

City Holding Company



KBW Community Bank Investor Conference

July 28-July 30, 2020

City Holding
Company

Forward looking statements

This presentation contains certain forward-looking statements that are included pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Such information involves risks and uncertainties that could result in the Company's actual results differing 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 for the fiscal year ended December 31, 2018 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) the uncertainties on the Company's business, results of operations and financial condition, caused by the COVID-19 pandemic, which will depend on several factors, including the scope and duration of the pandemic, its continued influence on financial markets, the effectiveness of the Company's work from home arrangements and staffing levels in operational facilities, the impact of market participants on which the Company relies and actions taken by governmental authorities and other third parties in response to the pandemic; (3) credit risk, including risk that negative credit quality trends may lead to a deterioration of asset quality, risk that our allowance for loan losses may not be sufficient to absorb actual losses in our loan portfolio, and risk from concentrations in 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; (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.

City was very proud to recently announce that for the 3rd consecutive year, we were awarded the highest ranking in customer satisfaction in the North Central District by JD Power (IN, OH, KY, MI, WV).



2018



2019



2020



Presenters:

Skip Hageboeck
CEO & President

David Bumgarner
EVP & CFO

Tim Quinlan
Retail Banking Executive

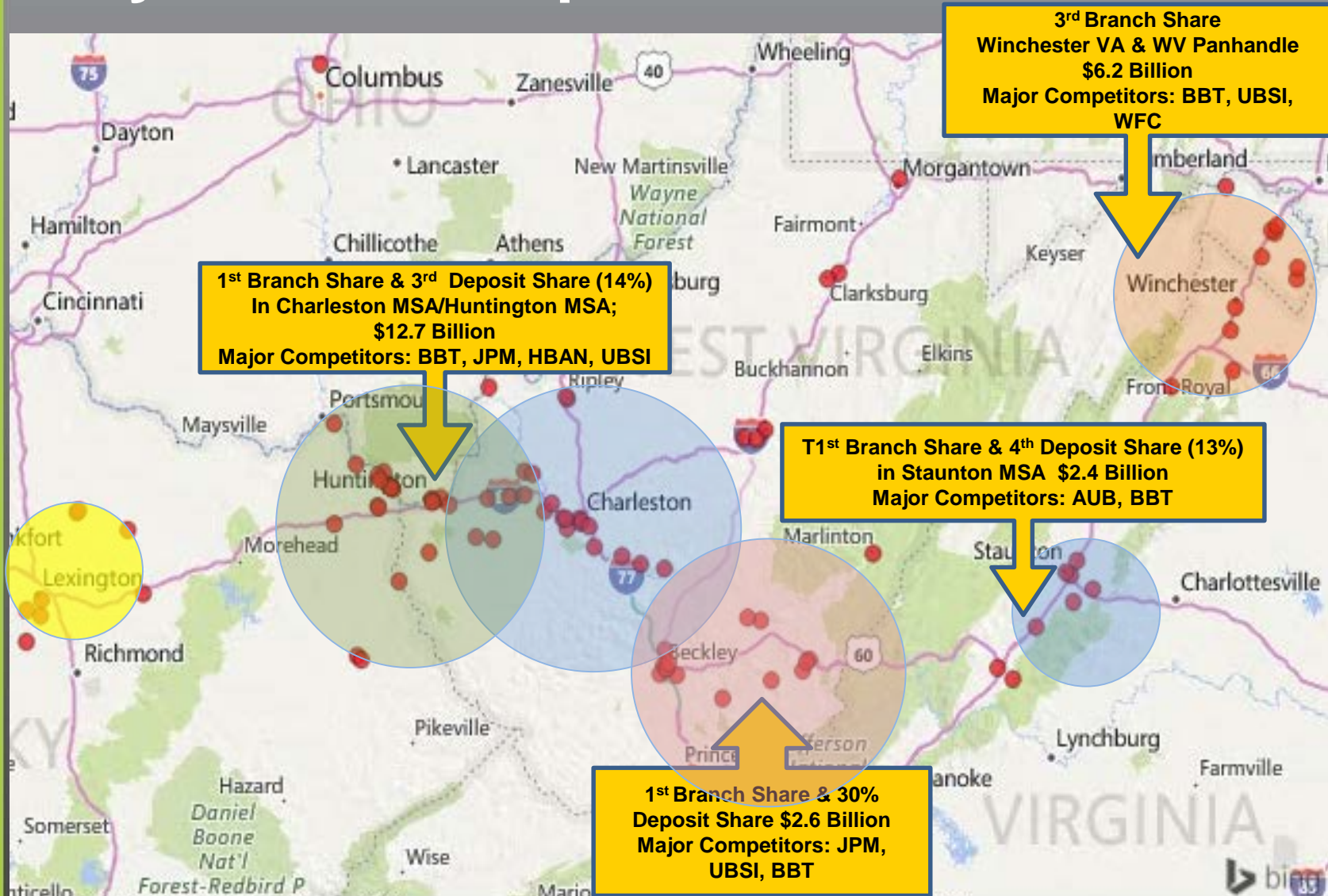
- Total Assets \$5.5 billion
 - Branches 94
 - FTE 913
 - Market Cap \$1.0 billion
-
- Markets: Stable, Slow growing, & less competitive
 - Business Lines: Retail, Commercial, Investment Management
 - Asset Quality: Demonstrated strong track record
 - Performance: Long record as a high performer
 - Growth: Succeeding in slow-growth markets & expanding into new markets

Date: July 24, 2020

Deposits mostly in WV and E. KY

Key Deposit Markets	Deposits
West Virginia & E. Kentucky – <i>dating to 1870</i>	76%
New Markets	24%

City National Deposit Markets



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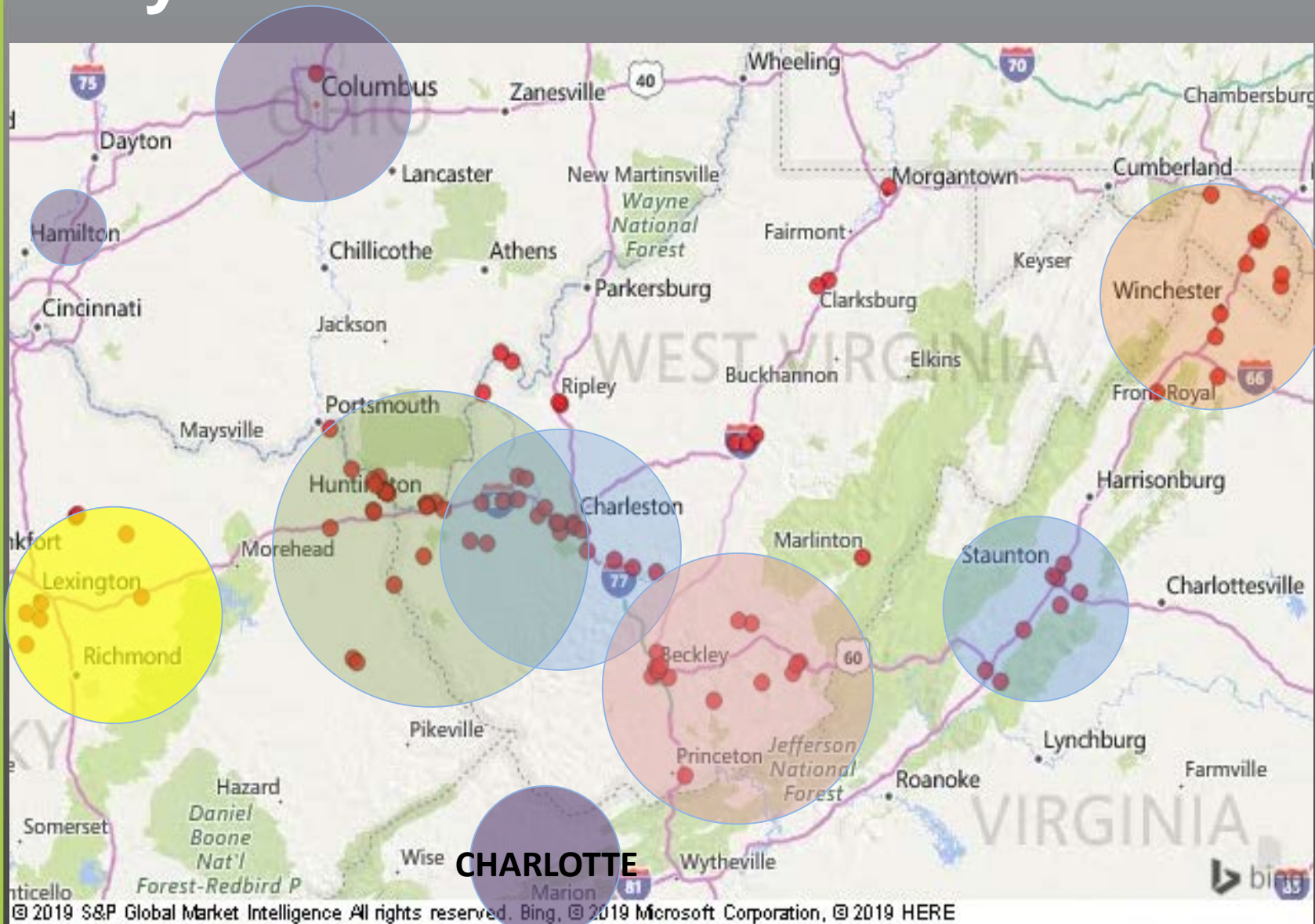
Bubbles represent relative size of City's deposits within the region. (10% of all deposits not in a "bubble")



Diversified Commercial Loan Portfolio

Key Loan Markets	Percent of Commercial Portfolio
West Virginia & Eastern Kentucky – <i>dating to 1870</i>	47%
Virginia/Eastern Panhandle Markets – <i>acquired 2012/13</i>	15%
Charlotte LPO – <i>de novo 2006</i>	9%
Lexington, KY – <i>acquired 2015</i>	17%
Columbus, OH & Pittsburgh PA	12%

City National Loan Markets



Size of Bubbles are representative of City's loan distribution

Market Position

City's biggest markets have strong distribution, large share, and high profitability

Market	Population	Deposits (\$mm)	Deposit Share	Branches	Branch Share	Branch Rank
Charleston/Huntington /Ashland MSA	611,000	\$1,729	14%	36	20%	1
Beckley/Lewisburg WV	162,000	783	30%	16	25%	1
Winchester/ Martinsburg	397,000	424	7%	11	10%	3
Valley Region	160,000	270	11%	8	15%	1 (tie)
Lexington KY Region	430,000	259	3%	7	4%	9

Note: Green highlight indicates market expansion as a result of acquisitions.
Data: S&P Global MI – regions modified slightly to fit City's branch distribution

Market Demographics

Newer markets have high growth and higher incomes

Market	Population	Projected Population Change 2020-2025	Median Household Income	Projected Change in HHLI Income 2020-2025
Charleston/Huntington/ Ashland MSA	611,000	(2.3%)	\$46,000	4.5%
Beckley	162,000	(2.9%)	\$42,000	3.8%
Winchester/Martinsburg	397,000	4.1%	\$68,000	8.6%
Staunton-Waynesboro	160,000	2.6%	\$51,000	8.2%
Lexington KY Region	430,000	3.7%	\$55,000	9.4%
National Averages		3.3%	\$66,000	9.9%

Note: Green highlight indicates market expansion as a result of acquisitions.
Data: S&P Global MI

COVID-19: Retail Banking Impact

- Majority of in-person transactions being conducted at our drive-thrus, including opening new deposit accounts and loans
- Increased reliance on electronic customer delivery channels:
 - Interactive-teller machines (ITMs)
 - Automated-teller machines (ATMs)
 - Mobile banking platform
 - On-line banking platform
 - Interactive voice response system
- Staff is capable of successfully working remotely; Many have returned to their normal office locations
- Customers or businesses who have been impacted by COVID have generally been able to defer loan payments up to 6 months
- No adverse reporting to credit bureaus for previously up-to-date customers
- Temporarily suspended foreclosures, evictions & repossessions
- Waived late fees for loan payments for customers who had previously been current
- 6 of our 94 branches (no drive-thru facility) remain temporarily closed
- Participated in the SBA's Payment Protection loan program

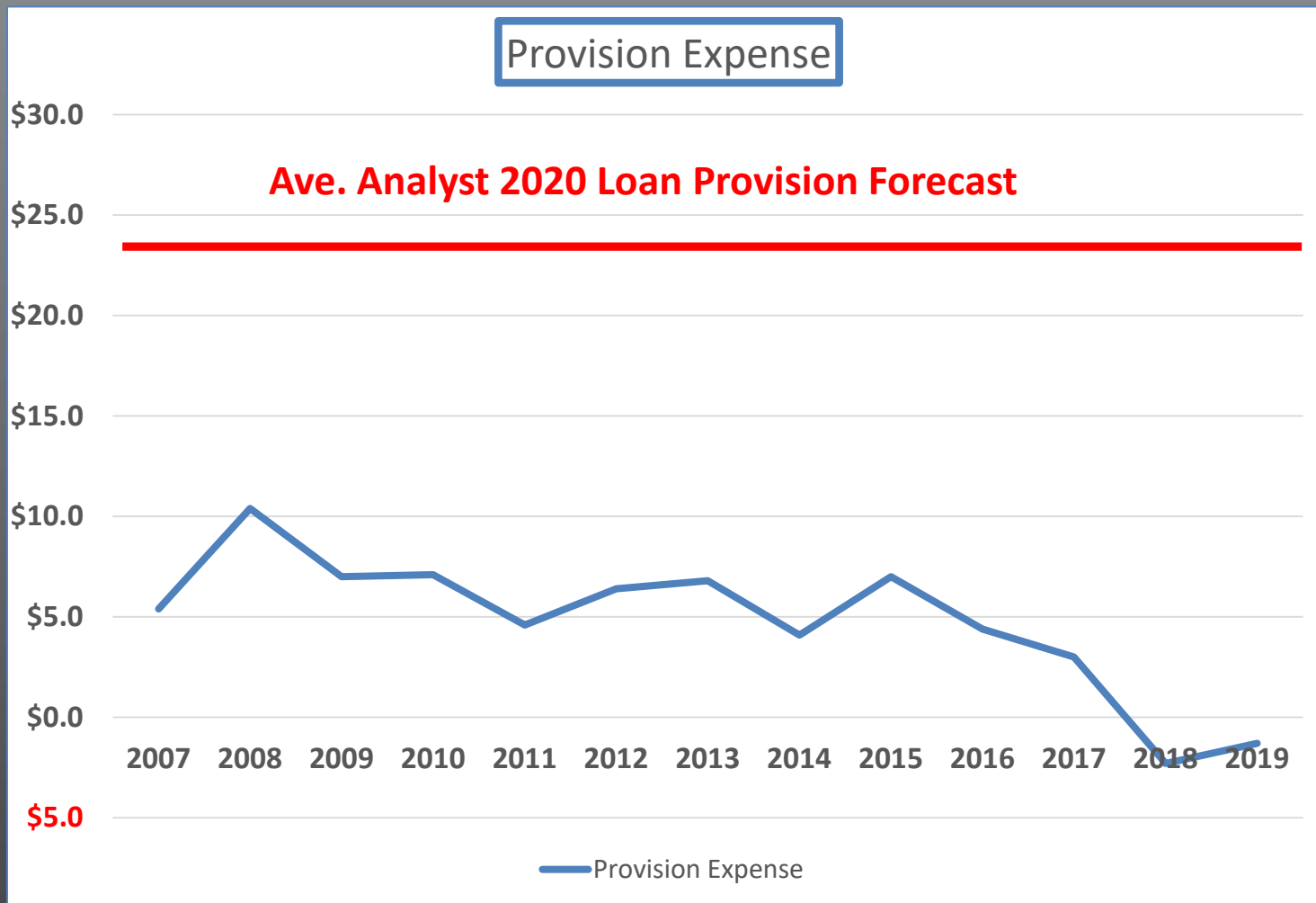
Retail Activity Remains Strong

- **Retail mortgage volume was up over 2% YTD June 2020 compared to YTD June 2019**
- Our 94 branches opened an average of 25 new DDA's monthly in the first 6 months of 2020
- **We have opened 410 more new Commercial DDA accounts through June 30, 2020 compared to the same period for 2019 (over 28% increase)**
- New Retail DDA openings are down 8% for the first 6 months of 2020 compared to the same period in 2019
- **DDA closings are down over 2,100 as compared to the first 6 months of 2019 (15%)**
- Net new DDA openings saw an increase of 1,320 accounts compared to the first 6 months of 2019 (45%)

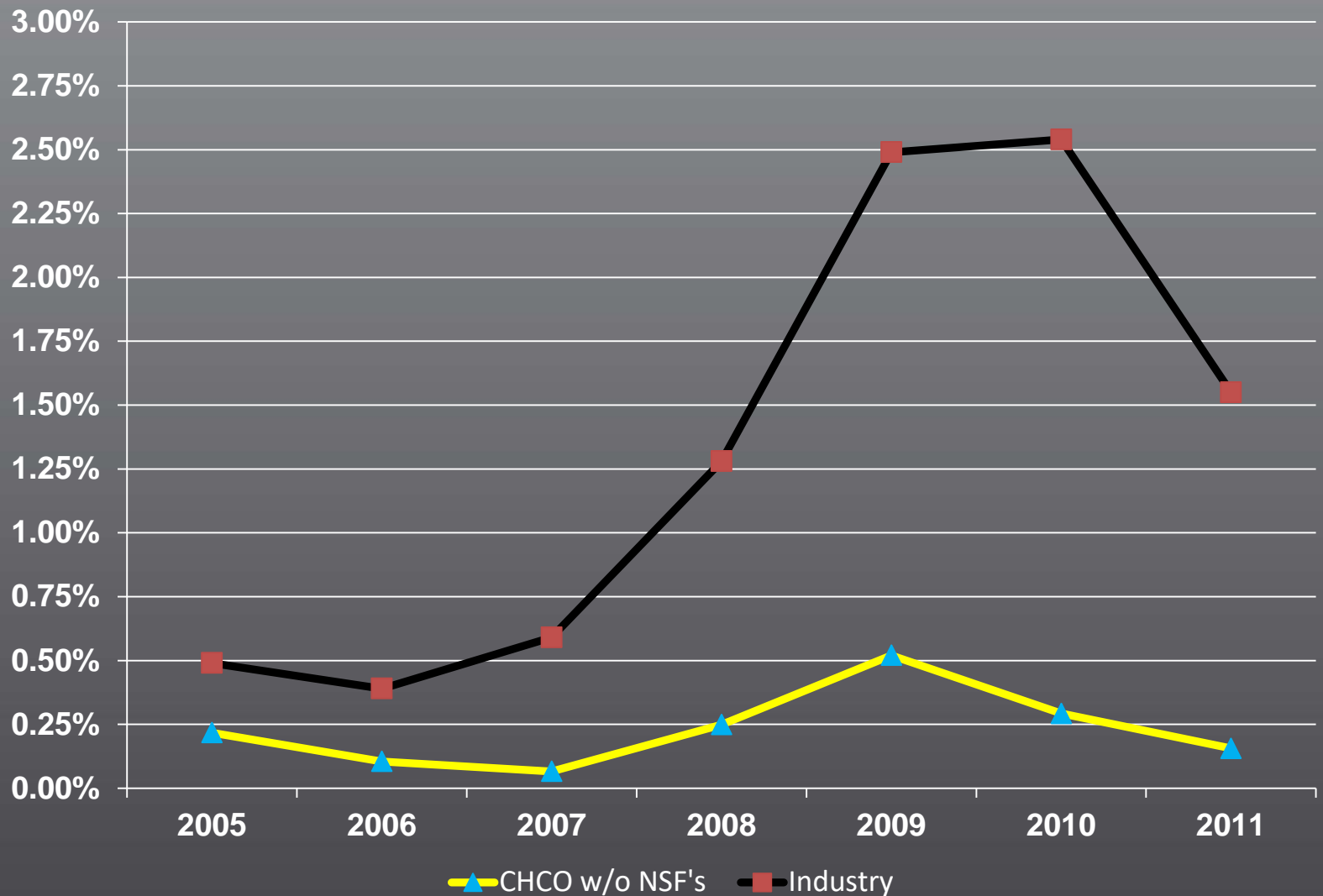
COVID-19 Impact: Net Interest Income

	2019	2020 Analyst Expectations	2020 YTD	2021 Analyst Expectations
Net Interest Income	\$161.4 MM	\$157.3 MM	\$78.5 MM	\$153.2 MM
Provision	(\$1.3 MM)	\$2.27 MM	\$9.2 MM	\$17.2 MM
Non-Interest Income	\$68.5 MM	\$78.5 MM	\$48.0 MM (\$30.1 MM w/o Visa Sale)	\$67.2 MM
Non-Interest Expense	\$117.6 MM	\$118.3 MM	\$57.9 MM	\$122.4 MM
PTPP	\$112.2 MM	\$117.5 MM	\$50.7 MM (without Visa)	\$98.0 MM
Tax Rate	21.3%	20.7%	20.3%	21.3%
Net Income	\$89.4 MM	\$75.1 MM	\$33.0 MM	\$63.6 MM

COVID-19 Impact: Asset Quality

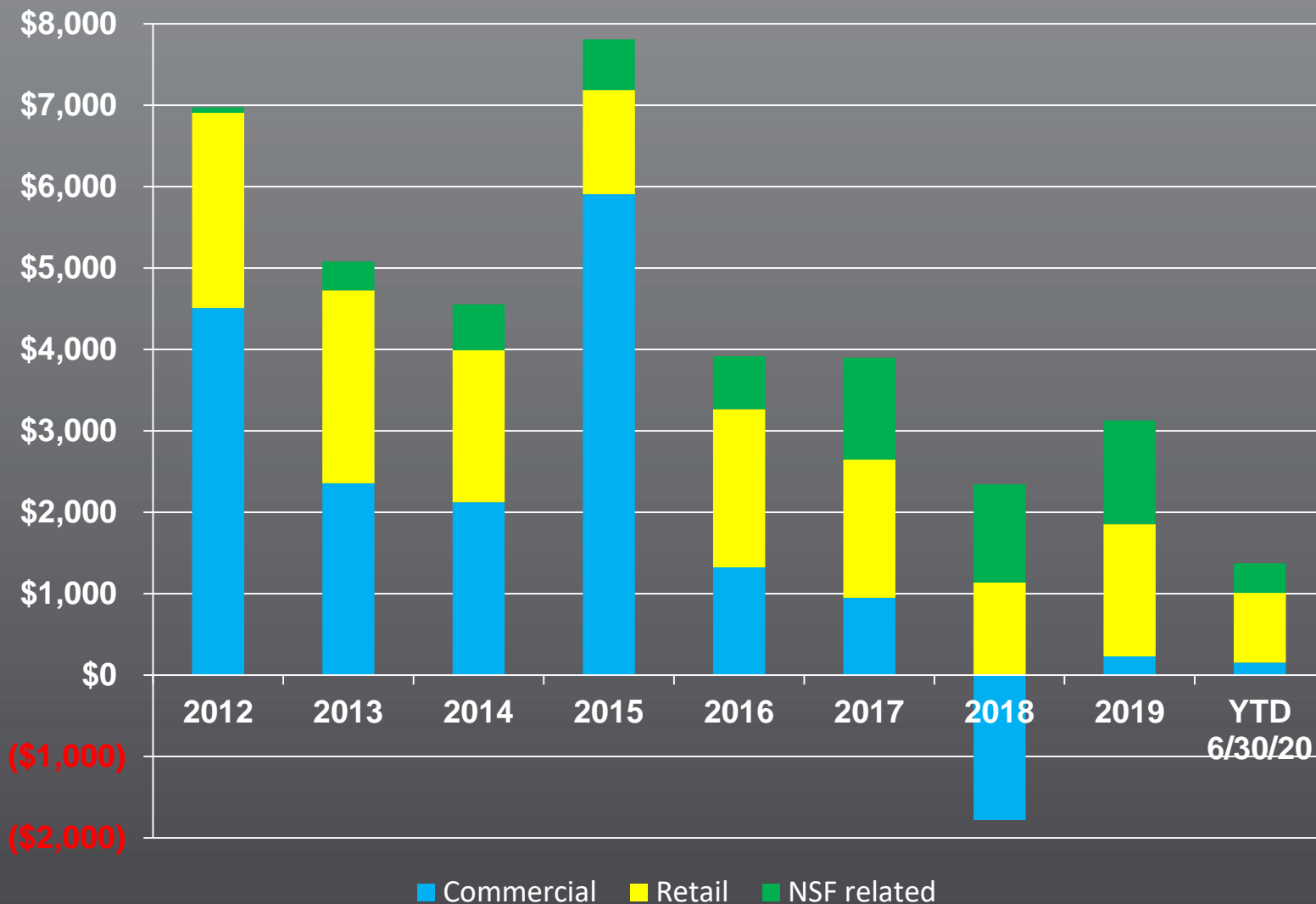


Charge-offs During Last Recession (w/o DDA Charge-offs)



Source: FDIC, All Insured Depository Institutions

Net Charge-off Details: 2012-2020Q2



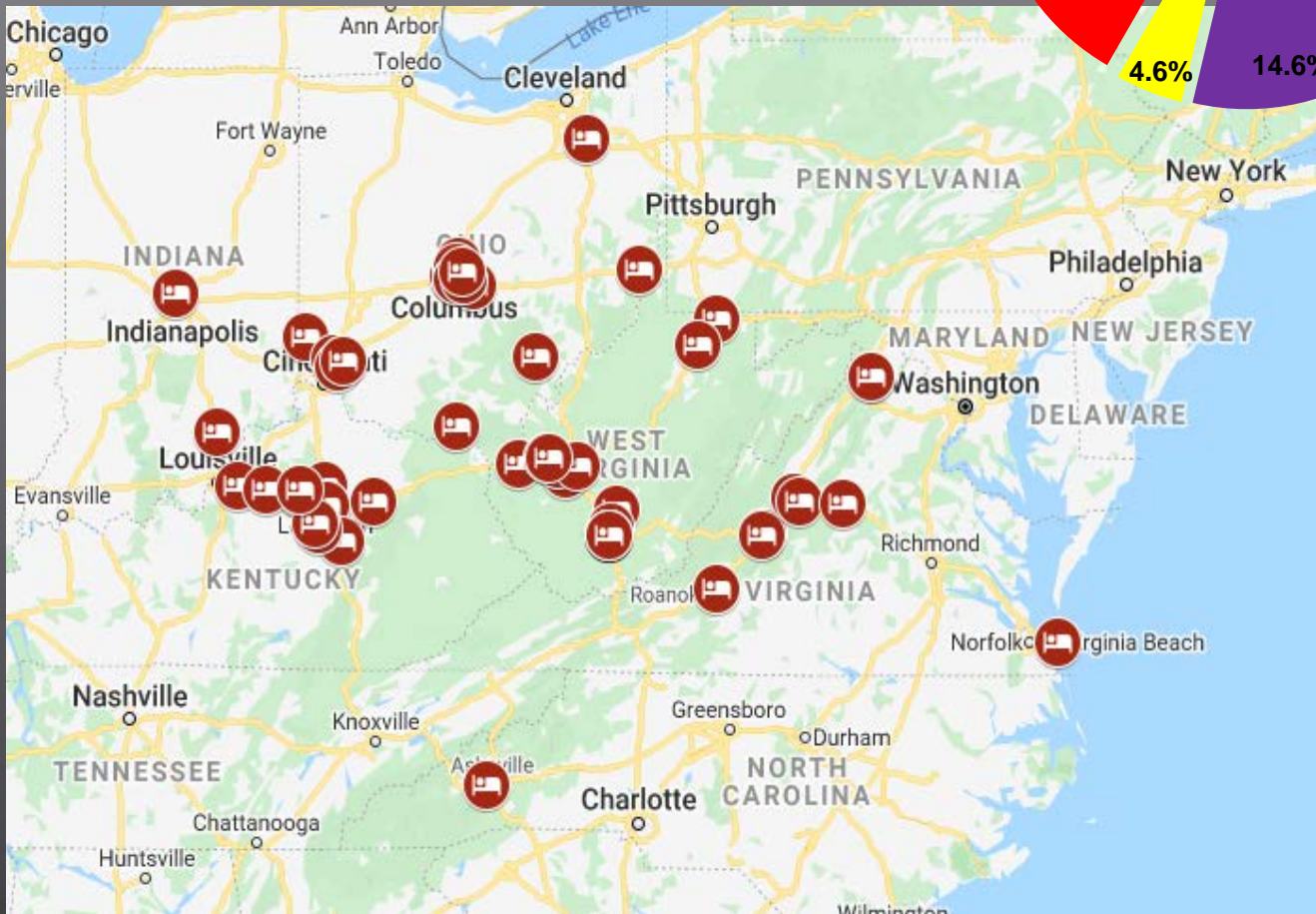
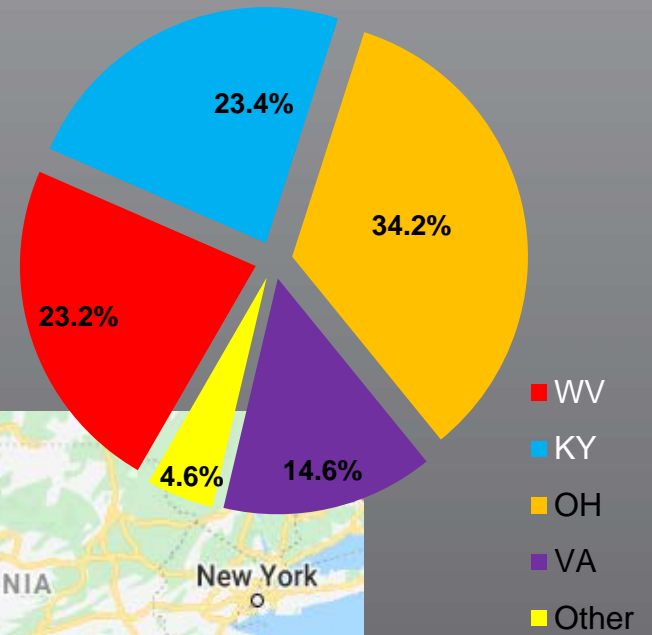
Exposure to Commercial Sectors Most Impacted by COVID-19

	March 31, 2020				April 30, 2020	March 31, 2020	
	<i>\$ in millions</i>	Pass	Criticized	Total	% of Total Loans	Deferments	Average DSC
Nonresidential Properties	\$457.8	\$7.1	\$464.9	12.7%	\$48.4	1.34x	66%
Multi-Family Housing	\$330.3	\$15.3	\$345.6	9.5%	\$23.3	1.70x	64%
Hotels & Motels	\$288.5	\$7.3	\$295.8	8.1%	\$259.4	1.81x	63%
Skilled Nursing Care Facilities	\$84.6	-	\$84.6	2.3%	\$27.8	1.66x	80%
Natural Gas Production/Distribution	\$14.9	-	\$14.9	0.4%	\$0.4	1.25x	52%
Restaurants	\$22.2	\$1.8	\$24.0	0.7%	\$9.9	2.85x	60%
Entertainment Establishments	\$18.9	-	\$18.9	0.5%	\$18.9	2.06x	59%

- ~35% of Nonresidential Properties are Retail oriented w/1.36 DSC
- ~75% of Restaurants are fast food properties

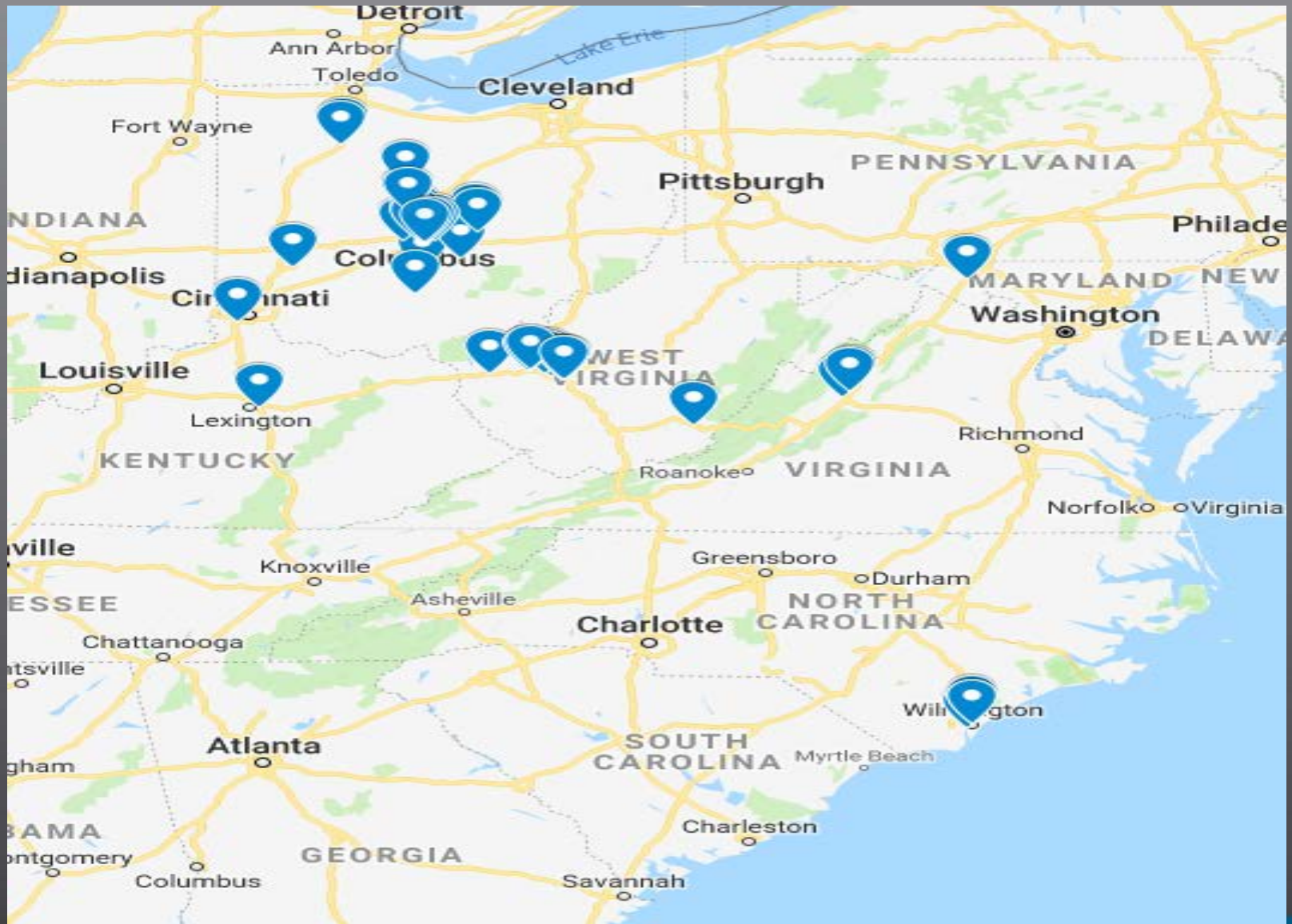
Hotel Exposure

Location Map



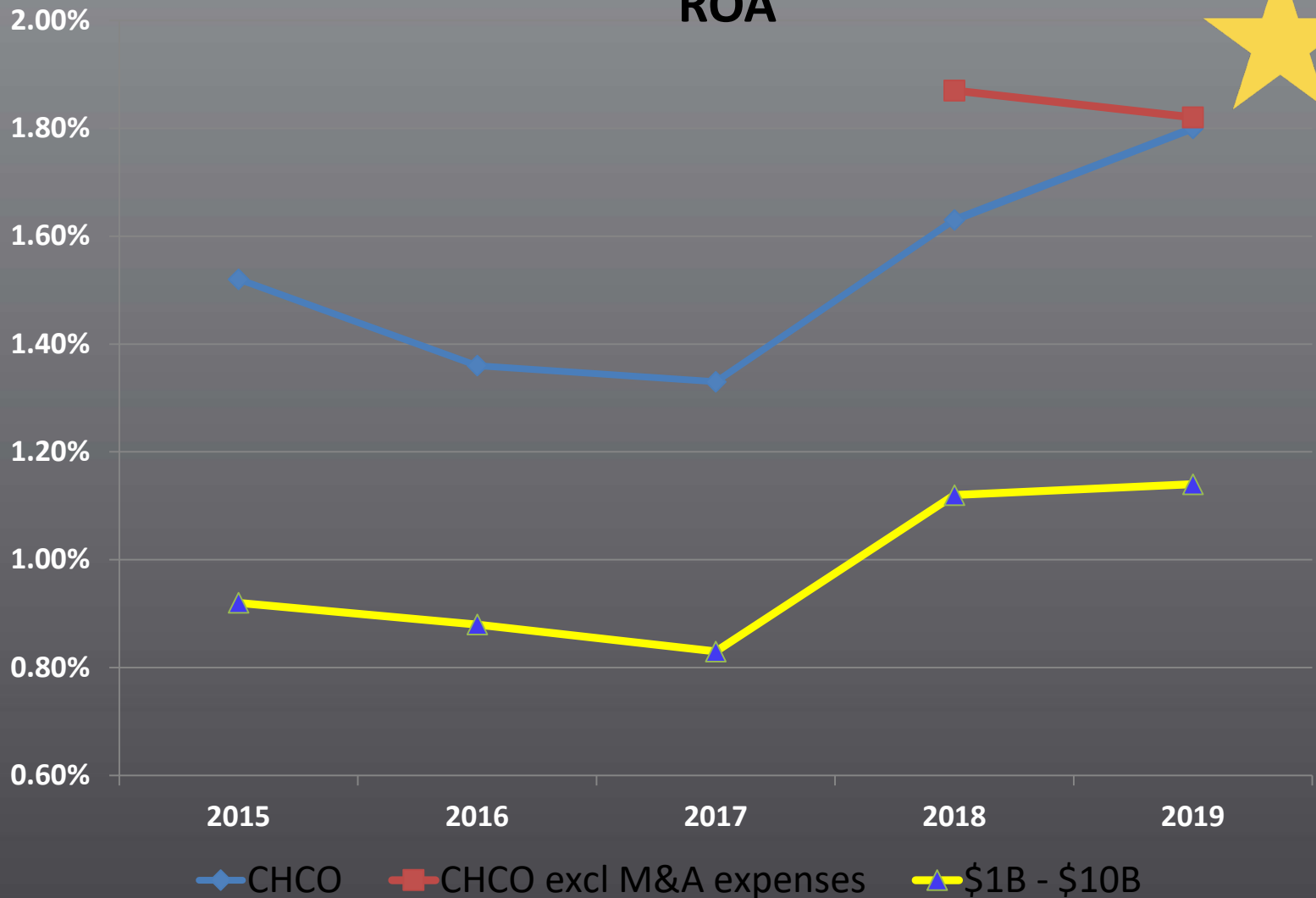
Multi-Family Housing Exposure

Location map



CHCO: A perennial high-performing bank

ROA



Source - S&P Global MI.



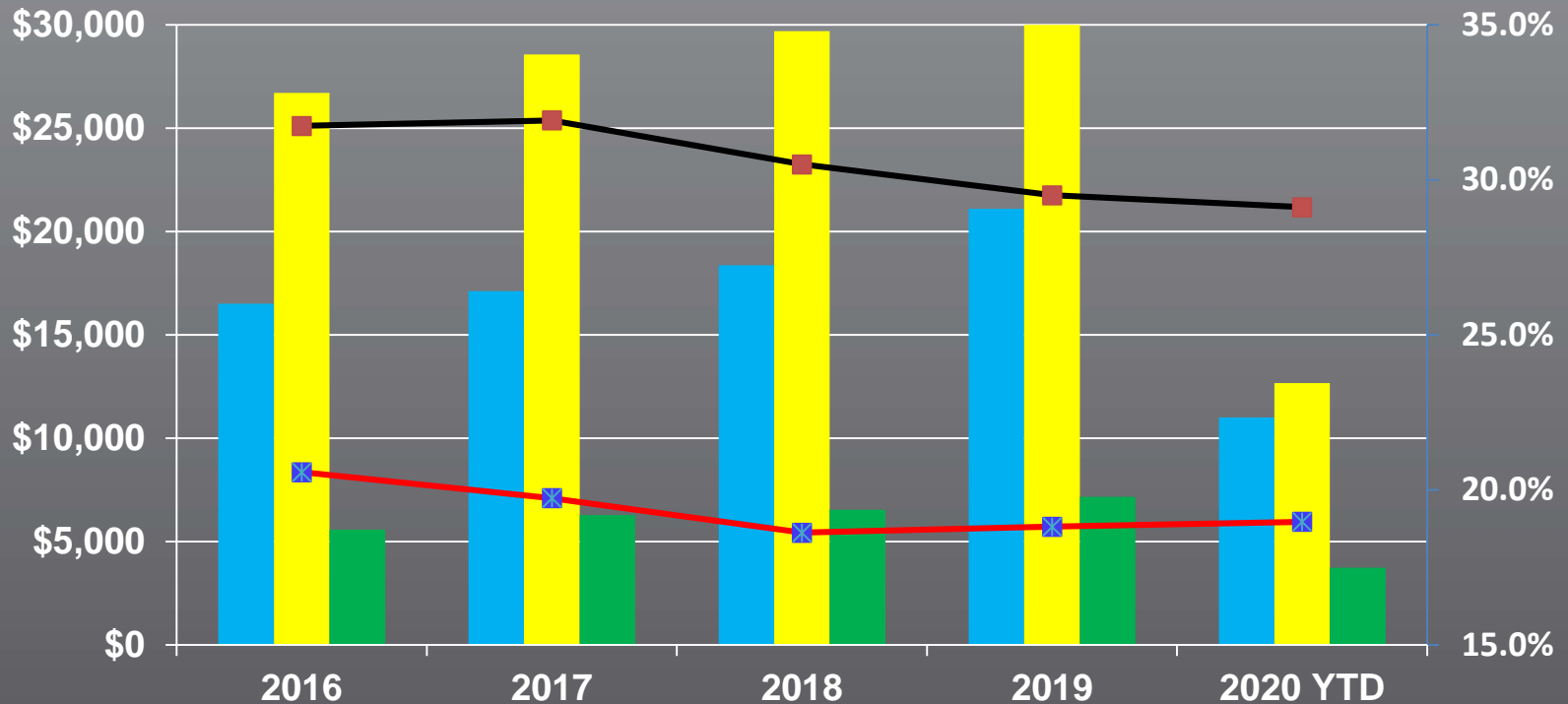
DEPOSIT FRANCHISE

One key to City's enviable success

* - Excludes Lexington-Fayette KY Region

** - National Average of \$11,100 (based upon 2016 Federal Reserve Survey of Consumer Finance inflated 5% to estimate 2019 averages)

Non-interest income is branch driven:



Bankcard Revenues

Service Charges

Investment Management

CHCO - % of Operating Revenues

Peer - % of Operating Revenues

Source - S&P Global MI.

Peer data as of March 31, 2020.

Sample of reporting publicly traded banks and thrifts with assets between \$1 and \$10 billion for each period, excluding investment gains/(losses).

City's Exceptional Retail Strength Depends on Branch Distribution

Market	Deposits (\$mm)	Deposit Share	Branches	Branch Share	House-Hold Share
Charleston, WV	\$706	12.8%	13	27.7%	38.7%
Huntington, WV	432	12.7%	10	15.9%	26.2%
Ashland, KY	550	24.9%	12	22.2%	40.2%
Beckley, WV	493	24.8%	9	27.3%	31.5%
Lewisburg, WV	302	39.9%	7	35.0%	69.2%
Staunton, VA	270	11.9%	8	20.5%	13.1%
Martinsburg, WV	277	13.3%	7	20.0%	22.7%

Note: Deposit; deposit share; branch share as of 6/30/19.
Other data as of 12/31/19.

Efficiency Ratio

low despite a large number of small branches

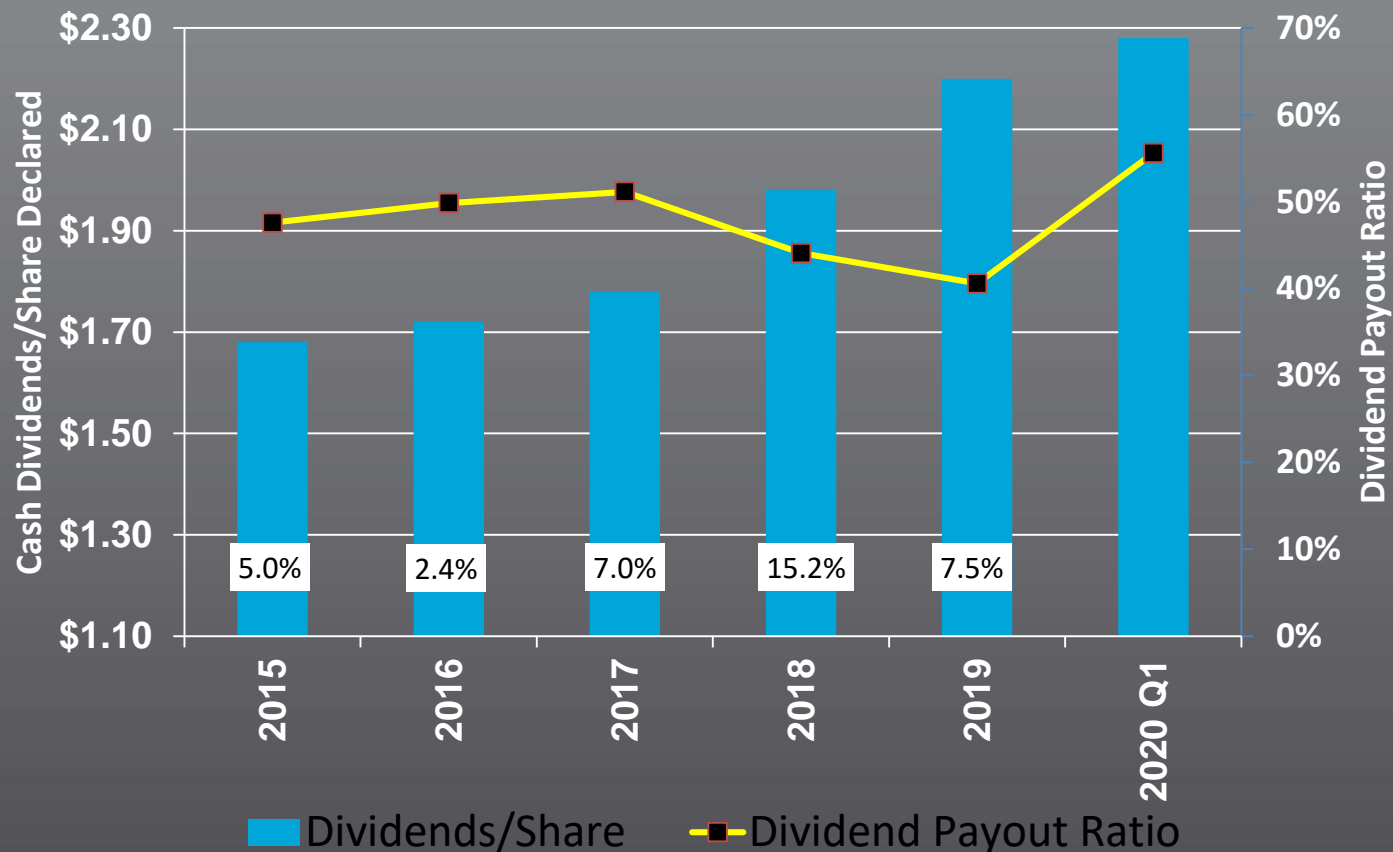


- Data as calculated using S&P Global MI definition.
- Peer data as of March 31, 2020.

Capital Management: A Long-term Core Competency

- **CHCO generates more capital than average**
- **Allows CHCO to steadily increase TCE while balancing shareholder value:**
 - **History of increasing cash dividends**
 - Active share repurchase program
 - **Cash acquisition**

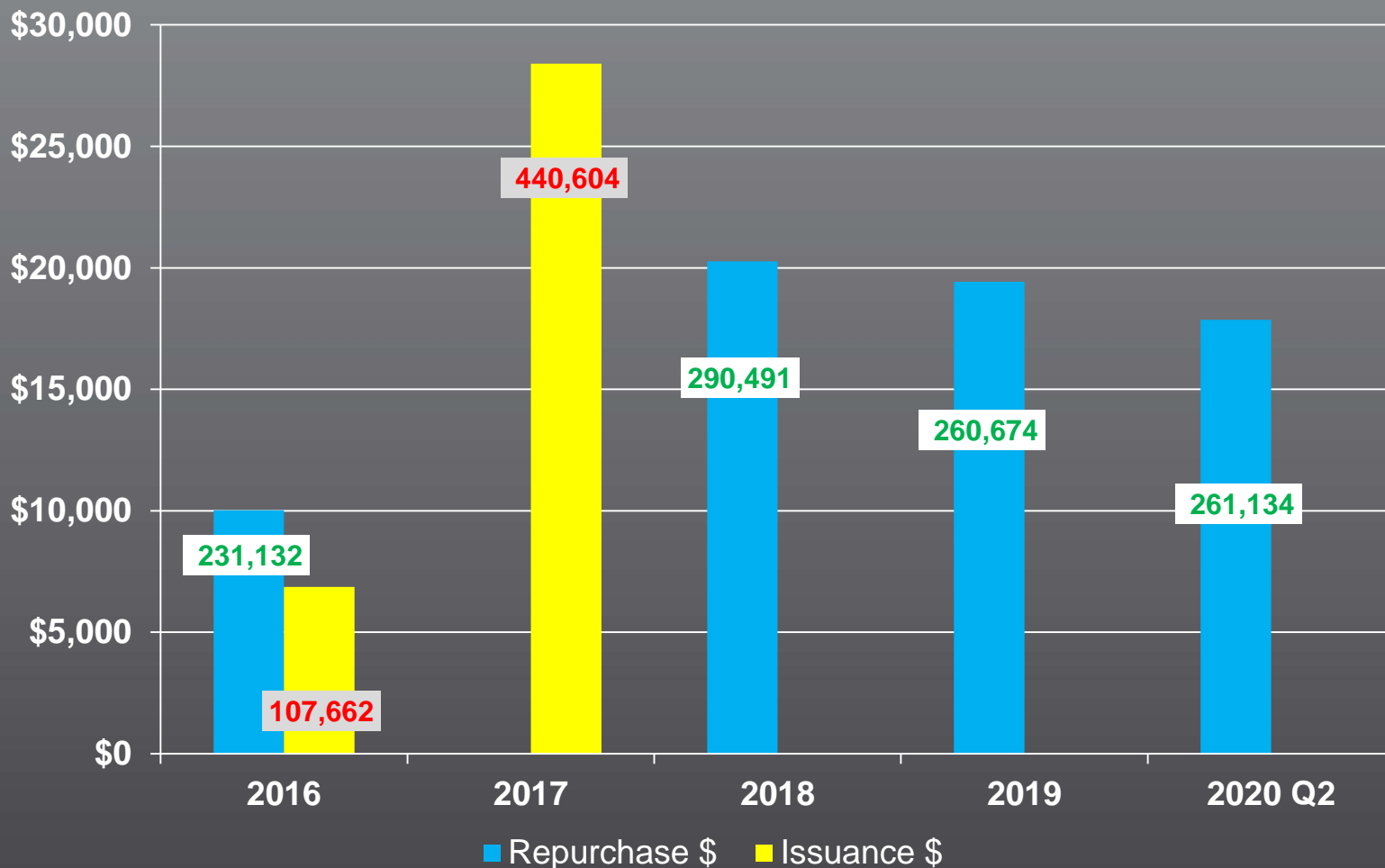
Cash Dividends/Share Declared & Dividend Payout Ratio



2020 projected dividend payout ratio (55%) is based on average of 6 analysts covering CHCO estimate of \$4.10 for 2020 (as of 7/24/2020). City is neither adopting nor endorsing earnings estimate, but merely utilizing it for comparative purposes. Percentages are indicative of year over year quarterly cash dividend increase.

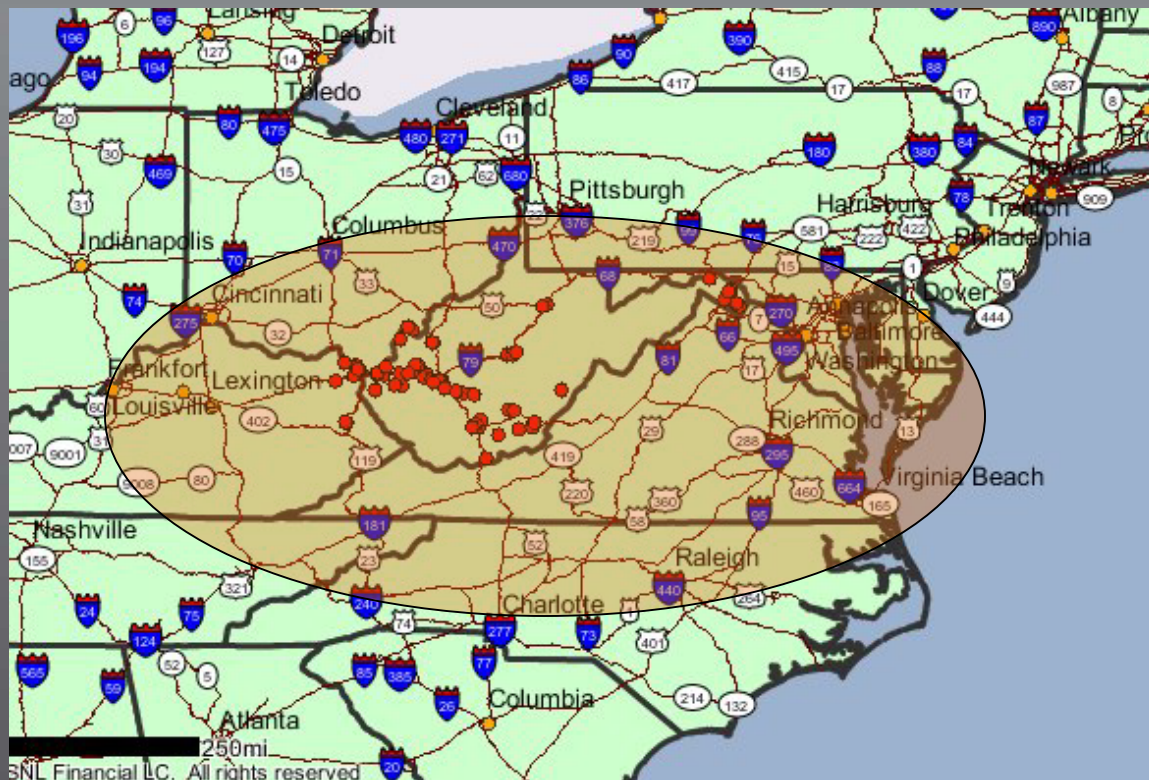
Share Activity:

City's strong capital and high profitability have allowed aggressive share repurchases



Labels represent shares repurchased or issued.

Acquisition territory:



Small Community Banks will struggle with lower net interest income, asset quality challenges, lack of scale, and limited liquidity for their stock. Underperforming small banks may be interested in joining a stronger partner. City is well positioned to acquire select franchises.

Bottom Line: **CHCO** is a Simple Model

Incredible Core Banking Franchise
Well Managed (Expenses, Asset Quality, Etc.)
Disciplined Growth Strategy focused on
shareholders, and community service



Highly Profitable



**Allows Strong Dividends & Accretive Share
Repurchases**

CHCO represents excellent value and stability

- **Pricing Metrics***:
 - **Price to Book** 148%
 - Price to Tangible Book 178%
 - **Price to 2020 Projected Earnings**** 15.5x
- Dividend Yield 3.55%
- **Div Payout Ratio**** 56%
- Tangible Capital/Tangible Assets *** 10.6%
- **Institutional Ownership** 68%
- Average Daily Volume \$5.4 mil

* Based on Price of \$63.71 (7/24/20)

** Based on average of 6 analysts covering CHCO estimate of \$4.10 for 2020 (as of 7/24/2020)

*** June 30, 2020