

City Holding Company



City Holding
Company

**Davidson
Midwest Bank Tour
Chicago
November 20, 2019**

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) 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; (3) changes in the real estate market, including the value of collateral securing portions of our loan portfolio; (4) changes in the interest rate environment; (5) operational risk, including cybersecurity risk and risk of fraud, data processing system failures, and network breaches; (6) changes in technology and increased competition, including competition from non-bank financial institutions; (7) changes in consumer preferences, spending and borrowing habits, demand for our products and services, and customers' performance and creditworthiness; (8) difficulty growing loan and deposit balances; (9) our ability to effectively execute our business plan, including with respect to future acquisitions; (10) changes in regulations, laws, taxes, government policies, monetary policies and accounting policies affecting bank holding companies and their subsidiaries; (11) 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; (12) regulatory enforcement actions and adverse legal actions; (13) difficulty attracting and retaining key employees; and (14) 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 \$5.0 billion
 - Branches 95
 - FTE 916
 - Market Cap \$1.3 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: November 15, 2019

West Virginia: A Slow Growth, Rural/Small Town Market

	WV	Compared to:	Source
Employment	737,000 (Sept 2019)	727,000 (Low: Mar 2015)	US Bureau of Labor Statistics
Unemployment Rate (US – Sept 19 – 3.5%)	4.7% (September 2019)	8.8% (High: Oct 2010)	US Bureau of Labor Statistics
Coal Employment	14,000 (2018)	20,500 (2006)	West Virginia Coal Association
Coal Production	100 mil tons (2018) 94 mil in 2017	159 mil tons (2006)	West Virginia Coal Association; US Energy Information Admin
Homeownership Rate	75%	65% (US)	St. Louis Fed
Median Home Cost	\$165,700 (Charleston)	\$289,000 (US)	Zillow
Real Estate Taxes	0.49% of Mkt Value	0.87% of Mkt Value (Median State)	Census Bureau

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%	T1
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



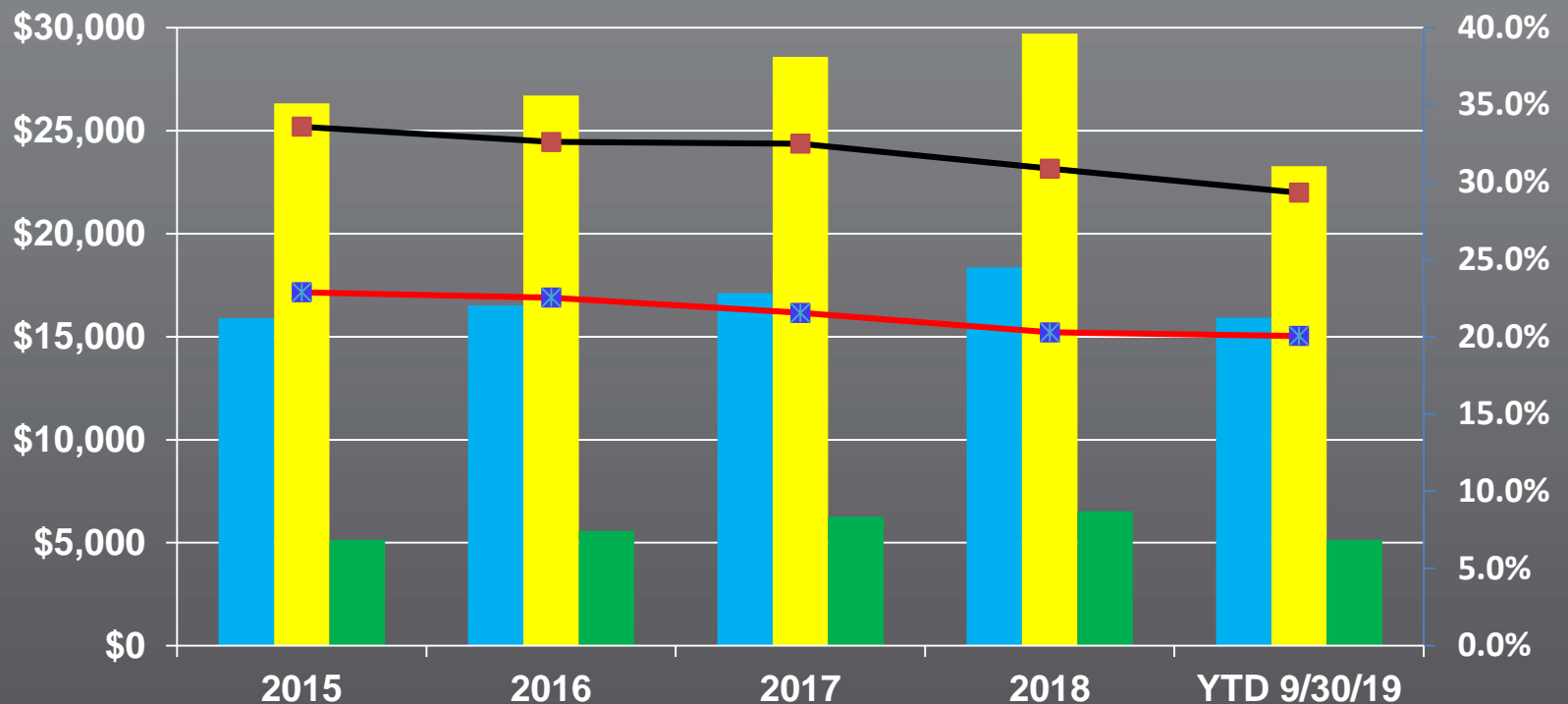
DEPOSIT FRANCHISE

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
- x- Peer - % of Operating Revenues

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

Franchise Strength: Debit Cards

		Card Revenue to Deposits
CBSH	Missouri	\$0.73
MSL	Louisiana	\$0.52
CHCO	West Virginia	\$0.47
PEBK	North Carolina	\$0.43
KTYB	Kentucky	\$0.43
OVBC	Ohio	\$0.42
USB		\$0.40 / \$0.80
RF		\$0.40 / \$0.80
CMA		\$0.40 / \$0.80
THFF	Indiana	\$0.38
FCBC	Virginia	\$0.38
PNC		\$0.37 / \$0.74
IBCP	Michigan	\$0.37
GBCI	Montana	\$0.36 / \$0.72

Caveat:
numbers may
not be strictly
comparable

Efficiency Ratio

low despite a large number of small branches



- 2015 Efficiency Ratio for CHCO excludes Gain from Sale of Insurance Division
- Data as calculated using S&P Global MI definition.

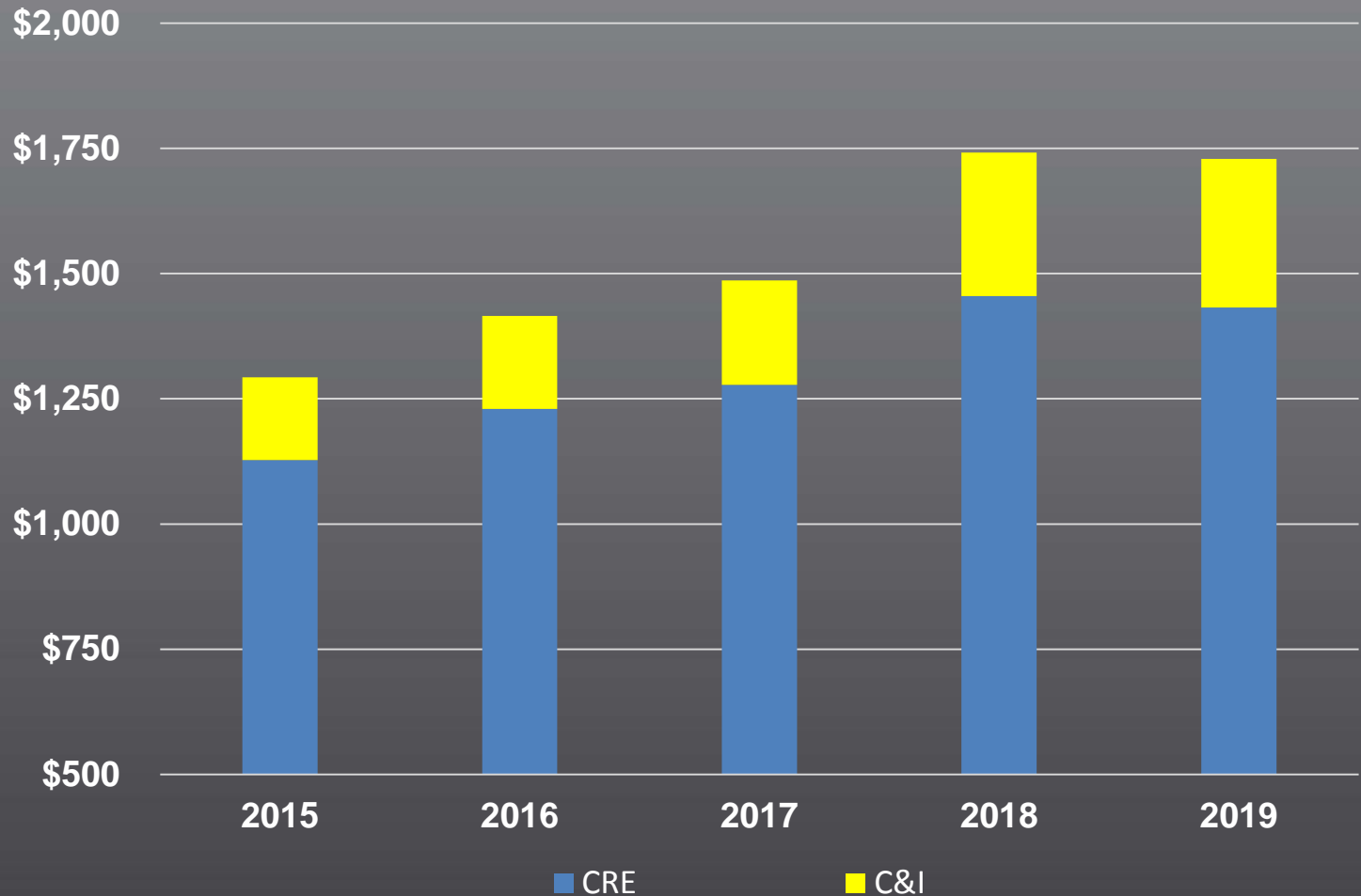


Diversified Commercial Loan Portfolio

Key Loan Markets	Percent of Commercial Portfolio
West Virginia & Eastern Kentucky – <i>dating to 1870</i>	48%
Virginia/Eastern Panhandle Markets – <i>acquired 2012/13</i>	15%
Charlotte LPO – <i>de novo 2006</i>	10%
Lexington, KY – <i>acquired 2015</i>	17%
Columbus, OH & Pittsburgh PA	10%

Commercial loan growth:

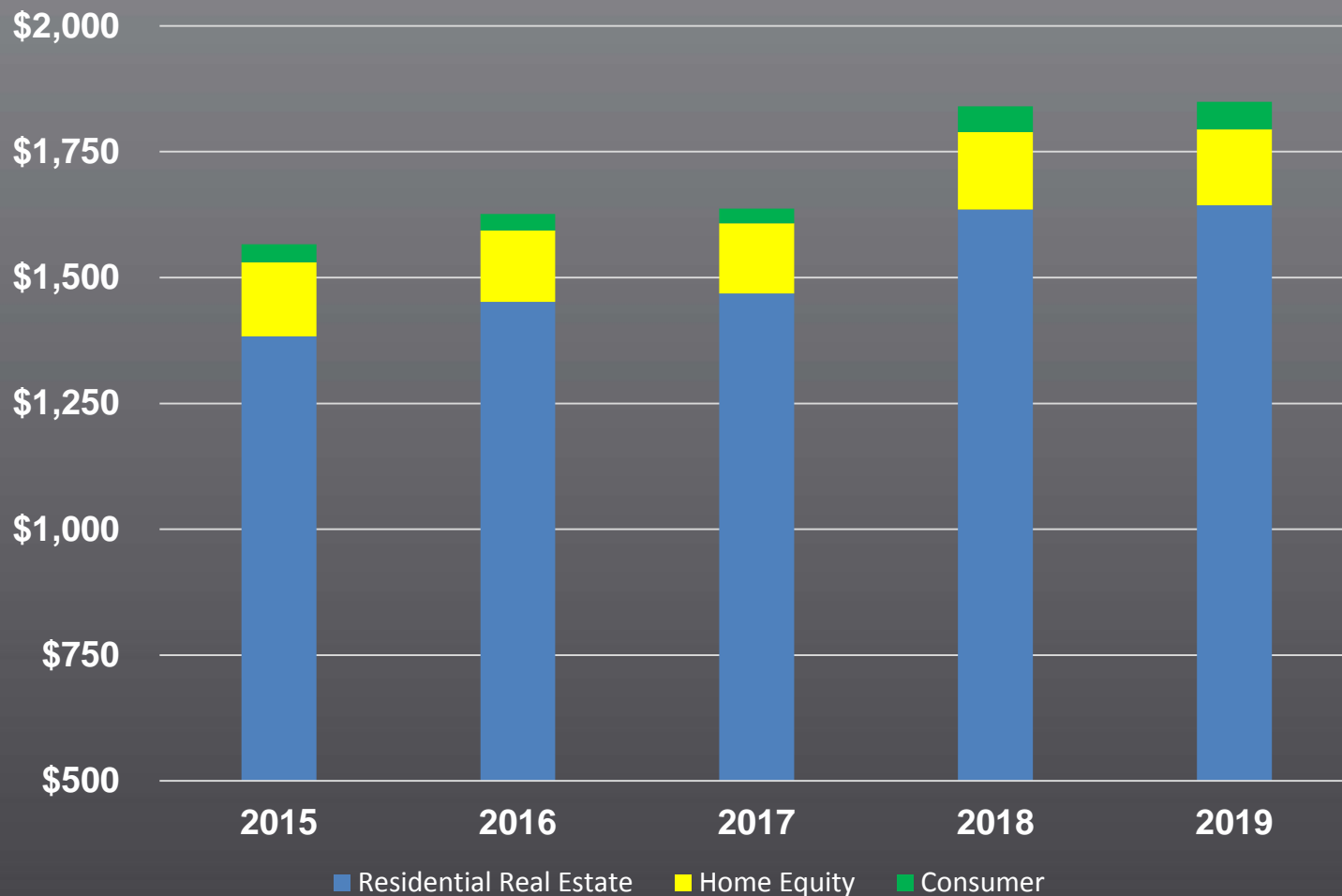
Success achieved due to community bank orientation, strong team, strong underwriting, and exposure to new higher growth markets.



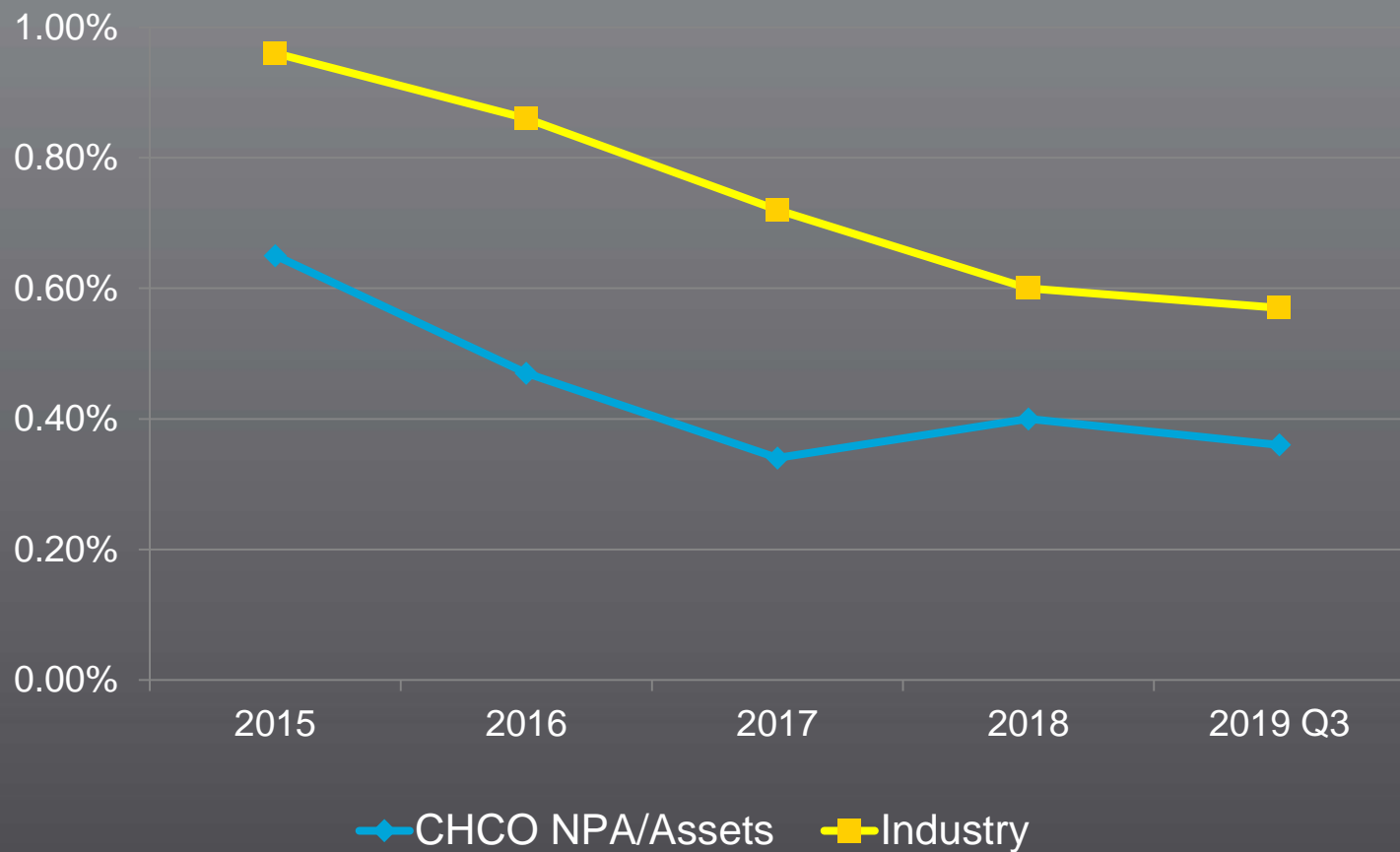
Retail loans



Primarily residential related – demonstrates long-term steady and predictable growth; Recent challenges due to flat yield curve

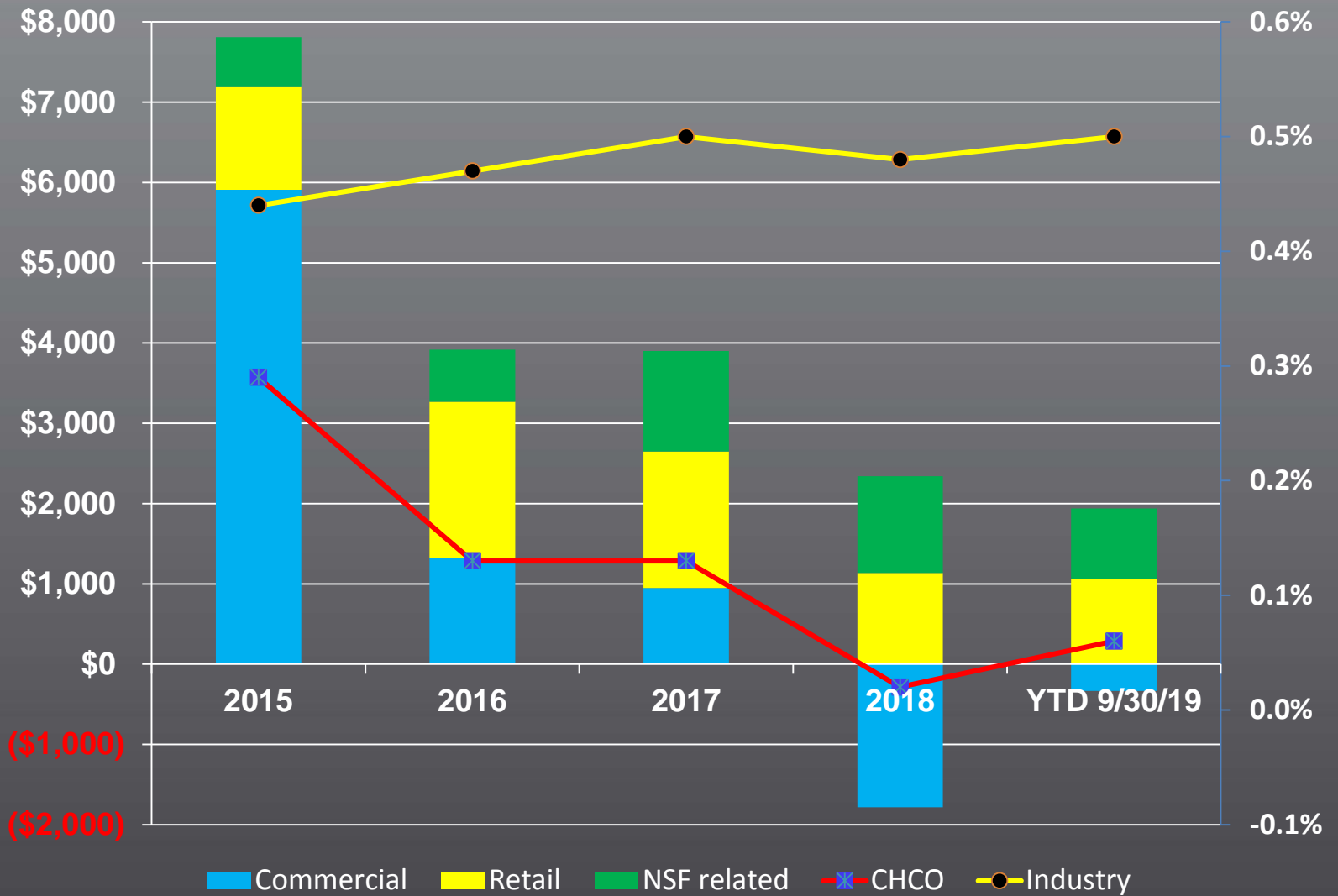


A long history of strong asset quality at CHCO



Source: FDIC, All Insured Depository Institutions
Peer data as of June 30, 2019

Net Charge-off trends



Source: FDIC, All Insured Depository Institutions
Peer data as of June 30, 2019

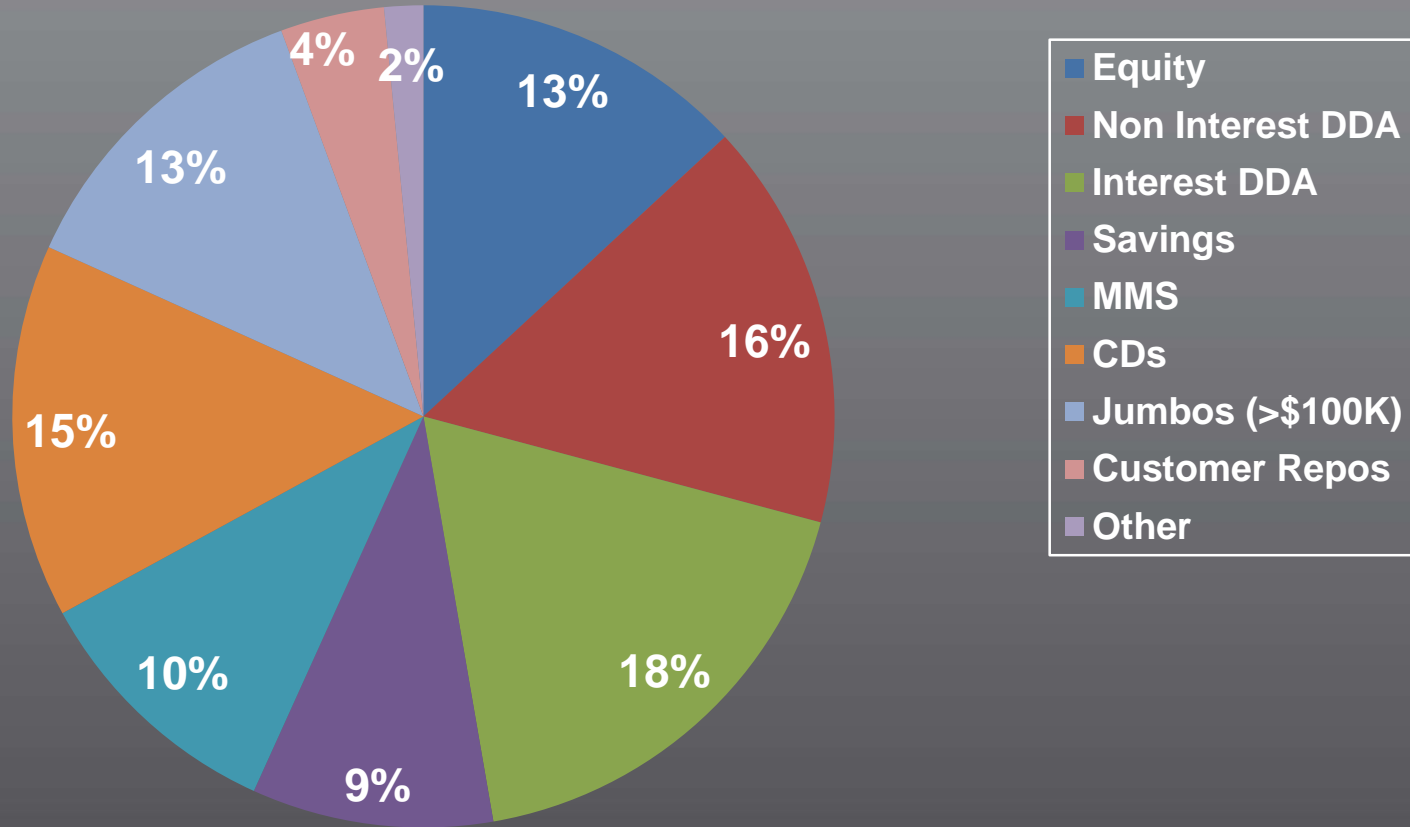
Deposit growth opportunity:

CHCO has many small deposit transaction relationships; Peers tend to have larger commercial & public deposits; So liquidity is readily available as needed.

	Branches	Deposits	Deposits/Branch
CHCO	95	\$ 4.0 B	\$42 million
BBT	56	\$ 5.7 B	\$102 million
UBSI	35	\$ 3.6 B	\$102 million
JPM	43	\$ 4.4 B	\$103 million
HBAN	32	\$ 3.0 B	\$92 million

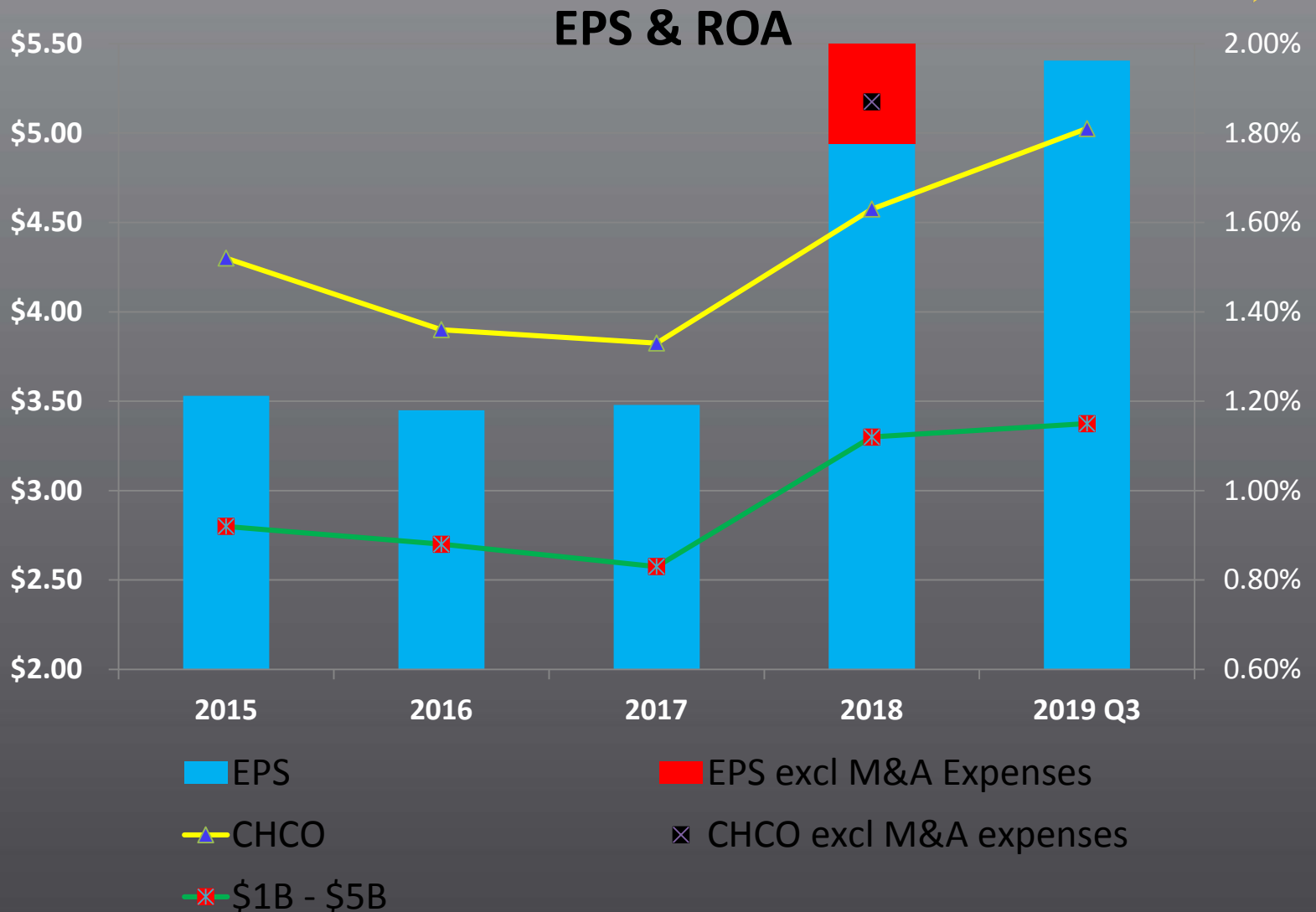
Includes branches within 5 miles of City branch
Source: S&P Global MI

City's Deposit Franchise provides access to low cost and stable funding



Key Deposit Markets	Deposits
WV & Eastern KY (dating to 1870's)	76%
New Markets	24%

CHCO: A perennial high-performing bank

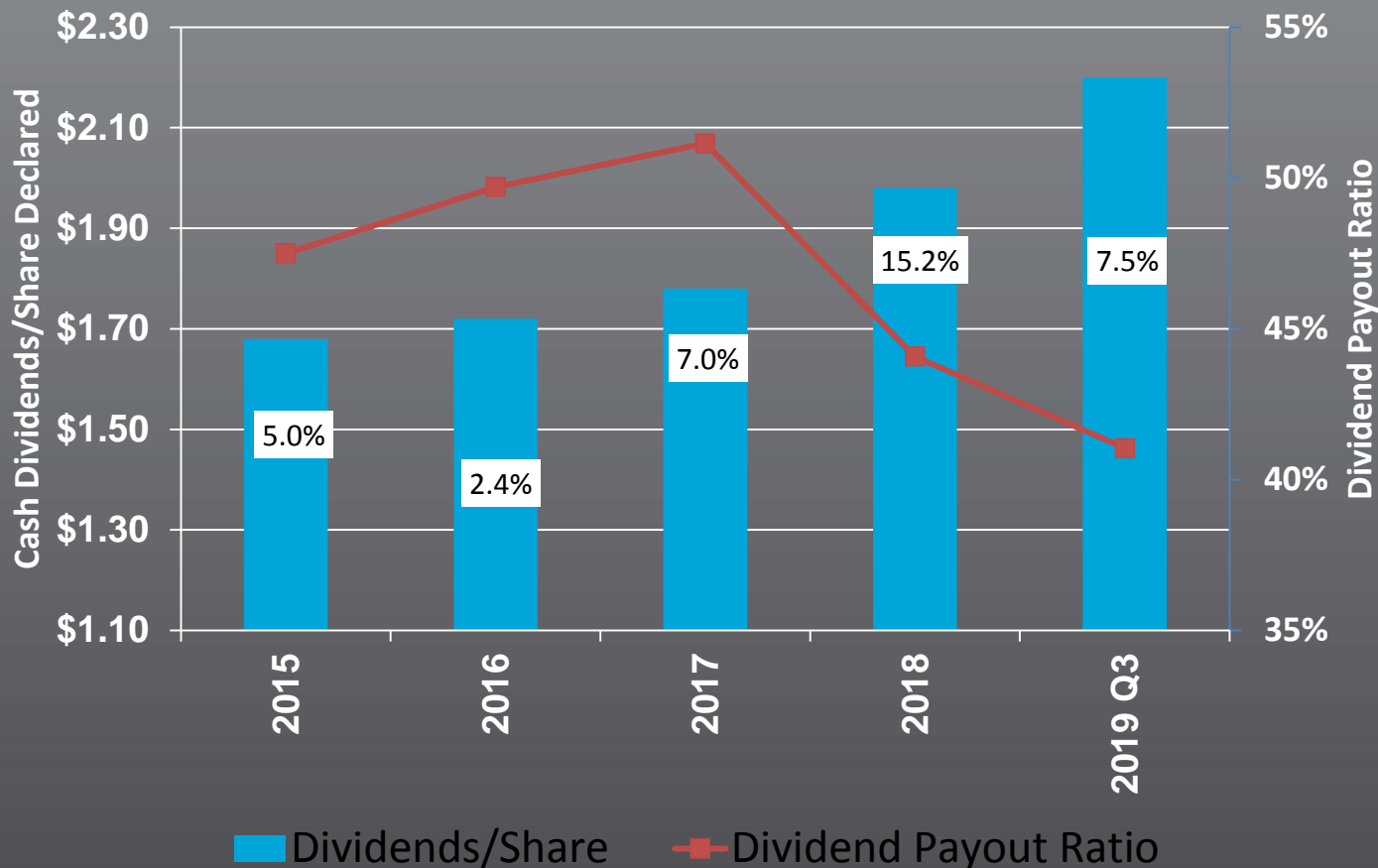


2019 Q3 EPS annualized based on results through September 30, 2019.

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

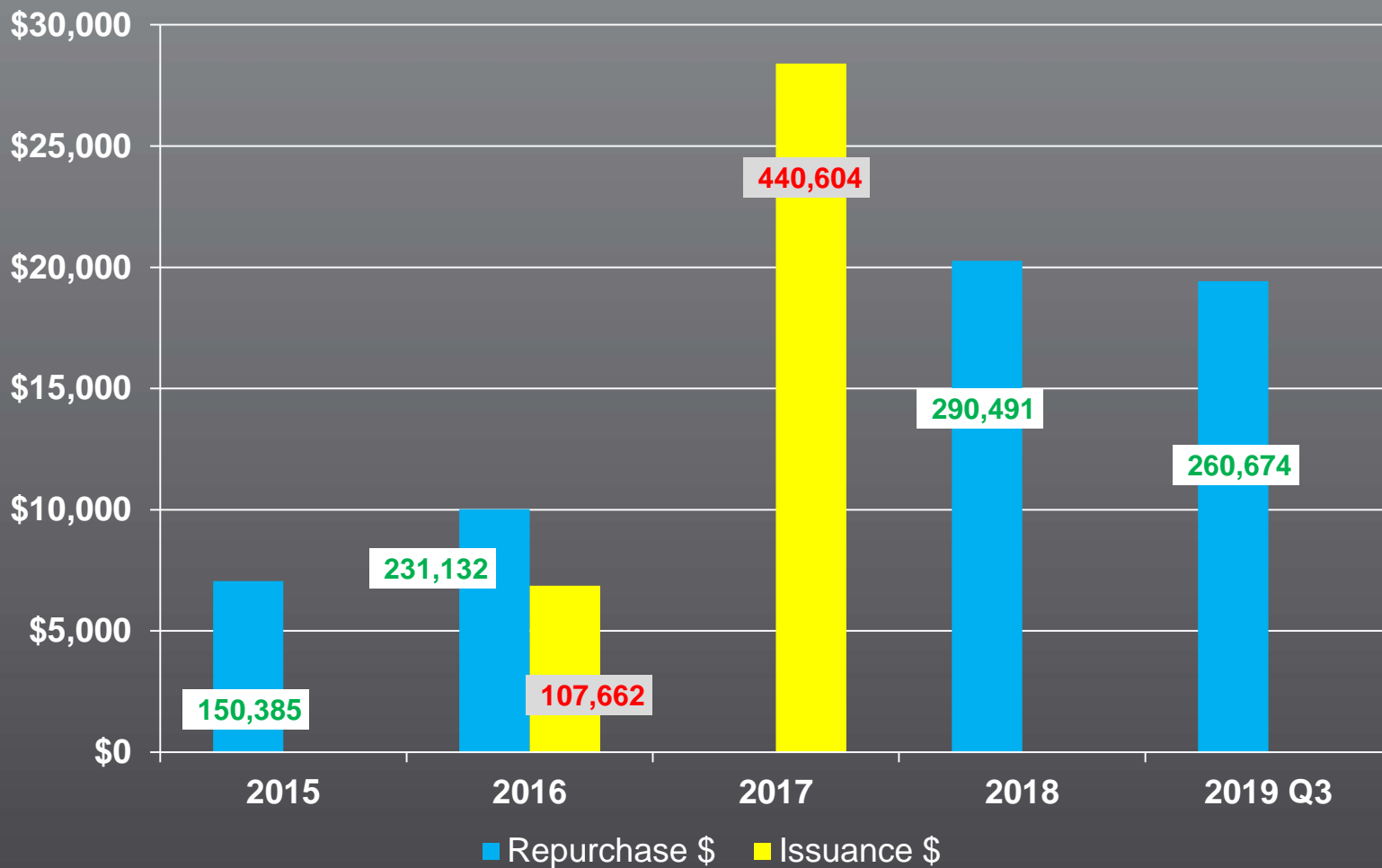


2019 projected dividend payout ratio (41%) based on estimate of \$5.36 for 2019 (average of 5 analysts covering CHCO).

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.

Customer Service:

Community Bank Style!



2018

2019

**JD Power: Highest Customer Satisfaction in
North Central District (IN,OH,KY,MI,WV)**

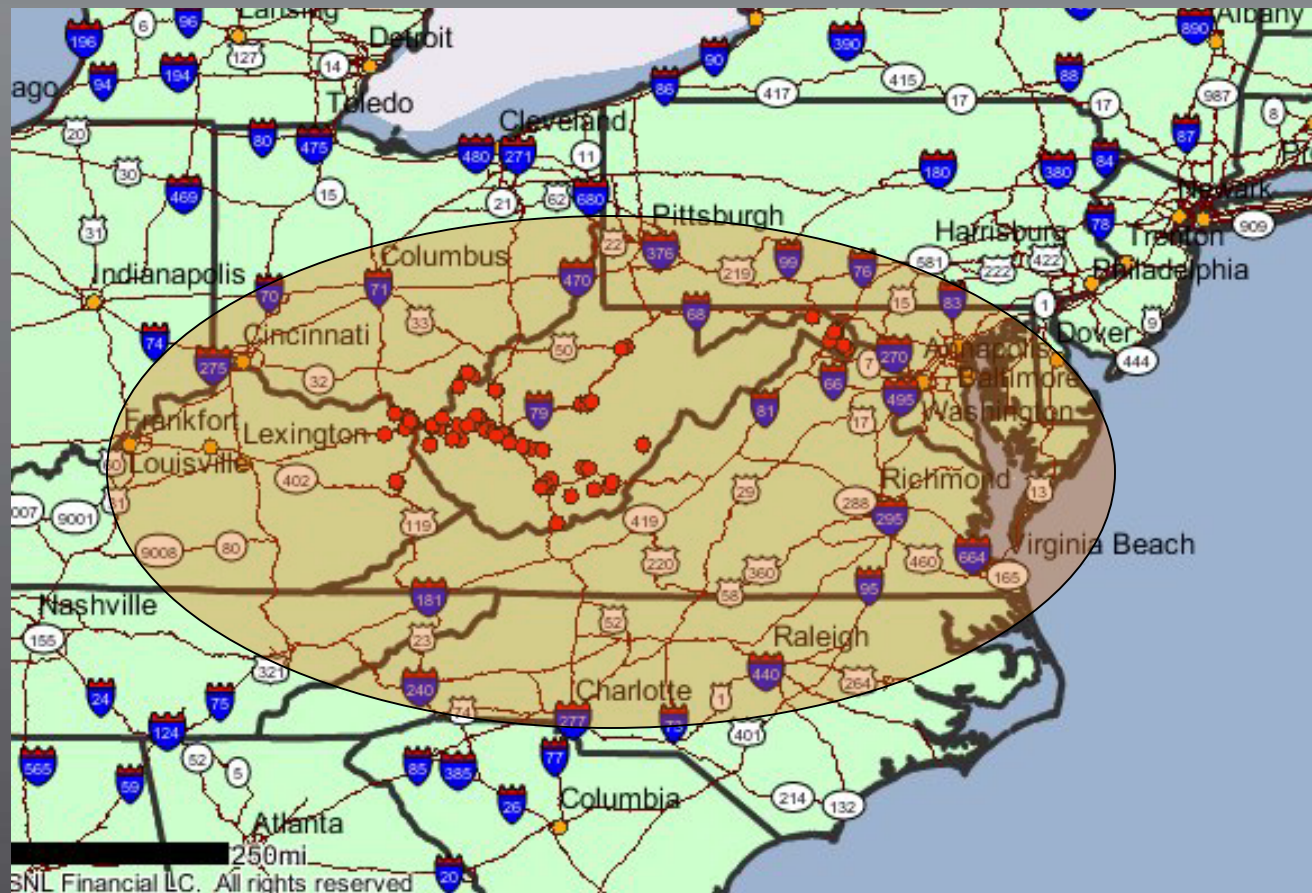
Acquisition Choices: the Tortoise or Hare?

- **Tortoise Markets**
 - Slow Growth Markets
 - **Less Competitive (and more profitable)**
 - Stable Deposit base
 - **Better Dividends & Share Repurchase**
 - Comparable Total Shareholder Return to:
- **Urban/High-Growth Markets**
 - Faster Growth
 - **More Competitive (and less profitable)**
 - Requires Capital to Feed Growth

Acquisition philosophy:

- **Actively looking for strong franchises**
- Generally \$100MM to \$1B
- **Most likely in WV, VA, KY**
- Less acquisitive than peers because City:
 - **Insists that combinations be accretive**
 - Have compatible cultures
 - **Have a strategic rationale**

Acquisition territory:



But – Requires Willing Sellers...See slides which follow!

Acquisition History (since 2005):

- Classic Bancshares – \$340 million. Allowed City to solidify position in Huntington WV/Ashland KY MSA. Completed in May 2005
- Virginia Savings Bancorp - \$130 million. City expanded its branch network in the Eastern Panhandle of WV and expanded into Northern VA. Completed in May 2012.
- Community Financial - \$500 million. Filled a hole in our franchise along the I-81 corridor in VA between our southern WV and northern WV footprint. Completed in January 2013.
- American Founders Bank – acquired 3 branches in Lexington KY. Gave City access to a growth market. Completed in November 2015.
- Poage Bankshares - \$450 million. In market acquisition that solidified City's presence in Ashland KY area and added to Lexington KY presence. Completed in December 2018 simultaneously with acquisition of Farmers Deposit.
- Farmers Deposit - \$125 million. Adjacent to Lexington KY and enhanced KY presence.

Opportunities from Poage & Farmers Acquisitions

- Enhanced presence in Lexington KY MSA
- **Commercial Loan Office – Cincinnati OH**
- Low Loan/Deposit Ratio allows expansion of mortgage lending across franchise
- **Expanded Wealth Management opportunities**
- Allows City to make Larger Loans
- **Positions City for additional KY acquisitions**



Successful because:

- In-market: City was known and respected
- **Banks were Small (meaning inefficient)**
- Small in-market acquisitions mean significant cost savings of 45-50%
- **Highly Accretive**
- Both franchises had strong customer franchises
- **Good Talent in slow-growth markets**
- Good Currency
- **Discipline**
- Data conversion for both at time of closing
- **Virtually No loss of depository accounts**
- No lost loans (beyond normal pay downs)
- **No lost talent**

Sale of Virginia Beach Branch to Select Bank & Trust

- **Rationale:**
 - 200 miles from City's closest branch
 - Single location in large urban market
- **Transaction:**
 - CHCO kept: Loans
 - Select Bank got: Deposits, Facility, Staff
 - Completed: June 28, 2019

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** 200%
 - Price to Tangible Book 246%
 - **Price to 2020 Projected Earnings**** 15.4x
- Dividend Yield 2.85%
- **Div Payout Ratio**** 44%
- Tangible Capital/Tangible Assets *** 10.9%
- **Institutional Ownership** 68%
- Average Daily Volume \$4.7 mil

* Based on Price of \$79.74 (11/15/19)

** Based on average of 5 analysts covering CHCO estimate of \$5.18 for 2020

*** September 30, 2019