Form **8937**(December 2011)

Form
(December 2011)
Department of the Treasury

Report of Organizational Actions Affecting Basis of Securities

► See separate instructions.

OMB No. 1545-2224

Part I Reporting Is	ssuer				
1 Issuer's name				2 Issuer's employer identification number (EIN)	
PREMIER FINANCIAL BANCORP, INC.				61-1206757	
			e No. of contact	5 Email address of contact	
BRIEN CHASE, CFO (304) 525-1600					
6 Number and street (or P.O. box if mail is not delivered to street address) of contact				7 City, town, or post office, state, and Zip code of contact	
2883 FIFTH AVENUE				HUNTINGTON, WV 25702	
8 Date of action		9 Class	ification and description		
JANUARY 15, 2016			N STOCK		
10 CUSIP number	11 Serial number	(s)	12 Ticker symbol	13 Account number(s)	
	N/A		PFBI	N/A	
		ch additional	statements if needed. So	ee back of form for additional questions.	
				urity in the hands of a U.S. taxpayer as an adjustment per	
share or as a percenta	ge of old basis ► <u>S</u>	EE ATTAC	HMENT		
16 Describe the calculation valuation dates ► SEI			data that supports the calcu	ulation, such as the market values of securities and the	
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Pai	t II	Organizational Action (continued)				
17	List th	e applicable Internal Revenue Code section(s) and subsection(s) upon which the tax treatment is based	SEE ATTACHMENT			
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18 Can any resulting loss be recognized? ► SEE ATTACHMENT						
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19	Provid	le any other information necessary to implement the adjustment, such as the reportable tax year SEE	ATTACHMENT			
19	1 10010	te any other information necessary to implement the adjustment, such as the reportable tax your page.	111 11 0000 1111			
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_	Un	der penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements,	, and to the best of my knowledge and			
	be	ief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which prepare	rer has any knowledge.			
	Sign Here Signature 1/20/6					
1101	Sig	nature ► Date ►	9000			
_	Pri	nt your name > / Character Title > 5VP	5 CFO			
Pai		Print/Type preparer's name ROBERT PARKER, CPA Preparer's signature 2016.03.02 16:26:26 -06'00'	Check if if self-employed P00868782			
	pare Onl	ROBERT FARREN, CFA	Firm's EIN ▶35-0921680			
		Firm's address ▶ 720 COOL SPRINGS BLVD, SUITE 600, FRANKLIN, TN 37067	Phone no. 615 - 360 - 5500			
Send	Form	8937 (including accompanying statements) to: Department of the Treasury, Internal Revenue Service, Ogo	den, UT 84201-0054			

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.