

# City Holding Company



**City** Holding  
Company

**2022 Hovde Group  
Financial Services Conference  
November 3-4, 2022**

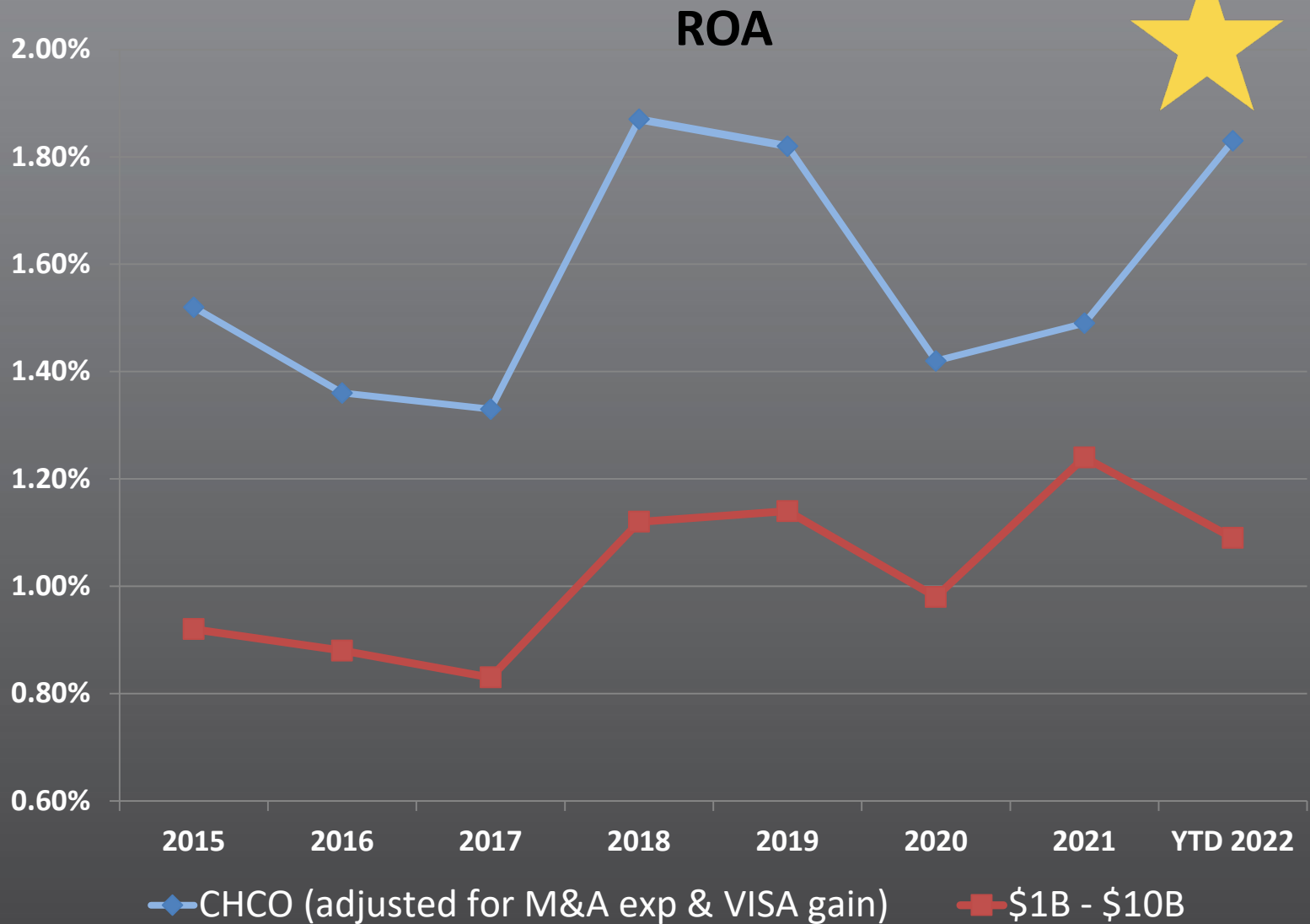
# Forward looking statements

*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, 2021 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) changes in global geopolitical conditions; (16) 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 \$5.95 billion
- Branches 94
- FTE 903
- Market Cap \$1.5 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



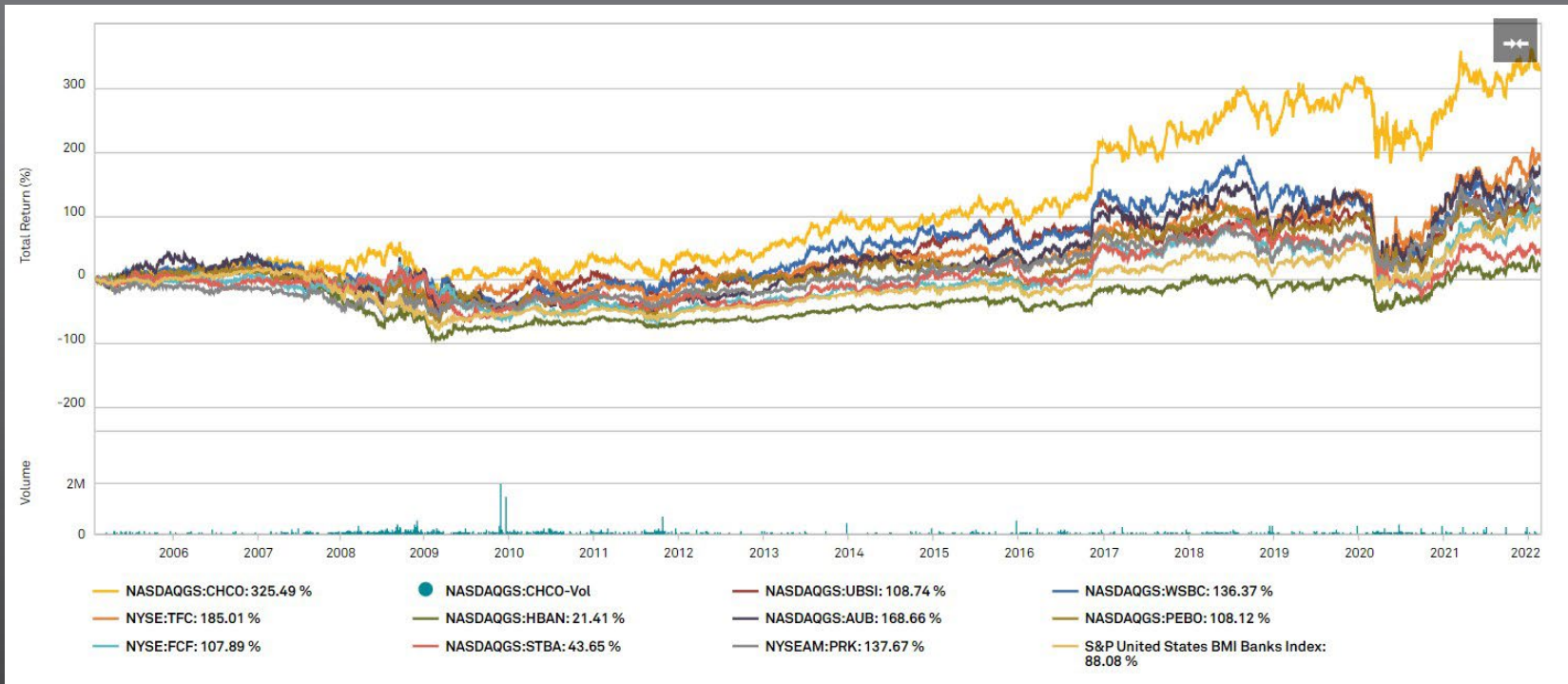
Source - S&P Global MI. Peer data as of June 30, 2022.

# Total Shareholder Return 2/1/05-2/1/22

## CHCO

### VS

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





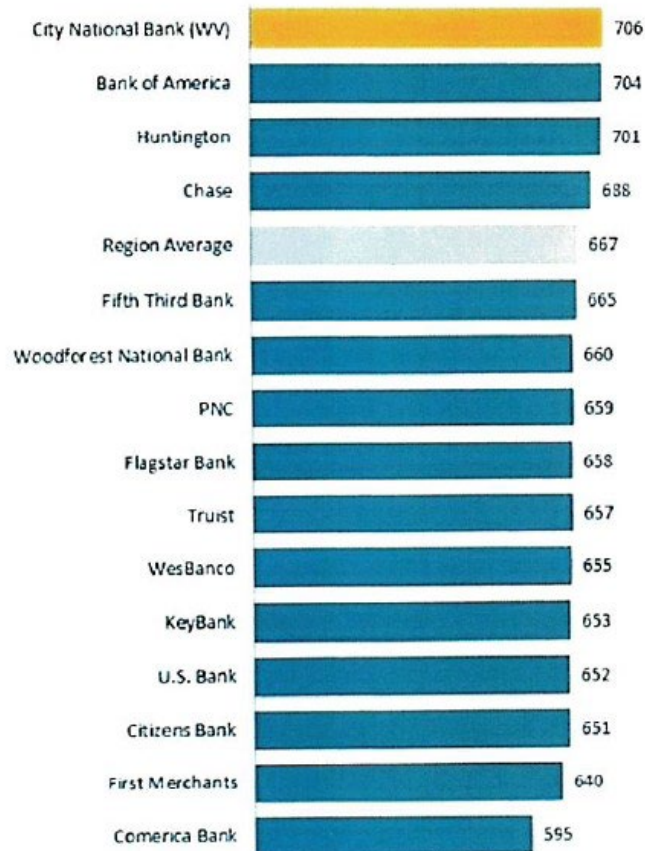
# JD Power: Highest Customer Satisfaction North Central Region, 2018, 2019, 2020 and 2022

## J.D. Power 2022 U.S. Retail Banking Satisfaction Study<sup>SM</sup>

### Overall Customer Satisfaction Index Ranking

(Based on a 1,000-point scale)

#### North Central



**North Central  
Region: WV, KY,  
OH, IN & MI**

# Challenges and Opportunities

- **Challenges**

- Deposit Customers: Already high market share in slow-growth demographic markets
- Geographic markets are considered “loan challenged”
- Prior years had ALLL recoveries and PPP loans
- Regulatory Environment characterized by “bank haters”

- **Opportunities**

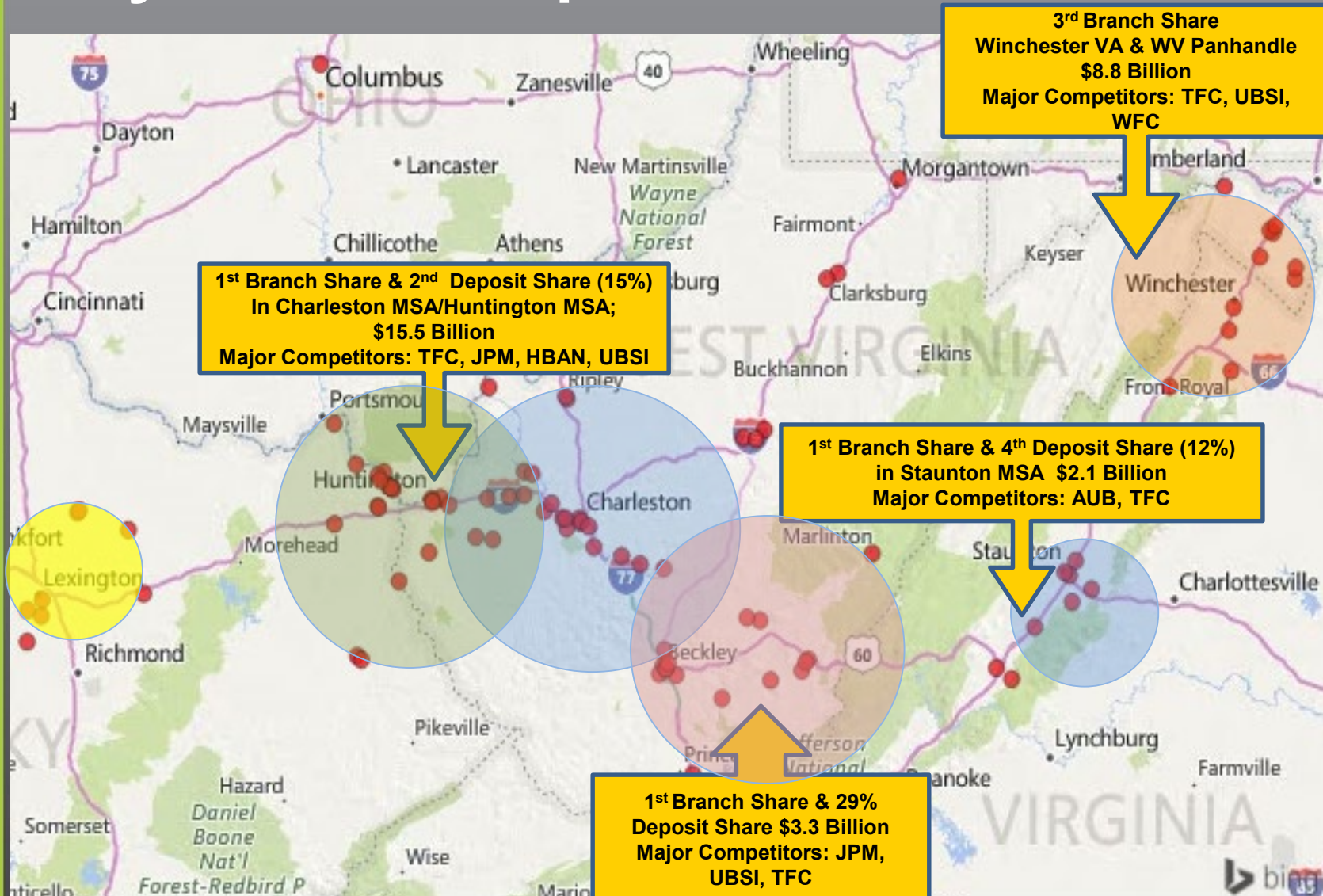
- Benefits of Higher Interest Rate Environment
- Asset Quality
- Competitor Behavior (driving customers away)
- Acquisition Strategy (shareholder centric)

# 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%



# 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 6/30/21.

# DEPOSIT FRANCHISE



## One key to City's enviable success

- 94 Branches among Top 100 Banks
- **Average Deposits per Branch** **\$53 MM**
- Average Households per Branch 2,000
- **Average DDA Balance** **\$10,200\*\***
- Average Business DDA \$34,700

\*\* - National Average of \$12,800 (based upon 2016 Federal Reserve Survey of Consumer Finance inflated 5% to estimate 2022 averages)

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

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
<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.

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%	<b>40.6%</b>
Huntington, WV	\$587	13.7%	10	17.9%	<b>28.3%</b>
Ashland, KY	\$590	21.4%	12	24.0%	<b>41.0%</b>
Beckley, WV	\$583	22.5%	9	27.3%	<b>31.8%</b>
Lewisburg, WV	\$377	39.2%	7	38.9%	<b>72.2%</b>
Staunton, VA	\$334	11.8%	8	18.6%	<b>12.8%</b>
Martinsburg, WV	\$329	11.9%	6	18.8%	<b>23.4%</b>

Data as of 6/30/22.

# Internal DDA Growth



Year	New DDA Accounts	Net Growth in DDA Accounts
2016	28,650	2,820
2018	30,400	4,310
2020	*30,360	*6,740
2021	32,800	8,860

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

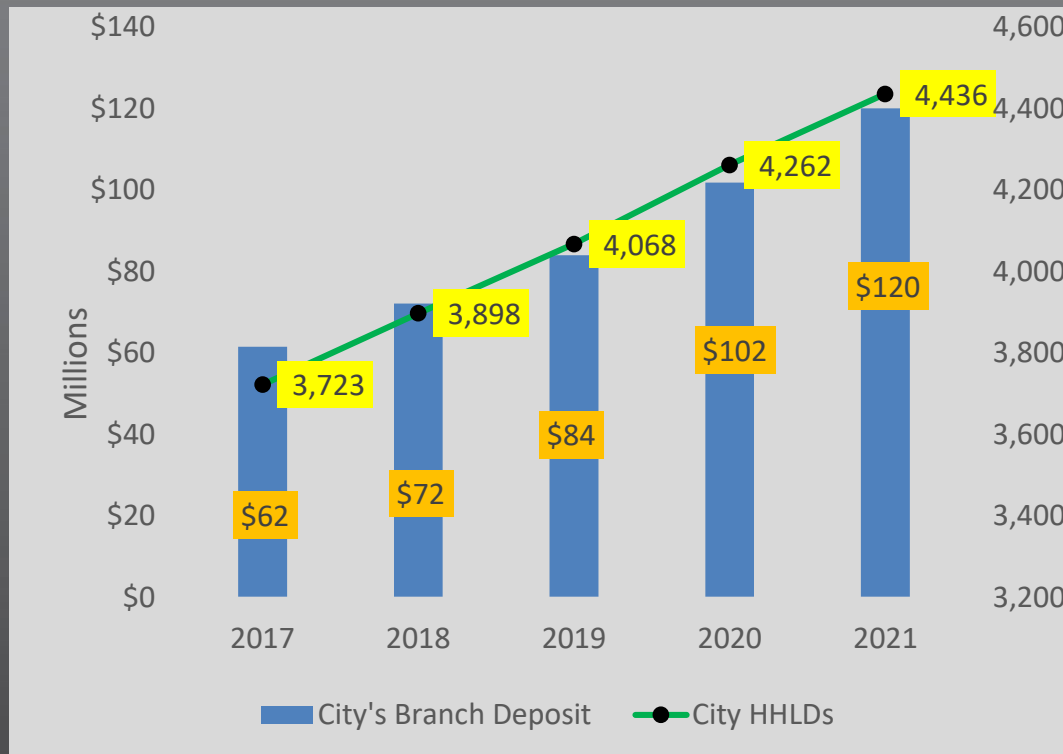
**\*Note: City's lobbies were open by appointment only for 6 months in 2020 due to COVID-19**



# Market Disruptions Provide Strong Growth Opportunities



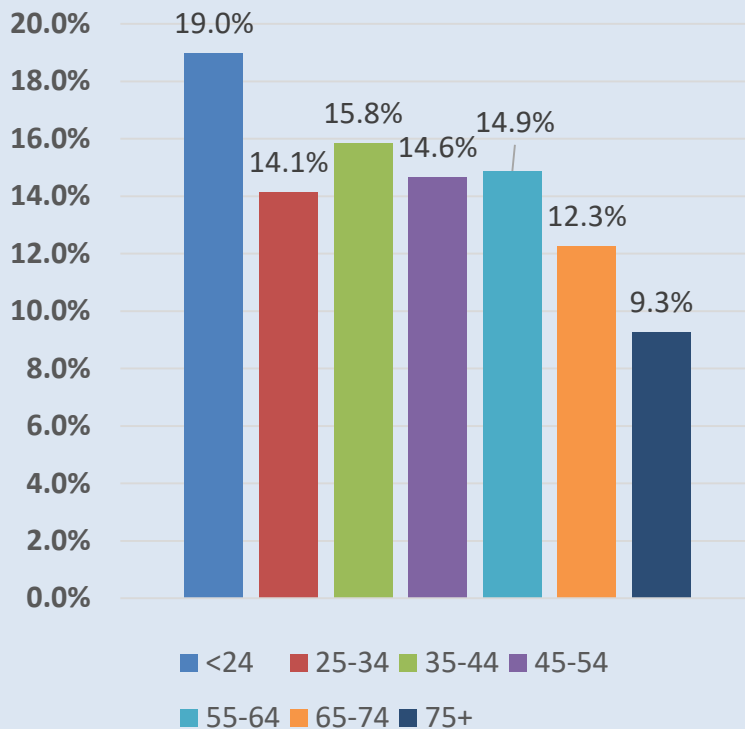
- Market: St. Albans WV



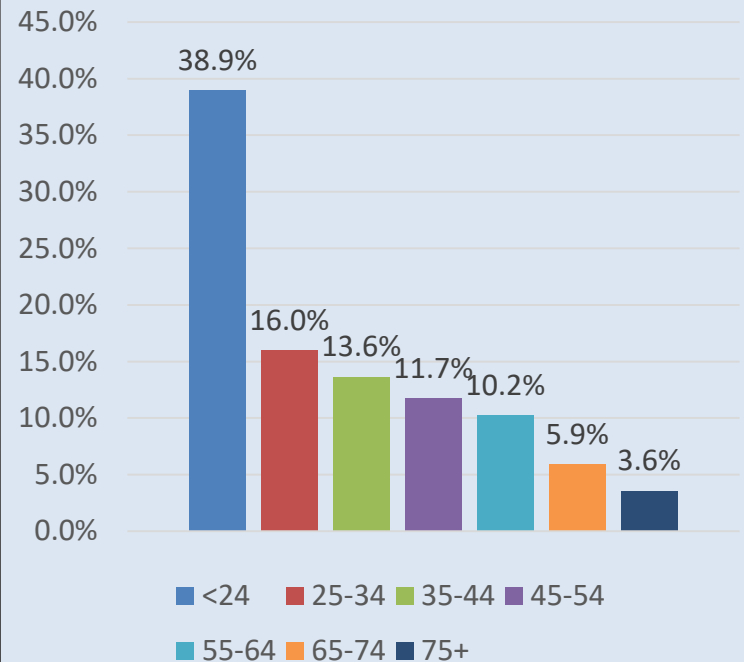
- In 2017, there were 4 banks with branches in this market
- In 2018 one closed
- In 2020 another closed

# Age Distribution of Customer Base 2021

## All City Customers



## New City Customers 2021



# 2021 Debit Card Revenues



	Assets	Debit Card Revenues
Summit	\$3.6 Billion	\$6.2 million
<b>City</b>	<b>\$6.0 Billion</b>	<b>\$27 million</b>
Stockyard	\$6.1 Billion	\$15 million
Peoples	\$7.1 Billion	\$21 million
Wesbanco	\$16.9 Billion	\$19 million

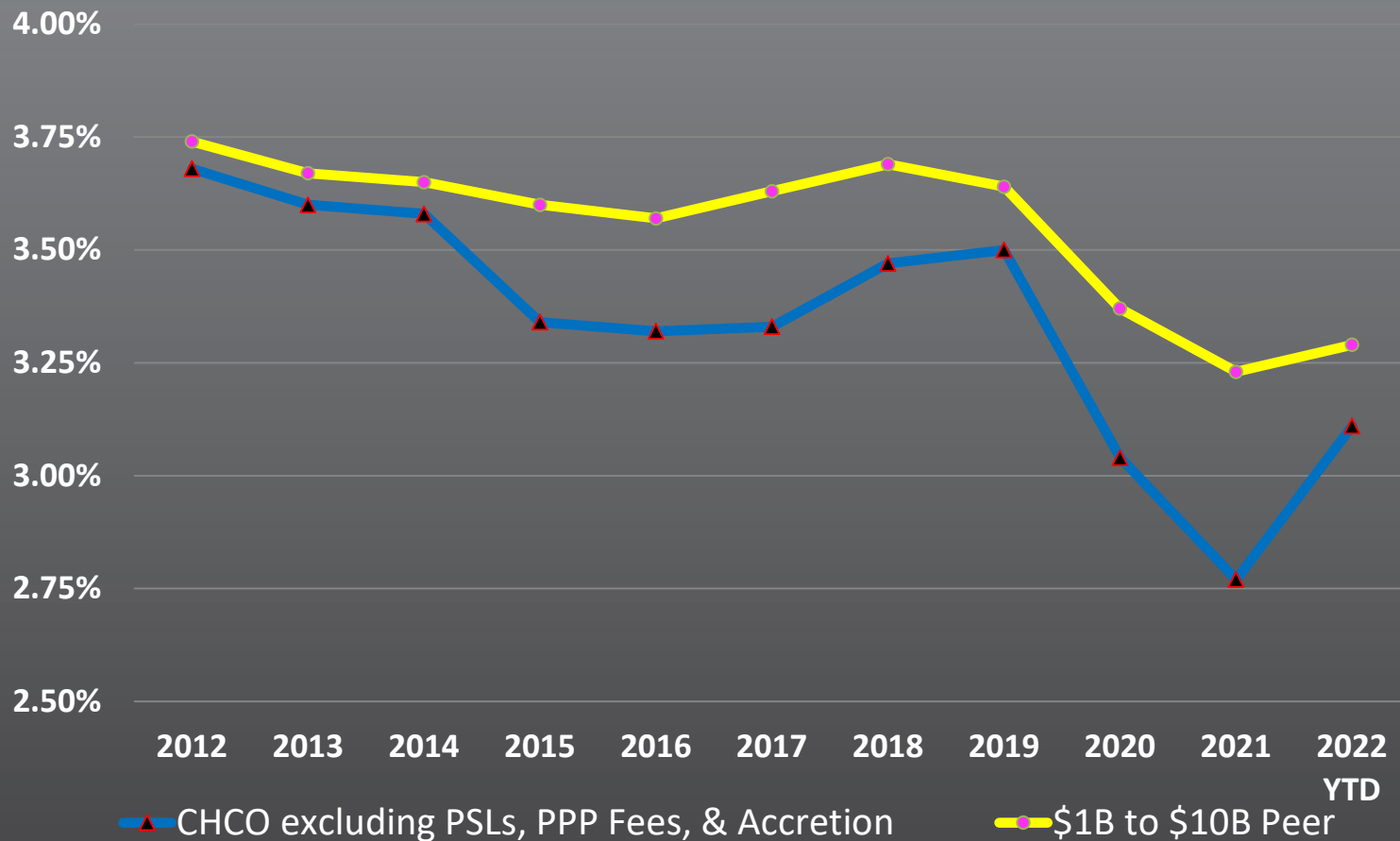
# Overdraft Facts

- 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

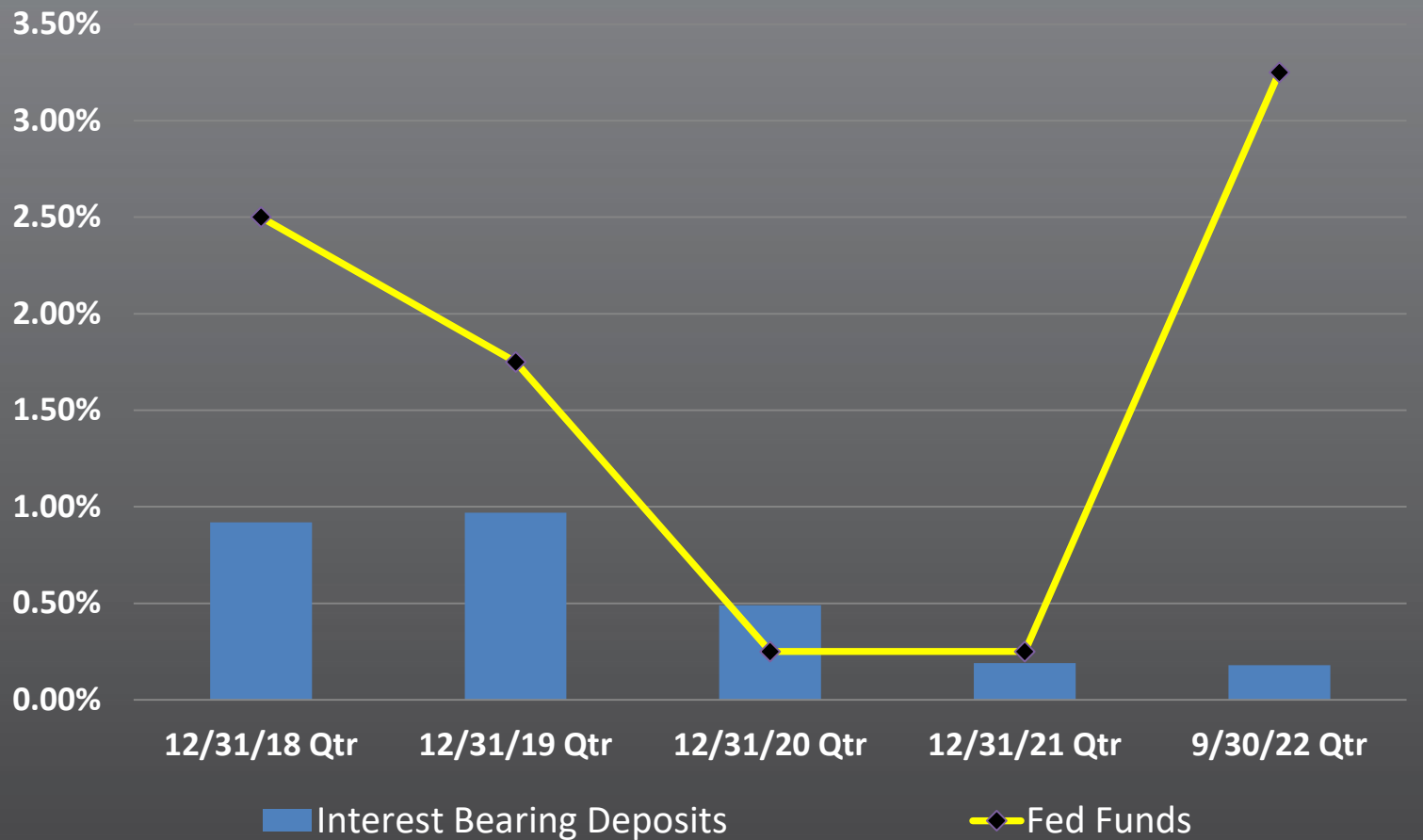
# City's strong deposit franchise provides NIM strength in higher rate environments



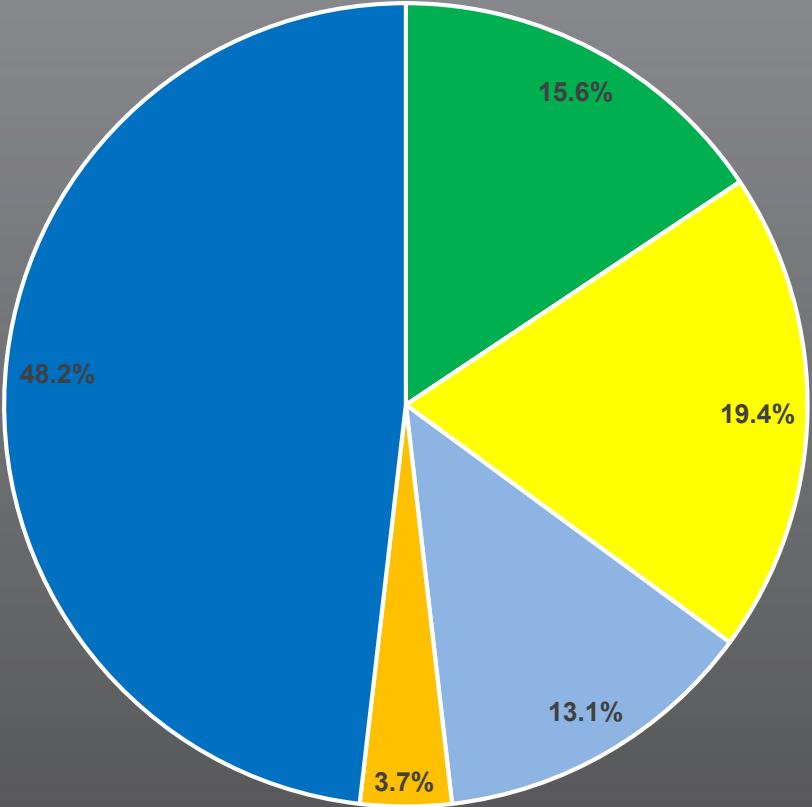
Source - S&P Global MI. 2022 Peer Data as of June 30, 2022



# Deposit Costs – Headed Up??



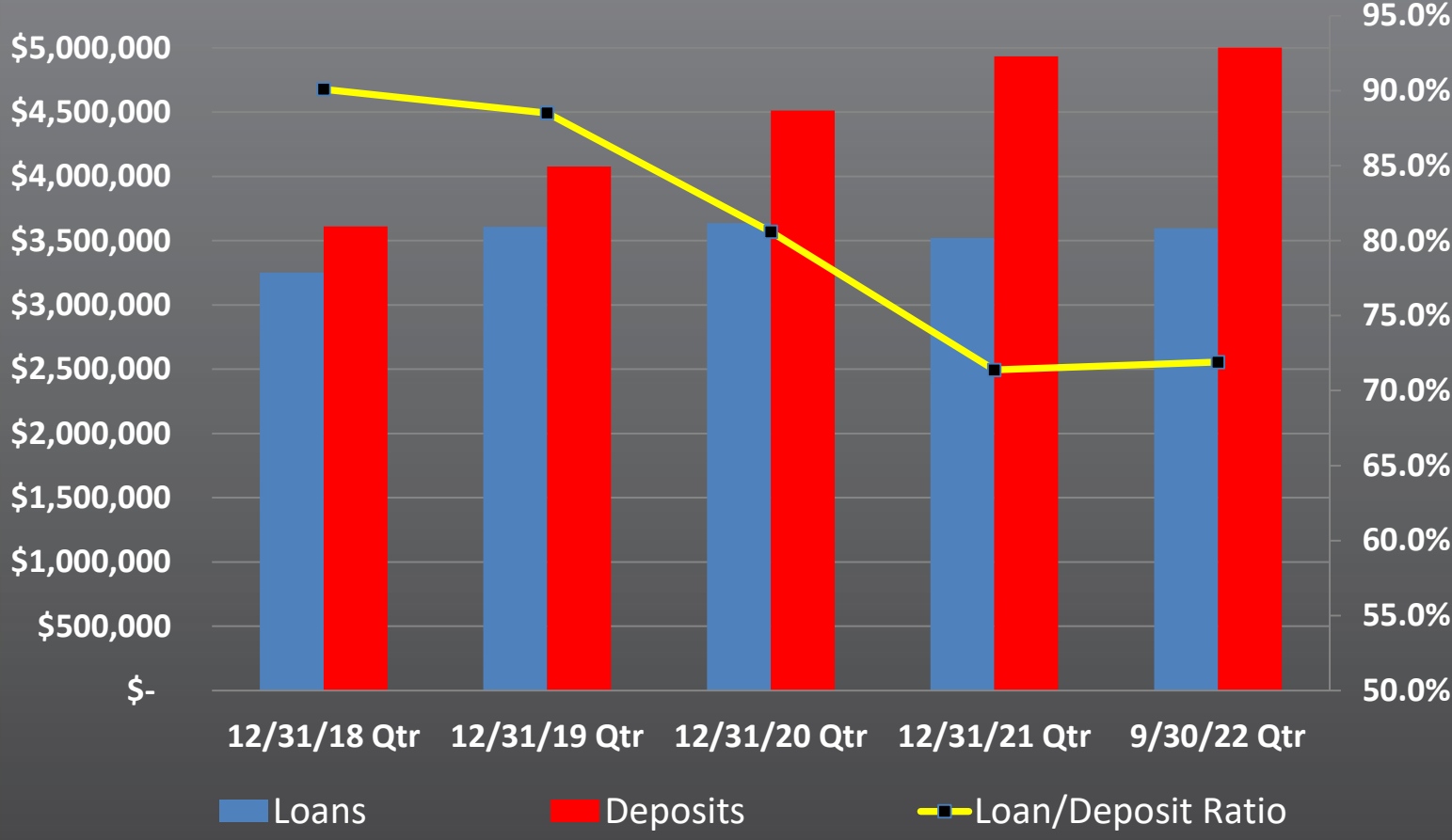
# How City is Funded at September 30, 2022



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

# Loans vs. Deposits

(Average Quarterly Balances)



# 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
2 <sup>nd</sup> Quarter 2019	\$40.9 MM	Fed Fund Target was 2.50% throughout
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 Fund Target was 25bp throughout
1 <sup>st</sup> Quarter 2022	\$39.7 MM	Fed Fund Target increased to 50bp in March
2 <sup>nd</sup> Quarter 2022	\$41.3 MM	Benefited from 50bp increase in Fed Fund Target in May
3 <sup>rd</sup> Quarter 2022	\$48.8 MM	Benefited from 75bp increases in Fed Fund Target in both June and July
2022 Analyst Est	\$177-\$181 MM	Q3 2022 annualized would be \$195 MM
2023 Analyst Est	\$205-\$211 MM	

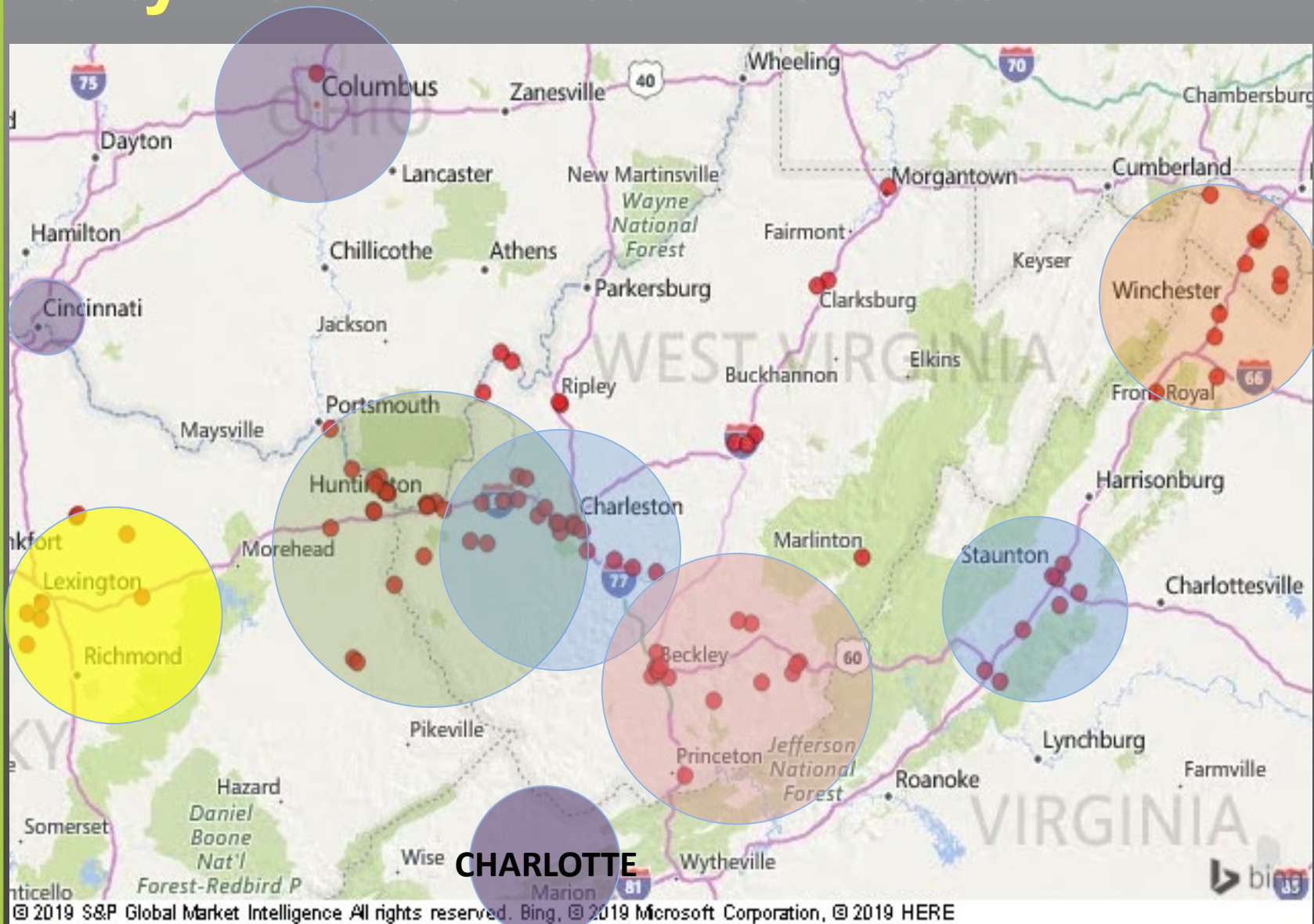
# CHCO: Variable Priced Assets



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

# City National Loan Markets







# Diversified Commercial Loan Portfolio

Key Loan Markets	Percent of Commercial Portfolio
West Virginia & Eastern Kentucky – <i>dating to 1870</i>	51%
Virginia/Eastern Panhandle Markets – <i>acquired 2012/13</i>	15%
Lexington, KY – <i>acquired 2015</i>	18%
Columbus, OH & Pittsburgh PA	14%

# Provision and PPP Loans

- **Provision/Recoveries**

- 2020                      \$10.7 million Provision
- 2021                      \$3.2 million RECOVERY
- 2022 ytd                \$0.03 million RECOVERY

- **PPP Revenue**

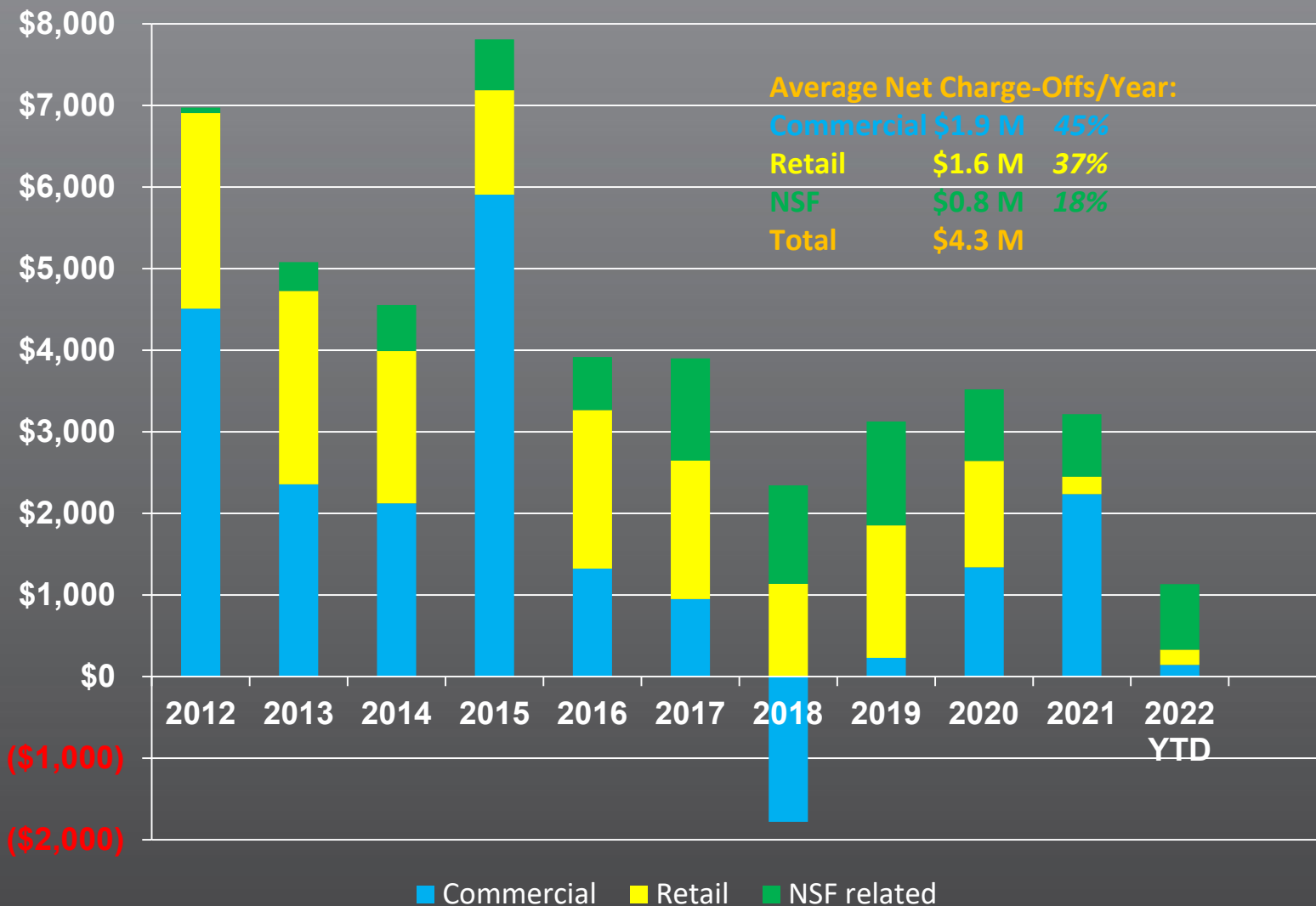
- 2020                      \$1.6 million
- 2021                      \$4.0 million
- 2022                      \$0.3 million

# Asset Quality: At Historic Highs

- Non-Performing Assets (18bp) –
  - **Lowest in 20+ years**
- Past-Due Loans (14bp)
  - **Lowest in 20+ years**
- OREO (\$1.0MM)
  - **Lowest in 15+ years**
- Net Consumer Loan Charge-offs
  - **Lowest in 15+ years**

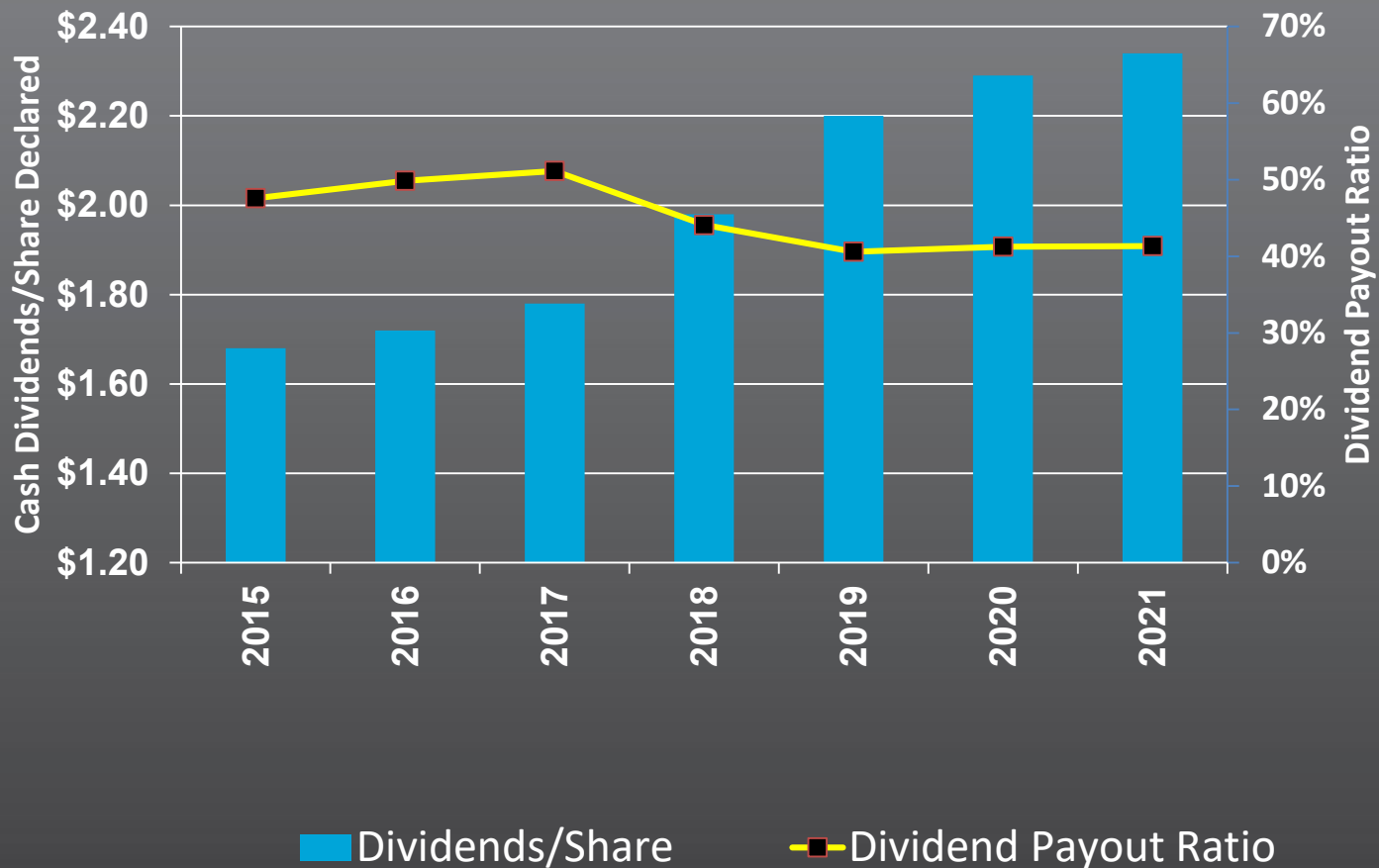
**Average Provision Expense 2005-2021      21bp**

# Net Charge-off Details: 2012-2022



# Capital Management: A Long-term Core Competency

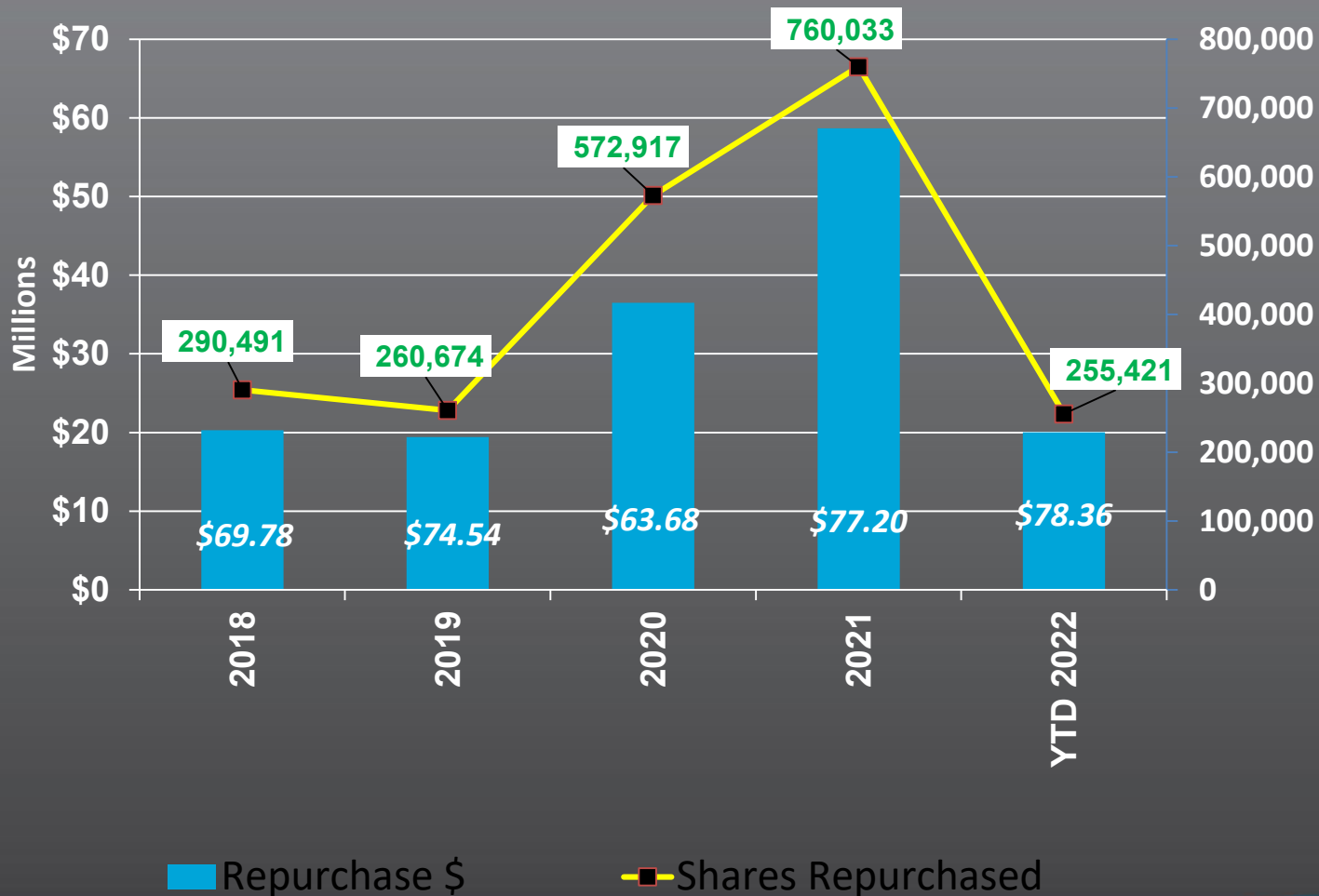
## Cash Dividends/Share Declared & Dividend Payout Ratio





# Share Activity:

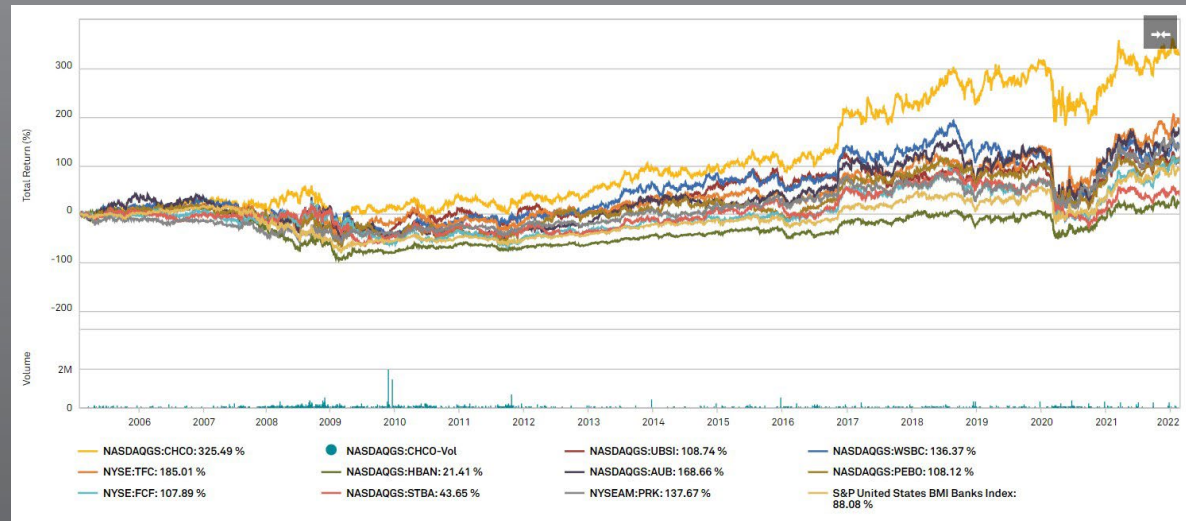
City's strong capital and high profitability have allowed aggressive share repurchases





# Acquisition Strategy:

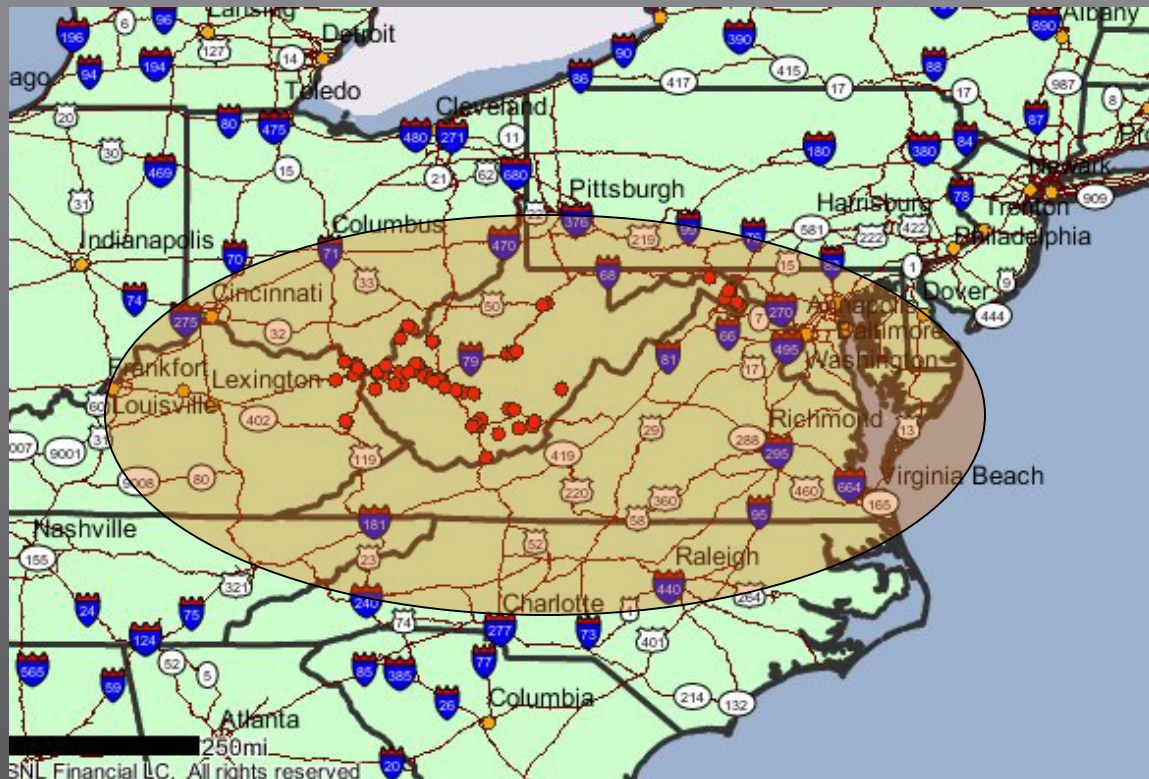
Buy banks that make shareholders richer, not the CEO.



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

- Pro forma total assets of \$6.2B, total deposits of \$5.3B, and gross loans of \$3.9B
- Immediately accretive to CHCO's 2023 earnings per share<sup>1</sup>
- Approximately 0.9% dilutive to tangible book value with an expected earnback period of less than a year
- All-stock transaction utilizes 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
- Disciplined and coordinated approach to integration

1) Based on mean consensus analyst estimates for 2023

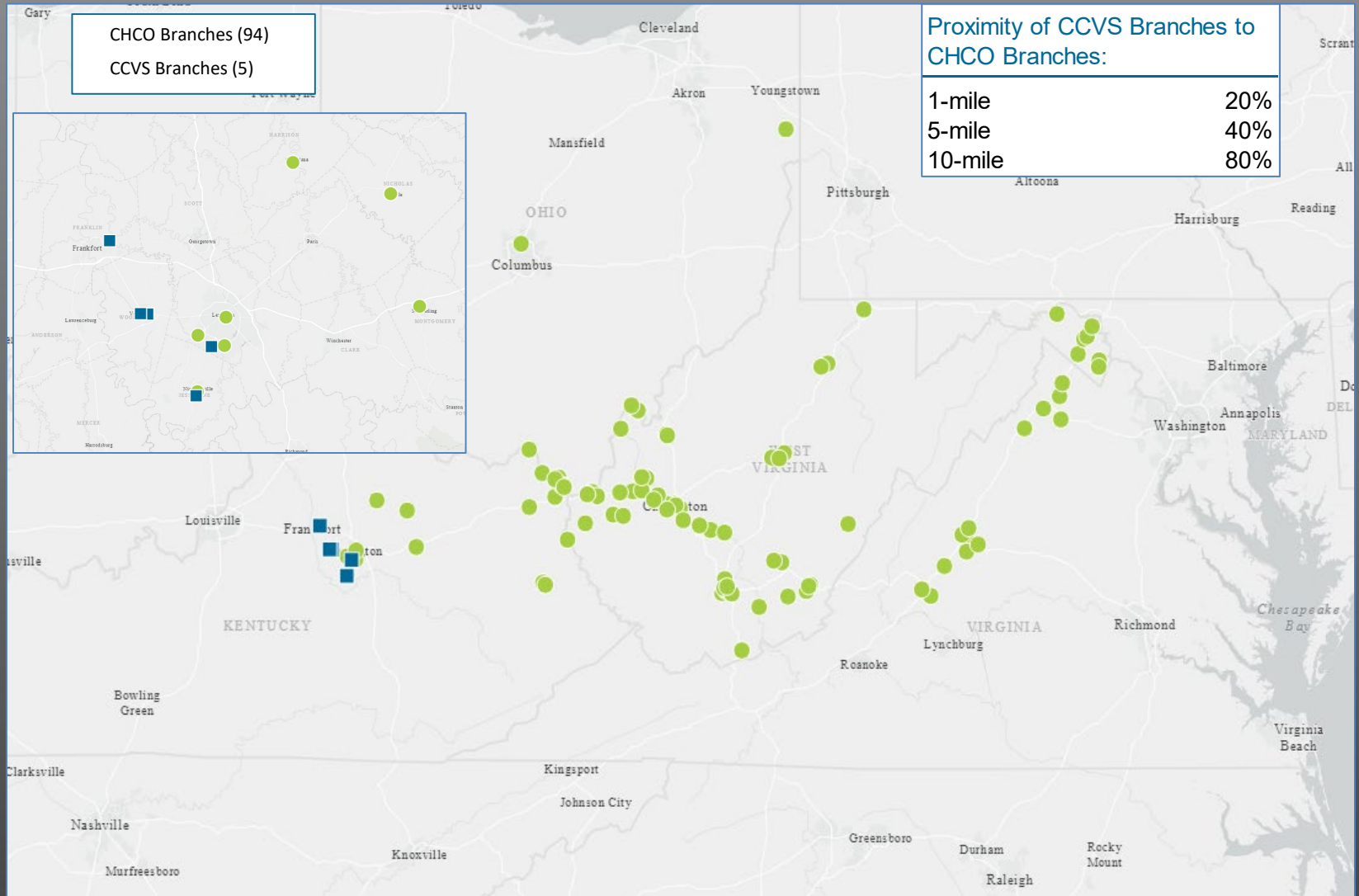
# Overview of Key Transaction Terms

Transaction Value <sup>1</sup> :	\$61.0 million, or \$15.43 per Citizens Commerce share
Structure:	100% stock consideration with a fixed exchange ratio of 0.1666x
Pro Forma Ownership:	96% City Holding / 4% Citizens Commerce
Implied Market Premium <sup>2</sup> :	97%
Price / Tangible Book Value <sup>2</sup> :	182%
Approvals:	Customary regulatory approvals and approval of CCVS shareholders
Due Diligence:	Comprehensive financial, business, operational, legal and loan diligence
Anticipated Closing:	Late Q1 2023

1. Based on CHCO's five day average closing price of \$92.60 as of October 17, 2022.

2. Based on CCVS's closing price of \$7.85 on October 17, 2022.

# 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



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Company

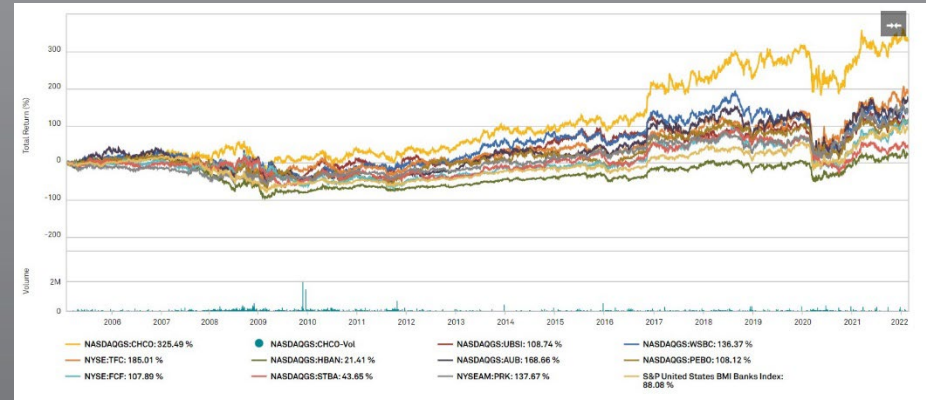


**Highly Profitable**

**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** 273%
  - Price to Tangible Book 347%
  - **Price to 2023 Projected Earnings\*\*** 14.2x
- Dividend Yield 2.58%
- **Div Payout Ratio\*\*** 37%
- Tangible Capital/Tangible Assets \*\*\* 7.41%
- **Institutional Ownership** 68%
- Average Daily Volume \$6.4 mil

\* Based on Price of \$100.85 (10/31/2022)

\*\* Based on average of 4 analysts covering CHCO estimate of \$7.12 for 2023 (as of 10/31/2022)

\*\*\* September 30, 2022



- Questions?