

City Holding Company



Davidson
2023 Financial Institutions Conference
May 16-17, 2023

City Holding
Company

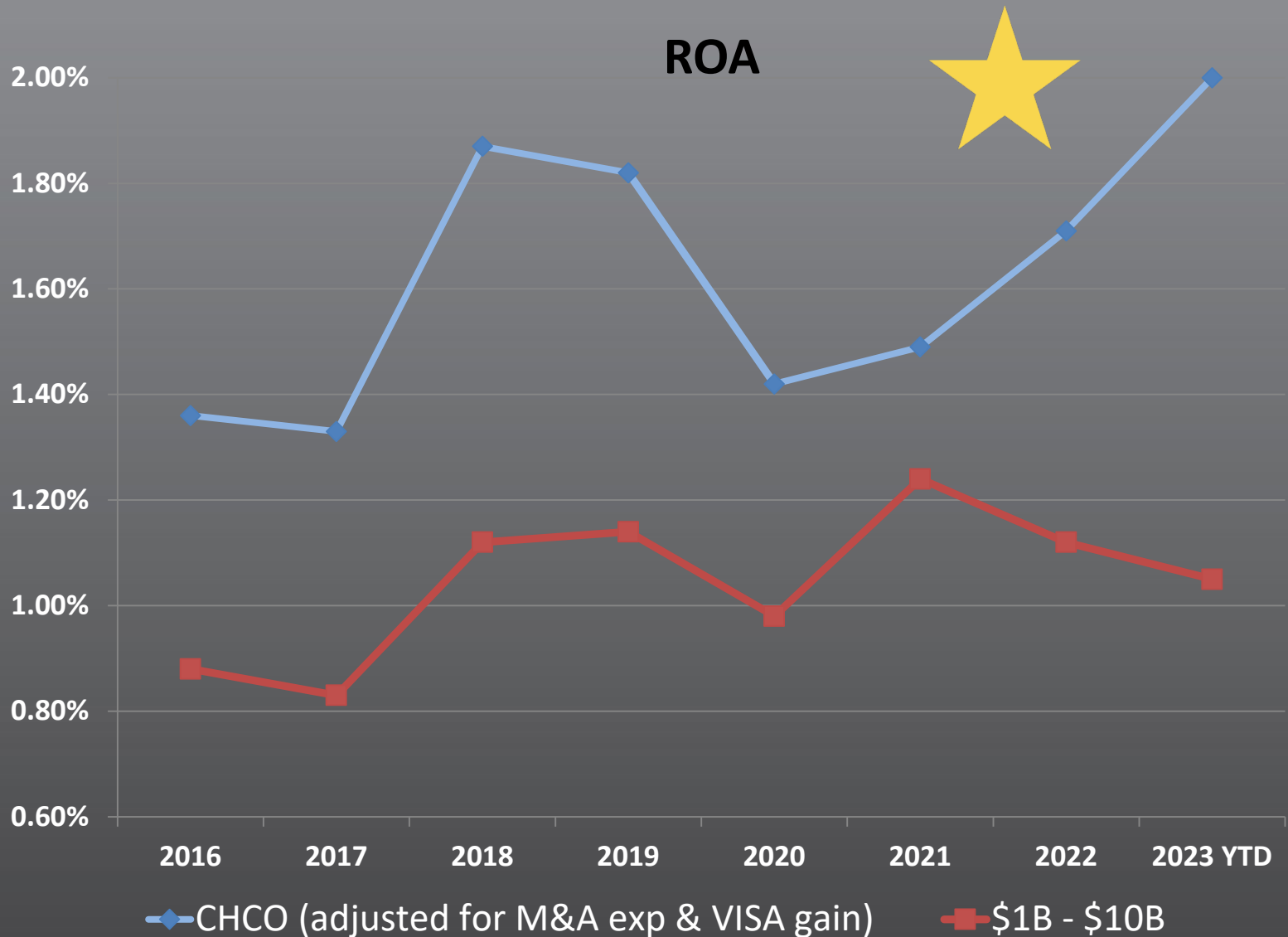
Forward looking statements

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.

- Total Assets \$6.2 billion
- Branches 99
- FTE 958
- Market Cap \$1.3 billion

- Markets: Stable, Slow growing, & less competitive
- Customers Robust retail customer base
- 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

CHCO: A perennial high-performing bank



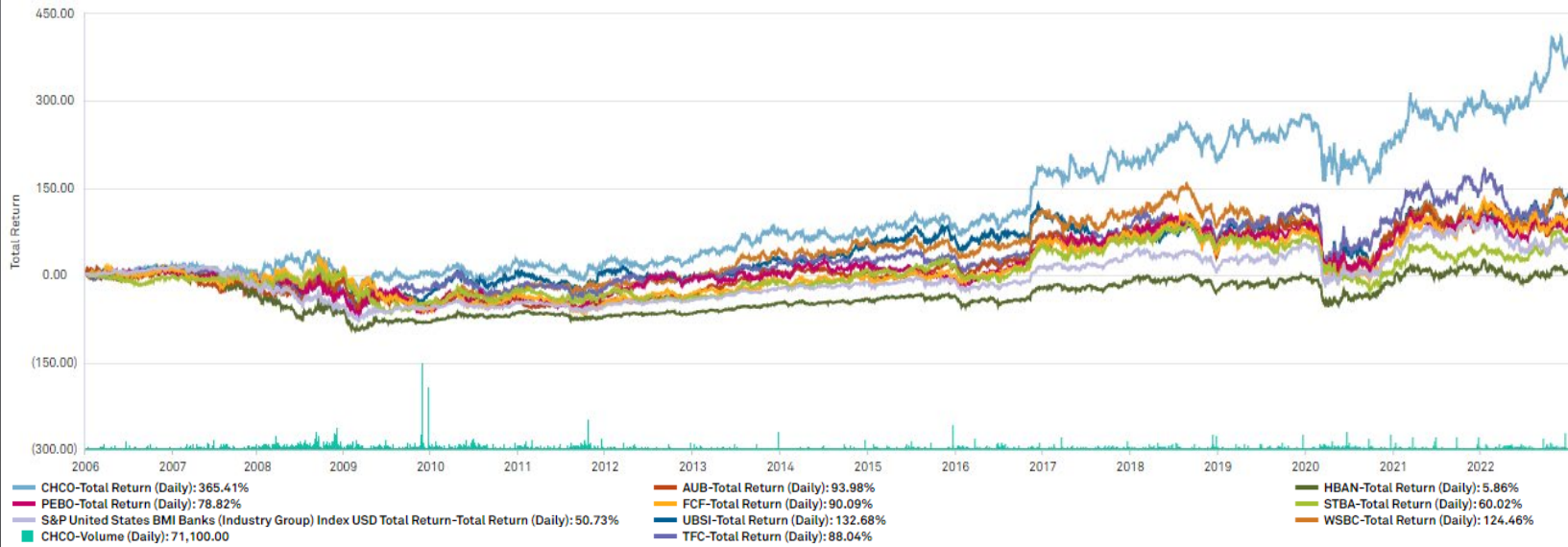
Source - S&P Global MI. Peer data as of March 31, 2023.

Total Shareholder Return 1/1/06-12/31/22

CHCO

VS

UBSI, WSBC, TFC, AUB, HBAN, PEBO, FCF, STBA

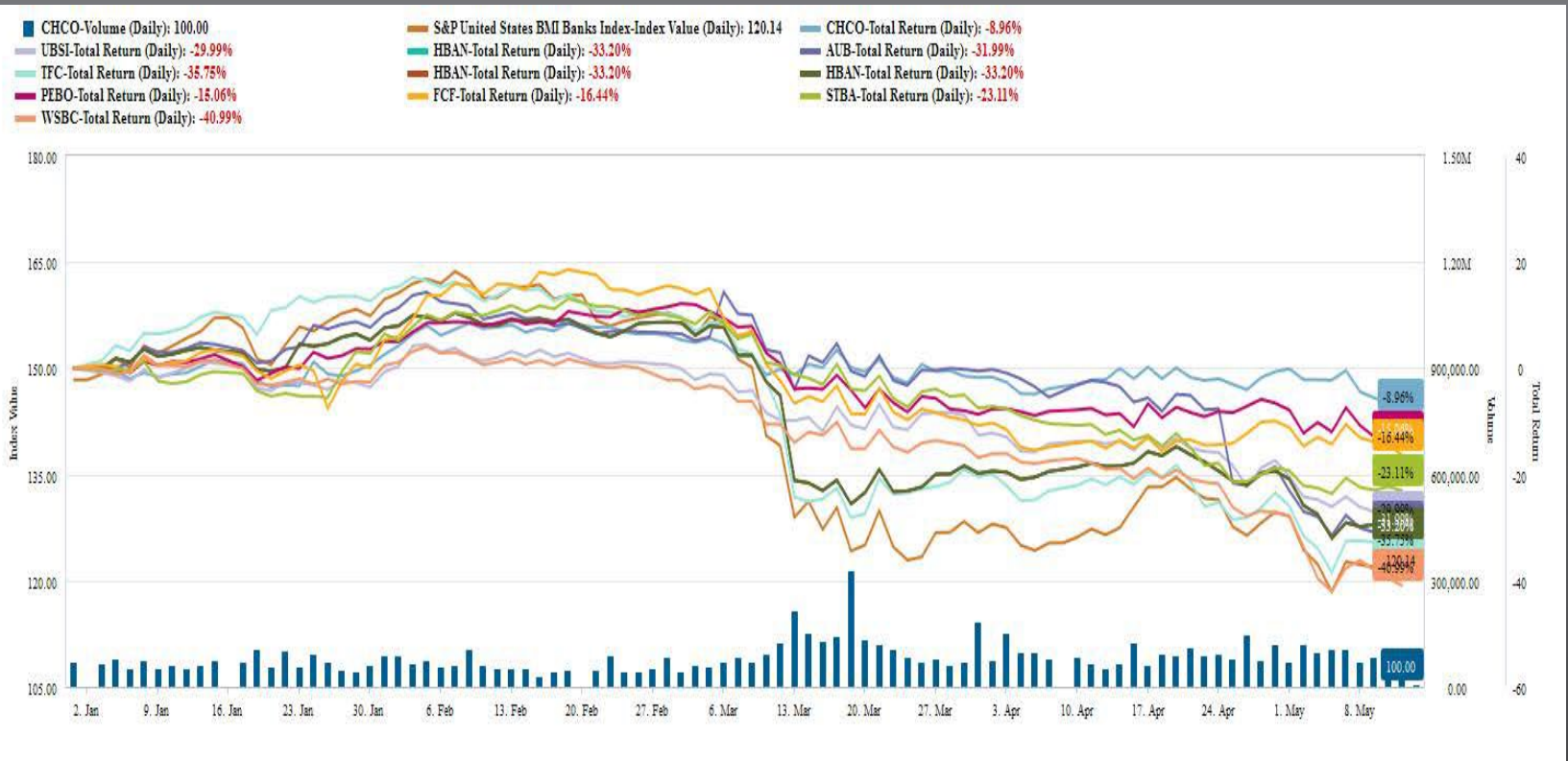


Total Shareholder Return 1/1/23-5/12/23

CHCO

VS

UBSI, WSBC, TFC, AUB, HBAN, PEBO, FCF, STBA



JD Power: Highest Customer Satisfaction North Central Region, 2018, 2019, 2020 and 2022



Challenges and Opportunities

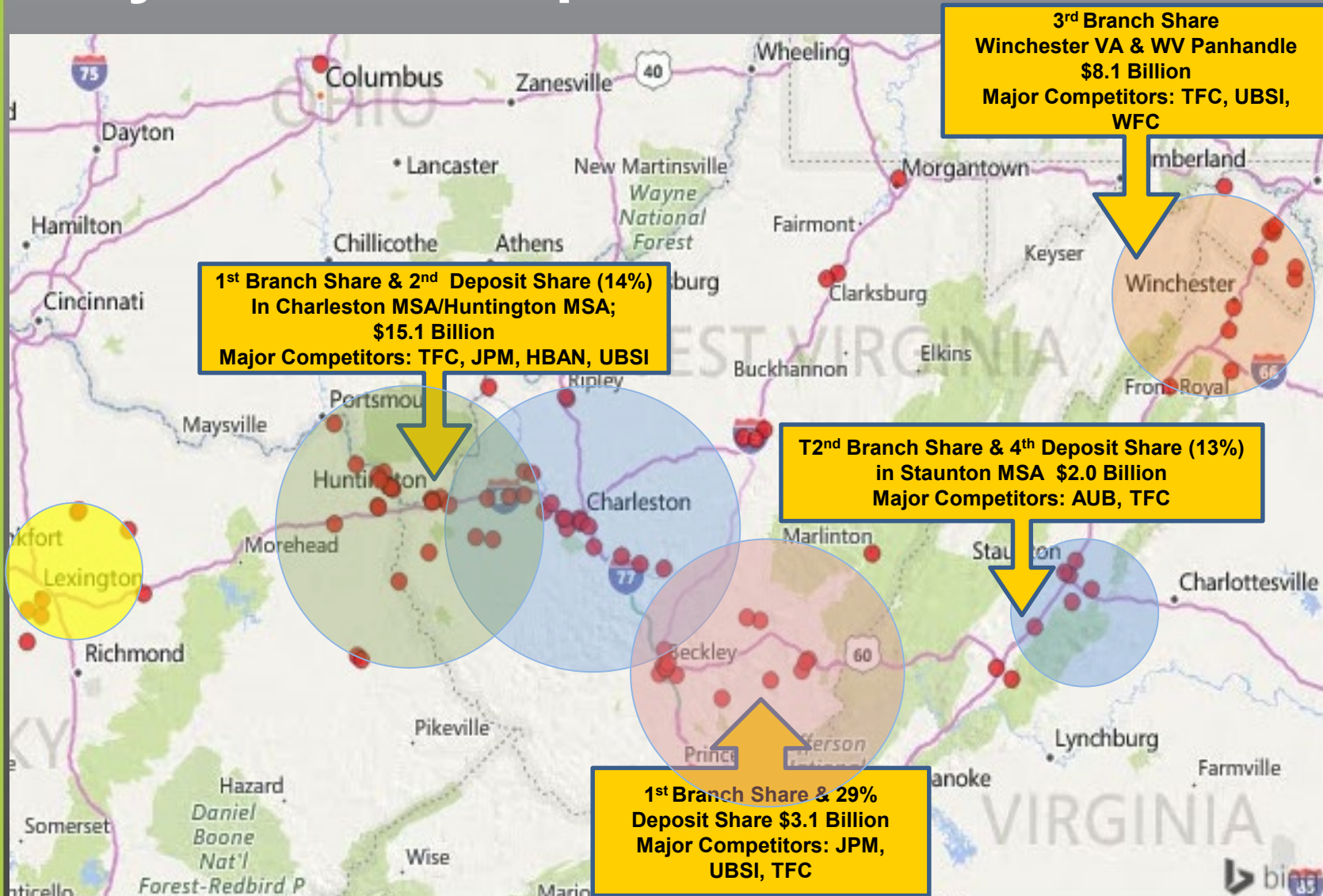
- **Challenges**

- Increases in deposit rates
- Geographic markets are considered “loan challenged”
- Deposit Customers: Already high market share in slow-growth demographic markets

- **Opportunities**

- Asset Quality
- Competitor Behavior (driving customers away)
- Acquisition Strategy (shareholder centric)

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").

Data: S&P Global MI as of 6/30/22.

Deposit Franchise mostly in slow-growth WV and eastern KY

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

Uninsured Deposit Data

(as of & for the quarter ended March 31, 2023)

| By Deposit Type | Average Balance (in 000's) | Uninsured Percent |
|-------------------------------------|-------------------------------|-------------------|
| Noninterest-Bearing Demand Deposits | \$1,420,676 | 19% |
| Interest-Bearing Deposits | | |
| Demand Deposits | 1,234,981 | 8% |
| Savings Deposits | 1,376,317 | 11% |
| Time Deposits | 902,583 | 14% |
| Total Deposits | \$4,934,557 | 13% |
| Retail Deposits | | |
| Noninterest-Bearing | \$619,889 | 4% |
| Interest-Bearing | 3,125,132 | 11% |
| Total Retail Deposits | \$3,745,021 | 9% |
| Commercial Deposits | | |
| Noninterest-Bearing Deposits | \$800,787 | 31% |
| Interest-Bearing Deposits | 388,749 | 13% |
| Total Commercial Deposits | \$1,189,536 | 23% |

The percentages listed above represent management's best estimate as of March 31, 2023

Internal DDA Growth



| Year | New DDA Accounts | Net Growth in DDA Accounts | % Increase in DDA Accounts |
|----------|------------------|----------------------------|----------------------------|
| 2018 | 30,400* | 4,310* | 2.2% |
| 2019 | 32,040 | 3,720 | 1.7% |
| 2020 | 30,360 | 6,740 | 3.0% |
| 2021 | 32,800 | 8,860 | 3.8% |
| 2022 | 28,440 | 4,540 | 1.9% |
| 2023 YTD | 8,470* | 1,640* | 2.8%** |

Household Growth = 2.5%
U.S. Population Growth: 0.6%

- * - Amounts exclude accounts added in connection with acquisitions
- ** - Annualized

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 | \$2,342 | 15% | 36 | 20% | 1 st |
| Beckley/Lewisburg WV | 162,000 | \$945 | 29% | 16 | 27% | 1 st |
| Winchester/Martinsburg | 397,000 | \$586 | 7% | 12 | 12% | 3 rd |
| Valley Region | 160,000 | \$335 | 11% | 8 | 16% | 1 st |
| Lexington KY Region | 430,000 | \$323 | 2% | 6 | 4% | 8 th |

Note: Green highlight indicates market expansion as a result of acquisitions.

Source: 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 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.
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 | \$1,092 | 16.5% | 13 | 30.2% | 40.6% |
| Huntington, WV | \$587 | 13.7% | 10 | 17.9% | 28.3% |
| Ashland, KY | \$590 | 21.4% | 12 | 24.0% | 41.0% |
| Beckley, WV | \$466 | 28.8% | 7 | 26.9% | 57.3% |
| Lewisburg, WV | \$377 | 39.2% | 7 | 38.9% | 72.2% |
| Staunton, VA | \$334 | 11.8% | 8 | 18.6% | 12.8% |
| Martinsburg, WV | \$329 | 11.9% | 6 | 18.8% | 23.4% |

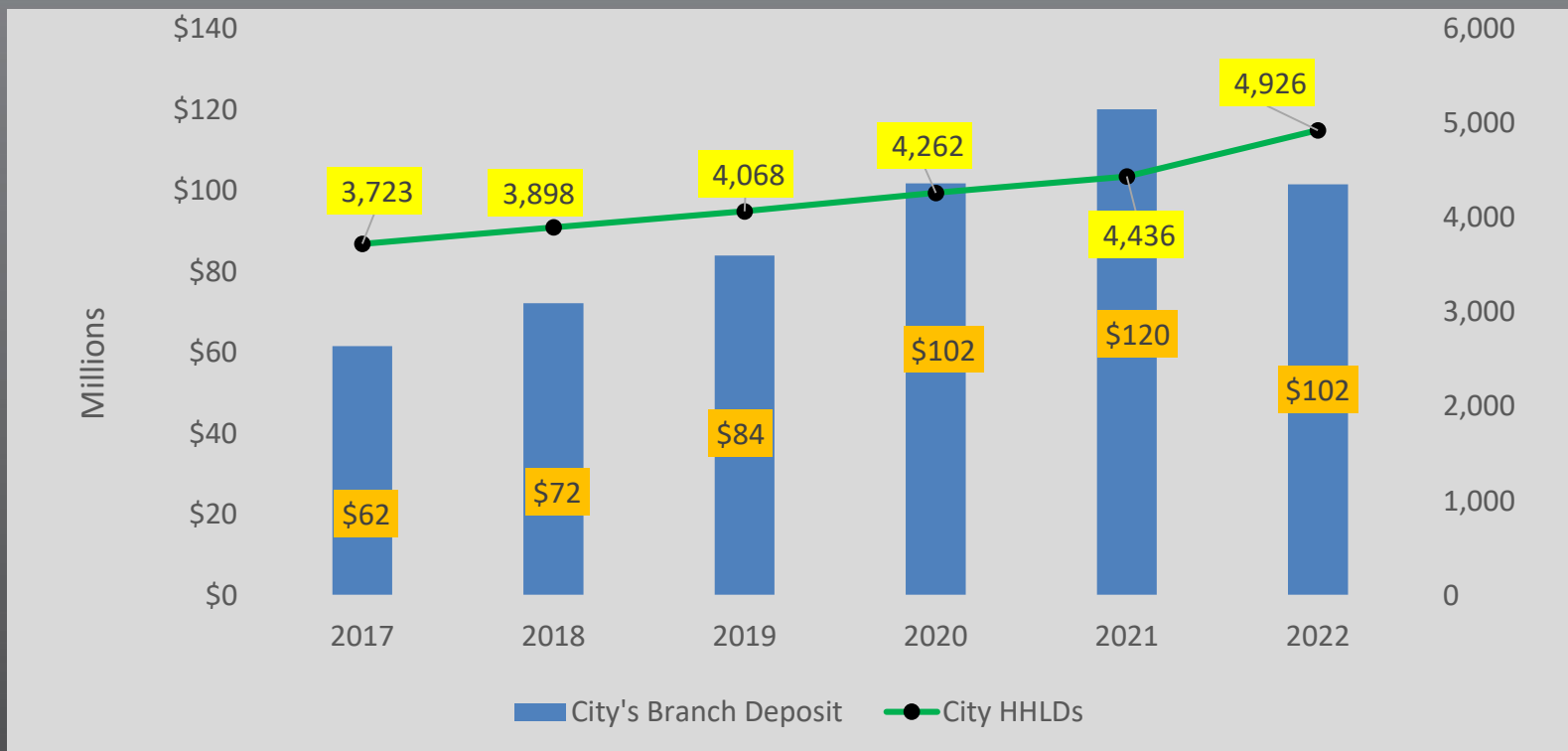
Data as of 6/30/22.

Market Disruptions

Provide Strong Growth Opportunities



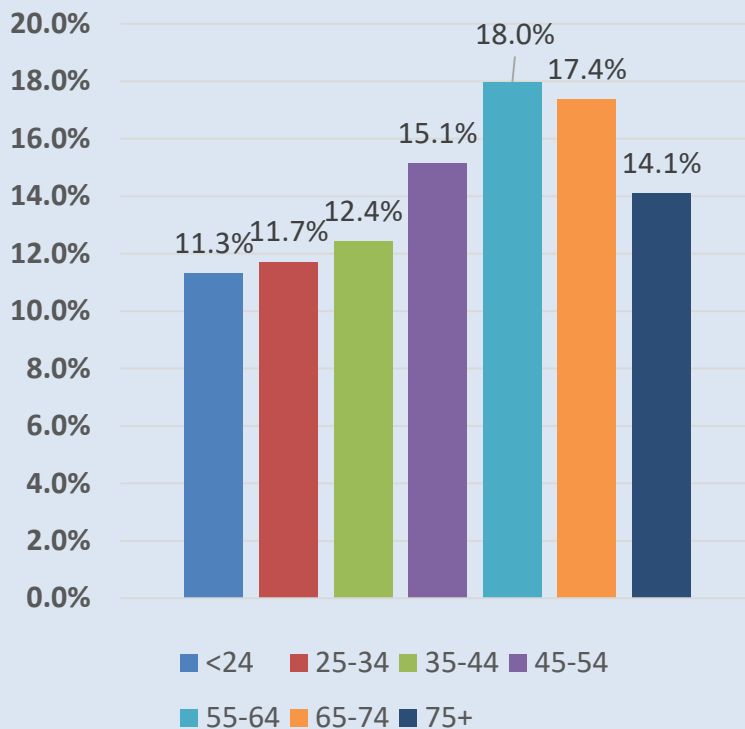
- Market: St. Albans WV



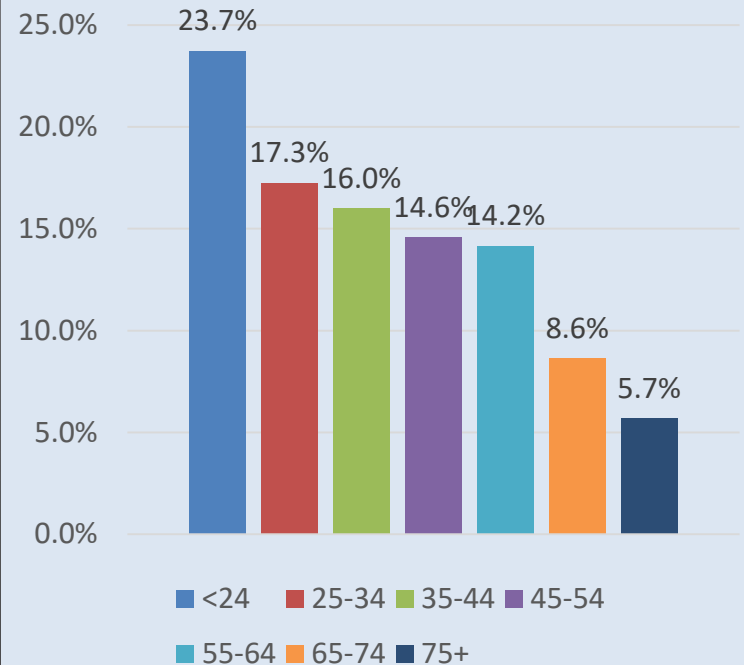
- In 2017, there were 4 banks with branches in this market
- In 2018 one closed
- In 2020 another closed

Age Distribution of Customer Base 2022

All City Customers



New City Customers 2022



2022 Debit Card Revenues



| | Assets | Debit Card Revenues |
|-------------|----------------------|---------------------|
| Summit | \$3.9 Billion | \$6.2 million |
| City | \$6.0 Billion | \$27 million |
| Stockyard | \$7.5 Billion | \$19 million |
| Peoples | \$7.2 Billion | \$21 million |
| Wesbanco | \$16.9 Billion | \$20 million |

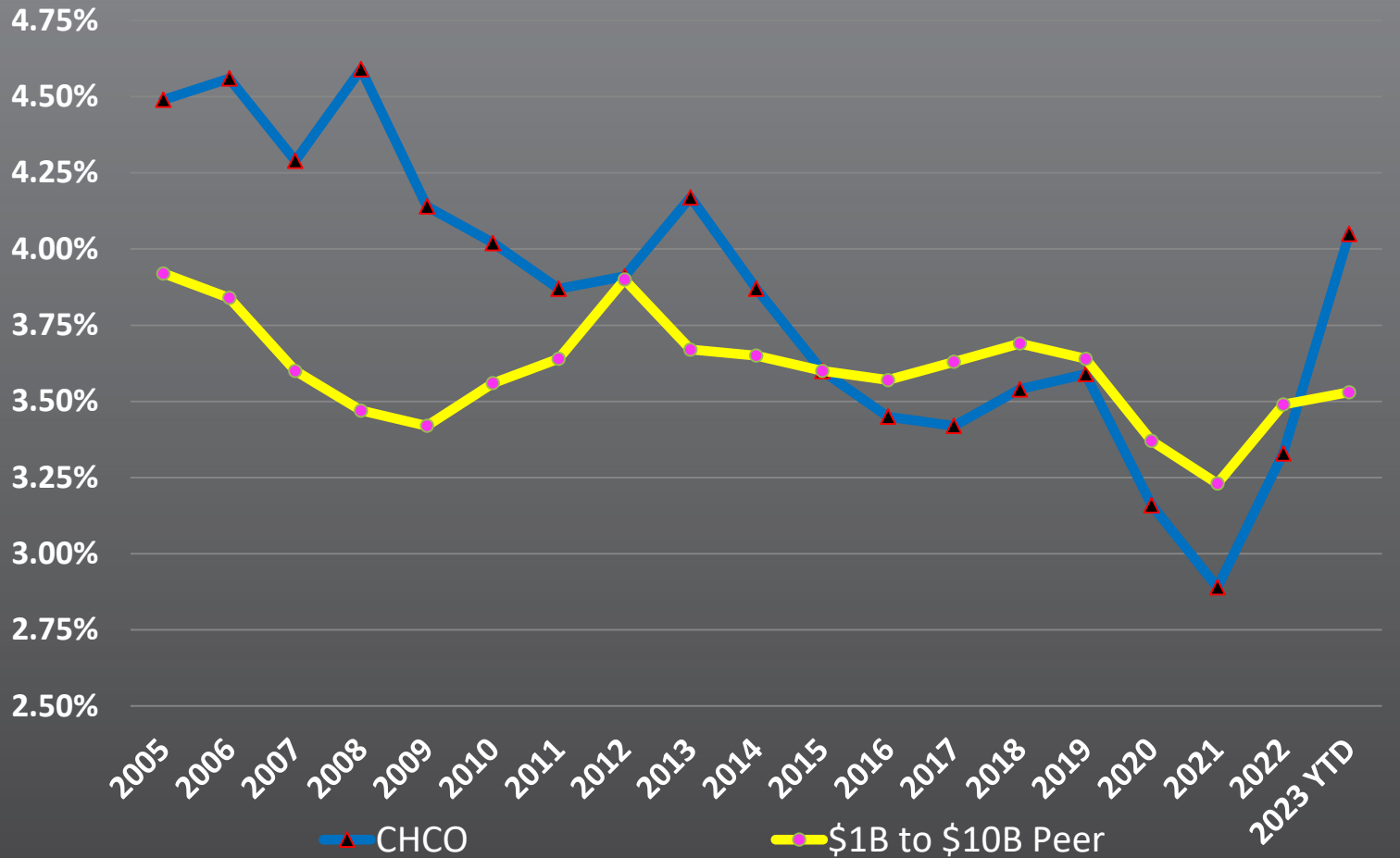
Overdraft Facts

- Regulation E
 - 24% of customers have “OPTED IN”. (61% paid no overdraft fees in 2019. (They “Opt-In” as protection against the possibility of needing funds in emergencies)
 - 13% of new DDA customers “OPTED IN” in 2019
 - More customers CHANGE by “OPTING-IN” than “OPTING-OUT”
 - Overdrafts occur due to:
 - Debit Card - 50% (20% recurring)
 - ATM – 8%
 - Check – 13%
 - ACH – 27%
 - Between 2013-2021, City logged 3,471 customer complaints. Only 111 were about overdrafts of insufficient funds.

Overdraft Mitigation at City

- Every overdraft results in a letter to the customer informing them of an overdraft or insufficient fund charge.
- Quarterly letters to out to any customer experiencing more than 6 OD's of NSF's in the last quarter offering assistance.
- City offers free automated transfers between accounts.
- Every City DDA has 2 free overdrafts
- City offers an interest free “Fresh Start” program to assist customers who are struggling with fees

City's strong deposit franchise provides NIM strength in higher rate environments

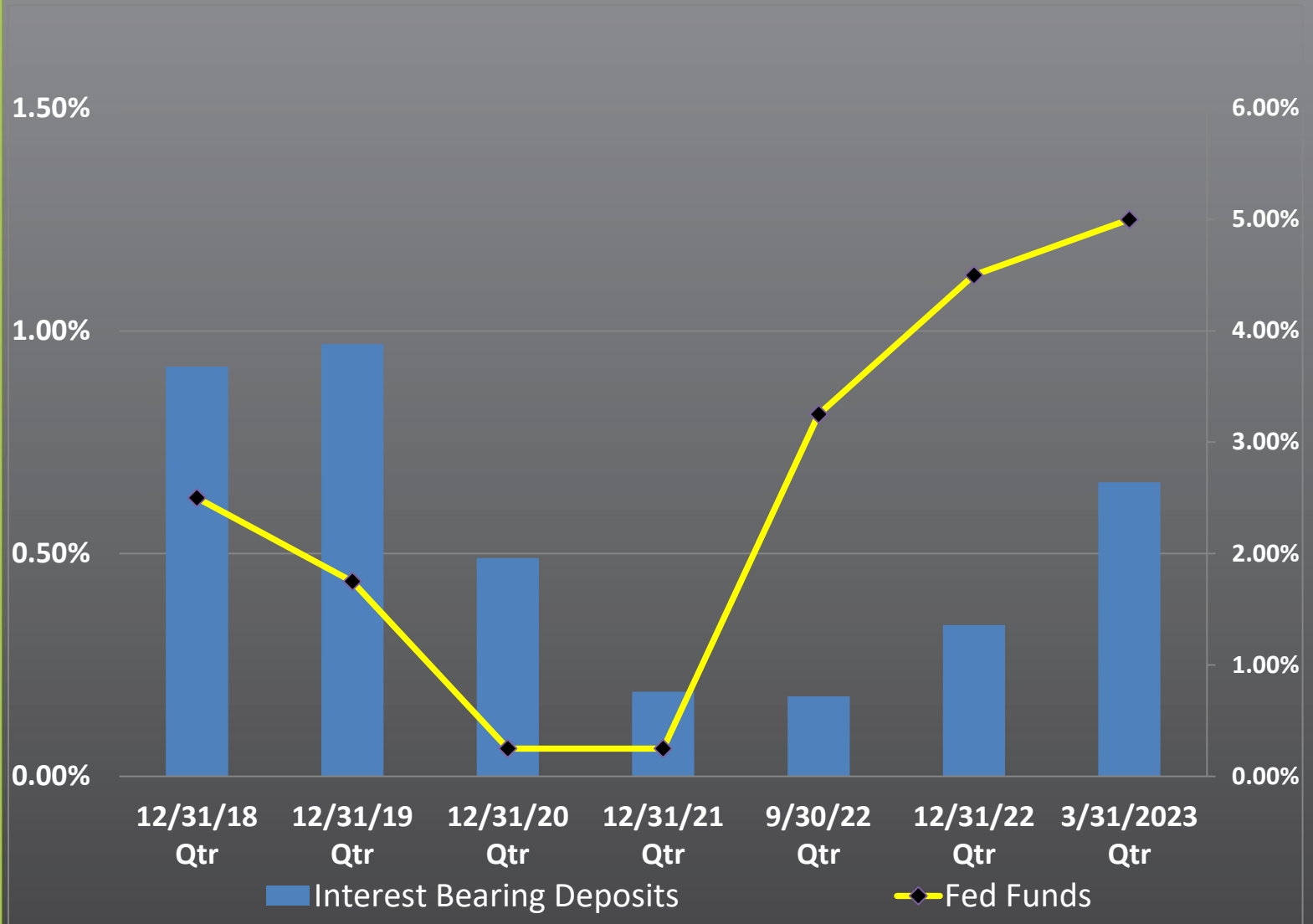


Source - S&P Global MI. Peer Data as of March 31, 2023

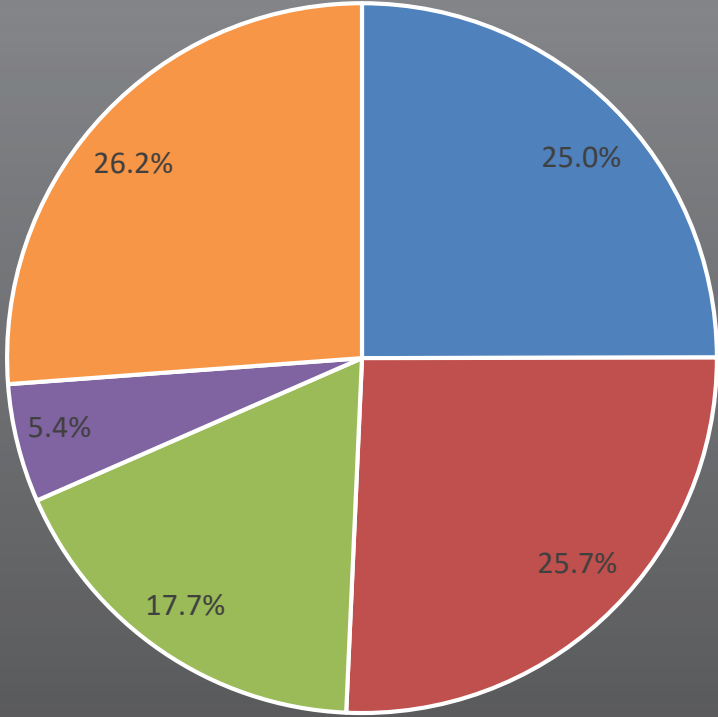
Net Interest Income

| | Net Interest Income | Notes |
|--------------------------|---------------------|--|
| 2019 | \$161.4 MM | Fed Fund Target was 2.50% thru August 1 then dropped to 1.75 by year-end |
| 2020 | \$154.6 MM | Fed Fund Target started at 1.75% and plunged to 25bp in March due to Covid |
| 2021 | \$155.6 MM | Fed F8nd Target was 0.25% throughout |
| 2022 | \$180.0 MM | Fed Funds increased 425 bps |
| 1 st Qtr 2023 | \$53.8 MM | Fed Funds jumped another 25 bps to 5.00% |
| 2023 Analyst Est | \$213.6 MM | Q1 Annualized would be \$215.1MM |
| 2024 Analyst Est | \$209.3 MM | |

Deposit Costs



How City is Funded at March 31, 2023



- Interest-bearing DDA's
- Time deposits
- Noninterest bearing DDA's
- Savings deposits
- Repos

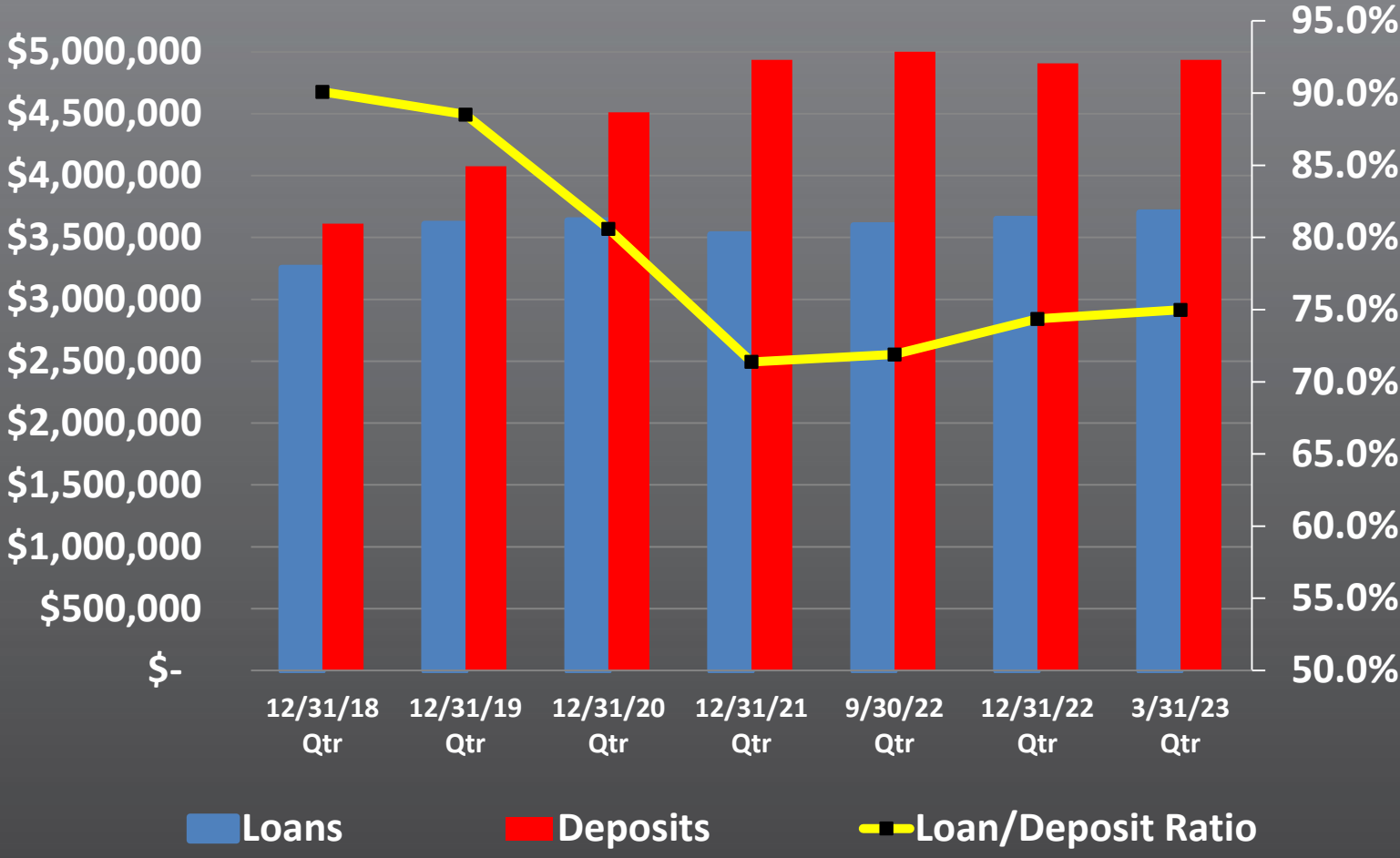
CHCO: Variable Priced Assets

Roughly 25% of assets reprice with increases in Fed Funds, LIBOR or SOFR.

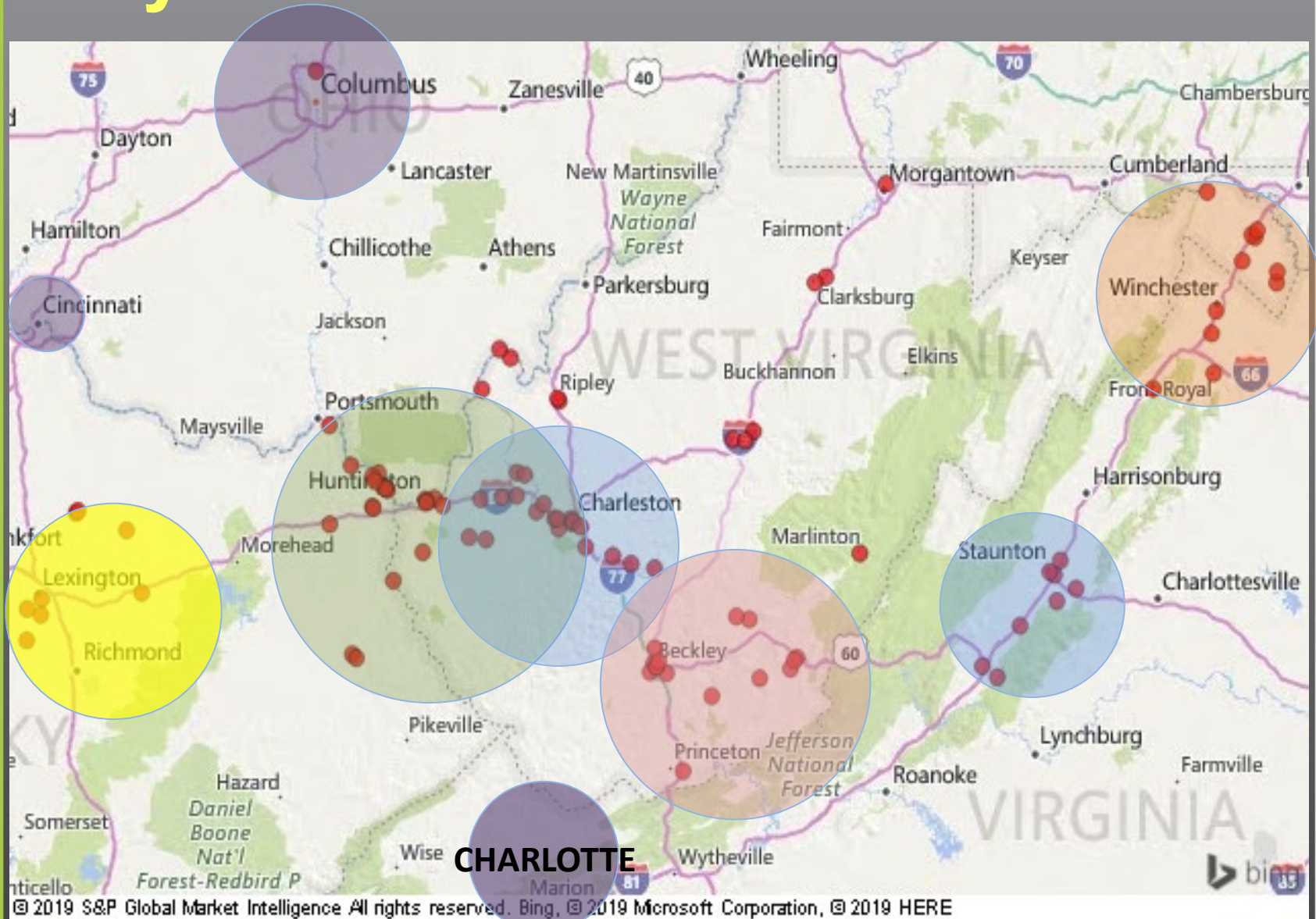
Commercial Loans and HE Loans generally reprice first of month following a FF rate increase

Loans vs. Deposits

(Average Quarterly Balances)



City National Loan Markets



Size of Bubbles are representative of City's loan distribution



Diversified Commercial Loan Portfolio

| Key Loan Markets | Percent of Commercial Portfolio |
|--|---------------------------------|
| West Virginia & Eastern Kentucky – <i>dating to 1870</i> | 46% |
| Virginia/Eastern Panhandle Markets – <i>acquired 2012/13</i> | 15% |
| Lexington, KY – <i>acquired 2015</i> | 18% |
| Columbus, OH | 14% |
| Other | 7% |

Commercial Sectors Information

As of March 31, 2023

| Commercial Sector | \$ (in thousands) | % of Total Loans | Avg DSC | Avg LTV |
|---|-------------------|------------------|----------------|---------|
| Natural Gas Extraction | \$25,179 | 0.65% | 3.68 | 64% |
| Natural Gas Distribution | 23,711 | 0.61% | 2.61 | N/A |
| Masonry Contractors | 23,017 | 0.59% | 1.13 | 84% |
| Sheet Metal Work Manufacturing | 23,491 | 0.60% | 1.57 | 68% |
| Beer & Ale Merchant Wholesalers | 26,766 | 0.69% | 3.28 | N/A |
| Gasoline Stations with Convenience Stores | 53,556 | 1.38% | 4.19 | 65% |
| Lessors of Residential Buildings & Dwellings | 303,311 | 7.79% | 1.89 | 66% |
| 1-4 Family | 114,768 | 2.95% | 2.97 | 68% |
| Multi-Family | 160,664 | 4.13% | 1.84 | 66% |
| Lessors of Nonresidential Buildings | 468,836 | 12.05% | 1.70 | 65% |
| Office Buildings | 44,926 | 1.15% | 1.64 | 64% |
| Lessors of Mini-Warehouses & Self-Storage Units | 44,510 | 1.15% | 1.62 | 62% |
| Assisted Living Facilities | 28,944 | 0.74% | 1.38 | 57% |
| Hotels & Motels | 335,086 | 8.61% | 1.43 | 52% |
| | | | | |
| (in thousands) | Average Balance | | Median Balance | |
| Commercial Loans | \$453 | | \$92 | |
| Commercial Real Estate Loans | 498 | | 119 | |

Provision

- **Provision/Recoveries**

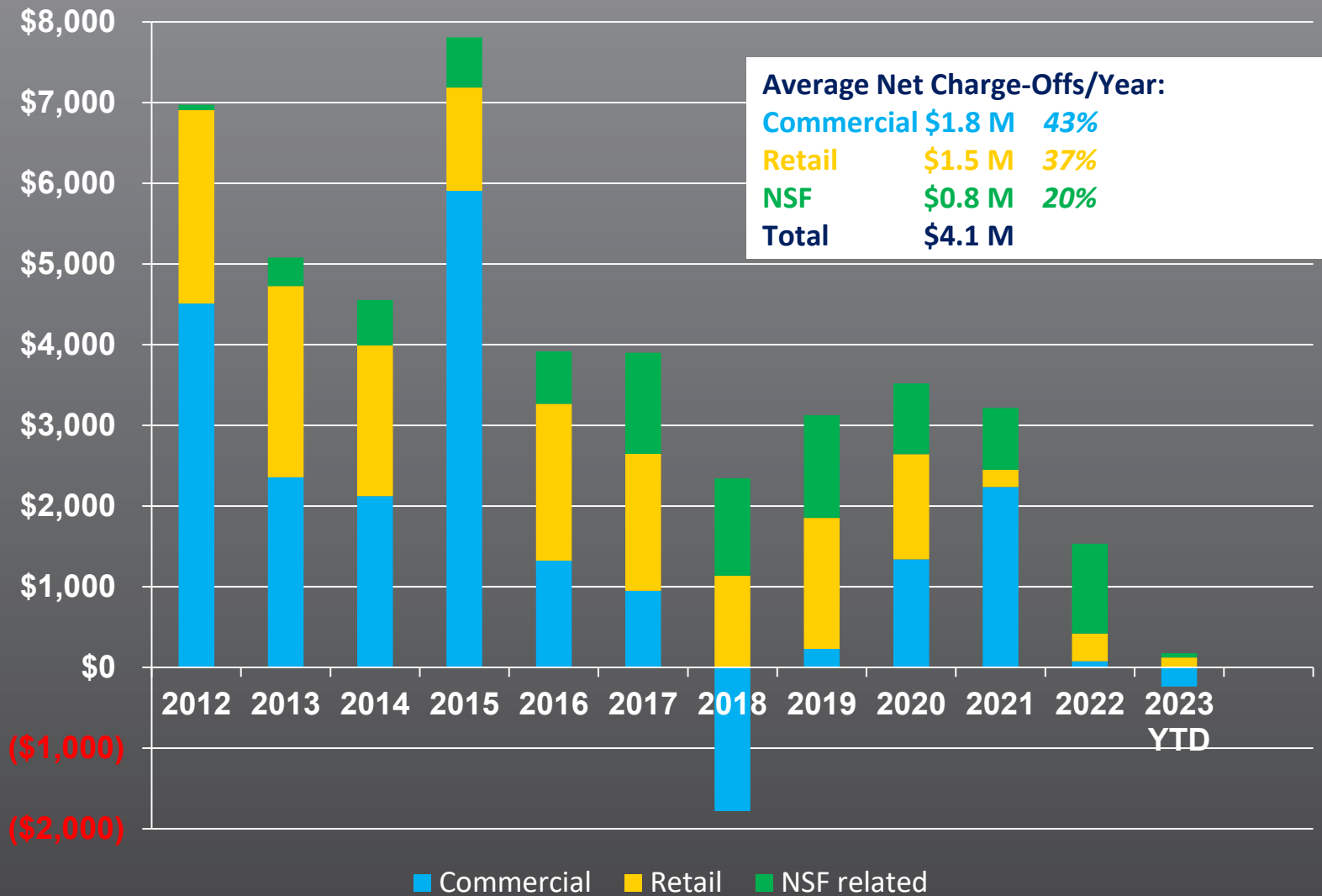
- 2020 \$10.7 million Provision
- 2021 \$3.2 million RECOVERY
- 2022 \$0.4 million Provision
- 2023 YTD \$2.9 million Provision (\$2.0 million related to Citizens acquisition)

Asset Quality: At Historic Highs

- Non-Performing Assets (17bp) –
 - **Lowest in 20+ years**
- Past-Due Loans (15bp)
 - **Lowest in 20+ years**
- OREO (\$0.8MM)
 - **Lowest in 15+ years**
- Net Consumer Loan Charge-offs
 - **Lowest in 15+ years**

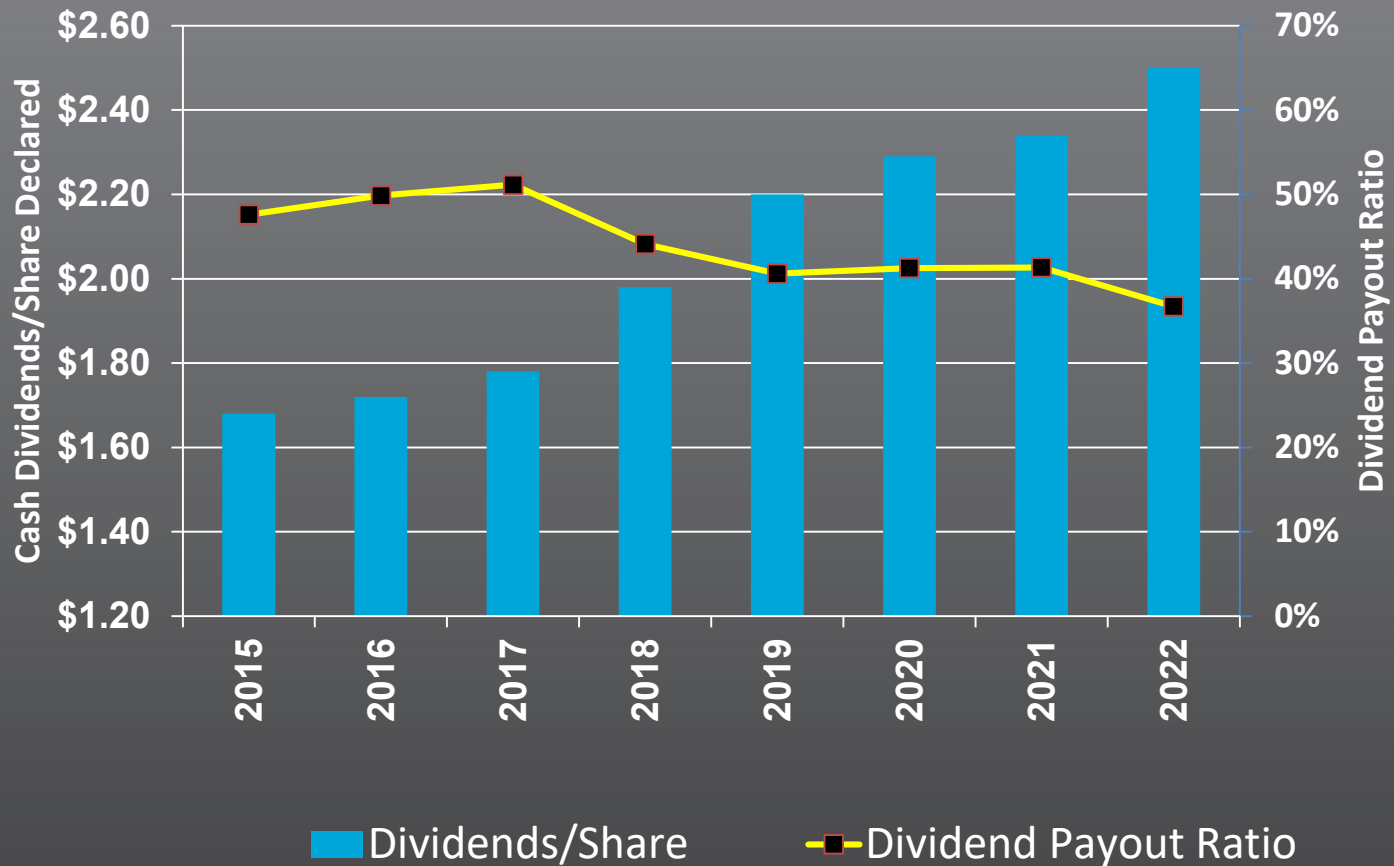
Average Provision Expense 2005-2022 20bp

Net Charge-off Details: 2012-2022



Capital Management: A Long-term Core Competency

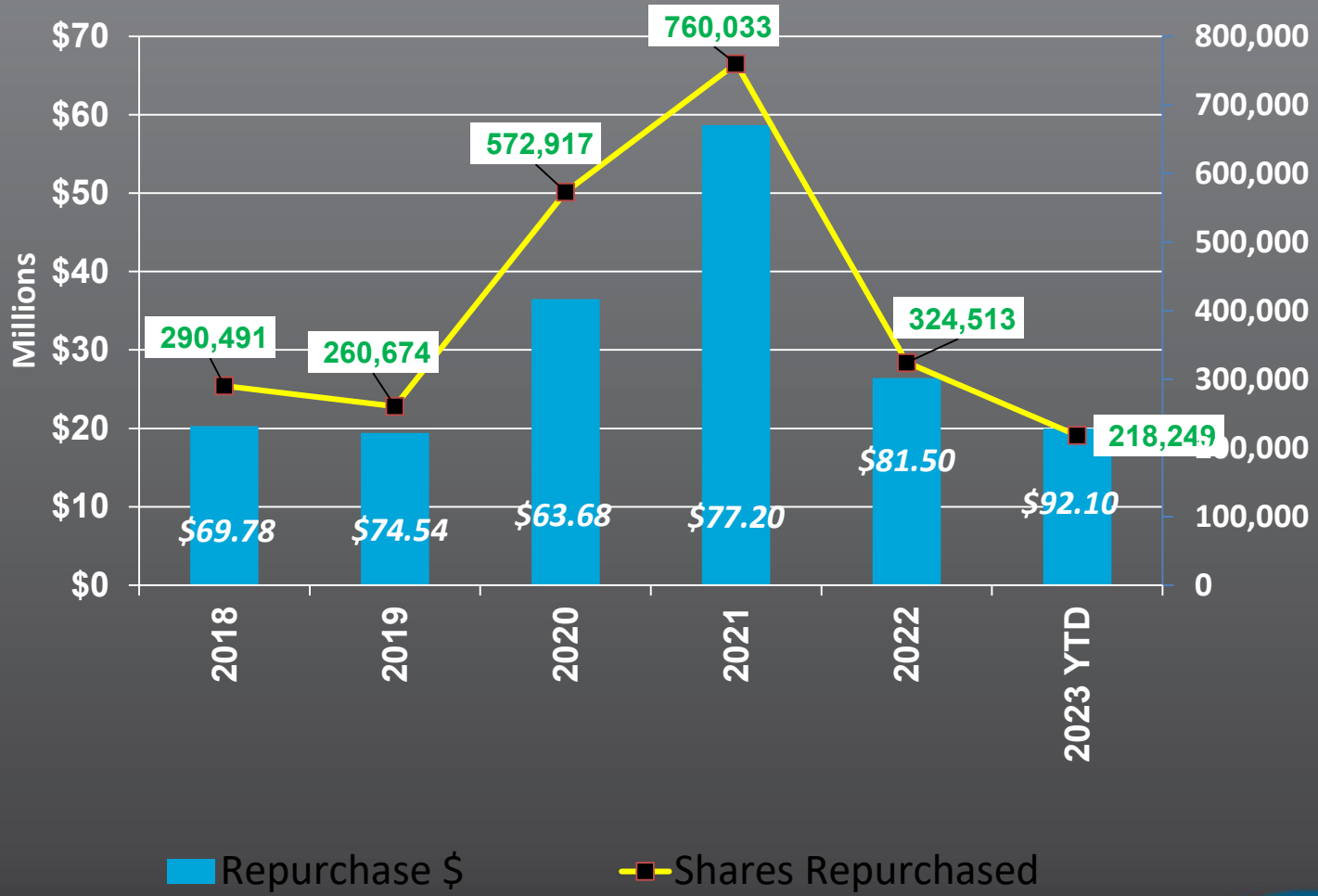
Cash Dividends/Share Declared & Dividend Payout Ratio





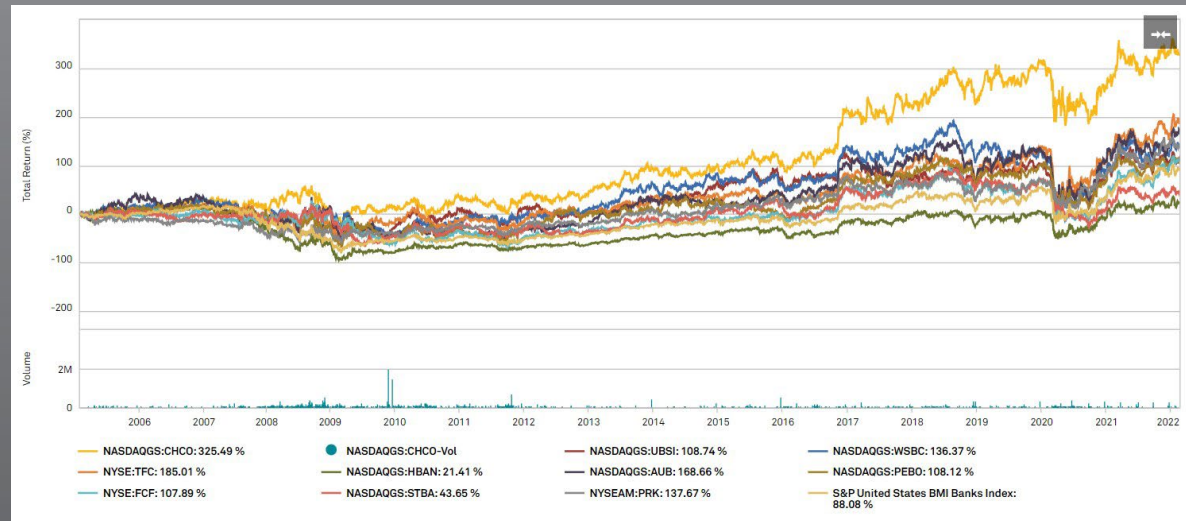
Share Activity:

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



Acquisition Strategy:

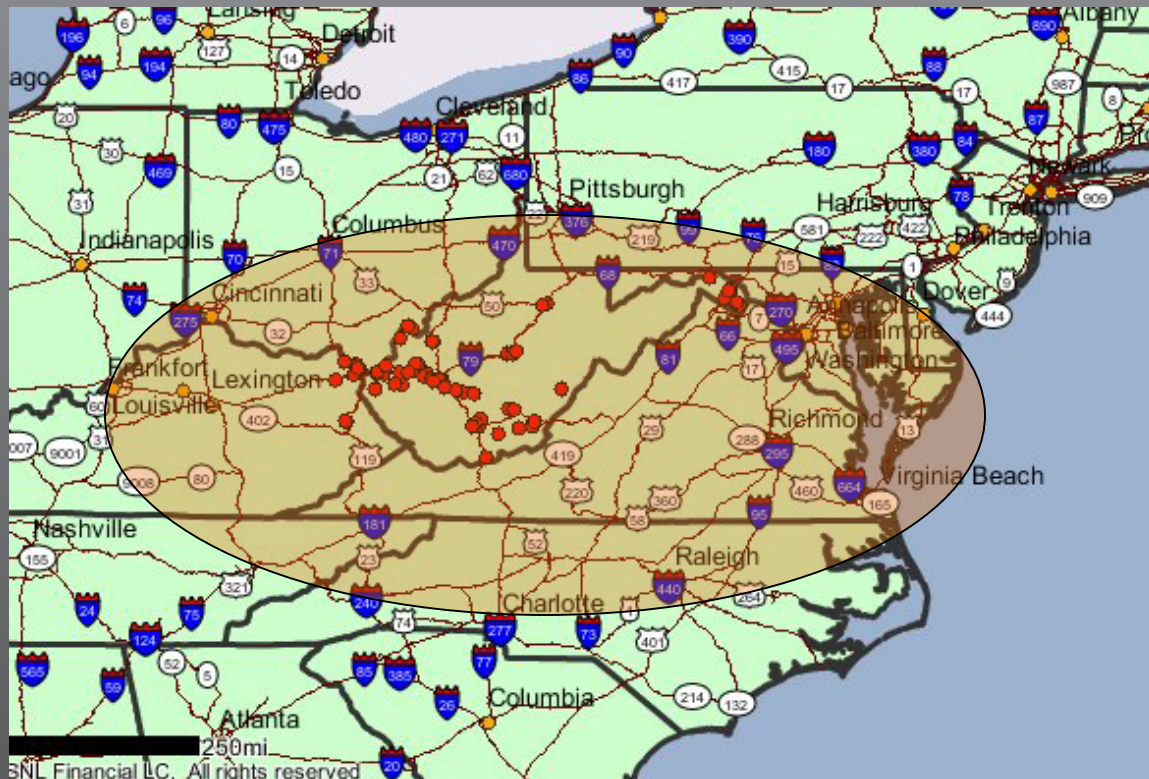
Buy banks that make shareholders richer, not the CEO.



City's exceptional performance is due to:

- **HAVING A deep and profitable retail banking franchise**
- **NOT unnecessarily DILUTING that franchise**
- **Remaining a community bank focused on:**
 - **Exceptional customer service (proven, not merely said!)**
 - **Community Engagement**
 - **Maintaining a solid internal culture**

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.

Acquisition of Citizens Commerce Bancshares, Inc. Transaction Rationale & Highlights

Franchise Strengthening Strategic Combination

- Strategic acquisition of Kentucky-based community bank
 - Natural extension of branch network in the Lexington, Kentucky MSA
 - Combined Central Kentucky Branches - 12
- Consistent with CHCO's track record of selectively combining with well-positioned banks in attractive markets (Poage 2018, Farmers 2018)
- Opportunity for CHCO to build on Citizens' strong stand-alone financial performance by offering a more expansive product set to its customer base

Financially Compelling

- Added approximately \$0.3B to total assets; total deposits of \$0.3B, and net loans of \$0.25B
- Expected to be marginally accretive to CHCO's 2023 earnings per share¹
- Approximately 0.9% dilutive to tangible book value with an expected earnback period of less than a year
- All-stock transaction utilized CHCO's currency and maintains strong capital ratio and balance sheet capacity for future organic and acquisition-based growth

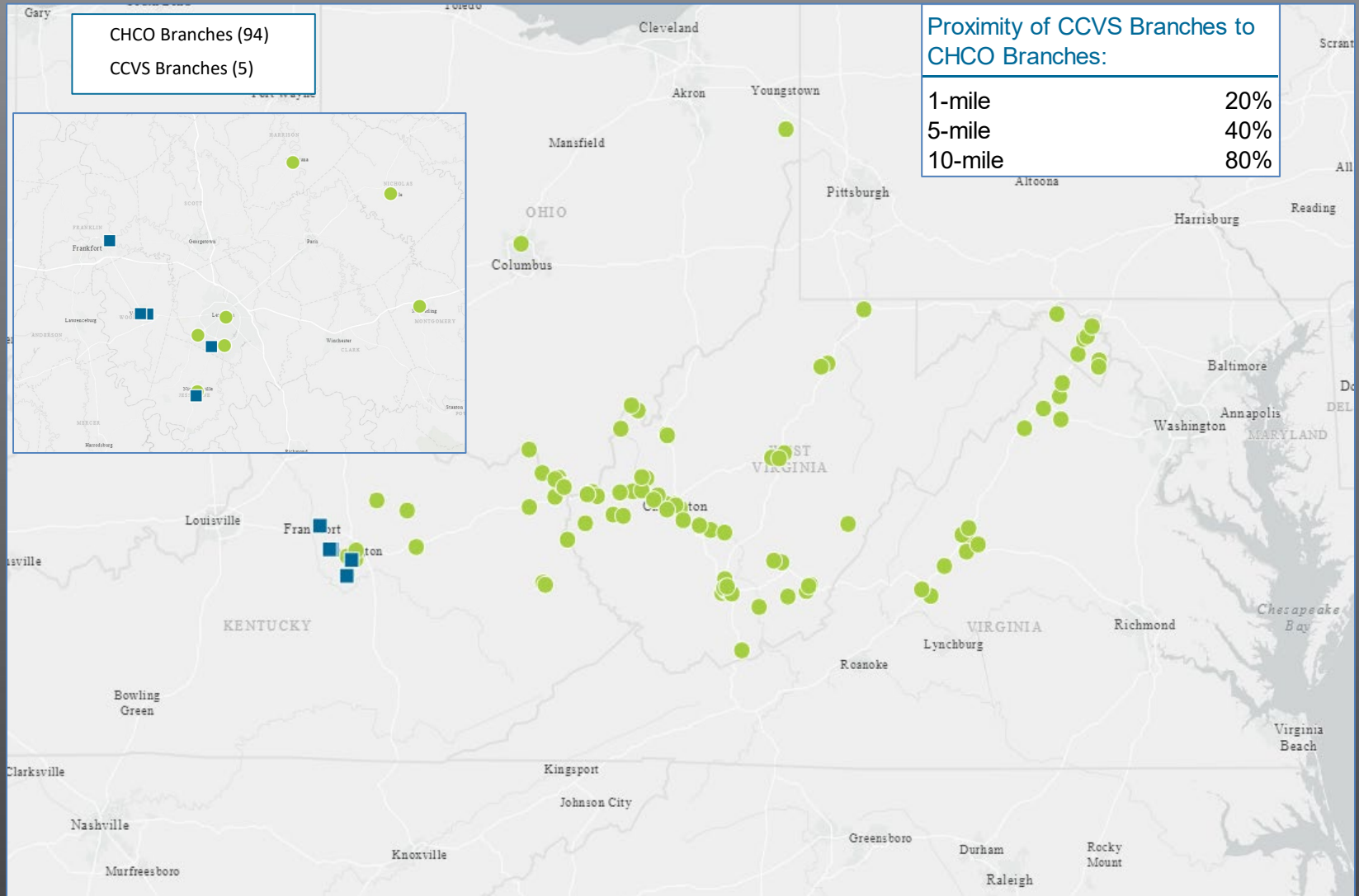
Low Risk Transaction

- Familiar and well established market, shared customer bases
- Comprehensive and thorough due diligence completed from CHCO management
 - M&A experience from recent transactions leveraged throughout diligence process
- Culturally aligned
- **Integration and transaction closing both completed on March 10, 2023**



1) Based on mean consensus analyst estimates for 2023

Pro Forma Branch Footprint



Source - S&P Global MI.

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

Why is CHCO Highly Valued?



- **Proven Conservative Lender**
- **Exceptionally 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**

CHCO represents excellent value and stability

- **Pricing Metrics***:
 - Price to Book 201%
 - Price to Tangible Book 269%
 - Price to 2023 Projected Earnings** 11.9x
- Dividend Yield 3.00%
- Div Payout Ratio** 36%
- Tangible Capital/Tangible Assets *** 8.1%
- Institutional Ownership 71%
- Average Daily Volume \$8.2mil

* Based on Price of \$85.82 (5/10/2023)

** Based on average of 6 analysts covering CHCO estimate of \$7.22 for 2023 (as of 5/10/2023)

*** March 31, 2023

- Questions?