



**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 WILL BE TREATED AS A REORGANIZATION QUALIFYING UNDER THE PROVISIONS OF SECTION 368(a) OF THE CODE. IN GENERAL, THE FEDERAL INCOME TAX CONSEQUENCES TO THE KENTUCKY BANCSHARES, INC. SHAREHOLDERS ARE DETERMINED UNDER CODE SECTION 302, 354, 356, 358, 1001, 1221, and 1223(1) AND THE TREASURY REGULATIONS THEREUNDER.

**18** Can any resulting loss be recognized? ► SEE ATTACHED STATEMENT

**19** Provide any other information necessary to implement the adjustment, such as the reportable tax year ► THE REPORTABLE EVENT OCCURRED ON MAY 31, 2021 AND IS REPORTABLE IN THE SHAREHOLDER TAX YEAR THAT INCLUDES THAT DATE. THIS 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. EACH SHAREHOLDER SHOULD CONSULT THEIR OWN TAX ADVISOR AS TO THE DETERMINATION OF GAIN OR LOSS AND ALLOCATION OF BASIS TO ANY STOCK YARDS BANCORP, INC. COMMON STOCK RECEIVED.

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 ► T. Clay Stinnett Date ► 05/20/21  
 Print your name ► T. Clay Stinnett Title ► EVP + CFO

<b>Paid Preparer Use Only</b>	Print/Type preparer's name <b>KATHARINA M HERBIG</b>	Preparer's signature <u>Kath M Herbig</u>	Date <b>05/26/21</b>	Check <input type="checkbox"/> if self-employed	PTIN <b>P01071409</b>
	Firm's name ► <b>CROWE LLP</b>	Firm's EIN ► <b>35-0921680</b>		Phone no. <b>502-326-3996</b>	
	Firm's address ► <b>9600 BROWNSBORO ROAD, STE 400, LOUISVILLE, KY 40241-9915</b>				

Stock Yards Bancorp, Inc.  
EIN: 61-1137529  
Attachment to IRS Form 8937

**Form 8937, Part II, Question 14**

On May 31, 2021, H. Meyer Merger Subsidiary, Inc., a wholly owned subsidiary of Stock Yards Bancorp, Inc. ("Stock Yards") was merged with and into Kentucky Bancshares, Inc. ("Kentucky Bancshares") with Kentucky Bancshares continuing as the surviving corporation, pursuant to an agreement and plan of merger. Immediately following the merger, Kentucky Bancshares merged with and into Stock Yards, with Stock Yards as the surviving corporation ("the upstream merger"). The mergers, taken together, qualified as a tax-free reorganization under section 368(a) of the Internal Revenue Code. Pursuant to the terms of the merger agreement, each share of Kentucky Bancshares common stock outstanding immediately prior to the merger was converted into the right to receive a combination of cash and shares of Stock Yards common stock (.64 shares of common stock and \$4.75 in cash). 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.

**Form 8937, 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:

Each shareholder that received Stock Yards common stock in the Transaction will need to allocate its tax basis in the Kentucky Bancshares common stock immediately before the Transaction to the shares of Stock Yards common stock received in the Transaction. The aggregate tax basis of Stock Yards common stock received by each shareholder (including any fractional shares deemed received and exchanged for cash) will equal the aggregate tax basis of such shareholder's Kentucky Bancshares common stock surrendered, (a) decreased by the amount of cash received by such shareholder in the Transaction (excluding cash received in lieu of a fractional share of Stock Yards common stock) and (b) increased by the amount of gain (including any gain treated as a dividend), if any, recognized by the shareholder (computed on a per share basis) on the receipt of such other consideration (excluding gain recognized as a result of received cash in lieu of a fractional share of Stock Yards common stock).

A shareholder that received cash in lieu of a fractional share of Stock Yards common stock generally will be treated as having received such fractional share in the Transaction and then as having received cash in exchange for such fractional share in a redemption by Stock Yards. For most shareholders, this deemed redemption will be treated as a sale or exchange, and gain or loss generally will be recognized based on the difference between the amount of cash received in lieu of the fractional share and the tax basis allocated to such fractional share of Stock Yards common stock.

Because the tax basis of all Stock Yards shares received in the merger is determined in whole or in part by reference to the Kentucky Bancshares shareholders' basis in surrendered Kentucky Bancshares shares, the holding period for all Stock Yards common stock received in the merger will generally include the holding period for the shares of Kentucky Bancshares common stock exchanged therefor, in accordance with IRC §1223(1).

**Form 8937, Part II, Question 16**

See response #15 above. The stock consideration is based on 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. Shareholders are urged to consult their own tax advisor regarding the calculation of gain in the transaction.

The aggregate basis of Stock Yards shares received, once computed as per above, must be allocated to the individual Stock Yards shares received in accordance with Treasury Regulation §1.358-2(a). See also Proposed Treasury Regulation §1.358-2(b). If all surrendered Kentucky Bancshares shares were acquired by the shareholder on the same date at the same price, then the shareholder may generally divide the aggregate basis in all Stock Yards shares by the total number of shares received in the merger to determine the per share tax basis for each Stock Yards share received. However, if the surrendered Kentucky Bancshares shares were acquired on different dates at different prices, then the shareholder will be required to perform multiple tax basis calculations in order to determine the correct per-share basis for the Stock Yards shares received. Since fewer shares of Stock Yards common stock were received than shares of Kentucky Bancshares common stock surrendered, the basis of the Kentucky Bancshares 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 Kentucky Bancshares shares of stock 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 Kentucky Bancshares 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 shares whose basis is allocated to any particular Stock Yards share received. This could result in a single share of Stock Yards stock having a split basis and a split holding period. See Example (14) of Treasury Regulation §1.358-2(c) for an illustration of this principle.

**Form 8937, Part II, Question 18**

A holder of Kentucky Bancshares Common Shares receiving both cash and Stock Yards Shares in exchange for such holder's Kentucky Bancshares Common Shares (not including any cash received in lieu of a fractional Stock Yards Share) will recognize gain, but not loss, in an amount not to exceed the amount of cash received (excluding cash received in lieu of a fractional Stock Yards Share). Unless the redemption is treated as a dividend under the Code, the gain will be capital gain if the Kentucky Bancshares Common Shares are held by such shareholder as a capital asset at the time of the Merger.

A holder of Kentucky Bancshares Common Shares receiving cash in lieu of a fractional Stock Yards Share will recognize gain or loss, as if the holder received the fractional share and it was then redeemed for cash in an amount equal to the amount paid by Stock Yards in respect of the fractional share provided the receipt of such cash is "not essentially equivalent to a dividend" under the Code, the Treasury Department regulations promulgated thereunder, case law, or rulings of the Service.