



**Part II Organizational Action** (continued)

17 List the applicable Internal Revenue Code section(s) and subsection(s) upon which the tax treatment is based ► SEE ATTACHMENT

18 Can any resulting loss be recognized? ► SEE ATTACHMENT

19 Provide any other information necessary to implement the adjustment, such as the reportable tax year ► SEE ATTACHMENT

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.

**Sign Here**

Signature ► *[Handwritten Signature]* Date ► *3/2/2016*

Print your name ► *Robert M. Chase* Title ► *SVP & CFO*

<b>Paid Preparer Use Only</b>	Print/Type preparer's name	Preparer's signature	Date	Check <input type="checkbox"/> if self-employed	PTIN
	ROBERT PARKER, CPA	<i>[Handwritten Signature]</i>	2016.03.02 16:26:26 -06'00'		P00868782
	Firm's name ► CROWE HORWATH LLP	Firm's address ► 720 COOL SPRINGS BLVD, SUITE 600, FRANKLIN, TN 37067		Firm's EIN ► 35-0921680	Phone no. 615-360-5500

**Attachment to Form 8937**  
**Report of Organizational Actions Affecting Basis of Securities**  
**Premier Financial Bancorp, Inc.**  
**FEIN: 61-1206757**

**Part II, Line 14**

Effective January 15, 2016, Premier Financial Bancorp, Inc. ("Premier") acquired First National Bankshares Corporation. ("First National") through a merger transaction and First National simultaneously merged into Premier. The merger qualified as a tax-free reorganization under Section 368 of the Internal Revenue Code.

**Part II, Line 15**

Pursuant to the agreement and Plan of Merger, each share of First National common stock was exchanged for 1.69 shares of Premier common stock, plus cash in lieu of fractional shares. In addition, immediately prior to the effective time of the Merger, First National shareholders received a Special Dividend of \$5.08 per share from the equity of First National. Both Premier and First National intend to treat the Special Dividend as part of the Merger consideration paid by Premier.

The aggregate tax basis of Premier shares received by First National shareholders in the transaction will be generally determined in accordance with IRC Section 358(a), as follows:

- The basis of First National shares exchanged
- Reduced by the cash received in the Merger
- Increased by any gain recognized in the exchange, computed on a per share basis.

**Part II, Line 16**

Each shareholder of First National stock will receive 1.69 shares of Premier common stock, plus cash in lieu of fractional shares. In addition, First National shareholders will receive a Special Dividend of \$5.08 per share, with the intent being to treat this dividend as part of the merger consideration. This being the case, the shareholder will generally recognize capital gain (discussed in #18), with the nature of the gain being determined by how long First National stock was held by each individual shareholder.

The total basis of Premier shares received, once computed, must be allocated to the individual Premier shares received in accordance with Treasury Regulations §1.358-2(a). In cases where a shareholder had separate tranches of First National shares, see examples (1) and (2) under Treasury Regulation 1.358-2(c) for rules relating to specific allocation of basis. Each First National shareholder should consult their tax advisor for specific guidance.

**Part II, Line 17**

Tax treatment of the Merger is based on the following Internal Revenue Code (IRC) sections and subsections as more fully discussed below: 368(A), 354, 356, 358, and 1221.

**Part II, Line 18**

First National shareholders receiving a combination of Premier stock and cash will generally recognize capital gain, but not loss, equal to the lesser of the total gain realized (difference between value of cash and stock received over individual tax basis in First National stock surrendered) and the amount of cash received in accordance with accordance with IRC Section 356(a)(1) and IRC Section 1001. Each First National shareholder should consult their tax advisor for specific guidance.

**Part II, Line 19**

The reportable tax year of the adjustment to the basis of the securities as a result of the organizational action is the shareholder's tax year that includes January 15, 2016.