



**Part II** Organizational Action (continued)

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

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18 Can any resulting loss be recognized? ▶ See attachment.

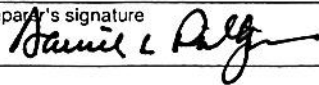
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19 Provide any other information necessary to implement the adjustment, such as the reportable tax year ▶ See attachment.

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Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.

**Sign Here**  
Signature ▶  Date ▶ 12/12/18  
Print your name ▶ David L. Phillips Title ▶ SVP & CFO

<b>Paid Preparer Use Only</b>	Print/Type preparer's name	Preparer's signature	Date	Check <input type="checkbox"/> if self-employed	PTIN
	David L. Phillips		12/12/18		P01220686
	Firm's name ▶ Ernst & Young LLP	Firm's address ▶ 900 United Center, 500 Virginia St East, Charleston WV 25301		Firm's EIN ▶	34-6565596
				Phone no.	304-343-8971

**POAGE BANKSHARES, INC.**  
**EIN: 45-3204393**  
**Attachment to Form 8937**

**Part II**

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

On December 7, 2018, Poage Bankshares, Inc. ("PBSK") merged with and into City Holding Company ("City"), with City as the surviving legal entity (the "Merger"). Pursuant to the Merger, each share of PBSK common stock automatically converted into the right to receive 0.335 shares of City common stock. Any shareholder who would otherwise be entitled to a fractional share of City common stock as a result of the Merger received a cash payment equal to the fraction of a share of the City common stock to which such holder would otherwise be entitled to multiplied by the average closing price per share.

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

The Merger is intended to be treated as a reorganization described in Section 368(a) of the Internal Revenue Code (the "Code"). Except as discussed below in "Cash in Lieu of Fractional Shares of City Common Stock," a U.S. shareholder who exchanges PBSK common stock for City common stock (other than cash received in lieu of a fractional share) generally will have no gain or loss recognized upon the receipt of shares of City common stock in exchange therefor pursuant to the Merger.

The aggregate adjusted tax basis of the shares of City common stock received by the U.S. shareholder in the Merger will be the same as the aggregate adjusted tax basis of the shares of PBSK common stock surrendered in exchange therefor, reduced by the tax basis allocable to any fractional share of City common stock for which cash is received.

*Cash in Lieu of Fractional Shares of City Common Stock*

If a shareholder of PBSK common stock receives cash instead of a fractional share of City common stock, the holder will generally be treated as having received such fractional share and then as having received such cash in redemption of that fractional share by City. A holder generally will recognize gain or loss equal to the difference between the amount of cash received and the basis allocable to the fractional share of City common stock.

*This Form 8937 does not constitute tax advice. Shareholders are urged to consult their own tax advisors regarding the particular consequences of the Merger,*

*including the applicability and effect of all U.S. federal, state and local, and foreign tax laws.*

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

The adjusted tax basis of the City common stock received in the Merger should be the adjusted tax basis in the shares of PBSK common stock surrendered in the Merger.

**Example:** Assume a U.S. shareholder owned 120 shares of PBSK common stock, 60 of which were acquired on Date 1 with an aggregate tax basis of \$1,500 (or \$25 per share), and 60 of which were acquired on Date 2 with an aggregate tax basis of \$1,200 (or \$20 per share), for a total aggregate basis of \$2,700 (\$1,500 + \$1,200). Pursuant to the Merger, such U.S. shareholder received 40.2 shares of City common stock (120 shares of PBSK common stock x 0.335). As a result, the U.S. shareholder would have (i) 20 shares of City common stock (60 shares acquired on Date 1 x 0.335) with an aggregate tax basis of \$1,492.54 (or \$74.63 per share) that is treated as having been acquired on Date 1; (ii) 20 shares of City common stock (60 shares acquired on Date 2 x 0.335) with an aggregate tax basis of \$1,194.03 (or \$59.70 per share) that is treated as having been acquired on Date 2; and (iii) a fractional share (0.2) that is divided into two equal segments to represent the basis of stock acquired on Dates 1 and 2. Specifically, the fractional share would have one segment with a tax basis of \$7.46 that is treated as having been acquired in Date 1 and a second segment with a tax basis of \$5.97 that is treated as being acquired on Date 2.

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

The applicable Code sections upon which the tax treatment of the Merger is based are Sections 354, 358, and 368. Note that this Form 8937 does not address the treatment of the cash payments made to shareholders related to fractional shares.

**Line 18. Can any resulting loss be recognized?**

No loss should be recognized on the Merger. Note that this Form 8937 does not address the treatment of the cash payments made to shareholders related to fractional shares.

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**Line 19. Provide any other information necessary to implement the adjustment, such as the reportable tax year.**

The stock basis adjustments are taken into account in the tax year of a shareholder during which the Merger occurred (e.g., 2018 for calendar year taxpayers).