

# City Holding Company



**City** Holding  
Company

**Sandler O'Neill  
DC Investor Conference**

**September 18, 2020**

# 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, 2019 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 3<sup>rd</sup> 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*

**John DeRito**  
*EVP Commercial Banking*

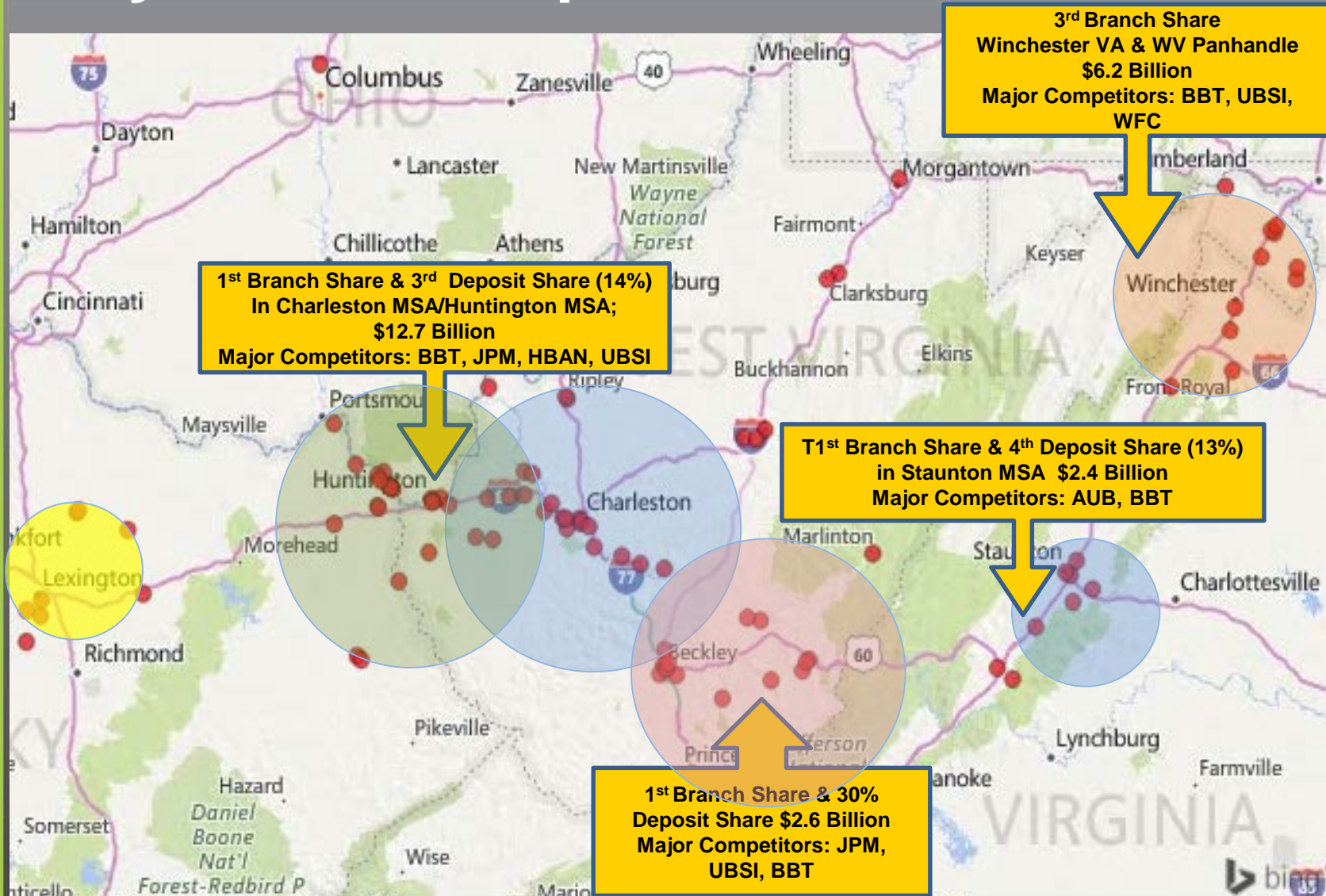
**Tim Whittaker**  
*Chief Credit Officer*

- 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

# 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")

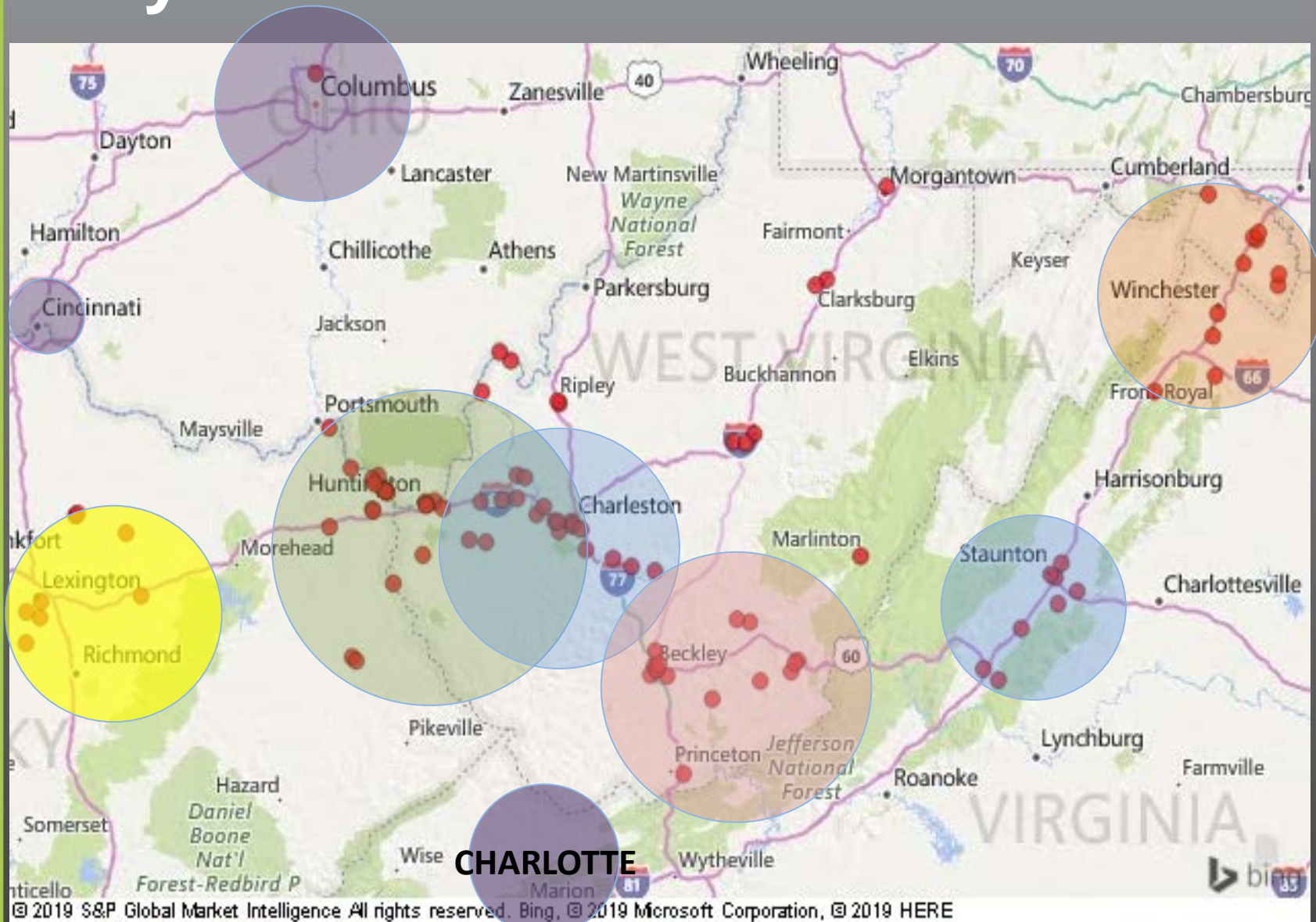


# Diversified Commercial Loan Portfolio

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
<b>Charleston/Huntington /Ashland MSA</b>	611,000	\$1,729	14%	36	20%	1
<b>Beckley/Lewisburg WV</b>	162,000	783	30%	16	25%	1
<b>Winchester/ Martinsburg</b>	397,000	424	7%	11	10%	3
<b>Valley Region</b>	160,000	270	11%	8	15%	1 (tie)
<b>Lexington KY Region</b>	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 population growth and higher incomes

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

- 88 branches fully open although customers continuing to heavily use drive-thru locations and electronic customer delivery channels:
  - **Interactive-teller machines (ITMs)**
  - Automated-teller machines (ATMs)
  - **Mobile banking platform**
  - On-line banking platform
  - **Interactive voice response system**
- 6 in-store branches re-open in September
- Operational & Administrative Staff working remotely as needed
- **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
- **Participated in the SBA's Payment Protection loan program and assisting clients to prepare forgiveness requests**

# Retail Activity Remains Strong

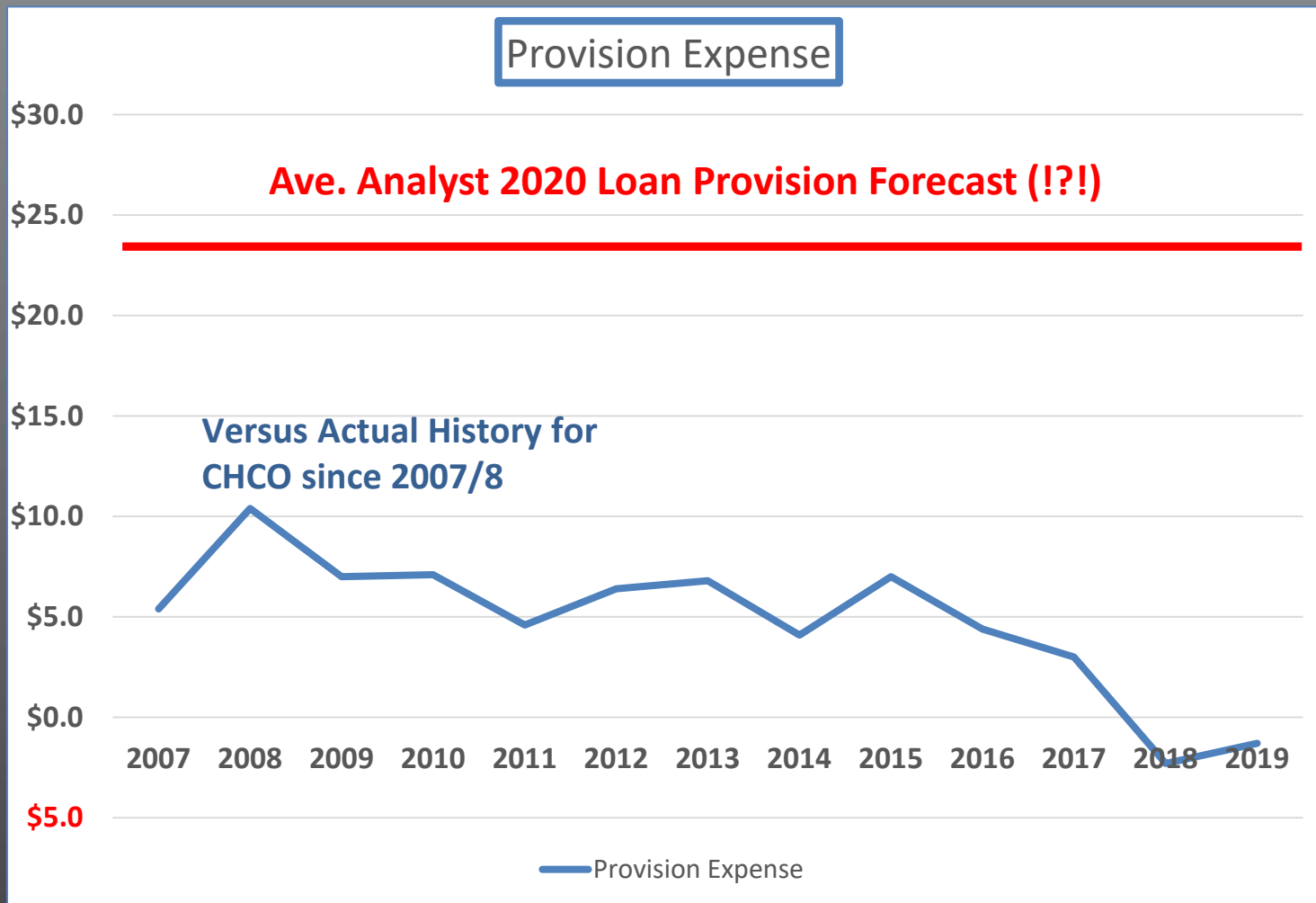
- Retail mortgage volume was up over 2% YTD June 2020 compared to YTD June 2019
- Net new DDA openings up 2.3% annualized in “slow growth WV and Easter KY”!
- Net new DDA openings up 2.8% annualized along I81 in Va/WV



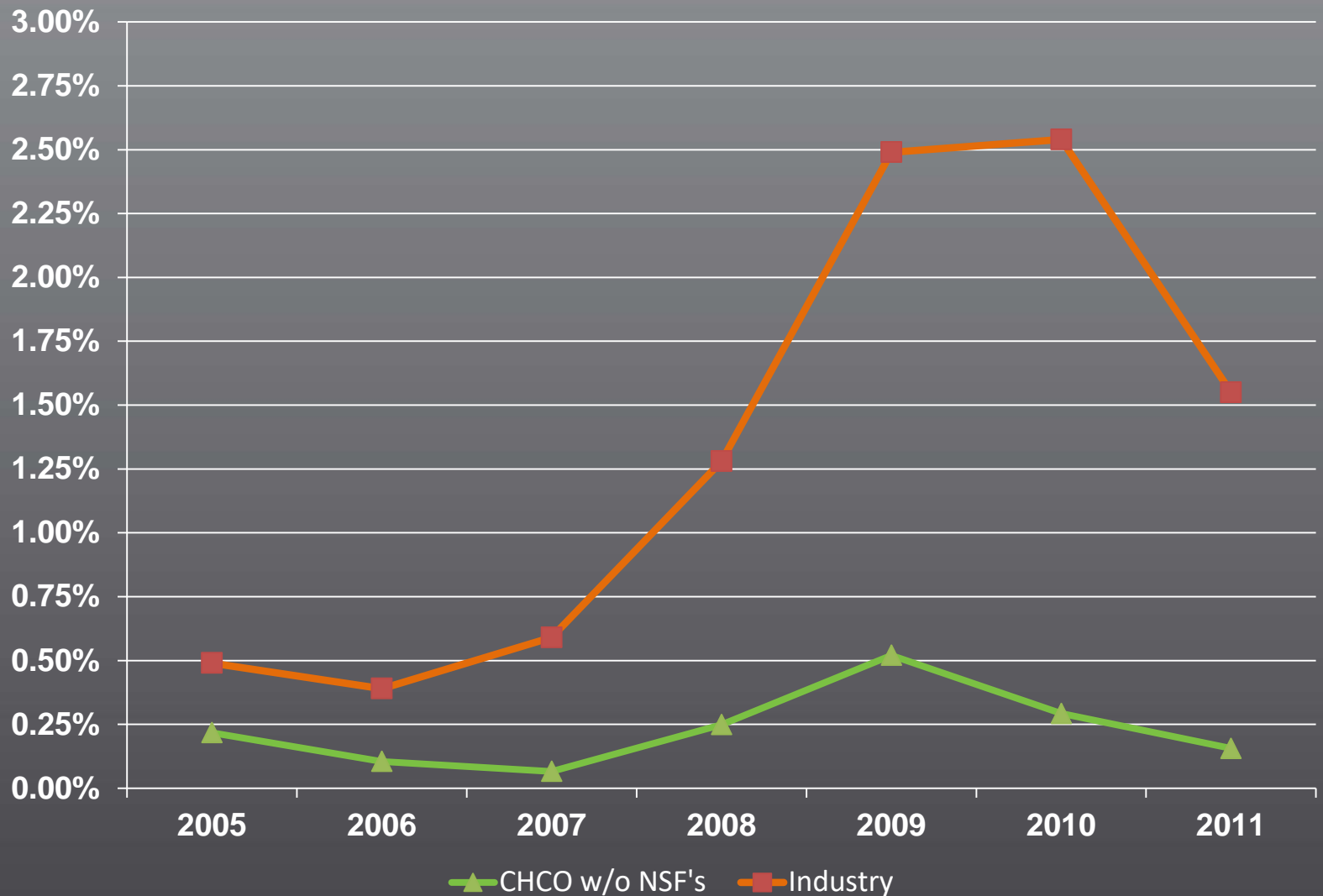
# COVID-19 Impact: Net Interest Income, Fee Income ??, and Provision ???

	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)	\$22.7 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	\$33.6 MM (without Visa)	\$63.6 MM

# COVID-19 Impact: Asset Quality



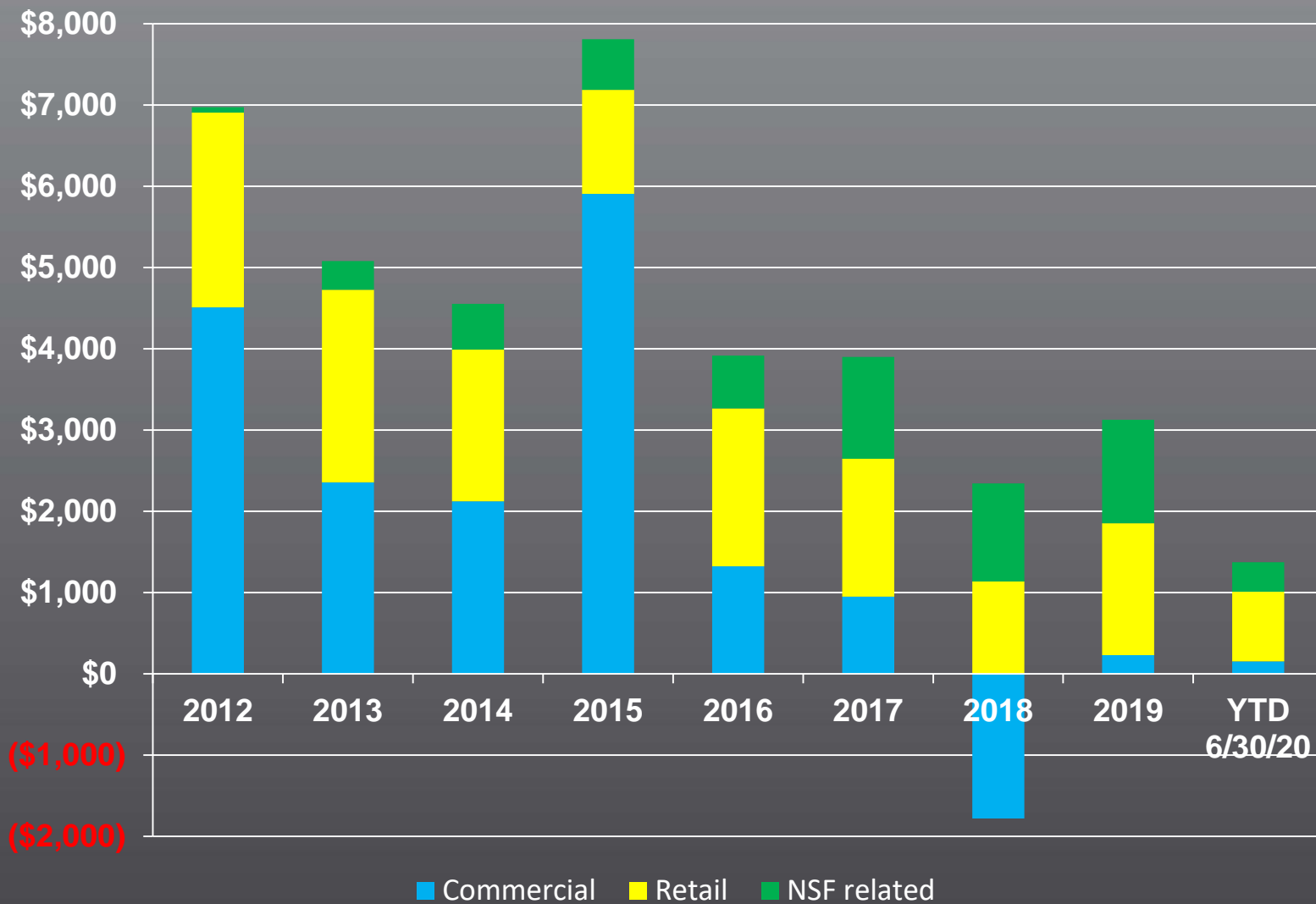
# Charge-offs During Last Recession (w/o DDA Charge-offs)



Source: FDIC, All Insured Depository Institutions



# Net Charge-off Details: 2012-2020Q2



# Exposure to Commercial Sectors Most Impacted by COVID-19

As of 08/31/2020

\$ in millions	Pass	Criticized	Total	% of Total Loans	All-Time COVID-19 Deferments	Current Deferments	Average DSC	Average LTV
<b>Nonresidential Properties</b>	\$463.7	\$7.0	\$470.7	12.9%	\$48.4	\$17.2	1.34x	66%
<b>Single/Multi-Family Housing</b>	\$333.2	\$15.5	\$348.7	9.5%	\$23.3	\$2.1	1.70x	64%
<b>Hotels &amp; Motels</b>	\$260.5	\$36.1	\$296.6	8.1%	\$274.6	\$194.4	1.81x	63%
<b>Skilled Nursing Care Facilities/Assisted Living</b>	\$84.3	\$0	\$84.3	2.3%	\$27.8	\$0	1.66x	80%
<b>Restaurants</b>	\$22.7	\$1.3	\$24.0	0.7%	\$10.6	\$0	2.85x	60%
<b>Entertainment Establishments</b>	\$9.0	\$10.0	\$19.0	0.5%	\$19.0	\$13.9	2.06x	59%

- ~35% of Nonresidential Properties are Retail oriented w/1.36 DSC
- ~75% of Restaurants are fast food properties
- DSC are as of 2019

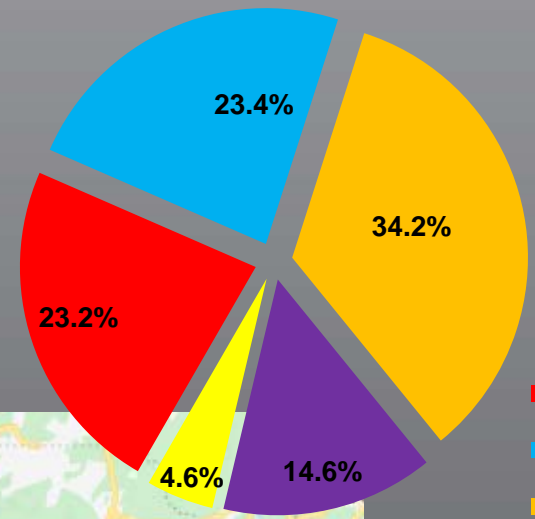
# COVID-19 Hotel Impacts - LTV

Current LTV	# of Loans	\$ Outstanding (Millions)	Avg. Years to 85% LTV	Avg. 2019 DSC
80% to 85%	4	\$43.2	1.16	1.95
74.5% to 79.9%	7	\$66.3	2.73	1.52
69% to 74.4%	5	\$27.9	4.36	1.51
Up to 69%	25	\$159.1	16.19	1.75

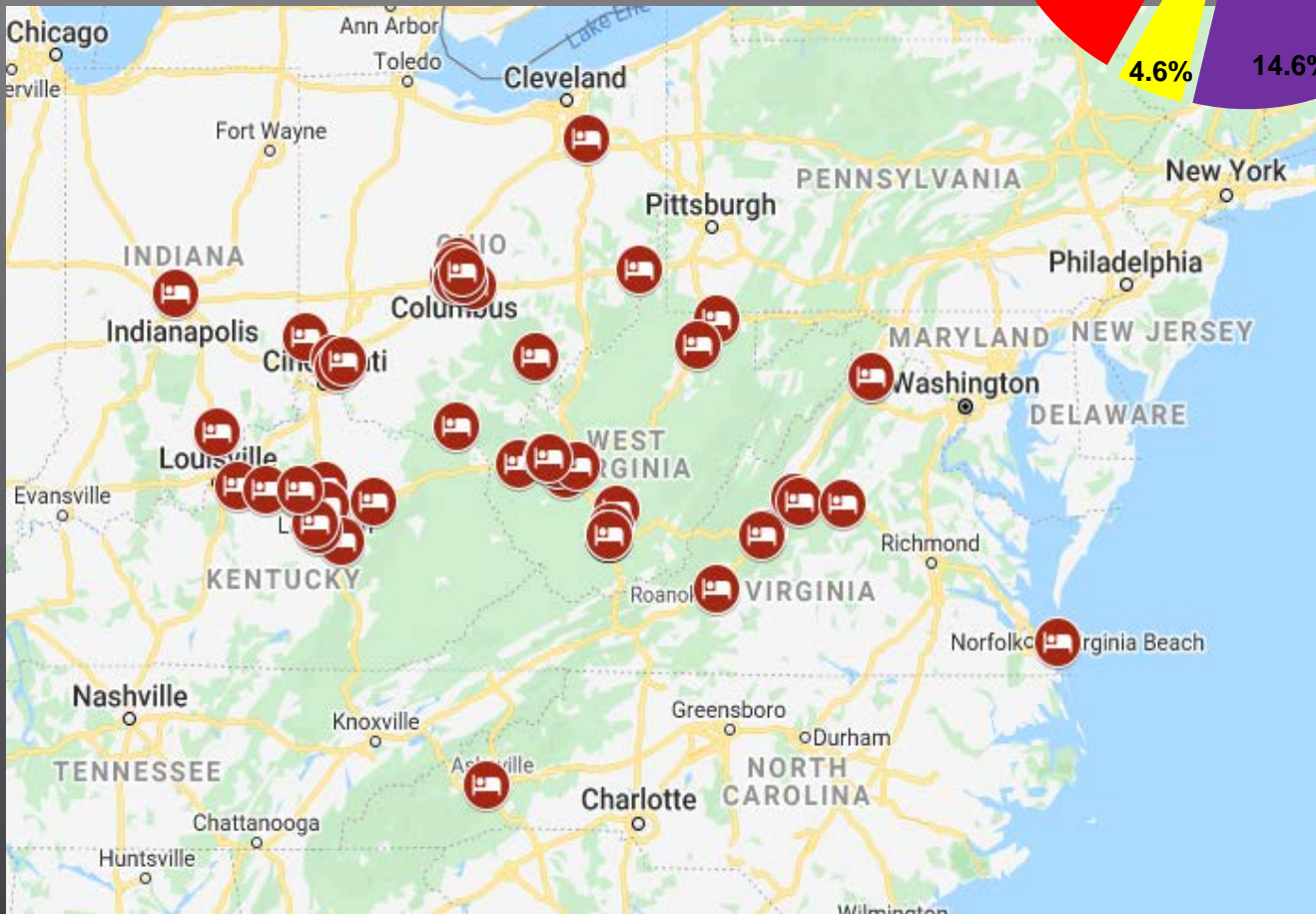
- The table above reflects the number of loans, outstanding balance, and average years to 85% LTV categorized by currently appraised LTV.
  - Years to 85% LTV includes the balance, any SWAP breakage fees, and any line of credit.
  - Continued deferral of interest payments is assumed for the analysis.

# Hotel Exposure

## Location Map

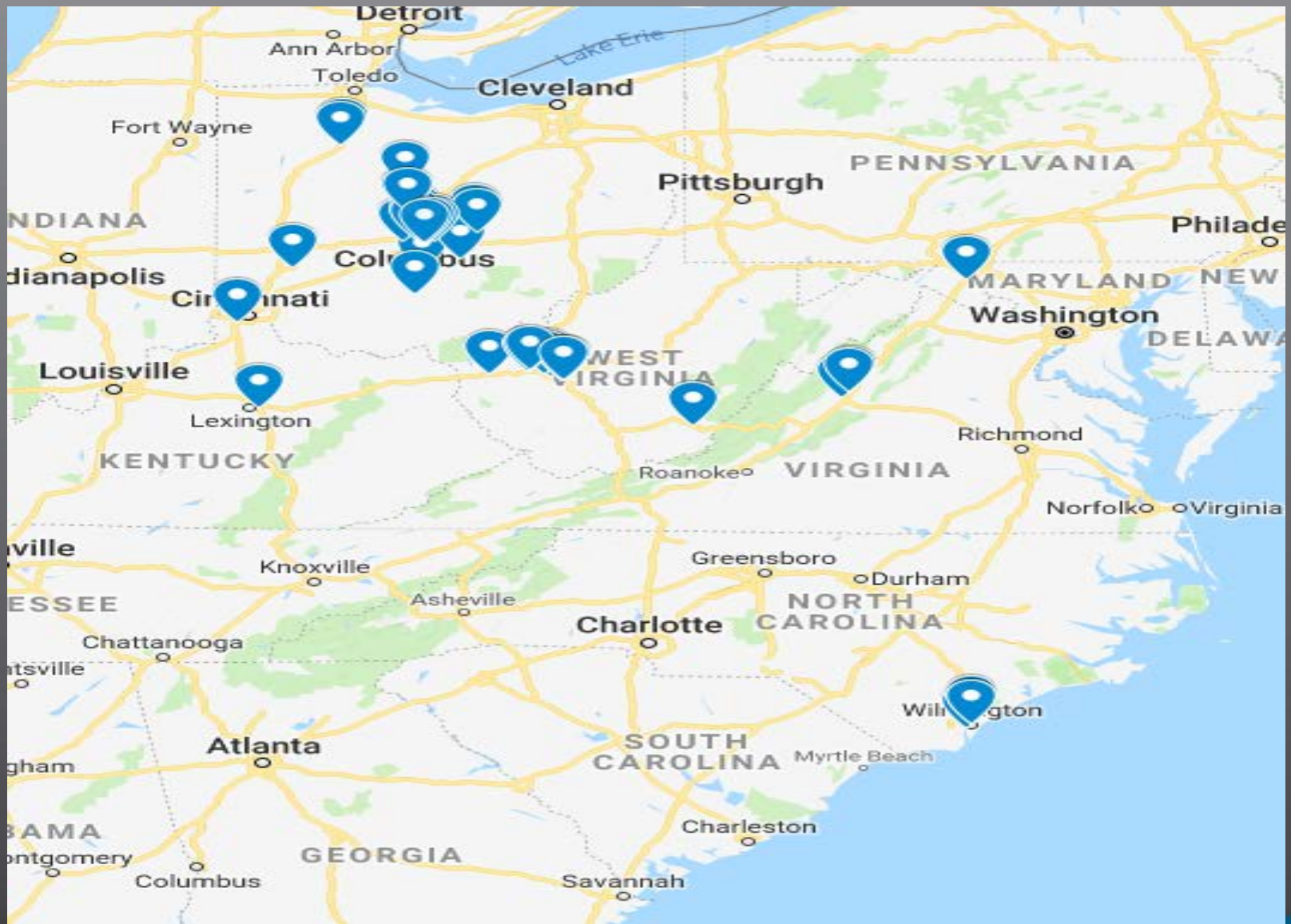


- WV
- KY
- OH
- VA
- Other



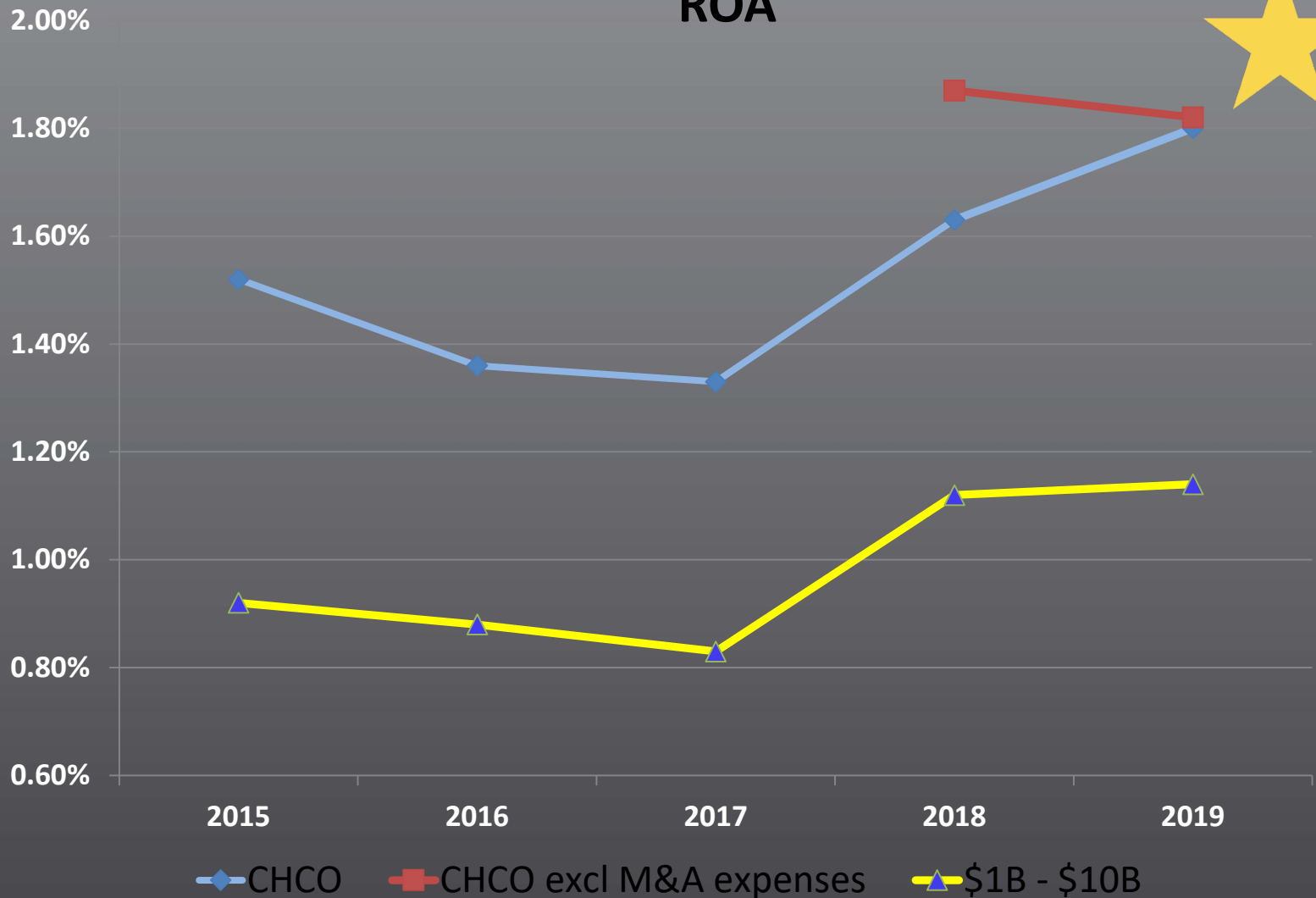
# Multi-Family Housing Exposure

Location map



# CHCO: A perennial high-performing bank

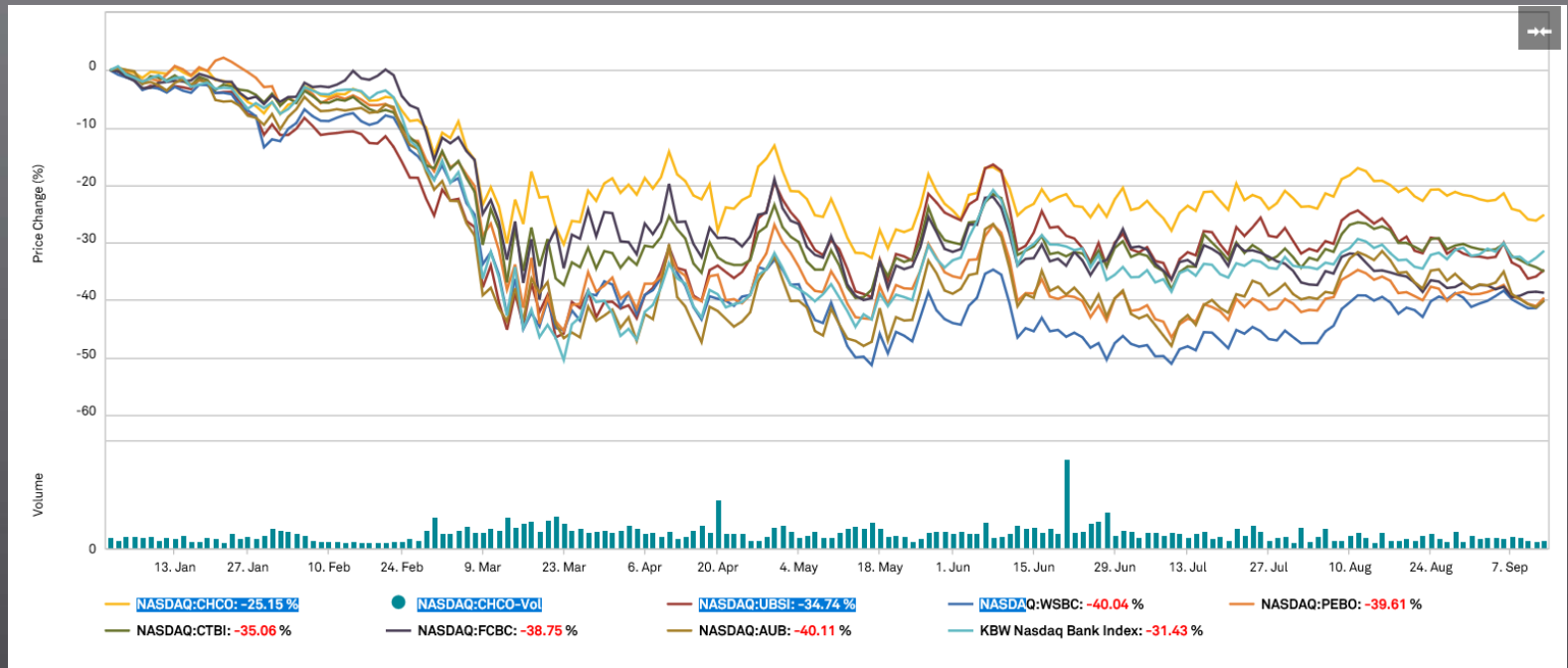
ROA



Source - S&P Global MI.

# CHCO Stock Performance:

- Stock Price chart for CHCO vs. KBW Bank Index, BBT, Chase, Hunt, United, AUB, 5/3



# Why is CHCO Highly Valued?

- **Proven Conservative Lender**
- **Strong Retail Franchise**
- **Acquisitions are Accretive and Strategic**
- **Profits are Strong and Stable**
  - **In low interest rate environments, fee income and efficiency matter: City is exceptional at both**





# DEPOSIT FRANCHISE

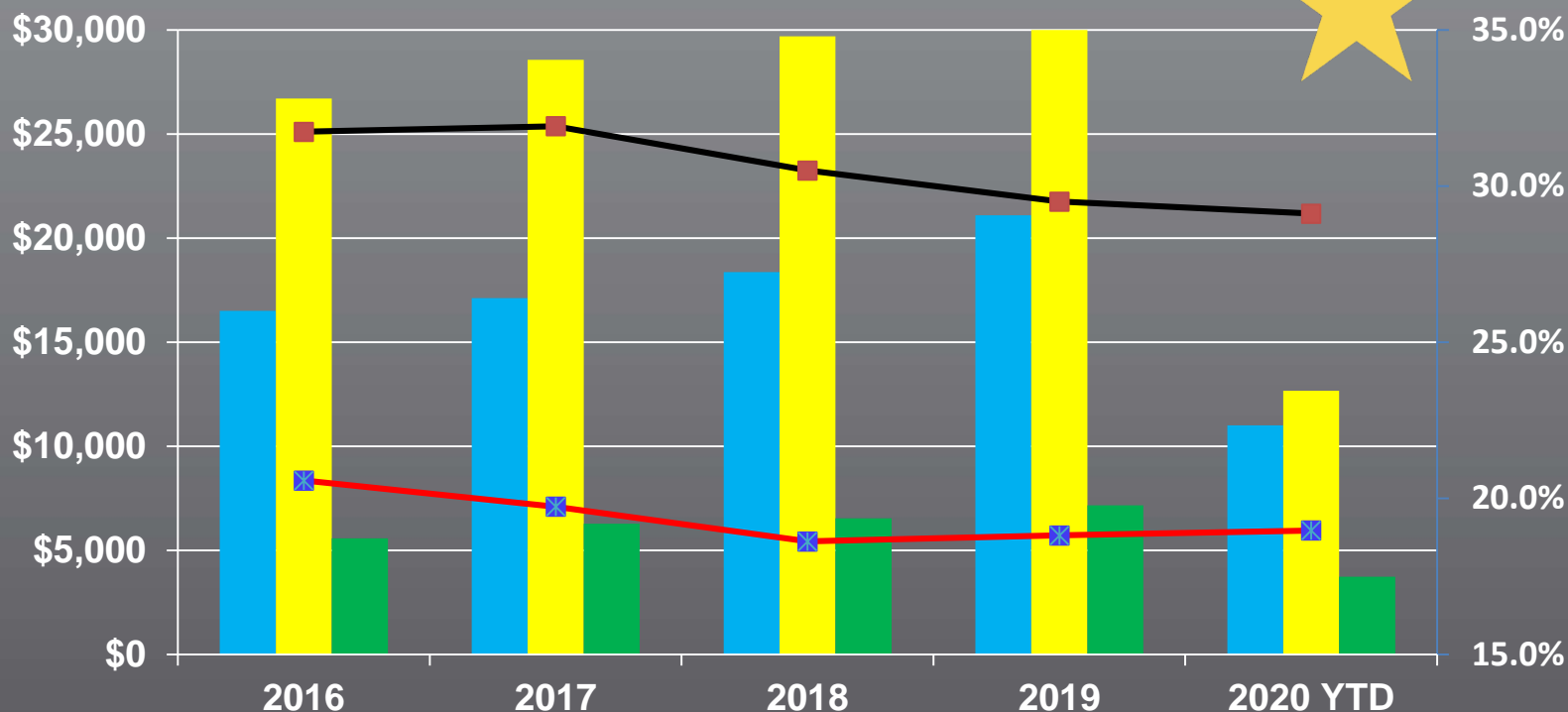
## One key to City's enviable success



\* - 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 (and in turn driven by franchise depth):



- Bankcard Revenues
- Service Charges
- Investment Management
- CHCO - % of Operating Revenues
- x- 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).

# Debit Card Revenues driven by Franchise Depth:



Parent Company	Ticker	Headquarter State	2019		
			Average Assets	Bank Card & Credit Card Interchange Fees	Card Revenue/Avg. Deposits
City Holding Company	CHCO	WV	\$4.9 B	\$19.3 M	0.48%
First Community Bank	FCBC	VA	\$2.2 B	\$7.9 M	0.41%
Peoples Bank	PEBO	OH	\$4.2 B	\$11.4 M	0.35%
<b>WesBanco Bank, Inc.</b>	<b>WSBC</b>	<b>WV</b>	<b>\$15.7 B</b>	<b>\$18.8 M</b>	<b>0.21%/0.42%</b>
Premier Bank, Inc.	PBFI	WW	\$1.2 B	\$1.7 M	0.17%
Summit Community Bank, Inc.	SMMF	WV	\$2.4 B	\$2.8 M	0.16%
Community Trust Bank, Inc.	CTBI	KY	\$4.3 B	\$1.7 M	0.05%
<b>United Bank</b>	<b>UBSI</b>	<b>VA</b>	<b>\$19.6 B</b>	<b>\$4.8 M</b>	<b>0.03%/0.06%</b>

- Caveat: Banks over \$10 B shown in red with pre- and post-Durbin impact
- Median for all banks – 0.17%
- Source - S&P Global MI.

# 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

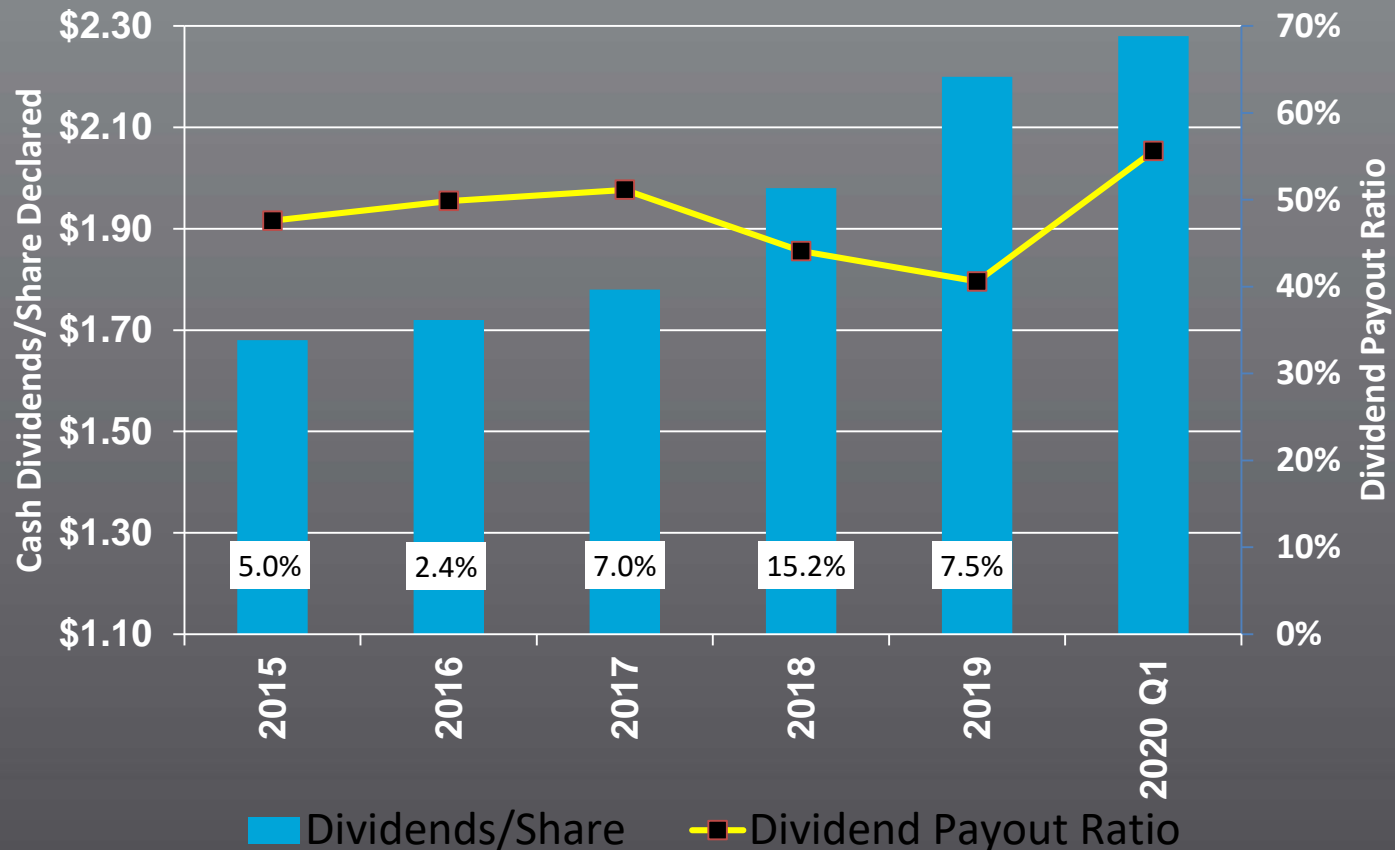


- Data as calculated using S&P Global MI definition.
- Peer data as of March 31, 2020.

# 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 ?**

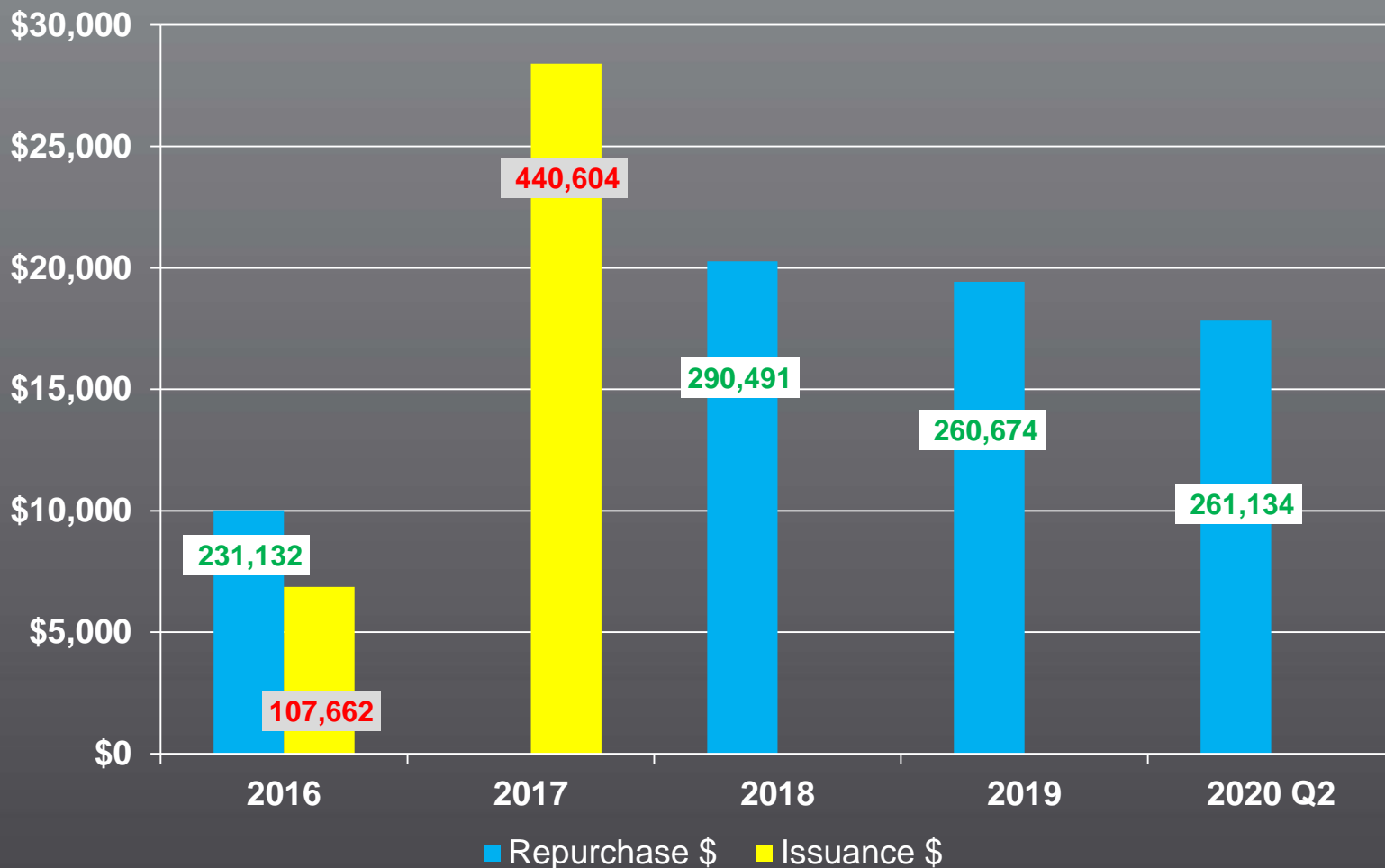
# Cash Dividends/Share Declared & Dividend Payout Ratio



2020 projected dividend payout ratio (55%) is based on average of 5 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:

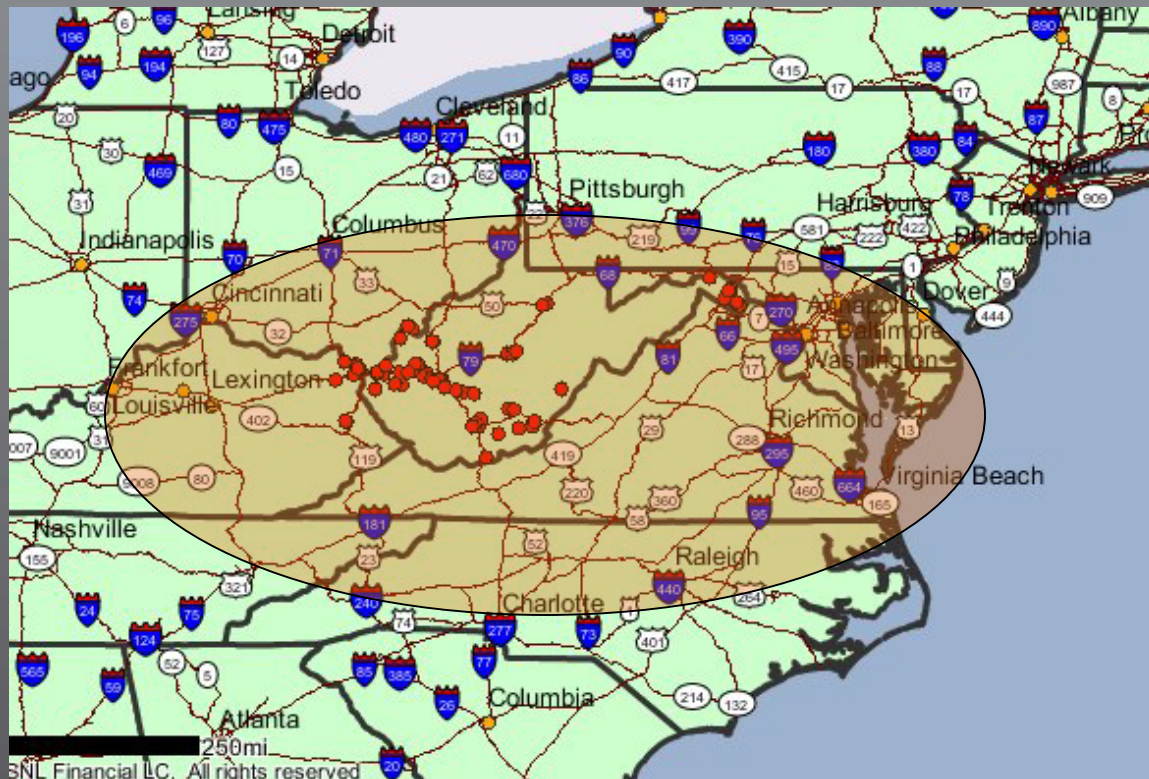
City's strong capital and high profitability have allowed aggressive share repurchases



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 rather than to continue to perform poorly. 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, customers and community  
service



**City** Holding  
Company



**Highly Profitable**

**Allows Strong Dividends & Accretive Share Repurchases**

# CHCO represents excellent value and stability

- **Pricing Metrics\***:
  - Price to Book 142%
  - Price to Tangible Book 171%
  - Price to 2020 Projected Earnings\*\* 14.9x
- Dividend Yield 3.7%
- Div Payout Ratio\*\* 56%
- Tangible Capital/Tangible Assets \*\*\* 10.6%
- Institutional Ownership 69%
- Average Daily Volume \$4.4 mil

\* Based on Price of \$61.18 (9/15/20)

\*\* Based on average of 5 analysts covering CHCO estimate of \$4.10 for 2020 (as of 7/24/2020)

\*\*\* June 30, 2020