



**Part II Organizational Action** (continued)

**17** List the applicable Internal Revenue Code section(s) and subsection(s) upon which the tax treatment is based ► THE MERGER IS INTENDED TO QUALIFY AS A REORGANIZATION UNDER THE PROVISIONS OF SECTION 368(a) OF THE CODE. IN GENERAL, THE FEDERAL INCOME TAX CONSEQUENCES TO THE COMMONWEALTH BANCSHARES, INC. SHAREHOLDERS ARE DETERMINED UNDER CODE SECTION 302, 354, 356, 358, 1001, 1221, AND 1223 AND THE TREASURY REGULATIONS THEREUNDER.

**18** Can any resulting loss be recognized? ► IN MOST SITUATIONS, LOSSES RESULTING FROM THIS TRANSACTION ARE NOT CURRENTLY RECOGNIZED AND ARE DEFERRED UNTIL THE ULTIMATE DISPOSAL OF THE STOCK YARDS SHARES RECEIVED IN THE TRANSACTION.

**19** Provide any other information necessary to implement the adjustment, such as the reportable tax year ► THE ADJUSTMENT TO BASIS WOULD BE TAKEN INTO ACCOUNT IN THE TAXABLE YEAR OF THE SHAREHOLDER IN WHICH THE TRANSACTION OCCURRED (I.E. 2022 FOR CALENDAR YEAR TAXPAYERS).

THE INFORMATION DOES NOT CONSTITUTE TAX ADVICE AND PROVIDES A DESCRIPTION OF COMMON TAX CONSEQUENCES BUT DOES NOT PURPORT TO DESCRIBE ALL TAX CONSEQUENCES THAT MAY APPLY TO ALL TYPES OF SHAREHOLDERS. FORMER COMMONWEALTH SHAREHOLDERS SHOULD DISCUSS THE MATTER WITH A PROFESSIONAL TAX ADVISOR.

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 ► *Clay Stinnett* Date ► 4/22/22  
 Print your name ► Clay Stinnett Title ► CFO

**Paid Preparer Use Only**

Print/Type preparer's name	Preparer's signature	Date	Check <input type="checkbox"/> if self-employed	PTIN
KATHARINA M. HERBIG	<i>Kath M Herbig</i>	4/20/2022		P01071409
Firm's name ► CROWE LLP	Firm's EIN ►		35-0921680	
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**STOCK YARDS BANCORP, INC.**  
**EIN: 61-1137529**  
**Attachment to IRS Form 8937**

The information contained herein is being provided pursuant to the requirements of IRC Section 6045B and includes a general summary regarding the application of certain U.S. federal income tax laws and regulations relating to the effects of the transaction described below on tax basis in shares.

The information and examples provided below are illustrative only and are being provided pursuant to IRC Section 6045B and as a convenience to shareholders and their tax advisors. Shareholders should consult their tax advisors regarding specific consequences of the transaction, including the applicability and effect of all U.S. federal, state and local tax laws and foreign tax laws.

**Part II, Question 14: Describe the organizational action and, if applicable, the date of the action or the date against which shareholders' ownership is measured for the action.**

Stock Yards Bancorp, Inc. ("Stock Yards" or the "Company") acquired Commonwealth Bancshares, Inc. ("Commonwealth") through a merger transaction whereby H. Troutman Merger Subsidiary, Inc. ("Merger Sub"), a wholly owned subsidiary of Stock Yards was merged with and into Commonwealth with Commonwealth surviving the merger (the "Surviving Company"). Immediately following the merger, Commonwealth merged with and into Stock Yards, with Stock Yards as the surviving corporation ("the Upstream Merger"). Immediately following the completion of the Upstream Merger, Commonwealth Bank & Trust Company, the wholly owned subsidiary of Commonwealth, merged with and into Stock Yards Bank & Trust, the wholly owned subsidiary of Stock Yards (the "Bank Merger"). The transaction and mergers, taken together, are intended to qualify as a tax free reorganization under section 368(a) of the Internal Revenue Code. The effective date of the action is March 7, 2022. Outstanding shares of Commonwealth stock issued and outstanding immediately prior to the Merger were converted into the right to receive a combination of cash and shares of Stock Yards common stock (Aggregate Merger Consideration, as defined in the Agreement and Plan of Merger of \$30,992,119 of cash and 2,564,175 shares of Stock Yards stock resulting in 0.9267 shares of Stock Yards stock and \$11.20 in cash received for each share of Commonwealth stock), with cash paid in lieu of issuing fractional shares.

Shareholders who would have otherwise been entitled to receive a fractional Stock Yards share received cash (without interest) in lieu of a fractional share, determined by multiplying the fractional Stock Yards share by the Stock Yards Stock Closing Price, the average of the closing-sale prices of Stock Yards Bancorp, Inc. Common Stock on the NASDAQ Stock Market as reported by the Wall Street Journal for the five full trading days ending on the trading day preceding the closing date, an amount defined in the merger agreement. The five day average in this computation was \$52.654.

**Part II, Question 15: Describe the quantitative effect of the organizational action on the basis of the security in the hands of a U.S. taxpayer as an adjustment per share or as a percentage of old basis.**

*Basis & Holding Period in Shares Received*

The transactions are intended to qualify as a tax-free reorganization under IRC Section 368(a). The aggregate basis of the Stock Yards shares received by Commonwealth shareholders in the Merger (including any fractional shares deemed received and exchanged for cash) will generally be equal to the basis in the Commonwealth shares exchanged, adjusted as follows:

- (a) Reduced by cash received in the Merger (excluding cash received in lieu of fractional shares)
- (b) Increased by any gain recognized in the exchange, computed on a per share basis (other than with respect to cash received in lieu of fractional shares).

The holding period of the Stock Yards common shares received as merger consideration (including a fractional share interest deemed received and redeemed) will include the holding period of the Commonwealth shares exchanged therefor, in accordance with IRC Section 1223.

*Cash in Lieu of Fractional Shares*

A holder of Commonwealth common stock who receives cash in lieu of a fractional share of Stock Yards common stock will generally be treated as having received the fractional share pursuant to the Merger and then as having exchanged the fractional share for cash in a redemption by Stock Yards. As a result, a holder of Commonwealth common stock will generally recognize gain or loss equal to the difference between the amount of cash received in lieu of fractional shares and the tax basis allocated to such fractional share of Stock Yards common stock, unless the deemed redemption is treated as a distribution under IRC Section 301.

A holder of Commonwealth common stock will generally recognize gain (but not loss) in an amount equal to the lesser of: (1) the amount by which the sum of the fair market value (FMV) of the common stock and cash received exceeds the shareholder's basis in its Commonwealth common stock, and (2) the amount of cash received by the shareholder.

The following information is required to determine gain/loss and tax basis consequences:

- Per-share cash consideration = \$11.20 per share
- Relevant per-share market data for Stock Yards common shares on the March 7, 2022 Merger date:

Open	\$52.19
Close	\$51.17
High	\$52.50
Low	\$51.08

The relevant cash consideration (\$11.20/share) plus the per-share FMV determined based on available market data should be multiplied by the number of Stock Yards shares received in the Merger to determine the FMV of consideration received for purposes of determining gain/loss (as applicable) and tax basis impacts.

As discussed in Question 14 above, the cash paid in lieu of fractional shares was computed based on a five day average and was \$52.654.

*\*Shareholders should consult with their tax advisors regarding calculation of gain/loss, treatment of the deemed redemption, and to determine the methodology for valuing the Stock Yards shares received for purposes of determining specific tax basis impacts. There may be reasonable alternative share valuation methodologies, and we cannot provide any assurance that the Internal Revenue Service will agree with any particular FMV methodology.*

**Part II, Question 16: Describe the calculation of the change in basis and the data that supports the calculation, such as the market values of securities and the valuation dates.**

The basis of Stock Yards shares received by former Commonwealth shareholders, once computed as per above, must be allocated to individual Stock Yards shares in accordance with Treasury Regulation Section 1.358-2. Because fewer shares of Stock Yards common stock were received than Commonwealth shares surrendered, the basis of the Commonwealth shares surrendered must be allocated to the shares of Stock Yards stock received in a manner that reflects, to the greatest extent possible, that a share of Stock Yards stock received is received in respect of Commonwealth shares that were acquired on the same date and at the same price. To the extent it is not possible to allocate basis in this manner, the basis of the Commonwealth shares surrendered must be allocated to the shares of Stock Yards stock received in a manner that minimizes the disparity in the holding periods of the surrendered Commonwealth shares whose basis is allocated to any particular share of Stock Yards stock received. This may result in some Stock Yards shares received having a split basis and split holding period.