

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark One)

Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the Fiscal Year Ended December 31, 2022

OR

Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the Transition Period From _____ To _____.

Commission File Number **0-11733**



CITY HOLDING COMPANY

(Exact name of registrant as specified in its charter)

West Virginia

(State or other jurisdiction of incorporation or organization)

55-0619957

(I.R.S. Employer Identification No.)

25 Gateway Road

Charleston

West Virginia

(Address of principal executive offices)

25313

(Zip Code)

(304) 769-1100

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class:
Common Stock, \$2.50 par value

Trading Symbol(s)
CHCO

Name of Each Exchange on Which Registered:
NASDAQ Global Select Market

Securities registered pursuant to Section 12(g) of the Act:
None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act:

Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act:

Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer", "accelerated filer", "smaller reporting company", and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer
Non-accelerated filer Smaller reporting company
Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act).

Yes No

As of June 30, 2022, the last business day of the registrant's most recently completed second quarter, the aggregate market value of the shares of common stock held by non-affiliates, based upon the closing price per share of the registrant's common stock as reported on the Nasdaq Global Select Market, was approximately \$1.2 billion. (Registrant has assumed that all of its executive officers and directors are affiliates. Such assumption shall not be deemed to be conclusive for any other purpose.)

As of February 17, 2023, there were 14,739,549 shares of the Company's common stock, \$2.50 par value, outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Company's Proxy Statement for the 2023 annual shareholders' meeting to be held on April 26, 2023 are incorporated by reference into Part III, Items 10, 11, 12, 13, and 14.

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FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K contains certain forward-looking statements that are included pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Forward-looking statements express only management's beliefs regarding future results or events and are subject to inherent uncertainty, risks and changes in circumstances, many of which are outside of management's control. Uncertainty, risks, changes in circumstances and other factors could cause the Company's actual results to differ materially from those projected in the forward-looking statements. Factors that could cause actual results to differ from those discussed in such forward-looking statements include, but are not limited to those set forth in the Company's Annual Report on Form 10-K under "ITEM 1A Risk Factors" and the following: (1) general economic conditions, especially in the communities and markets in which we conduct our business; (2) ongoing uncertainties on the Company's business, results of operations and financial condition caused by the scope of the recovery of the COVID-19 pandemic; (3) credit risk, including risk that negative credit quality trends may lead to a deterioration of asset quality, risk that our allowance for credit losses may not be sufficient to absorb actual losses in our loan portfolio, and risk from concentrations within our loan portfolio; (4) changes in the real estate market, including the value of collateral securing portions of our loan portfolio; (5) changes in the interest rate environment; (6) operational risk, including cybersecurity risk and risk of fraud, data processing system failures, and network breaches; (7) changes in technology and increased competition, including competition from non-bank financial institutions; (8) changes in consumer preferences, spending and borrowing habits, demand for our products and services, and customers' performance and creditworthiness; (9) difficulty growing loan and deposit balances; (10) our ability to effectively execute our business plan, including with respect to future acquisitions; (11) changes in regulations, laws, taxes, government policies, monetary policies and accounting policies affecting bank holding companies and their subsidiaries; (12) deterioration in the financial condition of the U.S. banking system may impact the valuations of investments the Company has made in the securities of other financial institutions; (13) regulatory enforcement actions and adverse legal actions; (14) difficulty attracting and retaining key employees; and (15) other economic, competitive, technological, operational, governmental, regulatory, and market factors affecting our operations. Forward-looking statements made herein reflect management's expectations as of the date such statements are made. Such information is provided to assist stockholders and potential investors in understanding current and anticipated financial operations of the Company and is included pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. The Company undertakes no obligation to update any forward-looking statement to reflect events or circumstances that arise after the date such statements are made.

PART I

Item 1. Business

City Holding Company (the "Company" or "City Holding" or the "Parent Company") is a financial holding company headquartered in Charleston, West Virginia. The Company conducts its principal activities through its wholly-owned subsidiary, City National Bank of West Virginia ("City National"). City National provides banking, trust and investment management and other financial solutions through its network of 94 bank branches and 909 full-time equivalent associates located in West Virginia, Kentucky, Virginia and southeastern Ohio. The Company's business activities are currently limited to one reportable business segment, which is community banking.

The principal products produced and services rendered by City National include:

- **Commercial Banking** - City National offers a full range of commercial banking services to corporations and other business customers. Loans are provided for a variety of business purposes, including financing for commercial and industrial projects, income producing commercial real estate, owner-occupied real estate and construction and land development. City National also provides deposit services for commercial customers, including treasury management, lockbox and other cash management services. City National provides merchant credit card services through an agreement with a third party vendor.
- **Consumer Banking** - City National provides banking services to consumers, including checking, savings and money market accounts as well as certificates of deposit and individual retirement accounts. In addition, City National provides consumers with installment and real estate loans and lines of credit. City National also offers credit cards through an agreement with a third party vendor.
- **Mortgage Banking** - City National provides mortgage banking services, including fixed and adjustable-rate mortgages, construction financing, land loans, production of conventional and government insured mortgages, secondary marketing and mortgage servicing.
- **Wealth Management and Trust Services** - City National offers specialized services and expertise in the areas of wealth management, trust, investment and custodial services for commercial and individual customers. These services include the administration of personal trusts and estates, as well as the management of investment accounts for individuals, employee benefit plans and charitable foundations. City National also provides corporate trust and institutional custody, financial and estate planning and retirement plan services.

City National's customer base is diverse and no single depositor could have a material adverse effect on liquidity, capital, or other elements of financial performance. Although no portion of City National's loan portfolio is concentrated within a single industry or group of related industries in excess of City National's internally designated limit, residential mortgage loans have historically comprised a significant portion of its loan portfolio. At December 31, 2022, approximately 50% of the Company's loan portfolio was categorized as residential mortgage and home equity loans. However, due to the fractured nature of residential mortgage lending, there is no concentration of credits that would be considered materially detrimental to the Company's financial position or operating results. At December 31, 2022, approximately 48% of the Company's loan portfolio was categorized as commercial and industrial and commercial real estate. However, there is no concentration of credits that would be considered materially detrimental to the Company's financial position or operating results.

City National's loan portfolio is comprised of commercial and industrial, commercial real estate, residential real estate, home equity, consumer loans and demand deposit account ("DDA") overdrafts.

City National's commercial and industrial loan portfolio consists of loans to corporate and other legal entity borrowers, primarily small to mid-size industrial and commercial companies. Commercial and industrial loans typically involve a higher level of risk than other loan types, including industry specific risks such as the pertinent economy, new technology, labor rates and cyclicalities, as well as customer specific factors, such as cash flow, financial structure, operating controls and asset quality. Collateral securing these loans includes equipment, machinery, inventory, receivables and vehicles. As of December 31, 2022, City National reported \$374 million of loans classified as "Commercial and Industrial".

Commercial real estate loans consist of commercial mortgages, which generally are secured by nonresidential and multi-family residential properties, including hotel/motel and apartment lending. Commercial real estate loans are provided to many of the same customers and carry similar industry and customer specific risks as the commercial and industrial loans, but have different collateral risks. As of December 31, 2022, City National reported \$1.39 billion of loans classified as "Commercial Real Estate."

In order to group loans with similar risk characteristics, the portfolio is further segmented by product types:

- Commercial 1-4 Family loans consist of residential single-family, duplex, triplex, and fourplex rental properties and totaled \$116.2 million as of December 31, 2022. Risk characteristics are driven by rental housing demand as well as economic and employment conditions. These properties exhibit greater risk than multi-family properties due to fewer income sources.
- The Hotel portfolio is comprised of all lodging establishments and totaled \$340.4 million as of December 31, 2022. Risk characteristics relate to the demand for travel.
- Multi-family consists of 5 or more family residential apartment lending. The portfolio totaled \$174.8 million as of December 31, 2022. Risk characteristics are driven by rental housing demand as well as economic and employment conditions.
- Non-residential commercial real estate includes properties such as retail, office, warehouse, storage, healthcare, entertainment, religious, and other nonresidential commercial properties. The non-residential product type is further segmented into owner- and non-owner occupied properties. Nonresidential non-owner occupied commercial real estate totaled \$586.0 million while nonresidential owner-occupied commercial real estate totaled \$175.0 million as of December 31, 2022. Risk characteristics relate to levels of consumer spending and overall economic conditions.

City National diversifies risk within the commercial and industrial and commercial real estate portfolios by closely monitoring industry concentrations (against internally established risk-based capital thresholds) and portfolios to ensure that it does not exceed established lending guidelines. Diversification is intended to limit the risk of loss from any single unexpected economic event or trend. Underwriting standards require a comprehensive credit analysis and independent evaluation of all larger balance commercial loans by the loan committee prior to approval.

City National categorizes commercial loans by industry according to the North American Industry Classification System ("NAICS") to monitor its portfolio for possible concentrations in one or more industries. Management monitors industry concentrations against internally established risk-based capital thresholds. As of December 31, 2022, City National was within its internally designated concentration limits. Furthermore, with the exception of loans to borrowers within the "Lessors of Nonresidential Buildings" category, no other NAICS industry classification exceeded 10% of total loans at December 31, 2022. Loans to "Lessors of Nonresidential Buildings" were 14% of total loans at December 31, 2022. Management also monitors non-owner occupied commercial real estate as a percent of risk-based capital (based upon regulatory guidance). At December 31, 2022, the Company had \$1.2 billion of commercial loans classified as non-owner occupied, which was within its designated concentration threshold.

Residential real estate loans represent loans to consumers that are secured by a first priority lien on residential real property. Residential real estate loans include loans for the purchase or refinance of consumers' residences and first-priority home equity loans allow consumers to borrow against the equity in their home. These loans primarily consist of single family three- and five-year adjustable rate mortgages with terms that amortize up to 30 years. City National also offers fixed-rate residential real estate loans. Residential purchase real estate loans are generally underwritten to comply with Fannie Mae and Freddie Mac guidelines, while first priority lien home equity loans are underwritten with typically less documentation, lower loan-to-value ratios and shorter maturities. Additionally, the Company periodically purchases residential mortgage loans. The credit and collateral documents for each potential purchased loan are reviewed to ensure the credit metrics are acceptable to management. As of December 31, 2022, City National reported \$1.69 billion of loans classified as "Residential Real Estate."

City National's home equity loans represent loans to consumers that are secured by a second (or junior) priority lien on residential real property. Home equity loans allow consumers to borrow against the equity in their home without paying off an existing first priority lien. These loans include home equity lines of credit ("HELOC") and amortized home equity loans that require monthly installment payments. Second priority lien home equity loans are underwritten with less documentation than first priority lien residential real estate loans but typically have similar loan-to-value ratios and other terms as first priority lien residential real estate loans. The amount of credit extended under these loans is directly related to the value of the real estate securing the loan at the time the loan is made. As of December 31, 2022, City National reported \$134.3 million of loans classified as "Home Equity."

All mortgage loans, whether fixed rate or adjustable rate, are originated in accordance with acceptable industry standards and comply with regulatory requirements. Fixed rate mortgage loans are processed and underwritten in accordance with Fannie Mae and Freddie Mac guidelines, while adjustable rate mortgage loans are underwritten in accordance with City National's internal loan policy.

Consumer loans may be secured by automobiles, boats, recreational vehicles, certificates of deposit and other personal property, or they may be unsecured. The Company manages the risk associated with consumer loans by monitoring factors such as portfolio size and growth, internal lending policies, and pertinent economic conditions. City National's underwriting standards for consumer loans are continually evaluated and modified based upon these factors. As of December 31, 2022, City National reported \$48.8 million of loans classified as "Consumer."

DDA overdraft balances reflect demand deposit accounts that have been overdrawn by deposit customers and have been reclassified as loans. As of December 31, 2022, City National reported \$3.4 million of loans classified as "DDA Overdrafts."

City National's loan underwriting guidelines and standards are updated periodically with suggested revisions presented to City National's Board of Directors for approval. The purposes of the underwriting guidelines and standards is to grant loans on a sound and collectible basis; to invest available funds in a safe and profitable manner; to serve the legitimate credit needs of the communities in City National's primary market area; and to ensure that all loan applicants receive fair and equal treatment throughout the lending process. The underwriting guidelines and standards are intended to: (i) minimize credit losses by carefully investigating the credit history and creditworthiness of each applicant; (ii) verify the source of repayment and the ability of the applicant to repay; (iii) adequately collateralize those loans in which collateral is deemed to be required; (iv) exercise appropriate care in the documentation of the application, review, approval, and origination processes; and (v) administer a comprehensive loan collection program. The underwriting guidelines are adhered to by the loan officer assigned to the loan application and are subject to his or her experience, background and personal judgment.

Market Area and Competition

City National operates a network of 94 bank branches primarily along the I-64 corridor from Lexington, Kentucky through Lexington, Virginia and along the I-81 corridor through the Shenandoah Valley from Lexington, Virginia to Martinsburg, West Virginia. City National's branch network includes 58 branches in West Virginia, 19 branches in Kentucky, 13 branches in Virginia and 4 branches in Ohio. City National provides credit, deposit and investment advisory products and services to a broad geographical area that includes many rural and small community markets in addition to larger cities including Charleston (WV), Huntington (WV), Martinsburg (WV), Ashland (KY), Lexington (KY), Winchester (VA) and Staunton (VA). In addition to its branch network, City National's delivery channels include automated-teller-machines ("ATMs"), interactive-teller machines ("ITMs"), mobile banking, debit cards, interactive voice response systems, and Internet technology.

As noted previously, the Company's principal markets are located in West Virginia and contiguous markets in the surrounding states of Kentucky, Virginia and Southeastern Ohio. The majority of the Company's bank branches are located in the areas of Charleston (WV), Huntington (WV), Beckley (WV), Lewisburg (WV), Martinsburg (WV), Lexington (KY), and along the I-81 corridor in Virginia where there is a significant presence of other financial service providers. Within its markets, the Company competes with national, regional, and local community banks for deposits, credit and trust and investment management customers. In addition to traditional banking organizations, the Company competes with credit unions, finance companies, financial technology "fintech" companies, mutual funds, insurance companies, and other financial service providers, many of which are able to provide specialty financial products and services to targeted customer groups. As further discussed below, changes in laws and regulations enacted in recent years have increased the competitive environment the Company and its subsidiaries face to retain and attract customers.



City National also provides commercial products and services to customers that are outside of its branches' geographical footprint. These loans are diversified across a broad base of industry types, including multi-family housing properties, properties leased to government agencies, nursing homes, grocery and retail stores, and other commercial and industrial loans. At December 31, 2022, the outstanding balance of commercial loans to markets outside of the geographical footprint of the bank's branches was approximately \$372 million, or 21% of City National's outstanding commercial loan balances.

City National has approximately 15% of the deposit market share in the counties of West Virginia where its bank branches are located. In eastern Kentucky, City National has approximately 21% of the deposit market share in the counties where its bank branches are located. In Virginia, City National has approximately 8% of the deposit market share in the counties along the I-81 corridor where its bank branches are located. In Lawrence County, Ohio, where City National has three bank branches, City National has approximately 17% of the deposit market share.

According to the most recent U.S. Census Bureau estimates (2021), in the West Virginia counties where City National's bank branches are located, the population was approximately 1.0 million and has decreased 1.5% since 2010. The population in the counties that City National serves in Kentucky has increased 4.9% since 2010 and the population in the counties City National serves in Virginia along the I-81 corridor has increased 10.9% since 2010, which are more comparable to the national average increase of approximately 7.5%. In Lawrence County, Ohio, the population has decreased 8.0% since 2010.

On October 18, 2022, the Company announced that City Holding had signed a definitive agreement in which City Holding will acquire Citizens Commerce Bancshares, Inc., ("Citizens") the parent company of Citizens Commerce Bank, Inc., Versailles, Kentucky (the "Merger" and the agreement the "Merger Agreement"). Upon completion of the merger, the subsidiary bank of Citizens will merge with and into City National (the "Bank Merger"). The Boards of Directors of City and Citizens have approved the Merger, Bank Merger and the Merger Agreement. Subject to the terms and conditions of the Merger Agreement, at the effective time of the Merger, Citizens shareholders will have the right to receive 0.1666 City common shares, par value of \$2.50 per share for each Citizens common share, no par value. Cash will be paid in lieu of fractional shares and for unexercised Citizens options at closing. The Merger is expected to close in the first quarter of 2023, pending customary closing conditions, including receipt of required regulatory approvals and the approval by the shareholders of Citizens.

Human Capital

We care about our employees and provide not only competitive compensation and benefit packages, but a work environment our employees characterize as "family." We are committed to integrity and the highest ethical standards in regard to how we treat both our customers and our employees. To bring out the best in our employees and our company, we introduced the "Integrity in Action" program that gives all employees additional resources to help protect our company and uphold our high standards. We support all of the communities in which we serve, and our employees embrace this opportunity. Our success is a testament to the quality of financial products and services we provide, but more importantly, to our team and our culture.

Employee Demographics: As of December 31, 2022, we employed 929 full and part time employees (909 FTEs) across our 94 branches throughout West Virginia, Kentucky, Virginia and Southeastern Ohio. Our average quarterly employee turnover rate in 2022 was under 7%. As of December 31, 2022, approximately 82% of our current workforce is female, 18% is male, our average tenure is approximately 10 years and approximately 25% of our workforce has a college degree.

Compensation and Benefits Programs: We provide competitive compensation and benefits programs to our employees. In addition to base salaries, these programs include annual incentive compensation for certain employees, periodic production compensation, a 401(k) Plan with an employer matching contribution (in which employees are 100% vested on the day the employee is eligible to participate), health and insurance benefits, flexible spending accounts, vacation and sick time and various employee assistance programs (Education Assistance Program, Tuition Loan Program, etc.).

The Company is subject to regulatory rules and guidance regarding employee incentive compensation policies intended to ensure that incentive-based compensation does not undermine the safety and soundness of the institution by encouraging excess risk-taking. The Company's incentive compensation arrangements must provide employees with incentives that appropriately balance risk and reward and do not encourage imprudent risk, be compatible with effective controls and risk managements, and be supported by strong corporate governance, including active and effective oversight by the Company's board of directors.

Employee Development: We invest in the growth and development of our employees by providing various on-site and off-site training opportunities for them. These training opportunities focus on topics that are relevant to the employee's job function and the banking industry.

We evaluate our employees on at least an annual basis. Those evaluations focus on job performance, achievement of goals, and employee development, among other topics.

Regulation and Supervision

Overview: The Company, as a registered financial holding company, and City National, as an insured depository institution, operate in a highly regulated environment and are regularly examined by federal regulators. The following description briefly discusses certain provisions of federal and state laws and regulations to which the Company and City National are subject and the potential impact of such provisions. These federal and state laws and regulations are designed to reduce potential loss exposure to the depositors of depository institutions and to the Federal Deposit Insurance Corporation's insurance fund; they are not intended to protect the Company's shareholders. Proposals to change the laws and regulations governing the banking industry are frequently raised in Congress, in state legislatures, and before the various bank regulatory agencies. The likelihood and timing of any changes and the impact such changes might have on the Company are impossible to determine with any certainty. A change in applicable laws or regulations, or a change in the way such laws or regulations are interpreted by regulatory agencies or courts, may have a material impact on the business, operations and earnings of the Company. To the extent that the following information describes statutory or regulatory provisions, it is qualified entirely by reference to the particular statute and/or regulation.

As a financial holding company, the Company is regulated under the Bank Holding Company Act of 1956, as amended (the "BHCA"), and is subject to inspection, examination and supervision by the Board of Governors of the Federal Reserve Board. The BHCA provides generally for "umbrella" regulation of bank holding companies such as the Company by the Federal Reserve Board, and for functional regulation of banking activities by bank regulators, securities activities by securities regulators, and insurance activities by insurance regulators. The Company is also under the jurisdiction of the Securities and Exchange Commission ("SEC") and is subject to the disclosure and regulatory requirements of the Securities Act of 1933, as amended, and the Securities Exchange Act of 1934, as amended, as administered by the SEC. The Company is listed on the Nasdaq Global Select Market ("NASDAQ") under the trading symbol "CHCO" and is subject to the rules of the NASDAQ for listed companies.

City National is organized as a national banking association under the National Bank Act of 1863, as amended (the "National Bank Act"). It is subject to regulation and examination by the Office of the Comptroller of the Currency ("OCC") and the Federal Deposit Insurance Corporation ("FDIC"). The OCC's supervision and regulation of banks is primarily intended to protect the interests of depositors of the banks and FDIC's insurance fund. The National Bank Act generally requires each national bank to maintain reserves against deposits, restricts the nature and amount of loans that the bank may make and the interest the bank may charge on such loans, and restricts investments and other activities of the bank.

There are no anticipated material capital expenditures, or any expected material effects on earnings or the Company's competitive position as a result of compliance with federal, state and local provisions enacted or adopted relating to environmental protection.

Bank Holding Company Activities: In general, the BHCA limits the business of bank holding companies to banking, managing or controlling banks and certain other activities that the Federal Reserve Board has determined to be so closely related to banking as to be a proper incident thereto. Under the BHCA, bank holding companies that qualify and elect to be financial holding companies may engage in any activity, or acquire and retain the equity of a company engaged in any activity, that is either (i) financial in nature or incidental to such financial activity (as determined by the Federal Reserve Board in consultation with the OCC) or (ii) complementary to a financial activity and does not pose a substantial risk to the safety and soundness of depository institutions or the financial system generally (as determined solely by the Federal Reserve Board). Activities that are financial in nature include, among other things, securities underwriting and dealing, insurance underwriting and making merchant banking investments.

The Company has elected and qualifies as a financial holding company. In order for the Company to maintain its financial holding company status, both the Company and City National must be categorized as "well-capitalized" and "well-managed" under applicable regulatory guidelines. If the Company or City National fails to meet these requirements, the Federal Reserve Board may impose corrective capital requirements or place limitations on the Company's ability to conduct the broader activities permissible for financial holding companies. The Federal Reserve Board also has the power to order any bank holding company or its subsidiaries to terminate any activity or to terminate its ownership or control of any subsidiary when the Federal Reserve Board has reasonable grounds to believe that continuation of such activity or such ownership or control constitutes a serious risk to the financial soundness, safety or stability of any bank subsidiary of the bank holding company.

The BHCA, the Bank Merger Act, and other federal and state laws and regulations regulate mergers and acquisitions of commercial banks and bank holding companies. The prior approval of the Federal Reserve Board is typically required for City Holding Company to acquire more than 5% of the voting shares of a commercial bank or bank holding company. Mergers and acquisitions by the Company of national banks, state-chartered banks, federal and state savings associations, and certain other types of entities require prior approval from various regulators. In reviewing applications seeking approval of merger and acquisition transactions, the bank regulatory authorities will consider, among other things, the competitive effect and public benefits of the transaction, the capital position of the combined institution, and the applicant's previous adherence to various banking regulations, including the Community Reinvestment Act of 1977 and anti-money laundering requirements.

Federal Reserve Board policy and federal law require that bank holding companies must serve as a source of financial strength to their subsidiary banks. The Company is expected to commit resources to City National, even at times when the Company may not be inclined to do so. For example, if bank regulatory agencies determine that City National's capital levels are impaired, the Company may be required to restore City National's capital levels with a special assessment.

Banking Operations: The Bank Secrecy Act of 1970 ("BSA") and the International Money Laundering Abatement and Anti-Terrorist Financing Act of 2001 ("Patriot Act") require financial institutions to develop programs to help prevent them from being used for money laundering, terrorist or other illegal activities. The rules under the BSA and the Patriot Act include the following: (a) require financial institutions to keep records and report on transactions or accounts at issue; (b) require financial institutions to obtain and retain information related to the beneficial ownership of any account opened or maintained by foreign persons; (c) require financial institutions to identify each customer who is permitted to use a payable-through or correspondent account and obtain certain information from each customer permitted to use the account; and (d) prohibit or impose conditions on the opening or maintaining of correspondent or payable-through accounts. Failure of a financial institution to maintain and implement adequate programs to combat money laundering and terrorist financing, or to comply with all of the relevant laws or regulations, could have serious legal and reputational consequences for the institution.

The Company and its subsidiary bank and other subsidiaries are "affiliates" within the meaning of the Federal Reserve Act. The Federal Reserve Act imposes limitations on a bank with respect to extensions of credit to, investments in, and certain other transactions with, its parent bank holding company and the holding company's other subsidiaries. Loans and extensions of credit from the bank to its affiliates are also subject to various collateral requirements. Further, City

National's authority to extend credit to the Company's directors, executive officers and principal shareholders, including their immediate family members, corporations and other entities that they control, is subject to the restrictions and additional requirements of the Federal Reserve Act and Regulation O promulgated thereafter. These statutes and regulations impose specific limits on the amount of loans City National may make to directors and other insiders, and specify approval procedures that must be followed in making loans that exceed certain amounts.

The Community Reinvestment Act of 1977 ("CRA") requires depository institutions to assist in meeting the credit needs of their market areas consistent with safe and sound banking practice. Under the CRA, each depository institution is required to help meet the credit needs of its market areas by, among other things, providing credit to low- and moderate-income individuals and communities. Depository institutions are periodically examined for compliance with the CRA and are assigned ratings. In order for a financial holding company to commence any new activity permitted by the BHCA, or to acquire any company engaged in any new activity permitted by the BHCA, each insured depository institution subsidiary of the financial holding company must have received a rating of at least "satisfactory" in its most recent examination under the CRA. Banking regulators also take into account CRA ratings when considering approval of a proposed merger or acquisition transaction. Depository institutions are typically examined for CRA compliance every three years, although the frequency is at the OCC's discretion. City National received a "satisfactory" rating on its most recent CRA examination in 2022.

The Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act") was enacted in July 2010 and implemented far-reaching changes across the financial regulatory landscape, including provisions that impact the Company's operations and regulation of the Company in the following ways, among others:

- Centralize responsibility for consumer financial protection by creating a new agency, the Consumer Financial Protection Bureau, which has rule making authority for a wide range of consumer protection laws that apply to all banks and has broad powers to supervise and enforce consumer protection laws;
- Require the OCC to seek to make its capital requirements for national banks countercyclical so that capital requirements increase in times of economic expansion and decrease in times of economic contraction;
- Require financial holding companies, such as the Company, to be well-capitalized and well-managed;
- Provide for an increase in the minimum reserve ratio for the FDIC deposit insurance fund from 1.15% to 1.35% and changes in the basis for determining FDIC premiums from deposits to assets;
- Repeal the federal prohibitions on the payment of interest on demand deposits;
- Amend the Electronic Fund Transfer Act ("EFTA");
- Enhance the requirements for certain transactions with affiliates under the Federal Reserve Act;
- Strengthen the existing limits on a depository institution's credit exposure to one borrower;
- Strengthen loan restrictions to insiders; and
- Increase the authority of the Federal Reserve Board to examine the Company and its non-bank subsidiaries.

The Volcker Rule was adopted under the Dodd-Frank Act and prohibits certain entities, including the Company and its affiliates, from owning, sponsoring, or having certain relationships with hedge funds and private equity funds and engaging in short-term proprietary trading of securities, derivatives, commodity futures and options on these instruments.

Since the enactment of the Dodd-Frank Act, the Consumer Financial Protection Bureau (the "CFPB") has issued several regulations governing mainly consumer mortgage lending. These regulations include the Ability to Repay and Qualified Mortgage Rule, which imposes additional requirements on banks designed to ensure borrowers' ability to repay their mortgage loans, a rule on escrow accounts for higher priced mortgage loans, a rule expanding the scope of the high-cost mortgage provision in the Truth in Lending Act, rules related to mortgage servicing, and an interagency rule on appraisals for higher-priced mortgage loans. The CFPB has also promulgated rules under the Equal Credit Opportunity Act, the Truth in Lending Act, and the Real Estate Settlement Procedures Act, all of which impact the Company's loan origination and servicing operations. The CFPB also has broad authority to supervise unfair, deceptive or abusive acts or practices related to banking.

The Company is also subject to the Gramm-Leach Bliley Act of 1999, which governs the distribution and protection of information about its customers, the Equal Credit Opportunity Act, which ensures fair and nondiscriminatory lending practices, the Truth in Lending Act and Truth in Savings Act, which makes it easier for customers to compare products and services offered by financial institutions, the Home Mortgage Disclosure Act, which imposes additional disclosure requirements on the Company related to information about its mortgage lending, and other federal and state laws and regulations.

The Economic Growth, Regulatory Relief, and Consumer Protection Act (the "Regulatory Relief Act") was signed into law on May 24, 2018. The Regulatory Relief Act scales back certain aspects of the Dodd-Frank Act and provides other regulatory relief for financial institutions. Certain provisions affecting the Company include:

- Simplifying regulatory capital requirements by providing that banks with less than \$10 billion in total consolidated assets that meet a leverage ratio of tangible equity to average consolidated assets between eight and nine percent will be deemed to be in compliance with risk-based capital and leverage requirements.
- Changing how federal financial institution regulators classify certain municipal securities assets under the liquidity coverage ratio rule;
- Exempting certain reciprocal deposits from treatment as brokered deposits under the FDIC's brokered deposits rule;
- Exempting banks with less than \$10 billion in total consolidated assets from certain provisions under the Volcker Rule; and
- Authorizing new banking procedures to better facilitate online transactions.

Capital Adequacy: Federal banking regulations set forth capital adequacy guidelines, which are used by regulatory authorities to assess the adequacy of capital in examining and supervising a bank holding company and its insured depository institutions.

In July 2013, the Federal Reserve published the final rules that established a comprehensive capital framework for banking organizations, commonly referred to as Basel III. These final rules substantially revised the risk-based capital requirements applicable to bank holding companies and depository institutions. The final rule became effective January 1, 2015 for smaller, non-complex banking organizations with full implementation by January 1, 2019.

The Basel III Capital Rules require City Holding and City National to maintain minimum Common Equity Tier 1 ("CET 1"), Tier 1 and Total Capital ratios, along with a capital conservation buffer, effectively resulting in minimum capital ratios (which are shown in the table below). The capital conservation buffer is designed to absorb losses during periods of economic stress. Banking institutions with a ratio of CET 1 capital to risk-weighted assets above the minimum but below the conservation buffer (or below the combined capital conservation buffer and countercyclical capital buffer, when the latter is applied) will face constraints on dividends, equity repurchases and compensation based on the amount of the shortfall. The Basel III Capital Rules also provide for a "countercyclical capital buffer" that is applicable to only certain covered institutions and does not have any current applicability to City Holding Company or City National Bank.

The Company's regulatory capital ratios for both City Holding and City National include the 2.5% capital conservation buffer and are illustrated in the following tables (dollars in thousands):

	Actual		Minimum Required - Basel III		Required to be Considered Well Capitalized	
	Capital Amount	Ratio	Capital Amount	Ratio	Capital Amount	Ratio
December 31, 2022						
CET 1 Capital						
City Holding Company	\$ 598,068	16.2 %	\$ 257,965	7.0 %	\$ 239,538	6.5 %
City National Bank	508,586	13.9 %	256,520	7.0 %	238,197	6.5 %
Tier 1 Capital						
City Holding Company	598,068	16.2 %	313,243	8.5 %	294,817	8.0 %
City National Bank	508,586	13.9 %	311,488	8.5 %	293,166	8.0 %
Total Capital						
City Holding Company	612,654	16.6 %	386,947	10.5 %	368,521	10.0 %
City National Bank	523,172	14.3 %	384,780	10.5 %	366,457	10.0 %
Tier 1 Leverage Ratio						
City Holding Company	598,068	10.0 %	238,954	4.0 %	298,692	5.0 %
City National Bank	508,586	8.6 %	237,973	4.0 %	297,466	5.0 %

December 31, 2021	Actual		Minimum Required - Basel III		Required to be Considered Well Capitalized	
	Capital Amount	Ratio	Capital Amount	Ratio	Capital Amount	Ratio
CET 1 Capital						
City Holding Company	\$ 555,532	16.1 %	\$ 241,772	7.0 %	\$ 224,503	6.5 %
City National Bank	492,721	14.4 %	240,392	7.0 %	223,221	6.5 %
Tier 1 Capital						
City Holding Company	555,532	16.1 %	293,581	8.5 %	276,311	8.0 %
City National Bank	492,721	14.4 %	291,905	8.5 %	274,734	8.0 %
Total Capital						
City Holding Company	570,336	16.5 %	362,659	10.5 %	345,389	10.0 %
City National Bank	507,526	14.8 %	360,588	10.5 %	343,418	10.0 %
Tier 1 Leverage Ratio						
City Holding Company	555,532	9.4 %	235,403	4.0 %	294,254	5.0 %
City National Bank	492,721	8.5 %	233,342	4.0 %	291,678	5.0 %

Management believes that, as of December 31, 2022, City Holding and City National meet all capital adequacy requirements under Basel III. In November 2019, the federal banking regulators published final rules implementing a simplified measure of capital adequacy for certain banking organizations that have less than \$10 billion in total consolidated assets. Under the final rules, which went into effect on January 1, 2020, depository institutions and depository institution holding companies that have less than \$10 billion in total consolidated assets and meet other qualifying criteria, including a leverage ratio of greater than 9%, off-balance-sheet exposures of 25% or less of total consolidated assets and trading assets plus trading liabilities of 5% or less of total consolidated assets, are deemed "qualifying community banking organizations" and are eligible to opt into the "community bank leverage ratio framework." A qualifying community banking organization that elects to use the community bank leverage ratio framework and that maintains a leverage ratio of greater than 9% is considered to have satisfied the generally applicable risk-based and leverage capital requirements under the Basel III Rules and, if applicable, is considered to have met the "well capitalized" ratio requirements for purposes of its primary federal regulator's prompt corrective action rules, discussed below. The final rules include a two-quarter grace period during which a qualifying community banking organization that temporarily fails to meet any of the qualifying criteria, including the greater-than-9% leverage capital ratio requirement, is generally still deemed "well capitalized" so long as the banking organization maintains a leverage capital ratio greater than 8%. A banking organization that fails to maintain a leverage capital ratio greater than 8% is not permitted to use the grace period and must comply with the generally applicable requirements under the Basel III Rules and file the appropriate regulatory reports. The Company and our subsidiary bank do not have any immediate plans to elect to use the community bank leverage ratio framework but may make such an election in the future.

Additionally, federal banking laws require regulatory authorities to take "prompt corrective action" with respect to depository institutions that do not satisfy minimum capital requirements. The extent of these powers depends upon whether the institutions in question are "well capitalized," "adequately capitalized," "undercapitalized," "significantly undercapitalized," or "critically undercapitalized," as such terms are defined under federal banking agency regulations. Depository institutions that do not meet minimum capital requirements will face constraints on payment of dividends, equity repurchases and compensation based on the amount of shortfall. A depository institution that is not well capitalized is generally prohibited from accepting brokered deposits and offering interest rates on deposits higher than the prevailing rate in its market, may be subject to asset growth limitations, and may be required to submit capital restoration plans.

Dividends and Other Payments: The Company is a legal entity separate and distinct from City National. Dividends from City National are essentially the sole source of cash for the Company. The right of the Company, and the shareholders of the Company, to participate in any distribution of the assets or earnings of City National, through the payment of dividends or otherwise, is subject to the prior claims of creditors of City National, except to the extent that claims of the Company in its capacity as a creditor may be recognized. Moreover, there are various legal limitations applicable to the payment of dividends by City National to the Company as well as the payment of dividends by the Company to its shareholders.

City National is subject to various statutory restrictions on its ability to pay dividends to the Company. Specifically, the approval of the OCC is required prior to the payment of dividends by City National in excess of its earnings retained in the current year plus retained net profits for the preceding two years. At December 31, 2022, City National could pay dividends up to \$59.2 million without prior regulatory permission. No dividends were paid in 2022 or 2021 that required regulatory approval. The payment of dividends by the Company and City National may also be limited by other factors, such as requirements to maintain adequate capital above regulatory guidelines. The OCC also has the authority to prohibit any bank under its jurisdiction from engaging in an unsafe or unsound practice in conducting its business. Depending upon the financial condition of City National, the payment of dividends could be deemed to constitute such an unsafe or unsound practice. The Federal Reserve Board and the OCC have indicated their view that it generally would be an unsafe and unsound practice to pay dividends except out of current operating earnings. The Federal Reserve Board has stated that, as a matter of prudent banking, a bank or bank holding company should not maintain its existing rate of cash dividends on common stock unless (1) the organization's net income available to common shareholders over the past year has been sufficient to fully fund the dividends and (2) the prospective rate of earnings retention appears consistent with the organization's capital needs, asset quality, and overall financial condition. Moreover, the Federal Reserve Board has indicated that bank holding companies should serve as a source of managerial and financial strength to their subsidiary banks. Accordingly, the Federal Reserve Board has stated that a bank holding company should not maintain a level of cash dividends to its shareholders that places undue pressure on the capital of its bank subsidiaries, or that can be funded only through additional borrowings or other arrangements that may undermine the bank holding company's ability to serve as a source of financial strength.

Under federal law, City National may not, subject to certain limited exceptions, make loans or extensions of credit to, or invest in the securities of, or take securities of the Company as collateral for loans to any borrower. City National is also subject to collateral security requirements for any loans or extensions of credit permitted by such exceptions.

Governmental Policies

The Federal Reserve Board regulates money and credit and interest rates in the United States in order to influence general economic conditions. These policies have a significant influence on overall economic growth, demand and distribution of bank loans, investments and deposits, and interest rates charged on loans or paid for time and savings deposits. Federal Reserve Board monetary policies have had a significant effect on the operating results of banks and bank holding companies in the past and are expected to continue to do so in the future.

In view of changing conditions in the national economy and in money markets, as well as the effect of credit policies by monetary and fiscal authorities, including the Federal Reserve Board, it is difficult to predict the impact of possible future changes in interest rates, deposit levels, and loan demand, or their effect on the Company's business and earnings or on the financial condition of the Company's various customers.

Deposit Insurance

Substantially all of the deposits of City National are insured up to applicable limits by the Deposit Insurance Fund ("DIF") of the FDIC and are subject to deposit insurance assessments to maintain the DIF. Deposit insurance assessments are based on average total assets minus average tangible equity. In October 2010, the FDIC adopted a DIF restoration plan to ensure that the fund reserve ratio reached 1.35% by September 30, 2020, as required by the Dodd-Frank Act. In March 2016, the FDIC adopted a final rule permanently increasing the reserve ratio for the DIF to 1.35% of total insured deposits.

The Company's FDIC insurance expense for deposit assessments for the past three years is shown in the table below (in thousands).

		For the year ended December 31,		
		2022	2021	2020
FDIC insurance expense	\$	1,673	\$ 1,583	\$ 884

On January 24, 2019, the Company was notified by the FDIC that it was eligible for small bank assessment credits. On September 30, 2018, the DIF reserve ratio reached 1.36%. Because the reserve ratio exceeded 1.35%, two deposit assessment changes occurred under the FDIC regulations: (i) surcharges on large banks (total consolidated assets of \$10 billion or more) ended and (ii) small banks (total consolidated assets of less than \$10 billion) were awarded assessment credits for the portion of their assessments that contributed to the growth in the reserve ratio from 1.15% to 1.35%, to be applied when the reserve ratio is at least 1.38%. The credit will be applied automatically each quarter that the reserve ratio is at least 1.38%, up to the full amount of the bank's credit or assessment, whichever is less. The Company fully utilized the credit during the third and fourth quarters of 2019 and during the first and second quarters of 2020.

Under the Federal Deposit Insurance Act, as amended ("FDIA") the FDIC may terminate deposit insurance upon finding that an institution has engaged in unsafe or unsound practices, is in unsafe or unsound condition to continue operations, or has violated any applicable law, regulation, rule, order or condition imposed by the FDIC.

Cybersecurity

Federal regulators issued two statements regarding cybersecurity: (i) a statement indicating that financial institutions should design multiple layers of security controls to establish lines of defense and to ensure that their risk management processes also address the risk posed by compromised customer credentials, including security measures to reliably authenticate customers accessing internet-based services of the financial institutions; and (ii) a statement indicating the expectation of a financial institution's management to maintain a sufficient business continuity planning process to ensure rapid recovery, resumption and maintenance of the financial institution's operations after a cyber-attack involving destructive malware. A financial institution is also expected to develop appropriate processes to: (a) enable recovery of data and business operations, (b) address rebuilding network capabilities, and (c) restore data if the financial institution or any of its critical service providers fall victim to this type of cyber-attack. If the Company does not comply with this regulatory guidance, it could be subject to various regulatory sanctions, as well as financial penalties.

In November 2021, federal banking agencies approved a final rule requiring banking agencies to notify regulators of any "significant computer-security incident" as soon as possible and no later than 36 hours after a determination that such an incident occurred, with compliance required by May 2022. In addition, banks will have to notify at least one designated point of contact at any affected customer as soon as possible when the bank experiences any computer-security incident that has disrupted or degraded, or is reasonably likely to materially disrupt or degrade, covered services provided to such customer for four or more hours. The bank and holding company are required to determine whether an incident arises to the level of requiring notification.

Future Legislation

Various other legislative and regulatory initiatives, including proposals to overhaul the banking regulatory system and to limit the investments that a depository institution may make with insured funds, are from time to time introduced in Congress and state legislatures, as well as regulatory agencies. Such legislation may change banking statutes and the operating environment of the Company and its subsidiaries in substantial and unpredictable ways, and could increase or decrease the cost of doing business, limit or expand permissible activities, or affect the competitive balance in the financial services industry generally. The Company cannot predict whether any such legislation will be enacted, and, if enacted, the effect that it, or any implementing regulations, would have on the financial condition or results of operations of the Company. A change in statutes, regulations or regulatory policies applicable to the Company or our subsidiaries could have a material effect on the Company's business, financial condition and results of operations.

Executive Officers of the Registrant

At December 31, 2022, the executive officers of the Company were as follows:

Name	Age	Positions Held with Registrant
Charles R. Hageboeck, Ph.D.	60	President and Chief Executive Officer, City Holding Company and City National Bank, since February 1, 2005.
John A. DeRito	72	Executive Vice President of Commercial Banking, City Holding Company and City National Bank, since June 2004.
David L. Bumgarner	57	Executive Vice President and Chief Financial Officer, City Holding Company and City National Bank, since February 2005.
Michael T. Quinlan, Jr.	54	Executive Vice President of Retail Banking, City Holding Company and City National Bank, since January 2021.
Jeffrey D. Legge	58	Executive Vice President, Chief Administration Officer and Chief Information Officer, City Holding Company and City National Bank, since December 2005.

Available Information

The Company files annual, quarterly and current reports, proxy statements and other information with the Securities and Exchange Commission. You may read and copy any document the Company files at the SEC Public Reference Room at 100 F Street, N. E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. The Company's SEC filings are also available to the public at the SEC's website at www.sec.gov.

The Company's Internet website address is www.bankatcity.com. The Company makes available free of charge through its website its annual report, quarterly reports, current reports and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, as soon as reasonably practicable after such documents are electronically filed with, or furnished to, the Securities and Exchange Commission. The information on the Company's website is not, and shall not be deemed to be, a part of this report or incorporated into any other filing with the Securities and Exchange Commission. Copies of the Company's annual report will be made available, free of charge, upon written request.

Item 1A. Risk Factors

An investment in the Company's common stock is subject to risks inherent to the Company's business. The material risks and uncertainties that management believes affect the Company are described below. The risks and uncertainties described below are not the only ones facing the Company. Additional risks and uncertainties that management is not aware of or focused on or that management currently deems immaterial may also impair the Company's business operations. You should carefully consider the risks described below, as well as the other information included or incorporated by reference in this Annual Report on Form 10-K, before making an investment in the Company's common stock. If any of the following risks occur, the Company's financial condition and results of operations could be materially and adversely affected, and you could lose all or part of your investment. In this section, the term "Company" includes City National unless the circumstances dictate otherwise.

Economic Risks

The results of the ongoing recovery from the COVID-19 pandemic on our business and financial results remain unknown.

The COVID-19 pandemic created extensive disruptions to the global economy and to the lives of individuals throughout the world. Business and consumer customers of the Company continue to experiencing varying degrees of financial distress as a result of the unprecedented uncertainty, volatility and disruption in the financial markets and in governmental, commercial and consumer activity caused by the COVID-19 pandemic. Though recovery from the COVID-19 pandemic is underway, given the ongoing and dynamic nature of the circumstances, it is not possible to accurately predict the extent, severity or duration of these conditions or when or if normal economic conditions will resume. For this reason, the extent to which the COVID-19 pandemic affects our business, operations and financial condition, as well as our regulatory capital and liquidity ratios, remains uncertain and unpredictable and depends on, among other things, new information that may emerge concerning the scope, duration and severity of the COVID-19 pandemic. The adverse impact on the markets in which we operate and on our business, operations and financial condition is expected to remain elevated until the pandemic fully subsides. Even after the COVID-19 pandemic subsides, it will likely take time for the U.S. economy to recover, and the length of the recovery period is unknown. The Company's business could be materially and adversely affected during any such recovery period. To the extent the effects of COVID-19 adversely impact the Company's business and financial results, it might also have a heightening effect of the other risks described in this section.

Economic Conditions in the Company's Market Areas Could Negatively Impact the Company's Business and Financial Condition.

The Company's business is concentrated in West Virginia, Kentucky, Virginia and southeastern Ohio. As a result, the Company's results of operation, cash flows and financial condition are affected by local and regional economic conditions. A downturn in the economies within the Company's market areas, or in any one of them, could negatively impact the Company's results of operation and financial condition. Some examples of economic deterioration include declines in economic growth, declines in consumer and business confidence, increases in inflation, increases in the cost of capital and credit, and limitations in the availability of credit. The Company's financial performance generally, and the ability of its customers to pay interest on and repay principal of outstanding loans to City National, is highly dependent on the strength of the economic and business environment in the market areas where the Company operates and in the United States as a whole. Additionally, the value of collateral securing loans made and held by City National is impacted by the strength of the economy. Deteriorating economic conditions in the Company's market areas could cause declines in the overall quality of the loan portfolio requiring charge-off of a greater percentage of loans and/or an increase in the allowance for credit losses, which could negatively impact the Company's results of operations and financial condition.

While the economic and business environments in West Virginia, Kentucky, Virginia and southeastern Ohio have shown resilience during the COVID-19 pandemic, and have shown improvement since the brief recession of 2020, there can be no assurance that such resilience and improvement will continue or that the economies in the Company's market areas, or the United States as a whole, will not slip into another recession. A lack of continued economic improvement or economic recession could adversely affect the Company's results of operation and financial condition. An economic slowdown could have the following consequences:

- Loan delinquencies may increase;
- Problem assets and foreclosures may increase;
- Demand for City National's products and services may decline; and
- Collateral (including real estate) that secures loans made by City National may decline in value, in turn reducing customers' borrowing power and making existing loans less secure.

The oil, natural gas and coal industries, and businesses ancillary thereto, play an important role in the economies of West Virginia, Kentucky, Virginia and southeastern Ohio. Ongoing volatility in oil and gas prices since 2014 has negatively impacted oil and gas and other businesses in the Company's market areas. Additionally, the coal industry continues to be in decline as a result of increased environmental and safety regulatory burden, increased competition from alternative energy sources and a decline in demand for coal. The Company has limited direct exposure to coal industry specific loans. Prolonged low oil and gas prices, and continued decline in the coal industry, could result in downward pressure on businesses in the Company's market area which could negatively affect City National's customers (both individuals and businesses). As a result, the Company's operating results and financial condition could be negatively impacted.

Credit and Interest Rate Risks

The Value of Real Estate Collateral May Fluctuate Significantly Resulting in an Under-Collateralized Loan Portfolio.

The market value of real estate, particularly real estate held for investment, can fluctuate significantly in a short period of time as a result of market conditions in the geographic area in which the real estate is located. If the value of the real estate serving as collateral for the Company's loan portfolio were to decline materially, a significant part of the Company's loan portfolio could become under-collateralized. If the loans that are collateralized by real estate become troubled during a time when market conditions are declining or have declined, then, in the event of foreclosure, we may not be able to realize the amount of collateral that we anticipated at the time of originating the loan. This could have a material adverse effect on the Company's provision for credit losses and the Company's operating results and financial condition.

The Company Is Subject to Lending Risk, and the Impacts of Interest Rate Changes Could Adversely Impact the Company.

There are inherent risks associated with the Company's lending activities. These risks include, among other things, the impact of changes in interest rates and changes in the economic conditions in the markets where the Company operates. Increases in interest rates and/or weakening economic conditions could adversely impact the ability of borrowers to repay outstanding loans or the value of the collateral securing these loans. The Company is also subject to various laws and regulations that affect its lending activities. Failure to comply with applicable laws and regulations could subject the Company to regulatory enforcement action that could result in restrictions of the Company's activities or the assessment of significant civil money penalties against the Company.

A substantial portion of the Company's loan portfolio is comprised of residential and commercial real estate loans. The Company's concentration of real estate loans may subject the Company to additional risk, such as fluctuations in market value of collateral, environmental liability associated with hazardous or toxic substances found on, in or around the collateral, and difficulty monitoring income-producing property serving as a source of repayment and collateral. Any of these or other risks relating to real estate loans could adversely affect the collection by the Company of the outstanding loan balances.

Default on the Repayment of Loans May Impact Operating Expenses and Earnings.

The Company's customers may default on the repayment of loans, which may negatively impact the Company's earnings due to loss of principal and interest income. Increased operating expenses may result from management's allocation of time and resources to the collection and work-out of the loan. Collection efforts may or may not be successful causing the Company to write off the loan or repossess the collateral securing the loan, which may or may not exceed the balance of the loan.

Remediation Costs for Real Property Could Impact the Financial Outcomes of the Company.

A significant portion of the Company's loan portfolio is secured by real property. In the ordinary course of the Company's business, it sometimes takes title to real property collateral through foreclosure after a borrower defaults on the loan for which the real property is collateral. There is a risk that hazardous or toxic substances could be present on properties that the Company acquires by way of foreclosure. Though the Company conducts regular remediation evaluations in the ordinary course of business, the Company may be liable for remediation costs, as well as for personal injury and property damage relating to any hazardous or toxic substances present on the properties it acquires in foreclosure. Environmental laws may require the Company to incur substantial expenses and may materially reduce the affected property's value or limit the Company's ability to use or sell the affected property. Furthermore, remediation costs and financial and other liabilities associated with an environmental hazard could have a material adverse effect on the Company's financial condition and results of operations.

Changes to Interest Rates Could Impact the Financial Outcomes of the Company.

Changes in monetary policy, including changes in interest rates, could influence not only the interest income the Company receives on loans and securities and the amount of interest it pays on deposits and borrowings, but such changes could also affect (i) the Company's ability to originate loans and obtain deposits, (ii) the fair value of the Company's financial assets and liabilities, and (iii) the average duration of the Company's mortgage-backed securities portfolio. The Company's earnings and cash flows are largely dependent upon its net interest income. Net interest income is the difference between interest income earned on interest-earning assets, such as loans and securities, and interest expense paid on interest-bearing liabilities, such as deposits and borrowed funds. Interest rates are highly sensitive to many factors that are beyond the Company's control, including general economic conditions and policies of various governmental and regulatory agencies and, in particular, the Board of Governors of the Federal Reserve System. If the interest rates paid on deposits and other borrowings increase at a faster rate than the interest rates received on loans and other investments, the Company's net interest income, and therefore its earnings and net profit, could be adversely affected. Earnings also could be adversely affected if the interest rates received on loans and other investments fall more quickly than the interest rates paid on deposits and other borrowings. Changes in interest rates may also negatively affect the ability of the Company's borrowers to repay their loans, particularly as interest rates rise and adjustable-rate loans become more expensive.

Although management believes it has implemented effective asset and liability management strategies, including the use of derivatives as hedging instruments, to reduce the potential effects of changes in interest rates on the Company's results of operations, any substantial, unexpected, prolonged change in market interest rates could have a material adverse effect on the Company's financial condition and results of operations. See the section in [Item 7A. Quantitative and Qualitative Disclosures About Market Risk](#) located elsewhere in this report for further discussion related to the Company's management of interest rate risk.

The Company's Allowance for Credit Losses May Not be Sufficient.

The Company maintains an allowance for credit losses, which is a valuation account that is deducted from the loans' amortized cost basis to present the net amount expected to be collected on the loans. Loans are charged off against the allowance when management believes the uncollectibility of a loan balance is confirmed. Expected recoveries do not exceed the aggregate of amounts previously charged-off and expected to be charged-off. Management estimates the allowance balance using relevant available information, from internal and external sources, relating to past events, current conditions, and reasonable and supportable forecasts. Historical credit loss experience provides the basis for the estimation of expected credit losses. Adjustments to historical loss information are made for differences in current loan-specific risk characteristics, such as differences in underwriting standards, portfolio mix, delinquency level, or term as well as for changes in environmental conditions, such as changes in unemployment rates, property values, or other relevant factors. These evaluations are conducted at least quarterly and more frequently if deemed necessary.

The determination of the appropriate level of the allowance for credit losses inherently involves a high degree of subjectivity and requires the Company to make significant estimates of current credit risks and future trends, all of which may undergo material changes. Changes in economic conditions affecting borrowers, new information regarding existing loans, identification of additional problem loans and other factors, both within and outside of the Company's control, may require an increase in the allowance for credit losses. In addition, bank regulatory agencies periodically review the Company's allowance for credit losses and may require an increase in the provision for credit losses or the recognition of further loan charge-offs based on judgments different than those of management. Any increases in the allowance for credit losses will result in a decrease in net income and capital, and may have a material adverse effect on the Company's financial condition and results of operations.

See the section captioned "Allowance for Credit Losses" in [Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations](#) located elsewhere in this report for further discussion related to the Company's process for determining the appropriate level of the allowance for credit losses.

The Company May Be Adversely Impacted By The Transition From LIBOR As A Reference Rate.

The United Kingdom's Financial Conduct Authority and the administrator of LIBOR announced that the publication of the most commonly used U.S. dollar London Interbank Offered Rate ("LIBOR") settings will cease to be published or cease to be representative after June 30, 2023. The Company discontinued originating LIBOR-based loans effective December 31, 2021 and is in the process of negotiating loans using its preferred replacement index, the Secured Overnight Financing Rate ("SOFR").

The transition from LIBOR has resulted in and could continue to result in added costs and employee efforts and could present additional risk. Though many contracts have already been re-negotiated, the Company is subject to litigation

and reputational risks if it is unable to renegotiate and amend existing contracts with counterparties that are dependent on LIBOR, including contracts that do not have fallback language. The timing and manner in which each customer's contract transitions to AMERIBOR, SOFR or BSBY has varied on a case-by-case basis. Since AMERIBOR, SOFR and BSBY rates are calculated differently, payments under contracts referencing new rates will differ from those referencing LIBOR, which may lead to increased volatility as compared to LIBOR. The transition has impacted the Company's market risk profiles and required changes to its risk and pricing models, valuation tools, product design and hedging strategies, and the full impacts to the market risk profile changes are not yet known. Although the transition has been underway, the Company is currently unable to assess what the ultimate impact of the transition from LIBOR will be.

As described in [Note Two](#) of Notes to the Consolidated Financial Statements, management has reviewed all contracts, identified those that will be affected, and is in the process of transitioning the LIBOR based loans to SOFR, or another index, by June 30, 2023.

Risks Related to an Investment in the Company's Securities

The Value of the Company's Common Stock Fluctuates.

The market for the Company's common stock may experience significant price and volume fluctuations in response to a number of factors including actual or anticipated variations in operating results, changes in expectations of future financial performance, changes in estimates by securities analysts, governmental regulatory action, banking industry reform measures, customer relationship developments and other factors, many of which are beyond the Company's control.

Furthermore, the stock market in general, and the market for financial institutions in particular, have experienced extreme volatility that often has been unrelated to the operating performance of particular companies. These broad market and industry fluctuations may adversely affect the trading price of the Company's common stock, regardless of actual operating performance.

The Trading Volume in the Company's Common Stock Is Less Than That of Other Larger Financial Services Companies.

Although the Company's common stock is listed for trading on the Nasdaq Global Select Market, the trading volume in its common stock is less than that of other financial services companies. A public trading market having the desired characteristics of depth, liquidity and orderliness depends on the presence in the marketplace of willing buyers and sellers of the Company's common stock at any given time. This presence depends on the individual decisions of investors and general economic and market conditions over which the Company has no control. Given the lower trading volume of the Company's common stock, significant sales of the Company's common stock, or the expectation of these sales, could cause the Company's stock price to fall.

Future Sales or the Issuance of Shares of the Company's Common Stock Could Negatively Affect its Market Price.

Future sales of substantial amounts of the Company's common stock, , agreements for the issuance of additional shares of the Company's common stock (such as the issuance of shares as consideration in connection with the Merger), or the perception that such sales could occur, could adversely affect the market price of the Company's common stock in the open market. We make no prediction as to the effect, if any, that future sales of shares, the issuance of shares as consideration in the Merger, or the availability of shares for future sale, will have on the market price of the Company's common stock.

Shares of the Company's Common Stock Are Not FDIC Insured.

Neither the FDIC nor any other governmental agency insures the shares of the Company's common stock. Therefore, the value of common stock of the Company will be based on market value and may decline.

Strategic Risks

Due to Increased Competition, the Company May Not be Able to Attract and Retain Banking Customers.

The Company faces substantial and intense competition in all areas of its operation, including interest rates and other terms for loans and deposits and the range and quality of services provided. Competition comes from a variety of different competitors, many of which have competitive advantages over the Company. The Company faces competition from:

- local, regional and national banks;
- savings and loans associations;
- Internet banks;

- credit unions;
- mutual funds;
- mortgage banking firms;
- finance companies;
- financial technology ("fin-tech") companies;
- brokerage firms;
- investment advisory and wealth management firms;
- investment banking firms; and
- other entities.

In particular, many of City National's competitors are larger banks and financial institutions whose greater resources may afford them a marketplace advantage by enabling them to maintain numerous banking locations and mount extensive promotional and advertising campaigns. Additionally, the Company's competitors may have products and services not offered by the Company, which may cause current and potential customers to choose those institutions over the Company. The financial services industry could become even more competitive as a result of legislative, regulatory, and technological changes and the continued consolidation within the banking industry. Consumer preferences and expectations continue to evolve, and technology and regulatory changes have lowered barriers to entry and made it possible for banks to expand their geographic reach by providing services over the internet and for non-banks to offer products and services typically provided by banks. Many of our non-bank competitors have fewer regulatory constraints and expenses associated with regulatory compliance and may have lower cost structures, such as credit unions that are not subject to federal income tax.

The Company's ability to compete successfully depends on a number of factors, including our ability to develop, maintain, and build long-term customer relationships; our ability to expand our market area and range of services and products offered; our ability to keep up-to-date with technological advancements, both with respect to new and existing products and with respect to cybersecurity; customer satisfaction with our products and services; and general industry and economic trends. Failure to perform successfully in any of these areas could significantly weaken our competitive position. If the Company is unable to attract new customers and retain current customers, loan and deposit growth could decrease, causing the Company's results of operations and financial condition to be negatively impacted.

New Lines of Business or New Products and Services May Subject the Company to Additional Risks.

From time to time, the Company may implement new lines of business or offer new products and services within existing lines of business. There are substantial risks and uncertainties associated with these efforts, particularly in instances where the markets are not fully developed. In developing and marketing new lines of business and/or products and services, the Company may invest significant time and resources. External factors, such as compliance with regulations, competitive alternatives, and shifting market preferences, may also impact the successful implementation of a new line of business or a new product or service. If we are unable to successfully manage these risks in the development and implementation of new lines of business or new products or services, it could have a material adverse effect on the Company's business, financial condition and result of operations.

The Company Faces Technological Change and the Emergence of Nonbank Alternatives to the Financial System.

Consumers may decide not to use banks to complete their financial transactions or invest or deposit their funds. Technology and other changes, including the emergence of fin-tech companies are allowing parties to complete financial transactions through alternative methods that historically have involved banks. For example, consumers can pay bills and transfer funds directly without the assistance of banks. The process of eliminating banks as intermediaries, known as "disintermediation," could result in the loss of fee income, as well as the loss of customer deposits and the related income generated from those deposits. The loss of these revenue streams and the lower cost of deposits as a source of funds could have a material adverse effect on our financial condition and results of operations.

The banking and financial services industry continually undergoes technological change, with frequent introductions of new technology-driven products and services. The Company's future success depends on its ability to address the needs and preferences of its customers by using technology to provide products and services that enhance customer convenience and that create additional efficiencies in the Company's operations. Many of the Company's competitors have greater resources to invest in technological improvements, and the Company may not be able to implement new technology-driven products and services as quickly and effectively as its competitors. In addition, the necessary process of updating technology can itself lead to disruptions in the availability or function of systems. Failure to successfully keep pace with technological change affecting the financial services industry could have a material adverse effect on the Company's business and results of operations.

The Value of the Company's Investments Could Decline.

The Company holds available-for-sale investment securities, which are carried at fair value. The determination of fair value for certain of these securities requires significant judgment of the Company's management. Therefore, the market price the Company receives for its investment securities could be less than the carrying value for such securities. Further, the value of the Company's investment portfolio could decline for numerous reasons, many of which are outside the Company's control, including general market conditions, volatility in the securities market, and inflation rates or expectations of inflation. A portion of the Company's investment portfolio consists of municipal securities. The value of these securities is subject to additional factors, including the financial condition of the government issuer and general demand for municipal securities.

The Company May Be Required to Write Down Goodwill and Other Intangible Assets, Causing Its Financial Condition and Results to Be Negatively Affected.

When the Company acquires a business, a portion of the purchase price of the acquisition is allocated to goodwill and other identifiable intangible assets. The excess of the purchase price over the fair value of the net identifiable tangible and intangible assets acquired determines the amount of the purchase price that is allocated to goodwill acquired. At December 31, 2022, the Company's goodwill and other identifiable intangible assets were approximately \$116 million. Under current accounting standards, if the Company determines goodwill or intangible assets are impaired, it would be required to write down the value of these assets. The Company conducts an annual review to determine whether goodwill and other identifiable intangible assets are impaired. The Company recently completed such an impairment analysis and concluded that no impairment charge was necessary for the year ended December 31, 2022. The Company cannot provide assurance whether it will be required to take an impairment charge in the future. Any impairment charge would have a negative effect on its shareholders' equity and financial results and may cause a decline in the Company's stock price.

The Company May Require Additional Capital in the Future, But That Capital May Not Be Available or May Be Dilutive.

The Company faces liquidity risk, which is the possibility that the Company may not be able to meet its obligations as they come due, both to creditors and customers, or capitalize on growth opportunities because of a lack of liquidity. Lack of liquidity can be caused by an inability to liquidate assets or obtain adequate financing on a timely basis, at a reasonable cost and on other reasonable terms, and within acceptable risk tolerances. The Company is also required by its regulators to maintain specified levels of capital to maintain its operations. The Company's business needs and future growth, including future acquisitions or organic growth into new markets and business lines, may require it to raise additional capital.

One of the Company's main sources for liquidity is customer deposits. Increased competition and the availability of alternative products may reduce the Company's ability to attract and retain core deposits. If customers move money out of bank deposits into other investments, we could lose a relatively low cost source of funds.

The Company's ability to raise additional capital, whether in the form of debt or equity, is dependent on several factors, including the condition of capital markets, investment demand, and the Company's financial condition and performance. We cannot assure that we will be able to raise additional capital in the future on terms that are favorable or acceptable to us, or at all.

The issuance of debt may increase our capital costs and reduce our liquidity. The issuance of equity securities, including common stock or one or more series of preferred stock, of the Company may reduce the value of our common stock and have a dilutive effect on holders of our common stock. The Company may issue debt or equity securities that are senior in priority to our common stock as to distributions and liquidation, which could negatively affect the value of our common stock.

Acquisition and Other Growth Opportunities May Present Challenges.

Any future acquisitions may result in unforeseen difficulties, which could require significant time and attention from the Company's management that would otherwise be directed at developing its existing business and managing expenses. In addition, the Company could discover undisclosed liabilities resulting from any acquisitions for which it may become responsible. Further, the benefits that the Company anticipates from these acquisitions may not develop. We may experience difficulty integrating businesses acquired through mergers and acquisitions and may fail to realize the expected revenue increases, cost savings, increases in market presence, and other projected benefits from acquisition activity. Acquisitions utilizing the Company's common stock as consideration may dilute the value of the Company's common stock, which dilution may not be recouped or recovered for a significant amount of time after the acquisition, if ever.

Any merger or acquisition opportunity that we decide to pursue will ultimately be subject to regulatory approval and other closing conditions. We may expend significant time and resources pursuing potential acquisitions that are never consummated due to lack of regulatory approval or other issues. Competition for acquisition candidates in the banking industry is intense. We may expend significant time and resources evaluating acquisition candidates and conducting due diligence that does not lead to an acquisition opportunity.

The Company may implement new lines of business, enter new market areas, or offer new products and services from time to time. There can be substantial risks and uncertainties associated with these efforts. The Company may invest significant time and resources in developing and marketing new lines of business, but the benefits that the Company anticipates from these activities may not develop as expected. External factors, such as compliance with regulations, competitive alternatives, and shifting market preferences may impact the Company's ability to successfully implement organic growth strategies. Failure to successfully manage these risks could have a material adverse effect on the Company's financial condition and results of operations.

Operational Risks

The Company May be Adversely Affected by the Soundness of Third Parties, Including Other Financial Institutions.

The Company's business is highly dependent on third party vendors, especially with respect to information technology and telecommunication systems, payment processing system, and mobile and online banking systems. Our operations rely heavily on the secure processing, storage, transmission, and monitoring of information and transactions, and many of these services are outsourced to third party vendors. The failure of these systems or the inability of a third party vendor to continue providing these services on a reliable basis could adversely affect our operations. In addition, the failure of third parties to comply with applicable laws and regulations, or fraud or misconduct on the part of any of these third parties, could disrupt our operations and adversely affect our reputation. It may be difficult for us to replace some of our critical third party vendors, particularly vendors providing our core banking, debit card services and information services, in a timely manner and on terms that are favorable or acceptable to us. Any of these events could increase our expenses and have a material adverse effect on our business, financial condition, and results of operations.

Financial services institutions are interrelated with one another as a result of trading, clearing, counterparty, and other relationships. The Company has exposure to many different industries and counterparties, and routinely executes transactions with counterparties in the financial services industry, including commercial banks, brokers and dealers, investment banks, and other institutional clients. Many of these transactions expose the Company to credit risk in the event of a default by a counterparty or client. In addition, the Company's credit risk may be exacerbated when the collateral held by the Company cannot be realized upon or is liquidated at prices not sufficient to recover the full amount of the credit or derivative exposure due to the Company. Any such losses could have a material adverse effect on the Company's business, financial condition and results of operations. Further, as a result of financial entities and technology systems becoming more interdependent and complex, a cybersecurity incident, information breach or loss, or technology failure that comprises the systems or data of one financial entity could have a material impact on counterparties or other market participants, including the Company.

The Company Depends on the Accuracy and Completeness of Information About Our Customers and Counterparties.

The Company relies on information provided to us by or on behalf of customers and other third parties, including financial statements, credit reports, and other financial information, in deciding whether to extend credit or enter into other transactions and in evaluating and monitoring our loan portfolio. The Company also relies on representations from our customers, counterparties, and other third parties, such as independent auditors, as to the accuracy and completeness of that information. Reliance on inaccurate, incomplete, fraudulent or misleading financial or business information could result in credit losses, reputational damage, or other effects that could have a material adverse effect on our financial condition and results of operation.

The Company's Risk Management Practices May Prove to be Inadequate or Not Fully Effective.

The Company's risk management framework seeks to mitigate risk and appropriately balance risk and return. The Company has established policies and procedures intended to identify, monitor and manage the types of risk which it is subject to, including credit risk, market risk, liquidity risk, operational risk and reputational risk. Although the Company has devoted significant resources to develop its risk management policies and procedures and expects to continue to do so in the future, these policies and procedures, as well as its risk management techniques, may not be fully effective. In addition, as regulations and markets in which the Company operates continue to evolve, its risk management framework may not always keep sufficient pace with those changes. If the Company's risk management framework does not effectively identify or

mitigate its risks, the Company could suffer unexpected losses and could be materially adversely affected. Management of the Company's risks in some cases depends upon the use of analytical and/or forecasting models. If the models the Company uses to mitigate these risks are inadequate, it may incur increased losses. In addition, there may be risks that exist, or that develop in the future, that the Company has not appropriately anticipated, identified or mitigated.

The Company May Not Be Able to Attract and Retain Skilled Key Employees.

The Company's success depends, in large part, on its ability to attract, retain, motivate and develop key employees. Competition for key employees is ongoing and the Company may not be able to attract, retain or hire the key employees who are wanted or needed, which may also negatively impact the Company's ability to execute identified business strategies. Because the Company operates primarily in specific geographic markets, its hiring pool is also limited by those markets. Competition for key employees may require the Company to offer higher compensation to attract or retain key employees, which may adversely affect the salaries and employee benefit costs of the Company.

Various restrictions on the compensation which may be paid to certain executive officers were imposed under the Dodd-Frank Act and other legislation and regulations. In addition, the Company's incentive compensation structure is subject to review by regulators, who may identify deficiencies in the structure or issue additional guidance on the Company's compensation practices, causing the Company to make changes that may affect its ability to offer competitive compensation to these individuals or that place it at a disadvantage to non-financial service competitors. The Company's ability to attract and retain talented employees may be affected by these restrictions, or any new executive compensation limits or regulations.

Risks Related to Legal, Reputational and Compliance Matters

Certain Banking Laws May Have an Anti-Takeover Effect.

Application of certain federal banking laws and regulations applicable to the Company and City National, including regulatory approval requirements for change in control, merger or other business combination transactions, could make it more difficult for a third party to acquire the Company or City National, even if doing so would be perceived to be beneficial to the Company's shareholders. These laws and regulations effectively inhibit a non-negotiated merger or other business combination, which, in turn, could adversely affect the market price of the Company's common stock.

The Company's Ability to Pay Dividends Is Limited.

Although the Board of Directors has declared cash dividends in the past, the Company's current ability to pay dividends is largely dependent upon the receipt of dividends from City National. Federal laws impose restrictions on the ability of City National to pay dividends. Holders of shares of the Company's common stock are entitled to dividends if, and when, they are declared by the Company's Board of Directors out of funds legally available for that purpose. Additional restrictions are placed upon the Company by the policies of federal regulators, including the Federal Reserve Board's November 14, 1985 policy statement, which provides that bank holding companies should pay dividends only out of the past year's net income, and then only if their prospective rate of earnings retention appears consistent with their capital needs, asset quality, and overall financial condition. In general, future dividend policy is subject to the discretion of the Board of Directors and will depend upon a number of factors, including the Company's and City National's future earnings, capital requirements, regulatory constraints and financial condition. There can be no assurance that the Company will continue to pay dividends to its shareholders in the future.

The Company and City National Are Extensively Regulated.

The Company operates in a highly regulated environment and is subject to supervision and regulation by a number of governmental regulatory agencies, including the Federal Reserve Board, the OCC and the FDIC. Regulations adopted by these agencies, which are generally intended to provide protection for depositors and customers rather than for the benefit of shareholders, govern a comprehensive range of matters including but not limited to (i) ownership and control of the Company's equity, (ii) acquisition of other companies and businesses, (iii) permissible activities and investments, (iv) maintenance of adequate capital levels and (v) other operational aspects. Compliance with banking regulations is costly and restricts certain of our activities, including the payment of dividends, mergers and acquisitions, investments, loan amounts and concentrations, interest rates, opening and closing branch locations, and other activities. The bank regulatory agencies also possess broad authority to prevent or remedy unsafe or unsound practices or violations of law. These agencies have significant discretion in their ability to enforce penalties and further limit the Company's activities if the Company fails to comply with applicable regulations.

The Dodd-Frank Act instituted major changes to the bank and financial institutions regulatory regimes, and additional changes continue to be proposed and implemented by various regulatory agencies. Other changes to statutes, regulations or regulatory policies, including changes in interpretation or implementation of statutes, regulations or policies, could affect the Company in substantial and unpredictable ways. Such changes could subject the Company to reduced revenues, additional costs, limit the types of financial services and products the Company may offer and/or increase the ability of non-banks to offer competing financial services and products, among other things. The burden and expenses associated with regulatory compliance have been increasing and may continue to increase. Failure to comply with laws, regulations or policies could result in sanctions by regulatory agencies, civil money penalties and/or reputation damage, which could have a material adverse effect on the Company's business, financial condition and results of operations.

Proposals to change the laws and regulations governing financial institutions are frequently raised in Congress and before bank regulatory authorities. Changes in applicable laws or regulations could materially affect the Company's business, and the likelihood of any major changes in the future and their effects are impossible to determine. Moreover, it is impossible to predict the ultimate form any proposed legislation might take or how it might affect the Company.

The Company's Controls and Procedures May Fail or Be Circumvented.

Any failure or circumvention of the Company's controls and procedures or failure to comply with regulations related to controls and procedures could have a material adverse effect on the Company's business, results of operations and financial condition. Management regularly reviews and updates the Company's internal controls, disclosure controls and procedures, and corporate governance policies and procedures. Any system of controls, no matter how well designed and operated, is based in part on certain assumptions and can provide only reasonable, not absolute, assurances that the objectives of the system are met.

Significant Legal Actions Could Result in Substantial Liabilities.

From time to time, the Company is subject to claims related to its operations. These claims and legal actions, including supervisory actions by its regulators, could involve large monetary claims and cause the Company to incur significant defense expenses. As a result, the Company may be exposed to substantial liabilities, which could negatively affect its shareholders' equity and financial results.

The Company Faces Reputational Risk.

The Company faces threats to its reputation from many sources, including adverse sentiment about financial institutions generally, unethical practices, employee misconduct, failure to deliver expected standards of service or quality, regulatory compliance deficiencies, and questionable or fraudulent activities of the Company's employees and customers. Negative publicity may arise regarding the Company's business, employees, or customers, with or without merit, and could result in the loss of customers, investors and employees, costly litigation, a decline in revenue, and increased regulatory oversight.

The Company Is Subject to Possible Claims and Litigation Relating to Fiduciary Activities.

A significant portion of the business conducted in the Company's trust division involves the Company assuming the special role of a fiduciary to its customers and to the beneficiaries of its customers' assets. Customers or beneficiaries could make claims and take legal action relating to the Company's fiduciary activities. Whether such claims and legal action related to the Company's performance of its fiduciary responsibilities are founded or unfounded, if such matters are not resolved in a

manner favorable to the Company, they may result in significant financial liability. Furthermore, the mere existence of a claim or legal action related to the Company's fiduciary activities could adversely affect the Company's reputation among customers and prospective customers. Any financial liability or reputation damage could have a material adverse effect on the Company's business, which, in turn, could have a material adverse effect on its financial condition and results of operations.

Changes in Tax Law and Accounting Standards Could Materially Affect the Company's Operations.

Changes in tax laws, or changes in the interpretation of existing tax laws, could materially adversely affect the Company's operations. Similarly, new accounting standards, changes to existing accounting standards, and changes to the methods of preparing financial statements could impact the Company's reported financial condition and results of operations. These factors are outside the Company's control and it is impossible to predict changes that may occur and the effect of such changes.

Risks Related to Privacy and Technology

System Failure, Cybersecurity Breaches, Fraud and Employee Misconduct Could Subject the Company to Increased Operating Costs, as Well as Litigation and Other Potential Losses.

The computer systems and network infrastructure that the Company uses could be vulnerable to unforeseen hardware and cybersecurity issues, including "hacking" and "identity theft." The Company's operations are dependent upon its ability to protect its computer equipment against damage from fire, power loss, telecommunications failure or a similar catastrophic event. Any damage or failure that causes an interruption in the Company's operations could have an adverse effect on its financial condition and results of operations. In addition, the Company's operations are dependent upon its ability to protect the computer systems and network infrastructure utilized by the Company, including its mobile and Internet banking activities, against damage from physical break-ins, cybersecurity breaches, acts of vandalism, computer viruses, theft of information, misplaced or lost data, programming and/or human errors, and other disruptive problems. The Company is further exposed to the risk that its third-party service providers may be unable to fulfill their contractual obligations with respect to managing the Company's information and systems. Any cybersecurity breach or other disruptions, whether by the Company or its third-party vendors, would jeopardize the security of information stored in and transmitted through the Company's computer systems and network infrastructure, which may result in significant liability to the Company, damage its reputation and inhibit current and potential customers from its using Internet banking services. The Company could incur substantial costs and suffer other negative consequences, such as: remediation costs, such as liability for stolen assets or information, repairs of system damage, and incentives to customers in an effort to maintain relationships after an attack; increased cybersecurity protection costs, such as organizational changes, deploying additional personnel and protection technologies, training employees, and engaging third party experts and consultants; and damage to the Company's competitiveness, stock price, and long-term shareholder values.

Despite efforts to ensure the integrity of the Company's systems, the Company will not be able to anticipate all security breaches of these types, nor will it be able to implement guaranteed preventive measures against such security breaches. Persistent attackers may succeed in penetrating defenses given enough resources, time and motive. The techniques used by cyber criminals change frequently, may not be recognized until launched, and can originate from a wide variety of sources, including outside groups such as external service providers, organized crime affiliates, terrorist organizations or hostile foreign governments. These risks may increase in the future as the Company continues to increase its mobile payment and other Internet-based product offerings and expand its internal usage of web-based products and applications.

A successful attack to the Company's system security or the system security of one of its critical third-party vendors could cause it serious negative consequences, including significant disruption of operations, misappropriation of confidential information, and damage to its computers or systems or those of its customers and counterparties. A successful security breach could result in violations of applicable privacy and other laws, financial loss to the Company or to its customers, loss of confidence in its security measures, significant litigation exposure, and harm to its reputation, all of which could have a material adverse effect on the Company.

Criminals are committing fraud at an increasing rate and are using more sophisticated techniques. The Company faces risk of fraudulent activity in many forms, including online payment transfer fraud, debit card fraud, check fraud, mechanical devices attached to ATMs or ITMs, phishing attacks to obtain personal information, email-related frauds and the impersonation of Company executives or vendors, and impersonation of clients through the use of falsified or stolen credentials. The Company may suffer losses as a result of fraudulent activity committed against it, its customers, and other counterparties.

The Company could be adversely affected if one of its employees causes a significant operational breakdown or failure, either as a result of human error or where an individual purposefully sabotages or fraudulently manipulates the Company's operations or systems. Misconduct by employees could include fraudulent, improper or unauthorized activities on behalf of customers or improper use of confidential information. Employee errors or misconduct could subject the Company to regulatory enforcement action, legal action, reputational damage, and other losses.

General Risk Factors

The Company Relies Heavily on Its Management Team, and the Unexpected Loss of Key Management May Adversely Affect Its Operations.

The Company's success to date has been strongly influenced by its ability to attract and to retain senior management personnel experienced in banking in the markets it serves. Competition for key personnel is intense. The Company's ability to retain executive officers and the current management teams will continue to be important to the successful implementation of its strategies. The Company has employment agreements with these key employees in the event of a change of control, as well as confidentiality, non-solicitation and non-competition agreements related to its stock options. The unexpected loss of services of any key management personnel, or the inability to recruit and retain qualified personnel in the future, could have an adverse effect on the Company's business and financial results.

Severe Weather, Natural Disasters, Acts of War or Terrorism, and Other External Events Could Significantly Impact the Company's Business.

Severe weather, natural disasters, health emergencies, acts of war or terrorism, and other adverse external events, especially those that directly affect the Company's market areas, could have a significant impact on the Company's ability to conduct business. These events could adversely affect the ability of borrowers to repay outstanding loans, decrease the value of collateral securing loans, cause significant property and infrastructure damage, and affect the stability of the Company's deposit base. The Company may experience decreased revenue, increased charge-offs, and other expenses.

Climate Change Could Materially Impact the Company's Underlying Customers or the General Economic Conditions, Resulting in Impacts on the Company.

The Company's business, as well as the operations and activities of its customers, could be negatively impacted by climate change. Climate change presents both immediate and long-term risks to the Company and its customers, and these risks are expected to increase over time. Climate change presents multi-faceted risks, including: operational risk from the physical effects of climate events on the Company and its customers' facilities and other assets; credit risk from borrowers with significant exposure to climate risk; transition risks associated with the transition to a less carbon-dependent economy; and reputational risk from stakeholder concerns about the Company's practices related to climate change, the Company's carbon footprint, and the Company's business relationships with clients who operate in carbon-intensive industries. The Company's success depends on its relationships with customers and general economic conditions. Because the Company's customer base is geographically concentrated in West Virginia, Kentucky, Virginia, and Ohio, if the customers in those geographies are physically impacted by climate change, the Company may be financially impacted as well. In addition, an economic transition to mitigate climate change on a broader scale could have a negative or destabilizing impact on the general economic conditions of the country, which could also have a negative impact on the financial outcomes of the Company.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

City National owns the Company's executive office, located at 25 Gateway Road, Charleston, West Virginia. This facility has approximately 60,000 square feet and houses the Company's executive and administrative personnel.

City National owns seventy-five bank branch locations and leases nineteen bank branch locations, pursuant to operating leases. All of the properties are suitable and adequate for their current operations. City National also operates a loan production office leased in Cincinnati, Ohio.

The Company also owns parcels of real estate for potential future branch development.

Item 3. Legal Proceedings

The Company is engaged in various legal actions that it deems to be in the ordinary course of business. As these legal actions are resolved, the Company could realize positive and/or negative impact to its financial performance in the period in which these legal actions are ultimately decided. There can be no assurance that current actions will have immaterial results, either positive or negative, or that no material actions may be presented in the future.

Item 4. Mine Safety Disclosures

None.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters, and Issuer Purchases of Equity Securities

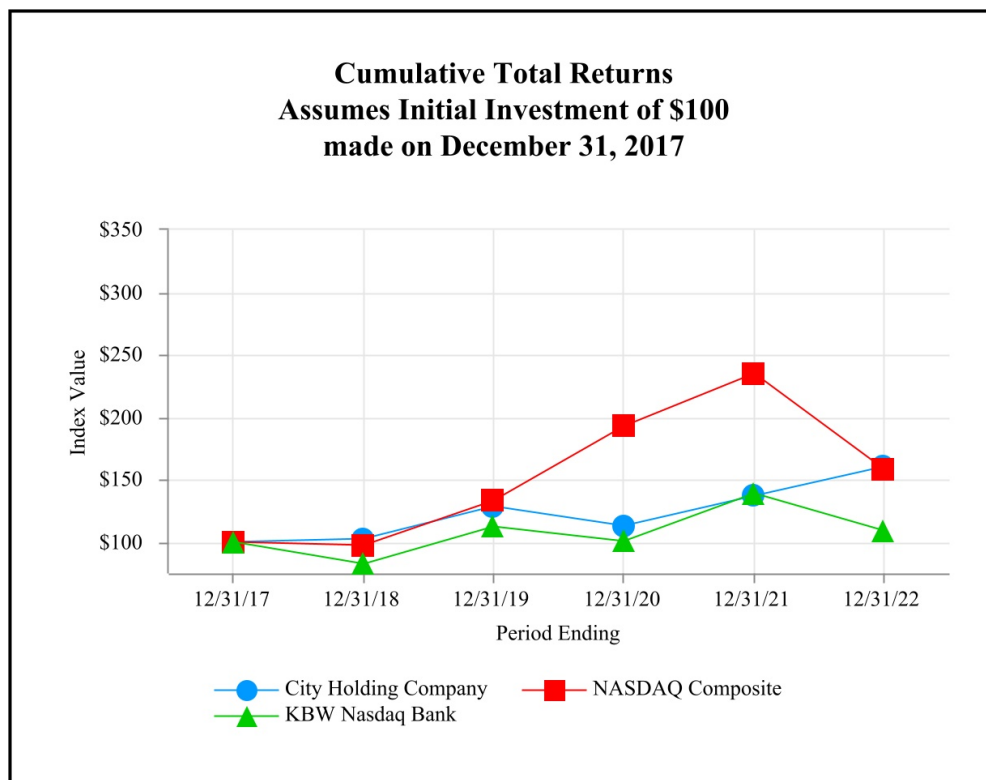
Common Stock Market and Dividends

The Company's common stock trades on the NASDAQ Global Select Market under the symbol "CHCO". This table sets forth the cash dividends declared per share and information regarding the closing market prices per share of the Company's common stock for the periods indicated. The price ranges are based on transactions as reported on the NASDAQ Global Select Market. At February 17, 2023, there were 2,432 shareholders of record.

The Company generally pays dividends on a quarterly basis. As noted in the section captioned "Dividends and Other Payments" included in Item 1. Business, the section captioned "Liquidity and Capital Resources" included in Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations and in [Note Sixteen](#) of Notes to Consolidated Financial Statements, the Company's ability to pay dividends to its shareholders is dependent upon the ability of City National to pay dividends to the Company. At December 31, 2022, City National could pay \$59.2 million in dividends without prior regulatory permission.

Stock Performance

The following graph sets forth the cumulative total shareholder return (assuming reinvestment of dividends) to the Company's shareholders during the five-year period ended December 31, 2022, as well as the Nasdaq Composite Index and the KBW Nasdaq Bank Index.



	2017	2018	2019	2020	2021	2022
City Holding Company	\$100.00	\$102.85	\$128.39	\$112.76	\$136.76	\$160.39
NASDAQ Composite Index	\$100.00	\$97.16	\$132.81	\$192.47	\$235.15	\$158.65
KBW Nasdaq Bank Index	\$100.00	\$82.29	\$112.01	\$100.46	\$138.97	\$109.23

This graph shall not be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, unless the Company specifically incorporates this report by reference. It will not be otherwise filed under such Acts.

Unregistered Sales of Equity Securities and Use of Proceeds

On May 25, 2022, the Board of Directors of the Company authorized the Company to buy back up to 1,000,000 shares of its common stock (approximately 7% of outstanding shares) in open market transactions at prices that are accretive to the earnings per share of continuing shareholders. No time limit was placed on the duration of the share repurchase program. As part of this authorization, the Company terminated its previous repurchase program that was approved in March 2021. The following table sets forth information regarding the Company's common stock repurchases transacted during the quarter ended December 31, 2022:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs
December 1 - December 31, 2022*	69,092	93.12	1,009,436	816,894

*There were no common stock repurchases in October or November 2022.

Item 6. Reserved

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations
Statistical Information

The information noted below is provided pursuant to Guide 3 -- Statistical Disclosure by Bank Holding Companies.

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CITY HOLDING COMPANY

City Holding Company (the "Company"), a West Virginia corporation headquartered in Charleston, West Virginia, is a registered financial holding company under the Bank Holding Company Act and conducts its principal activities through its wholly owned subsidiary, City National Bank of West Virginia ("City National"). City National is a retail and consumer-oriented community bank with 94 bank branches in West Virginia (58), Kentucky (19), Virginia (13) and Ohio (4). City National provides credit, deposit, and trust and investment management services to its customers in a broad geographical area that includes many rural and small community markets in addition to larger cities including Charleston (WV), Huntington (WV), Martinsburg (WV), Ashland (KY), Lexington (KY), Winchester (VA) and Staunton (VA). In the Company's key markets, the Company's primary subsidiary, City National, often ranks in the top three relative to deposit market share and the top two relative to branch share (Charleston/Huntington MSA, Beckley/Lewisburg counties, Staunton MSA and Winchester, VA/WV Eastern Panhandle counties). In addition to its branch network, City National's delivery channels include automated-teller-machines ("ATMs"), interactive-teller-machines ("ITMs"), mobile banking, debit cards, interactive voice response systems, and Internet technology. The Company's business activities are currently limited to one reportable business segment, which is community banking.

On October 18, 2022, the Company announced that City Holding had signed a definitive agreement in which City Holding will acquire Citizens Commerce Bancshares, Inc., ("Citizens") the parent company of Citizens Commerce Bank, Inc., Versailles, Kentucky. Upon completion of the merger, the subsidiary bank of Citizens will merge with and into City National. The Boards of Directors of City and Citizens have approved the Merger, Bank Merger and the Merger Agreement. Subject to the terms and conditions of the Merger Agreement, at the effective time of the Merger, Citizens shareholders will have the right to receive 0.1666 City common shares, par value of \$2.50 per share for each Citizens common share, no par value. Cash will be paid in lieu of fractional shares and for unexercised Citizens options at closing. The Merger is expected to close in the first quarter of 2023, pending customary closing conditions, including receipt of required regulatory approvals and the approval by the shareholders of Citizens.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The accounting policies of the Company conform to U.S. generally accepted accounting principles and require management to make estimates and develop assumptions that affect the amounts reported in the financial statements and related footnotes. These estimates and assumptions are based on information available to management as of the date of the financial statements. Actual results could differ significantly from management's estimates. As this information changes, management's estimates and assumptions used to prepare the Company's financial statements and related disclosures may also change. The most significant accounting policies followed by the Company are presented in [Note One](#) of the Notes to Consolidated Financial Statements included herein. Based on the valuation techniques used and the sensitivity of financial statement amounts to the methods, assumptions, and estimates underlying those amounts, management has identified: (i) the determination of the allowance for credit losses and (ii) income taxes to be the accounting areas that require the most subjective or complex judgments and, as such, could be most subject to revision as new information becomes available.

Allowance for Credit Losses

The *Allowance for Credit Losses* section of this Annual Report on Form 10-K provides management's analysis of the Company's allowance for credit losses and related provision. The allowance for credit losses is a valuation account that is deducted from the loans' amortized cost basis to present the net amount expected to be collected on the loans. Loans are charged off against the allowance when management believes the uncollectibility of a loan balance is confirmed. Expected recoveries do not exceed the aggregate of amounts previously charged-off and expected to be charged-off. Management estimates the allowance balance using relevant available information, from internal and external sources, relating to past events, current conditions, and reasonable and supportable forecasts. Historical credit loss experience provides the basis for the estimation of expected credit losses. Adjustments to historical loss information are made for differences in current loan-specific risk characteristics, such as differences in underwriting standards, portfolio mix, delinquency level, or term as well as for changes in environmental conditions, such as changes in unemployment rates, property values, or other relevant factors. These evaluations are conducted at least quarterly and more frequently if deemed necessary. Additionally, all commercial loans within the portfolio are subject to internal risk grading. Risk grades are generally assigned by the primary lending officer and are periodically evaluated by the Company's internal loan review process.

In evaluating the appropriateness of its allowance for credit losses, the Company stratifies the loan portfolio into six major groupings. The Company has identified the following portfolio segments and measures the allowance for credit losses using the following methods:

Portfolio Segment	Measurement Method
Commercial and industrial	Migration
Commercial real estate:	
1-4 family	Migration
Hotels	Migration
Multi-family	Migration
Non Residential Non-Owner Occupied	Migration
Non Residential Owner Occupied	Migration
Residential real estate	Vintage
Home equity	Vintage
Consumer	Vintage

Migration is an analysis that tracks a closed pool of loans for a configurable period of time and calculates a loss ratio on only those loans in the pool at the start date based on outstanding balance. Vintage is a predictive loss model that includes a reasonable approximation of probable and estimable future losses by tracking each loan's net losses over the life of the loan as compared to its original balance. For demand deposit overdrafts, the allowance for credit losses is measured using the historical loss rate. Loans that do not share risk characteristics are evaluated on an individual basis. Loans evaluated individually are not included in the collective evaluation. When management determines that foreclosure is probable, the expected credit losses are based on the fair value of the collateral at the reporting date, adjusted for selling costs as appropriate.

Expected credit losses are estimated over the contractual term of the loan, adjusted for expected prepayments when appropriate. The contractual term excludes expected extensions, renewals, and modifications unless either of the following applies: management has a reasonable expectation at the reporting date that a troubled-debt restructuring will be executed with an individual borrower or the extension or renewal options are included in the original or modified contract at the reporting date and are not unconditionally cancellable by the Company.

The Company uses a number of economic variables in its scenarios to estimate the allowance for credit losses, with the most significant drivers being an unemployment rate forecast and qualitative adjustments. In the December 31, 2022 estimate, the Company assumed an unemployment forecast range of 3.7% to 4.9%, compared to a range of 3.5% to 5.2% utilized in the December 31, 2021 estimate. Historical loss rates from periods where the average unemployment rate matches the forecast range are considered when calculating the forecast period loss rate. The impact of the changes in the unemployment forecast range between December 31, 2021 and December 31, 2022 resulted in a decrease in the ACL of approximately \$0.2 million.

Based on sensitivity analysis of all portfolios, a 0.0050% change (slight improvement or decline on bank's scale) in all 11 qualitative risk factors (where assigned) would have a \$1.9 million impact on the reserve allocation. Changing each factor by 0.01% (moderate improvement or decline) would have a \$3.8 million impact. Management recognizes that these are extreme scenarios and it is very unlikely that all risk factors would change by 0.005% or 0.01% simultaneously. Between December 31, 2021 and December 31, 2022, management assigned a "decline," or 1.5 basis point increase, to the interest rate risk factor for all pools due to the rising rate environment. In total, the qualitative changes increased the ACL by approximately \$0.5 million for the year ended December 31, 2022.

Income Taxes

The *Income Taxes* section of this Annual Report on Form 10-K provides management's analysis of the Company's income taxes. The Company is subject to federal and state income taxes in the jurisdictions in which it conducts business. In computing the provision for income taxes, management must make judgments regarding interpretation of laws in those jurisdictions. Because the application of tax laws and regulations for many types of transactions is susceptible to varying interpretations, amounts reported in the financial statements could be changed at a later date upon final determinations by taxing authorities. On a quarterly basis, the Company estimates its annual effective tax rate for the year and uses that rate to provide for income taxes on a year-to-date basis. The Company's unrecognized tax benefits could change over the next twelve months as a result of various factors. The Company is currently open to audit under the statute of limitations by the Internal Revenue Service and various state taxing authorities for the years ended December 31, 2019 and forward.

The effective tax rate is calculated by taking the statutory rate and adjusting for permanent and discrete items. The discrete items can vary between periods but historically have remained consistent.

FINANCIAL SUMMARY

The Company's financial performance over the previous three years is summarized in the following table:

	2022	2021	2020
Net income available to common shareholders <i>(in thousands)</i>	\$ 102,071	\$ 88,080	\$ 89,595
Earnings per common share, basic	\$ 6.81	\$ 5.67	\$ 5.55
Earnings per common share, diluted	\$ 6.80	\$ 5.66	\$ 5.55
Cash dividends declared	\$ 2.50	\$ 2.34	\$ 2.29
Book value per share	\$ 39.08	\$ 45.22	\$ 44.47
Dividend payout ratio	36.8 %	41.3 %	41.2 %
ROA*	1.71 %	1.49 %	1.66 %
ROE*	16.5 %	12.7 %	12.9 %
ROATCE*	20.3 %	15.3 %	15.6 %

*ROA (Return on Average Assets) is a measure of the effectiveness of asset utilization. ROE (Return on Average Equity) is a measure of the return on shareholders' investment. ROATCE (Return on Average Tangible Common Equity) is a measure of the return on shareholders' equity less intangible assets.

BALANCE SHEET ANALYSIS

Select balance sheet fluctuations and ratios are summarized in the following table (in millions):

	December 31,			
	2022	2021	\$ Change	% Change
Cash and cash equivalents	\$ 200.0	\$ 634.6	\$ (434.6)	(68)%
Investment securities	1,529.3	1,433.7	95.6	7 %
Gross loans	3,646.3	3,543.8	102.4	3 %
Total deposits	\$ 4,869.9	\$ 4,925.3	\$ (55.4)	(1)%
Tangible equity to tangible assets	8.02 %	9.58 %		

Cash and cash equivalents decreased \$434.6 million, from \$634.6 million at December 31, 2021, to \$200.0 million at December 31, 2022 primarily due to an increase in loans and investment securities and a decrease in deposits.

Investment securities increased \$95.6 million, from \$1.43 billion at December 31, 2021, to \$1.53 billion at December 31, 2022 as the Company has put its excess funding to work.

Loans increased \$102.4 million (2.9%) from December 31, 2021 to \$3.64 billion at December 31, 2022. PPP loans of \$6.6 million at December 31, 2021 were fully repaid during 2022. Excluding outstanding PPP loans (included in the commercial and industrial loan category), total loans increased \$109.0 million, (3.1%), from December 31, 2021 to \$3.64 billion at December 31, 2022. Residential real estate loans increased \$144.6 million (9.3%); commercial and industrial loans increased \$34.3 million (10.1%) (excluding PPP loans); home equity loans increased \$12.0 million (9.8%); and consumer loans increased \$7.9 million (19.3%). These increases were partially offset by decreases in commercial real estate loans (\$86.6 million, or 5.9%).

Total deposits decreased \$55.4 million from December 31, 2021 to \$4.87 billion at December 31, 2022. Time deposits decreased \$180.8 million and noninterest bearing demand deposits decreased \$21.7 million. These decreases were

partially offset by an increase in interest bearing demand deposits of \$97.6 million and an increase in savings deposits of \$49.4 million.

TABLE ONE
AVERAGE BALANCE SHEETS AND NET INTEREST INCOME
(In thousands)

	2022			2021			2020		
	Average Balance	Interest	Yield/ Rate	Average Balance	Interest	Yield/ Rate	Average Balance	Interest	Yield/ Rate
Assets									
Loan portfolio ⁽¹⁾ :									
Residential real estate ^{(2),(3)}	\$ 1,755,772	\$ 68,208	3.88 %	\$ 1,658,710	\$ 64,492	3.89 %	\$ 1,768,789	\$ 74,452	4.21 %
Commercial, financial, and agriculture ⁽³⁾	1,781,132	75,390	4.23	1,838,560	68,784	3.74	1,816,658	72,128	3.97
Installment loans to individuals ^{(3),(4)}	46,622	2,567	5.51	48,708	2,831	5.81	56,163	3,319	5.91
Previously securitized loans ⁽⁵⁾	—	373	—	—	568	—	—	599	—
Total loans	3,583,526	146,538	4.09	3,545,978	136,675	3.85	3,641,610	150,498	4.13
Securities:									
Taxable	1,288,252	34,445	2.67	1,075,550	23,071	2.15	890,771	23,355	2.62
Tax-exempt ⁽⁶⁾	218,588	6,217	2.84	242,125	6,362	2.63	164,740	4,954	3.01
Total securities	1,506,840	40,662	2.70	1,317,675	29,433	2.23	1,055,511	28,309	2.68
Deposits in depository institutions	357,184	3,794	1.06	568,928	693	0.12	230,043	492	0.21
Total interest-earning assets	5,447,550	190,994	3.51	5,432,581	166,801	3.07	4,927,164	179,299	3.64
Cash and due from banks	88,581			92,847			76,173		
Bank premises and equipment	72,590			76,069			77,670		
Goodwill and intangible assets	116,469			117,899			119,471		
Other assets	271,685			216,493			221,864		
Less: allowance for credit losses	(17,687)			(21,922)			(22,770)		
Total assets	\$ 5,979,188			\$ 5,913,967			\$ 5,399,572		
Liabilities									
Interest-bearing demand deposits	\$ 1,150,007	1,234	0.11 %	\$ 1,071,628	504	0.05 %	\$ 912,306	1,005	0.11 %
Savings deposits	1,414,727	1,544	0.11	1,291,225	689	0.05	1,071,727	1,591	0.15
Time deposits ⁽³⁾	983,046	4,666	0.47	1,157,502	8,213	0.71	1,329,841	19,927	1.50
Short-term borrowings	284,611	2,211	0.78	298,413	489	0.16	253,456	993	0.39
Long-term debt	—	—	—	—	—	—	830	100	12.05
Total interest-bearing liabilities	3,832,391	9,655	0.25	3,818,768	9,895	0.26	3,568,160	23,616	0.66
Noninterest-bearing demand deposits	1,429,415			1,315,801			1,035,801		
Other liabilities	98,553			84,377			100,166		
Total shareholders' equity	618,829			695,021			695,445		
Total liabilities and shareholders' equity	\$ 5,979,188			\$ 5,913,967			\$ 5,399,572		
Net interest income		\$ 181,339		\$ 156,906			\$ 155,683		
Net yield on earning assets			3.33 %			2.89 %			3.16 %

1. For purposes of this table, non-accruing loans have been included in average balances and the following net loan fees (in thousands) have been included in interest income:

	2022	2021	2020
Loan fees, net	\$ 568	\$ 3,550	\$ 1,842

2. Includes the Company's residential real estate and home equity loan categories.

3. Included in the above table are the following amounts (in thousands) for the accretion of the fair value adjustments related to the Company's acquisitions:

	2022	2021	2020
Residential real estate	\$ 298	\$ 620	\$ 630
Commercial, financial, and agriculture	642	1,198	2,445
Installment loans to individuals	45	87	143
Time deposits	83	193	622
Total	<u>\$ 1,068</u>	<u>\$ 2,098</u>	<u>\$ 3,840</u>

4. Includes the Company's consumer and DDA overdrafts loan categories.
5. Effective January 1, 2012, the carrying value of the Company's previously securitized loans was reduced to \$0.
6. Computed on a fully federal tax-equivalent basis assuming a tax rate of approximately 21%.

TABLE TWO
RATE/VOLUME ANALYSIS OF CHANGES IN INTEREST INCOME AND INTEREST EXPENSE
(In thousands)

	2022 vs. 2021 Increase (Decrease) Due to Change In:			2021 vs. 2020 Increase (Decrease) Due to Change In:		
	Volume	Rate	Net	Volume	Rate	Net
Interest-earning assets:						
Loan portfolio						
Residential real estate	\$ 3,774	\$ (58)	\$ 3,716	\$ (4,633)	\$ (5,327)	\$ (9,960)
Commercial, financial, and agriculture	(2,148)	8,754	6,606	870	(4,214)	(3,344)
Installment loans to individuals	(121)	(143)	(264)	(441)	(47)	(488)
Previously securitized loans	—	(195)	(195)	—	(31)	(31)
Total loans	1,505	8,358	9,863	(4,204)	(9,619)	(13,823)
Securities:						
Taxable	4,563	6,811	11,374	4,845	(5,129)	(284)
Tax-exempt ⁽¹⁾	(618)	473	(145)	2,327	(919)	1,408
Total securities	3,945	7,284	11,229	7,172	(6,048)	1,124
Deposits in depository institutions	(258)	3,359	3,101	725	(524)	201
Total interest-earning assets	\$ 5,192	\$ 19,001	\$ 24,193	\$ 3,693	\$ (16,191)	\$ (12,498)
Interest-bearing liabilities:						
Interest-bearing demand deposits	\$ 37	\$ 693	\$ 730	\$ 176	\$ (677)	\$ (501)
Savings deposits	66	789	855	326	(1,228)	(902)
Time deposits	(1,238)	(2,309)	(3,547)	(2,582)	(9,132)	(11,714)
Short-term borrowings	(23)	1,745	1,722	176	(680)	(504)
Long-term debt	—	—	—	(100)	—	(100)
Total interest-bearing liabilities	(1,158)	918	(240)	(2,004)	(11,717)	(13,721)
Net Interest Income	\$ 6,350	\$ 18,083	\$ 24,433	\$ 5,697	\$ (4,474)	\$ 1,223

1. Fully federal taxable equivalent using a tax rate of approximately 21%.

NET INTEREST INCOME

	2022	2021	2020
Total interest income	\$ 189,688	\$ 165,467	\$ 178,259
Total interest expense	9,655	9,894	23,615
Net interest income	180,033	155,573	154,644

2022 vs. 2021

The Company's net interest income increased from \$155.6 million for the year ended December 31, 2021 to \$180.0 million for the year ended December 31, 2022. The Company's tax equivalent net interest income increased \$24.4 million, or 15.6%, from \$156.9 million for the year ended December 31, 2021 to \$181.3 million for the year ended December 31, 2022. Net interest income increased by \$12.0 million, \$7.3 million and \$3.4 million, respectively, due to increases in the yields on loans (net of loan fees and accretion), investments, and deposits in depository institutions, of 35 basis points, 47 basis points and 94 basis points, respectively, all due primarily to increases in the Federal Funds rate during 2022. In addition, higher average investment and loan balances (\$189.2 million and \$37.5 million, respectively) increased net interest income by \$3.9 million and \$1.8 million, respectively. These increases were partially offset by a decrease in loan fees associated with PPP loans of \$3.5 million from 2021 and a decrease in accretion from fair value adjustments of \$1.0 million. The Company's reported net interest margin increased from 2.89% for the year ended December 31, 2021 to 3.33% for the year ended December 31, 2022.

2021 vs. 2020

The Company's net interest income increased from \$154.6 million for the year ended December 31, 2020 to \$155.6 million for the year ended December 31, 2021. The Company's tax equivalent net interest income increased \$1.2 million, or 0.8%, from \$155.7 million for the year ended December 31, 2020 to \$156.9 million for the year ended December 31, 2021. The Company recognized \$4.0 million of loan fees associated with PPP loans during 2021 as compared to \$1.6 million during 2020. However, lower loan yields (which fell 29 basis points) decreased net interest income by \$10.0 million. Additionally, lower average loan balances (\$95.6 million) lowered net interest income by \$4.2 million and a decrease in accretion from fair value adjustments decreased interest income by \$1.7 million. Higher investment balances (which increased \$262.2 million) increased net interest income by \$7.2 million, while investment yields (which decreased by 45 basis points) decreased net interest income by \$6.0 million. Lower rates paid on interest bearing liabilities (40 basis points) and lower average time deposit balances (down \$172.3 million) increased net interest income by \$11.7 million and \$2.6 million, respectively. The Company's reported net interest margin declined from 3.16% for the year ended December 31, 2020 to 2.89% for the year ended December 31, 2021.

Non-GAAP Financial Measures

Management of the Company uses measures in its analysis of the Company's performance other than those in accordance with generally accepted accounting principles in the United States of America ("GAAP"). These measures are useful when evaluating the underlying performance of the Company's operations. The Company's management believes that these non-GAAP measures enhance comparability of results with prior periods and demonstrate the effects of significant gains and charges in the current period. The Company's management believes that investors may use these non-GAAP financial measures to evaluate the Company's financial performance without the impact of those items that may obscure trends in the Company's performance. These disclosures should not be viewed as a substitute for financial measures determined in accordance with GAAP, nor are they comparable to non-GAAP financial measures that may be presented by other companies.

TABLE THREE
NON-GAAP FINANCIAL MEASURES
(In thousands)

	2022	2021	2020
Net interest income ("GAAP")	\$ 180,033	\$ 155,573	\$ 154,644
Taxable equivalent adjustment	1,306	1,333	1,039
Net interest income, fully taxable equivalent	<u>\$ 181,339</u>	<u>\$ 156,906</u>	<u>\$ 155,683</u>
Average total interest earning assets	\$ 5,447,550	\$ 5,432,581	\$ 4,927,164
Net interest margin	3.33 %	2.89 %	3.16 %
Accretion related to fair value adjustments	(0.02)	(0.04)	(0.08)
Net interest margin (excluding accretion)	<u>3.31 %</u>	<u>2.85 %</u>	<u>3.08 %</u>
Equity to assets ("GAAP")	9.83 %	11.34 %	12.18 %
Effect of goodwill and other intangibles, net	(1.81)	(1.76)	(1.85)
Tangible common equity to tangible assets	<u>8.02 %</u>	<u>9.58 %</u>	<u>10.33 %</u>
Return on tangible equity ("GAAP")	20.3 %	15.3 %	15.6 %
Impact of sale of VISA shares	—	—	(2.4)
Return on tangible equity, excluding the above items	<u>20.3 %</u>	<u>15.3 %</u>	<u>13.2 %</u>
Return on assets ("GAAP")	1.71 %	1.49 %	1.66 %
Impact of sale of VISA shares	—	—	(0.24)
Return on assets, excluding the above items	<u>1.71 %</u>	<u>1.49 %</u>	<u>1.42 %</u>

NON-INTEREST INCOME AND NON-INTEREST EXPENSE

2022 vs. 2021

Selected income statement fluctuations and ratios are summarized in the following table (dollars in millions):

	For the year ended December 31,			
	2022	2021	\$ Change	% Change
Unrealized (losses) gains recognized on equity securities still held	\$ (1.6)	\$ 0.5	\$ (2.1)	(420)%
Non-interest income, excluding net investment securities (losses) gains	73.7	68.8	4.9	7 %
Non-interest expense	124.3	117.2	7.1	6 %
Efficiency ratio	48.2	51.3		
Full-time equivalent employees	909	905		

Non-interest income was \$72.1 million for 2022 as compared to \$69.6 million for 2021. The Company reported \$1.6 million of unrealized fair value losses on the Company's equity securities during 2022 compared to \$0.3 million of realized security gains on the sale of investments and \$0.5 million of unrealized fair value gains on the Company's equity securities during 2021. Exclusive of these realized and unrealized gains and losses, non-interest income increased from \$68.8 million for the year ended December 31, 2021 to \$73.7 million for the year ended December 31, 2022. This increase was largely attributable to an increase of \$2.8 million, or 10.9%, in service charges and a \$1.7 million, or 42.7%, increase in bank owned life insurance due to higher death benefit proceeds received in 2022 compared to 2021. In addition, trust and investment management fee income and bankcard revenues each increased \$0.4 million from the year ended December 31, 2021. These increases were partially offset by a decrease of \$0.4 million in other income.

Non-interest expenses increased from \$117.2 million for 2021 to \$124.3 million for 2022. This increase was primarily due to an increase in salaries and employee benefit expenses (\$4.7 million, due to higher salary adjustments during 2022, increased incentive compensation, and increased health insurance) and equipment and software related expenses (\$1.3 million). In addition, occupancy related expenses increased \$0.6 million, advertising increased \$0.3 million, and merger-related expenses increased \$0.3 million.

2021 vs. 2020

Selected income statement fluctuations are summarized in the following table (dollars in millions):

	For the year ended December 31,			
	2021	2020	\$ Change	% Change
Unrealized gains (losses) recognized on equity securities still held	\$ 0.5	\$ (0.9)	\$ 1.4	156 %
Sale of VISA shares	—	17.8	(17.8)	(100)%
Non-interest income, excluding net investment securities (losses) gains and sale of VISA shares	68.8	65.6	3.2	5 %
Non-interest expense	117.2	115.3	1.9	2 %
Efficiency ratio	51.3	51.3		
Full-time equivalent employees	905	926		

Non-interest income was \$69.6 million for 2021 as compared to \$82.7 million for 2020. During 2020, the Company sold the entirety of its Visa Inc. Class B common shares (86,605 shares) in a cash transaction that resulted in a pre-tax gain of \$17.8 million, or \$0.84 diluted per share on an after-tax basis. Additionally, the Company reported \$0.3 million of realized security gains on the sale of investment securities and \$0.5 million of unrealized fair value gains on the Company's equity securities during 2021 compared to \$0.9 million of unrealized fair value losses on the Company's equity securities during 2020. Exclusive of these items, non-interest income increased from \$65.6 million for the year ended December 31, 2020 to \$68.8 million for the year ended December 31, 2021. This increase was largely attributable to an increase of \$3.9 million, or 17.0%, in bankcard revenues and a \$0.7 million, or 8.8%, increase in trust and investment

management fee income. These increases were partially offset by a decrease of \$0.7 million, or 15.0%, in other income and a decrease of \$0.5 million in bank owned life insurance due to lower death benefit proceeds received during 2021 compared to 2020.

Non-interest expenses increased from \$115.3 million for 2020 to \$117.2 million for 2021. This increase was primarily due to an increase in telecommunication expenses (\$0.7 million), FDIC insurance expense (\$0.7 million), bankcard expenses (\$0.6 million), occupancy related expenses (\$0.3 million), advertising expenses (\$0.3 million), and equipment and software related expense (\$0.3 million). These increases were partially offset by a decrease in other expenses (\$0.6 million) and repossessed asset gains (\$0.3 million).

INCOME TAXES

Selected information regarding the Company's income taxes is presented in the table below (dollars in millions):

	For the year ended December 31,		
	2022	2021	2020
Income tax expense	\$ 25.3	\$ 23.1	\$ 21.7
Effective tax rate	19.8 %	20.8 %	19.5 %

A reconciliation of the effective tax rate to the statutory rate is included in [Note Eleven](#) of the Notes to Consolidated Financial Statements.

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The Company was in a net deferred tax asset position (\$44.9 million) at December 31, 2022 and a net deferred tax asset position (\$0.1 million) at December 31, 2021. The increase in net deferred tax asset was largely due to a decrease in the Company's investment valuation, primarily in the mortgage-backed security portfolio.

The components of the Company's net deferred tax assets are disclosed in [Note Eleven](#) of the Notes to Consolidated Financial Statements. Realization of the most significant net deferred tax assets is primarily dependent on future events taking place that will reverse the current deferred tax assets. The deferred tax asset associated with unrealized securities losses is the tax impact of the unrealized losses on the Company's available-for-sale security portfolio. The impact of the Company's unrealized losses is noted in the Company's Consolidated Statements of Changes in Shareholders' Equity as an adjustment to Accumulated Other Comprehensive (Loss) Income. This deferred tax asset would be realized if the unrealized securities losses on the Company's securities were realized from the sales of the related securities. The Company believes that it is more likely than not that each of the deferred tax assets will be realized and that no significant valuation allowances were necessary as of December 31, 2022 or 2021.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity

The Company evaluates the adequacy of liquidity at both the Parent Company level and at the banking subsidiary level. At the Parent Company level, the principal source of cash is dividends from its banking subsidiary, City National. Dividends paid by City National to the Parent Company are subject to certain legal and regulatory limitations. Generally, any dividends in amounts that exceed the earnings retained by City National in the current year plus retained net profits for the preceding two years must be approved by regulatory authorities. At December 31, 2022, City National could pay dividends up to \$59.2 million without prior regulatory permission.

During 2022, the Parent Company used cash obtained from the dividends received primarily to: (1) pay common dividends to shareholders and (2) fund repurchases of the Company's common shares. Additional information concerning sources and uses of cash by the Parent Company is discussed in [Note Eighteen](#) of the Notes to Consolidated Financial Statements.

The Parent Company anticipates continuing the payment of dividends, which are expected to approximate \$38.4 million on an annualized basis for 2023 based on common shareholders of record at December 31, 2022 at a dividend rate of \$2.60 per share for 2023. However, dividends to shareholders can, if necessary, be suspended. In addition to these

anticipated cash needs, the Parent Company has operating expenses and other contractual obligations, which are estimated to require \$1.5 million of additional cash over the next 12 months. As of December 31, 2022, the Parent Company reported a cash balance of \$54.6 million and management believes that the Parent Company's available cash balance, together with cash dividends from City National, will be adequate to satisfy its funding and cash needs over the next twelve months. Excluding the dividend payments discussed above, the Parent Company has no significant commitments or obligations in years after 2023.

City National manages its liquidity position in an effort to effectively and economically satisfy the funding needs of its customers and to accommodate the scheduled repayment of borrowings. Funds are available to City National from a number of sources, including depository relationships, sales and maturities within the investment securities portfolio, and borrowings from the Federal Home Loan Bank ("FHLB") and other financial institutions. As of December 31, 2022, City National's assets are significantly funded by deposits and capital. City National maintains borrowing facilities with the FHLB and other financial institutions that can be accessed as necessary to fund operations and to provide contingency funding mechanisms. As of December 31, 2022, City National had the capacity to borrow an additional \$2.0 billion from the FHLB and other financial institutions under existing borrowing facilities. City National maintains a contingency funding plan, incorporating these borrowing facilities, to address liquidity needs in the event of an institution-specific or systemic financial industry crisis. Also, although it has no current intention to do so, City National could liquidate its unpledged securities, if necessary, to provide an additional funding source. City National also segregates certain mortgage loans, mortgage-backed securities, and other investment securities in a separate subsidiary so that it can separately monitor the asset quality of these primarily mortgage-related assets, which could be used to raise cash through securitization transactions or obtain additional equity or debt financing if necessary.

The Company manages its asset and liability mix to balance its desire to maximize net interest income against its desire to minimize risks associated with capitalization, interest rate volatility, and liquidity. With respect to liquidity, the Company has chosen a conservative posture and believes that its liquidity position is strong. As illustrated in the Consolidated Statements of Cash Flows, the Company generated \$115.8 million of cash from operating activities during 2022, primarily from interest income received on loans and investments, net of interest expense paid on deposits and borrowings.

The Company has obligations to extend credit, but these obligations are primarily associated with existing home equity loans that have predictable borrowing patterns across the portfolio. The Company has investment security balances with carrying values that totaled \$1.53 billion at December 31, 2022, and that greatly exceeded the Company's non-deposit sources of borrowing, which totaled \$291 million.

The Company's net loan to asset ratio is 61.7% as of December 31, 2022 and deposit balances fund 82.8% of total assets as compared to 79.8% for its peers (Bank Holding Company Peer Group, as of the most recent data available as of September 30, 2022, which includes commercial banks with assets ranging from \$3 billion to \$10 billion). Further, the Company's deposit mix has a very high proportion of transaction and savings accounts that fund 67.7% of the Company's total assets and the Company uses time deposits over \$250,000 to fund 4.6% of total assets compared to its peers, which fund 8.9% of total assets with such deposits.

Capital Resources

During 2022, Shareholders' Equity decreased \$103 million, or 15.2%, from \$681 million at December 31, 2021 to \$578 million at December 31, 2022. This decrease was primarily due to other comprehensive loss of \$146 million (due to a decrease in the Company's investment valuation), cash dividends declared of \$37 million, and common share repurchases of \$26 million, partially offset by net income of \$102 million.

During the year ended December 31, 2022, the Company repurchased approximately 325,000 common shares at a weighted average price of \$81.50 per share as part of a one million share repurchase plan authorized by the Board of Directors in May 2022. At December 31, 2022, the Company could repurchase approximately 817,000 shares under the current plan.

The Basel III Capital Rules require City Holding and City National to maintain minimum CET 1, Tier 1 and Total Capital ratios, along with a capital conservation buffer, effectively resulting in minimum capital ratios (which are shown in the table below). The capital conservation buffer is designed to absorb losses during periods of economic stress. Banking institutions with a ratio of CET 1 capital to risk-weighted assets above the minimum but below the conservation buffer (or below the combined capital conservation buffer and countercyclical capital buffer, when the latter is applied) will face constraints on dividends, equity repurchases and compensation based on the amount of the shortfall. The Basel III Capital

Rules also provide for a "countercyclical capital buffer" that is applicable to only certain covered institutions and does not have any current applicability to City Holding Company or City National Bank.

The Company's regulatory capital ratios for both City Holding and City National include the 2.5% capital conservation buffer and are illustrated in the following tables (in thousands):

	Actual		Minimum Required - Basel III		Required to be Considered Well Capitalized	
	Capital Amount	Ratio	Capital Amount	Ratio	Capital Amount	Ratio
December 31, 2022						
CET 1 Capital						
City Holding Company	\$ 598,068	16.2 %	\$ 257,965	7.0 %	\$ 239,538	6.5 %
City National Bank	508,586	13.9 %	256,520	7.0 %	238,197	6.5 %
Tier 1 Capital						
City Holding Company	598,068	16.2 %	313,243	8.5 %	294,817	8.0 %
City National Bank	508,586	13.9 %	311,488	8.5 %	293,166	8.0 %
Total Capital						
City Holding Company	612,654	16.6 %	386,947	10.5 %	368,521	10.0 %
City National Bank	523,172	14.3 %	384,780	10.5 %	366,457	10.0 %
Tier 1 Leverage Ratio						
City Holding Company	598,068	10.0 %	238,954	4.0 %	298,692	5.0 %
City National Bank	508,586	8.6 %	237,973	4.0 %	297,466	5.0 %
	Actual		Minimum Required - Basel III		Required to be Considered Well Capitalized	
	Capital Amount	Ratio	Capital Amount	Ratio	Capital Amount	Ratio
December 31, 2021						
CET 1 Capital						
City Holding Company	\$ 555,532	16.1 %	\$ 241,772	7.0 %	\$ 224,503	6.5 %
City National Bank	492,721	14.4 %	240,392	7.0 %	223,221	6.5 %
Tier 1 Capital						
City Holding Company	555,532	16.1 %	293,581	8.5 %	276,311	8.0 %
City National Bank	492,721	14.4 %	291,905	8.5 %	274,734	8.0 %
Total Capital						
City Holding Company	570,336	16.5 %	362,659	10.5 %	345,389	10.0 %
City National Bank	507,526	14.8 %	360,588	10.5 %	343,418	10.0 %
Tier 1 Leverage Ratio						
City Holding Company	555,532	9.4 %	235,403	4.0 %	294,254	5.0 %
City National Bank	492,721	8.5 %	233,342	4.0 %	291,678	5.0 %

As of December 31, 2022, management believes that City Holding Company, and its banking subsidiary, City National, were "well capitalized." City Holding is subject to regulatory capital requirements administered by the Federal Reserve, while City National is subject to regulatory capital requirements administered by the OCC and the FDIC. Regulatory agencies can initiate certain mandatory actions if either City Holding or City National fails to meet the minimum capital requirements, as shown above. As of December 31, 2022, management believes that City Holding and City National meet all capital adequacy requirements.

In November 2019, the federal banking regulators published final rules implementing a simplified measure of capital adequacy for certain banking organizations that have less than \$10 billion in total consolidated assets. Under the final rules, which went into effect on January 1, 2020, depository institutions and depository institution holding companies that have less than \$10 billion in total consolidated assets and meet other qualifying criteria, including a leverage ratio of greater than 9%, off-balance-sheet exposures of 25% or less of total consolidated assets and trading assets plus trading liabilities of 5% or less of total consolidated assets, are deemed "qualifying community banking organizations" and are eligible to opt into the "community bank leverage ratio framework." A qualifying community banking organization that elects to use the community bank leverage ratio framework and that maintains a leverage ratio of greater than 9% is considered to have satisfied the generally applicable risk-based and leverage capital requirements under the Basel III Rules and, if applicable, is considered to have met the "well capitalized" ratio requirements for purposes of its primary federal regulator's prompt corrective action rules, discussed below. The final rules include a two-quarter grace period during which a qualifying community banking organization that temporarily fails to meet any of the qualifying criteria, including the greater-than-9% leverage capital ratio requirement, is generally still deemed "well capitalized" so long as the banking organization maintains a leverage capital ratio greater than 8%. A banking organization that fails to maintain a leverage capital ratio greater than 8% is not permitted to use the grace period and must comply with the generally applicable requirements under the Basel III Rules and file the appropriate regulatory reports. The Company and its subsidiary bank do not have any immediate plans to elect to use the community bank leverage ratio framework but may make such an election in the future.

Contractual Obligations

The Company has various financial obligations that may require future cash payments according to the terms of the obligations. Demand, both noninterest- and interest-bearing, and savings deposits are, generally, payable immediately upon demand at the request of the customer. Therefore, the contractual maturity of these obligations is presented in the following table as "less than one year." Time deposits, typically certificates of deposit, are customer deposits that are evidenced by an agreement between the Company and the customer that specify stated maturity dates; early withdrawals by the customer are subject to penalties assessed by the Company. Short-term borrowings and long-term debt represent borrowings of the Company and have stated maturity dates. Operating leases between the Company and the lessor have stated expiration dates and renewal terms.

TABLE FOUR
CONTRACTUAL OBLIGATIONS

The composition of the Company's contractual obligations as of December 31, 2022 is presented in the following table (in thousands):

	Contractual Maturity in		
	Less than One Year	Greater than One Year	Total
Noninterest-bearing demand deposits	\$ 1,351,415	\$ —	\$ 1,351,415
Interest-bearing demand deposits ⁽¹⁾	1,232,651	—	1,232,651
Savings deposits ⁽¹⁾	1,396,310	—	1,396,310
Time deposits ⁽¹⁾	537,349	357,828	895,177
Short-term borrowings ⁽¹⁾	297,942	—	297,942
Low income housing tax credits ("LIHTCs") funding commitments	8,522	16,851	25,373
Supplemental employee retirement plans	918	5,656	6,574
Deferred compensation plans	—	2,586	2,586
Real estate leases	1,051	4,383	5,434
Total Contractual Obligations	\$ 4,826,158	\$ 387,304	\$ 5,213,462

(1) Includes interest on both fixed- and variable-rate obligations. The interest associated with variable-rate obligations is based upon interest rates in effect at December 31, 2022. The contractual amounts to be paid on variable-rate obligations are affected by market interest rates that could materially affect the contractual amounts to be paid.

The Company's liability for uncertain tax positions at December 31, 2022 was \$1.6 million pursuant to ASC Topic 740. This liability represents an estimate of tax positions that the Company has taken in its tax returns that may ultimately not be sustained upon examination by tax authorities. As the ultimate amount and timing of any future cash settlements

cannot be predicted with reasonable reliability, this estimated liability has been excluded from the contractual obligations table.

As disclosed in [Note Fourteen](#) of the Notes to Consolidated Financial Statements, the Company has entered into agreements with its customers to extend credit or to provide conditional commitments to provide payment on drafts presented in accordance with the terms of the underlying credit documents (including standby and commercial letters of credit). The Company also provides overdraft protection to certain demand deposit customers that represent an unfunded commitment. As a result of the Company's off-balance sheet arrangements for 2022 and 2021, no material revenue, expenses, or cash flows were recognized. In addition, the Company had no other indebtedness or retained interests nor entered into agreements to extend credit or provide conditional payments pursuant to standby and commercial letters of credit.

INVESTMENTS

The investment portfolio is structured to provide flexibility in managing liquidity needs and interest rate risk, while providing acceptable rates of return.

The majority of the Company's investment securities continue to be mortgage-backed securities. These securities are collateralized by both residential and commercial properties. The mortgage-backed securities in which the Company has invested are predominantly issued by government-sponsored agencies such as Fannie Mae ("FNMA"), Freddie Mac ("FHLMC") and Ginnie Mae ("GNMA").

The Company's municipal bond portfolio of \$268 million as of December 31, 2022 has an average tax equivalent yield of 2.73% with an average maturity of 12.8 years. The average dollar amount invested in each security is \$1.2 million. The portfolio has 93% rated "A" or better and the remaining portfolio is unrated, as the issuances represented small issuances of revenue bonds. Additional credit support has been purchased by the issuer for 27% of the portfolio, while 73% has no additional credit support. Management re-underwrites 100% of the portfolio on an annual basis, using the same guidelines that are used to underwrite its commercial loans. Revenue bonds were 56% of the portfolio, while the remaining 44% were general obligation bonds. Geographically, the portfolio supports the Company's footprint, with 18% of the portfolio being from municipalities throughout West Virginia, and the remainder from communities in Texas, Washington, Ohio and various other states.

The weighted average yield of the Company's investment portfolio is presented in the following table (dollars in thousands):

	Within One Year		After One But Within Five Years		After Five But Within Ten Years		After Ten Years	
	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield
Securities available-for-sale:								
Obligations of states and political subdivisions	\$ 2,883	3.02 %	\$ 27,877	3.06 %	\$ 52,412	3.40 %	\$ 185,143	2.13 %
Mortgage-backed securities:								
U.S. government agencies	13	4.14	10,195	2.43	424,773	3.01	767,298	2.57
Private label	—	—	—	—	—	—	7,231	3.92
Trust preferred securities	—	—	—	—	—	—	3,828	6.26
Corporate securities	—	—	10,329	4.92	13,538	2.82	—	—
Total Debt Securities available-for-sale	2,896	3.02	48,401	3.32	490,723	3.04	963,500	2.51

Weighted-average yields on tax-exempt obligations of states and political subdivisions have been computed on a taxable-equivalent basis using the federal statutory tax rate of 21%. Average yields on investments available-for-sale are computed based on amortized cost. Mortgage-backed securities have been allocated to their respective maturity groupings based on their contractual maturity.

TABLE FIVE
LOAN PORTFOLIO

Loans increased \$102.4 million (2.9%) from December 31, 2021 to \$3.64 billion at December 31, 2022. PPP loans of \$6.6 million at December 31, 2021 were fully repaid during 2022. Excluding outstanding PPP loans (included in the commercial and industrial loan category), total loans increased \$109.0 million, (3.1%), from December 31, 2021 to \$3.64 billion at December 31, 2022. Residential real estate loans increased \$144.6 million (9.3%); commercial and industrial loans increased \$34.3 million (10.1%) (excluding PPP loans); home equity loans increased \$12.0 million (9.8%); and consumer loans increased \$7.9 million (19.3%). These increases were partially offset by decreases in commercial real estate loans (\$86.6 million, or 5.9%). The composition of the Company's loan portfolio as of the dates indicated follows (in thousands):

	2022	2021
Commercial and industrial	\$ 373,890	\$ 346,184
1-4 Family	116,192	107,873
Hotels	340,404	311,315
Multi-family	174,786	215,677
Non Residential Non-Owner Occupied	585,964	639,818
Non Residential Owner Occupied	174,961	204,233
Commercial real estate	1,392,307	1,478,916
Residential real estate	1,693,523	1,548,965
Home equity	134,317	122,345
Consumer	48,806	40,901
DDA overdrafts	3,415	6,503
Total loans	\$ 3,646,258	\$ 3,543,814

The commercial and industrial ("C&I") loan portfolio consists of loans to corporate and other legal entity borrowers, primarily small to mid-size industrial and commercial companies. C&I loans typically involve a higher level of risk than other loan types, including industry specific risks such as the pertinent economy, new technology, labor rates and cyclical, as well as customer specific factors, such as cash flow, financial structure, operating controls and asset quality. Collateral securing these loans includes equipment, machinery, inventory, receivables and vehicles. Excluding PPP loans, C&I loans increased \$34 million from December 31, 2021 to December 31, 2022.

Commercial real estate loans consist of commercial mortgages, which generally are secured by nonresidential and multi-family residential properties, including hotel/motel and apartment lending. Commercial real estate loans are to many of the same customers and carry similar industry risks as C&I loans, but have different collateral risk. Commercial real estate loans decreased \$87 million to \$1.39 billion at December 31, 2022. At December 31, 2022, \$4 million of the commercial real estate loans were for commercial properties under construction.

In order to group loans with similar risk characteristics, the portfolio is further segmented by product types:

- Commercial 1-4 Family loans consist of residential single-family, duplex, triplex, and fourplex rental properties and totaled \$116.2 million as of December 31, 2022. Risk characteristics are driven by rental housing demand as well as economic and employment conditions. These properties exhibit greater risk than multi-family properties due to fewer income sources.
- The Hotel portfolio is comprised of all lodging establishments and totaled \$340.4 million as of December 31, 2022. Risk characteristics relate to the demand for both business and personal travel.
- Multi-family consists of 5 or more family residential apartment lending. The portfolio totaled \$174.8 million as of December 31, 2022. Risk characteristics are driven by rental housing demand as well as economic and employment conditions.
- Non-residential commercial real estate includes properties such as retail, office, warehouse, storage, healthcare, entertainment, religious, and other nonresidential commercial properties. The non-residential product type is further segmented into owner- and non-owner occupied properties. Nonresidential non-owner occupied commercial real

estate totaled \$586.0 million while nonresidential owner-occupied commercial real estate totaled \$175.0 million as of December 31, 2022. Risk characteristics relate to levels of consumer spending and overall economic conditions.

The Company categorizes commercial loans by industry according to the North American Industry Classification System ("NAICS") to monitor the portfolio for possible concentrations in one or more industries. Management monitors industry concentrations against internally established risk-based capital thresholds. As of December 31, 2022, City National was within its internally designated concentration limits. As of December 31, 2022, City National's loans to borrowers within the Lessors of Nonresidential Buildings categories exceeded 10% of total loans (14%). No other NAICS industry classification exceeded 10% of total loans as of December 31, 2022. Management also monitors non-owner occupied commercial real estate as a percent of risk based capital (based upon regulatory guidance). At December 31, 2022, the Company had \$1.2 billion of commercial loans classified as non-owner occupied and was within its designated concentration threshold.

Residential real estate loans increased \$145 million from December 31, 2021 to \$1.69 billion at December 31, 2022. Residential real estate loans include loans for the purchase or refinance of consumers' residence and first-priority home equity loans allow consumers to borrow against the equity in their home. These loans primarily consist of single family three- and five-year adjustable rate mortgages with terms that amortize up to 30 years. City National also offers fixed-rate residential real estate loans. Residential purchase real estate loans are generally underwritten to comply with Fannie Mae and Freddie Mac guidelines, while first priority home equity loans are underwritten with typically less documentation, lower loan-to-value ratios and shorter maturities. Additionally, the Company periodically purchases residential mortgage loans. The credit and collateral documents for each potential purchased loan are reviewed to ensure the credit metrics are acceptable to management. At December 31, 2022, \$21 million of the residential real estate loans were for properties under construction.

Home equity loans increased \$12 million from December 31, 2021 to \$134 million at December 31, 2022. City National's home equity loans represent loans to consumers that are secured by a second (or junior) priority lien on a residential property. Home equity loans allow consumers to borrow against the equity in their home without paying off an existing first priority lien. These loans include home equity lines of credit ("HELOC") and amortized home equity loans that require monthly installment payments. Second priority lien home equity loans are underwritten with less documentation than first priority lien residential real estate loans but typically have similar loan-to-value ratios and other terms as first priority lien residential real estate loans. The amount of credit extended is directly related to the value of the real estate securing the loan at the time the loan is made.

All mortgage loans, whether fixed rate or adjustable rate, are originated in accordance with acceptable industry standards and comply with regulatory requirements. Fixed rate mortgage loans are processed and underwritten in accordance with Fannie Mae and Freddie Mac guidelines, while adjustable rate mortgage loans are underwritten in accordance with City National's internal loan policy.

Consumer loans may be secured by automobiles, boats, recreational vehicles, certificates of deposit and other personal property, or they may be unsecured. The Company manages the risk associated with consumer loans by monitoring such factors as portfolio size and growth, internal lending policies and pertinent economic conditions. City National's underwriting standards are continually evaluated and modified based upon these factors. Consumer loans increased \$8 million from 2021 to \$49 million at December 31, 2022.

The following table shows the scheduled maturity of loans outstanding as of December 31, 2022 (in thousands):

	Within One Year	After One But Within Five Years	After Five Years Through Fifteen Years	After Fifteen Years	Total
Commercial and industrial	\$ 68,125	\$ 210,746	\$ 85,628	\$ 9,391	373,890
1-4 Family	8,347	14,337	30,113	63,395	116,192
Hotels	18,447	135,878	157,964	28,115	340,404
Multi-family	631	26,173	114,900	33,082	174,786
Non Residential Non-Owner Occupied	9,208	134,857	322,519	119,380	585,964
Non Residential Owner Occupied	11,081	31,795	73,989	58,096	174,961
Commercial real estate	47,714	343,040	699,485	302,068	1,392,307
Residential real estate	4,917	19,476	174,668	1,494,462	1,693,523
Home equity	2,182	8,563	23,414	100,158	134,317
Consumer and DDA Overdrafts	789	12,128	9,235	30,069	52,221
Total loans	\$ 123,727	\$ 593,953	\$ 992,430	\$ 1,936,148	3,646,258

The maturity table above is based on actual loan maturity dates and does not consider prepayments or any other assumptions.

Loans maturing after one year with interest rates that are:	Fixed until Maturity	Variable or adjustable	Total
Commercial and industrial	\$ 130,189	\$ 175,577	305,766
1-4 Family	4,525	103,320	107,845
Hotels	101,940	220,017	321,957
Multi-family	23,649	150,506	174,155
Non Residential Non-Owner Occupied	80,997	495,759	576,756
Non Residential Owner Occupied	24,831	139,049	163,880
Commercial real estate	235,942	1,108,651	1,344,593
Residential real estate	280,399	1,408,207	1,688,606
Home equity	20,641	111,494	132,135
Consumer and DDA Overdrafts	46,007	5,424	51,431
Total loans	\$ 713,178	\$ 2,809,353	3,522,531

The maturity table above is based on actual loan maturity dates and does not consider prepayments or any other assumptions.

ALLOWANCE FOR CREDIT LOSSES

The Company adopted ASU No. 2016-13, "*Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*" effective January 1, 2020, using the modified retrospective method for all financial assets measured at amortized cost and off-balance sheet credit exposures. ASU No. 2016-13 replaced the incurred loss impairment methodology with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. The current expected credit losses model ("CECL") applies to the allowance for credit losses, available-for-sale and held-to-maturity debt securities, purchased financial assets with credit deterioration and certain off-balance sheet credit exposures.

Management systematically monitors the loan portfolio and the appropriateness of the allowance for credit losses on a quarterly basis to provide for expected losses inherent in the portfolio. Management assesses the risk in each loan type based on historical trends, the general economic environment of its local markets, individual loan performance and other relevant factors. The Company's estimate of future economic conditions utilized in its provision estimate is primarily dependent on expected unemployment ranges over a two-year period. Beyond two years, a straight line reversion to historical average loss rates is applied over the life of the loan pool in the migration methodology. The vintage methodology applies future average loss rates based on net losses in historical periods where the unemployment rate was within the forecasted range.

Individual credits in excess of \$1 million are selected at least annually for detailed loan reviews, which are utilized by management to assess the risk in the portfolio and the appropriateness of the allowance.

Determination of the Allowance for Credit Losses "ACL" is subjective in nature and requires management to periodically reassess the validity of its assumptions. Differences between actual losses and estimated losses are assessed such that management can timely modify its evaluation model to ensure that adequate provision has been made for risk in the total loan portfolio.

As a result of the Company's analysis of the adequacy of the Allowance for Credit Losses, the Company recorded a provision for credit losses of \$0.5 million for the year ended December 31, 2022, compared to a recovery of credit losses of \$3.2 million for year ended December 31, 2021. The provision for the year ended December 31, 2022 was a result of net charge-offs for the year that were partially offset by the repayment of a loan from a previous acquisition and release of the associated credit mark.

Based on the Company's analysis of the adequacy of the allowance for credit losses and in consideration of the known factors utilized in computing the allowance, management believes that the allowance for credit losses as of December 31, 2022 is adequate to provide for expected losses inherent in the Company's loan portfolio. Future provisions for credit losses will be dependent upon trends in loan balances including the composition of the loan portfolio, changes in loan quality and loss experience trends, and recoveries of previously charged-off loans, among other factors.

TABLE SIX
ALLOCATION OF THE ALLOWANCE FOR CREDIT LOSSES

The allocation of the allowance for credit losses by portfolio segment and the percent of loans in each category to total loans is shown in the table below (dollars in thousands). The allocation of a portion of the allowance in one portfolio segment does not preclude its availability to absorb losses in other portfolio segments.

	2022		2021	
	Amount	Percent of Loans in Each Category to Total Loans	Amount	Percent of Loans in Each Category to Total Loans
Commercial and industrial	\$ 3,568	10 %	\$ 3,480	10 %
1-4 Family	566	3 %	598	3
Hotels	2,332	10 %	2,426	9
Multi-family	380	5 %	483	6
Non Residential Non-Owner Occupied	2,019	16 %	2,319	18
Non Residential Owner Occupied	1,315	5 %	1,485	6
Commercial real estate	6,612	39 %	7,311	42
Residential real estate	5,427	46 %	5,716	44
Home equity	290	4 %	517	3
Consumer	110	1 %	106	1
DDA overdrafts	1,101	0 %	1,036	—
Allowance for Credit Losses	\$ 17,108	100 %	\$ 18,166	100 %

The ACL decreased from \$18.2 million at December 31, 2021 to \$17.1 million at December 31, 2022. The allowance attributed to the commercial real estate loan portfolio decreased \$0.7 million from \$7.3 million at December 31, 2021 to \$6.6 million at December 31, 2022. This decrease was primarily due to a reduction in the unemployment forecast range, upgrades of certain loans previously downgraded due to impacts of the pandemic, and payoffs of multiple large commercial real estate relationships.

The following table shows asset quality ratios as of December 31, 2022 and 2021:

	2022	2021
Net charge offs to average loans	0.04 %	0.09 %
Provision for (recovery of) credit losses to average loans	0.01	(0.09)
Allowance for credit losses to nonperforming loans	317.28	290.15
Allowance for credit losses to total loans	0.47	0.51
Non-performing assets as a percentage of total loans and OREO	0.17	0.21

GOODWILL

The Company evaluates the recoverability of goodwill and indefinite lived intangible assets annually as of November 30th, or more frequently if events or changes in circumstances warrant, such as a material adverse change in the Company's business. Goodwill is considered to be impaired when the carrying value of a reporting unit exceeds its estimated fair value. Indefinite-lived intangible assets are considered impaired if their carrying value exceeds their estimated fair value. As described in [Note One](#) of the Notes to Consolidated Financial Statements, the Company conducts its business activities through one reportable business segment – community banking. Fair values are estimated by reviewing the Company's stock price as it compares to book value and the Company's reported earnings. In addition, the impact of future earnings and activities is considered in the Company's analysis. The Company had approximately \$109 million of goodwill at December 31, 2022 and 2021, and no impairment was required to be recognized in 2022 or 2021, as the estimated fair value of the Company has continued to exceed its book value.

CERTIFICATES OF DEPOSIT

The Company has time certificates of deposit that meet or exceed the FDIC insurance limit of \$250,000 totaling an estimated \$271.5 million. Scheduled maturities of uninsured time certificates of deposit are estimated at December 31, 2022 and are summarized in the table below (in thousands).

TABLE SEVEN
MATURITY DISTRIBUTION OF UNINSURED CERTIFICATES OF DEPOSIT

	Amounts
Three months or less	\$ 19,150
Over three months through six months	18,946
Over six months through twelve months	26,579
Over twelve months	44,819
Total	\$ 109,494

FAIR VALUE MEASUREMENTS

The Company determines the fair value of its financial instruments based on the fair value hierarchy established in ASC Topic 820, whereby the fair value of certain assets and liabilities is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. ASC Topic 820 establishes a three-level hierarchy for disclosure of assets and liabilities recorded at fair value. The hierarchy classification is based on whether the inputs in the methodology for determining fair value are observable or unobservable. Observable inputs reflect market-based information obtained from independent sources (Level 1 or Level 2), while unobservable inputs reflect management's estimate of market data (Level 3). Assets and liabilities that are actively traded and have quoted prices or observable market data require a minimal amount of subjectivity concerning fair value. Management's judgment is necessary to estimate fair value when quoted prices or observable market data are not available.

At December 31, 2022, approximately 27% of total assets, or \$1.6 billion, consisted of financial instruments recorded at fair value. Most of these financial instruments used valuation methodologies involving observable market data, collectively Level 1 and Level 2 measurements, to determine fair value. At December 31, 2022, approximately \$65 million of derivative liabilities were recorded at fair value using methodologies involving observable market data. The Company does not believe that any changes in the unobservable inputs used to value the financial instruments mentioned above would have a material impact on the Company's results of operations, liquidity, or capital resources. See [Note Seventeen](#) of the Notes to Consolidated Financial Statements for additional information regarding ASC Topic 820 and its impact on the Company's financial statements.

LEGAL ISSUES

The Company is engaged in various legal actions that it deems to be in the ordinary course of business. As these legal actions are resolved, the Company could realize impacts to its financial performance in the period in which these legal actions are ultimately decided. There can be no assurance that current actions will have immaterial results, or that no material actions may be presented in the future.

RECENT ACCOUNTING PRONOUNCEMENTS AND DEVELOPMENTS

[Note Two](#), "Recent Accounting Pronouncements," of the Notes to Consolidated Financial Statements, discusses recently issued new accounting pronouncements and their expected impact on the Company's consolidated financial statements.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Market risk is the risk of loss due to adverse changes in current and future cash flows, fair values, earnings or capital due to adverse movements in interest rates and other factors, including foreign exchange rates, underlying credit risk and commodity prices. Because the Company has no significant foreign exchange activities and holds no commodities, interest rate risk represents the primary risk factor affecting the Company's balance sheet and net interest margin. Significant changes in interest rates by the Federal Reserve could result in similar changes in LIBOR and SOFR interest rates, prime rates, and other benchmark interest rates that could materially affect the estimated fair value of the Company's investment securities portfolio, interest paid on the Company's short-term and long-term borrowings, interest earned on the Company's loan portfolio and interest paid on its deposit accounts. The Company utilizes derivative instruments, primarily in the form of interest rate swaps, to help manage its interest rate risk on commercial loans.

The Company's Asset and Liability Committee ("ALCO") has been delegated the responsibility of managing the Company's interest-sensitive balance sheet accounts to maximize earnings while managing interest rate risk. ALCO, comprised of various members of executive and senior management, is also responsible for establishing policies to monitor and limit the Company's exposure to interest rate risk and to manage the Company's liquidity position. ALCO satisfies its responsibilities through at least quarterly meetings during which product pricing issues, liquidity measures and interest sensitivity positions are monitored.

In order to measure and manage its interest rate risk, the Company uses an asset/liability management simulation software model to periodically update the interest sensitivity position of the Company's balance sheet. The model is also used to perform analyses that measure the impact on net interest income and capital as a result of various changes in the interest rate environment. Such analyses quantify the effects of various interest rate scenarios on projected net interest income.

The Company's policy objective is to avoid negative fluctuations in net income or the economic value of equity of more than 15% within a 12-month period, assuming an immediate parallel increase of 100 to 300 basis points. The Company measures the long-term risk associated with sustained increases and decreases in rates through analysis of the impact to changes in rates on the economic value of equity.

The following table summarizes the sensitivity of the Company's net income to various interest rate scenarios. The results of the sensitivity analyses presented below differ from the results used internally by ALCO in that, in the analyses below, interest rates are assumed to have an immediate and sustained parallel shock. The Company recognizes that rates are volatile, but rarely move with immediate and parallel effects. Internally, the Company considers a variety of interest rate scenarios that are deemed to be possible while considering the level of risk it is willing to assume in "worst-case" scenarios such as shown by the following:

Immediate Basis Point Change in Interest Rates	Implied Federal Funds Rate Associated with Change in Interest Rates	Estimated Increase (Decrease) in Net Income Over 12 Months
December 31, 2022		
+300	7.50	-4.5 %
+200	6.50	-2.6
+100	5.50	-1.2
-100	3.50	-5.5
-200	2.50	-14.4
-300	1.50	-19.3
December 31, 2021		
+400	4.25 %	+13.4 %
+300	3.25	+14.1
+200	2.25	+12.5
+100	1.25	+8.5

These estimates are highly dependent upon assumptions made by management, including, but not limited to, assumptions regarding the manner in which interest-bearing demand deposit and savings deposit accounts reprice in different interest rate scenarios, changes in the composition of deposit balances, pricing behavior of competitors, prepayments of loans and deposits under alternative rate environments, and new business volumes and pricing. As a result, there can be no assurance that the estimates above will be achieved in the event that interest rates increase or decrease during 2023 and

beyond. The estimates above do not necessarily imply that the Company will experience increases in net income if market interest rates rise. The table above indicates how the Company's net income and the economic value of equity behave relative to an increase or decrease in rates compared to what would otherwise occur if rates remain stable.

Item 8. Financial Statements and Supplementary Data

REPORT ON MANAGEMENT’S ASSESSMENT OF INTERNAL CONTROL OVER FINANCIAL REPORTING

The management of City Holding Company is responsible for the preparation, integrity, and fair presentation of the consolidated financial statements included in this annual report. The consolidated financial statements of City Holding Company have been prepared in accordance with U.S. generally accepted accounting principles and necessarily include some amounts that are based on the best estimates and judgments of management.

The management of City Holding Company is responsible for establishing and maintaining adequate internal control over financial reporting that is designed to produce reliable financial statements in conformity with U.S. generally accepted accounting principles. The system of internal control over financial reporting is evaluated for effectiveness by management and tested for reliability through a program of internal audits with actions taken to correct potential deficiencies as they are identified. Because of inherent limitations in any internal control system, no matter how well designed, misstatements due to error or fraud may occur and not be detected, including the possibility of the circumvention or overriding of controls. Accordingly, even an effective internal control system can provide only reasonable assurance with respect to financial statement preparation. Further, because of changes in conditions, internal control effectiveness may vary over time.

Management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2022 based upon the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control - Integrated Framework (2013 Framework). Based on our assessment, management believes that, as of December 31, 2022, the Company's system of internal control over financial reporting is effective based on those criteria. Crowe LLP, the Company’s independent registered public accounting firm, has issued an attestation report on the effectiveness of internal control over financial reporting. This report appears on page [54](#).

February 22, 2023

/s/ Charles R. Hageboeck
Charles R. Hageboeck
President & Chief Executive Officer
Principal Executive Officer

/s/ David L. Bumgarner
David L. Bumgarner
Chief Financial Officer
Principal Financial Officer

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Shareholders and the Board of Directors
of City Holding Company and Subsidiaries
Charleston, West Virginia

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of City Holding Company and Subsidiaries (the "Company") as of December 31, 2022, and 2021, the related consolidated statements of income, comprehensive (loss) income, changes in shareholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2022, and the related notes (collectively referred to as the "financial statements"). We also have audited the Company's internal control over financial reporting as of December 31, 2022, based on criteria established in Internal Control – Integrated Framework: (2013) issues by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2021, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2022, in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2022, based on criteria established in Internal Control – Integrated Framework: (2013) issued by COSO.

Basis for Opinions

The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Report on Management's Assessment of Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's financial statements and an opinion on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the financial statements included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of the critical audit matter does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Allowance for Credit Losses – Qualitative Factors

As more fully described in Notes 1 and 5 of the consolidated financial statements, the Company's allowance for credit losses represents management's best estimate of expected losses in the loan portfolio. Estimates of expected credit losses for loans are based on reasonable and supportable forecasts of future economic conditions, historical loss experience and qualitative factors.

Management estimates the allowance for credit losses balance using relevant available information, from internal and external sources, relating to past events, current conditions, and reasonable and supportable forecasts. Historical credit loss experience provides the basis for the estimation of expected credit losses. Adjustments to historical loss information (i.e., qualitative adjustments) are made for differences in current loan-specific risk characteristics, such as differences in underwriting standards, portfolio mix, delinquency level, or term, as well as for changes in environmental conditions, such as changes in unemployment rates, property values, or other relevant factors.

The principal consideration resulting in our determination that auditing the allowance for credit losses qualitative adjustments is a critical audit matter is the high degree of subjectivity involved in management's assessment of the risk of loss associated with each adjustment, and the determination of the adjustment amounts to historical loss rates.

The primary procedures performed to address this critical audit matter included:

- Testing the effectiveness of controls over the Company's preparation and review of the allowance for credit loss calculation, specifically testing controls over the adherence to the framework aligned with the risk of loss, completeness and accuracy of data used as the basis for adjustments related to the qualitative factors and testing management's review of the reasonableness of qualitative factors.
- Substantively testing management's process for developing the qualitative factors, including alignment to the established framework, assessing the relevance and reliability of data used to develop the factors, and evaluating for reasonableness the judgments and assumptions used in the determination of the adjustment amounts.

/s/ Crowe LLP

We have served as the Company's auditor since 2019.

Washington, D.C.

February 22, 2023

FINANCIAL STATEMENTS
CONSOLIDATED BALANCE SHEETS
CITY HOLDING COMPANY AND SUBSIDIARIES
(in thousands)

	December 31, 2022	December 31, 2021
Assets		
Cash and due from banks	\$ 68,333	\$ 101,804
Interest-bearing deposits in depository institutions	131,667	532,827
Cash and Cash Equivalents	200,000	634,631
Investment securities available for sale, at fair value	1,505,520	1,408,165
Other securities	23,807	25,531
Total Investment Securities	1,529,327	1,433,696
Gross loans	3,646,258	3,543,814
Allowance for credit losses	(17,108)	(18,166)
Net Loans	3,629,150	3,525,648
Bank owned life insurance	120,674	120,978
Premises and equipment, net	70,786	74,071
Accrued interest receivable	18,287	15,627
Deferred tax assets, net	44,884	63
Goodwill and other intangible assets, net	115,735	117,121
Other assets	149,263	81,860
Total Assets	\$ 5,878,106	\$ 6,003,695
Liabilities		
Deposits:		
Noninterest-bearing	\$ 1,351,415	\$ 1,373,125
Interest-bearing:		
Demand deposits	1,233,482	1,135,848
Savings deposits	1,396,869	1,347,448
Time deposits	888,100	1,068,915
Total Deposits	4,869,866	4,925,336
Short-term borrowings:		
Securities sold under agreements to repurchase	290,964	312,458
Other liabilities	139,424	84,796
Total Liabilities	5,300,254	5,322,590
Commitments and contingencies - see Note Fourteen		
Shareholders' Equity		
Preferred stock, par value \$25 per share: 500,000 shares authorized; — issued	—	—
Common stock, par value \$2.50 per share: 50,000,000 shares authorized; 19,047,548 shares issued at December 31, 2022 and 2021, less 4,259,399 and 3,985,690 shares in treasury, respectively	47,619	47,619
Capital surplus	170,980	170,942
Retained earnings	706,696	641,826
Cost of common stock in treasury	(215,955)	(193,542)
Accumulated other comprehensive (loss) income:		
Unrealized (loss) gain on securities available-for-sale	(128,066)	17,745
Underfunded pension liability	(3,422)	(3,485)
Total Accumulated Other Comprehensive (Loss) Income	(131,488)	14,260
Total Shareholders' Equity	577,852	681,105
Total Liabilities and Shareholders' Equity	\$ 5,878,106	\$ 6,003,695

To be read with the attached notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF INCOME
CITY HOLDING COMPANY AND SUBSIDIARIES

(in thousands, except earnings per share data)

	Year Ended December 31		
	2022	2021	2020
Interest Income			
Interest and fees on loans	\$ 146,538	\$ 136,676	\$ 150,498
Interest on investment securities:			
Taxable	34,445	23,071	23,355
Tax-exempt	4,911	5,027	3,914
Interest on deposits in depository institutions	3,794	693	492
Total Interest Income	189,688	165,467	178,259
Interest Expense			
Interest on deposits	7,444	9,405	22,522
Interest on short-term borrowings	2,211	489	993
Interest on long-term debt	—	—	100
Total Interest Expense	9,655	9,894	23,615
Net Interest Income	180,033	155,573	154,644
Provision for (recovery of) credit losses	474	(3,165)	10,722
Net Interest Income After Provision for (Recovery of) Credit Losses	179,559	158,738	143,922
Non-Interest Income			
Net gains on sale of investment securities	4	312	62
Unrealized (losses) gains recognized on equity securities still held	(1,585)	504	(863)
Service charges	28,335	25,539	25,733
Bankcard revenue	27,349	26,987	23,059
Trust and investment management fee income	8,798	8,415	7,736
Bank owned life insurance	5,559	3,895	4,424
Sale of VISA shares	—	—	17,837
Other income	3,617	3,989	4,692
Total Non-Interest Income	72,077	69,641	82,680
Non-Interest Expense			
Salaries and employee benefits	66,536	61,850	62,074
Occupancy related expenses	10,718	10,083	9,765
Equipment and software related expenses	11,791	10,486	10,200
FDIC insurance expense	1,673	1,583	884
Advertising	3,405	3,091	2,776
Bankcard expenses	6,032	6,455	5,893
Postage, delivery, and statement mailings	2,362	2,323	2,268
Office supplies	1,744	1,547	1,556
Legal and professional fees	2,194	2,279	2,176
Telecommunications	2,616	2,858	2,129
Reposessed asset losses (gains), net of expenses	59	(57)	245
Merger related costs	268	—	—
Other expenses	14,904	14,687	15,324
Total Non-Interest Expense	124,302	117,185	115,290

CONSOLIDATED STATEMENTS OF INCOME, CONTINUED**CITY HOLDING COMPANY AND SUBSIDIARIES**

(in thousands, except earnings per share data)

	Year Ended December 31		
	2022	2021	2020
Income Before Income Taxes	\$ 127,334	\$ 111,194	\$ 111,312
Income tax expense	25,263	23,114	21,717
Net Income Available to Common Shareholders	\$ 102,071	\$ 88,080	\$ 89,595
Average shares outstanding, basic	14,847	15,381	15,975
Effect of dilutive securities	26	26	20
Average shares outstanding, diluted	14,873	15,407	15,995
Basic earnings per common share	\$ 6.81	\$ 5.67	\$ 5.55
Diluted earnings per common share	\$ 6.80	\$ 5.66	\$ 5.55

To be read with the attached notes to consolidated financial statements.

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME
CITY HOLDING COMPANY AND SUBSIDIARIES**

(in thousands)

	Year Ended December 31		
	2022	2021	2020
Net income available to common shareholders	\$ 102,071	\$ 88,080	\$ 89,595
<i>Available-for-Sale Securities</i>			
Unrealized (loss) gain on available-for-sale securities arising during period	(192,359)	(24,857)	31,157
Reclassification adjustment for net gains	(4)	(312)	(62)
Reclassification of unrealized gain on held-to-maturity securities to available-for-sale	—	—	1,562
Other comprehensive (loss) income related to available-for-sale securities	(192,363)	(25,169)	32,657
<i>Defined Benefit Pension Plan</i>			
Amortization of actuarial net gains	780	1,122	1,089
Recognition of unrealized (losses) gains	(697)	1,726	(352)
Change in underfunded pension liability	83	2,848	737
Other comprehensive (loss) income before income taxes	(192,280)	(22,321)	33,394
Tax effect	46,532	5,348	(8,001)
Other comprehensive (loss) income, net of tax	(145,748)	(16,973)	25,393
Comprehensive (loss) income, net of tax	\$ (43,677)	\$ 71,107	\$ 114,988

To be read with the attached notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
CITY HOLDING COMPANY AND SUBSIDIARIES

(dollars and shares in thousands)

	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive (Loss) Income	Total Shareholders' Equity
Balances at December 31, 2019	\$ 47,619	\$ 170,309	\$ 539,253	\$ (105,038)	\$ 5,840	\$ 657,983
Cumulative change in accounting principle	—	—	(2,335)	—	—	(2,335)
Balances at January 1, 2020	47,619	170,309	536,918	(105,038)	5,840	655,648
Net income	—	—	89,595	—	—	89,595
Other comprehensive income, net of tax	—	—	—	—	25,393	25,393
Cash dividends declared (\$2.29 per share)	—	—	(36,525)	—	—	(36,525)
Stock-based compensation expense, net	—	3,253	—	—	—	3,253
Restricted awards granted	—	(2,146)	—	2,146	—	—
Exercise of 5 stock options	—	(112)	—	335	—	223
Purchase of 573 treasury shares	—	—	—	(36,481)	—	(36,481)
Balances at December 31, 2020	\$ 47,619	\$ 171,304	\$ 589,988	\$ (139,038)	\$ 31,233	\$ 701,106
Balances at December 31, 2020	\$ 47,619	\$ 171,304	\$ 589,988	\$ (139,038)	\$ 31,233	\$ 701,106
Net income	—	—	88,080	—	—	88,080
Other comprehensive loss, net of tax	—	—	—	—	(16,973)	(16,973)
Cash dividends declared (\$2.34 per share)	—	—	(36,242)	—	—	(36,242)
Stock-based compensation expense, net	—	3,121	—	—	—	3,121
Restricted awards granted	—	(1,860)	—	1,860	—	—
Exercise of 15 stock options	—	(1,623)	—	2,314	—	691
Purchase of 760 treasury shares	—	—	—	(58,678)	—	(58,678)
Balances at December 31, 2021	\$ 47,619	\$ 170,942	\$ 641,826	\$ (193,542)	\$ 14,260	\$ 681,105
Balances at December 31, 2021	\$ 47,619	\$ 170,942	\$ 641,826	\$ (193,542)	\$ 14,260	\$ 681,105
Net income	—	—	102,071	—	—	102,071
Other comprehensive loss, net of tax	—	—	—	—	(145,748)	(145,748)
Cash dividends declared (\$2.50 per share)	—	—	(37,201)	—	—	(37,201)
Stock-based compensation expense, net	—	3,276	—	—	—	3,276
Restricted awards granted	—	(2,821)	—	2,821	—	—
Exercise of 15 stock options	—	(417)	—	1,215	—	798
Purchase of 325 treasury shares	—	—	—	(26,449)	—	(26,449)
Balances at December 31, 2022	\$ 47,619	\$ 170,980	\$ 706,696	\$ (215,955)	\$ (131,488)	\$ 577,852

To be read with the attached notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS
CITY HOLDING COMPANY AND SUBSIDIARIES
(in thousands)

	Year Ended December 31		
	2022	2021	2020
Net income available to common shareholders	\$ 102,071	\$ 88,080	\$ 89,595
Adjustments to reconcile net income to net cash provided by operating activities:			
Amortization and (accretion), net	10,451	8,782	4,882
Provision for (recovery of) credit losses	474	(3,165)	10,722
Depreciation of premises and equipment	5,325	5,831	5,790
Deferred income tax expense	1,469	2,185	2,640
Net periodic employee benefit cost	256	569	723
Pension contributions	—	(1,000)	(450)
Unrealized and realized equity securities losses (gains)	1,581	(816)	801
Gain from the sale of VISA shares	—	—	(17,837)
Stock-based compensation expense	3,276	3,121	3,253
Excess tax benefit from stock-compensation expense	(292)	(579)	(165)
Increase in value of bank-owned life insurance	(5,559)	(3,895)	(4,424)
Loans held for sale:			
Loans originated for sale	(31,150)	(42,420)	(28,236)
Proceeds from the sale of loans originated for sale	31,475	42,769	28,909
Gain on sale of loans	(325)	(349)	(368)
Change in accrued interest receivable	(2,660)	166	(4,224)
Change in other assets	(20,643)	(8,737)	(13,790)
Change in other liabilities	20,068	11,731	11,974
Net Cash Provided by Operating Activities	115,817	102,273	89,795
Net (increase) decrease in loans	(102,991)	76,992	(3,911)
Securities available-for-sale			
Purchases	(519,262)	(560,689)	(461,430)
Proceeds from sales	—	—	30,307
Proceeds from maturities and calls	210,912	291,562	138,926
Other investments			
Purchases	(302)	(154)	(2,295)
Proceeds from sales	449	4,813	2,674
Proceeds from the sale of VISA shares	—	—	17,837
Purchases of premises and equipment	(2,141)	(3,323)	(5,544)
Proceeds from the disposals of premises and equipment	190	367	483
Proceeds from the disposition of assets held-for-sale	—	—	540
Proceeds from bank-owned life insurance policies	6,045	2,156	2,019
Payments for low income housing tax credits	(3,352)	(2,891)	(4,892)
Net Cash Used in Investing Activities	(410,452)	(191,167)	(285,286)
Net (decrease) increase in noninterest-bearing deposits	(21,710)	196,135	371,903
Net (decrease) increase in interest-bearing deposits	(33,677)	77,178	205,041
Net (decrease) increase in short-term borrowings	(21,494)	16,502	84,701
Repayment of long-term debt	—	—	(4,056)
Purchases of treasury stock	(26,449)	(58,678)	(36,481)

CONSOLIDATED STATEMENTS OF CASH FLOWS CONTINUED**CITY HOLDING COMPANY AND SUBSIDIARIES***(in thousands)*

	Year Ended December 31		
	2022	2021	2020
Proceeds from exercise of stock options	798	691	223
Other financing activities	(762)	(824)	(652)
Dividends paid	(36,702)	(36,138)	(36,673)
Net Cash (Used) Provided by Financing Activities	(139,996)	194,866	584,006
(Decrease) Increase in Cash and Cash Equivalents	(434,631)	105,972	388,515
Cash and cash equivalents at beginning of period	634,631	528,659	140,144
Cash and Cash Equivalents at End of Period	\$ 200,000	\$ 634,631	\$ 528,659
Supplemental Cash Flow Information:			
Interest paid	\$ 9,467	\$ 11,100	\$ 25,400
Income taxes paid	22,434	18,495	26,700

To be read with the attached notes to consolidated financial statements.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
CITY HOLDING COMPANY AND SUBSIDIARIES**

NOTE ONE – SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES

Summary of Significant Accounting and Reporting Policies: The accounting and reporting policies of City Holding Company and its subsidiaries (the "Company") conform with U.S. generally accepted accounting principles and require management to make estimates and develop assumptions that affect the amounts reported in the financial statements and related footnotes. Actual results could differ from management's estimates. The following is a summary of the more significant policies.

Principles of Consolidation: The consolidated financial statements include the accounts of City Holding Company and its wholly owned subsidiaries. All significant intercompany accounts and transactions have been eliminated in the consolidated financial statements.

The Company determines whether it has a controlling financial interest in an entity by first evaluating whether the entity is a voting interest entity or a variable interest entity in conformity with U. S. generally accepted accounting principles. Voting interest entities are entities in which the total equity investment at risk is sufficient to enable the entity to finance itself independently and provides the equity holders with the obligation to absorb losses, the right to receive residual returns and the right to make decisions about the entity's activities. The Company consolidates voting interest entities in which it has all, or at least a majority of, the voting interest. As defined in applicable accounting standards, variable interest entities (VIEs) are entities that lack one or more of the characteristics of a voting interest entity. A controlling financial interest in a VIE is present when an enterprise has both the power to direct the activities of the VIE that most significantly impact the VIE's economic performance and an obligation to absorb losses or the right to receive benefits that could potentially be significant to the VIE. The enterprise with a controlling financial interest, known as the primary beneficiary, consolidates the VIE. The Company also invests in certain limited partnerships that operate qualified low-income housing tax credit developments. These investments are considered variable interest entities for which the Company is not the primary beneficiary. Accordingly, the accounts of these entities are not included in the Company's consolidated financial statements.

Certain amounts in the prior year financial statements have been reclassified to conform to the current year presentation. Such reclassifications had no impact on total shareholders' equity or net income for any period.

Description of Principal Markets and Services: The Company is a registered financial holding company under the Bank Holding Company Act headquartered in Charleston, West Virginia, and conducts its principal activities through its wholly-owned subsidiary, City National Bank of West Virginia ("City National"). City National is a retail and consumer-oriented community bank with 94 banking offices in West Virginia, Kentucky, Virginia and southeastern Ohio. City National provides credit, deposit, and trust and investment management services to its customers. In addition to its branch network, City National's delivery channels include automated-teller-machines ("ATMs"), interactive-teller-machines ("ITMs"), mobile banking, debit cards, interactive voice response systems and Internet technology. The Company conducts its business activities through one reportable business segment - community banking.

On October 18, 2022, the Company announced that City Holding had signed a definitive agreement in which City Holding will acquire Citizens Commerce Bancshares, Inc., ("Citizens") the parent company of Citizens Commerce Bank, Inc., Versailles, Kentucky. Upon completion of the merger, the subsidiary bank of Citizens will merge with and into City National. The Boards of Directors of City and Citizens have approved the Merger, Bank Merger and the Merger Agreement. Subject to the terms and conditions of the Merger Agreement, at the effective time of the Merger, Citizens shareholders will have the right to receive 0.1666 City common shares, par value of \$2.50 per share for each Citizens common share, no par value. Cash will be paid in lieu of fractional shares and for unexercised Citizens options at closing. The Merger is expected to close in the first quarter of 2023, pending customary closing conditions, including receipt of required regulatory approvals and the approval by the shareholders of Citizens.

Cash and Due from Banks: The Company considers cash, due from banks, and interest-bearing deposits in depository institutions as cash and cash equivalents.

Securities: Management determines the appropriate classification of securities at the time of purchase. If management has the intent and the Company has the ability at the time of purchase to hold debt securities to maturity, they are classified as investment securities held-to-maturity and are stated at amortized cost, adjusted for amortization of premiums and accretion of discounts. Debt securities which the Company may not hold to maturity are classified as investment securities available-for-sale. Securities available-for-sale are carried at fair value, with the unrealized gains and losses, net of tax, reported in comprehensive income. Securities classified as available-for-sale include securities that

management intends to use as part of its asset/liability and liquidity management strategy and that may be sold in response to changes in interest rates, resultant prepayment risk, and other factors. Certain investment securities that do not have readily determinable fair values and for which the Company does not exercise significant influence are carried at cost and classified as other investment securities on the Consolidated Balance Sheets. These cost-method investments are reviewed for impairment at least annually or sooner if events or changes in circumstances indicate the carrying value may not be recoverable. Marketable equity securities that consist of investments made by the Company in equity positions of various community banks are also classified as other investment securities on the Consolidated Balance Sheets. Changes in the fair value of the marketable equity securities are recorded in the Consolidated Statements of Income.

For available-for-sale debt securities in an unrealized loss position, the Company first assesses whether it intends to sell, or is more likely than not that it will be required to sell the security before recovery of its amortized cost basis. If either criteria regarding intent or requirement to sell is met, the security's amortized cost basis is written down to fair value through income. For available-for-sale debt securities that do not meet the aforementioned criteria, the Company evaluates whether the decline in fair value has resulted from credit losses or other factors. In making this assessment, management considers the extent to which fair value is less than amortized cost, any changes to the rating of the security by a rating agency, and adverse conditions specifically related to the security, among other factors. If this assessment indicates that a credit loss exists, the present value of cash flows expected to be collected from the security is compared to the amortized cost basis of the security. If the present value of cash flows expected to be collected is less than the amortized cost basis, a credit loss exists and an allowance for credit losses is recorded for the credit loss, limited by the amount that the fair value is less than the amortized cost basis. Any impairment that has not been recorded through an allowance for credit losses is recognized in other comprehensive (loss) income.

Management employs a continuous monitoring process in regards to its marketable equity securities, specifically its portfolio of regional community bank holdings. Although the regional community bank stocks that are owned by the Company are publicly traded, the trading activity for these stocks is minimal. As part of management's review process for these securities, management reviews the financial condition of each respective community bank for any indications of financial weakness.

Changes in the allowance for credit losses are recorded as a provision for (or reversal of) credit loss expense. Losses are charged against the allowance when management believes the uncollectibility of an available-for-sale debt security is confirmed or when either of the criteria regarding intent or requirement to sell is met.

The specific identification method is used to determine the cost basis of securities sold.

Fair Value of Financial Instruments: ASC Topic 825 "Financial Instruments," as amended, requires disclosure of fair value information about financial instruments, whether or not recognized in the balance sheet, for which it is practicable to estimate that value. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including discount rate and estimate of future cash flows. In that regard, the derived fair value estimates cannot be substantiated by comparison to independent markets and, in many cases, could not be realized in immediate settlement of the instrument. ASC Topic 825 excludes certain financial instruments and all nonfinancial instruments from its disclosure requirements. Accordingly, the aggregate fair value amounts presented do not represent the underlying value of the Company.

Loans: Loans, excluding previously securitized loans, are reported at the principal amount outstanding, net of unearned income. Portfolio loans include those for which management has the intent and the Company has the ability to hold for the foreseeable future, or until maturity or payoff. The foreseeable future is based upon management's judgment of current business strategies and market conditions, the type of loan, asset/liability management, and liquidity.

Interest income on loans is accrued and credited to operations based upon the principal amount outstanding, using methods that generally result in level rates of return. Loan origination fees, and certain direct costs, are deferred and amortized as an adjustment to the yield over the term of the loan. The accrual of interest income generally is discontinued when a loan becomes 90 days past due as to principal or interest for all loan types. However, any loan may be placed on non-accrual status if the Company receives information that indicates that it is probable a borrower will be unable to meet the contractual terms of their respective loan agreement. Other indicators considered for placing a loan on non-accrual status include the borrower's involvement in bankruptcies, foreclosures, repossessions, litigation and any other situation resulting in doubt as to whether full collection of contractual principal and interest is attainable. When interest accruals are discontinued, unpaid interest recognized in income in the current year is reversed, and interest accrued in prior years is charged to the allowance for credit losses. Management may elect to continue the accrual of interest when the estimated net realizable value of collateral exceeds the principal balance and related accrued interest, and the loan is in process of collection.

Generally for all loan classes, payments during the period the loan is non-performing are recorded on a cash basis. Payments received on nonperforming loans are typically applied directly against the outstanding principal balance until the loan is fully repaid. Generally, loans are restored to accrual status when the obligation is brought current, has performed in accordance with the contractual terms for a reasonable period of time, and the ultimate collectability of the total contractual principal and interest is no longer in doubt.

Generally, all loan types are considered past due when the contractual terms of a loan are not met and the borrower is 30 days or more past due on a payment. Furthermore, all loans are generally subject to charge-off when the loan becomes 120 days past due, depending on the estimated fair value of the collateral less cost to dispose, versus the outstanding loan balance.

Allowance for Credit Losses: The allowance for credit losses is a valuation account that is deducted from the loans' amortized cost basis to present the net amount expected to be collected on the loans. Loans are charged off against the allowance when management believes the uncollectibility of a loan balance is confirmed. Expected recoveries do not exceed the aggregate of amounts previously charged-off and expected to be charged-off. Management estimates the allowance balance using relevant available information, from internal and external sources, relating to past events, current conditions, and reasonable and supportable forecasts. Historical credit loss experience provides the basis for the estimation of expected credit losses. Adjustments to historical loss information are made for differences in current loan-specific risk characteristics, such as differences in underwriting standards, portfolio mix, delinquency level, or term as well as for changes in environmental conditions, such as changes in unemployment rates, property values, or other relevant factors. These evaluations are conducted at least quarterly and more frequently if deemed necessary.

In evaluating the appropriateness of its allowance for credit losses, the Company stratifies the loan portfolio into six major groupings. The Company has identified the following portfolio segments and measures the allowance for credit losses using the following methods:

Portfolio Segment	Measurement Method
Commercial and industrial	Migration
Commercial real estate:	
1-4 family	Migration
Hotels	Migration
Multi-family	Migration
Non Residential Non-Owner Occupied	Migration
Non Residential Owner Occupied	Migration
Residential real estate	Vintage
Home equity	Vintage
Consumer	Vintage

Migration is an analysis that tracks a closed pool of loans for a configurable period of time and calculates a loss ratio on only those loans in the pool at the start date based on outstanding balance. Vintage is a predictive loss model that includes a reasonable approximation of probable and estimable future losses by tracking each loan's net losses over the life of the loan as compared to its original balance. For demand deposit overdrafts, the allowance for credit losses is measured using the historical loss rate. Loans that do not share risk characteristics are evaluated on an individual basis. Loans evaluated individually are not included in the collective evaluation. When management determines that foreclosure is probable, the expected credit losses are based on the fair value of the collateral at the reporting date, adjusted for selling costs as appropriate.

Expected credit losses are estimated over the contractual term of the loan, adjusted for expected prepayments when appropriate. The contractual term excludes expected extensions, renewals, and modifications unless either of the following applies: management has a reasonable expectation at the reporting date that a troubled-debt restructuring will be executed with an individual borrower or the extension or renewal options are included in the original or modified contract at the reporting date and are not unconditionally cancellable by the Company.

The Company's policy on loan modifications typically does not allow for modifications that would be considered a concession from the Company. However, when there is a modification, the Company evaluates each modification to determine if the modification constitutes a troubled debt restructuring ("TDR") in accordance with ASU 2011-02, whereby a

modification of a loan would be considered a TDR when both of the following conditions are met: (1) a borrower is experiencing financial difficulty and (2) the modification constitutes a concession. When determining whether the borrower is experiencing financial difficulties, the Company reviews whether the debtor is currently in payment default on any of its debt or whether it is probable that the debtor would be in payment default in the foreseeable future without the modification. Other indicators of financial difficulty include whether the debtor has declared or is in the process of declaring bankruptcy, the debtor's ability to continue as a going concern, or the debtor's projected cash flow to service its debt (including principal and interest) in accordance with the contractual terms for the foreseeable future, without a modification. The allowance for credit loss on a TDR is measured using the same method as all other loans held for investment, except when the value of a concession cannot be measured using a method other than the discounted cash flow method. When the value of a concession is measured using the discounted cash flow method, the allowance for credit loss is determined by discounting the expected future cash flows at the original interest rate of the loan.

In March of 2020, in response to the COVID-19 pandemic, regulatory guidance was issued that clarified the accounting for loan modifications. Modifications of loan terms do not automatically result in a TDR. Short-term modifications made on a good faith basis in response to COVID-19 to borrowers who were current prior to any relief are not TDRs. This includes short-term (e.g., six months) modifications such as payment deferrals, fee waivers, extension of repayment terms, or other delays that are insignificant. Borrowers considered current are those that are less than 30 days past due on their contractual payments at the time the modification program was implemented. In addition, modifications or deferrals pursuant to the CARES Act do not represent TDRs. However, these deferrals do not absolve the company from performing its normal risk rating and therefore a loan could be current and have a less than satisfactory risk rating.

Bank Owned Life Insurance: The Company has purchased life insurance on certain executive officers and employees. The Company receives the cash surrender value of each policy upon its termination or benefits are payable upon the death of the insured. These policies are recorded on the Consolidated Balance Sheets at their net cash surrender value. Changes in the net cash surrender value are recognized in Bank Owned Life Insurance in the Consolidated Statements of Income.

Premises and Equipment: Premises and equipment are stated at cost less accumulated depreciation. Depreciation is computed primarily by the straight-line method over the estimated useful lives of the assets. Depreciation of leasehold improvements is computed using the straight-line method over the lesser of the term of the respective lease or the estimated useful life of the respective asset. Maintenance and repairs are charged to expense as incurred, while improvements that extend the useful life of premises and equipment are capitalized and depreciated over the estimated remaining life of the asset.

Other Real Estate Owned: Other real estate owned ("OREO") is comprised principally of commercial and residential real estate properties obtained in partial or total satisfaction of loan obligations. OREO acquired in settlement of indebtedness is included in Other Assets at fair value less estimated selling costs. Changes to the value subsequent to transfer are recorded in non-interest expense, along with direct operating expenses. Gains or losses not previously recognized from sales of OREO are recognized in non-interest expense on the date of the sale. Physical possession of property collateralizing a loan occurs when legal title is obtained upon completion of foreclosure or when the borrower conveys all interest in the property to satisfy the loan through completion of a deed in lieu of foreclosure or through a similar legal agreement. As of December 31, 2022 and 2021, the amount of OREO included in Other Assets was \$0.9 million and \$1.3 million, respectively.

Goodwill and Other Intangible Assets: Goodwill is the excess of the cost of an acquisition over the fair value of tangible and intangible assets acquired. Goodwill is not amortized. Intangible assets represent purchased assets that also lack physical substance, but can be separately distinguished from goodwill because of contractual or other legal rights or because the asset is capable of being sold or exchanged either on its own or in combination with a related contract, asset or liability. Intangible assets with determinable useful lives, such as core deposits, are amortized over their estimated useful lives.

The Company performs an annual review for impairment in the recorded value of goodwill and indefinite lived intangible assets. Goodwill is tested for impairment between the annual tests if an event occurs or circumstances change that more than likely reduce the fair value of a reporting unit below its carrying value. An indefinite-lived intangible asset is tested for impairment between the annual tests if an event occurs or circumstances change indicating that the asset might be impaired.

Securities Sold Under Agreements to Repurchase: Securities sold under agreements to repurchase are accounted for as collateralized financing transactions and are recorded at the amounts at which the securities were sold plus accrued

interest. Securities sold primarily consists of U.S. government, federal agency, and municipal securities pledged as collateral under these financing arrangements and cannot be repledged or sold, unless replaced by the secured party.

Derivative Financial Instruments: Derivative instruments are carried at fair value in the Company's financial statements. The accounting for changes in the fair value of a derivative instrument is determined by whether it has been designated and qualifies as part of a hedging relationship, and further, by the type of hedging relationship. The Company primarily utilizes non-hedging derivative financial instruments with commercial banking customers to facilitate their interest rate management strategies. For these instruments, the Company acts as an intermediary for its customers and has offsetting contracts with financial institution counterparties. Changes in the fair value of these underlying derivative contracts generally offset each other and do not significantly impact the Company's results of operations. The Company also utilizes fair value hedge agreements to reduce the interest rate risk associated with the change in fair value of certain securities. The gains or losses on these hedges are recognized in current earnings as fair value changes.

Trust Assets: Assets held in a fiduciary or agency capacity for customers are not included in the accompanying financial statements since such items are not assets of the Company.

Income Taxes: The consolidated provision for income taxes is based upon reported income and expense. Deferred income taxes are provided for temporary differences between financial reporting and tax bases of assets and liabilities, computed using enacted tax rates. The income tax effects related to settlements of share-based compensation awards are reported in earnings as an increase (or decrease) to income tax expense. The Company files a consolidated income tax return. The respective subsidiaries generally provide for income taxes on a separate return basis and remit amounts determined to be currently payable to the Parent Company.

The Company and its subsidiaries are subject to examinations and challenges from federal and state taxing authorities regarding positions taken in returns. Uncertain tax positions are initially recognized in the consolidated financial statements when it is more likely than not the position will be sustained upon examination. These positions are initially and subsequently measured as the largest amount of tax benefit that is greater than 50% likely of being realized upon ultimate settlement with the taxing authority and assuming full knowledge of the position and all relevant facts by the taxing authority.

The Company invests in certain limited partnerships that operate qualified low-income housing tax credit developments. The tax credits are reflected in the Consolidated Statements of Income as a reduction in income tax expense. The unamortized amount of the investments is recorded within Other Assets within the Consolidated Balance Sheets. The Company's investments in affordable housing limited partnerships were \$42.1 million and \$28.6 million at December 31, 2022 and 2021, respectively. The unfunded commitments associated with these investments were \$30.9 million and \$18.9 million at December 31, 2022 and 2021, respectively, and were recorded within Other Liabilities within the Consolidated Balance Sheets.

Advertising Costs: Advertising costs are expensed as incurred.

Stock-Based Compensation: Compensation expense related to stock options and restricted stock awards issued to employees is based upon the fair value of the award at the date of grant. The fair value of restricted stock awards is based upon the stock price at the date of grant. Compensation expense is recognized on a straight line basis over the vesting period for options and the respective period for stock awards. Forfeitures are recognized as they occur, rather than estimated over the life of the award.

Basic and Diluted Earnings per Common Share: Basic earnings per share is computed by dividing net income available to common shareholders by the weighted-average number of shares of common stock outstanding, excluding participating securities. Diluted earnings per share is computed by dividing net income by the weighted-average number of shares outstanding, excluding participating securities, increased by the number of shares of common stock which would be issued assuming the exercise of stock options and other common stock equivalents.

NOTE TWO – RECENT ACCOUNTING PRONOUNCEMENTS

Recently Adopted

In October 2018, the FASB issued ASU No. 2018-16, *"Derivatives and Hedging (Topic 815): Inclusion of the Secured Overnight Financing Rate (SOFR) Overnight Index Swap (OIS) Rate as a Benchmark Interest Rate for Hedge Accounting Purposes."* This amendment permits the use of the OIS rate based on SOFR as a U.S. benchmark interest rate for hedge accounting purposes under Topic 815 in addition to the UST, the LIBOR swap rate, the OIS rate based on the Federal Funds Effective Rate, and the SIFMA Municipal Swap Rate. This ASU became effective for the Company on January 1, 2019 with anticipation the LIBOR index would be phased out by the end of 2021. In March 2020, the FASB issued ASU No. 2020-04, *"Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting."* This amendment provides optional expedients and exceptions for applying GAAP to contracts, hedging relationships, and other transactions that reference LIBOR or another reference rate expected to be discontinued because of reference rate reform and is effective as of March 12, 2020 through December 31, 2022. In January 2021, the FASB issued ASU No. 2021-01, *"Reference Rate Reform (Topic 848): Scope,"* which clarifies that certain optional expedients and exceptions in Topic 848 for contract modifications and hedge accounting apply to derivatives that are affected by the discounting transition. In December 2022, the FASB issued ASU No. 2022-06, *"Reference Rate Reform (Topic 848): Deferral of the Sunset Date of Topic 848,"* which defers the sunset date of Topic 848 from December 31, 2022 to December 31, 2024, after which entities will no longer be permitted to apply the relief in Topic 848. Management has reviewed all contracts, identified those that will be affected, and is in the process of transitioning the LIBOR based loans to SOFR, or another index, by June 30, 2023.

Pending Adoption

In March 2022, the FASB issued ASU No. 2022-01, *"Derivatives and Hedging (Topic 815): Fair Value Hedging - Portfolio Layer Method."* The amendments in this update allow nonprepayable financial assets to be included in a closed portfolio hedged using the portfolio layer method. This expanded scope permits an entity to apply the same portfolio hedging method to both prepayable and nonprepayable financial assets, thereby allowing consistent accounting for similar hedges. This ASU will become effective for the Company on January 1, 2023. The adoption of ASU No. 2022-01 is not expected to have a material impact on the Company's financial statements.

In March 2022, the FASB issued ASU No. 2022-02, *"Financial Instruments - Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures."* The amendments in this update eliminate the accounting guidance for TDRs by creditors in Subtopic 310-40, Receivables—Troubled Debt Restructurings by creditors, while enhancing disclosure requirements for certain loan refinancings and restructurings by creditors when a borrower is experiencing financial difficulty. The amendments in this update also require that an entity disclose current-period gross writeoffs by year of origination for financing receivables and net investments in leases within the scope of Subtopic 326-20, Financial Instruments—Credit Losses—Measured at Amortized Cost. This ASU will become effective for the Company on January 1, 2023. The adoption of ASU No. 2022-02 is not expected to have a material impact on the Company's financial statements.

NOTE THREE – INVESTMENTS

The aggregate carrying and approximate fair values of investment securities follow (in thousands). Fair values are based on quoted market prices, where available. If quoted market prices are not available, fair values are based on quoted market prices of comparable financial instruments.

	December 31, 2022				December 31, 2021			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
<i>Securities available-for-sale:</i>								
Obligations of states and political subdivisions	292,293	346	24,324	268,315	263,809	8,622	215	272,216
<i>Mortgage-backed securities:</i>								
U.S. government agencies	1,342,666	299	140,686	1,202,279	1,080,381	18,739	4,809	1,094,311
Private label	7,695	—	464	7,231	8,555	553	—	9,108
Trust preferred securities	4,590	—	762	3,828	4,570	—	367	4,203
Corporate securities	26,620	—	2,753	23,867	27,292	1,047	12	28,327
Total Securities								
Available-for-Sale	\$ 1,673,864	\$ 645	\$ 168,989	\$ 1,505,520	\$ 1,384,607	\$ 28,961	\$ 5,403	\$ 1,408,165

The Company's other investment securities include marketable and non-marketable equity securities. At December 31, 2022 and 2021, the Company held \$7.6 million and \$9.2 million, respectively, in marketable equity securities, respectively. Changes in the fair value of the marketable equity securities are recorded in "unrealized (losses) gains recognized on equity securities still held" in the consolidated statements of income. The Company's non-marketable securities consist of securities with limited marketability, such as stock in the Federal Reserve Bank ("FRB") or the Federal Home Loan Bank ("FHLB"). At December 31, 2022 and 2021, the Company held \$15.5 million and \$15.3 million, respectively, in non-marketable equity securities. These securities are carried at cost due to the restrictions placed on their transferability. At December 31, 2022 and 2021, the Company held \$0.7 million and \$1.0 million, respectively, in certificates of deposits held for investment.

The majority of the Company's investment securities are mortgage-backed securities. These securities are collateralized by both residential and commercial properties. The mortgage-backed securities in which the Company has invested are predominantly issued by government-sponsored agencies such as Fannie Mae ("FNMA"), Freddie Mac ("FHLMC") and Ginnie Mae ("GNMA"). At December 31, 2022 and 2021, there were no securities of any non-governmental issuer whose aggregate carrying value or estimated fair value exceeded 10% of shareholders' equity.

Certain investment securities owned by the Company were in an unrealized loss position (i.e., amortized cost basis exceeded the estimated fair value of the securities) as of December 31, 2022 and 2021. The following table shows the gross unrealized losses and fair value of the Company's investments aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position (in thousands):

	December 31, 2022					
	Less Than Twelve Months		Twelve Months or Greater		Total	
	Estimated Fair Value	Unrealized Loss	Estimated Fair Value	Unrealized Loss	Estimated Fair Value	Unrealized Loss
<i>Securities available-for-sale:</i>						
Obligations of states and political subdivisions	\$ 203,173	\$ 21,929	\$ 13,359	\$ 2,395	\$ 216,532	\$ 24,324
Mortgage-backed securities:						
U.S. Government agencies	533,611	50,268	376,778	90,418	910,389	140,686
Private Label	7,126	464	—	—	7,126	464
Trust preferred securities	—	—	3,828	762	3,828	762
Corporate securities	22,972	2,648	895	105	23,867	2,753
Total available-for-sale	\$ 766,882	\$ 75,309	\$ 394,860	\$ 93,680	\$ 1,161,742	\$ 168,989

	December 31, 2021					
	Less Than Twelve Months		Twelve Months or Greater		Total	
	Estimated Fair Value	Unrealized Loss	Estimated Fair Value	Unrealized Loss	Estimated Fair Value	Unrealized Loss
<i>Securities available-for-sale:</i>						
Obligations of states and political subdivisions	\$ 13,277	\$ 152	\$ 2,420	\$ 63	\$ 15,697	\$ 215
Mortgage-backed securities:						
U.S. Government agencies	521,407	4,802	23,295	7	544,702	4,809
Trust preferred securities	—	—	4,203	367	4,203	367
Corporate securities	988	12	—	—	988	12
Total available-for-sale	\$ 535,672	\$ 4,966	\$ 29,918	\$ 437	\$ 565,590	\$ 5,403

As of December 31, 2022, management does not intend to sell any securities that are in an unrealized loss position and it is not more than likely that it will be required to sell the securities before the recovery of the amortized cost basis. The unrealized losses on debt securities are primarily the result of interest rate changes, credit spread fluctuations on agency-issued mortgage related securities, general financial market uncertainty and unprecedented market volatility. These conditions should not prohibit the Company from receiving its contractual principal and interest payments on its debt securities. The fair value is expected to recover as the securities approach their maturity date or repricing date. As of December 31, 2022, management believes the unrealized losses detailed in the table above are temporary and no allowance for credit losses for available-for-sale securities has been recognized in the Company's consolidated income statement. Should the impairment of any of these securities become other-than-temporary, the cost basis of the investment will be reduced and the resulting loss will be recognized in net income in the period the other-than-temporary impairment is identified, while any noncredit loss will be recognized in other comprehensive (loss) income. During the years ended December 31, 2022, 2021 and 2020, the Company had no credit-related net investment impairment losses.

The amortized cost and estimated fair value of debt securities at December 31, 2022, by contractual maturity, is shown in the following table (in thousands). Expected maturities will differ from contractual maturities because the issuers of the securities may have the right to prepay obligations without prepayment penalties. Mortgage-backed securities have been allocated to their respective maturity groupings based on their contractual maturity.

<i>Securities Available-for-Sale</i>	Cost	Estimated Fair Value
Due in one year or less	\$ 2,905	\$ 2,896
Due after one year through five years	50,712	48,401
Due after five years through ten years	530,300	490,723
Due after ten years	1,089,947	963,500
	<u>\$ 1,673,864</u>	<u>\$ 1,505,520</u>

Gross gains and gross losses realized by the Company from investment security transactions are summarized in the table below (in thousands):

	For the year ended December 31,		
	2022	2021	2020
Gross unrealized gains recognized on equity securities still held	\$ 38	\$ 547	\$ 223
Gross unrealized losses recognized on equity securities still held	(1,623)	(43)	(1,086)
Net unrealized (losses) gains recognized on equity securities still held	<u>\$ (1,585)</u>	<u>\$ 504</u>	<u>\$ (863)</u>
Gross realized gains	\$ 4	\$ 312	\$ 139
Gross realized losses	—	—	(77)
Net realized investment security gains	<u>\$ 4</u>	<u>\$ 312</u>	<u>\$ 62</u>

During January 2020, the Company sold the entirety of its Visa Inc. Class B common shares (86,605) in a cash transaction which resulted in a pre-tax gain of \$17.8 million. The carrying value of the Visa Class B shares on the Company's balance sheet was \$0, as City National had no historical cost basis in the shares.

The carrying value of securities pledged to secure public deposits and for other purposes as required or permitted by law approximated \$886 million and \$711 million at December 31, 2022 and 2021, respectively.

NOTE FOUR – LOANS

The following summarizes the Company's major classifications for loans (in thousands):

	December 31, 2022	December 31, 2021
Commercial and industrial	\$ 373,890	\$ 346,184
1-4 Family	116,192	107,873
Hotels	340,404	311,315
Multi-family	174,786	215,677
Non Residential Non-Owner Occupied	585,964	639,818
Non Residential Owner Occupied	174,961	204,233
Commercial real estate	1,392,307	1,478,916
Residential real estate	1,693,523	1,548,965
Home equity	134,317	122,345
Consumer	48,806	40,901
DDA overdrafts	3,415	6,503
Gross loans	3,646,258	3,543,814
Allowance for credit losses	(17,108)	(18,166)
Net loans	\$ 3,629,150	\$ 3,525,648
Construction loans included in:		
Residential real estate	\$ 21,122	\$ 17,252
Commercial real estate	4,130	11,783

The Company's commercial and residential real estate construction loans are primarily secured by real estate within the Company's principal markets. These loans were originated under the Company's loan policy, which is focused on the risk characteristics of the loan portfolio, including construction loans. In the judgment of the Company's management, adequate consideration has been given to these loans in establishing the Company's allowance for credit losses.

NOTE FIVE – ALLOWANCE FOR CREDIT LOSSES

The following table summarizes the activity in the allowance for credit losses, by portfolio loan classification, for the years ended December 31, 2022, 2021 and 2020 (in thousands). The allocation of a portion of the allowance in one portfolio segment does not preclude its availability to absorb losses in other portfolio segments.

	Beginning Balance	Charge-offs	Recoveries	Impact of adopting CECL	Provision for (recovery of) credit losses	Ending Balance
December 31, 2022						
Commercial and industrial	\$ 3,480	\$ (562)	\$ 334	\$ —	\$ 316	\$ 3,568
1-4 Family	598	(55)	160	—	(137)	566
Hotels	2,426	—	—	—	(94)	2,332
Multi-family	483	—	—	—	(103)	380
Non Residential Non-Owner Occupied	2,319	—	47	—	(347)	2,019
Non Residential Owner Occupied	1,485	—	—	—	(170)	1,315
Commercial real estate	7,311	(55)	207	—	(851)	6,612
Residential real estate	5,716	(265)	99	—	(123)	5,427
Home equity	517	(279)	56	—	(4)	290
Consumer	106	(63)	107	—	(40)	110
DDA overdrafts	1,036	(2,624)	1,513	—	1,176	1,101
	<u>\$ 18,166</u>	<u>\$ (3,848)</u>	<u>\$ 2,316</u>	<u>\$ —</u>	<u>\$ 474</u>	<u>\$ 17,108</u>
December 31, 2021						
Commercial and industrial	\$ 3,644	\$ (245)	\$ 171	\$ —	\$ (90)	\$ 3,480
1-4 Family	771	(311)	125	—	13	598
Hotels	4,088	(2,075)	—	—	413	2,426
Multi-family	674	—	—	—	(191)	483
Non Residential Non-Owner Occupied	3,223	(1)	45	—	(948)	2,319
Non Residential Owner Occupied	2,241	—	54	—	(810)	1,485
Commercial real estate	10,997	(2,387)	224	—	(1,523)	7,311
Residential real estate	8,093	(265)	127	—	(2,239)	5,716
Home equity	630	(177)	90	—	(26)	517
Consumer	163	(242)	255	—	(70)	106
DDA Overdrafts	1,022	(2,151)	1,382	—	783	1,036
	<u>\$ 24,549</u>	<u>\$ (5,467)</u>	<u>\$ 2,249</u>	<u>\$ —</u>	<u>\$ (3,165)</u>	<u>\$ 18,166</u>

	Beginning Balance	Charge-offs	Recoveries	Impact of adopting CECL	Provision for (recovery of) credit losses	Ending Balance
December 31, 2020						
Commercial and industrial	2,059	(843)	91	1,715	622	3,644
1-4 Family	—	(188)	316	886	(243)	771
Hotels	60	(35)	48	577	3,438	4,088
Multi-family	121	—	—	343	210	674
Non Residential Non-Owner Occupied	1,181	(728)	83	852	1,835	3,223
Non Residential Owner Occupied	1,244	(162)	78	596	485	2,241
Commercial real estate	2,606	(1,113)	525	3,254	5,725	10,997
Residential real estate	3,448	(1,250)	184	2,139	3,572	8,093
Home equity	1,187	(420)	136	(598)	325	630
Consumer	975	(192)	238	(810)	(48)	163
DDA Overdrafts	1,314	(2,345)	1,467	60	526	1,022
	\$ 11,589	\$ (6,163)	\$ 2,641	\$ 5,760	\$ 10,722	\$ 24,549

Management systematically monitors the loan portfolio and the appropriateness of the allowance for credit losses on a quarterly basis to provide for expected losses inherent in the portfolio. Management assesses the risk in each loan type based on historical trends, the general economic environment of its local markets, individual loan performance and other relevant factors. The Company's estimate of future economic conditions utilized in its provision estimate is primarily dependent on expected unemployment ranges over a two-year period. Beyond two years, a straight line reversion to historical average loss rates is applied over the life of the loan pool in the migration methodology. The vintage methodology applies future average loss rates based on net losses in historical periods where the unemployment rate was within the forecasted range.

Individual credits in excess of \$1 million are selected at least annually for detailed loan reviews, which are utilized by management to assess the risk in the portfolio and the appropriateness of the allowance.

Non-Performing Loans

The following table presents the amortized cost basis of loans on non-accrual status and loans past due over 90 days still accruing as of December 31, 2022 (in thousands):

	Non-accrual With No Allowance for Credit Losses	Non-accrual With Allowance for Credit Losses	Loans Past Due Over 90 Days Still Accruing
Commercial & Industrial	\$ —	\$ 1,015	\$ —
1-4 Family	—	937	—
Hotels	—	115	—
Multi-family	—	—	—
Non Residential Non-Owner Occupied	—	816	—
Non Residential Owner Occupied	—	298	—
Commercial Real Estate	—	2,166	—
Residential Real Estate	228	1,741	164
Home Equity	—	55	—
Consumer	—	—	23
Total	\$ 228	\$ 4,977	\$ 187

The following table presents the amortized cost basis of loans on non-accrual status and loans past due over 90 days still accruing as of December 31, 2021 (in thousands):

	Non-accrual With No Allowance for Credit Losses	Non-accrual With Allowance for Credit Losses	Loans Past Due Over 90 Days Still Accruing
Commercial & Industrial	\$ —	\$ 996	\$ 43
1-4 Family	—	1,016	—
Hotels	—	113	—
Multi-family	—	—	—
Non Residential Non-Owner Occupied	—	652	—
Non Residential Owner Occupied	—	592	—
Commercial Real Estate	—	2,373	—
Residential Real Estate	63	2,746	—
Home Equity	—	40	—
Consumer	—	—	—
Total	\$ 63	\$ 6,155	\$ 43

The Company recognized less than \$0.1 million of interest income on nonaccrual loans during each of the years ended December 31, 2022, 2021 and 2020, respectively.

The following presents the aging of the amortized cost basis in past-due loans as of December 31, 2022 and 2021 by class of loan (in thousands):

	December 31, 2022						
	30-59 Past Due	60-89 Past Due	90+ Past Due	Total Past Due	Current Loans	Non-accrual	Total Loans
Commercial and industrial	\$ 201	\$ 33	\$ —	\$ 234	\$ 372,641	\$ 1,015	\$ 373,890
1-4 Family	17	—	—	17	115,238	937	116,192
Hotels	—	—	—	—	340,289	115	340,404
Multi-family	—	—	—	—	174,786	—	174,786
Non Residential Non-Owner Occupied	—	—	—	—	585,148	816	585,964
Non Residential Owner Occupied	505	188	—	693	173,970	298	174,961
Commercial real estate	522	188	—	710	1,389,431	2,166	1,392,307
Residential real estate	6,843	84	164	7,091	1,684,463	1,969	1,693,523
Home equity	622	28	—	650	133,612	55	134,317
Consumer	52	25	23	100	48,706	—	48,806
Overdrafts	386	5	—	391	3,024	—	3,415
Total	\$ 8,626	\$ 363	\$ 187	\$ 9,176	\$ 3,631,877	\$ 5,205	\$ 3,646,258

	December 31, 2021						
	30-59 Past Due	60-89 Past Due	90+ Past Due	Total Past Due	Current Loans	Non-accrual	Total Loans
Commercial and industrial	\$ 116	\$ 177	\$ 43	\$ 336	\$ 344,852	\$ 996	\$ 346,184
1-4 Family	21	—	—	21	106,836	1,016	107,873
Hotels	—	—	—	—	311,202	113	311,315
Multi-family	—	—	—	—	215,677	—	215,677
Non Residential Non-Owner Occupied	—	—	—	—	639,166	652	639,818
Non Residential Owner Occupied	—	—	—	—	203,641	592	204,233
Commercial real estate	21	—	—	21	1,476,522	2,373	1,478,916
Residential real estate	5,166	156	—	5,322	1,540,834	2,809	1,548,965
Home equity	592	26	—	618	121,687	40	122,345
Consumer	59	1	—	60	40,841	—	40,901
Overdrafts	485	4	—	489	6,014	—	6,503
Total	\$ 6,439	\$ 364	\$ 43	\$ 6,846	\$ 3,530,750	\$ 6,218	\$ 3,543,814

There were no individually evaluated impaired collateral-dependent loans as of December 31, 2022 or December 31, 2021. Changes in the fair value of the collateral for collateral-dependent loans are reported as credit loss expense or a reversal of credit loss expense in the period of change.

Troubled Debt Restructurings ("TDRs")

The following tables set forth the Company's TDRs (in thousands):

	December 31, 2022	December 31, 2021
Commercial and industrial	\$ 333	\$ 414
1-4 Family	102	112
Hotels	—	—
Multi-family	—	1,802
Non Residential Non-Owner Occupied	—	—
Non Residential Owner Occupied	—	—
Commercial real estate	102	1,914
Residential real estate	15,857	16,943
Home equity	1,286	1,784
Consumer	64	225
Total TDRs	\$ 17,642	\$ 21,280

The Company has allocated \$0.3 million of the allowance for credit losses for these loans as of both December 31, 2022 and December 31, 2021. As of December 31, 2022, the Company has not committed to lend any additional in relation to these loans.

The Company had no material TDRs that defaulted during 2022. The Company had one TDR that defaulted and a partial charge-off of \$2.1 million during 2021. The Company had no TDRs that subsequently defaulted in 2020.

Most TDRs are reported due to filing Chapter 7 bankruptcy. Regulatory guidance requires that loans be accounted for as collateral-dependent loans when borrowers have filed Chapter 7 bankruptcy, the debt has been discharged by the bankruptcy court and the borrower has not reaffirmed the debt. The filing of bankruptcy is deemed to be evidence that the borrower is in financial difficulty and the discharge of debt by the bankruptcy court is deemed to be a concession granted to the borrower.

The following table presents loans by class, modified as TDRs, that occurred during the years ended December 31, 2022, 2021 and 2020, respectively (dollars in thousands):

	New TDRs For the year ended December 31, 2022			New TDRs For the year ended December 31, 2021			New TDRs For the year ended December 31, 2020		
	Number of Contracts	Pre Modification Outstanding Recorded Investment	Post Modification Outstanding Recorded Investment	Number of Contracts	Pre Modification Outstanding Recorded Investment	Post Modification Outstanding Recorded Investment	Number of Contracts	Pre Modification Outstanding Recorded Investment	Post Modification Outstanding Recorded Investment
		\$	\$		\$	\$		\$	\$
Commercial and industrial	—	\$ —	\$ —	1	\$ 430	\$ 430	—	\$ —	\$ —
1-4 Family	—	—	—	—	—	—	—	—	—
Hotels	—	—	—	—	—	—	—	—	—
Multi-family	—	—	—	—	—	—	—	—	—
Non Owner Non- Owner Occupied	—	—	—	—	—	—	—	—	—
Non Owner Owner Occupied	—	—	—	—	—	—	—	—	—
Commercial real estate	—	—	—	—	—	—	—	—	—
Residential real estate	15	1,588	1,588	14	1,130	1,130	29	2,724	2,720
Home equity	1	30	30	2	45	45	3	94	94
Consumer	—	—	—	—	—	—	—	—	—
Total	16	\$ 1,618	\$ 1,618	17	\$ 1,605	\$ 1,605	32	\$ 2,818	\$ 2,814

The TDRs above increased the allowance for credit losses by less than \$0.1 million for each of the years ended December 31, 2022, 2021 and 2020 and resulted in no significant charge-offs during those same time periods.

COVID-19 Pandemic

In March of 2020, in response to the COVID-19 pandemic, regulatory guidance was issued that clarified the accounting for loan modifications. Modifications of loan terms do not automatically result in a TDR. Short-term modifications made on a good faith basis in response to COVID-19 to borrowers who were current prior to any relief are not TDRs. This includes short-term (e.g., six months) modifications such as payment deferrals, fee waivers, extension of repayment terms, or other delays that are insignificant. Borrowers considered current are those that are less than 30 days past due on their contractual payments at the time the modification program was implemented. In addition, modifications or deferrals pursuant to the CARES Act do not represent TDRs. However, these deferrals do not absolve the company from performing its normal risk rating and therefore a loan could be current and have a less than satisfactory risk rating.

Since March of 2020, the Company has granted deferrals of approximately \$142 million to its mortgage customers. These deferral arrangements ranged from 30 days to 90 days. As of December 31, 2022, approximately \$0.4 million of these loans were still deferring, while approximately \$142 million have resumed making their normal loan payment. As of December 31, 2022, approximately \$3.5 million of these deferrals were previously and currently considered TDRs due to Chapter 7 bankruptcies.

Credit Quality Indicators

All commercial loans within the portfolio are subject to internal risk rating. All non-commercial loans are evaluated based on payment history. The Company's internal risk ratings for commercial loans are: Exceptional, Good, Acceptable, Pass/Watch, Special Mention, Substandard and Doubtful. Each internal risk rating is defined in the loan policy using the following criteria: balance sheet yields; ratios and leverage; cash flow spread and coverage; prior history; capability of management; market position/industry; potential impact of changing economic, legal, regulatory or environmental conditions; purpose; structure; collateral support; and guarantor support. Risk grades are generally assigned by the primary lending officer and are periodically evaluated by the Company's internal loan review process. Based on an individual loan's risk grade, estimated loss percentages are applied to the outstanding balance of the loan to determine the amount of expected loss.

The Company categorizes loans into risk categories based on relevant information regarding the customer's debt service ability, capacity and overall collateral position, along with other economic trends and historical payment performance. The risk rating for each credit is updated when the Company receives current financial information, the loan is reviewed by the Company's internal loan review and credit administration departments, or the loan becomes delinquent or impaired. The risk grades are updated a minimum of annually for loans rated Exceptional, Good, Acceptable, or Pass/Watch. Loans rated Special Mention, Substandard or Doubtful are reviewed at least quarterly. The Company uses the following definitions for its risk ratings:

Risk Rating	Description
Pass Ratings:	
(a) Exceptional	Loans classified as exceptional are secured with liquid collateral conforming to the internal loan policy. Loans rated within this category pose minimal risk of loss to the bank.
(b) Good	Loans classified as good have similar characteristics that include a strong balance sheet, satisfactory debt service coverage ratios, strong management and/or guarantors, and little exposure to economic cycles. Loans in this category generally have a low chance of loss to the bank.
(c) Acceptable	Loans classified as acceptable have acceptable liquidity levels, adequate debt service coverage ratios, experienced management, and have average exposure to economic cycles. Loans within this category generally have a low risk of loss to the bank.
(d) Pass/watch	Loans classified as pass/watch have erratic levels of leverage and/or liquidity, cash flow is volatile and the borrower is subject to moderate economic risk. A borrower in this category poses a low to moderate risk of loss to the bank.
Special mention	Loans classified as special mention have a potential weakness(es) that deserves management's close attention. The potential weakness could result in deterioration of the loan repayment or the bank's credit position at some future date. A loan rated in this category poses a moderate loss risk to the bank.
Substandard	Loans classified as substandard reflect a customer with a well defined weakness that jeopardizes the liquidation of the debt. Loans in this category have the possibility that the bank will sustain some loss if the deficiencies are not corrected and the bank's collateral value is weakened by the financial deterioration of the borrower.
Doubtful	Loans classified as doubtful have all the weaknesses inherent in those classified as substandard, with the added characteristics that make collection of the full contract amount highly improbable. Loans rated in this category are most likely to cause the bank to have a loss due to a collateral shortfall or a negative capital position.

Based on the most recent analysis performed, the risk category of loans by class of loans at December 31, 2022 is as follows (in thousands). Retail and mortgage loans are considered performing if they are less than 90 days delinquent and non-performing if they are 90 days or more delinquent.

	Term Loans						Revolving Loans Amortized Cost Basis	Total
	Amortized Cost Basis by Origination Year and Risk Level							
	2022	2021	2020	2019	2018	Prior		
<i>Commercial and industrial</i>								
Pass	\$ 51,268	\$ 91,097	\$ 60,251	\$ 26,356	\$ 19,497	\$ 6,917	\$ 109,645	\$ 365,031
Special mention	—	—	392	9	—	19	3,245	3,665
Substandard	955	203	1,025	1,175	224	1,533	79	5,194
Total	\$ 52,223	\$ 91,300	\$ 61,668	\$ 27,540	\$ 19,721	\$ 8,469	\$ 112,969	\$ 373,890
<i>Commercial real estate -</i>								
<i>1-4 Family</i>								
Pass	\$ 31,331	\$ 21,640	\$ 12,565	\$ 8,609	\$ 4,826	\$ 22,949	\$ 11,107	\$ 113,027
Special mention	228	—	115	—	—	836	—	1,179
Substandard	83	—	264	56	—	1,583	—	1,986
Total	\$ 31,642	\$ 21,640	\$ 12,944	\$ 8,665	\$ 4,826	\$ 25,368	\$ 11,107	\$ 116,192
<i>Commercial real estate -</i>								
<i>Hotels</i>								
Pass	\$ 85,590	\$ 35,849	\$ 12,275	\$ 60,429	\$ 14,921	\$ 90,686	\$ 323	\$ 300,073
Special mention	—	—	—	—	—	—	—	—
Substandard	—	—	3,593	24,229	—	12,509	—	40,331
Total	\$ 85,590	\$ 35,849	\$ 15,868	\$ 84,658	\$ 14,921	\$ 103,195	\$ 323	\$ 340,404
<i>Commercial real estate -</i>								
<i>Multi-family</i>								
Pass	\$ 13,761	\$ 21,312	\$ 65,542	\$ 37,698	\$ 2,189	\$ 33,560	\$ 724	\$ 174,786
Special mention	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	—	—	—
Total	\$ 13,761	\$ 21,312	\$ 65,542	\$ 37,698	\$ 2,189	\$ 33,560	\$ 724	\$ 174,786

	Term Loans						Revolving Loans Amortized Cost Basis	Total
	Amortized Cost Basis by Origination Year and Risk Level							
	2022	2021	2020	2019	2018	Prior		
<i>Commercial real estate - Non Residential Non-Owner Occupied</i>								
Pass	\$ 110,501	\$ 108,290	\$ 89,943	\$ 68,027	\$ 87,413	\$ 113,287	\$ 2,781	\$ 580,242
Special mention	—	110	170	176	—	—	—	456
Substandard	—	601	—	1,330	2,089	1,244	2	5,266
Total	\$ 110,501	\$ 109,001	\$ 90,113	\$ 69,533	\$ 89,502	\$ 114,531	\$ 2,783	\$ 585,964
<i>Commercial real estate - Non Residential Owner Occupied</i>								
Pass	\$ 21,782	\$ 36,186	\$ 17,216	\$ 22,274	\$ 17,622	\$ 39,861	\$ 3,238	\$ 158,179
Special mention	—	—	—	329	—	493	113	935
Substandard	943	193	110	2,479	772	10,350	1,000	15,847
Total	\$ 22,725	\$ 36,379	\$ 17,326	\$ 25,082	\$ 18,394	\$ 50,704	\$ 4,351	\$ 174,961
<i>Commercial real estate - Total</i>								
Pass	\$ 262,965	\$ 223,277	\$ 197,541	\$ 197,037	\$ 126,971	\$ 300,343	\$ 18,173	\$ 1,326,307
Special mention	228	110	285	505	—	1,329	113	2,570
Substandard	1,026	794	3,967	28,094	2,861	25,686	1,002	63,430
Total	\$ 264,219	\$ 224,181	\$ 201,793	\$ 225,636	\$ 129,832	\$ 327,358	\$ 19,288	\$ 1,392,307
<i>Residential real estate</i>								
Performing	\$ 405,059	\$ 336,462	\$ 270,197	\$ 122,559	\$ 86,317	\$ 382,652	\$ 88,308	\$ 1,691,554
Non-performing	—	207	—	755	79	738	190	1,969
Total	\$ 405,059	\$ 336,669	\$ 270,197	\$ 123,314	\$ 86,396	\$ 383,390	\$ 88,498	\$ 1,693,523
<i>Home equity</i>								
Performing	\$ 16,670	\$ 7,394	\$ 5,000	\$ 3,035	\$ 1,823	\$ 5,116	\$ 95,224	\$ 134,262
Non-performing	—	—	—	—	—	—	55	55
Total	\$ 16,670	\$ 7,394	\$ 5,000	\$ 3,035	\$ 1,823	\$ 5,116	\$ 95,279	\$ 134,317
<i>Consumer</i>								
Performing	\$ 25,296	\$ 7,954	\$ 5,482	\$ 4,299	\$ 2,246	\$ 2,064	\$ 1,465	\$ 48,806
Non-performing	—	—	—	—	—	—	—	—
Total	\$ 25,296	\$ 7,954	\$ 5,482	\$ 4,299	\$ 2,246	\$ 2,064	\$ 1,465	\$ 48,806

Based on the most recent analysis performed, the risk category of loans by class of loans at December 31, 2021 is as follows (in thousands):

	Term Loans						Revolving Loans Amortized Cost Basis	Total
	Amortized Cost Basis by Origination Year and Risk Level							
	2021	2020	2019	2018	2017	Prior		
<i>Commercial and industrial</i>								
Pass	\$ 87,148	\$ 82,946	\$ 41,908	\$ 27,355	\$ 23,895	\$ 6,755	\$ 65,775	\$ 335,782
Special mention	3	480	17	—	21	—	3,324	3,845
Substandard	319	1,531	1,574	510	395	1,550	678	6,557
Total	\$ 87,470	\$ 84,957	\$ 43,499	\$ 27,865	\$ 24,311	\$ 8,305	\$ 69,777	\$ 346,184
<i>Commercial real estate - 1-4 Family</i>								
Pass	\$ 26,425	\$ 16,163	\$ 10,659	\$ 6,208	\$ 4,250	\$ 28,734	\$ 10,877	\$ 103,316
Special mention	—	122	—	—	—	718	—	840
Substandard	—	276	158	—	722	2,561	—	3,717
Total	\$ 26,425	\$ 16,561	\$ 10,817	\$ 6,208	\$ 4,972	\$ 32,013	\$ 10,877	\$ 107,873
<i>Commercial real estate - Hotels</i>								
Pass	\$ 38,197	\$ 16,183	\$ 64,107	\$ 21,222	\$ 41,526	\$ 55,895	\$ 279	\$ 237,409
Special mention	103	—	29,914	—	—	—	—	\$ 30,017
Substandard	398	140	15,413	—	5,601	22,337	—	43,889
Total	\$ 38,698	\$ 16,323	\$ 109,434	\$ 21,222	\$ 47,127	\$ 78,232	\$ 279	\$ 311,315
<i>Commercial real estate - Multi-family</i>								
Pass	\$ 20,434	\$ 78,837	\$ 53,033	\$ 2,264	\$ 19,783	\$ 38,918	\$ 540	\$ 213,809
Special mention	—	—	1,802	—	—	—	—	1,802
Substandard	—	—	—	—	—	66	—	66
Total	\$ 20,434	\$ 78,837	\$ 54,835	\$ 2,264	\$ 19,783	\$ 38,984	\$ 540	\$ 215,677

	Term Loans						Revolving Loans Amortized Cost Basis	Total
	Amortized Cost Basis by Origination Year and Risk Level							
	2021	2020	2019	2018	2017	Prior		
<i>Commercial real estate - Non Residential Non-Owner Occupied</i>								
Pass	\$ 144,927	\$ 135,423	\$ 85,296	\$ 99,618	\$ 33,770	\$ 130,342	\$ 2,655	\$ 632,031
Special mention	119	183	186	257	—	138	—	883
Substandard	640	16	1,365	2,134	22	2,727	—	6,904
Total	\$ 145,686	\$ 135,622	\$ 86,847	\$ 102,009	\$ 33,792	\$ 133,207	\$ 2,655	\$ 639,818
<i>Commercial real estate - Non Residential Owner Occupied</i>								
Pass	\$ 46,445	\$ 28,535	\$ 25,647	\$ 22,197	\$ 15,296	\$ 37,806	\$ 2,509	\$ 178,435
Special mention	—	30	2,744	42	319	2,294	—	5,429
Substandard	199	114	2,372	634	6,677	9,503	870	20,369
Total	\$ 46,644	\$ 28,679	\$ 30,763	\$ 22,873	\$ 22,292	\$ 49,603	\$ 3,379	\$ 204,233
<i>Commercial real estate - Total</i>								
Pass	\$ 276,429	\$ 275,141	\$ 238,742	\$ 151,509	\$ 114,626	\$ 291,696	\$ 16,860	\$ 1,365,003
Special mention	222	334	34,647	299	319	3,151	—	38,972
Substandard	1,238	546	19,308	2,769	13,023	37,191	866	74,941
Total	\$ 277,889	\$ 276,021	\$ 292,697	\$ 154,577	\$ 127,968	\$ 332,038	\$ 17,726	\$ 1,478,916
<i>Residential real estate</i>								
Performing	\$ 375,465	\$ 326,107	\$ 155,829	\$ 110,551	\$ 87,870	\$ 389,519	\$ 100,815	\$ 1,546,156
Non-performing	—	—	232	29	120	692	1,736	2,809
Total	\$ 375,465	\$ 326,107	\$ 156,061	\$ 110,580	\$ 87,990	\$ 390,211	\$ 102,551	\$ 1,548,965
<i>Home equity</i>								
Performing	\$ 9,008	\$ 6,474	\$ 3,582	\$ 2,949	\$ 1,431	\$ 8,176	\$ 90,685	\$ 122,305
Non-performing	—	—	—	—	—	—	40	40
Total	\$ 9,008	\$ 6,474	\$ 3,582	\$ 2,949	\$ 1,431	\$ 8,176	\$ 90,725	\$ 122,345
<i>Consumer</i>								
Performing	\$ 13,584	\$ 9,545	\$ 8,313	\$ 4,920	\$ 1,324	\$ 1,624	\$ 1,591	\$ 40,901
Non-performing	—	—	—	—	—	—	—	—
Total	\$ 13,584	\$ 9,545	\$ 8,313	\$ 4,920	\$ 1,324	\$ 1,624	\$ 1,591	\$ 40,901

NOTE SIX – PREMISES AND EQUIPMENT

A summary of premises and equipment and related accumulated depreciation is summarized as follows (in thousands):

	Estimated Useful Life	2022	2021
Land		\$ 34,325	\$ 34,338
Buildings and improvements	10 to 30 yrs.	98,275	98,145
Equipment	3 to 7 yrs.	44,291	45,518
		176,891	178,001
Less: accumulated depreciation		(106,105)	(103,930)
		\$ 70,786	\$ 74,071

The depreciation expense for the years ended December 31, 2022, 2021, and 2020 was \$5.3 million, \$5.8 million, and \$5.8 million, respectively.

NOTE SEVEN – GOODWILL AND OTHER INTANGIBLE ASSETS

The Company completed its annual assessment of the carrying value of goodwill during 2022 and concluded that its carrying value was not impaired. The Company's reporting unit had positive equity and a qualitative assessment was completed, indicating that it was not more likely than not that goodwill was impaired. The Company's goodwill balance at both December 31, 2022 and December 31, 2021 was \$108.9 million.

The Company believes that the customer relationships with the deposits acquired have an intangible value. In connection with acquisitions, the Company recorded a core deposit intangible, which represented the value that the acquiree had with their deposit customers. The fair value was estimated based on a discounted cash flow methodology that considered the type of deposit, estimated deposit retention, the cost of the deposit base and an alternate cost of funds. The following tables present the details of the Company's core deposit intangibles (in thousands):

	2022	2021
Gross carrying amount	\$ 21,190	\$ 21,190
Accumulated amortization	(14,397)	(13,011)
	\$ 6,793	\$ 8,179
Beginning balance	\$ 8,179	\$ 9,651
Amortization expense	(1,386)	(1,472)
Ending balance	\$ 6,793	\$ 8,179

The core deposit intangibles are being amortized over 10 years. The estimated amortization expense for core deposit intangible assets for each of the next five years is as follows (in thousands):

2023	\$	1,220
2024		1,209
2025		1,185
2026		1,090
2027		1,090
Thereafter		999
	\$	<u>6,793</u>

NOTE EIGHT – SCHEDULED MATURITIES OF TIME DEPOSITS

Scheduled maturities of the Company's time deposits outstanding at December 31, 2022 are summarized as follows (in thousands):

2023	\$	532,741
2024		245,188
2025		74,285
2026		19,882
2027		15,793
Over five years		211
	\$	<u>888,100</u>

The Company's time deposits that meet or exceed the FDIC insurance limit of \$250,000 were \$271.5 million and \$352.8 million at December 31, 2022 and 2021, respectively.

NOTE NINE – SHORT-TERM DEBT

A summary of the Company's short-term borrowings is as follows (dollars in thousands):

	2022	2021	2020
Balance at end of year:			
Securities sold under agreements to repurchase	\$ 290,964	\$ 312,458	\$ 295,956
Avg. outstanding during the year:			
Federal Home Loan Bank advances	\$ 3	N/A	\$ 151
Securities sold under agreements to repurchase	284,570	\$ 298,413	253,289
Federal Funds purchased	38	—	16
Max. outstanding at any month end:			
Federal Home Loan Bank advances	N/A	N/A	\$ 9,900
Securities sold under agreements to repurchase	\$ 402,368	\$ 330,577	295,956
Federal Funds purchased	—	—	—
Weighted-average interest rate:			
During the year:			
Federal Home Loan Bank advances	0.26 %	N/A	0.85 %
Securities sold under agreements to repurchase	0.78	0.16 %	0.39
Federal Funds purchased	0.25	1.46	0.83
End of the year:			
Securities sold under agreements to repurchase	0.76 %	0.16 %	0.34

Through City National, the Company has approximately 34,400 shares of Federal Home Loan Bank ("FHLB") stock at par value as of December 31, 2022. Purchases of FHLB stock are required based on City National's maximum borrowing capacity with the FHLB. Additionally, FHLB stock entitles the Company to dividends declared by the FHLB and provides an additional source of short-term and long-term funding in the form of collateralized advances. Financing obtained from the FHLB is based, in part, on the amount of qualifying collateral available, specifically 1-4 family residential mortgages, other residential mortgages, and commercial real estate and other non-residential mortgage loans. Collateral pledged to the FHLB included approximately \$1.5 billion at December 31, 2022 and \$1.6 billion at December 31, 2021 in investment securities and 1-4 family residential property loans. City National had an additional \$2.0 billion and \$2.1 billion available from unused portions of lines of credit with the FHLB and other financial institutions at December 31, 2022 and 2021, respectively.

Securities sold under agreements to repurchase include interests in government agency and municipal securities. These agreements mature daily at par.

NOTE TEN – DERIVATIVE INSTRUMENTS

As of December 31, 2022 and 2021, the Company primarily utilizes non-hedging derivative financial instruments with commercial banking customers to facilitate their interest rate management strategies. For these instruments, the Company acts as an intermediary for its customers and has offsetting contracts with financial institution counterparties. Changes in the fair value of these underlying derivative contracts generally offset each other and do not significantly impact the Company's results of operations.

The following table summarizes the notional and fair value of these derivative instruments (in thousands) which are included within "other assets" and "other liabilities" in the accompanying consolidated balance sheets:

	December 31, 2022		December 31, 2021	
	Notional Amount	Fair Value	Notional Amount	Fair Value
Non-hedging interest rate derivatives:				
Customer counterparties:				
Loan interest rate swap - assets	\$ 28,238	\$ 1,298	\$ 532,136	\$ 20,614
Loan interest rate swap - liabilities	619,150	63,758	138,138	3,560
Non-hedging interest rate derivatives:				
Financial institution counterparties:				
Loan interest rate swap - assets	637,150	65,217	147,644	3,867
Loan interest rate swap - liabilities	28,238	1,298	535,577	20,679

The following table summarizes the change in fair value of these derivative instruments (in thousands):

	Year Ended December 31,		
	2022	2021	2020
Change in Fair Value Non-Hedging Interest Rate Derivatives:			
Other income - derivative assets	\$ 37,537	\$ (26,483)	\$ 27,240
Other income - derivative liabilities	(37,537)	26,483	(27,240)
Other expense - derivative liabilities	1,219	487	206

Certain financial instruments, including derivatives, may be eligible for offset in the consolidated balance sheet and/or subject to master netting arrangements. The Company's derivative transactions with financial institution counterparties are generally executed under International Swaps and Derivative Association ("ISDA") master agreements which include "right of setoff" provisions. In such cases there is generally a legally enforceable right to offset recognized amounts and there may be an intention to settle such amounts on a net basis. Nonetheless, the Company does not generally offset financial instruments for financial reporting purposes.

Pursuant to the Company's agreements with certain of its derivative financial institution counterparties, the Company may receive collateral or post collateral, which may be in the form of cash or securities, based upon mark-to-mark positions. The Company has received collateral with a value of \$83.0 million as of December 31, 2022.

Loans associated with a customer counterparty loan interest rate swap agreement may be subject to a make whole penalty upon termination of the agreement. The dollar amount of the make whole penalty varies based on the remaining term of the agreement and market rates at that time. The make whole penalty is secured by equity in the specific collateral securing the loan. The Company estimates the make whole penalty when determining if there is sufficient collateral to pay off both the potential make whole penalty and the outstanding loan balance at the origination of the loan. In the event of a customer default, the make whole penalty is capitalized into the existing loan balance; however, no guarantees can be made that the collateral will be sufficient to cover both the make whole provision and the outstanding loan balance at the time of foreclosure.

Fair Value Hedges

During the year ended December 31, 2020, the Company entered into a series of fair value hedge agreements to reduce the interest rate risk associated with the change in fair value of certain securities. The total notional amount of these

agreements was \$150 million and the amortized cost of the hedged assets was \$330.0 million and \$363.6 million at December 31, 2022 and 2021, respectively. During the years ended December 31, 2022 and 2021, the fair value hedge agreements were effective. The gains or losses on these hedges are recognized in current earnings as fair value changes.

The following table summarizes the financial statement impact of these derivative instruments (in thousands):

	December 31, 2022	December 31, 2021
Investment securities available for sale, at fair value	\$ (15,394)	\$ (4,711)
Other assets	15,262	4,308
Cumulative adjustment to Interest and dividends on investment securities	132	403

NOTE ELEVEN – INCOME TAXES

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's deferred tax assets and liabilities are as follows (in thousands):

	2022	2021
Allowance for credit losses	\$ 4,102	\$ 4,395
Deferred compensation payable	3,279	3,538
Underfunded pension liability	1,200	1,112
Accrued expenses	1,265	1,693
Unrealized securities losses	40,380	—
Other	4,812	4,876
Total Deferred Tax Assets	55,038	15,614
Unrealized securities gains	—	5,680
Other	10,154	9,871
Total Deferred Tax Liabilities	10,154	15,551
Net Deferred Tax Assets/(Liabilities)	\$ 44,884	\$ 63

No material valuation allowances for deferred tax assets were recorded at December 31, 2022 or 2021 as the Company believes it is more likely than not that all of the deferred tax assets will be realized because they were supported by recoverable taxes paid in prior years.

Significant components of the provision for income taxes are as follows (in thousands):

	2022	2021	2020
Current:			
Federal	\$ 20,481	\$ 17,248	\$ 16,599
State	3,313	3,681	2,478
Total current tax expense	23,794	20,929	19,077
Total deferred tax expense	1,469	2,185	2,640
Income tax expense	\$ 25,263	\$ 23,114	\$ 21,717

A reconciliation of the significant differences between the federal statutory income tax rate and the Company's effective income tax rate is as follows (in thousands):

	2022	2021	2020
Computed federal taxes at statutory rate	\$ 26,740	\$ 23,351	\$ 23,376
State income taxes, net of federal tax benefit	2,871	3,124	2,070
Tax effects of:			
Tax-exempt interest income	(1,142)	(1,177)	(944)
Bank-owned life insurance	(1,167)	(818)	(929)
Income tax credits	(1,904)	(1,449)	(1,113)
Other items, net	(135)	83	(743)
Income tax expense	\$ 25,263	\$ 23,114	\$ 21,717
Effective tax rate	19.8 %	20.8 %	19.5 %

The entire amount of the Company's unrecognized tax benefits, if recognized, would favorably affect the Company's effective tax rate. The Company anticipates that it will release \$0.5 million over the next 12 months. A reconciliation of the beginning and ending balance of unrecognized tax benefits is as follows (in thousands):

	2022	2021
Beginning balance	\$ 1,846	\$ 2,089
Additions for current year tax positions	351	368
Decreases for prior year tax positions	(17)	(45)
Decreases related to lapse of applicable statute of limitation	(561)	(566)
Ending balance	\$ 1,619	\$ 1,846

Interest and penalties on income tax uncertainties are included in income tax expense. During 2022, 2021 and 2020, the provision related to interest and penalties was approximately \$0.1 million, \$0.1 million and \$0.2 million, respectively. The balance of accrued interest and penalties at December 31, 2022 and 2021 was \$1.1 million and \$1.0 million, respectively.

The Company is currently open to audit under the statute of limitations by the Internal Revenue Service and various state taxing authorities for the years ended December 31, 2019 and forward.

NOTE TWELVE – EMPLOYEE BENEFIT PLANS

Pursuant to the terms of the City Holding Company 2013 Incentive Plan (the "2013 Plan"), the Compensation Committee of the Board of Directors, or its delegate, may, from time-to-time, grant stock options, stock appreciation rights ("SARs"), or stock awards (collectively, the "awards") to employees, directors and individuals who provide service to the Company (collectively, "Plan Participants"). The 2013 Plan was approved by the shareholders in April 2013. A maximum of 750,000 shares of the Company's common stock may be issued under the 2013 Plan, subject to certain limitations. These limitations may be adjusted in the event of a change in the number of outstanding shares of common stock by reason of a stock dividend, stock split or other similar event. Specific terms of the awards granted, including the number of shares, vesting periods, exercise prices (for stock options) and expiration dates are determined at the date of grant and are evidenced by agreements between the Company and the awardee. The exercise price of the stock option grants equals the market price of the Company's stock on the date of grant. All incentive stock options and SARs will be exercisable up to 10 years from the date granted and all options and SARs are exercisable for the period specified in the individual agreement. Upon a change-in-control of the Company, as defined in the 2013 Plan, all outstanding awards shall immediately vest. As of December 31, 2022, approximately 326,000 shares were still available to be issued under the 2013 Plan.

Stock Options

A summary of the Company's stock option activity and related information is presented below:

	2022		2021		2020	
	Options	Weighted-Average Exercise Price	Options	Weighted-Average Exercise Price	Options	Weighted-Average Exercise Price
Outstanding at January 1	26,727	\$ 57.04	41,330	\$ 53.64	46,251	\$ 52.74
Granted	—	—	—	—	—	—
Exercised	(15,141)	52.61	(14,603)	47.43	(4,921)	45.17
Forfeited	—	—	—	—	—	—
Outstanding at December 31	11,586	\$ 62.83	26,727	\$ 57.04	41,330	\$ 53.64
Exercisable at end of year	11,586	\$ 62.83	20,848	\$ 54.42	21,459	\$ 50.45
Nonvested at beginning of year	5,879	66.32	19,871	56.97	38,188	54.42
Granted during the year	—	—	—	—	—	—
Vested during the year	(5,879)	66.32	(13,992)	53.22	(18,317)	51.66
Forfeited during the year	—	—	—	—	—	—
Nonvested at end of year	—	\$ —	5,879	\$ 66.32	19,871	\$ 56.97

Information regarding stock option exercises and stock-based compensation expense associated with stock options is provided in the following table (in thousands):

	For the year ended December 31,		
	2022	2021	2020
Proceeds from stock option exercises	\$ 798	\$ 691	\$ 223
Intrinsic value of stock options exercised	442	474	93
Stock-based compensation expense associated with stock options	\$ 2	\$ 22	\$ 60
Income tax benefit recognized related to stock-based compensation	—	2	5
At period-end:	2022		
Unrecognized stock-based compensation expense	\$ —		
Weighted average period in which the above amount is expected to be recognized	N/A		

Shares issued in connection with stock option exercises are issued from available treasury shares. If no treasury shares are available, new shares would be issued from available authorized shares. During 2022, 2021 and 2020, all shares issued in connection with stock option exercises and restricted stock awards were issued from available treasury stock. For the stock options that have performance-based criteria, management has evaluated those criteria and has determined that, as of December 31, 2022, the criteria were probable of being met.

Restricted Shares, Restricted Stock Units ("RSUs") and Performance Stock Units ("PSUs")

The Company measures compensation expense with respect to restricted shares, RSUs and PSUs (collectively, the "restricted shares") in an amount equal to the fair value of the common stock covered by each award on the date of grant. The restricted shares awarded become fully vested after various periods of continued employment from the respective dates of grant. The Company is entitled to an income tax deduction in an amount equal to the taxable income reported by the holders of the restricted shares when the restrictions are released and the shares are issued. Compensation is charged to expense over the respective vesting periods.

Restricted shares are generally forfeited if officers and employees terminate employment with the Company prior to the lapsing of restrictions. The Company records forfeitures of restricted stock as treasury share repurchases and any compensation cost previously recognized is reversed in the period of forfeiture. Recipients of restricted shares do not pay any cash consideration to the Company for the shares, and generally have the right to vote all shares subject to such grant and receive all dividends with respect to such shares, whether or not the shares have vested. For the restricted shares that have performance-based criteria, management has evaluated those criteria and has determined that, as of December 31, 2022, the criteria were probable of being met.

In 2018, the Board of Directors granted the named executive officers ("NEOs") of the Company restricted stock units ("RSUs") and performance share units ("PSUs"). The RSUs vest in three separate annual installments of approximately 33.33% per installment on the first, second and third anniversaries of the grant date, subject to a two-year holding period. The PSUs vest on the third anniversary of the grant date. The payout for the PSUs will be determined based on two factors: (1) the Company's three-year average return on assets ("ROA") during the three-year performance period relative to the ROA for the selected peer companies and (2) the Company's total shareholder return ("TSR") during the three-year performance period relative to the TSR of the selected peer companies. Until the time these shares transfer to the participant, the participant does not have the right to vote these shares, nor does the participant receive dividends during the outstanding period (however, dividends are accrued and payable upon transfer). For the restricted shares that have performance-based criteria, management periodically evaluates those criteria and adjusts the number of shares awarded, if necessary.

A summary of the Company's restricted shares activity and related information is presented below:

	2022		2021		2020	
	Restricted Awards	Average Market Price at Grant	Restricted Awards	Average Market Price at Grant	Restricted Awards	Average Market Price at Grant
Outstanding at January 1	146,755		158,554		148,083	
Granted	33,327	\$ 77.21	34,762	\$ 76.38	44,696	\$ 69.28
Forfeited/Vested	(39,476)		(46,561)		(34,225)	
Outstanding at December 31	<u>140,606</u>		<u>146,755</u>		<u>158,554</u>	

Information regarding stock-based compensation associated with restricted shares is provided in the following table (in thousands):

	For the year ended December 31,		
	2022	2021	2020
Stock-based compensation expense associated with restricted shares, RSUs and PSUs	\$ 2,817	\$ 2,949	\$ 2,836
At period-end:	2022		
Unrecognized stock-based compensation expense	\$ 4,631		
Weighted average period in which the above amount is expected to be recognized	2.8 years		

401(k) Plan

The Company provides retirement benefits to its employees through matching contributions to the City Holding Company 401(k) Plan and Trust (the "401(k) Plan"), which is intended to be compliant with Employee Retirement Income Security Act (ERISA) section 404(c). Information regarding the Company's 401(k) plan is provided in the following table (dollars in thousands):

	For the year ended December 31,		
	2022	2021	2020
Expense associated with the Company's 401(k) Plan	\$ 1,138	\$ 1,075	\$ 1,061
At period-end:			
Number of shares of the Company's common stock held by the 401(k) Plan	168,332	178,936	198,300

Defined Benefit Plan

The Company maintains a defined benefit pension plan (the "Defined Benefit Plan"), which was inherited from the Company's acquisition of the plan sponsor (Horizon Bancorp, Inc.). The Horizon Defined Benefit Plan was frozen in 1999 and maintains a December 31st year-end for purposes of computing its benefit obligations.

Primarily as a result of the interest rate environment and mortality table revisions, the estimated fair value of plan assets exceeded the benefit obligation at December 31, 2022 and at December 31, 2021. The following table summarizes activity within the Company's Defined Benefit Plan (dollars in thousands):

	Pension Benefits	
	2022	2021
Change in fair value of plan assets:		
Fair value at beginning of measurement period	\$ 14,704	\$ 12,629
Actual (loss) gain on plan assets	(2,253)	2,165
Contributions	—	1,000
Benefits paid	(991)	(1,090)
Fair value at end of measurement period	<u>11,460</u>	<u>14,704</u>
Change in benefit obligation:		
Benefit obligation at beginning of measurement period	(14,295)	(15,499)
Interest cost	(362)	(331)
Actuarial (loss) gain	(260)	(174)
Assumption changes	2,697	619
Benefits paid	991	1,090
Benefit obligation at end of measurement period	<u>(11,229)</u>	<u>(14,295)</u>
Funded status	<u>\$ 231</u>	<u>\$ 409</u>
Weighted-average assumptions for benefit obligation:		
Discount rate	5.14 %	2.63 %
Expected long-term rate of return	6.75 %	6.75 %
Weighted-average assumptions for net periodic pension cost:		
Discount rate	2.63 %	2.21 %
Expected long-term rate of return	6.75 %	6.75 %

Based on the funding status of the Horizon Defined Benefit Plan, no contributions were required during the years ended December 31, 2022 and 2021. However, the Company made voluntary contributions during 2021.

The following table presents the components of the net periodic pension cost of the Company's Defined Benefit Plan, which is recognized in Other Expenses in the Consolidated Statements of Income (in thousands). Since the Company's Defined Benefit Plan is frozen, there is no service cost component.

	2022	2021	2020
Interest cost	\$ 362	\$ 331	\$ 448
Expected return on plan assets	(886)	(884)	(814)
Net amortization and deferral	780	1,122	1,089
Net Periodic Pension Cost	\$ 256	\$ 569	\$ 723

Amounts related to the Company's Defined Benefit Pension Plan recognized as a component of other comprehensive (loss) income were as follows (in thousands):

	2022	2021	2020
Net actuarial gain	\$ 83	\$ 2,848	\$ 737
Deferred tax expense	(20)	(672)	(128)
Other comprehensive income, net of tax	\$ 63	\$ 2,176	\$ 609

Amounts recognized as a component of accumulated other comprehensive (loss) income as of December 31, 2022 and 2021 were as follows (in thousands):

	2022	2021
Net actuarial loss	\$ 4,519	\$ 4,598
Deferred tax benefit	(1,097)	(1,113)
Amounts included in accumulated other comprehensive (loss) income, net of tax	\$ 3,422	\$ 3,485

The following table summarizes the expected benefits to be paid in each of the next five years and in the aggregate for the five years thereafter (in thousands):

Plan Year Ending December 31,	Expected Benefits to be Paid
2023	\$ 1,013
2024	1,005
2025	1,008
2026	991
2027	970
2028 through 2032	4,473

The major categories of assets in the Company's Defined Benefit Plan as of year-end are presented in the following table (in thousands). Assets are segregated by the level of the valuation inputs within the fair value hierarchy established by ASC Topic 820 utilized to measure fair value (See [Note Seventeen](#)).

	Total	Level 1	Level 2	Level 3
2022				
Cash and cash equivalents	\$ 15	\$ 15	\$ —	\$ —
Common stocks	8,751	8,751	—	—
Corporate bonds	2,694	—	2,694	—
Total	\$ 11,460	\$ 8,766	\$ 2,694	\$ —
2021				
Cash and cash equivalents	\$ 39	\$ 39	\$ —	\$ —
Common stocks	11,835	11,835	—	—
Corporate bonds	2,830	—	2,830	—
Total	\$ 14,704	\$ 11,874	\$ 2,830	\$ —

Horizon Defined Benefit Plan (Investment Strategy)

The Company's pension committee has revised the plan's investment strategy and set a target allocation of 75% equity securities and 25% fixed income securities. The assets will be reallocated periodically to meet the above target allocations. A range is developed around each of these target allocations such that at any given time the actual allocation may be higher or lower than stated above (+ or - 10%). The overall investment return goal is to achieve a rate of return greater than a blended index of the S&P 500 and the Barclay's Capital Aggregate Bond Index, which is tailored to the same asset mix of the retirement plans assets, by 1/2 or 1% annualized after fees over a rolling five year moving average basis. At December 31, 2022, the plan assets were invested in equity securities (76%) and fixed income securities (24%), which are in the allowable allocation range under the policy.

Pentegra Defined Benefit Plan

The Company and its subsidiary participate in the Pentegra Defined Benefit Plan for Financial Institutions ("The Pentegra DB Plan"), a tax-qualified defined benefit pension plan. The Pentegra DB Plan operates as a multi-employer plan for accounting purposes and as a multiple-employer plan under the Employee Retirement Income Security Act of 1974 and the Internal Revenue Code. There are no collective bargaining agreements in place that require contributions to the Pentegra DB Plan. The Pentegra DB Plan is a single plan under Internal Revenue Code Section 413(c) and, as a result, all of the assets stand behind all of the liabilities. Accordingly, under the Pentegra DB Plan, contributions made by a participating employer may be used to provide benefits to participants of other participating employers. The funded statuses below are as of July 1, 2022 (the latest available valuation report). It is the policy of the Company to fund the normal cost of the Pentegra DB Plan on an annual basis. Other than for normal plan expenses, no contributions were required for the years ended December 31, 2022, 2021 and 2020. The benefits of the original Pentegra Defined Benefit Plan were frozen prior to the acquisition of Classic Bancshares ("Classic") in 2005, and the benefits of the Poage Pentegra Defined Benefit Plan were frozen prior to the acquisition of Poage in 2018. It is the intention of the Company to fund benefit amounts when assets of the plan are not sufficient.

Pentegra DB Plan's Employer Identification Number	13-5645888
Plan Number	333
Funded status for plan inherited with Classic acquisition	88.26%
Funded status for plan inherited with Poage acquisition	86.39%

Employment Contracts

The Company has entered into employment contracts with certain of its current and former executive officers. The employment contracts provide for, among other things, the payment of termination compensation in the event an executive officer either voluntarily or involuntarily terminates his employment with the Company for other than "Just Cause" as defined in the applicable employment contract. Certain of the employment contracts provide for a termination benefit that became fully vested in 2005 and is payable if and when the executive officer terminates his employment with the Company. The termination benefit grows each year at an amount equal to the one-year constant maturity treasury rate and cannot be forfeited except where the executive officer personally profits from willful fraudulent activity that materially and adversely affects the Company. The costs of this vested termination benefit have been fully accrued and expensed by the Company as of December 31, 2022. The liability was \$1.6 million and \$1.9 million at December 31, 2022 and 2021, respectively. During 2021, the payment of termination benefits for a former executive officer commenced.

Other Post-Retirement Benefit Plans

Certain entities previously acquired by the Company had entered into individual deferred compensation and supplemental retirement agreements with certain current and former directors and officers. The Company has assumed the liabilities associated with these agreements, the cost of which is being accrued over the period of active service from the date of the respective agreement. To assist in funding these liabilities, the acquired entities had insured the lives of certain current and former directors and officers. The Company is the current owner and beneficiary of those insurance policies. The following table presents a summary of the Company's other post-retirement benefit plans (in thousands).

	For the year ended December 31		
	2022	2021	2020
Cost of other post-retirement benefits	\$ 251	\$ 277	\$ 278
At period-end:			
Other post-retirement benefit liability (included in Other Liabilities)	5,527	5,995	6,093
Cash surrender value of insurance policies (included in Other Assets)	4,787	5,071	5,916

NOTE THIRTEEN – RELATED PARTY TRANSACTIONS

City National has granted loans to certain non-executive officers and directors of the Company and its subsidiaries, and to their associates.

	December 31, 2021	Principal Additions	Principal Reductions	December 31, 2022
Related Party Loans	\$ 17,069	\$ 106	\$ (1,174)	\$ 16,001
Unfunded commitments	\$ 6,109			\$ 6,699

NOTE FOURTEEN – COMMITMENTS AND CONTINGENCIES*COVID-19*

The ongoing recovery from the COVID-19 pandemic remains uncertain, and given the ongoing and dynamic nature of the circumstances, it is not possible to accurately predict the extent, severity or duration of these conditions or when normal economic and operating conditions will resume. For this reason, the extent to which the COVID-19 pandemic affects the Company's business, operations and financial condition, as well as its regulatory capital and liquidity ratios, is uncertain and unpredictable and depends on, among other things conditions related to the ongoing recovery from the COVID-19 pandemic. Even after the COVID-19 pandemic fully subsides, it will likely take time for the U.S. economy to fully recover, and the length of the recovery period is unknown. The Company's business could be materially and adversely affected due to ongoing economic volatility during any such recovery period.

Credit Related Financial Instruments

The Company is a party to certain financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of its customers. The Company has entered into agreements with its customers to extend credit or provide conditional commitment to provide payment on drafts presented in accordance with the terms of the underlying credit documents. The Company also provides overdraft protection to certain demand deposit customers that represent an unfunded commitment. Overdraft protection commitments, which are included with other commitments below, are uncollateralized and are paid at the Company's discretion. Conditional commitments generally include standby and commercial letters of credit. Standby letters of credit represent an obligation of the Company to a designated third party contingent upon the failure of a customer of the Company to perform under the terms of the underlying contract between the customer and the third party. Commercial letters of credit are issued specifically to facilitate trade or commerce. Under the terms of a commercial letter of credit, drafts will be drawn when the underlying transaction is consummated, as intended, between the customer and a third party. The majority of the Company's commitments have variable interest rates. The funded portion of these financial instruments is reflected in the Company's balance sheet, while the unfunded portion of these commitments is not reflected in the balance sheet.

The table below presents a summary of the contractual obligations of the Company resulting from significant commitments (in thousands):

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Commitments to extend credit:		
Home equity lines	\$ 232,295	\$ 221,119
Commercial real estate	53,226	50,760
Other commitments	257,222	242,250
Standby letters of credit	5,205	6,023
Commercial letters of credit	2,006	173

Loan commitments and standby and commercial letters of credit have credit risks essentially the same as those involved in extending loans to customers and are subject to the Company's standard credit policies. Collateral is obtained based on management's credit assessment of the customer. Management does not anticipate any material losses as a result of these commitments.

Litigation

In addition, the Company is engaged in various legal actions that it deems to be in the ordinary course of business. As these legal actions are resolved, the Company could realize positive and/or negative impact to its financial performance in the period in which these legal actions are ultimately decided. There can be no assurance that current actions will have immaterial results, either positive or negative, or that no material actions may be presented in the future.

NOTE FIFTEEN – PREFERRED STOCK

The Company's Board of Directors has the authority to issue preferred stock, and to determine the designation, preferences, rights, dividends and all other attributes of such preferred stock, without any vote or action by the shareholders. As of December 31, 2022, no such shares were outstanding, nor were any expected to be issued.

NOTE SIXTEEN – REGULATORY REQUIREMENTS, RESTRICTIONS ON DIVIDENDS AND CAPITAL RATIOS

The principal source of income and cash for City Holding (the "Parent Company") is dividends from City National. Dividends paid by City National to the Parent Company are subject to certain legal and regulatory limitations. Generally, any dividends in amounts that exceed the earnings retained by City National in the current year plus retained net profits for the preceding two years must be approved by regulatory authorities. Approval is also required if dividends declared would cause City National's regulatory capital to fall below specified minimum levels. At December 31, 2022, City National could pay dividends up to \$59.2 million without prior regulatory permission.

During 2022, the Parent Company used cash obtained from the dividends received primarily to: (1) pay common dividends to shareholders and (2) fund repurchases of the Company's common shares. As of December 31, 2022, the Parent Company reported a cash balance of approximately \$54.6 million. Management believes that the Parent Company's available cash balance, together with cash dividends from City National, is adequate to satisfy its funding and cash needs in 2023.

The Basel III Capital Rules require City Holding and City National to maintain minimum CET 1, Tier 1 and Total Capital ratios, along with a capital conservation buffer, effectively resulting in minimum capital ratios (which are shown in the table below). The capital conservation buffer is designed to absorb losses during periods of economic stress. Banking institutions with a ratio of CET 1 capital to risk-weighted assets above the minimum but below the conservation buffer (or below the combined capital conservation buffer and countercyclical capital buffer, when the latter is applied) will face constraints on dividends, equity repurchases and compensation based on the amount of the shortfall. The Basel III Capital Rules also provide for a "countercyclical capital buffer" that is applicable to only certain covered institutions and does not have any current applicability to City Holding Company or City National Bank.

The Company's regulatory capital ratios for both City Holding and City National include the 2.5% capital conservation buffer and are illustrated in the following tables (in thousands):

	Actual		Minimum Required - Basel III		Required to be Considered Well Capitalized	
	Capital Amount	Ratio	Capital Amount	Ratio	Capital Amount	Ratio
December 31, 2022						
CET 1 Capital						
City Holding Company	\$ 598,068	16.2 %	\$ 257,965	7.0 %	\$ 239,538	6.5 %
City National Bank	508,586	13.9 %	256,520	7.0 %	238,197	6.5 %
Tier 1 Capital						
City Holding Company	598,068	16.2 %	313,243	8.5 %	294,817	8.0 %
City National Bank	508,586	13.9 %	311,488	8.5 %	293,166	8.0 %
Total Capital						
City Holding Company	612,654	16.6 %	386,947	10.5 %	368,521	10.0 %
City National Bank	523,172	14.3 %	384,780	10.5 %	366,457	10.0 %
Tier 1 Leverage Ratio						
City Holding Company	598,068	10.0 %	238,954	4.0 %	298,692	5.0 %
City National Bank	508,586	8.6 %	237,973	4.0 %	297,466	5.0 %
December 31, 2021:						
CET 1 Capital						
City Holding Company	\$ 555,532	16.1 %	\$ 241,772	7.0 %	\$ 224,503	6.5 %
City National Bank	492,721	14.4 %	240,392	7.0 %	223,221	6.5 %
Tier 1 Capital						
City Holding Company	555,532	16.1 %	293,581	8.5 %	276,311	8.0 %
City National Bank	492,721	14.4 %	291,905	8.5 %	274,734	8.0 %
Total Capital						
City Holding Company	570,336	16.5 %	362,659	10.5 %	345,389	10.0 %
City National Bank	507,526	14.8 %	360,588	10.5 %	343,418	10.0 %
Tier 1 Leverage Ratio						
City Holding Company	555,532	9.4 %	235,403	4.0 %	294,254	5.0 %
City National Bank	492,721	8.5 %	233,342	4.0 %	291,678	5.0 %

As of December 31, 2022, management believes that City Holding Company, and its banking subsidiary, City National, were "well capitalized." City Holding is subject to regulatory capital requirements administered by the Federal Reserve, while City National is subject to regulatory capital requirements administered by the Office of the Comptroller of the Currency ("OCC") and the Federal Deposit Insurance Corporation ("FDIC"). Regulatory agencies can initiate certain mandatory actions if either City Holding or City National fails to meet the minimum capital requirements, as shown above. As of December 31, 2022, management believes that City Holding and City National meet all capital adequacy requirements.

NOTE SEVENTEEN – FAIR VALUE MEASUREMENTS

Fair value of an asset or liability is the price that would be received to sell that asset or paid to transfer that liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. ASC Topic 820 establishes a fair value hierarchy for valuation inputs that gives the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The fair value hierarchy is as follows:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are less active, and other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect a company's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

The Company bases fair value of assets and liabilities on quoted market prices, prices for similar assets or liabilities, quoted prices in markets that are not active, and other inputs that are observable or can be corroborated by observable market data. If such information is not available, fair value is based upon internally developed models that primarily use, as inputs, observable market-based parameters. Valuation adjustments may be made to ensure that financial instruments are recorded at fair value. These adjustments may include amounts to reflect counterparty creditworthiness, as well as unobservable parameters. Any such valuation adjustments are applied consistently over time. The Company's valuation methodologies may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. While management believes the Company's valuation methodologies are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine fair value of certain financial instruments could result in a different estimate of fair value at the reporting date. Furthermore, the reported fair value amounts have not been comprehensively revalued since the presentation dates, and therefore, estimates of fair value after the balance sheet date may differ significantly from the amount presented herein. A more detailed description of the valuation methodologies used for assets and liabilities measured at fair value, as well as the general classification of such instruments pursuant to the valuation hierarchy, is set forth below.

Financial Assets and Liabilities

The Company used the following methods and significant assumptions to estimate fair value for financial assets and liabilities measured on a recurring basis.

Securities Available for Sale. Securities available for sale are reported at fair value utilizing Level 1, Level 2, and Level 3 inputs. The fair value of securities available for sale is determined by utilizing a market approach by obtaining quoted prices on nationally recognized securities exchanges (other than forced or distressed transactions) that occur in sufficient volume or matrix pricing, which is a mathematical technique used widely in the industry to value debt securities without relying exclusively on quoted prices for the specific securities but rather by relying on the securities' relationship to other benchmark quoted securities. If such measurements are unavailable, the security is classified as Level 3. Significant judgment is required to make this determination.

The Company utilizes a third party pricing service provider to value its Level 1 and Level 2 investment securities. Annually, the Company obtains an independent auditor's report from its third party pricing service provider regarding its controls over investment securities. Although an unqualified opinion regarding the design and operating effectiveness of controls was issued, the report did contain caveats and disclaimers regarding the pricing information, such as the Company should review market values for reasonableness. On a quarterly basis, the Company reprices its debt securities with a third party that is independent of the primary pricing service provider to verify the reasonableness of the fair values.

Derivatives. Derivatives are reported at fair value utilizing Level 2 inputs. The Company utilizes a market approach by obtaining dealer quotations to value its customer interest rate swaps. The Company's derivatives are included within "other assets" and "other liabilities" in the accompanying consolidated balance sheets. Derivative assets are typically secured through securities with financial counterparties or cross collateralization with a borrowing customer. Derivative liabilities are typically secured through the Company pledging securities to financial counterparties or, in the case of a borrowing customer, by the right of setoff. The Company considers factors such as the likelihood of default by itself and its counterparties, right of setoff,

and remaining maturities in determining the appropriate fair value adjustments. All derivative counterparties approved by the Company's Asset and Liability Committee ("ALCO") are regularly reviewed, and appropriate business action is taken to adjust the exposure to certain counterparties, if necessary. Counterparty exposure is evaluated by netting positions that are subject to master netting agreements, as well as considering the amount of marketable collateral securing the position. This approach used to estimate impacted exposures to counterparties is also used by the Company to estimate its own credit risk in derivative liability positions. To date, no material losses have been incurred due to a counterparty's inability to pay any undercollateralized position. There was no significant change in the value of derivative assets and liabilities attributed to credit risk that would have resulted in a derivative credit risk valuation adjustment at December 31, 2022.

The Company may be required, from time to time, to measure certain financial assets and financial liabilities at fair value on a nonrecurring basis. Financial assets measured at fair value on a nonrecurring basis include impaired loans reported at the fair value of the underlying collateral if repayment is expected solely from the collateral. Collateral values are estimated using inputs based on observable market data. The following table presents the Company's assets and liabilities measured at fair value (in thousands):

	Total	Level 1	Level 2	Level 3	Total Gains (Losses)
December 31, 2022					
Recurring fair value measurements					
<i>Financial Assets</i>					
Obligations of states and political subdivisions	\$ 268,315	\$ —	\$ 268,315	\$ —	
Mortgage-backed securities:					
U.S. Government agencies	1,202,279	—	1,202,279	—	
Private label	7,231	—	4,772	2,459	
Trust preferred securities	3,828	—	3,828	—	
Corporate securities	23,867	—	23,867	—	
Marketable equity securities	7,569	3,851	3,718	—	
Certificates of deposit held for investment	747	—	747	—	
Derivative assets	81,838	—	81,838	—	
<i>Financial Liabilities</i>					
Derivative liabilities	65,056	—	65,056	—	
Nonrecurring fair value measurements					
<i>Non-Financial Assets</i>					
Other real estate owned	909	—	—	909	(90)

December 31, 2021	Total	Level 1	Level 2	Level 3	Total Gains (Losses)
Recurring fair value measurements					
<i>Financial Assets</i>					
Obligations of states and political subdivisions	\$ 272,216	\$ —	\$ 272,216	\$ —	
Mortgage-backed securities:					
U.S. Government agencies	1,094,311	—	1,094,311	—	
Private label	9,108	—	5,647	3,461	
Trust preferred securities	4,203	—	4,203	—	
Corporate securities	28,327	—	28,327	—	
Marketable equity securities	9,211	4,134	5,077	—	
Certificates of deposit held for investment	996	—	996	—	
Derivative assets	29,029	—	29,029	—	
<i>Financial Liabilities</i>					
Derivative liabilities	24,283	—	24,283	—	
Nonrecurring fair value measurements					
<i>Financial Assets</i>					
Loans individually evaluated	\$ —	\$ —	\$ —	\$ —	(478)
<i>Non-Financial Assets</i>					
Other real estate owned	1,319	—	—	1,319	(2)

The Company's financial assets and liabilities measured at fair value on a nonrecurring basis using significant unobservable inputs (Level 3) include impaired loans that were re-measured and reported at fair value through a specific valuation allowance allocation of the allowance for credit losses based upon the fair value of the underlying collateral (in thousands). The fair value of impaired loans is estimated using one of several methods, including collateral value, liquidation value and discounted cash flows. The significant unobservable inputs used in the fair value measurement of collateral for collateral-dependent impaired loans primarily relate to discounts applied to the customers' reported amount of collateral. The amount of collateral discount depends upon the marketability of the underlying collateral. During the years ended December 31, 2022 and 2021, collateral discounts ranged from 10% to 30%. During the years ended December 31, 2022 and 2021, the Company had no Level 2 financial assets and liabilities that were measured on a nonrecurring basis.

Non-Financial Assets and Liabilities

The Company has no non-financial assets or liabilities measured at fair value on a recurring basis. Certain non-financial assets measured at fair value on a non-recurring basis include other real estate owned ("OREO"), which is measured at the lower of cost or fair value.

Fair Value of Financial Instruments

ASC Topic 825 "*Financial Instruments*," as amended, requires disclosure of fair value information about financial instruments, whether or not recognized in the balance sheet, for which it is practicable to estimate that value. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including discount rates and estimate of future cash flows. In that regard, the derived fair value estimates cannot be substantiated by comparison to independent markets and, in many cases, could not be realized in immediate settlement of the instrument. ASC Topic 825 excludes certain financial instruments and all nonfinancial instruments from its disclosure requirements. Accordingly, the aggregate fair value amounts presented do not represent the underlying value of the Company.

The following table represents the estimates of fair value of financial instruments (in thousands). This table excludes financial instruments for which the carrying amount approximates fair value. For short-term financial assets such as cash and cash equivalents, the carrying amount is a reasonable estimate of fair value due to the relatively short time between the origination of the instrument and its expected realization. For financial liabilities such as noninterest-bearing demand, interest-bearing demand and savings deposits, the carrying amount is a reasonable estimate of fair value due to these products having no stated maturity.

	Carrying Amount	Fair Value	Level 1	Level 2	Level 3
December 31, 2022					
Assets:					
Cash and cash equivalents	\$ 200,000	\$ 200,000	\$ 200,000	\$ —	\$ —
Securities available-for-sale	1,505,520	1,505,520	—	1,503,061	2,459
Marketable equity securities	7,569	7,569	3,851	3,718	—
Net loans	3,629,150	3,491,318	—	—	3,491,318
Accrued interest receivable	18,287	18,287	18,287	—	—
Derivative assets	81,838	81,838	—	81,838	—
Liabilities:					
Deposits	4,869,866	4,867,883	3,981,766	886,117	—
Short-term debt	290,964	290,964	—	290,964	—
Accrued interest payable	953	953	953	—	—
Derivative liabilities	65,057	65,057	—	65,057	—
December 31, 2021					
Assets:					
Cash and cash equivalents	\$ 634,631	\$ 634,631	\$ 634,631	\$ —	\$ —
Securities available-for-sale	1,408,165	1,408,165	—	1,404,704	3,461
Marketable equity securities	9,211	9,211	4,134	5,077	—
Net loans	3,525,648	3,456,539	—	—	3,456,539
Accrued interest receivable	15,627	15,627	15,627	—	—
Derivative assets	29,029	29,029	—	29,029	—
Liabilities:					
Deposits	4,925,336	4,926,724	3,856,421	1,070,303	—
Short-term debt	312,458	312,458	—	312,458	—
Accrued interest payable	600	600	600	—	—
Derivative liabilities	24,283	24,283	—	24,283	—

NOTE EIGHTEEN – CITY HOLDING COMPANY (PARENT COMPANY ONLY) FINANCIAL INFORMATION**Condensed Balance Sheets**

The following table presents the condensed balance sheets of City Holding Company, parent company only (in thousands):

	December 31,	
	2022	2021
Assets		
Cash	\$ 54,597	\$ 26,884
Securities available-for-sale	2,530	2,644
Investment in subsidiaries	530,144	659,945
Loans	424	479
Fixed assets	2	9
Deferred tax asset	32	—
Other assets	1,321	849
Total Assets	\$ 589,050	\$ 690,810
Liabilities		
Dividends payable	\$ 9,748	\$ 9,249
Deferred tax liability	—	104
Other liabilities	1,450	352
Total Liabilities	11,198	9,705
Total Shareholders' Equity	577,852	681,105
Total Liabilities and Shareholders' Equity	\$ 589,050	\$ 690,810

Condensed Statements of Comprehensive (Loss) Income

The following table presents the condensed statements of comprehensive (loss) income of City Holding Company, parent company only (in thousands):

	Year Ended December 31,		
	2022	2021	2020
Income			
Dividends from subsidiaries	\$ 90,500	\$ 96,000	\$ 74,300
Realized and unrealized investment securities (losses) gains	(52)	820	(1,018)
Other income	99	191	183
	<u>90,547</u>	<u>97,011</u>	<u>73,465</u>
Expenses			
Interest expense	—	—	100
Other expenses	2,077	1,610	1,810
	<u>2,077</u>	<u>1,610</u>	<u>1,910</u>
Income Before Income Tax Benefit and Equity in Undistributed Net Income (Excess Dividends) of Subsidiaries	88,470	95,401	71,555
Income tax benefit	(604)	(264)	(760)
Income Before Equity in Undistributed Net Income (Excess Dividends) of Subsidiaries	89,074	95,665	72,315
Equity in undistributed net income (excess dividends) of subsidiaries	12,997	(7,585)	17,280
Net Income	\$ 102,071	\$ 88,080	\$ 89,595
Total Comprehensive (Loss) Income	\$ (43,677)	\$ 71,107	\$ 114,988

Condensed Statements of Cash Flows

The following table presents the condensed statements of cash flows of City Holding Company, parent company only (in thousands):

	Year Ended December 31,		
	2022	2021	2020
Operating Activities			
Net income	\$ 102,071	\$ 88,080	\$ 89,595
Adjustments to reconcile net income to net cash provided by operating activities:			
Unrealized and realized investment securities losses (gains)	52	(820)	1,018
(Benefit) provision for deferred income taxes	(136)	(194)	(255)
Depreciation, amortization and accretion, net	—	—	1
Stock based compensation	3,277	3,121	3,253
Change in other assets	(465)	89	(284)
Change in other liabilities	(1,851)	(2,775)	(2,936)
(Equity in undistributed net income) excess dividends of subsidiaries	(12,997)	7,585	(17,280)
Net Cash Provided by Operating Activities	89,951	95,086	73,112
Investing Activities			
Proceeds from sales of available for sale securities	61	3,443	—
Net decrease in loans	55	145	39
Net Cash Provided by Investing Activities	116	3,588	39
Financing Activities			
Repayment of long-term debt	—	—	(4,056)
Dividends paid	(36,702)	(36,138)	(36,673)
Purchases of treasury stock	(26,449)	(58,678)	(36,481)
Exercise of stock options	797	691	223
Net Cash Used in Financing Activities	(62,354)	(94,125)	(76,987)
Increase (Decrease) in Cash and Cash Equivalents	27,713	4,549	(3,836)
Cash and cash equivalents at beginning of year	26,884	22,335	26,171
Cash and Cash Equivalents at End of Year	\$ 54,597	\$ 26,884	\$ 22,335

NOTE NINETEEN – SUMMARIZED QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

A summary of selected quarterly financial information (unaudited) is presented below (in thousands, except for per share data):

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
2022				
Interest income	\$ 39,551	\$ 42,742	\$ 50,807	\$ 56,588
Taxable equivalent adjustment	323	321	326	336
Interest income (FTE)	39,874	43,063	51,133	56,924
Interest expense	1,635	1,452	2,025	4,543
Net interest income	38,239	41,611	49,108	52,381
(Recovery of) Provision for credit losses	(756)	—	730	500
Non-interest income	17,448	17,849	18,244	18,536
Non-interest expense	29,527	30,689	31,501	32,585
Income before income tax expense	26,916	28,771	35,121	37,832
Income tax expense	5,251	5,767	7,421	6,824
Taxable equivalent adjustment	(323)	(321)	(326)	(336)
Net income available to common shareholders	\$ 21,342	\$ 22,683	\$ 27,374	\$ 30,672
Net earnings allocated to common shareholders	\$ 21,142	\$ 22,480	\$ 27,119	\$ 30,378
Basic earnings per common share	\$ 1.41	\$ 1.51	\$ 1.84	\$ 2.06
Diluted earnings per common share	1.41	1.51	1.83	2.05
Average common shares outstanding:				
Basic	14,974	14,888	14,776	14,756
Diluted	15,002	14,909	14,800	14,785
2021				
Interest income	\$ 40,937	\$ 40,499	\$ 41,558	\$ 42,473
Taxable equivalent adjustment	331	343	334	325
Interest income (FTE)	41,268	40,842	41,892	42,798
Interest expense	3,397	2,585	2,070	1,842
Net interest income	37,871	38,257	39,822	40,956
Recovery of credit losses	(440)	(2,000)	(725)	—
Non-interest income	16,630	17,448	17,947	17,616
Non-interest expense	29,809	29,574	29,178	28,624
Income before income tax expense	25,132	28,131	29,316	29,948
Income tax expense	4,987	5,640	6,250	6,237
Taxable equivalent adjustment	(331)	(343)	(334)	(325)
Net income available to common shareholders	\$ 19,814	\$ 22,148	\$ 22,732	\$ 23,386
Net earnings allocated to common shareholders	\$ 19,635	\$ 21,942	\$ 22,499	\$ 23,161
Basic earnings per common share	\$ 1.25	\$ 1.41	\$ 1.47	\$ 1.54
Diluted earnings per common share	1.25	1.41	1.47	1.54
Average common shares outstanding:				
Basic	15,656	15,573	15,279	15,026
Diluted	15,687	15,594	15,302	15,056

NOTE TWENTY – EARNINGS PER SHARE

The following table sets forth the computation of basic and diluted earnings per share (in thousands, except per share data):

	For the Year Ended December 31,		
	2022	2021	2020
Net income available to common shareholders	\$ 102,071	\$ 88,080	\$ 89,595
Less: earnings allocated to participating securities	(958)	(843)	(887)
Net earnings allocated to common shareholders	<u>\$ 101,113</u>	<u>\$ 87,237</u>	<u>\$ 88,708</u>
Distributed earnings allocated to common shares outstanding	\$ 36,619	\$ 34,901	\$ 35,745
Undistributed earnings allocated to common shares outstanding	64,494	52,336	52,963
Net earnings allocated to common shareholders	<u>\$ 101,113</u>	<u>\$ 87,237</u>	<u>\$ 88,708</u>
Average shares outstanding, basic	14,847	15,381	15,975
Effect of dilutive securities	26	26	20
Average shares outstanding, diluted	<u>14,873</u>	<u>15,407</u>	<u>15,995</u>
Basic earnings per share	<u>\$ 6.81</u>	<u>\$ 5.67</u>	<u>\$ 5.55</u>
Diluted earnings per share	<u>\$ 6.80</u>	<u>\$ 5.66</u>	<u>\$ 5.55</u>

Anti-dilutive options are not included in the computation of diluted earnings per share because the options' exercise price was greater than the average market price of the common shares and therefore, the effect would have been anti-dilutive. Anti-dilutive options were not significant for any of the periods shown above.

NOTE TWENTY-ONE – ACCUMULATED OTHER COMPREHENSIVE (LOSS) INCOME

The activity in accumulated other comprehensive (loss) income is presented in the tables below (in thousands). The activity is shown net of tax, which is calculated using a combined Federal and state income tax rate approximating 24% for 2022 and 2021.

	Accumulated Other Comprehensive (Loss) Income		
	Defined Benefit Pension Plans	Unrealized Gains (Losses) on Securities Available-for-Sale	Total
Balance at December 31, 2020	\$ (5,661)	\$ 36,894	\$ 31,233
Other comprehensive income (loss) before reclassifications	2,176	(18,912)	(16,736)
Amounts reclassified from other comprehensive income (loss)	—	(237)	(237)
	2,176	(19,149)	(16,973)
Balance at December 31, 2021	\$ (3,485)	\$ 17,745	\$ 14,260
Other comprehensive income (loss) before reclassifications	63	(145,808)	(145,745)
Amounts reclassified from other comprehensive (loss) income	—	(3)	(3)
	63	(145,811)	(145,748)
Balance at December 31, 2022	\$ (3,422)	\$ (128,066)	\$ (131,488)

	Amounts reclassified from Other Comprehensive (Loss) Income			Affected line item in the Consolidated Statements of Income
	December 31,			
	2022	2021	2020	
<i>Securities available-for-sale:</i>				
Net securities gains reclassified into earnings	\$ (4)	\$ (312)	\$ (62)	Net gains on sale of investment securities
Related income tax expense	1	75	15	Income tax expense
Net effect on accumulated other comprehensive (loss) income	\$ (3)	\$ (237)	\$ (47)	

NOTE TWENTY-TWO – CONTRACTS WITH CUSTOMERS

The Company's largest source of revenue is comprised of net interest income on financial assets and financial liabilities, which is explicitly excluded from the scope of ASC Topic 606, *Revenue from Contracts with Customers* ("ASC 606"), and non-interest income. The Company's significant sources of non-interest income are: service charges, bankcard revenue, trust and investment management fee income and bank owned life insurance (which is also excluded from ASC 606).

The Company's significant policies related to contracts with customers are discussed below.

Service Charges: Service charges consist of service charges on deposit accounts (monthly service fees, account analysis fees, non-sufficient funds ("NSF") fees and other deposit account related fees). For transaction based fees, the Company's performance obligation is generally satisfied, and the related revenue recognized, at a point in time. For nontransaction based fees, the Company's performance obligation is generally satisfied, and the related revenue recognized, over the period in which the service is provided (typically a month). Generally, payments are received immediately through a direct charge to the customer's account.

Bankcard Revenue: Bankcard revenue is primarily comprised of debit card income and ATM fees. Debit card income is primarily comprised of interchange fees earned whenever the Company's debit cards are processed through card payment networks such as Mastercard. ATM fees are primarily generated when a non-Company cardholder uses a Company ATM or when a Company cardholder uses a non-Company ATM. The Company's performance obligation for bankcard revenue is generally satisfied, and the related revenue recognized, when the services are rendered. Generally, payments are received immediately or in the following month.

Trust and Investment Management Fee Income: Trust and investment management fee income is primarily comprised of fees earned from the management and administration of customer assets. The Company's performance obligation is generally satisfied over time (typically a quarter), and the related revenue recognized, based upon the quarter-end market value of the assets under management and the applicable fee rate. Generally, payments are received a few days after quarter-end through a direct charge to the customer's account.

The following table illustrates the disaggregation by the Company's major revenue streams (in thousands):

	Point of Revenue Recognition	2022	2021	2020
Major revenue streams				
Service charges	At a point in time and over time	\$ 28,335	\$ 25,539	\$ 25,733
Bankcard revenue	At a point in time	27,349	26,987	23,059
Trust and investment management fee income	Over time	8,798	8,415	7,736
Other income	At a point in time and over time	3,617	3,989	4,692
Net revenue from contracts with customers		68,099	64,930	61,220
Non-interest income within the scope of other GAAP topics		3,978	4,711	21,460
Total non-interest income		\$ 72,077	\$ 69,641	\$ 82,680

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Pursuant to Rule 13a-15(b) under the Securities Exchange Act of 1934, the Company carried out an evaluation, with the participation of the Company's management, including the Company's Chief Executive Officer (principal executive officer) and Chief Financial Officer (principal financial officer), of the effectiveness of the Company's disclosure controls and procedures (as defined under Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934) as of the end of the period covered by this report. Based upon that evaluation, the Company's Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures are effective in timely alerting them to material information relating to the Company required to be included in the Company's periodic Securities and Exchange Commission filings.

- (a) Management's annual report on internal control over financial reporting appears on page [53](#) of the Annual Report on Form 10-K of City Holding Company for the year ended December 31, 2022.
- (b) The attestation report of the Company's independent registered public accounting firm appears on page [54](#) of the Annual Report on Form 10-K of City Holding Company for the year ended December 31, 2022.
- (c) The Company did not have any changes in internal control over financial reporting during its fourth quarter for the year ending December 31, 2022, that materially affected, or were reasonably likely to materially affect, the Company's internal control over financial reporting.

The Report of Management's Assessment of Internal Control Over Financial Reporting and the Report of Crowe LLP, Independent Registered Public Accounting Firm are included in Item 8 of this Annual Report on Form 10-K.

Item 9B. Other Information

None.

Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

Certain information regarding executive officers is included under the section captioned "Executive Officers of the Registrant" in Part I, Item 1, elsewhere in this Annual Report on Form 10-K. Other information required by this Item appears under the captions "ELECTION OF DIRECTORS", "ADDITIONAL INFORMATION CONCERNING THE BOARD OF DIRECTORS", "REPORT OF THE AUDIT COMMITTEE", and "SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE" in the Company's 2023 Proxy Statement, which will be filed no later than 120 days after December 31, 2022, and is hereby incorporated by reference.

In December 2009, the Company adopted its current Code of Business Conduct and Ethics which applies to all employees (including its chief executive officer, chief financial officer and principal accounting officer). Members of the Board of Directors are governed by a separate Code of Business Conduct and Ethics approved in January 2004. Both of the Codes of Business Conduct and Ethics have been posted on the Company's website at www.bankatcity.com under the "Corporate Governance" link located at the bottom of the page. A copy of the Company's Code of Business Conduct and Ethics covering all employees and/or a copy of the Code of Business Conduct and Ethics covering the Board of Directors will be mailed without charge upon request to Investor Relations, City Holding Company, 25 Gateway Road, P.O. Box 7520, Charleston, WV 25356-0520. Any amendments to or waivers from any provision of the Code of Ethics applicable to the Company's chief executive officer, chief financial officer, or principal accounting officer will be disclosed by timely posting such information on the Company's Internet website.

Item 11. Executive Compensation

Certain information regarding securities authorized for issuance under equity compensation plans is included in the section captioned "STOCK-BASED COMPENSATION PLAN" in Part II, Item 5, elsewhere in this Annual Report on Form 10-K. Other information required by Item 11 of Form 10-K appears under the captions "COMPENSATION OF DIRECTORS", "COMPENSATION DISCUSSION AND ANALYSIS", "EQUITY HOLDINGS", "POST-EMPLOYMENT PAYMENTS", "BOARD COMPENSATION COMMITTEE REPORT ON EXECUTIVE COMPENSATION," "PAY VERSUS PERFORMANCE" and "PAY RATIO DISCLOSURE" in the Company's 2023 Proxy Statement, which will be filed no later than 120 days after the end of the fiscal year covered by this Annual Report, and is hereby incorporated by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information required by Item 12 of Form 10-K appears under the caption "COMMON STOCK OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT" in the Company's 2023 Proxy Statement that will be filed within 120 days of the end of the fiscal year covered by this Annual Report and is hereby incorporated by reference.

Stock-Based Compensation Plan

Information regarding stock-based compensation awards outstanding and available for future grants as of December 31, 2022, segregated between stock-based compensation plans approved by shareholders and stock-based compensation plans not approved by shareholders, is presented in the table below. Additional information regarding stock-based compensation plans is presented in [Note Twelve](#) of Notes to Consolidated Financial Statements.

Plan Category	Number of Stock Options to be Issued Upon Exercise of Outstanding Awards (a)	Weighted-average exercise price of outstanding awards (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Plans approved by shareholders	11,586	\$ 62.83	325,750
Plans not approved by shareholders	—	—	—
Total	11,586	\$ 62.83	325,750

Item 13. Certain Relationships and Related Transactions and Director Independence

The information required by Item 13 of Form 10-K appears under the captions "CERTAIN TRANSACTIONS INVOLVING DIRECTORS AND EXECUTIVE OFFICERS" and "ADDITIONAL INFORMATION CONCERNING THE BOARD OF DIRECTORS" in the Company's 2023 Proxy Statement, which will be filed no later than 120 days after the end of the fiscal year covered by this Annual Report, and is hereby incorporated by reference.

Item 14. Principal Accounting Fees and Services

The information required by Item 14 of Form 10-K appears under the caption "PRINCIPAL ACCOUNTING FEES AND SERVICES" in the Company's 2023 Proxy Statement, which will be filed no later than 120 days after the end of the fiscal year covered by this Annual Report, and is hereby incorporated by reference.

PART IV

Item 15. Exhibits, Financial Statement Schedules

- (a)
 - (1) Financial Statements (PCAOB ID: 173). Reference is made to Part II, Item 8, of this Annual Report on Form 10-K.
 - (2) Financial Statement Schedules. These schedules are omitted as the required information is inapplicable or the information is presented in the consolidated financial statements or related notes.
 - (3) Exhibits. The exhibits listed in the "Exhibit Index" beginning on page [115](#) of this Annual Report on Form 10-K included herein are filed herewith or incorporated by reference from previous filings.
- (b) See (a) (3) above.
- (c) See (a) (1) and (2) above.

Item 16. Form 10-K Summary

None.

EXHIBIT INDEX

The following exhibits are filed herewith or are incorporated herein by reference.

<u>Exhibit</u>	<u>Description</u>
2(a)	Agreement and Plan of Merger, dated November 14, 2011, by and among Virginia Savings Bancorp, Inc., Virginia Savings Bank, F.S.B., City Holding Company and City National Bank of West Virginia (attached to, and incorporated by reference from, City Holding Company's Form 8-K dated November 14, 2011, and filed with the Securities and Exchange Commission on November 14, 2011).
2(b)	Agreement and Plan of Merger, dated August 2, 2012, by and among Community Financial Corporation, Community Bank, City Holding Company and City National Bank of West Virginia (attached to, and incorporated by reference from City Holding Company's Form 8-K dated August 7, 2012, and filed with the Securities and Exchange Commission on August 7, 2012).
2(c)	Agreement and Plan of Merger, dated July 11, 2018, Farmers Deposit Bancorp, Inc., Farmers Deposit Bank and City Holding Company (attached to, and incorporated by reference from, City Holding Company's Form 8-K dated July 11, 2018, and filed with the Securities and Exchange Commission on July 12, 2018).
2(d)	Agreement and Plan of Merger, dated July 11, 2018, by and between Poage Bankshares, Inc. and City Holding Company (attached to, and incorporated by reference from, City Holding Company's Form 8-K dated July 11, 2018, and filed with the Securities and Exchange Commission on July 12, 2018).
2(e)	2(e) Agreement and Plan of Merger dated as of October 18, 2022 by and between City Holding Company and Citizens Commerce Bancshares, Inc. (attached to, and incorporated by reference from, City Holding Company's Form 8-K dated October 18, 2022, and filed with the Securities and Exchange Commission on October 18, 2022).
3(a)	Amended and Restated Articles of Incorporation of City Holding Company (attached to, and incorporated by reference from City Holding Company's Form 10-Q Quarterly Report for the quarter ending September 30, 2021, filed November 4, 2021 with the Securities Exchange Commission).
3(b)	Amended and Restated Bylaws of City Holding Company, revised December 18, 2019 (attached to, and incorporated by reference from, City Holding Company's Current Report on Form 8-K filed December 20, 2019 with the Securities and Exchange Commission).
4(a)	Rights Agreement dated as of June 22, 2001 (attached to, and incorporated by reference from City Holding Company's Form 8-A, filed June 22, 2001 with the Securities and Exchange Commission)."
4(b)	Amendment No. 1 to the Rights Agreement dated as of November 30, 2005 (attached to, and incorporated by reference from City Holding Company's Amendment No. 1 on Form 8-A, filed December 21, 2005, with the Securities and Exchange Commission).
4(c)	Description of City Holding Company's Securities (attached to and incorporated by reference from, City Holding Company's Form 10-K Annual Report for the year ended December 31, 2019, filed February 27, 2020 with the Securities and Exchange Commission).
10(a)	Directors' Deferred Compensation Plan for the Directors of the Bank of Raleigh, dated January 1987 (attached to and incorporated by reference from, City Holding Company's Form 10-K Annual Report for the year ended December 31, 2004, filed March 2, 2005 with the Securities and Exchange Commission).
10(b)	City Holding Company's 2003 Incentive Plan (attached to, and incorporated by reference from, City Holding Company's Definitive Proxy Statement, filed March 21, 2003 with the Securities and Exchange Commission).
10(c)	City Holding Company's 2013 Incentive Plan (attached to, and incorporated by reference from, City Holding Company's Definitive Proxy Statement, filed March 22, 2013 with the Securities and Exchange Commission).
10(d)	Form of Employment Agreement, dated as of July 25, 2007, by and between City Holding Company and Charles R. Hageboeck, Ph.D. (attached to, and incorporated by reference from, City Holding Company's Current Report on Form 8-K, filed July 31, 2007 with the Securities and Exchange Commission).
10(e)	Form of Change in Control and Termination Agreement, dated June 28, 2004, by and between City Holding Company and John A. DeRito (attached to, and incorporated by reference from, City Holding Company's Form 10-K Annual Report for the year ended December 31, 2005, filed March 7, 2006 with the Securities and Exchange Commission).
10(f)	Amendment to Employment Agreement, dated December 19, 2011, by and among City Holding Company, City National Bank of West Virginia and Charles R. Hageboeck (attached to and incorporated by reference from City Holding Company's Form 8-K filed on December 21, 2011, with the Securities and Exchange Commission).
10(g)	Indenture, dated as of December 22, 2006, between Town Square Financial Corporation and Wilmington Trust Company, as Trustee (attached to and incorporated by reference from City Holding Company's Form 10K, Annual Report for the period ended December 31, 2018 and filed March 11, 2019 with the Securities and Exchange Commission).
10(h)	Second Supplemental Indenture, dated as of December 7, 2018, by and between City Holding Company, Poage Bankshares, Inc. and Wilmington Trust Company, as Trustee (attached to and incorporated by reference from City Holding Company's Form 10K, Annual Report for the period ended December 31, 2018 and filed March 11, 2019 with the Securities and Exchange Commission).

10(i)	Change in Control Agreement for David L. Bumgarner, effective as of May 4, 2022 (attached to and incorporated by reference from City Holding Company's Form 10Q, Quarterly Report for the period ended March 31, 2022 filed May 5, 2022 with the Securities and Exchange Commission).
10(j)	Change in Control Agreement for Jeffrey D. Legge, effective as of May 4, 2022 (attached to and incorporated by reference from City Holding Company's Form 10Q, Quarterly Report for the period ended March 31, 2022 filed May 5, 2022 with the Securities and Exchange Commission).
10(k)	Change in Control Agreement for Michael T. Quinlan, Jr., effective as of May 4, 2022 (attached to and incorporated by reference from City Holding Company's Form 10Q, Quarterly Report for the period ended March 31, 2022 filed May 5, 2022 with the Securities and Exchange Commission).
21	Subsidiaries of City Holding Company
23	Consent of Crowe LLP, Independent Registered Public Accounting Firm
24	Power of Attorney (included on the signature page hereof)
31(a)	Certification pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 by Charles R. Hageboeck, Ph.D.
31(b)	Certification pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 by David L. Bumgarner
32(a)	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 by Charles R. Hageboeck, Ph.D.
32(b)	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 by David L. Bumgarner
101	Interactive Data File - The instance document does not appear in the interactive data file because its XBRL tags are embedded within the inline XBRL document.
101.SCH	XBRL Taxonomy Extension Schema*
101.CAL	XBRL Taxonomy Extension Calculation Linkbase*
101.DEF	XBRL Taxonomy Extension Definition Linkbase*
101.LAB	XBRL Taxonomy Extension Label Linkbase*
101.PRE	XBRL Taxonomy Extension Presentation Linkbase*
104	Cover Page Interactive Data file (formatted as inline XBRL and contained in Exhibit 101).

*Pursuant to Rule 406T of Regulation S-T, these interactive data files are deemed not filed or part of a registration statement or prospectus for purposes of Section 11 or 12 of the Securities Act of 1933 or Section 18 of the Securities Exchange Act of 1934 and otherwise are not subject to liability.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: February 22, 2023

City Holding Company

(Registrant)

By: /s/ Charles R. Hageboeck, Ph.D.

Charles R. Hageboeck, Ph.D.
President and Chief Executive Officer
(Principal Executive Officer)

By: /s/ David L. Bumgarner

David L. Bumgarner
Executive Vice President, Chief Financial Officer and Principal
Accounting Officer
(Principal Financial Officer)

POWER OF ATTORNEY

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities indicated on February 22, 2022. Each of the directors and/or officers of City Holding Company whose signature appears below hereby appoints C. Dallas Kayser, and/or Charles R. Hageboeck Ph.D., as his attorney-in-fact to sign in his name and behalf, in any and all capacities stated below and to file with the Securities and Exchange Commission, any and all amendments to this report on Form 10-K, making such changes in this report on Form 10-K as appropriate, and generally to do all such things in their behalf in their capacities as officers and directors to enable City Holding Company to comply with the provisions of the Securities Exchange Act of 1934, and all requirements of the Securities and Exchange Commission.

/s/ C. Dallas Kayser

C. Dallas Kayser
Chairman

/s/ Tracy W. Hylton, II

Tracy W. Hylton, II
Director

/s/ Thomas L. Burnette

Thomas L. Burnette
Director

/s/ J. Thomas Jones

J. Thomas Jones
Director

/s/ Gregory A. Burton

Gregory A. Burton
Director

/s/ Javier A. Reyes, Ph.D.

Javier A. Reyes
Director

/s/ Charles W. Fairchilds

Charles W. Fairchilds
Director

/s/ James L. Rossi

James L. Rossi
Director

/s/ William H. File, III

William H. File, III
Director

/s/ Sharon H. Rowe

Sharon H. Rowe
Director

/s/ Robert D. Fisher

Robert D. Fisher
Director

/s/ Diane Strong-Treister

Diane Strong-Treister
Director

/s/ Charles R. Hageboeck, Ph.D.

Charles R. Hageboeck, Ph.D.
Director, President, and Chief Executive Officer

Subsidiaries of City Holding Company

As of December 31, 2022, the subsidiaries, each wholly-owned, of City Holding Company included:

City National Bank of West Virginia 3601 MacCorkle Avenue S.E. Charleston, West Virginia	National Banking Association	Insured Depository Institution
City Financial Corporation 3601 MacCorkle Avenue, S.E. Charleston, West Virginia	West Virginia Corporation	Inactive Securities Brokerage and Investment Advisory Company
City Mortgage Corporation Pittsburgh, Pennsylvania	Pennsylvania Corporation	Inactive Mortgage Banking Company
City Capital Management Company 1011 Centre Road, Suite 310 Wilmington, Delaware	Delaware Corporation	Capital Management Company
Town Square Statutory Trust I 25 Gateway Road Cross Lanes, West Virginia	Delaware Business Trust	Special-purpose Statutory Trust

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the following Registration Statements of City Holding Company and Subsidiaries:

- 1) Registration Statement (Form S-8 No. 333-87667) of City Holding Company pertaining to the 1993 Incentive Plan,
- 2) Registration Statement (Form S-8 No. 333-115282) of City Holding Company pertaining to the 2003 Incentive Plan, and
- 3) Registration Statement (Form S-8 No. 333-189055) of City Holding Company pertaining to the 2013 Incentive Plan;

of our report dated February 22, 2023, with respect to the consolidated financial statements and the effectiveness of internal control over financial reporting included in this Annual Report on Form 10-K for City Holding Company and Subsidiaries for the year ended December 31, 2022.

/s/ Crowe LLP

Washington, D.C.

February 22, 2023

CERTIFICATION

I, Charles R. Hageboeck, certify that:

1. I have reviewed this Annual Report on Form 10-K of City Holding Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or such persons performing the equivalent functions):
 - (i) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (e) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 22, 2023

/s/ Charles R. Hageboeck

Charles R. Hageboeck

President and Chief Executive Officer

CERTIFICATION

I, David L. Bumgarner, certify that:

1. I have reviewed this annual report on Form 10-K of City Holding Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or such persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (i) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 22, 2023

/s/ David L. Bumgarner

David L. Bumgarner

Executive Vice President and Chief Financial Officer and
Principal Accounting Officer

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report on Form 10-K of City Holding Company (the "Company") for the period ending December 31, 2022 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Charles R. Hageboeck, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 22, 2023

/s/ Charles R. Hageboeck

Charles R. Hageboeck
President and Chief Executive Officer

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report on Form 10-K of City Holding Company (the "Company") for the period ending December 31, 2022 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, David L. Bumgarner, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 22, 2023

/s/ David L. Bumgarner

David L. Bumgarner
Executive Vice President, Chief Financial Officer and Principal
Accounting Officer