

► See separate instructions.

Part I	Reporting Issuer
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1 Issuer's name			2 Issuer's employer identification number (EIN)		
National Bankshares, Inc., Successor to Frontier Community Bank			54-1375874		
3 Name of contact for additional information		4 Telephone No. of contact		5 Email address of contact	
Lora Jones		(540) 951-6238		ljones@nbbank.com	
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	
P.O. Box 90002				Blacksburg, VA 24062-9002	
8 Date of action		9 Classification and description			
June 1, 2024		Common stock			
10 CUSIP number	11 Serial number(s)	12 Ticker symbol		13 Account number(s)	
634865109	N/A	NKSH		N/A	

<b>Part II</b>	<b>Organizational Action</b> Attach additional statements if needed. See back of form for additional questions.
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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 ► **See attachment**

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 ► **See attachment**

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 ► **See attachment**

**Part II** Organizational Action (continued)

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

**Internal Revenue Code sections 302(b), 318, 354, 356, 358, 368, 1001, 1221, and 1223**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 ▶

**The merger became effective on June 1, 2024, and, therefore, the reportable tax year is the taxable year that includes the June 1, 2024 effective date.****Sign Here**

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.

Signature ▶



Date ▶

June 1, 2024Print your name ▶ **Lora M. Jones**Title ▶ **SVP and Chief Financial Officer****Paid Preparer Use Only**

Print/Type preparer's name

Preparer's signature

Date

Check ☐ if self-employed

PTIN

Firm's name ▶

Firm's EIN ▶

Firm's address ▶

Phone no.

Send Form 8937 (including accompanying statements) to: Department of the Treasury, Internal Revenue Service, Ogden, UT 84201-0054

**National Bankshares, Inc.**  
**EIN 54-1375874**  
**Attachment to Form 8937**  
**Merger of Frontier Community Bank with National Bankshares, Inc.**

**REPORT OF ORGANIZATIONAL ACTIONS AFFECTING BASIS OF SECURITIES**

The information contained in Form 8937 and this attachment does not constitute tax advice and does not purport to be complete or describe the consequences that may apply to particular categories of shareholders. Each shareholder is advised to consult his or her tax advisor regarding the tax treatment of the merger. Further discussion of the tax consequences of the merger can be found in National Bankshares, Inc.'s Registration Statement on Form S-4/A filed with the U.S. Securities and Exchange Commission on April 8, 2024 under the heading "Material U.S. Federal Income Tax Consequences Relating to the Merger" available at [www.sec.gov](http://www.sec.gov) (the "Form S-4").

Part II, Box 14

The organizational action involves the merger of Frontier Community Bank ("FCB") with and into National Bankshares, Inc. ("NBI") on June 1, 2024, with NBI continuing as the surviving entity (the "merger").

As a result of the merger, each outstanding share of FCB common stock (subject to certain exceptions described in the Agreement and Plan of Merger, dated as of January 23, 2024, by and between NBI and FCB) was converted into (i) cash consideration in the amount of \$14.48 per share, or (ii) the right to receive stock consideration of .4250 share of NBI common stock, plus cash paid in lieu of any fractional shares. The cash value of a fractional share was based on the share price of \$30.96, determined by the average of the closing sale prices of NBI common stock on the Nasdaq for the consecutive period of ten (10) full trading days ending on May 24, 2024.

Part II, Box 15

As described in the Form S-4, the merger is intended to qualify as a "reorganization" within the meaning of Section 368(a) of the Internal Revenue Code of 1986, as amended (the "Code"). If the merger so qualifies, the aggregate tax basis of the NBI common stock that a U.S. holder receives in the merger will equal such U.S. holder's aggregate adjusted tax basis in the shares of FCB common stock that it surrenders in the merger, decreased by the amount of any tax basis allocable to any fractional share interest for which cash is received, as described below. The holding period for the shares of NBI common stock that a U.S. holder receives in the merger (including any fractional share deemed received and redeemed for cash as described below) will include the holding period for the shares of FCB common stock that such U.S. holder surrenders in the merger. The basis and holding period of each block of NBI common stock a U.S. holder receives will be determined on a block-for-block basis depending on the basis and holding period of the blocks of FCB common stock exchanged for such block of NBI common stock.

A U.S. holder of FCB common stock who receives cash instead of a fractional share of NBI common stock will be treated as having received such fractional share of NBI common stock in the merger and then as having received cash in exchange for such fractional share of NBI common stock. As a result, such U.S. holder generally will recognize gain or loss equal to the difference between the

amount of cash received instead of a fractional share and the U.S. holder's adjusted tax basis allocable to the fractional share of NBI common stock it is treated as receiving. Such gain or loss generally will be capital gain or loss and will be long-term capital gain or loss if, as of the effective time of the merger, the holding period for such fractional share (including the holding period of shares of FCB common stock surrendered therefor) exceeds one year.

Part II, Box 16

Refer to the description of the basis calculation in Part II, Box 15 above. The closing price on May 31, 2024, the last business day before the effective date of the merger, for a share of NBI common stock on the Nasdaq was \$30.76.

Part II, Box 18

A U.S. holder will not recognize loss on the exchange of FCB common stock for shares of NBI common stock, except that loss may be recognized by those U.S. holders treated as having received a fractional share pursuant to the merger and then as having exchanged that fractional share for cash to the extent the amount by which the cash received by such holder is less than the holder's basis in the fractional shares as set forth above.