date not earlier than June 30, 2006. We will not shorten the maturity date unless we have received the prior approval of the Board of Governors of the Federal Reserve System, if required by law or regulation.
Redemption of the preferred securities before June 30, 2031 is possible	The trust must redeem the preferred securities when the debentures are paid at maturity or upon any earlier redemption of the debentures to the extent the debentures are redeemed. We may redeem all or part of the debentures at

	any time on or after June 30, 2006. In addition, we may redeem, at any time, all of the debentures if: existing laws or regulations, or the interpretation or application of these laws or regulations, change, causing the interest we pay on the debentures to no longer be deductible by us for federal income tax purposes; or causing the trust to become subject to federal income tax or to certain other taxes or governmental charges; existing laws or regulations change, requiring the trust to register as an investment company; or the capital adequacy guidelines of the Federal Reserve change so that the preferred securities no longer qualify as Tier 1 capital. We may also redeem the debentures at any time, and from time to time, in an amount equal to the liquidation amount of any preferred securities we repurchase, plus a proportionate amount of common securities, but only in exchange for a like amount of the preferred securities and common securities that we then own. Redemption of the debentures prior to maturity will be subject to the prior approval of the Federal Reserve, if approval is then required by law or regulation. If your preferred securities are redeemed by the trust, you will receive the liquidation amount of $10 per preferred security, plus any accrued and unpaid distributions to the date of redemption.
We have the option to extend the interest payment period	The trust will rely solely on payments made by us under the debentures to pay distributions on the preferred securities. As long as we are not in default under the indenture relating to the debentures, we may, at one or more times, defer interest payments on the debentures for up to 20 consecutive quarters, but not beyond June 30, 2031. If we defer interest payments on the debentures: the trust will also defer distributions on the preferred securities; the distributions you are entitled to will accumulate; and

	these accumulated distributions will earn interest at an annual rate of 9.00%, compounded quarterly, until paid.
	At the end of any deferral period, we will pay to the trust all accrued and unpaid interest under the debentures. The trust will then pay all accumulated and unpaid distributions to you.
You will still be taxed if distributions on the preferred securities are deferred	If a deferral of payment occurs, you must recognize the amount of the deferred distributions as income for United

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	States federal income tax purposes in advance of receiving the actual cash distributions, even if you are a cash basis taxpayer.
Our full and unconditional guarantee of payment	Our obligations described in this prospectus, in the aggregate, constitute a full, irrevocable and unconditional guarantee on a subordinated basis by us of the obligations of the trust under the preferred securities. Under the guarantee agreement, we guarantee that the trust will use its assets to pay the distributions on the preferred securities and the liquidation amount upon liquidation of the trust. However, the guarantee does not apply when the trust does not have sufficient funds to make the payments. If we do not make payments on the debentures, the trust will not have sufficient funds to make payments on the preferred securities. In this event, your remedy is to institute a legal proceeding directly against us for enforcement of payments under the debentures.
We may distribute the debentures directly to you	We may, at any time, dissolve the trust and distribute the debentures to you, subject to the prior approval of the Federal Reserve, if required by law or regulation. If we distribute the debentures, we will use our best efforts to list them on a national securities exchange or to include them in a comparable self-regulatory organization.
How the securities will rank in right of payment	Our obligations under the preferred securities, debentures and guarantee are unsecured and will rank as follows with regard to right of payment: the preferred securities will rank equally with the common securities of the trust. The trust will pay distributions on the preferred securities and the common securities pro rata. However, if we default with respect to the debentures, then no distributions on the common securities of the trust or our common stock will be paid until all accumulated and unpaid distributions on the preferred securities have been paid; our obligations under the debentures and the guarantee are unsecured and generally will rank junior in priority to our existing and future senior and subordinated indebtedness; and because we are a holding company, the debentures and the guarantee will effectively be subordinated to all depositors' claims, as well as existing and future liabilities of our subsidiaries.
Voting rights of the preferred securities	Except in limited circumstances, holders of the preferred securities will have no voting rights.
American Stock Exchange symbol	SYI.Pr.

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You will not receive certificates	The preferred securities will be represented by a global security that will be deposited with and registered in the name of The Depository Trust Company, New York, New

	York, or its nominee. As a result, you will not receive a certificate for the preferred securities, and your beneficial ownership interests will be recorded through the DTC book-entry system.
How the proceeds of this offering will be used	The trust will invest the proceeds from the sale of the preferred securities in the debentures. We estimate the net proceeds to us from the sale of the debentures to the trust, after deducting underwriting expenses and commissions, will be approximately $17.0 million. We expect to use a portion of the net proceeds from the sale of the debentures to reduce indebtedness currently outstanding under our line of credit with an unaffiliated bank. The remaining proceeds will be used for making additional capital contributions to our bank, for repurchases of our common stock and for general corporate purposes.

Before purchasing the preferred securities being offered, you should carefully consider the "Risk Factors" beginning on page 10.

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SELECTED CONSOLIDATED FINANCIAL DATA

The following table summarizes our selected consolidated financial information and other financial data. The selected balance sheet and statement of income data, insofar as they relate to the years ended December 31, 2000, 1999, 1998, 1997 and 1996, are derived from our consolidated financial statements, which have been audited by KPMG LLP. The selected consolidated financial data as of and for the three-month periods ended March 31, 2001 and 2000 are derived from unaudited consolidated financial statements. In our opinion, all adjustments, consisting solely of normal recurring adjustments, necessary for a fair presentation of results as of and for the three-month periods ended March 31, 2001 and 2000 have been included. This information should be read together with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and the related notes incorporated by reference into this prospectus from our Annual Report on Form 10-K for the year ended December 31, 2000 and our Quarterly Report on Form 10-Q for the quarter ended March 31, 2001. Results for past periods are not necessarily indicative of results that may be expected for any future period, and results for the three-month period ended March 31, 2001, are not necessarily indicative of results that may be expected for the full year ending December 31, 2001.

	As of or For the Three Months Ended March 31,		As of or For the Year Ended December 31,				
	2001	2000	2000	1999	1998	1997	1996
			(Dollars in thousands, except per share data)				
Summary of Income:							
Interest income	$ 16,468	$ 13,481	$ 60,387	$ 48,524	$ 42,872	$ 35,339	$ 29,138
Interest expense	8,320	6,068	29,233	21,054	19,578	15,616	12,600
Net interest income	8,148	7,413	31,154	27,470	23,294	19,723	16,538
Provision for loan losses	800	580	2,840	1,635	1,600	1,000	800
Non-interest income	4,370	3,322	15,415	12,620	11,372	7,425	5,599
Non-interest expenses	7,240	6,343	26,704	24,131	21,019	16,741	13,716
Income before income taxes	4,478	3,812	17,025	14,324	12,047	9,407	7,621
Net income	3,039	2,592	11,592	9,706	8,218	6,534	5,179
Common Share Data:							
Diluted earnings per share	$ 0.44	$ 0.38	$ 1.70	$ 1.41	$ 1.21	$ 0.96	$ 0.77
Book value per share	9.50	7.80	9.08	7.56	6.67	5.62	4.83
Tangible book value per share	9.39	7.68	8.97	7.44	6.53	5.48	4.67
	6,836,604	6,826,908	6,819,168	6,870,921	6,812,694	6,793,480	6,730,988

	As of or For the Three Months Ended March 31,		As of or For the Year Ended December 31,				
Weighted average common and common equivalent shares diluted							
Balance Sheet Data:							
Total assets	$ 863,399	$ 719,445	$ 852,260	$ 689,815	$ 609,788	$ 478,597	$ 415,365
Loans	693,153	582,135	664,634	546,858	448,286	370,293	301,548
Allowance for loan losses	9,889	7,842	9,331	7,336	6,666	5,921	5,155
Total securities	89,510	78,709	86,823	84,231	101,287	60,114	75,520
Deposits	738,325	612,993	725,657	569,962	517,612	417,571	355,251
Long-term debt	2,100	2,100	2,100	2,100	2,100	2,115	2,697
Stockholders' equity	63,155	51,776	60,288	50,254	43,943	36,917	31,594
Selected Performance Ratios:							
Return on average assets(1)	1.47%	1.50%	1.55%	1.52%	1.52%	1.50%	1.47%
Return on average stockholders' equity(1)	19.84	20.47	21.21	20.20	20.20	19.12	17.45
Dividend payout ratio(2)	23.91	23.08	22.29	22.60	22.40	24.12	25.32
Net interest margin (tax equivalent)(1)(3)	4.26	4.68	4.51	4.72	4.71	4.89	5.05
Efficiency ratio(4)	57.25	58.48	56.80	59.64	60.20	61.27	61.42
Asset Quality Ratios:							
Non-performing loans to total loans	0.78%	0.77%	0.44%	0.81%	0.53%	0.26%	0.32%
Non-performing assets to total assets	0.63	0.63	0.44	0.65	0.70	0.20	0.30
Allowance for loan losses to non-performing loans	182.89	175.32	316.95	166.16	282.46	609.16	539.23
Allowance for loan losses to total loans	1.43	1.35	1.40	1.34	1.49	1.60	1.71
Net charge-offs to average loans(1)	0.14	0.05	0.14	0.20	0.21	0.07	0.06

	As of or For the Three Months Ended March 31,		As of or For the Year Ended December 31,				
	2001	2000	2000	1999	1998	1997	1996
Liquidity and Capital Ratios:							
Average loans to average deposits	95.28%	97.41%	97.29%	91.41%	87.86%	86.69%	89.65%
Total stockholders' equity to total assets	7.31	7.20	7.07	7.29	7.21	7.71	7.61
Tier 1 risk-based capital ratio	8.99	9.23	8.87	9.55	9.50	9.70	9.82
Total risk-based capital ratio	10.28	10.54	10.16	10.86	10.82	11.04	11.27
Leverage ratio	7.34	7.58	7.38	7.56	7.31	7.57	7.90
Ratio of Earnings to Fixed Charges(5):							
Including interest expense on deposits	1.53x	1.62x	1.57x	1.67x	1.61x	1.59x	1.59x
Excluding interest expense on deposits	7.48	6.03	6.53	7.77	10.46	9.57	9.33

(1) Certain financial ratios for interim periods have been annualized.

(2) Based on basic earnings per share.

(3) Net interest income divided by average interest-earning assets.

(4) Non-interest expense divided by the sum of net interest income, on a tax equivalent basis, plus non-interest income.

(5)

For purposes of computing the ratios of earnings to combined fixed charges, earnings represent net income plus applicable income taxes and fixed charges. Fixed charges include gross interest expense, other than interest on deposits in one case and inclusive of such interest in the other, and the proportion deemed representative of the interest factor or rent expense, net of income from subleases.

RISK FACTORS

An investment in the preferred securities involves a number of risks. Some of these risks relate to the preferred securities and others relate to us and the financial services industry, generally. We urge you to read all of the information contained in this prospectus. In addition, we urge you to consider carefully the following factors in evaluating an investment in the trust before you purchase the preferred securities offered by this prospectus.

Because the trust will rely on the payments it receives on the debentures from us to fund all payments on the preferred securities, and because the trust may distribute the debentures in exchange for the preferred securities, purchasers of the preferred securities are making an investment decision that relates to the debentures being issued by us as well as the preferred securities. Purchasers should carefully review the information in this prospectus about the preferred securities, the debentures and the guarantee.

Risks Related to an Investment in S.Y. Bancorp, Inc.

Our profitability depends significantly on local economic conditions.

Our success depends primarily on the general economic conditions of the Louisville metropolitan area. Unlike larger banks that are more geographically diversified, virtually all of our customers are in the Louisville area. Louisville's local economic conditions have a significant impact on the demand of our customers for loans, the ability of borrowers to repay these loans, and the value of the collateral securing these loans. A significant decline in general economic conditions will affect these local economic conditions and will negatively affect the financial results of our banking operations. Factors influencing general economic conditions include inflation, recession, unemployment, and other factors beyond our control.

We rely on local businesses which may have less diverse customer bases than their national competitors, which may make them more susceptible to changes in the local economy.

We target our business development and marketing strategy primarily to serve the banking and financial needs of local, closely-held businesses. These businesses may not have as diverse customer bases as businesses serving regional or national markets. If general economic conditions, such as inflation, recession, unemployment and other factors beyond our control, negatively impact the Louisville area, our results of operations and financial condition could be significantly affected.

If our allowance for loan losses is not sufficient to cover actual loan losses, our earnings could decrease.

Our loan customers may not repay their loans according to the terms of these loans, and the collateral securing the payment of these loans may be insufficient to assure repayment. We may experience significant credit losses which could have a material adverse effect on our operating results. We make various assumptions and judgments about the collectibility of our loan portfolio, including the creditworthiness of our borrowers and the value of the real estate and other assets serving as collateral for the repayment of many of our loans. In determining the size of the allowance for loan losses, we rely on our experience and our evaluation of economic conditions. If our assumptions prove to be incorrect, our current allowance for loan losses may not be sufficient to cover losses inherent in our loan portfolio and adjustments may be necessary to allow for different economic conditions or adverse developments in our loan portfolio. Material additions to our allowance would materially decrease our net income.

In addition, federal and state regulators periodically review our allowance for loan losses and may require us to increase our provision for loan losses or recognize further loan charge-offs. Any increase in our allowance for loan losses or loan charge-offs as required by these regulatory agencies could have a material adverse effect on our results of operations and financial condition.

Fluctuations in interest rates could reduce our profitability.

We realize income primarily from the difference between interest earned on loans and investments and the interest paid on deposits and borrowings. We expect that we will periodically experience "gaps" in the interest rate sensitivities of our assets and liabilities, meaning that either our interest-bearing liabilities will be more sensitive to changes in market interest rates than our interest-earning assets, or vice versa. In either event, if market interest rates should move contrary to our position, this "gap" will work against us, and our earnings may be negatively affected.

We are unable to predict fluctuations of market interest rates, which are affected by, among other factors, changes in the following:

- inflation rates;
- levels of business activity;
- unemployment levels;
- money supply; and
- domestic and foreign financial markets.

Our asset-liability management strategy, which is designed to mitigate our risk from changes in market interest rates, may not be able to prevent changes in interest rates from having a material adverse effect on our results of operations and financial condition.

Competition with other financial institutions could adversely affect our profitability.

We face vigorous competition from banks and other financial institutions, including savings and loan associations, savings banks, finance companies and credit unions. A number of these banks and other financial institutions have substantially greater resources and lending limits, larger branch systems and a wider array of banking services. To a limited extent, we also compete with other providers of financial services, such as money market mutual funds, brokerage firms, consumer finance companies and insurance companies. This competition may reduce or limit our margins on banking services, reduce our market share and adversely affect our results of operations and financial condition.

We rely heavily on our management team, and the unexpected loss of key managers may adversely affect our operations.

Our success to date has been influenced strongly by our ability to attract and to retain senior management experienced in banking and financial services. Our ability to retain executive officers and the current management teams of each of our lines of business will continue to be important to successful implementation of our strategies. We do not have employment or non-compete agreements with any of these key employees. The unexpected loss of services of any key management personnel, or the inability to recruit and retain qualified personnel in the future, could have an adverse effect on our business and financial results.

We may not be able to maintain our historical growth rate, which may adversely impact our results of operations and financial condition.

To achieve our growth, we have initiated internal growth programs, and opened additional branches in the past few years. We may not be able to sustain our historical rate of growth or may not even be able to grow at all. We may not be able to obtain the funding necessary to support our growth.

Various factors, such as economic conditions, competition and regulatory considerations, may impede or prohibit the opening of new branch offices. Further, our inability to attract and retain experienced bankers may adversely affect our internal growth. A significant decrease in our historical rate of growth may adversely impact our results of operations and financial condition.

We operate in a highly regulated environment and may be adversely affected by changes in federal and local laws and regulations.

We are subject to extensive regulation, supervision and examination by federal and state banking authorities. Any change in applicable regulations or federal or state legislation could have a substantial impact on us and our bank and its operations. Additional legislation and regulations may be enacted or adopted in the future that could significantly affect our powers, authority and operations, which could have a material adverse effect on our financial condition and results of operations. Further, regulators have significant discretion and power to prevent or remedy unsafe or unsound practices or violations of laws by banks and bank holding companies in the performance of their supervisory and enforcement duties. The exercise of regulatory power may have a negative impact on our results of operations and financial condition.

Risks Related to an Investment in the Preferred Securities

If we do not make interest payments under the debentures, the trust will be unable to pay distributions and liquidation amounts. Our guarantee will not apply because the guarantee covers payments only if the trust has funds available.

The trust will depend solely on our payments on the debentures to pay amounts due to you on the preferred securities. If we default on our obligation to pay the principal or interest on the debentures, the trust will not have sufficient funds to pay distributions or the liquidation amount on the preferred securities. In that case, you will not be able to rely on the guarantee for payment of these amounts because the guarantee only applies if the trust has sufficient funds to make distributions on or to pay the liquidation amount of the preferred securities. Instead, you or the property trustee will have to institute a direct action against us to enforce the property trustee's rights under the indenture relating to the debentures.

To the extent we must rely on dividends from our banking subsidiary to make interest payments on the debentures to the trust, our available cash flow may be restricted and distributions may be deferred.

We are a holding company and substantially all of our assets are held by our banking subsidiary. Our ability to make payments on the debentures when due will depend primarily on available cash resources at the bank holding company and dividends from our banking subsidiary and any other subsidiaries which we may form in the future. Dividend payments or extensions of credit from our banking subsidiary are subject to regulatory limitations, generally based on capital levels and current and retained earnings, imposed by the various regulatory agencies with authority over our subsidiaries. The ability of our banking subsidiary to pay dividends is also subject to its profitability, financial condition, capital expenditures and other cash flow requirements. We cannot assure you that our subsidiaries will be able to pay dividends in the future.

The debentures and the guarantee rank lower than most of our other indebtedness, and our holding company structure effectively subordinates any claims against us to those of our subsidiaries' creditors.

Our obligations under the debentures and the guarantee are unsecured and will rank junior in priority of payment to our existing and future senior and senior subordinated indebtedness. As of April 30, 2001, we had approximately $13.6 million outstanding principal amount of consolidated senior

and subordinated debt. The issuance of the debentures and the preferred securities does not limit our ability or the ability of our subsidiaries to incur additional indebtedness, guarantees or other liabilities.

Because we are a holding company, the creditors of our subsidiaries, including depositors, also will have priority over you in any distribution of our subsidiaries' assets in liquidation, reorganization or otherwise. Accordingly, the debentures and the guarantee will be effectively subordinated to all existing and future liabilities of our direct and indirect subsidiaries, and you should look only to our assets for payments on the preferred securities and the debentures.

We may defer interest payments on the debentures for substantial periods, which could have adverse consequences for you.

We may, at one or more times, defer interest payments on the debentures for up to 20 consecutive quarters. If we defer interest payments on the debentures, the trust will defer distributions on the preferred securities during any deferral period. During a deferral period, you will be required to recognize as income for federal income tax purposes the amount approximately equal to the interest that accrues on your proportionate share of the debentures held by the trust in the tax year in which that interest accrues, even though you will not receive these amounts until a later date.

You will also not receive the cash related to any accrued and unpaid interest from the trust if you sell the preferred securities before the end of any deferral period. During a deferral period, accrued but unpaid distributions will increase your tax basis in the preferred securities. If you sell the preferred securities during a deferral period, your increased tax basis will decrease the amount of any capital gain or increase the amount of any capital loss that you may have otherwise realized on the sale. A capital loss, except in certain limited circumstances, cannot be applied to offset ordinary income. As a result, deferral of distributions could result in ordinary income, and a related tax liability for the holder, and a capital loss that may only be used to offset a capital gain.

We do not currently intend to exercise our right to defer interest payments on the debentures. However, in the event of a deferral period, the market price of the preferred securities would likely be adversely affected. The preferred securities may trade at a price that does not fully reflect the value of accrued but unpaid interest on the debentures. If you sell the preferred securities during a deferral period, you may not receive the same return on investment as someone who continues to hold the preferred securities. Due to our right to defer interest payments, the market price of the preferred securities may be more volatile than the market prices of other securities without the deferral feature.

Regulators may preclude us from making distributions on the debentures in the event our regulatory capital, liquidity or financial performance deteriorates.

We and our banking subsidiary are subject to extensive federal and state law, regulation and supervision. Our regulators monitor our financial condition on a periodic basis and may impose limitations on our operations and business activities under various circumstances. In response to any perceived deficiencies in liquidity or regulatory capital levels, our regulators may require us to obtain their consent prior to paying dividends on our capital stock or interest on the debentures. In the event our regulators withheld their consent to our payment of interest on the debentures, we would exercise our right to defer interest payments on the debentures, and the trust would not have funds available to make distributions on the preferred securities during the deferral period. This action by our regulators may or may not be taken in conjunction with similar restrictions on the ability of our subsidiaries to pay dividends to us. See " To the extent we must rely on dividends from our banking subsidiary to make interest payments on the debentures to the trust, our available cash flow may be restricted and distributions may be deferred" on page 12. The commencement of a deferral period with respect to interest on the debentures and, accordingly, distributions on the preferred securities, would likely cause

the market price of the preferred securities to decline. See " We may defer interest payments on the debentures for substantial periods, which could have adverse consequences for you" on page 13.

We have made only limited covenants in the indenture and the trust agreement, which may not protect your investment in the event we experience significant adverse changes in our financial condition or results of operations.

The indenture governing the debentures and the trust agreement governing the trust do not require us to maintain any financial ratios or specified levels of net worth, revenues, income, cash flow or liquidity, and therefore do not protect holders of the debentures or the preferred securities in the event we experience significant adverse changes in our financial condition or results of operations. The indenture prevents us and any subsidiary from incurring, in connection with the issuance of any trust preferred securities or any similar securities, indebtedness that is senior in right of payment to the debentures. The indenture also limits our ability and the ability of any subsidiary to incur, in connection with the issuance of any trust preferred securities or any similar securities, indebtedness that is equal in right of payment with the debentures. Except as described above, neither the indenture or the trust agreement limits our ability or the ability of any subsidiary to incur additional indebtedness that is senior in right of payment to the debentures. Therefore, you should not consider the provisions of these governing instruments as a significant factor in evaluating whether we will be able to comply with our obligations under the debentures or the guarantee.

In the event we redeem the debentures before June 30, 2031, you may not be able to reinvest your principal at the same or a higher rate of return.

Under the following circumstances, we may redeem the debentures before their stated maturity:

- We may redeem the debentures, in whole or in part, at any time on or after June 30, 2006.

- We may redeem the debentures in whole, but not in part, within 180 days after certain occurrences at any time during the life of the trust. These occurrences may include adverse tax, investment company or bank regulatory developments. See

"Description of the Debentures Redemption" on page 39.

You should assume that we will exercise our redemption option if we are able to obtain capital at a lower cost than we must pay on the debentures or if it is otherwise in our interest to redeem the debentures. If the debentures are redeemed, the trust must redeem preferred securities having an aggregate liquidation amount equal to the aggregate principal amount of debentures redeemed, and you may be required to reinvest your principal at a time when you may not be able to earn a return that is as high as you were earning on the preferred securities.

We can distribute the debentures to you, which may have adverse tax consequences for you and which may adversely affect the market price of the preferred securities prior to such distribution.

The trust may be dissolved at any time before maturity of the debentures on June 30, 2031. As a result, and subject to the terms of the trust agreement, the trustees may distribute the debentures to you.

We cannot predict the market prices for the debentures that may be distributed in exchange for preferred securities upon liquidation of the trust. The preferred securities, or the debentures that you may receive if the trust is liquidated, may trade at a discount to the price that you paid to purchase the preferred securities. Because you may receive debentures, your investment decision with regard to the preferred securities will also be an investment decision with regard to the debentures. You should carefully review all of the information contained in this prospectus regarding the debentures.

Under current interpretations of United States federal income tax laws supporting classification of the trust as a grantor trust for tax purposes, a distribution of the debentures to you upon the dissolution of the trust would not be a taxable event to you. Nevertheless, if the trust is classified for United States income tax purposes as an association taxable as a corporation