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## EDGAR Submission Header Summary

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Submission Contact	Victoria A. Faw
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Filer CIK	0000726854
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Smaller Reporting Company	off
Shell Company	No
Voluntary Filer	No
Well-Known Seasoned Issuer	No
Notify via Filing website Only	off
Emails	vikki.faw@cityholding.com

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### Documents

10-K	form10-k.htm CHCO Form 10-K for year ended 12/31/2009
GRAPHIC	chcologo.jpg CHCO logo
GRAPHIC	stkpergraph.jpg Stock Performance Graph
EX-13	ex-13final.htm Exhibit 13 (final), Portions of CHCO Annual Report
EX-21	ex-21.htm Exhibit 21, CHCO Subsidiaries
EX-23	ex-23.htm Exhibit 23, Consent of Ernst & Young
EX-31.a	ex31-a.htm Exhibit 31(a), Section 302 Certification of Charles R. Hageboeck
EX-31.b	ex31-b.htm Exhibit 31(b), Section 302 Certification of David L. Bumgarner
EX-32.a	ex32-a.htm Exhibit 32(a), Section 906 Certification of Charles R. Hageboeck
EX-32.b	ex32-b.htm Exhibit 32(b), Section 906 Certification of David L. Bumgarner
10-K	submissionpdf.pdf Printable copy of CHCO Form 10-K and exhibits for year ended 12/31/2009

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### Module and Segment References

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D. C. 20549  
**FORM 10-K**

Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934  
For the fiscal year ended December 31, 2009  
or  
 Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934  
For the transition period from \_\_\_\_\_ to \_\_\_\_\_.

Commission File Number 0-11733



**CITY HOLDING COMPANY**  
(Exact Name of Registrant as Specified in its Charter)

**West Virginia**  
(State or Other Jurisdiction of  
Incorporation or Organization)

**25 Gatewater Road, Cross Lanes, WV**  
(Address of Principal Executive Offices)

**55-0619957**  
(I.R.S. Employer  
Identification No.)

**25313**  
(Zip Code)

**304-769-1100**  
(Registrant's Telephone Number, Including Area Code)

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of Each Class</u>	<u>Name of Each Exchange on Which Registered:</u>
None	None

Securities registered pursuant to Section 12(g) of the Act:  
Common Stock, \$2.50 par value  
(Title of class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.  Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act.  Yes  No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.  Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).  Yes  No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer  (Do not check if a smaller reporting company)

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act).  
 Yes  No

As of June 30, 2009, the last business day of the registrant's most recently completed second quarter, the aggregate market value of the shares of common stock held by non-affiliates, based upon the closing price per share of the registrant's common stock as reported on the Nasdaq National Market System, was approximately \$470.4 million. (Registrant has assumed that all of its executive officers and directors are affiliates. Such assumption shall not be deemed to be conclusive for any other purpose.)

As of March 26, 2010, there were 15,812,855 shares of the Company's common stock, \$2.50 par value, outstanding.

#### DOCUMENTS INCORPORATED BY REFERENCE

Portions of the annual report to security holders for the fiscal year ended December 31, 2009 are incorporated by reference into Part I, Item 1 and Part II, Items 6, 7, 7A, and 8. Portions of the Proxy Statement for the 2010 annual shareholders' meeting to be held on April 28, 2010 are incorporated by reference into Part III, Items 10, 11, 12, 13, and 14.

**FORM 10-K INDEX**

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## **PART I**

### **Item 1. Business**

City Holding Company (the "Company") is a bank holding company headquartered in Charleston, West Virginia. The Company conducts its principal activities through its wholly-owned subsidiary, City National Bank of West Virginia ("City National"). Through its network of 67 banking offices in West Virginia (56 offices), Kentucky (8 offices), and Ohio (3 offices), City National provides credit, deposit, trust and investment management, and insurance products and services to its customers. In addition to its branch network, City National's delivery channels include ATMs, check cards, interactive voice response systems, and internet technology. City National has approximately 7% of the deposit market share in West Virginia and the Company is the third largest bank holding company headquartered in West Virginia based on deposit share. The Company's business activities are currently limited to one reportable business segment, which is community banking.

No portion of City National's deposits are derived from a single person or persons, the loss of which could have a material adverse effect on liquidity, capital, or other elements of financial performance. Although no portion of City National's loan portfolio is concentrated within a single industry or group of related industries, it historically has held residential mortgage loans as a significant portion of its loan portfolio. At December 31, 2009, 56% of the Company's loan portfolio was categorized as residential mortgage and home equity loans. However, due to the fractionated nature of residential mortgage lending, there is no concentration of credits that would be considered materially detrimental to the Company's financial position or operating results.

The Company's business is not seasonal and has no foreign sources or applications of funds. There are no anticipated material capital expenditures, or any expected material effects on earnings or the Company's competitive position as a result of compliance with federal, state and local provisions enacted or adopted relating to environmental protection.

The Company's loan portfolio is comprised of commercial, residential real estate, home equity, consumer loans and previously securitized loans.

The commercial loan portfolio consists of loans to corporate borrowers primarily in small to mid-size industrial and commercial companies, as well as automobile dealers, service, retail and wholesale merchants. Collateral securing these loans includes equipment, machinery, inventory, receivables, vehicles and commercial real estate. Commercial loans are considered to contain a higher level of risk than other loan types although care is taken to minimize these risks. Numerous risk factors impact this portfolio including industry specific risks such as economy, new technology, labor rates and cyclical, as well as customer specific factors, such as cash flow, financial structure, operating controls and asset quality. Included in commercial loans are commercial real estate loans. Commercial real estate loans consist of commercial mortgages, which generally are secured by nonresidential and multi-family residential properties, including hotel/motel and apartment lending. Commercial real estate loans are to many of the same customers and carry similar industry risks as the commercial loans. The Company diversifies risk within this portfolio by closely monitoring industry concentrations and portfolios to ensure that it does not exceed established lending guidelines. Diversification is intended to limit the risk of loss from any single unexpected economic event or trend. Underwriting standards require a comprehensive credit analysis and independent evaluation of virtually all larger balance commercial loans by the loan committee prior to approval. As of December 31, 2009, the Company reported \$752.1 million of loans classified as "Commercial."

Residential mortgage loans represent loans to consumers for the purchase or refinance of a residence. These loans are generally financed over a 15- to 30- year term, and in most cases, are extended to borrowers to finance their primary residence. In some cases, government agencies or private mortgage insurers guarantee the loan. The Company sells a significant majority of our fixed-rate originations in the secondary market. As of December 31, 2009, the Company reported \$595.7 million of loans classified as "Residential Real Estate."

Home equity lending includes both home equity loans and lines-of-credit. This type of lending, which is secured by a first- or second- mortgage on the borrower's residence, allows customers to borrow against the equity in their home. Real estate market values as of the time the loan or line is granted directly affect the amount of credit extended. As of December 31, 2009, the Company reported \$398.8 million of loans classified as "Home Equity."

Consumer loans are secured by automobiles, boats, recreational vehicles, and other personal property. The Company monitors the risk associated with these types of loans by monitoring such factors as portfolio growth, lending policies and economic conditions. Underwriting standards are continually evaluated and modified based upon these factors. As of December 31, 2009, the Company reported \$44.2 million of loans classified as "Consumer."

Previously Securitized Loans were recorded as a result of the Company's early redemption of the outstanding notes attributable to the Company's six loan securitization trusts. As the outstanding notes were redeemed during 2004 and 2003, the Company became the beneficial owner of the remaining mortgage loans and recorded the carrying amount of those loans within the loan portfolio, classified as "previously securitized loans." These loans are junior lien mortgage loans on one- to four-family residential properties located throughout the United States. The loans generally have contractual terms of 25 or 30 years and have fixed interest rates. The Company expects this balance to continue to decline as borrowers remit principal payments on the loans. As of December 31, 2009, the Company reported \$1.7 million of loans classified as "Previously Securitized loans."

The Company's loan underwriting guidelines and standards are updated periodically and are presented for approval by the Board of Directors. The purpose of the standards and guidelines is to grant loans on a sound and collectible basis; to invest available funds in a safe, profitable manner; to serve the legitimate credit needs of the communities in our primary market area; and to ensure that all loan applicants receive fair and equal treatment in the lending process. It is the intent of the underwriting guidelines and standards to: minimize loan losses by carefully investigating the credit history of each applicant, verify the source of repayment and the ability of the applicant to repay, collateralize those loans in which collateral is deemed to be required, exercise care in the documentation of the application, review, approval, and origination process, and administer a comprehensive loan collection program. The above guidelines are adhered to and subject to the experience, background and personal judgment of the loan officer assigned to the loan application.

The Company categorizes these commercial loans by industry according to the North American Industry Classification System (NAICS) to monitor the portfolio for possible concentrations in one or more industries. As of December 31, 2009, the Company has no industry classifications that exceeded 10% of total loans.

#### **Market Area**

As of December 2009, West Virginia's unemployment rate was 8.6% as compared to the national average of 10.0% according to the Workforce West Virginia. West Virginia's unemployment rate for December of 8.6% increased from November's rate of 7.9% and December 2008's rate of 4.4%. According to the U.S. Census Bureau estimates, West Virginia's population was approximately 1.8 million as of July 2009 and has increased 0.2% annually over the last 4 years. The median home price in the Charleston, WV metropolitan area for both 2009 and 2008 was \$127,000, while the number of home sales increased 12.3% for the quarter ended December 31, 2009 as compared to the quarter ended September 30, 2009, according to the National Association of Realtors.

#### **Competition**

As noted previously, the Company's principal markets are located in West Virginia. The majority of the Company's banking offices are located in the areas of Charleston, Huntington, Beckley and Martinsburg where there is a significant presence of other financial service providers. In its markets, the Company competes with national, regional, and local community banks for deposit, credit, trust and investment management, and insurance customers. In addition to traditional banking organizations, the Company competes with credit unions, finance companies, insurance companies and other financial service providers who are able to provide specialty financial services to targeted customer groups. As further discussed below, changes in laws and regulations enacted in recent years have increased the competitive environment the Company faces to retain and attract customers.

## Regulation and Supervision

**Overview:** The Company, as a registered bank holding company, and City National, as an insured depository institution, operate in a highly regulated environment and are regularly examined by federal and state regulators. The following description briefly discusses certain provisions of federal and state laws and regulations and the potential impact of such provisions to which the Company and City National are subject. These federal and state laws and regulations are designed to reduce potential loss exposure to the depositors of such depository institutions and to the Federal Deposit Insurance Corporation's insurance fund and are not intended to protect the Company's security holders. Proposals to change the laws and regulations governing the banking industry are frequently raised in Congress, in state legislatures, and before the various bank regulatory agencies. The likelihood and timing of any changes and the impact such changes might have on the Company are impossible to determine with any certainty. A change in applicable laws or regulations, or a change in the way such laws or regulations are interpreted by regulatory agencies or courts, may have a material impact on the business, operations and earnings of the Company. To the extent that the following information describes statutory or regulatory provisions, it is qualified entirely by reference to the particular statutory or regulatory provision.

As a bank holding company, the Company is regulated under the Bank Holding Company Act of 1956, as amended (the "BHCA"), and is subject to inspection, examination and supervision by the Board of Governors of the Federal Reserve Board. The BHCA provides generally for "umbrella" regulation of bank holding companies such as the Company by the Federal Reserve Board, and for functional regulation of banking activities by bank regulators, securities activities by securities regulators, and insurance activities by insurance regulators. The Company is also under the jurisdiction of the Securities and Exchange Commission ("SEC") and is subject to the disclosure and regulatory requirements of the Securities Act of 1933, as amended, and the Securities Exchange Act of 1934, as amended, as administered by the SEC. The Company is listed on the Nasdaq Stock Market, Inc. (NASDAQ) under the trading symbol "CHCO," and is subject to the rules of the NASDAQ for listed companies.

City National is organized as a national banking association under the National Bank Act. It is subject to regulation and examination by the Office of the Comptroller of the Currency ("OCC") and the Federal Deposit Insurance Corporation ("FDIC").

In general, the BHCA limits the business of bank holding companies to banking, managing or controlling banks and other activities that the Federal Reserve Board has determined to be so closely related to banking as to be a proper incident thereto. Under the BHCA, bank holding companies that qualify and elect to be financial holding companies may engage in any activity, or acquire and retain the shares of a company engaged in any activity, that is either (i) financial in nature or incidental to such financial activity (as determined by the Federal Reserve Board in consultation with the OCC) or (ii) complementary to a financial activity and does not pose a substantial risk to the safety and soundness of depository institutions or the financial system generally (as solely determined by the Federal Reserve Board). Activities that are financial in nature include securities underwriting and dealing, insurance underwriting and making merchant banking investments.

The BHC Act generally limits acquisitions by bank holding companies that are not qualified as financial holding companies to commercial banks and companies engaged in activities that the Federal Reserve Board has determined to be so closely related to banking as to be a proper incident thereto. The Federal Reserve Board has the power to order any bank holding company or its subsidiaries to terminate any activity or to terminate its ownership or control of any subsidiary when the Federal Reserve Board has reasonable grounds to believe that continuation of such activity or such ownership or control constitutes a serious risk to the financial soundness, safety or stability of any bank subsidiary of the bank holding company.

The Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994 ("Riegle-Neal") permits bank holding companies to acquire banks located in any state. Riegle-Neal also allows national banks and state banks with different home states to merge across state lines and allows branch banking across state lines, unless specifically prohibited by state laws.



The International Money Laundering Abatement and Anti-Terrorist Financing Act of 2001 (USA "Patriot Act") was adopted in response to the September 11, 2001 terrorist attacks. The Patriot Act provides law enforcement with greater powers to investigate terrorism and prevent future terrorist acts. Among the broad-reaching provisions contained in the Patriot Act are several designed to deter terrorists' ability to launder money in the United States and provide law enforcement with additional powers to investigate how terrorists and terrorist organizations are financed. The Patriot Act creates additional requirements for banks, which were already subject to similar regulations. The Patriot Act authorizes the Secretary of Treasury to require financial institutions to take certain "special measures" when the Secretary suspects that certain transactions or accounts are related to money laundering. These special measures may be ordered when the Secretary suspects that a jurisdiction outside of the United States, a financial institution operating outside of the United States, a class of transactions involving a jurisdiction outside of the United States or certain types of accounts are of "primary money laundering concern." The special measures include the following: (a) require financial institutions to keep records and report on transactions or accounts at issue; (b) require financial institutions to obtain and retain information related to the beneficial ownership of any account opened or maintained by foreign persons; (c) require financial institutions to identify each customer who is permitted to use a payable-through or correspondent account and obtain certain information from each customer permitted to use the account; and (d) prohibit or impose conditions on the opening or maintaining of correspondent or payable-through accounts. Failure of a financial institution to maintain and implement adequate programs to combat money laundering and terrorist financing, or to comply with all of the relevant laws or regulations, could have serious legal and reputational consequences for the institution.

The Community Reinvestment Act of 1977 ("CRA") requires depository institutions to assist in meeting the credit needs of their market areas consistent with safe and sound banking practice. Under the CRA, each depository institution is required to help meet the credit needs of its market areas by, among other things, providing credit to low- and moderate-income individuals and communities. Depository institutions are periodically examined for compliance with the CRA and are assigned ratings. In order for a financial holding company to commence any new activity permitted by the BHCA, or to acquire any company engaged in any new activity permitted by the BHCA, each insured depository institution subsidiary of the financial holding company must have received a rating of at least "satisfactory" in its most recent examination under the CRA. Furthermore, banking regulators take into account CRA ratings when considering approval of a proposed transaction.

**Capital Adequacy:** Federal banking regulations set forth capital adequacy guidelines, which are used by regulatory authorities to assess the adequacy of capital in examining and supervising a bank holding company and its insured depository institutions. The capital adequacy guidelines generally require bank holding companies to maintain total capital equal to at least 8% of total risk-adjusted assets, with at least one-half of total capital consisting of core capital (i.e., Tier I capital) and the remaining amount consisting of "other" capital-eligible items (i.e., Tier II capital), such as perpetual preferred stock, certain subordinated debt, and, subject to limitations, the allowance for loan losses. Tier I capital generally includes common stockholders' equity plus, within certain limitations, perpetual preferred stock and trust preferred securities. For purposes of computing risk-based capital ratios, bank holding companies must meet specific capital guidelines that involve quantitative measures of assets, liabilities and certain off-balance sheet items, calculated under regulatory accounting practices. The Company's and City National's capital amounts and classifications are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

In addition to total and Tier I capital requirements, regulatory authorities also require bank holding companies and insured depository institutions to maintain a minimum leverage capital ratio of 3%. The leverage ratio is determined as the ratio of Tier I capital to total average assets, where average assets exclude goodwill, other intangibles, and other specifically excluded assets. Regulatory authorities have stated that minimum capital ratios are adequate for those institutions that are operationally and financially sound, experiencing solid earnings, have high levels of asset quality, and are not experiencing significant growth. The guidelines also provide that banking organizations experiencing internal growth or making acquisitions will be expected to maintain strong capital positions substantially above the minimum supervisory levels. In those instances where these criteria are not evident, regulatory authorities expect, and may require, bank holding companies and insured depository institutions to maintain higher than minimum capital levels.

Additionally, federal banking laws require regulatory authorities to take “prompt corrective action” with respect to depository institutions that do not satisfy minimum capital requirements. The extent of these powers depends upon whether the institutions in question are “well capitalized”, “adequately capitalized”, “undercapitalized”, “significantly undercapitalized” or “critically undercapitalized”, as such terms are defined under uniform regulations defining such capital levels issued by each of the federal banking agencies. As an example, a depository institution that is not well capitalized is generally prohibited from accepting brokered deposits and offering interest rates on deposits higher than the prevailing rate in its market. Additionally, a depository institution is generally prohibited from making any capital distribution (including payment of a dividend) or paying any management fee to its holding company, may be subject to asset growth limitations and may be required to submit capital restoration plans if the depository institution is considered undercapitalized. The Company’s and City National’s regulatory capital ratios are presented in the following table:

	December 31,	
	2009	2008
<b>City Holding:</b>		
Tier I Risk-based	13.57%	12.27%
Total	14.54	13.46
Tier I Leverage	10.19	9.47
<b>City National:</b>		
Tier I Risk-based	11.17%	10.29%
Total	12.16	11.49
Tier I Leverage	8.34	7.97

**Dividends and Other Payments:** The Company is a legal entity separate and distinct from City National. Dividends from City National are essentially the sole source of cash for the Company. The right of the Company, and shareholders of the Company, to participate in any distribution of the assets or earnings of City National through the payment of such dividends or otherwise is necessarily subject to the prior claims of creditors of City National, except to the extent that claims of the Company in its capacity as a creditor may be recognized. Moreover, there are various legal limitations applicable to the payment of dividends to the Company as well as the payment of dividends by the Company to its shareholders. Under federal law, City National may not, subject to certain limited expectations, make loans or extensions of credit to, or invest in the securities of, or take securities of the Company as collateral for loans to any borrower. City National is also subject to collateral security requirements for any loans or extensions of credit permitted by such exceptions.

City National is subject to various statutory restrictions on its ability to pay dividends to the Company. Specifically, the approval of the Office of the Comptroller of the Currency (“OCC”) is required prior to the payment of dividends by City National in excess of its earnings retained in the current year plus retained net profits for the preceding two years. The payment of dividends by the Company and City National may also be limited by other factors, such as requirements to maintain adequate capital above regulatory guidelines. The OCC has the authority to prohibit any bank under its jurisdiction from engaging in an unsafe and unsound practice in conducting its business. Depending upon the financial condition of City National, the payment of dividends could be deemed to constitute such an unsafe or unsound practice. The Federal Reserve Board and the OCC have indicated their view that it generally would be an unsafe and unsound practice to pay dividends except out of current operating earnings. The Federal Reserve Board has stated that, as a matter of prudent banking, a bank or bank holding company should not maintain its existing rate of cash dividends on common stock unless (1) the organization’s net income available to common shareholders over the past year has been sufficient to fund fully the dividends and (2) the prospective rate of earnings retention appears consistent with the organization’s capital needs, asset quality, and overall financial condition. Moreover, the Federal Reserve Board has indicated that bank holding companies should serve as a source of managerial and financial strength to their subsidiary banks. Accordingly, the Federal Reserve Board has stated that a bank holding company should not maintain a level of cash dividends to its shareholders that places undue pressure on the capital of bank subsidiaries, or that can be funded only through additional borrowings or other arrangements that may undermine the bank holding company’s ability to serve as a source of strength.

During 2008 and 2009 combined, City National received regulatory approval and paid \$74.9 million of cash dividends to the Parent Company, while generating net profits of \$70.6 million. Therefore, City National will be required to obtain regulatory approval prior to declaring any cash dividends to the Parent Company during 2010. Although regulatory authorities have approved prior cash dividends, there can be no assurance that future dividend requests will be approved.

During 2009, the Company used cash obtained from these dividends primarily to: (1) pay common dividends to shareholders, (2) remit interest payments on the Company's junior subordinated debentures, and (3) fund repurchases of the Company's common shares. Management believes that the Company's available cash balance, together with cash dividends from City National, is adequate to satisfy its funding and cash needs in 2010.

#### **Governmental Policies**

The Federal Reserve Board regulates money and credit and interest rates in order to influence general economic conditions. These policies have a significant influence on overall growth and distribution of bank loans, investments and deposits and affect interest rates charged on loans or paid for time and savings deposits. Federal Reserve monetary policies have had a significant effect on the operating results of commercial banks in the past and are expected to continue to do so in the future.

#### **Deposit Insurance**

Substantially all of the deposits of City National are insured up to applicable limits by the Deposit Insurance Fund ("DIF") of the FDIC and are subject to deposit insurance assessments to maintain the DIF. The FDIC utilizes a risk-based assessment system that imposes insurance premiums based upon a risk matrix that takes into account a bank's capital level and supervisory rating ("CAMELS rating"). The risk matrix utilizes four risk categories which are distinguished by capital levels and supervisory ratings.

In December 2008, the FDIC issued a final rule that raised the then current assessment rates uniformly by 7 basis points for the first quarter of 2009 assessment, which resulted in annualized assessment rates for institutions in the highest risk category ("Risk Category 1 institutions") ranging from 12 to 14 basis points (basis points representing cents per \$100 of assessable deposits). In February 2009, the FDIC issued final rules to amend the DIF restoration plan, change the risk-based assessment system and set assessment rates for Risk Category 1 institutions beginning in the second quarter of 2009. The initial base assessment rates for Risk Category 1 institutions range from 12 to 16 basis points, on an annualized basis. After the effect of potential base-rate adjustments, total base assessment rates range from 7 to 24 basis points. The potential adjustments to a Risk Category 1 institution's initial base assessment rate, include (i) a potential decrease of up to 5 basis points for long-term unsecured debt, including senior and subordinated debt and (ii) a potential increase of up to 8 basis points for secured liabilities in excess of 25% of domestic deposits.

In May 2009, the FDIC issued a final rule which levied a special assessment applicable to all insured depository institutions totaling 5 basis points of each institution's total assets less Tier 1 capital as of June 30, 2009, not to exceed 10 basis points of domestic deposits. The special assessment was part of the FDIC's efforts to rebuild the DIF. Deposit insurance expense during 2009 included \$1.2 million recognized in the second quarter related to the special assessment.

In November 2009, the FDIC issued a rule that required all insured depository institutions, with limited exceptions, to prepay their estimated quarterly risk-based assessments for the fourth quarter of 2009 and for all of 2010, 2011 and 2012. The FDIC also adopted a uniform three-basis point increase in assessment rates effective on January 1, 2011. In December 2009, the Corporation paid \$11.6 million in prepaid risk-based assessments that is included in other assets in the accompanying consolidated balance sheet as of December 31, 2009. FDIC insurance expense totaled \$2.2 million, \$0.3 million and \$0.2 million in 2009, 2008 and 2007.

## Future Legislation

Various other legislative and regulatory initiatives, including proposals to overhaul the banking regulatory system and to limit the investments that a depository institution may make with insured funds, are from time to time introduced in Congress and state legislatures, as well as regulatory agencies. Such legislation may change banking statutes and the operating environment of the Company and its subsidiaries in substantial and unpredictable ways, and could increase or decrease the cost of doing business, limit or expand permissible activities or affect the competitive balance depending upon whether any of this potential legislation will be enacted, and if enacted, the effect that it or any implementing regulations, would have on the financial condition or results of operations of the Company or any of its subsidiaries. The nature and extent of future legislative and regulatory changes affecting financial institutions is very unpredictable at this time. The Company cannot determine the ultimate effect that such potential legislation, if enacted, would have upon its financial condition or operations.

## Executive Officers of the Registrant

At December 31, 2009, the executive officers of the Company were as follows:

<b>Name</b>	<b>Age</b>	<b>Business Experience</b>
Charles R. Hageboeck, Ph.D.	47	President and Chief Executive Officer, City Holding Company and City National Bank, Charleston, WV since February 1, 2005. Executive Vice President and Chief Financial Officer, City Holding Company and City National Bank, Charleston, WV from June 2001 – January 31, 2005.
Craig G. Stilwell	54	Executive Vice President of Retail Banking, City Holding Company and City National Bank, Charleston, WV since February 2005. Executive Vice President of Marketing & Human Resources, City Holding Company and City National Bank, Charleston, WV from May 2001 – February 2005.
John A. DeRito	59	Executive Vice President of Commercial Banking, City Holding Company and City National Bank, Charleston, WV since June 25, 2004. Regional Credit Officer for the West Virginia Central Region of BB&T, Charleston, WV from November 2000 – June 2004. Senior Vice President and Credit Officer, One Valley Bank, Charleston, WV from November 1983 – November 2000.
David L. Bumgarner	44	Senior Vice President and Chief Financial Officer, City Holding Company and City National Bank since February 2005. Audit Senior Manager, Arnett & Foster, PLLC from August 2000 – January 2005.
Michael T. Quinlan, Jr.	41	Senior Vice President, Branch Banking, City Holding Company and City National Bank since August 2001

## Employees

The Company had 809 full-time equivalent employees at December 31, 2009.

## Available Information

The Company's Internet website address is [www.cityholding.com](http://www.cityholding.com). The Company makes available free of charge through its website its annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, as soon as reasonably practicable after such documents are electronically filed with, or furnished to, the Securities and Exchange Commission. The information on the Company's website is not, and shall not be deemed to be, a part of this report or incorporated into any other filing with the Securities and Exchange Commission. Copies of the Company's annual report will be made available, free of charge, upon written request.

## Statistical Information

The information noted below is provided pursuant to Guide 3 -- Statistical Disclosure by Bank Holding Companies. Page references are to the Annual Report to Shareholders for the year ended December 31, 2009 and such pages have been filed as an exhibit to this Form 10-K and are incorporated herein by reference.

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**Item 1A.**

**Risk Factors**

An investment in the Company's common stock is subject to risks inherent to the Company's business. The material risks and uncertainties that management believes affect the Company are described below. The risks and uncertainties described below are not the only ones facing the Company. Additional risks and uncertainties that management is not aware of or focused on or that management currently deems immaterial may also impair the Company's business operations. You should carefully consider the risks described below, as well as the other information included or incorporated by reference in this Annual Report on Form 10-K, before making an investment in the Company's common stock. If any of the following risks occur, the Company's financial condition and results of operations could be materially and adversely affected, and you could lose all or part of your investment.

**The Company's Business May be Adversely Affected by Conditions in the Financial Markets and Economic Conditions Generally**

The business environment that the Company operates in the United States and worldwide could deteriorate, which could affect the credit quality of the Company's loans, results of operations, and financial condition. Since December 2007, the United States has been in a recession. Business activity across a wide range of industries and regions is greatly reduced and local governments and many businesses are in serious difficulty due to the lack of consumer spending and the lack of liquidity in the credit markets. Unemployment has increased significantly.

As a result of the recession, the financial services industry and the securities markets have been materially and adversely affected by significant declines in the values of nearly all asset classes and by a serious lack of liquidity. This was initially triggered by declines in home prices and the values of subprime mortgages but spread to all mortgage and real estate asset classes, to leverage bank loans and to nearly all asset classes, including equities. The global markets have been characterized by substantially increased volatility and short-selling and an overall loss of investor confidence, initially in financial institutions but more recently in companies in a number of other industries and in the broader markets.

Market conditions have also led to the failure or merger of a number of prominent financial institutions. Financial institution failures or near-failures have resulted in further losses as a consequence of defaults on securities issued by them and defaults under contracts entered into with such entities as counterparties. Furthermore, declining asset values, defaults on mortgages and consumer loans, and the lack of market and investor confidence, as well as other factors, have all combined to increase credit default swap spreads, to cause rating agencies to lower credit ratings, and to otherwise increase the cost and decrease the availability of liquidity, despite very significant declines in Federal Reserve borrowing rates and other government actions. Some banks and other lenders have suffered significant losses and have become reluctant to lend, even on a secured basis, due to the increased risk of default and the impact of declining asset values on the value of collateral. The foregoing has significantly weakened the strength and liquidity of some financial institutions worldwide.

The Company's financial performance generally, and in particular the ability of borrowers to pay interest on and repay principal of outstanding loans and the value of collateral securing those loans, is highly dependent upon on the business environment in the markets where the Company operates, in the States of West Virginia, Kentucky, and Ohio, and in the United States as a whole. A favorable business environment is generally characterized by, among other factors, economic growth, efficient capital markets, low inflation, high business and investor confidence, and strong business earnings. Unfavorable or uncertain economic and market conditions can be caused by: declines in economic growth, business activity or investor or business confidence; limitations on the availability or increases in the cost of credit and capital; increases in inflation or interest rates; natural disasters; or a combination of these or other factors.

Overall, during 2009, the business environment has continued to be adverse for many households and businesses in the United States and worldwide. The business environments in West Virginia, Kentucky, and Ohio, and the markets in which the Company operates have been less adverse than in the United States generally but continue to deteriorate. It is expected that the business environment in the States of West Virginia, Kentucky, and Ohio, the United States and worldwide will continue to deteriorate for the foreseeable future. There can be no assurance that these conditions will improve in the near term. Such conditions could adversely affect the credit quality of the Company's loans, results of operations and financial condition.

**The Value of the Company's Common Stock May Fluctuate**

The market for the Company's common stock may experience significant price and volume fluctuations in response to a number of factors including actual or anticipated quarterly variations in operating results, changes in expectations of future financial performance, changes in estimates by securities analysts, governmental regulatory action, banking industry reform measures, customer relationship developments and other factors, many of which will be beyond the Company's control.

Furthermore, the stock market in general, and the market for financial institutions in particular, have experienced extreme volatility that often has been unrelated to the operating performance of particular companies. These broad market and industry fluctuations may adversely affect the trading price of the Company's common stock, regardless of actual operating performance.

**The Trading Volume In The Company's Common Stock Is Less Than That Of Other Larger Financial Services Companies**

Although the Company's common stock is listed for trading on the Nasdaq Stock Market, Inc. (NASDAQ), the trading volume in its common stock is less than that of other larger financial services companies. A public trading market having the desired characteristics of depth, liquidity and orderliness depends on the presence in the marketplace of willing buyers and sellers of the Company's common stock at any given time. This presence depends on the individual decisions of investors and general economic and market conditions over which the Company has no control. Given the lower trading volume of the Company's common stock, significant sales of the Company's common stock, or the expectation of these sales, could cause the Company's stock price to fall.

**Future Sales of Shares of the Company's Common Stock Could Negatively Affect its Market Price**

Future sales of substantial amounts of the Company's common stock, or the perception that such sales could occur, could adversely affect the market price of the Company's common stock in the open market. We make no prediction as to the effect, if any, that future sales of shares, or the availability of shares for future sale, will have on the market price of the Company's common stock.

**Shares of the Company's Common Stock Are Not FDIC Insured**

Neither the Federal Deposit Insurance Corporation nor any other governmental agency insures the shares of the Company's common stock. Therefore, the value of your shares in the Company will be based on their market value and may decline.

**Anti-takeover Defenses May Delay or Prevent Future Mergers**

The Company has entered into a Rights Agreement with SunTrust, as its rights agent, designed to discourage the accumulation of shares in excess of 15% of the Company's outstanding shares. This agreement could limit the price that some investors might be willing to pay in the future for shares of the Company's common stock and may have the effect of delaying or preventing a change in control. The Rights Agreement with SunTrust expires on June 12, 2011.

**The Company's Ability To Pay Dividends Is Limited**

Although the Board of Directors has declared cash dividends in the past, the current ability to pay dividends is largely dependent upon the receipt of dividends from City National. Federal and state laws impose restrictions on the ability of City National to pay dividends. Holders of shares of the Company's common stock are entitled to dividends if, and when, they are declared by the Company's Board of Directors out of funds legally available for that purpose. Additional restrictions are placed upon the Company by the policies of federal regulators, including the Federal Reserve Board's November 14, 1985 policy statement, which provides that bank holding companies should pay dividends only out of the past year's net income, and then only if their prospective rate of earnings retention appears consistent with their capital needs, asset quality, and overall financial condition. In general, future dividend policy is subject to the discretion of the Board of Directors and will depend upon a number of factors, including the Company's and City National's future earnings, capital requirements, regulatory constraints and financial condition.

### **An Economic Slowdown in West Virginia, Kentucky, and Ohio Could Hurt Our Business**

Because the Company focuses its business in West Virginia, Kentucky, and Ohio, an economic slowdown in these states could hurt our business. An economic slowdown could have the following consequences:

- Loan delinquencies may increase;
- Problem assets and foreclosures may increase;
- Demand for the products and services of City National may decline; and
- Collateral (including real estate) for loans made by City National may decline in value, in turn reducing customers' borrowing power, and making existing loans less secure.

### **The Company and City National are Extensively Regulated**

Policies adopted or required by these governmental authorities can adversely affect the Company's business operations and the availability, growth and distribution of the Company's investments, borrowings and deposits. The operations of the Company and City National are subject to extensive regulation by federal, state and local governmental authorities and are subject to various laws and judicial and administrative decisions imposing requirements and restrictions on them. In addition, the Office of the Comptroller of the Currency periodically conducts examinations of the Company and City National and may impose various requirements or sanctions.

Proposals to change the laws governing financial institutions are frequently raised in Congress and before bank regulatory authorities. Changes in applicable laws or policies could materially affect the Company's business, and the likelihood of any major changes in the future and their effects are impossible to determine. Moreover, it is impossible to predict the ultimate form any proposed legislation might take or how it might affect the Company.

### **The Company is Subject to Interest Rate Risk**

Changes in monetary policy, including changes in interest rates, could influence not only the interest the Company receives on loans and securities and the amount of interest it pays on deposits and borrowings, but such changes could also affect (i) the Company's ability to originate loans and obtain deposits, (ii) the fair value of the Company's financial assets and liabilities, and (iii) the average duration of the Company's mortgage-backed securities portfolio. The Company's earnings and cash flows are largely dependent upon its net interest income. Net interest income is the difference between interest income earned on interest-earning assets such as loans and securities and interest expense paid on interest-bearing liabilities such as deposits and borrowed funds. Interest rates are highly sensitive to many factors that are beyond the Company's control, including general economic conditions and policies of various governmental and regulatory agencies and, in particular, the Board of Governors of the Federal Reserve System. If the interest rates paid on deposits and other borrowings increase at a faster rate than the interest rates received on loans and other investments, the Company's net interest income, and therefore earnings, could be adversely affected. Earnings could also be adversely affected if the interest rates received on loans and other investments fall more quickly than the interest rates paid on deposits and other borrowings.

Although management believes it has implemented effective asset and liability management strategies, including the use of derivatives as hedging instruments, to reduce the potential effects of changes in interest rates on the Company's results of operations, any substantial, unexpected, prolonged change in market interest rates could have a material adverse effect on the Company's financial condition and results of operations. See the section captioned "Risk Management" in Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations located elsewhere in this report for further discussion related to the Company's management of interest rate risk.



### **The Company's Allowance for Loan Losses May Not Be Sufficient**

The Company maintains an allowance for loan losses, which is a reserve established through a provision for loan losses charged to expense that represents management's best estimate of probable losses in the existing portfolio of loans. The allowance, in the judgment of management, is necessary to provide for estimated loan losses and risks inherent in the loan portfolio. The level of the allowance reflects management's continuing evaluation of industry concentrations; specific credit risks; loan loss experience; current loan portfolio quality; present economic, political and regulatory conditions and unidentified losses inherent in the current loan portfolio. The determination of the appropriate level of the allowance for loan losses inherently involves a high degree of subjectivity and requires the Company to make significant estimates of current credit risks and future trends, all of which may undergo material changes. Changes in economic conditions affecting borrowers, new information regarding existing loans, identification of additional problem loans and other factors, both within and outside of the Company's control, may require an increase in the allowance for loan losses. In addition, bank regulatory agencies periodically review the Company's allowance for loan losses and may require an increase in the provision for loan losses or the recognition of further loan charge-offs, based on judgments different than those of management. In addition, if charge-offs in future periods exceed the allowance for loan losses, the Company will need additional provisions to increase the allowance for loan losses. Any increases in the allowance for loan losses will result in a decrease in net income and, possibly, capital, and may have a material adverse effect on the Company's financial condition and results of operations.

Management evaluates the adequacy of the allowance for loan losses at least quarterly, which includes testing certain individual loans as well as collective pools of loans for impairment. This evaluation includes an assessment of actual loss experience within each category of the portfolio, individual commercial and commercial real estate loans that exhibit credit weakness; current economic events, including employment statistics, trends in bankruptcy filings, and other pertinent factors; industry or geographic concentrations, and regulatory guidance. See the section captioned "Allowance and Provision for Loan Losses" in Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations located elsewhere in this report for further discussion related to the Company's process for determining the appropriate level of the allowance for loan losses.

### **Customers May Default On the Repayment of Loans**

City National's customers may default on the repayment of loans, which may negatively impact the Company's earnings due to loss of principal and interest income. Increased operating expenses may result from the allocation of management time and resources to the collection and work-out of the loan. Collection efforts may or may not be successful causing the Company to write off the loan or repossess the collateral securing the loan, which may or may not exceed the balance of the loan.

### **Due To Increased Competition, the Company May Not Be Able To Attract and Retain Banking Customers At Current Levels**

The Company faces competition from the following:

- local, regional and national banks;
- savings and loans;
- internet banks;
- credit unions;
- finance companies; and
- brokerage firms serving the Company's market areas.

In particular, City National's competitors include several major national financial and banking companies whose greater resources may afford them a marketplace advantage by enabling them to maintain numerous banking locations and mount extensive promotional and advertising campaigns. Additionally, banks and other financial institutions may have products and services not offered by the Company, which may cause current and potential customers to choose those institutions. Areas of competition include interest rates for loans and deposits, efforts to obtain deposits and range and quality of services provided. If the Company is unable to attract new and retain current customers, loan and deposit growth could decrease causing the Company's results of operations and financial condition to be negatively impacted.

#### **The Company May Be Required To Write Down Goodwill And Other Intangible Assets, Causing Its Financial Condition And Results To Be Negatively Affected**

When the Company acquires a business, a portion of the purchase price of the acquisition is allocated to goodwill and other identifiable intangible assets. The excess of the purchase price over the fair value of the net identifiable tangible and intangible assets acquired determines the amount of the purchase price that is allocated to goodwill acquired. At December 31, 2009, the Company's goodwill and other identifiable intangible assets were approximately \$57.0 million. Under current accounting standards, if the Company determines goodwill or intangible assets are impaired, it would be required to write down the value of these assets. The Company conducts an annual review to determine whether goodwill and other identifiable intangible assets are impaired. The Company recently completed such an impairment analysis and concluded that no impairment charge was necessary for the year ended December 31, 2009. The Company cannot provide assurance whether it will be required to take an impairment charge in the future. Any impairment charge would have a negative effect on its shareholders' equity and financial results and may cause a decline in our stock price.

#### **Acquisition Opportunities May Present Challenges**

The Company expects that other banking and financial companies, many of which have significantly greater resources, will compete with it to acquire compatible businesses. The Company continually evaluates opportunities to acquire other businesses. However, the Company may not have the opportunity to make suitable acquisitions on favorable terms in the future, which could negatively impact the growth of its business. This competition could increase prices for acquisitions that the Company would likely pursue, and its competitors may have greater resources than it does. Also, acquisitions of regulated businesses such as banks are subject to various regulatory approvals. If the Company fails to receive the appropriate regulatory approvals, it will not be able to consummate an acquisition that it believes is in its best interests.

Any future acquisitions may result in unforeseen difficulties, which could require significant time and attention from our management that would otherwise be directed at developing our existing business. In addition, we could discover undisclosed liabilities resulting from any acquisitions for which we may become responsible. Further, the benefits that we anticipate from these acquisitions may not develop.

#### **The Company's Controls and Procedures May Fail or Be Circumvented**

Any failure or circumvention of the Company's controls and procedures or failure to comply with regulations related to controls and procedures could have a material adverse effect on the Company's business, results of operations and financial condition. Management regularly reviews and updates the Company's internal controls, disclosure controls and procedures, and corporate governance policies and procedures. Any system of controls, no matter how well designed and operated, is based in part on certain assumptions and can provide only reasonable, not absolute, assurances that the objectives of the system are met.

#### **The Company May Not Be Able To Attract and Retain Skilled People**

The unexpected loss of services of one or more of the Company's key personnel could have a material adverse impact on the Company's business because of their skills, knowledge of the Company's market, years of industry experience and the difficulty of promptly finding qualified replacement personnel. The Company's success depends, in large part, on its ability to attract and retain key people. Competition for the best people in most activities engaged in by the Company can be intense and the Company may not be able to hire people or to retain them.

**Item 1B.**                    **Unresolved Staff Comments**

On February 22, 2010, the Company received a comment letter from the Securities and Exchange Commission regarding our December 31, 2008 Form 10-K, March 31, 2009 Form 10-Q, June 30, 2009 Form 10-Q, and September 30, 2009 Form 10-Q. The Company is in the process of responding to this Comment Letter.

**Item 2.**                    **Properties**

City National owns the Company's executive offices, located at 25 Gatewater Road, Charleston, West Virginia. City National operates 67 branch offices, with 56 offices in West Virginia, eight in Kentucky, and three offices in Ohio. The West Virginia locations are primarily centered in the Charleston, Huntington, Beckley, and Martinsburg markets. City National owns 49 locations and leases 18 locations, pursuant to operating leases. All of the properties are suitable and adequate for their current operations and are generally being fully utilized.

City National also owns a thirty thousand square foot office building in an unincorporated area approximately fifteen miles west of Charleston, West Virginia. This facility formerly housed loan operations personnel, but has since been vacated by the Company. The building is currently being leased to a third party.

**Item 3.**                    **Legal Proceedings**

The Company is engaged in various legal actions that it deems to be in the ordinary course of business. As these legal actions are resolved, the Company could realize positive and/or negative impact to its financial performance in the period in which these legal actions are ultimately decided. There can be no assurance that current actions will have immaterial results, either positive or negative, or that no material actions may be presented in the future.

**Item 4.**                    **Submission of Matters to a Vote of Security Holders**

None

**PART II**

**Item 5. Market for Registrant's Common Equity, Related Stockholder Matters, and Issuer Purchases of Equity Securities**

**Common Stock Market and Dividends**

The Company's common stock trades on the NASDAQ stock market under the symbol CHCO. This table sets forth the cash dividends paid per share and information regarding the market prices per share of the Company's common stock for the periods indicated. The price ranges are based on transactions as reported on the NASDAQ stock market. At December 31, 2009, there were 2,958 shareholders of record.

	Cash Dividends		Market Value	
	Per Share	Low	High	
<b>2009</b>				
Fourth Quarter	\$ 0.34	\$ 28.96	\$ 33.29	
Third Quarter	0.34	28.65	34.34	
Second Quarter	0.34	27.02	33.78	
First Quarter	0.34	20.88	33.41	
<b>2008</b>				
Fourth Quarter	\$ 0.34	\$ 29.08	\$ 42.88	
Third Quarter	0.34	35.74	47.28	
Second Quarter	0.34	37.29	44.15	
First Quarter	0.34	32.51	41.37	

As noted in the section captioned Dividends and Other Payments included in Item 1. Business, the section captioned Liquidity included in Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations and in Note Eighteen of Notes to Consolidated Financial Statements, the Company's ability to pay dividends to its shareholders is dependent upon the ability of City National to pay dividends to City Holding ("Parent Company").

**Stock Repurchase Plan**

The following table sets forth information regarding the Company's common stock repurchases transacted during the quarter:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (a)	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs
October 1 – October 31, 2009	27,600	\$ 30.40	27,600	972,600
November 1 – November 30, 2009	-	-	-	-
December 1 - December 31, 2009	-	-	-	-

(a) In August 2007, the Company announced that the Board of Directors had authorized the Company to buy back up to 1,000,000 shares of its common stock, in open market transactions at prices that are accretive to continuing shareholders. In October 2009, the Company announced that the Board of Directors rescinded the share repurchase program approved in August 2007 and announced it had authorized the Company to buy back up to 1,000,000 shares of its common stock, in open market transactions at prices that are accretive to continuing shareholders. No timetable was placed on the duration of this share repurchase program.

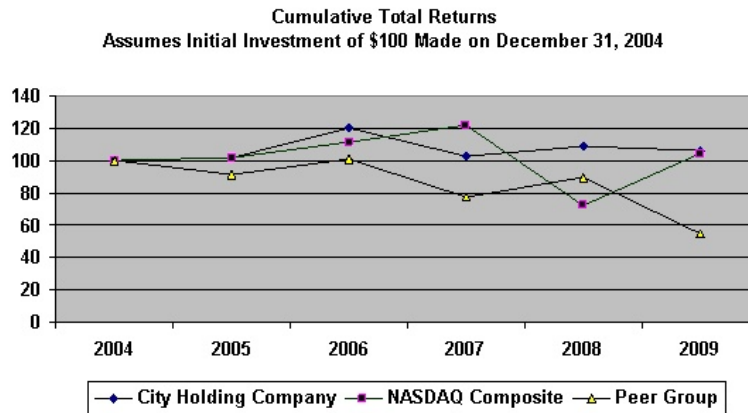
### Stock-Based Compensation Plan

Information regarding stock-based compensation awards outstanding and available for future grants as of December 31, 2009, segregated between stock-based compensation plans approved by shareholders and stock-based compensation plans not approved by shareholders, is presented in the table below. Additional information regarding stock-based compensation plans is presented in Note Fourteen Employee Benefit Plans of Notes to Consolidated Financial Statements.

Plan Category	Number of Shares to be Issued Upon Exercise of Outstanding Awards (a)	Weighted-average exercise price of outstanding awards (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Plans approved by shareholders	280,605	\$ 33.56	735,000
Plans not approved by shareholders	-	-	-
<b>Total</b>	<b>280,605</b>	<b>\$ 33.56</b>	<b>735,000</b>

**Stock Performance**

The following graph sets forth the cumulative total shareholder return (assuming reinvestment of dividends) to the Company's shareholders during the five-year period ended December 31, 2009, as well as an overall stock market index (The Nasdaq Stock Market Index) and the Company's Peer Group. The Peer Group consists of certain publicly-traded banking institutions over \$1 billion but less than \$9 billion in assets located in West Virginia and adjoining states. The trading symbols for such financial institutions include: FCBC, SASR, CTBI, NPBC, UBSH, WSBC, STEL, HNBC, PRK, RBCAA, PEBO, STBA, UBSI, FFBC, UVSP, FNB, NBTB, FCF, CBU, and FPFC. The stock performance shown on the graph below is not necessarily indicative of future price performance.



	2004	2005	2006	2007	2008	2009
City Holding Company	100.00	102.13	119.67	102.20	108.85	105.80
NASDAQ Composite	100.00	101.37	111.03	121.92	72.49	104.31
Peer Group	100.00	91.03	101.00	77.66	89.64	55.20

This graph shall not be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, unless the Company specifically incorporates this report by reference. It will not be otherwise filed under such Acts.

**Item 6. Selected Financial Data**

Selected Financial Data on page 1 of the Annual Report to Shareholders of City Holding Company for the year ended December 31, 2009, included in this report as Exhibit 13, is incorporated herein by reference.

**Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations**

Management's Discussion and Analysis of Financial Condition and Results of Operations on pages 2 through 23 of the Annual Report to Shareholders of City Holding Company for the year ended December 31, 2009, included in this report as Exhibit 13, is incorporated herein by reference.

**Item 7A.**                    **Quantitative and Qualitative Disclosures About Market Risk**

Information appearing under the caption "Risk Management" appearing on pages 11-12 of the Annual Report to Shareholders of City Holding Company for the year ended December 31, 2009, included in this report as Exhibit 13, is incorporated herein by reference.

**Item 8.**                    **Financial Statements and Supplementary Data**

The consolidated financial statements, notes to consolidated financial statements, reports of management and the independent registered public accounting firm included on pages 24 through 61 of the Annual Report to Shareholders of City Holding Company for the year ended December 31, 2009, included in this report as Exhibit 13, are incorporated herein by reference.

**Item 9.**                    **Changes in and Disagreements With Accountants on Accounting and Financial Disclosure**

None

**Item 9A.**                    **Controls and Procedures**

Pursuant to Rule 13a-15b under the Securities Exchange Act of 1934, the Company carried out an evaluation, with the participation of the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, of the effectiveness of the Company's disclosure controls and procedures (as defined under Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934) as of the end of the period covered by this report. Based upon that evaluation, the Company's Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures are effective in timely alerting them to material information relating to the Company required to be included in the Company's periodic Securities and Exchange Commission filings.

- (a) Management's annual report on internal control over financial reporting appears on page 24 of the Annual Report to Shareholders of City Holding Company for the year ended December 31, 2009, included in this report as Exhibit 13, is incorporated herein by reference.
- (b) The Company did not have any changes in internal control over financial reporting during its fourth quarter for the year ending December 31, 2009, that materially affected, or were reasonably likely to materially affect, the Company's internal control over financial reporting.

The Report of Management on Internal Control Over Financial Reporting is included in Item 8. of this Annual Report on Form 10-K.

**Item 9B.**                    **Other Information**

None

**PART III**

**Item 10.**                    **Directors, Executive Officers and Corporate Governance**

Certain information regarding executive officers is included under the section captioned "Executive Officers of The Registrant" in Part I, Item 1, elsewhere in this Annual Report on Form 10-K. Other information required by this Item appears under the captions "ELECTION OF DIRECTORS", "ADDITIONAL INFORMATION CONCERNING THE BOARD OF DIRECTORS", "REPORT OF THE AUDIT COMMITTEE", "SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE" in the Company's 2010 Proxy Statement that will be filed within 120 days of fiscal year end and is hereby incorporated by reference.

In December 2009, the Company adopted a new Code of Business Conduct and Ethics which applies to all employees (including its chief executive officer, chief financial officer and principal accounting officer). Members of the Board of Directors are governed by a separate Code of Business Conduct and Ethics approved in January 2004. Both of the Codes of Business Conduct and Ethics have been posted on its website at [www.cityholding.com](http://www.cityholding.com) under the "Corporate Governance" link located at the bottom of the page. A copy of the Company's Code of Business Conduct and Ethics covering all employees and/or a copy of Code of Business Conduct and Ethics covering the Board of Directors will be mailed without charge upon request to Investor Relations, City Holding Company, 25 Gatewater Road, P. O. Box 7520, Charleston, WV 25356-0520. Any amendments to or waivers from any provision of the Code of Ethics applicable to the Company's chief executive officer, chief financial officer, or principal accounting officer will be disclosed by timely posting such information on the Company's internet website.

**Item 11.**                    **Executive Compensation**

The information required by Item 11 of FORM 10-K appears under the captions "COMPENSATION OF DIRECTORS", "COMPENSATION DISCUSSION AND ANALYSIS", "ANNUAL COMPENSATION", "EQUITY HOLDINGS", "POST-EMPLOYMENT PAYMENTS", and "BOARD COMPENSATION COMMITTEE REPORT ON EXECUTIVE COMPENSATION" in the Company's 2010 Proxy Statement that will be filed within 120 days of fiscal year end and is hereby incorporated by reference.

**Item 12.**                    **Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters**

The information required by Item 12 of FORM 10-K appears under the caption "COMMON STOCK OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT" in the Company's 2010 Proxy Statement that will be filed within 120 days of fiscal year end and is hereby incorporated by reference.

**Item 13.**                    **Certain Relationships and Related Transactions, Director Independence**

The information required by Item 13 of FORM 10-K appears under the caption "CERTAIN TRANSACTIONS INVOLVING DIRECTORS AND EXECUTIVE OFFICERS" in the Company's 2010 Proxy Statement that will be filed within 120 days of fiscal year end and is hereby incorporated by reference.

**Item 14.**                    **Principal Accounting Fees and Services**

The information required by Item 14 of FORM 10-K appears under the caption "PRINCIPAL ACCOUNTING FEES AND SERVICES" in the Company's 2010 Proxy Statement that will be filed within 120 days of fiscal year end and is hereby incorporated by reference.



**PART IV**

**Item 15.**                    **Exhibits, Financial Statement Schedules**

- (a)            (1)        Financial Statements. Reference is made to Part II, Item 8, of this Annual Report on Form 10-K.
- (2)        Financial Statement Schedules. These schedules are omitted as the required information is inapplicable or the information is presented in the consolidated financial statements or related notes.
- (3)        Exhibits. The exhibits listed in the "Exhibit Index" on pages 27-29 of this Annual Report on Form 10-K included herein are filed herewith or incorporated by reference from previous filings.
- (b)            See (a) (3) above.
- (c)            See (a) (1) and (2) above.

**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: March 29, 2010

City Holding Company  
(Registrant)

/s/ Charles R. Hageboeck, Ph.D.  
Charles R. Hageboeck, Ph.D.  
President and Chief Executive Officer  
(Principal Executive Officer)

/s/ David L. Bumgarner  
David L. Bumgarner  
Senior Vice President, Chief Financial Officer and Principal Accounting Officer  
(Principal Financial Officer)

/s/ Charles R. Hageboeck, Attorney-in-Fact  
Philip L. McLaughlin  
Chairman

/s/ Charles R. Hageboeck, Attorney-in-Fact  
David W. Hambrick  
Director

/s/ Charles R. Hageboeck, Attorney-in-Fact  
Hugh R. Clonch  
Director

/s/ Charles R. Hageboeck, Ph.D.  
Charles R. Hageboeck, Ph.D.  
Director, President, and Chief Executive Officer

/s/ Charles R. Hageboeck, Attorney-in-Fact  
Oshel B. Craig  
Director

/s/ Charles R. Hageboeck, Attorney-in-Fact  
Tracy W. Hylton, II  
Director

/s/ Charles R. Hageboeck, Attorney-in-Fact  
John R Elliot  
Director

/s/ Charles R. Hageboeck, Attorney-in-Fact  
C. Dallas Kayser  
Director

/s/ Charles R. Hageboeck, Attorney-in-Fact  
William H. File, III  
Director

/s/ Charles R. Hageboeck, Attorney-in-Fact  
James L. Rossi  
Director

/s/ Charles R. Hageboeck, Attorney-in-Fact  
Robert D. Fisher  
Director

/s/ Charles R. Hageboeck, Attorney-in-Fact  
Sharon H. Rowe  
Director

/s/ Charles R. Hageboeck, Attorney-in-Fact  
Jay C. Goldman  
Director

/s/ Charles R. Hageboeck, Attorney-in-Fact  
Mary H. Williams  
Director

**POWER OF ATTORNEY**

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities indicated on February 24, 2010. Each of the directors and/or officers of City Holding Company whose signature appears below hereby appoints Philip L. McLaughlin, and/or Charles R. Hageboeck Ph.D., as his attorney-in-fact to sign in his name and behalf, in any and all capacities stated below and to file with the Securities and Exchange Commission, any and all amendments to this report on Form 10-K, making such changes in this report on Form 10-K as appropriate, and generally to do all such things in their behalf in their capacities as officers and directors to enable City Holding Company to comply with the provisions of the Securities Exchange Act of 1934, and all requirements of the Securities and Exchange Commission.

/s/ Philip L. McLaughlin  
Philip L. McLaughlin  
Chairman

/s/ David W. Hambrick  
David W. Hambrick  
Director

/s/ Hugh R. Clonch  
Hugh R. Clonch  
Director

/s/ Charles R. Hageboeck, Ph.D.  
Charles R. Hageboeck, Ph.D.  
Director, President, and Chief Executive Officer

/s/ Oshel B. Craigo  
Oshel B. Craigo  
Director

/s/ Tracy W. Hylton, II  
Tracy W. Hylton, II  
Director

/s/ John R Elliot  
John R Elliot  
Director

/s/ C. Dallas Kayser  
C. Dallas Kayser  
Director

/s/ William H. File, III  
William H. File, III  
Director

/s/ James L. Rossi  
James L. Rossi  
Director

/s/ Robert D. Fisher  
Robert D. Fisher  
Director

/s/ Sharon H. Rowe  
Sharon H. Rowe  
Director

/s/ Jay C. Goldman  
Jay C. Goldman  
Director

/s/ Mary H. Williams  
Mary H. Williams  
Director

## EXHIBIT INDEX

The following exhibits are filed herewith or are incorporated herein by reference.

<u>Exhibit</u>	<u>Description</u>
3(a)	<b>Articles of Incorporation of City Holding Company</b> (attached to, and incorporated by reference from, Amendment No. 1 to City Holding Company's Registration Statement on Form S-4, Registration No. 2-86250, filed November 4, 1983 with the Securities and Exchange Commission).
3(b)	<b>Articles of Amendment to the Articles of Incorporation of City Holding Company</b> , dated March 6, 1984 (attached to, and incorporated by reference from, City Holding Company's Form 8-K Report dated March 7, 1984, and filed with the Securities and Exchange Commission on March 22, 1984).
3(c)	<b>Articles of Amendment to the Articles of Incorporation of City Holding Company</b> , dated March 4, 1986 (attached to, and incorporated by reference from, City Holding Company's Form 10-K Annual Report for the year ended December 31, 1986, filed March 31, 1987 with the Securities and Exchange Commission).
3(d)	<b>Articles of Amendment to the Articles of Incorporation of City Holding Company</b> , dated September 29, 1987 (attached to and incorporated by reference from, City Holding Company's Registration Statement on Form S-4, Registration No. 33-23295, filed with the Securities and Exchange Commission on August 3, 1988).
3(e)	<b>Articles of Amendment to the Articles of Incorporation of City Holding Company</b> , dated May 6, 1991 (attached to, and incorporated by reference from, City Holding Company's Form 10-K Annual Report for the year ended December 31, 1991, filed March 17, 1992 with the Securities and Exchange Commission).
3(f)	<b>Articles of Amendment to the Articles of Incorporation of City Holding Company</b> , dated May 7, 1991 (attached to, and incorporated by reference from, City Holding Company's Form 10-K Annual Report for the year ended December 31, 1991, filed March 17, 1992 with the Securities and Exchange Commission).
3(g)	<b>Articles of Amendment to the Articles of Incorporation of City Holding Company</b> , dated August 1, 1994 (attached to, and incorporated by reference from, City Holding Company's Form 10-Q Quarterly Report for the quarter ended September 30, 1994, filed November 14, 1994 with the Securities and Exchange Commission).
3(h)	<b>Articles of Amendment to the Articles of Incorporation of City Holding Company</b> , dated December 9, 1998 (attached to, and incorporated by reference from, City Holding Company's Form 10-K Annual Report for the year ended December 31, 1998, filed March 31, 1999 with the Securities and Exchange Commission).
3(i)	<b>Articles of Amendment to the Articles of Incorporation of City Holding Company</b> , dated June 13, 2001 (attached to, and incorporated by reference from, City Holding Company's Registration Statement on Form 8-A, filed June 22, 2001 with the Securities and Exchange Commission).
3(j)	<b>Articles of Amendment to the Articles of Incorporation of City Holding Company</b> , dated May 10, 2006 (attached to, and incorporated by reference from, City Holding Company's Form 10-Q, Quarterly Report for the quarter ended June 30, 2006, filed August 9, 2006 with the Securities and Exchange Commission).
3(k)	<b>Amended and Restated Bylaws of City Holding Company</b> , revised February 28, 2007 (attached to, and incorporated by reference from, City Holding Company's Current Report on Form 8-K filed March 1, 2007 with the Securities and Exchange Commission).
3(l)	<b>Amended and Restated Bylaws of City Holding Company</b> , revised February 24, 2010 (attached to, and incorporated by reference from, City Holding Company's Current Report on Form 8-K filed March 1, 2010 with the Securities and Exchange Commission).

- 4(a) **Rights Agreement**, dated as of June 13, 2001 (the "Rights Agreement"), between City Holding Company and SunTrust Bank, as Rights Agent (attached to, and incorporated by reference from, City Holding Company's Registration Statement on Form 8-A, filed June 22, 2001 with the Securities and Exchange Commission).
- 4(b) **Amendment No. 1 to the Rights Agreement** dated as of November 30, 2005 (attached to, and incorporated by reference from City Holding Company's Amendment No. 1 on Form 8-A, filed December 21, 2005, with the Securities and Exchange Commission).
- 10(a) **Directors' Deferred Compensation Plan for the Directors of the Bank of Raleigh**, dated January 1987 (attached to and incorporated by reference from, City Holding Company's Form 10-K Annual Report for the year ended December 31, 2004, filed March 2, 2005 with the Securities and Exchange Commission).
- 10(b) **Form of Deferred Compensation Agreement for the Directors of the National Bank of Summers**, dated January 15, 1987 (attached to and incorporated by reference from, City Holding Company's Form 10-K Annual Report for the year ended December 31, 2004, filed March 2, 2005 with the Securities and Exchange Commission).
- 10(c) **City Holding Company's 1993 Stock Incentive Plan** (attached to, and incorporated by reference from, Exhibit 4.1 to City Holding Company's Registration Statement on Form S-8, Registration No. 333-87667, filed with the Securities and Exchange Commission on September 23, 1999).
- 10(d) **Amendment No. 1 to City Holding Company's 1993 Stock Incentive Plan** (attached to, and incorporated by reference from, Exhibit 4.2 to City Holding Company's Registration Statement on Form S-8, Registration No. 333-87667, filed with the Securities and Exchange Commission on September 23, 1999).
- 10(e) **Amendment No. 2 to City Holding Company's 1993 Stock Incentive Plan** (attached to, and incorporated by reference from, City Holding Company's Form 10-Q Quarterly Report for the quarter ended June 30, 2002, filed August 14, 2002 with the Securities and Exchange Commission).
- 10(f) **City Holding Company's 2003 Incentive Plan** (attached to, and incorporated by reference from, City Holding Company's Definitive Proxy Statement, filed March 21, 2003 with the Securities and Exchange Commission).
- 10(g) **Form of Employment Agreement**, dated as of July 25, 2007, by and between City Holding Company and Charles R. Hageboeck, Ph.D. (attached to, and incorporated by reference from, City Holding Company's Current Report on Form 8-K, filed July 31, 2007 with the Securities and Exchange Commission).
- 10(h) **Form of Employment Agreement**, dated as of July 25, 2007, by and between City Holding Company and Craig G. Stilwell (attached to, and incorporated by reference from, City Holding Company's Current Report on Form 8-K, filed July 31, 2007 with the Securities and Exchange Commission).
- 10(i) **Form of Change of Control Agreement**, dated February 1, 2005, by and between City Holding Company and David L. Bumgarner (attached to and incorporated by reference from, City Holding Company's Form 10-K Annual Report for the year ended December 31, 2004, filed March 2, 2005 with the Securities and Exchange Commission).
- 10(j) **Form of Change in Control and Termination Agreement**, dated June 28, 2004, by and between City Holding Company and John A. DeRito (attached to, and incorporated by reference from, City Holding Company's Form 10-K Annual Report for the year ended December 31, 2005, filed March 7, 2006 with the Securities and Exchange Commission).
- 10(k) **Amended and Restated Declaration of Trust City Holding Capital Trust III**, dated as of March 27, 2008 (attached and incorporated by reference from, City Holding Company's Form 10Q, Quarterly Report for the period ended March 31, 2008 with the Securities and Exchange Commission).

- 10(l) **Junior Subordinated Indenture**, dated as of March 27, 2008, between City Holding Company and Wells Fargo, National Association, as Trustee (attached and incorporated by reference from, City Holding Company's Form 10Q, Quarterly Report for the period ended March 31, 2008 with the Securities and Exchange Commission).
- 10(m) **City Holding Company Guarantee Agreement**, dated as of March 27, 2008 (attached and incorporated by reference from, City Holding Company's Form 10Q, Quarterly Report for the period ended March 31, 2008 with the Securities and Exchange Commission).
- 13 Portions of City Holding Company Annual Report to Shareholders for Year Ended December 31, 2009.
- 21 Subsidiaries of City Holding Company
- 23 Consent of Ernst & Young LLP, Independent Registered Public Accounting Firm
- 24 Power of Attorney (included on the signature page hereof)
- 31(a) Certification pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 by Charles R. Hageboeck, Ph.D.
- 31(b) Certification pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 by David L. Bumgarner
- 32(a) Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 by Charles R. Hageboeck, Ph.D.
- 32(b) Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 by David L. Bumgarner

## SELECTED FINANCIAL DATA

**TABLE ONE**  
**FIVE-YEAR FINANCIAL SUMMARY**  
(in thousands, except per share data)

	2009	2008	2007	2006	2005
<b>Summary of Operations</b>					
Total interest income	\$ 132,036	\$ 147,673	\$ 157,315	\$ 156,123	\$ 135,518
Total interest expense	36,603	45,918	60,276	53,724	38,438
Net interest income	95,433	101,755	97,039	102,399	97,080
Provision for loan losses	7,050	10,423	5,350	3,801	1,400
Total other income	51,983	21,936	56,136	54,203	50,091
Total other expenses	77,188	75,672	71,013	71,285	69,113
Income before income taxes	63,178	37,596	76,812	81,516	76,658
Income tax expense	20,533	9,487	25,786	28,329	26,370
Net income available to common shareholders	42,645	28,109	51,026	53,187	50,288
<b>Per Share Data</b>					
Net income basic	\$ 2.69	\$ 1.74	\$ 3.02	\$ 3.00	\$ 2.87
Net income diluted	2.68	1.74	3.01	2.99	2.84
Cash dividends declared	1.36	1.36	1.24	1.12	1.00
Book value per share	19.37	17.82	18.14	17.46	16.14
<b>Selected Average Balances</b>					
Total loans	\$ 1,797,115	\$ 1,743,846	\$ 1,717,756	\$ 1,649,864	\$ 1,514,367
Securities	501,475	458,446	512,061	581,747	666,922
Interest-earning assets	2,304,053	2,210,236	2,257,447	2,268,173	2,186,003
Deposits	2,136,949	2,015,075	1,996,104	1,960,657	1,814,474
Long-term debt	18,286	21,506	24,476	85,893	137,340
Shareholders' equity	294,583	303,189	301,639	296,966	264,954
Total assets	2,608,750	2,502,411	2,511,992	2,517,061	2,402,058
<b>Selected Year-End Balances</b>					
Net loans	\$ 1,773,747	\$ 1,790,090	\$ 1,749,440	\$ 1,662,064	\$ 1,596,037
Securities	513,931	459,657	417,016	519,898	605,363
Interest-earning assets	2,309,884	2,276,119	2,193,829	2,249,801	2,222,641
Deposits	2,163,722	2,041,130	1,990,081	1,985,217	1,928,420
Long-term debt	16,959	19,047	4,973	48,069	98,425
Shareholders' equity	307,735	284,296	293,994	305,307	292,141
Total assets	2,622,474	2,586,313	2,482,767	2,507,807	2,502,597
<b>Performance Ratios</b>					
Return on average assets	1.63%	1.12%	2.03%	2.11%	2.09%
Return on average equity	14.48	9.27	16.92	17.91	18.98
Return on average tangible equity	17.95	11.44	20.99	22.37	22.34
Net interest margin	4.18	4.64	4.34	4.56	4.49
Efficiency ratio	49.95	46.33	45.91	44.49	46.66
Dividend payout ratio	50.56	78.16	41.06	37.33	34.84
<b>Asset Quality</b>					
Net charge-offs to average loans	0.59%	0.33%	0.18%	0.23%	0.38%
Provision for loan losses to average loans	0.39	0.60	0.31	0.23	0.09
Allowance for loan losses to nonperforming loans	133.06	86.07	103.28	384.93	401.96
Allowance for loan losses to total loans	1.04	1.23	1.00	0.92	1.04
<b>Consolidated Capital Ratios</b>					
Total	14.44%	13.46%	15.11%	16.19%	16.38%
Tier I Risk-based	13.46	12.27	14.12	15.30	15.41
Tier I Leverage	10.10	9.47	10.31	10.79	10.97
Average equity to average assets	11.29	12.12	12.01	11.80	11.03
Average tangible equity to average tangible assets	9.31	10.05	9.91	9.67	9.53
Full-time equivalent employees	809	827	811	779	770

## TWO-YEAR SUMMARY OF COMMON STOCK PRICES AND DIVIDENDS

	Cash Dividends Per Share*		Market Value	
	Low	High	Low	High
<b>2009</b>				
<b>Fourth Quarter</b>	\$ 0.34	\$ 28.96	\$ 33.29	
<b>Third Quarter</b>	0.34	28.65	34.34	
<b>Second Quarter</b>	0.34	27.02	33.78	
<b>First Quarter</b>	0.34	20.88	33.41	
<b>2008</b>				
<b>Fourth Quarter</b>	\$ 0.34	\$ 29.08	\$ 42.88	
<b>Third Quarter</b>	0.34	35.74	47.28	
<b>Second Quarter</b>	0.34	37.29	44.15	
<b>First Quarter</b>	0.34	32.51	41.37	

\*As more fully discussed under the caption *Liquidity* in Management's Discussion and Analysis and in Note Eighteen of Notes to Consolidated Financial Statements, the Company's ability to pay dividends to its shareholders is dependent upon the ability of City National to pay dividends to City Holding ("Parent Company").

The Company's common stock trades on the NASDAQ stock market under the symbol CHCO. This table sets forth the cash dividends paid per share and information regarding the market prices per share of the Company's common stock for the periods indicated. The price ranges are based on transactions as reported on the NASDAQ stock market. At December 31, 2009, there were 2,958 shareholders of record.

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

### CITY HOLDING COMPANY

City Holding Company (the "Company"), a West Virginia corporation headquartered in Charleston, West Virginia, is a financial holding company and a bank holding company that provides diversified financial products and services to consumers and local businesses. Through its network of 67 banking offices in West Virginia (56), Kentucky (8), and Ohio (3), the Company provides credit, deposit, trust and investment management, and insurance products and services to its customers. In addition to its branch network, the Company's delivery channels include ATMs, check cards, interactive voice response systems, and internet technology. The Company's business activities are currently limited to one reportable business segment, which is community banking. The Company has approximately 7% of the deposit market in West Virginia and is the third largest bank headquartered in West Virginia based on deposit share. In the Company's key markets, the Company's primary subsidiary, City National Bank of West Virginia ("City National"), generally ranks in the top three relative to deposit market share.

### CRITICAL ACCOUNTING POLICIES

The accounting policies of the Company conform to U.S. generally accepted accounting principles and require management to make estimates and develop assumptions that affect the amounts reported in the financial statements and related footnotes. These estimates and assumptions are based on information available to management as of the date of the financial statements. Actual results could differ significantly from management's estimates. As this information changes, management's estimates and assumptions used to prepare the Company's financial statements and related disclosures may also change. The most significant accounting policies followed by the Company are presented in Note One of Notes to Consolidated Financial Statements included herein. Based on the valuation techniques used and the sensitivity of financial statement amounts to the methods, assumptions, and estimates underlying those amounts, management has identified the determination of the allowance for loan losses, income taxes, and other-than-temporary impairment on investment securities to be the accounting areas that require the most subjective or complex judgments and, as such, could be most subject to revision as new information becomes available.

Pages 14-18 of this Annual Report to Shareholders provide management's analysis of the Company's allowance for loan losses and related provision. The allowance for loan losses is maintained at a level that represents management's best estimate of probable losses in the loan portfolio. Management's determination of the adequacy of the allowance for loan losses is based upon an evaluation of individual credits in the loan portfolio, historical loan loss experience, current economic conditions, and other relevant factors. This determination is inherently subjective, as it requires material estimates including the amounts and timing of future cash flows expected to be received on impaired loans that may be susceptible to significant change. The allowance for loan losses related to loans considered to be impaired is generally evaluated based on the discounted cash flows using the impaired loan's initial effective interest rate or the fair value of the collateral for certain collateral dependent loans.



# MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

(CONTINUED)

Pages 9-10 of this Annual Report to Shareholders provide management's analysis of the Company's income taxes. The Company is subject to federal and state income taxes in the jurisdictions in which it conducts business. In computing the provision for income taxes, management must make judgments regarding interpretation of laws in those jurisdictions. Because the application of tax laws and regulations for many types of transactions is susceptible to varying interpretations, amounts reported in the financial statements could be changed at a later date upon final determinations by taxing authorities. On a quarterly basis, the Company estimates its annual effective tax rate for the year and uses that rate to provide for income taxes on a year-to-date basis. The amount of unrecognized tax benefits could change over the next twelve months as a result of various factors. However, management cannot currently estimate the range of possible change.

The Company adopted ASC Topic 740 "Income Taxes" effective January 1, 2007. ASC Topic 740 clarifies the accounting and disclosure for uncertain tax positions by requiring that a tax position meet a "probable recognition threshold" for the benefit of the uncertain tax position to be recognized in the financial statements. A tax position that fails to meet the probable recognition threshold will result in either reduction of a current or deferred tax asset or receivable, or recording a current or deferred tax liability. ASC Topic 740 also provides guidance on measurement, derecognition of tax benefits, classification, interim period accounting disclosure, and transition requirements in accounting for uncertain tax positions. The Company includes interest and penalties related to income tax liabilities in income tax expense. The amount of unrecognized tax benefits could change over the next twelve months as a result of various factors. However, management cannot currently estimate the range of possible change.

The Company is currently open to audit under the statute of limitations by the Internal Revenue Service for the years ended December 31, 2006 through 2008. The Company and its subsidiaries state income tax returns are open to audit under the statute of limitations for the years ended December 31, 2007 and December 31, 2008. A tax examination by the State of West Virginia for the years 2004 through 2006 was completed during the third quarter of 2008. The final results of this examination decreased income tax expense by \$1.1 million for the year ending December 31, 2008.

On a quarterly basis, the Company performs a review of investment securities to determine if any unrealized losses are other-than-temporarily impaired. Management considers the following, amongst other things, in its determination of the nature of the unrealized losses, (i) the length of time and the extent to which the fair value has been less than cost; (ii) the financial condition, capital strength, and near-term (12 months) prospects of the issuer, including any specific events which may influence the operations of the issuer such as changes in technology that may impair the earnings potential of the investment or the discontinuance of a segment of the business that may affect the future earnings potential; (iii) the historical volatility in the market value of the investment and/or the liquidity or illiquidity of the investment; (iv) adverse conditions specifically related to the security, an industry, or a geographic area; or (v) the intent and ability of the Company to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value. The Company continues to actively monitor the market values of these investments along with the financial strength of the issuers behind these securities, as well as its entire investment portfolio. Based on the market information available, the Company believes that the recent declines in market value are temporary and that the Company does not have the intent to sell any of the securities classified as available for sale and believes it is more likely than not that the Company will not have to sell any such securities before a recovery of cost. The Company cannot guarantee that such securities will recover and if additional information becomes available in the future to suggest that the losses are other-than-temporary, the Company may need to record impairment charges in future periods.

## CORRECTION OF IMMATERIAL ERRORS

The Company has revised certain amounts in its consolidated balance sheet and consolidated statements of changes in shareholders' equity at December 31, 2008 to correct an inadvertent clerical error that improperly reported incorrect amounts for the fair value of certain pooled trust preferred securities. This revision does not impact the consolidated statements of income or the consolidated statements of cash flows for any period presented. We have assessed the materiality of this error in accordance with Staff Accounting Bulletin (SAB) No. 108 and determined that the error was immaterial to previously reported amounts contained in our periodic reports, and we have corrected this error in the December 31, 2009 consolidated balance sheets and consolidated statements of changes in shareholders' equity. The effects of recording these immaterial corrections in our consolidated financial statements at December 31, 2008 are presented below (in thousands):

	December 31, 2008	
	As Reported	As Revised
Investment securities available-for-sale, at fair value	\$ 424,214	\$ 430,590
Total investment securities	453,281	459,657
Net deferred tax assets	48,462	45,953
Total Assets	2,582,446	2,586,313
Total comprehensive income	16,877	20,744
Total Accumulated Other Comprehensive Loss	(10,599)	(6,732)
Total Shareholders' Equity	280,429	284,296

# MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

(CONTINUED)

## FAIR VALUE MEASUREMENTS

The Company determines the fair value of its financial instruments based on the fair value hierarchy established in FASB ASC Topic 820, whereby the fair value of certain assets and liabilities is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. ASC Topic 820 establishes a three-level hierarchy for disclosure of assets and liabilities recorded at fair value. The hierarchy classification is based on whether the inputs in the methodology for determining fair value are observable or unobservable. Observable inputs reflect market-based information obtained from independent sources (Level 1 or Level 2), while unobservable inputs reflect management's estimate of market data (Level 3). Assets and liabilities that are actively traded and have quoted prices or observable market data require a minimal amount of subjectivity concerning fair value. Management's judgment is necessary to estimate fair value when quoted prices or observable market data are not available.

At December 31, 2009, approximately 18.1% of total assets, or \$474.5 million, consisted of financial instruments recorded at fair value. Of this total, approximately 98.8% or \$468.8 million of these financial instruments used valuation methodologies involving observable market data, collectively Level 1 and Level 2 measurements, to determine fair value. Approximately 1.2% or \$5.7 million of these financial instruments were valued using unobservable market information or Level 3 measurements. The financial instruments valued using unobservable market information were pooled trust preferred investment securities classified as available-for-sale (\$4.0 million) and previously securitized loans (\$1.7 million). At December 31, 2009, less than \$0.1 thousand of total liabilities were recorded at fair value using methodologies involving observable market data. The Company does not believe that any changes in the unobservable inputs used to value the financial instruments mentioned above would have a material impact on the Company's results of operations, liquidity, or capital resources. See Note 19 for additional information regarding ASC Topic 820 and its impact on the Company's financial statements.

## FINANCIAL SUMMARY

The Company's financial performance over the previous three years is summarized in the following table:

	2009	2008	2007
Net income ( <i>in thousands</i> )	\$ 42,645	\$ 28,109	\$ 51,026
Earnings per share, basic	\$ 2.69	\$ 1.74	\$ 3.02
Earnings per share, diluted	\$ 2.68	\$ 1.74	\$ 3.01
ROA*	1.63%	1.12%	2.03%
ROE*	14.48%	9.27%	16.92%
ROTE*	17.95%	11.44%	20.99%

\*ROA (Return on Average Assets) is a measure of the effectiveness of asset utilization. ROE (Return on Average Equity) is a measure of the return on shareholders' investment. ROTE (Return on Average Tangible Equity) is a measure of the return on shareholders' equity less intangible assets.

The Company's net income increased \$14.5 million from 2008 primarily as a result of a decrease in net other-than-temporary impairments and realized losses on investments of \$32.1 million. The primary cause of this decline was related to the Company recognizing \$21.1 million of other-than-temporary impairment charges during 2008 on our investment in preferred stock of Fannie Mae and Freddie Mac. During 2009, the Company sold its preferred stock of Fannie Mae and Freddie Mac and recognized realized investment losses of \$0.6 million. The remaining decline in impairment charges was due to less impairment recorded during 2009 on the Company's investments in pooled bank trust preferred securities. Based on management's assessment of the securities that the Company owns, the seniority position of the securities within the pools, the level of defaults and deferred payments within the pools, and a review of the financial strength of the banks within the respective pools, management concluded that net other-than-temporary impairment charges of \$5.3 million and \$14.2 million on the pooled bank trust preferred securities were necessary for the years ended December 31, 2009 and December 31, 2008, respectively.

# MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

(CONTINUED)

The Company's tax equivalent net interest income decreased \$6.3 million, or 6.1%, from \$102.6 million in 2008 to \$96.3 million in 2009, as interest income from loans and investments decreased more quickly than interest expense on deposits and other interest bearing liabilities. The Company's reported net interest margin declined from 4.64% for the year ended December 31, 2008 to 4.18% for the year ended December 31, 2009 (see *Net Interest Income*). The Company's provision for loan losses decreased \$3.4 million from \$10.5 million in 2008 to \$7.1 million in 2009 (see *Allowance and Provision for Loan Losses*). Exclusive of net other-than-temporary investment impairment losses, realized investment losses, and the gain from the VISA initial public offering in 2008, total noninterest income would have increased \$1.2 million to \$58.1 million for the year ended December 31, 2009 as compared to \$56.9 million for the year ended December 31, 2008. Excluding the loss on the early redemption of the trust preferred securities in 2008, total non-interest expense would have increased \$2.7 million from \$74.5 million for the year ended December 31, 2008 to \$77.2 million for the year ended December 31, 2009. These fluctuations are more fully discussed under the caption *Noninterest Income and Expense*.

## BALANCE SHEET ANALYSIS

Total loans decreased \$19.9 million, or 1.1%, from December 31, 2008, due to decreases in residential real estate loans and commercial loans. These decreases were partially offset by an increase in home equity loans. Residential real estate loans decreased \$16.3 million, or 2.7%, from 2008, while commercial loan balances decreased \$16.2 million, or 2.1%, from 2008. Home equity loans increased \$14.4 million, or 3.8%, from 2008.

Total investment securities increased \$54.2 million, or 11.8%, from \$459.7 million at December 31, 2008, to \$513.9 million at December 31, 2009. The increase in the securities portfolio in 2009 was related primarily to the purchase of mortgage backed and state and political subdivision securities.

Total deposits increased \$122.6 million, or 6.0% from \$2.04 billion at December 31, 2008 to \$2.16 billion at December 31, 2009. This growth was due to increases in interest bearing demand deposits of \$36.7 million, time deposits of \$31.0 million, noninterest bearing demand deposits of \$29.9 million, and savings deposits of \$24.9 million.

Short-term debt balances decreased \$76.1 million, or 39.2%, from December 31, 2008 to December 31, 2009. This decrease was primarily attributable to a decrease in federal funds purchased.

Long-term debt balances decreased \$2.1 million, or 11.0%, from 2008 to 2009. This decrease was due to the maturity of FHLB advances.

Other liabilities decreased \$31.6 million, or 66.8%, from 2008 to 2009. This decrease was due to a decrease in income taxes payable due to realization of deferred tax asset and the timing of an investment purchase at December 31, 2008.

# MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

(CONTINUED)

**TABLE TWO**  
**AVERAGE BALANCE SHEETS AND NET INTEREST INCOME**  
(in thousands)

	2009			2008			2007		
	Average Balance	Interest	Yield/Rate	Average Balance	Interest	Yield/Rate	Average Balance	Interest	Yield/Rate
<b>ASSETS</b>									
Loan portfolio (1):									
Residential real estate	\$ 595,518	\$ 33,559	5.64%	\$ 607,851	\$ 37,495	6.17%	\$ 597,216	\$ 36,574	6.12%
Home equity (2)	392,077	23,909	6.10	364,325	26,266	7.21	330,997	25,524	7.71
Commercial, financial, and agriculture (3)	756,745	41,614	5.50	713,767	47,445	6.65	675,598	50,771	7.51
Loans to Depository Institutions	-	-	-	1,161	35	3.01	57,315	3,048	5.32
Installment loans to individuals	49,733	4,158	8.36	51,542	5,264	10.21	46,112	5,426	11.77
Previously securitized loans	3,042	3,902	128.27	5,200	5,622	108.12	10,518	7,266	69.08
Total loans	1,797,115	107,142	5.96	1,743,846	122,127	7.00	1,717,756	128,609	7.49
Securities:									
Taxable	460,352	23,200	5.04	422,708	23,852	5.64	472,438	25,677	5.43
Tax-exempt (4)	41,123	2,588	6.30	35,738	2,344	6.56	39,623	2,599	6.56
Total securities	501,475	25,788	5.14	458,446	26,196	5.71	512,061	28,276	5.52
Deposits in depository institutions	5,340	11	0.21	7,944	171	2.15	11,940	521	4.36
Federal funds sold	123	-	-	-	-	-	15,690	819	5.22
Total interest-earning assets	2,304,053	132,941	5.77	2,210,236	148,494	6.72	2,257,447	158,225	7.01
Cash and due from banks	51,655			57,624			50,675		
Premises and equipment	62,883			57,183			48,929		
Other assets	211,465			195,820			171,347		
Less: Allowance for loan losses	(21,306)			(18,452)			(16,406)		
Total assets	\$ 2,608,750			\$ 2,502,411			\$ 2,511,992		
<b>LIABILITIES</b>									
Interest-bearing demand deposits	\$ 428,342	\$ 1,703	0.40%	\$ 409,799	\$ 2,576	0.63%	\$ 418,532	\$ 4,766	1.14%
Savings deposits	373,476	1,746	0.47	359,754	3,640	1.01	342,119	5,705	1.67
Time deposits	1,006,146	31,781	3.16	921,971	35,691	3.87	922,886	41,355	4.48
Short-term borrowings	134,016	529	0.39	136,867	2,629	1.92	160,338	6,642	4.14
Long-term debt	18,286	844	4.62	21,506	1,383	6.43	24,476	1,808	7.39
Total interest-bearing liabilities	1,960,266	36,603	1.87	1,849,897	45,919	2.48	1,868,351	60,276	3.23
Noninterest-bearing demand deposits	328,985			323,551			312,567		
Other liabilities	24,916			25,774			29,435		
Shareholders' equity	294,583			303,189			301,639		
Total liabilities and shareholders' equity	\$ 2,608,750			\$ 2,502,411			\$ 2,511,992		
Net interest income		\$ 96,338			\$ 102,575			\$ 97,949	
Net yield on earning assets			4.18%			4.64%			4.34%

(1) For purposes of this table, loans on nonaccrual status have been included in average balances.

(2) Interest income includes \$4,889, \$4,221 and \$182 from interest rate floors for the years ended December 31, 2009, 2008, and 2007, respectively.

(3) Interest income includes \$4,811 and \$4,549 from interest rate floors for the years ended December 31, 2009 and 2008 respectively. 2007 included no interest income from interest rate floors.

(4) Computed on a fully federal tax-equivalent basis assuming a tax rate of approximately 35%.

# MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

(CONTINUED)

## NET INTEREST INCOME

### 2009 vs. 2008

The Company's tax equivalent net interest income decreased \$6.3 million, or 6.1%, from \$102.6 million in 2008 to \$96.3 million in 2009, as interest income from loans and investments decreased more quickly than interest expense on deposits and other interest bearing liabilities. The Company's reported net interest margin decreased to 4.18% for the year ended December 31, 2009 as compared to 4.64% for the year ended December 31, 2008.

During the third and fourth quarters of 2008, the Company sold \$450 million of interest rate floors. The gain from sales of these interest rate floors of \$16.7 million is being recognized over the remaining lives of the various hedged loans – primarily prime-based commercial and home equity loans. During the year ended December 31, 2009, the Company recognized \$9.7 million of interest income compared to \$8.8 million of interest income recognized during the year ended December 31, 2008 from the interest rate floors.

Average earning assets increased \$93.8 million from 2008 to 2009 as increases attributable to investments, commercial loans and home equity loans were partially offset by decreases in residential real estate loans. Average investments increased \$43.0 million, commercial loans increased \$43.0 million, and home equity loans increased \$27.8 million while residential real estate loans decreased \$12.3 million. Average liabilities increased \$114.9 million from 2008 as increases in time deposits (\$84.2 million), interest-bearing demand deposits (\$18.5 million), savings deposits (\$13.7 million), and non-interest bearing demand deposits (\$5.4 million) were partially offset by decreases in long term debt (\$3.2 million) and short-term borrowings (\$2.9 million).

### 2008 vs. 2007

The Company's tax equivalent net interest income increased \$4.6 million, or 4.7%, from \$97.9 million in 2007 to \$102.6 million in 2008, as interest expense on deposits and other interest bearing liabilities decreased more quickly than interest income from loans and investments. The Company's reported net interest margin expanded to 4.64% for the year ended December 31, 2008 as compared to 4.34% for the year ended December 31, 2007.

The Company benefited from a portfolio of interest rate floors with a total notional value of \$600 million which minimized the impact of falling rates on the Company's interest income from variable rate loans during 2008. During 2008, interest rate floors with total notional values of \$150 million matured and the Company sold the remaining interest rate floors with notional amounts totaling \$450 million. The gain of \$16.7 million from the sale of these interest rate floors will be recognized over the remaining lives of the various hedged loans. Partially offsetting the reduction in interest expense from falling market rates was a decrease of \$1.6 million in interest income from Previously Securitized Loans from the year ended December 31, 2007 as the average balances of these loans have decreased 50.6%. The decrease in average balances of Previously Securitized Loans was partially mitigated by an increase in the yield on these loans from 69.1% for the year ended December 31, 2007 to 108.1% for the year ended December 31, 2008.

Average earning assets decreased \$47.2 million from 2007 to 2008 as decreases attributable to loans to depository institutions, investments, and federal funds sold were partially offset by increases in commercial and home equity loans. Average loans to depository institutions decreased \$56.2 million, average investments decreased \$53.6 million, and federal funds sold decreased \$15.7 million. Average securities decreased primarily as a result of other-than-temporary impairment charges and unrealized losses. Average liabilities decreased \$11.1 million from 2007 as decreases in short-term borrowings (\$23.5 million) and interest-bearing demand deposits (\$8.7 million) were partially offset by increases in savings (\$17.6 million) and noninterest-bearing demand deposits (\$11.0 million).

# MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

(CONTINUED)

**TABLE THREE**  
**RATE/VOLUME ANALYSIS OF CHANGES IN INTEREST INCOME AND EXPENSE**  
(in thousands)

	2009 vs. 2008			2008 vs. 2007		
	Volume	Increase (Decrease) Due to Change In: Rate	Net	Volume	Increase (Decrease) Due to Change In: Rate	Net
<b>Interest-Earning Assets</b>						
Loan portfolio:						
Residential real estate	\$ (761)	\$ (3,176)	\$ (3,937)	\$ 651	\$ 270	\$ 921
Home equity	2,001	(4,358)	(2,357)	2,570	(1,828)	742
Commercial, financial, and agriculture	2,857	(8,688)	(5,831)	2,868	(6,194)	(3,326)
Loans to depository institutions	(35)	-	(35)	(2,986)	(27)	(3,013)
Installment loans to individuals	(185)	(921)	(1,106)	639	(801)	(162)
Previously securitized loans	(2,333)	613	(1,720)	(3,674)	2,030	(1,644)
Total loans	1,544	(16,530)	(14,986)	68	(6,550)	(6,482)
Securities:						
Taxable	2,124	(2,776)	(652)	(2,703)	878	(1,825)
Tax-exempt (1)	353	(108)	245	(255)	-	(255)
Total securities	2,477	(2,884)	(407)	(2,958)	878	(2,080)
Deposits in depository institutions	(56)	(104)	(160)	(174)	(176)	(350)
Federal funds sold	-	-	-	(819)	-	(819)
<b>Total interest-earning assets</b>	<b>\$ 3,965</b>	<b>\$ (19,518)</b>	<b>\$ (15,553)</b>	<b>\$ (3,883)</b>	<b>\$ (5,848)</b>	<b>\$ (9,731)</b>
<b>Interest-Bearing Liabilities</b>						
Interest-bearing demand deposits	\$ 117	\$ (990)	\$ (873)	\$ (99)	\$ (2,091)	\$ (2,190)
Savings deposits	139	(2,033)	(1,894)	294	(2,359)	(2,065)
Time deposits	3,259	(7,169)	(3,910)	(41)	(5,623)	(5,664)
Short-term borrowings	(55)	(2,045)	(2,100)	(972)	(3,041)	(4,013)
Long-term debt	(207)	(332)	(539)	(219)	(206)	(425)
<b>Total interest-bearing liabilities</b>	<b>\$ 3,253</b>	<b>\$ (12,569)</b>	<b>\$ (9,316)</b>	<b>\$ (1,037)</b>	<b>\$ (13,320)</b>	<b>\$ (14,357)</b>
<b>Net interest income</b>	<b>\$ 712</b>	<b>\$ (6,949)</b>	<b>\$ (6,237)</b>	<b>\$ (2,846)</b>	<b>\$ 7,472</b>	<b>\$ 4,626</b>

(1) Fully federal taxable equivalent using a tax rate of approximately 35%.

# MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

(CONTINUED)

## NONINTEREST INCOME AND EXPENSE

### 2009 vs. 2008

During 2009, the Company recorded \$5.3 million of net other-than-temporary impairment losses. The charges deemed to be other-than-temporary were related to pooled bank trust preferreds (\$3.8 million impairment) with remaining book value of \$9.6 million at December 31, 2009 and community bank and bank holding company equity positions (\$1.5 million impairment) with remaining book value of \$5.1 million at December 31, 2009. The impairment charges related to the pooled bank trust preferred securities were based on the Company's quarterly reviews of its investment securities for indications of losses considered to be other-than-temporary. Based on management's assessment of the securities the Company owns, the seniority position of the securities within the pools, the level of defaults and deferred payments within the pools, and a review of the financial strength of the banks within the respective pools, management concluded that credit related impairment charges of \$3.8 million on the pooled bank trust preferred securities were appropriate for the year ended December 31, 2009. The impairment charges of \$1.5 million related to community bank and bank holding company equity positions were due to poor financial performance of the community banks and bank holding companies and the length of time and extent to which the market values have been below the Company's cost basis in these positions.

Exclusive of net other-than-temporary investment impairment losses, realized investment losses, and the gain from the Visa initial public offering in 2008, total non-interest income would have increased \$1.2 million to \$58.1 million for the year ended December 31, 2009 as compared to \$56.9 million for the year ended December 31, 2008. Insurance commission revenues increased \$1.4 million, or 32.4%, from \$4.2 million during the year ended December 31, 2008 to \$5.6 million during the year ended December 31, 2009 due to contingency payments and new business. In addition, other income increased \$0.4 million and bank owned life insurance revenues increased \$0.3 million as the result of proceeds from a death benefit. Partially offsetting these increases was a decrease of \$1.0 million, or 2.1% in service charges from depository accounts. This decrease is attributable to a general nationwide decline in consumer spending.

Excluding the loss on the early redemption of the trust preferred securities in 2008, total non-interest expense would have increased \$2.7 million from \$74.5 million for the year ended December 31, 2008 to \$77.2 million for the year ended December 31, 2009. Insurance and regulatory expense increased \$2.0 million, or 143.4%, from the year ended December 31, 2008 primarily due to a special assessment levied by the Federal Deposit Insurance Corporation ("FDIC") to rebuild the Deposit Insurance Fund and to help maintain public confidence in the banking system. The special assessment of \$1.2 million was principally based on the asset size of the company's federally insured depository institution. Additionally, as a result of the Company fully utilizing its FDIC credits and increases in the assessment rates during 2009, FDIC related insurance expense increased \$0.8 million from the year ended December 31, 2008. Occupancy and equipment expense increased \$0.8 million, or 11.9%, from the year ended December 31, 2008 due to an upgrade of the Company's core processing system and increased occupancy expenses. In addition, advertising expenses rose \$0.6 million from the year ended December 31, 2008. Partially offsetting these increases was a decline in other expenses of \$1.0 million. The decrease in other expenses was predominately attributable to a decrease of \$1.1 million of amortization expense associated with interest rate floors that were sold in the third and fourth quarters of 2008.

### 2008 vs. 2007

During 2008, the Company recorded \$38.3 million of net other-than-temporary impairment losses. The charges deemed to be other-than-temporary were related to agency preferreds (\$21.1 million impairment) with remaining book value of \$1.6 million at December 31, 2008; pooled bank trust preferreds (\$14.2 million impairment) with remaining book value of \$10.9 million at December 31, 2008; income notes (\$2.0 million impairment) with no remaining book value at December 31, 2008; and corporate debt securities (\$1.0 million impairment) with remaining book value of \$24.6 million at December 31, 2008. The impairment charges for the agency preferred securities were due to the actions of the federal government to place Freddie Mac and Fannie Mae into conservatorship and the suspension of dividends on such preferred securities. The impairment charges related to the pooled bank trust preferred securities and income notes were based on the Company's quarterly reviews of its investment securities for indications of losses considered to be other-than-temporary. Based on management's assessment of the securities the Company owns, the seniority position of the securities within the pools, the level of defaults and deferred payments within the pools, and a review of the financial strength of the banks within the respective pools, management concluded that impairment charges of \$14.3 million and \$2.0 million on the pooled bank trust preferred securities and the income notes, respectively, were necessary for the year ended December 31, 2008. The \$1.0 million impairment charge for corporate debt securities was due to Lehman Brothers Holdings bankruptcy filing. The Company had acquired this security as the result of an acquisition of a bank in 2005.

In addition, the Company recognized a \$3.3 million gain in connection with Visa's successful initial public offering ("IPO") completed in March 2008. The Company received approximately \$2.3 million on the partial redemption of its equity interest in Visa. The Company's remaining Class B shares will be converted to Class A shares on the third anniversary of Visa's IPO or upon Visa's settlement of certain litigation matters, whichever is later. The unconverted Class B shares are not reflected in the Company's balance sheet at December 31, 2008 as the Company has no historical basis in these shares. Visa also escrowed a portion of the proceeds from the IPO to satisfy approximately \$1.0 million of liabilities that represented the Company's proportionate share of legal judgments and settlements related to Visa litigation with American Express and Discover Financial Services.

# MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

(CONTINUED)

The Company focuses much of its efforts on retail banking and enhancing its retail deposit franchise within its markets. As a result of its strong retail banking operation, service charge revenues provide significant revenues for the Company. During 2008, noninterest income (excluding security transactions (including impairment charges), the gain from the VISA IPO, and the gain from the sale of the Company's retail credit card portfolio and merchant processing agreements) would have increased approximately \$2.3 million, or 4.3%, from 2007. The largest source of non-interest income is service charges from depository accounts, which increased \$1.6 million, or 3.6%, from \$44.4 million in 2007 to \$46.0 million in 2008. Bank owned life insurance revenues increased \$0.5 million, or 18.4%, to \$2.9 million for the year ended December 31, 2008 as a result of the Company modifying this portfolio during 2008. In addition, trust and investment management fees increased \$0.2 million, or 9.7%, and insurance commissions increased \$0.1 million, or 3.0%, from the year ending December 31, 2007.

During 2008, the Company fully redeemed \$16.0 million of 9.15% trust preferred securities that had been issued in 1998. As a result of this redemption, the Company incurred charges of \$1.2 million to fully amortize issuance costs incurred in 1998 and for the early redemption premium. Excluding the loss on the early redemption of the trust preferred securities, non-interest expenses would have increased \$3.5 million from \$71.0 million in 2007 to \$74.5 million in 2008. Salaries and employee benefits increased \$1.2 million, or 3.3%, from \$36.0 million in 2007 to \$37.2 million in 2008 due in part to additional staffing for new retail locations. Other expenses increased due to additional charitable contributions of \$0.75 million during 2008. Repossessed asset losses increased \$0.7 million primarily due to losses and expenses incurred on the sale of repossessed properties associated with lending activities at the Greenbrier Resort in White Sulphur Springs, WV. Additionally, increased occupancy and equipment expenses of \$0.5 million were primarily attributable to the upgrading of the Company's core computer system.

## INCOME TAXES

The Company recorded income tax expense of \$20.5 million, \$9.5 million, and \$25.8 million in 2009, 2008, and 2007, respectively. The Company's effective tax rates for 2009, 2008, and 2007 were 32.5%, 25.2%, and 33.6%, respectively. The increase in the effective tax rate for 2009 was attributable to higher pre-tax income in 2009 as a result of higher other-than-temporary impairment losses on investments and loan loss provision expense recorded during 2008. A reconciliation of the effective tax rate to the statutory rate is included in Note Thirteen of Notes to Consolidated Financial Statements.

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The Company's net deferred tax assets decreased from \$46.0 million at December 31, 2008 to \$29.5 million at December 31, 2009. The components of the Company's net deferred tax assets are disclosed in Note Thirteen of Notes to Consolidated Financial Statements. Realization of the most significant net deferred tax assets is primarily dependent on future events taking place that will reverse the current deferred tax assets. For example, realization of the deferred tax asset attributable to other-than-temporary impairment losses on securities, which have already been recognized in the Company's financial statements, would be realized if the impaired securities were deemed to be "worthless" by the Internal Revenue Service or if the securities were sold and recognized for tax purposes. During the year ended December 31, 2008, the Company recognized \$6.4 million of deferred tax asset benefits associated with impaired securities as the impaired securities were sold during 2009. The deferred tax asset associated with unrealized securities losses is the tax impact of the unrealized losses on the Company's available for sale security portfolio. At December 31, 2009, the Company had a deferred tax asset of \$0.2 million associated with unrealized securities losses as compared to a deferred tax asset of \$7.6 million at December 31, 2008. The impact of the Company's unrealized gains/(losses) is noted in the Company's Consolidated Statements of Changes in Shareholder Equity as an adjustment to Accumulated Other Comprehensive Income (Loss). The deferred tax asset at December 31, 2009, would be realized if the unrealized losses on the Company's securities were realized from sales or maturities of the related securities. The deferred tax asset associated with the allowance for loan losses decreased from \$8.6 million at December 31, 2008 to \$7.0 million at December 31, 2009. The deferred tax asset associated with the allowance for loan losses is expected to be realized as additional loan charge-offs, which have already been provided for within the Company's financial statements, are recognized for tax purposes. The deferred tax asset associated with the Company's previously securitized loans is expected to be realized as the Company recognizes income for financial statement purposes from these loans in future periods. The deferred tax asset associated with these loans declined from \$8.8 million at December 31, 2008 to \$8.1 million at December 31, 2009. As discussed in Note Six of Notes to Consolidated Financial Statements, the Company had net recoveries on previously securitized loans of \$0.8 million during 2009 that were taxable for income tax purposes, but will be recognized in future periods for financial reporting purposes. The Company believes that it is more likely than not that each of the net deferred tax assets will be realized and that no valuation allowance is necessary as of December 31, 2009 or 2008.



# MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

(CONTINUED)

## RISK MANAGEMENT

Market risk is the risk of loss due to adverse changes in current and future cash flows, fair values, earnings, or capital due to adverse movements in interest rates and other factors, including foreign exchange rates and commodity prices. Because the Company has no significant foreign exchange activities and holds no commodities, interest rate risk represents the primary risk factor affecting the Company's balance sheet and net interest margin. Significant changes in interest rates by the Federal Reserve could, in turn, result in similar changes in LIBOR interest rates, prime rates, and other benchmark interest rates that could affect the estimated fair value of the Company's investment securities portfolio, interest paid on the Company's short-term and long-term borrowings, interest earned on the Company's loan portfolio, and interest paid on its deposit accounts.

The Company's Asset and Liability Committee ("ALCO") has been delegated the responsibility of managing the Company's interest-sensitive balance sheet accounts to maximize earnings while managing interest rate risk. ALCO, comprised of various members of executive and senior management, is also responsible for establishing policies to monitor and limit the Company's exposure to interest rate risk and to manage the Company's liquidity position. ALCO satisfies its responsibilities through monthly meetings during which product pricing issues, liquidity measures, and interest sensitivity positions are monitored.

In order to measure and manage its interest rate risk, the Company uses an asset/liability management and simulation software model to periodically update the interest sensitivity position of the Company's balance sheet. The model is also used to perform analyses that measure the impact on net interest income and capital as a result of various changes in the interest rate environment. Such analyses quantify the effects of various interest rate scenarios on projected net interest income.

The Company's policy objective is to avoid negative fluctuations in net income or the economic value of equity of more than 15% within a 12-month period, assuming an immediate parallel increase or decrease of 300 basis points. The Company measures the long-term risk associated with sustained increases and decreases in rates through analysis of the impact to changes in rates on the economic value of equity. Due to the current Federal Funds target rate of 25 basis points, the Company has chosen not to reflect a decrease of 25 basis points from current rates in its analysis.

During 2005 and 2006, the Company entered into interest rate floors with a total notional value of \$600 million, with maturities between May 2008 and June 2011. These derivative instruments provided the Company protection against the impact of declining interest rates on future income streams from certain variable rate loans. During 2008, interest rate floors with a total notional value of \$150 million matured. The remaining interest rate floors with a total notional value of \$450 million were sold during 2008. The gains from the sales of these interest rate floors are being recognized over the remaining lives of the various hedged loans. At December 31, 2009, the unrecognized gain was approximately \$5.6 million. Please refer to Notes One and Twelve of Notes to Consolidated Financial Statements for further discussion of the use and accounting for such derivative instruments.

The following table summarizes the sensitivity of the Company's net income to various interest rate scenarios. The estimates of the sensitivity analyses presented below differ from the results used internally by ALCO in that, in the analyses below, interest rates are assumed to have an immediate and sustained parallel shock. The Company recognizes that rates are volatile, but rarely move with immediate and parallel effects. Internally, the Company considers a variety of interest rate scenarios that are deemed to be possible while considering the level of risk it is willing to assume in "worst-case" scenarios such as shown by the following:

Immediate Basis Point Change in Interest Rates	Implied Federal Funds Rate Associated with Change in Interest Rates	Estimated Increase in Net Income Over 12 Months	Estimated Increase in Economic Value of Equity
<b>2009:</b>			
+300	3.25%	+9.3%	+16.3%
+200	2.25	+5.8	+11.6
+100	1.25	+1.5	+5.7
<b>2008:</b>			
+300	3.25%	+9.2%	+7.0%
+200	2.25	+6.3	+4.4
+100	1.25	+3.2	+1.1

These estimates are highly dependent upon assumptions made by management, including, but not limited to, assumptions regarding the manner in which interest-bearing demand deposit and saving deposit accounts reprice in different interest rate scenarios, pricing behavior of competitors, prepayments of loans and deposits under alternative rate environments, and new business volumes and pricing. As a result, there can be no assurance that the estimates above will be achieved in the event that interest rates increase during 2010 and beyond. The estimates above do not necessarily imply that the Company will experience increases in net income if market interest rates rise. The table above indicates how the Company's net income and the economic value of equity behave *relative* to an increase or decrease in rates compared to what would otherwise occur if rates remain stable.

# MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

(CONTINUED)

Based upon the estimates above, the Company believes that its net income is positively correlated with increasing rates as compared to the level of net income the Company would expect if interest rates remain flat.

## LIQUIDITY

The Company evaluates the adequacy of liquidity at both the Parent Company level and at City National. At the Parent Company level, the principal source of cash is dividends from City National. Dividends paid by City National to the Parent Company are subject to certain legal and regulatory limitations. Generally, any dividends in amounts that exceed the earnings retained by City National in the current year plus retained net profits for the preceding two years must be approved by regulatory authorities. During 2008 and 2009, City National received regulatory approval and paid \$74.9 million of cash dividends to the Parent Company, while generating net profits of \$70.6 million. Therefore, City National will be required to obtain regulatory approval prior to declaring any cash dividends to the Parent Company during 2010. Although regulatory authorities have approved prior cash dividends, there can be no assurance that future dividend requests will be approved.

During 2009, the Parent Company used cash obtained from the dividends received primarily to: (1) pay common dividends to shareholders, (2) remit interest payments on the Company's junior subordinated debentures, and (3) fund repurchases of the Company's common shares. Additional information concerning sources and uses of cash by the Parent Company is reflected in Note Twenty of Notes to Consolidated Financial Statements, on pages 59-60.

The Parent Company anticipates continuing the payment of dividends, which would approximate \$21.6 million on an annualized basis for 2010 based on common shareholders on record at December 31, 2009 and a dividend rate of \$1.36 for 2010. In addition to these anticipated cash needs for 2010, the Parent Company has operating expenses and other contractual obligations, which are estimated to require \$0.8 million of additional cash over the next 12 months. As of December 31, 2009, the Parent Company reported a cash balance of approximately \$16.1 million and management believes that the Parent Company's available cash balance, together with cash dividends from City National will be adequate to satisfy its funding and cash needs over the next twelve months.

Excluding the interest and dividend payments discussed above, the Parent Company has no significant commitments or obligations in years after 2010 other than the repayment of its \$16.5 million obligation under the debentures held by City Holding Capital Trust III. However, this obligation does not mature until June 2038, or earlier at the option of the Parent Company. It is expected that the Parent Company will be able to obtain the necessary cash, either through dividends obtained from City National or the issuance of other debt, to fully repay the debentures at their maturity. Table Ten on page 20 of this Annual Report to Shareholders summarizes the contractual obligations of the Parent Company and City National, combined.

City National manages its liquidity position in an effort to effectively and economically satisfy the funding needs of its customers and to accommodate the scheduled repayment of borrowings. Funds are available to City National from a number of sources, including depository relationships, sales and maturities within the investment securities portfolio, and borrowings from the FHLB of Pittsburgh and other financial institutions. As of December 31, 2009, City National's assets are significantly funded by deposits and capital. Additionally, City National maintains borrowing facilities with the FHLB of Pittsburgh and other financial institutions that are accessed as necessary to fund operations and to provide contingency funding mechanisms. As of December 31, 2009, City National has the capacity to borrow an additional \$350.0 million from the FHLB of Pittsburgh and other financial institutions under existing borrowing facilities. City National maintains a contingency funding plan, incorporating these borrowing facilities, to address liquidity needs in the event of an institution-specific or systematic financial industry crisis. Additionally, City National maintains a significant percentage (94.5%, or \$485.8 million, at December 31, 2009) of its investment securities portfolio in the highly liquid available-for-sale classification. Although it has no current intention to do so, these securities could be liquidated, if necessary, to provide an additional funding source. City National also segregates certain mortgage loans, mortgage-backed securities, and other investment securities in a separate subsidiary so that it can separately monitor the asset quality of these primarily mortgage-related assets, which could be used to raise cash through securitization transactions or obtain additional equity or debt financing if necessary.

# MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

(CONTINUED)

The Company manages its asset and liability mix to balance its desire to maximize net interest income against its desire to minimize risks associated with capitalization, interest rate volatility, and liquidity. With respect to liquidity, the Company has chosen a conservative posture and believes that its liquidity position is strong. As illustrated in the Consolidated Statements of Cash Flows, the Company generated \$25.0 million of cash from operating activities during 2009, primarily from interest income received on loans and investments, net of interest expense paid on deposits and borrowings.

The Company's net loan to asset ratio is 67.6% at December 31, 2009 as compared to its peers (defined as U.S. banks with total assets between \$1 billion and \$3 billion as published by the Federal Financial Institution Examination Council) of 69.4% as of September 30, 2009. The Company has obligations to extend credit, but these obligations are primarily associated with existing home equity loans that have predictable borrowing patterns across the portfolio. The Company has significant investment security balances with carrying values that totaled \$514.6 million at December 31, 2009, and that greatly exceeded the Company's non-deposit sources of borrowing which totaled \$152.3 million.

The Company primarily funds its assets with deposits, which fund 82.5% of total assets as compared to 59.3% for its peers. Further, the Company's deposit mix has a very high proportion of transaction and savings accounts that fund 44.4% of the Company's total assets. And, the Company uses fewer time deposits over \$100,000 than its peers, funding just 10.9% of total assets as compared to peers, which fund 15.4% of total assets with such deposits. And, as described under the caption *Certificates of Deposit*, the Company's large CDs are primarily small retail depositors rather than public and institutional deposits.

## INVESTMENTS

The Company's investment portfolio increased from \$459.7 million at December 31, 2008 to \$513.9 million at December 31, 2009. This increase was primarily related to the purchase of mortgage backed and state and political subdivision securities.

The investment portfolio remains highly liquid at December 31, 2009, with 94.5% of the portfolio classified as available-for-sale. The investment portfolio is structured to provide flexibility in managing liquidity needs and interest rate risk, while providing acceptable rates of return.

The majority of the Company's investment securities continue to be mortgage-backed securities. The mortgage-backed securities in which the Company has invested are predominantly underwritten to the standards of, and guaranteed by government-sponsored agencies such as FNMA and FHLMC.

# MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

(CONTINUED)

**TABLE FOUR**  
**INVESTMENT PORTFOLIO**

(in thousands)	Carrying Values as of December 31		
	2009	2008	2007
<b>Securities Available-for-Sale:</b>			
U.S. Treasury and other U.S. government corporations and agencies	\$ -	\$ -	\$ 250
States and political subdivisions	52,735	41,421	39,484
Mortgage-backed securities:			
US government agencies	302,794	272,805	239,377
Private label	11,988	15,528	19,959
Trust preferred securities	63,737	57,982	36,372
Corporate securities	19,488	22,028	3,832
Total debt securities available-for-sale	450,742	409,764	339,274
Marketable equity securities	5,094	5,965	31,498
Non-marketable equity securities	13,023	13,037	9,607
Investment funds	16,908	1,824	1,719
<b>Total Securities Available-for-Sale</b>	<b>485,767</b>	<b>430,590</b>	<b>382,098</b>
<b>Securities Held-to-Maturity:</b>			
States and political subdivisions	1,642	2,834	4,300
Other debt securities	26,522	26,233	30,618
<b>Total Securities Held-to-Maturity</b>	<b>28,164</b>	<b>29,067</b>	<b>34,918</b>
<b>Total Securities</b>	<b>\$ 513,931</b>	<b>\$ 459,657</b>	<b>\$ 417,016</b>

Included in equity securities and investment funds in the table above at December 31, 2009 are \$6.3 million of Federal Home Loan Bank stock and \$6.7 million of Federal Reserve Bank stock. At December 31, 2009, there were no securities of any non-governmental issuers whose aggregate carrying or market value exceeded 10% of shareholders' equity.

(dollars in thousands)	Maturing							
	Within One Year		After One But Within Five Years		After Five But Within Ten Years		After Ten Years	
	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield
<b>Securities Available-for-Sale:</b>								
States and political subdivisions	\$ 3,311	3.21%	\$ 21,200	5.18%	\$ 15,404	6.72%	\$ 12,820	7.27%
Mortgage-backed securities:								
US government agencies	384	4.51	5,324	1.70	77,412	4.22	219,674	4.59
Private label	-	-	-	-	4,815	4.68	7,173	5.01
Trust preferred securities	-	-	-	-	-	-	63,737	8.94
Corporate securities	-	-	3,582	5.59	5,063	3.75	10,843	6.63
<b>Total debt securities available-for-sale</b>	<b>3,695</b>	<b>3.35</b>	<b>30,106</b>	<b>4.61</b>	<b>102,694</b>	<b>4.59</b>	<b>314,247</b>	<b>5.66</b>
<b>Securities Held-to-Maturity:</b>								
States and political subdivisions	1,206	7.76	436	6.85	-	-	-	-
Trust preferred securities	-	-	-	-	-	-	26,522	13.10
<b>Total debt securities held-to-maturity</b>	<b>1,206</b>	<b>7.76</b>	<b>436</b>	<b>6.85</b>	<b>-</b>	<b>-</b>	<b>26,522</b>	<b>13.10</b>
<b>Total debt securities</b>	<b>\$ 4,901</b>	<b>4.43%</b>	<b>\$ 30,542</b>	<b>4.65%</b>	<b>\$ 102,694</b>	<b>4.59%</b>	<b>\$ 340,769</b>	<b>6.24%</b>

Weighted-average yields on tax-exempt obligations of states and political subdivisions have been computed on a fully federal tax-equivalent basis using a tax rate of 38.4%. Average yields on investments available-for-sale are computed based on amortized cost. Mortgage-backed securities have been allocated to their respective maturity groupings based on their contractual maturity.

# MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

(CONTINUED)

## LOANS

Table Five

### LOAN PORTFOLIO

The composition of the Company's loan portfolio at December 31 follows:

(in thousands)	2009	2008	2007	2006	2005
Residential real estate – mortgage	\$ 595,678	\$ 611,962	\$ 602,057	\$ 598,502	\$ 592,521
Home equity	398,752	384,320	341,818	321,708	301,728
Commercial, financial, and agriculture	752,052	768,255	707,987	673,719	629,670
Loans to Depository Institutions	-	-	60,000	25,000	-
Installment loans to individuals	44,239	43,585	48,267	42,943	58,652
Previously securitized loans	1,713	4,222	6,892	15,597	30,256
<b>Gross loans</b>	<b>\$ 1,792,434</b>	<b>\$ 1,812,344</b>	<b>\$ 1,767,021</b>	<b>\$ 1,677,469</b>	<b>\$ 1,612,827</b>

During 2009, commercial loans decreased \$16.2 million, or 2.1%, from \$768.3 million at December 31, 2008, to \$752.1 million at December 31, 2009. This decrease was primarily attributable to softer loan demand due to the economy and approximately \$6.0 million of loans that were charged-off during 2009. At December 31, 2009, \$37.8 million of the commercial loans were for commercial properties under construction. Home equity loans increased \$14.4 million, or 3.8%, from \$384.3 million at December 31, 2008, to \$398.8 million at December 31, 2009. Residential real estate loans decreased \$16.3 million, or 2.7%, from \$612.0 million at December 31, 2008 to \$595.7 million at December 31, 2009. Residential real estate loans are primarily for single-family 1, 3, 5 and 10 year adjustable rate mortgages with terms that amortize the loans over periods from 15-30 years. Our mortgage products do not include sub-prime, interest only, or option adjustable rate mortgage products. At December 31, 2009, \$4.1 million of the residential real estate loans were for properties under construction.

Installment loans increased \$0.6 million, or 1.5%, from \$43.6 million at December 31, 2008 to \$44.2 million at December 31, 2009.

As of December 31, 2009, the Company reported \$1.7 million of loans classified as "previously securitized loans." These loans were recorded as a result of the Company's early redemption of the outstanding notes attributable to the Company's six loan securitization trusts (see *Previously Securitized Loans*). As the outstanding notes were redeemed during 2004 and 2003, the Company became the beneficial owner of the remaining mortgage loans and recorded the carrying amount of those loans within the loan portfolio, classified as "previously securitized loans." These loans are junior lien mortgage loans on one- to four-family residential properties located throughout the United States. The loans generally have contractual terms of 25 or 30 years and have fixed interest rates. The Company expects this balance to continue to decline as borrowers remit principal payments on the loans.

The following table shows the scheduled maturity of loans outstanding as of December 31, 2009:

(in thousands)	Within One Year	After One But Within Five Years	After Five Years	Total
Residential real estate – mortgage	\$ 162,778	\$ 323,842	\$ 109,058	\$ 595,678
Home equity	54,160	143,689	200,903	398,752
Commercial, financial, and agriculture	287,866	366,272	97,914	752,052
Installment loans to individuals	23,280	20,938	21	44,239
Previously securitized loans	373	990	350	1,713
<b>Total loans</b>	<b>\$ 528,457</b>	<b>\$ 855,731</b>	<b>\$ 408,246</b>	<b>\$ 1,792,434</b>

Loans maturing after one year with interest rates that are:

Fixed until maturity	\$ 212,425
Variable or adjustable	1,051,552
<b>Total</b>	<b>\$ 1,263,977</b>

### ALLOWANCE AND PROVISION FOR LOAN LOSSES

Management systematically monitors the loan portfolio and the adequacy of the allowance for loan losses on a quarterly basis to provide for probable losses inherent in the portfolio. Management assesses the risk in each loan type based on historical trends, the general economic environment of its local markets, individual loan performance, and other relevant factors. Individual credits are selected throughout the year for detailed loan reviews, which are utilized by management to assess the risk in the portfolio and the adequacy of the allowance. Due to the nature of commercial lending, evaluation of the adequacy of the allowance as it relates to these loan types is often based more upon specific credit review, with consideration given to the potential impairment of certain credits and historical loss rates, adjusted for general economic conditions and other inherent risk factors. Conversely, due to the homogeneous nature of the real estate and installment portfolios, the portions of the allowance allocated to those portfolios are primarily based on prior loss history of each portfolio, adjusted for general economic conditions and other inherent risk factors.

# MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

(CONTINUED)

In evaluating the adequacy of the allowance for loan losses, management considers both quantitative and qualitative factors. Quantitative factors include actual repayment characteristics and loan performance, cash flow analyses, and estimated fair values of underlying collateral. Qualitative factors generally include overall trends within the portfolio, composition of the portfolio, changes in pricing or underwriting, seasoning of the portfolio, and general economic conditions.

The allowance not specifically allocated to individual credits is generally determined by analyzing potential exposure and other qualitative factors that could negatively impact the adequacy of the allowance. Loans not individually evaluated for impairment are grouped by pools with similar risk characteristics and the related historical loss rates are adjusted to reflect current inherent risk factors, such as unemployment, overall economic conditions, concentrations of credit, loan growth, classified and impaired loan trends, staffing, adherence to lending policies, and loss trends.

Determination of the adequacy of the allowance for loan losses is subjective in nature and requires management to periodically reassess the validity of its assumptions. Differences between actual losses and estimated losses are assessed such that management can timely modify its evaluation model to ensure that adequate provision has been made for risk in the total loan portfolio.

Based on management's analysis of the adequacy of the allowance for loan losses during 2009, management determined it was appropriate to record a provision for loan losses of \$7.1 million. The provision for loan losses recorded during 2009 reflects the difficulties encountered by certain commercial borrowers of the Company (as discussed below), the downgrade of their related credits, and management's assessment of the impact of these difficulties on the ultimate collectability of the loans. Additionally, the provision reflects changes in the economic conditions in the Company's geographic market and the United States in general. Despite the additional credit issues that occurred in 2009, the overall credit quality of the Company's loan portfolio improved in 2009 as the Company charged-off or otherwise resolved various problem loans that were outstanding at December 31, 2008. This is reflected in higher net charge-offs that resulted in lower levels of nonperforming loans as of December 31, 2009 as nonperforming loans declined by \$11.8 million, or 46%, from December 31, 2008. As a result, a lower allowance for loan losses and provision for loan loss expense were recorded in 2009. Changes in the amount of the provision and related allowance are based on the Company's detailed systematic methodology and are directionally consistent with changes in the composition, and the quality of the Company's loan portfolio. The Company believes that its methodology for determining the adequacy of its allowance for loan losses adequately provides for probable losses inherent in the loan portfolio at December 31, 2009 and produces a provision and allowance for loan losses that is directionally consistent with changes in asset quality and loss experience.

The Company had net charge-offs of \$10.6 million for the year ended December 31, 2009 compared to \$5.8 million for the year ended December 31, 2008. The increase was due to a significant amount of loans charged off in 2009 that were previously identified as problem loans and provided for through the allowance for loan losses. Net charge-offs on commercial and residential loans were \$7.5 million and \$1.8 million, respectively, for the year ended December 31, 2009. Charge-offs for commercial loans were primarily related to speculative home-related credits at the Greenbrier Resort that had been appropriately considered in establishing the allowance for loan losses in prior periods. In addition, overdrawn depository accounts experienced net charge-offs of \$1.3 million during 2009. While charge-offs on depository accounts are appropriately taken against the ALLL, the revenue associated with depository accounts is reflected in service charges.

The Company's ratio of non-performing assets to total loans and other real estate owned decreased from 1.64% at December 31, 2008 to 1.43% at December 31, 2009. Based on our analysis, the Company believes that the allowance allocated to impaired loans, after considering the value of the collateral securing such loans, is adequate to cover losses that may result from these loans at December 31, 2009. The Company's ratio of non-performing assets to total loans and other real estate owned compares very favorably to peers. The Company's non-performing asset ratio of 1.43% at December 31, 2009 is only 27% of the 5.23% non-performing asset ratio reported by the Company's peer group (bank holding companies with total assets between \$1 and \$5 billion) as of the most recently reported quarter ended September 30, 2009.

Approximately 45% of the Company's non-performing loans at December 31, 2009, were associated with an \$11.6 million portfolio of loans to builders of speculative homes at the Greenbrier Resort in White Sulphur Springs, West Virginia. These loans are considered to be commercial loans due to the dollar amount of the borrowings, although the loans were used to purchase lots and to construct upper-scale single-family residences at the Greenbrier Resort. Construction loan terms were originally interest only for 12 months. All loans are collateralized by completed homes and eight residential lots. The original loan balances associated with these credits totaled \$18.0 million. At December 31, 2009, the book balance of loans not charged-off totaled \$3.8 million with \$7.8 million recorded in the Company's Other Real Estate Owned category. The outstanding loan balances of \$3.8 million are based on the net realizable value that the Company expects to receive from the sale of the related properties. In May 2009, the Justice Family Group purchased the financially troubled Greenbrier Resort from CSX Corporation. While this announcement sheds some light on the future of the Greenbrier Resort, the Company has considered the uncertainty of the situation at the Greenbrier Resort and believes that based on our analysis, the specific allowance allocated to the non-performing and substandard loans, after considering the value of the collateral securing such loans, is adequate to cover losses that may result from these loans as of December 31, 2009.

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

(CONTINUED)

The Company also considers exposure to geographic markets as 22% of the Company's non-performing assets are associated with real estate in what is known as the "Eastern Panhandle" of West Virginia – inclusive of Jefferson, Berkeley, and Morgan counties. These three counties are distant suburbs of the Washington D.C. MSA and have experienced explosive growth in the last 10 years. While this is a relatively small part of the Company's entire franchise, the downturn that has gripped the nation's mortgage and construction industry has had disproportionately more impact upon the Company's asset quality and provision in this region than in the remainder of the Company. Exclusive of loans to speculative builders at the Greenbrier or loans in the Eastern Panhandle, other loans throughout the Company geographic footprint account for only 33% of the Company's non-performing loans.

The allowance allocated to the commercial loan portfolio decreased \$3.9 million, or 26.1%, from \$15.1 million at December 31, 2008 to \$11.2 million at December 31, 2009. This decrease was due to recent trends in the commercial portfolio and specific charge-offs related to Greenbrier loans to builders of speculative homes and commercial real estate loans in the "Eastern Panhandle" of West Virginia. These loans are considered commercial real estate due to the intent of the borrowers to sell the properties and the amount of the loans. As of December 31, 2009, commercial balances totaled \$752.1 million, a \$16.2 million (2.1%) decrease from December 31, 2008.

The allowance allocated to the real estate portfolio increased from \$4.6 million at December 31, 2008 to \$5.5 million at December 31, 2009. Although balances of residential real estate loans have decreased \$16.3 million, or 2.7%, an increase in nonperforming loans in this portfolio has resulted in an increase in the related allowance.

The allowance allocated to the consumer loan portfolio remained at \$0.2 million at December 31, 2009.

Certain products offered by the Company permit customers to overdraft their depository accounts. While the Company generates service charge revenues for providing this service to the customer, certain deposit account overdrafts are not fully repaid by the customer resulting in losses incurred. The Company has provided for probable losses resulting from overdraft deposit account borrowings through its allowance for loan losses. As reflected in Table Six, the Company reported net charge-offs on depository accounts of \$1.3 million and \$1.4 million during 2009 and 2008, respectively. As of December 31, 2009, the balance of overdraft deposit accounts was \$2.6 million and is included in installment loans to individuals in Note Four of Notes to Consolidated Financial Statements. The Company allocated \$1.8 million (see Table Eight) of its allowance for loan losses as of December 31, 2009, to provide for probable losses resulting from overdraft deposit accounts.

As previously discussed, the carrying value of the previously securitized loans incorporates an assumption for expected cash flows to be received over the life of these loans. To the extent that the present value of expected cash flows is less than the carrying value of these loans, the Company would provide for such losses through the provision and allowance for loan losses.

Based on the Company's analysis of the adequacy of the allowance for loan losses and in consideration of the known factors utilized in computing the allowance, management believes that the allowance for loan losses as of December 31, 2009, is adequate to provide for probable losses inherent in the Company's loan portfolio. Future provisions for loan losses will be dependent upon trends in loan balances including the composition of the loan portfolio, changes in loan quality and loss experience trends, and recoveries of previously charged-off loans, among other factors.

# MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

(CONTINUED)

**TABLE SIX**  
**ANALYSIS OF THE ALLOWANCE FOR LOAN LOSSES**

An analysis of changes in the allowance for loan losses follows:

(in thousands)	2009	2008	2007	2006	2005
Balance at beginning of year	\$ 22,254	\$ 17,581	\$ 15,405	\$ 16,790	\$ 17,815
Allowance from acquisition	-	-	-	-	3,265
Reduction of allowance for loans sold	-	-	-	(1,368)*	-
Charge-offs:					
Commercial, financial, and agricultural	(7,749)	(3,064)	(514)	(1,279)	(1,673)
Real estate-mortgage	(1,916)	(1,590)	(1,006)	(935)	(1,491)
Installment loans to individuals	(265)	(243)	(343)	(898)	(1,711)
Overdraft deposit accounts	(2,886)	(3,151)	(3,789)	(3,823)	(3,584)
Totals	(12,816)	(8,048)	(5,652)	(6,935)	(8,459)
Recoveries:					
Commercial, financial, and agricultural	235	38	231	210	605
Real estate-mortgage	122	223	87	575	303
Installment loans to individuals	222	296	416	598	679
Overdraft deposit accounts	1,620	1,741	1,744	1,734	1,182
Totals	2,199	2,298	2,478	3,117	2,769
Net charge-offs	(10,617)	(5,750)	(3,174)	(3,818)	(5,690)
Provision for loan losses	7,050	10,423	5,350	3,801	1,400
Balance at end of year	\$ 18,687	\$ 22,254	\$ 17,581	\$ 15,405	\$ 16,790
<b>As a Percent of Average Total Loans</b>					
Net charge-offs	0.59%	0.33%	0.18%	0.23%	0.38%
Provision for loan losses	0.39	0.60	0.31	0.23	0.09
<b>As a Percent of Nonperforming and Potential Problem Loans</b>					
Allowance for loan losses	133.06%	86.07%	104.49%	384.93%	401.96%

\*- The Company is not under any commitment to repurchase any of the outstanding balances sold with respect to this sale.

**TABLE SEVEN**  
**NON-ACCRUAL, PAST-DUE AND RESTRUCTURED LOANS**

Nonperforming assets at December 31 follows:

(in thousands)	2009	2008	2007	2006	2005
Non-accrual loans	\$ 13,583	\$ 25,224	\$ 16,437	\$ 3,319	\$ 2,785
Accruing loans past due 90 days or more	382	623	314	635	1,124
Previously securitized loans past due 90 days or more	79	10	76	48	268
	\$ 14,044	\$ 25,857	\$ 16,827	\$ 4,002	\$ 4,177

The decrease in non-accrual loans is principally related to Greenbrier loans that were charged-off during 2009. At December 31, 2009, the Company had three loans for approximately \$5.4 million that are performing in accordance with contractual terms but for which management has concerns about the borrower's ability to continue to comply with repayment terms. These loans have been included in management's analysis for assessing the adequacy of the allowance for loan losses.

The Company recognized approximately \$0.2 million, \$0.3 million, and \$0.8 million of interest income received in cash on non-accrual and impaired loans in 2009, 2008 and 2007, respectively. Approximately \$0.9 million, \$0.7 million, and \$0.4 million of interest income would have been recognized during 2009, 2008 and 2007, respectively, if such loans had been current in accordance with their original terms. There were no commitments to provide additional funds on non-accrual, impaired, or other potential problem loans at December 31, 2009 and 2008. The company recognized interest income of \$0.2 million, \$0.2 million and \$0.1 million using the accrual method of income recognition during the time period the loans were impaired for 2009, 2008 and 2007, respectively.



# MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

(CONTINUED)

Interest on loans is accrued and credited to operations based upon the principal amount outstanding. The accrual of interest income is generally discontinued when a loan becomes 90 days past due as to principal or interest unless the loan is well collateralized and in the process of collection. When interest accruals are discontinued, interest credited to income in the current year that is unpaid and deemed uncollectible is charged to operations. Prior-year interest accruals that are unpaid and deemed uncollectible are charged to the allowance for loan losses, provided that such amounts were specifically reserved.

**TABLE EIGHT**

## ALLOCATION OF THE ALLOWANCE FOR LOAN LOSSES

A summary of the allocation of the allowance for loan losses by loan type at December 31 follows:

(dollars in thousands)	2009		2008		2007		2006		2005	
	Amount	Percent of Loans in Each Category to Total Loans	Amount	Percent of Loans in Each Category to Total Loans	Amount	Percent of Loans in Each Category to Total Loans	Amount	Percent of Loans in Each Category to Total Loans	Amount	Percent of Loans in Each Category to Total Loans
Commercial, financial and agricultural	\$ 11,176	42%	\$ 15,128	42%	\$ 11,097	43%	\$ 8,330	40%	\$ 7,613	39%
Residential real estate-mortgage	5,515	56	4,583	55	3,605	54	3,981	56	3,977	57
Installment loans to individuals	191	2	190	3	347	3	801	4	2,819	4
Overdraft deposit accounts	1,805	-	2,353	-	2,532	-	2,293	-	2,381	-
	<b>\$ 18,687</b>	<b>100%</b>	<b>\$ 22,254</b>	<b>100%</b>	<b>\$ 17,581</b>	<b>100%</b>	<b>\$ 15,405</b>	<b>100%</b>	<b>\$ 16,790</b>	<b>100%</b>

## PREVIOUSLY SECURITIZED LOANS

**Overview:** Between 1997 and 1999, the Company originated and securitized approximately \$759.8 million in 125% loan to junior-lien underlying mortgages in six separate pools. The Company had a retained interest in the securitizations. Principal amounts owed to investors in the securitizations were evidenced by securities ("Notes"). During 2004 and 2003, the Company exercised its early redemption option on each of those securitizations. Once the Notes were redeemed, the Company became the beneficial owner of the underlying mortgage loans and recorded the loans as assets of the Company within the loan portfolio.

As the Company redeemed the outstanding Notes, no gain or loss was recognized in the Company's financial statements and the remaining mortgage loans were recorded in the Company's loan portfolio as "previously securitized loans," at the lower of carrying value or fair value. Because the carrying value of the mortgage loans incorporated assumptions for expected prepayment and default rates, the carrying value of the loans was generally less than the actual outstanding contractual balance of the loans. As of December 31, 2009 and 2008, the Company reported a carrying value of previously securitized loans of \$1.7 million and \$4.2 million, respectively, while the actual outstanding contractual balance of these loans was \$15.1 million and \$19.0 million, respectively. The Company accounts for the difference between the carrying value and the outstanding balance of previously securitized loans as an adjustment of the yield earned on these loans over their remaining lives. The discount is accreted to income over the period during which payments are probable of collection and are reasonably estimable. If, upon periodic evaluation, the estimate of the total probable collections is reduced below the original value of the loans, an impairment charge would be provided through the Company's provision for loan losses. For a further discussion of the accounting policies for previously securitized loans, please see Note One to the Consolidated Financial Statements, on page 32 of this Annual Report to Shareholders.

# MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

(CONTINUED)

During 2009, 2008, and 2007, the Company recognized \$3.9 million, \$5.6 million, and \$7.3 million, respectively, of interest income on its previously securitized loans. Cash receipts for 2009, 2008, and 2007 are summarized in the following table:

(in thousands)	2009	2008	2007
Principal receipts	\$ 4,147	\$ 5,458	\$ 12,207
Interest receipts	2,201	2,965	3,855
Total cash receipts	<u>\$ 6,348</u>	<u>\$ 8,423</u>	<u>\$ 16,062</u>

Key assumptions used in estimating the cash flows and fair value of the Company's previously securitized loans as of December 31, 2009 and 2008, were as follows:

	December 31	
	2009	2008
Prepayment speed (CPR):		
From January 2009 – December 2009	-	9%
From January 2010 – December 2012	6%	9%
Thereafter	5%	5%
Weighted-average cumulative defaults	9.26%	9.39%

The balances of previously securitized loans are comprised of six different pools. The Company monitors prepayments by pool and as a result of updated information, the prepayment factors are updated accordingly.

The projected cumulative default rate is computed using actual loan defaults experienced life-to-date plus forecasted loan defaults projected over the remaining expected life of the loans.

**Summary:** The following table summarizes the activity with the reported balance of previously securitized loans during 2009 and 2008:

(in thousands)	Previously Securitized Loans
<b>Balance at December 31, 2007</b>	<b>\$ 6,892</b>
Principal payments on mortgage loans received from borrowers	(5,458)
Discount accretion	2,788
<b>Balance at December 31, 2008</b>	<b>\$ 4,222</b>
Principal payments on mortgage loans received from borrowers	(4,147)
Discount accretion	1,638
<b>Balance at December 31, 2009</b>	<b>\$ 1,713</b>

## GOODWILL

The Company evaluates the recoverability of goodwill and indefinite lived intangible assets annually as of November 30, or more frequently if events or changes in circumstances warrant, such as a material adverse change in the business. Goodwill is considered to be impaired when the carrying value of a reporting unit exceeds its estimated fair value. Indefinite-lived intangible assets are considered impaired if their carrying value exceeds their estimated fair value. As described in Note One of the Company's Consolidated Financial Statements, the Company conducts its business activities through one reportable business segment – community banking. Fair values are estimated by reviewing the Company's stock price as it compares to book value and the Company's reported earnings. In addition, the impact of future earnings and activities are considered in the Company's analysis. The Company has \$54.9 million of goodwill at December 31, 2009.

# MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

(CONTINUED)

## CERTIFICATES OF DEPOSIT

Scheduled maturities of time certificates of deposit of \$100,000 or more outstanding at December 31, 2009, are summarized in Table Nine. The Company has time certificates of deposit of \$100,000 or more totaling \$286.6 million. These deposits are primarily small retail depositors of the bank as demonstrated by the average balance of time certificates of deposit of \$100,000 or more being less than \$150,000.

**TABLE NINE**  
**MATURITY DISTRIBUTION OF CERTIFICATES OF DEPOSIT OF \$100,000 OR MORE**

(in thousands)	Amounts	Percentage
Three months or less	\$ 46,061	16%
Over three months through six months	30,778	11
Over six months through twelve months	69,951	24
Over twelve months	139,845	49
<b>Total</b>	<b>\$ 286,635</b>	<b>100%</b>

## CONTRACTUAL OBLIGATIONS

The Company has various financial obligations that may require future cash payments according to the terms of the obligations. Demand, both noninterest- and interest-bearing, and savings deposits are, generally, payable immediately upon demand at the request of the customer. Therefore, the contractual maturity of these obligations is presented in the following table as "less than one year." Time deposits, typically CDs, are customer deposits that are evidenced by an agreement between the Company and the customer that specify stated maturity dates and early withdrawals by the customer are subject to penalties assessed by the Company. Short-term borrowings and long-term debt represent borrowings of the Company and have stated maturity dates. The Company is not a party to any material capital or operating leases as of December 31, 2009. The composition of the Company's contractual obligations as of December 31, 2009 is presented in the following table:

**TABLE TEN**  
**CONTRACTUAL OBLIGATIONS**

(in thousands)	Less than One Year	Between One and Three Years	Contractual Maturity in Between Three and Five Years	Greater than Five Years	Total
Noninterest-bearing demand deposits	\$ 328,440	\$ -	\$ -	\$ -	\$ 328,440
Interest-bearing demand deposits <sup>(1)</sup>	458,734	-	-	-	458,734
Savings deposits <sup>(1)</sup>	381,206	-	-	-	381,206
Time deposits <sup>(1)</sup>	590,777	391,365	60,546	49	1,042,737
Short-term borrowings <sup>(1)</sup>	175,524	-	-	-	175,524
Long-term debt <sup>(1)</sup>	622	1,244	1,701	18,053	21,620
<b>Total Contractual Obligations</b>	<b>\$ 1,935,303</b>	<b>\$ 392,609</b>	<b>\$ 62,247</b>	<b>\$ 18,102</b>	<b>\$ 2,408,261</b>

<sup>(1)</sup> – Includes interest on both fixed- and variable-rate obligations. The interest associated with variable-rate obligations is based upon interest rates in effect at December 31, 2009. The contractual amounts to be paid on variable-rate obligations are affected by market interest rates that could materially affect the contractual amounts to be paid.

# MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

(CONTINUED)

The Company's liability for uncertain tax positions at December 31, 2009 was \$0.3 million pursuant to ASC Topic 740. This liability represents an estimate of tax positions that the Company has taken in its tax returns that may ultimately not be sustained upon examination by tax authorities. As the ultimate amount and timing of any future cash settlements cannot be predicted with reasonable reliability, this estimated liability has been excluded from the contractual obligations table.

## OFF-BALANCE SHEET ARRANGEMENTS

As disclosed in Note Sixteen of Notes to Consolidated Financial Statements, the Company has also entered into agreements to extend credit or provide conditional payments pursuant to standby and commercial letters of credit. While the outstanding commitment obligation is not recorded in the Company's financial statements, the estimated fair value, which is not material to the Company's financial statements, of the standby letters of credit is recorded in the Company's Consolidated Balance Sheets as of December 31, 2009 and 2008. As a result of the Company's off-balance sheet arrangements for 2008 and 2009, no material revenue, expenses, or cash flows were recognized. In addition, the Company had no other indebtedness or retained interests nor were any securities issued in connection with any off-balance sheet arrangements for 2008 and 2009. Also there were no other obligations or liabilities of the Company that were or were reasonably likely to become material at December 31, 2008 or December 31, 2009.

## CAPITAL RESOURCES

During 2009, Shareholders' Equity increased \$23.4 million, or 8.2%, from \$284.3 million at December 31, 2008, to \$307.7 million at December 31, 2009. This increase was due to reported net income of \$42.6 million for 2009 and a \$4.2 million increase in accumulated other comprehensive income that were partially offset by cash dividends declared during the year of \$21.7 million and common stock purchases for treasury of \$3.9 million.

The Company repurchased 133,286 shares during 2009 at a weighted average price of \$29.16. However, there can be no assurance that the Company will continue to reacquire its common shares or to what extent the repurchase program will be successful.

The \$4.2 million increase in accumulated other comprehensive income was due to a favorable change of \$11.5 million, net of tax, in the unrealized loss on the Company's available for sale investment securities (see Note Three of Notes to Consolidated Financial Statements); and a \$0.5 million, net of tax, decrease in underfunded pension obligations (see Note Fourteen of Notes to Consolidated Financial Statements). These increases were partially offset by the recognition of \$6.2 million, net of tax, unrealized gains on interest rate floors and a decrease of \$1.6 million due to the cumulative effect adjustment for the adoption of FASB ASC 320.

Regulatory guidelines require the Company to maintain a minimum total capital to risk-adjusted assets ratio of 8.00%, with at least one-half of capital consisting of tangible common shareholders' equity and a minimum Tier I leverage ratio of 4.00%. Similarly, City National is also required to maintain minimum capital levels as set forth by various regulatory agencies. Under capital adequacy guidelines, City National is required to maintain minimum total capital, Tier I capital, and leverage ratios of 8.00%, 4.00%, and 4.00%, respectively. To be classified as "well capitalized," City National must maintain total capital, Tier I capital, and leverage ratios of 10.00%, 6.00%, and 5.00%, respectively.

The Capital Securities issued by City Holding Capital Trust III ("Trust III") qualify as regulatory capital for the Company under guidelines established by the Federal Reserve Board. The Company's regulatory capital ratios remained strong for both City Holding and City National as of December 31, 2009, as illustrated in the following table:

	Minimum	Well-Capitalized	Actual	
			2009	December 31 2008
<b>City Holding:</b>				
Total	8.00%	10.00%	<b>14.54%</b>	13.46%
Tier I Risk-based	4.00	6.00	<b>13.57</b>	12.27
Tier I Leverage	4.00	5.00	<b>10.19</b>	9.47
<b>City National:</b>				
Total	8.00%	10.00%	<b>12.16%</b>	11.49%
Tier I Risk-based	4.00	6.00	<b>11.17</b>	10.29
Tier I Leverage	4.00	5.00	<b>8.34</b>	7.97

# MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

(CONTINUED)

## LEGAL ISSUES

The Company and City National are engaged in various legal actions in the ordinary course of business. As these legal actions are resolved, the Company or City National could realize positive and/or negative impact to its financial performance in the period in which these legal actions are ultimately decided. There can be no assurance that the ultimate resolution of current actions will not materially impact the financial statements or that there will be no material actions presented in the future.

## RECENT ACCOUNTING PRONOUNCEMENTS AND DEVELOPMENTS

Note One, "Recent Accounting Pronouncements," of Notes to Consolidated Financial Statements discusses recently issued new accounting pronouncements and their expected impact on the Company's consolidated financial statements.

## 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. Such information involves risks and uncertainties that could cause the Company's actual results to differ from those projected in the forward-looking information. Important factors that could cause actual results to differ materially 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 "Risk Factors" and the following: (1) the Company may incur additional loan loss provision due to negative credit quality trends in the future that may lead to a deterioration of asset quality; (2) the Company may incur increased charge-offs in the future; (3) the Company may experience increases in the default rates on previously securitized loans that would result in impairment losses or lower the yield on such loans; (4) the Company may not continue to benefit from strong recovery efforts on previously securitized loans resulting in improved yields on these assets; (5) the Company could have adverse legal actions of a material nature; (6) the Company may face competitive loss of customers; (7) the Company may be unable to manage its expense levels; (8) the Company may have difficulty retaining key employees; (9) changes in the interest rate environment may have results on the Company's operations materially different from those anticipated by the Company's market risk management functions; (10) changes in general economic conditions and increased competition could adversely affect the Company's operating results; (11) changes in other regulations and government policies affecting bank holding companies and their subsidiaries, including changes in monetary policies, could negatively impact the Company's operating results; (12) the Company may experience difficulties growing loan and deposit balances; (13) the current economic environment poses significant challenges for us and could adversely affect our financial condition and results of operations; (14) continued 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 resulting in either actual losses or other-than-temporary impairments on such investments; and (15) the United States government's plan to purchase large amounts of illiquid, mortgage-backed and other securities from financial institutions may not be effective and/or it may not be available to us. 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.

## REPORT ON MANAGEMENT'S ASSESSMENT OF INTERNAL CONTROL OVER FINANCIAL REPORTING

The management of City Holding Company is responsible for the preparation, integrity, and fair presentation of the consolidated financial statements included in this annual report. The consolidated financial statements of City Holding Company have been prepared in accordance with U.S. generally accepted accounting principles and, necessarily include some amounts that are based on the best estimates and judgments of management.

The management of City Holding Company is responsible for establishing and maintaining adequate internal control over financial reporting that is designed to produce reliable financial statements in conformity with U.S. generally accepted accounting principles. The system of internal control over financial reporting is evaluated for effectiveness by management and tested for reliability through a program of internal audits with actions taken to correct potential deficiencies as they are identified. Because of inherent limitations in any internal control system, no matter how well designed, misstatements due to error or fraud may occur and not be detected, including the possibility of the circumvention or overriding of controls. Accordingly, even an effective internal control system can provide only reasonable assurance with respect to financial statement preparation. Further, because of changes in conditions, internal control effectiveness may vary over time.

Management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2009 based upon the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control - Integrated Framework. Based on our assessment, management believes that, as of December 31, 2009, the Company's system of internal control over financial reporting is effective based on those criteria. Ernst & Young, LLP, the Company's independent registered public accounting firm, has issued an attestation report on the effectiveness of internal control over financial reporting. This report appears on page 25.

March 29, 2010

/s/ Charles R. Hageboeck

Charles R. Hageboeck  
President and Chief Executive Officer

/s/ David L. Bumgarner

David L. Bumgarner  
Chief Financial Officer

# REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM ON EFFECTIVENESS OF INTERNAL CONTROL OVER FINANCIAL REPORTING

Audit Committee of the Board of Directors and the  
Shareholders of City Holding Company

We have audited City Holding Company's internal control over financial reporting as of December 31, 2009, based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). City Holding Company's management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Report on Management's Assessment of Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, City Holding Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2009, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets as of December 31, 2009 and 2008, and the related consolidated statements of income, changes in shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2009 of City Holding Company and our report dated March 29, 2010 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Charleston, West Virginia  
March 29, 2010

# REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM ON CONSOLIDATED FINANCIAL STATEMENTS

Audit Committee of the Board of Directors and the Shareholders of City Holding Company

We have audited the accompanying consolidated balance sheets of City Holding Company and subsidiaries as of December 31, 2009 and 2008, and the related consolidated statements of income, changes in shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2009. These financial statements are the responsibility of City Holding Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of City Holding Company and subsidiaries at December 31, 2009 and 2008, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2009, in conformity with U.S. generally accepted accounting principles.

As discussed in Note 1 to the consolidated financial statement, in 2009, the Company changed its method of accounting for recognizing other-than-temporary impairment charges for its debt securities in connection with the adoption of the revised Financial Accounting Standards Board's other-than-temporary impairment model.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), City Holding Company's internal control over financial reporting as of December 31, 2009, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 29, 2010 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Charleston, West Virginia  
March 29, 2010



**CONSOLIDATED BALANCE SHEETS**  
**CITY HOLDING COMPANY AND SUBSIDIARIES**

(in thousands)	December 31	
	2009	2008
<b>Assets</b>		
Cash and due from banks	\$ 59,116	\$ 55,511
Interest-bearing deposits in depository institutions	3,519	4,118
<b>Cash and Cash Equivalents</b>	<b>62,635</b>	<b>59,629</b>
Investment securities available-for-sale, at fair value	485,767	430,590
Investment securities held-to-maturity, at amortized cost (approximate fair value at December 31, 2009 and 2008 - \$25,020 and \$23,748, respectively)	28,164	29,067
<b>Total Investment Securities</b>	<b>513,931</b>	<b>459,657</b>
Gross loans	1,792,434	1,812,344
Allowance for loan losses	(18,687)	(22,254)
<b>Net Loans</b>	<b>1,773,747</b>	<b>1,790,090</b>
Bank-owned life insurance	73,388	70,400
Premises and equipment	64,193	60,138
Accrued interest receivable	7,969	9,024
Net deferred tax assets	29,480	45,953
Intangible assets	57,010	57,479
Other assets	40,121	33,943
<b>Total Assets</b>	<b>\$ 2,622,474</b>	<b>\$ 2,586,313</b>
<b>Liabilities</b>		
Deposits:		
Noninterest-bearing	\$ 328,440	\$ 298,530
Interest-bearing:		
Demand deposits	457,293	420,554
Savings deposits	379,893	354,956
Time deposits	998,096	967,090
<b>Total Deposits</b>	<b>2,163,722</b>	<b>2,041,130</b>
Short-term borrowings	118,329	194,463
Long-term debt	16,959	19,047
Other liabilities	15,729	47,377
<b>Total Liabilities</b>	<b>2,314,739</b>	<b>2,302,017</b>
<b>Shareholders' Equity</b>		
Preferred stock, par value \$25 per share: 500,000 shares authorized; none issued	-	-
Common stock, par value \$2.50 per share: 50,000,000 shares authorized; 18,499,282 shares issued at December 31, 2009 and 2008, less 2,616,161 and 2,548,538 shares in treasury, respectively	46,249	46,249
Capital surplus	101,750	102,895
Retained earnings	253,167	230,613
Cost of common stock in treasury	(90,877)	(88,729)
Accumulated other comprehensive loss:		
Unrealized loss on securities available-for-sale	(1,880)	(11,761)
Unrealized gain on derivative instruments	3,063	9,287
Underfunded pension liability	(3,737)	(4,258)
<b>Total Accumulated Other Comprehensive Loss</b>	<b>(2,554)</b>	<b>(6,732)</b>
<b>Total Shareholders' Equity</b>	<b>307,735</b>	<b>284,296</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$ 2,622,474</b>	<b>\$ 2,586,313</b>

See notes to consolidated financial statements.

# CONSOLIDATED STATEMENTS OF INCOME

## CITY HOLDING COMPANY AND SUBSIDIARIES

(in thousands, except per share data)	Year Ended December 31		
	2009	2008	2007
<b>Interest Income</b>			
Interest and fees on loans	\$ 107,142	\$ 122,127	\$ 128,609
Interest on investment securities:			
Taxable	23,200	23,852	25,677
Tax-exempt	1,683	1,523	1,689
Interest on deposits in depository institutions	11	171	521
Interest on federal funds sold	-	-	819
<b>Total Interest Income</b>	<b>132,036</b>	<b>147,673</b>	<b>157,315</b>
<b>Interest Expense</b>			
Interest on deposits	35,230	41,906	51,826
Interest on short-term borrowings	529	2,629	6,642
Interest on long-term debt	844	1,383	1,808
<b>Total Interest Expense</b>	<b>36,603</b>	<b>45,918</b>	<b>60,276</b>
<b>Net Interest Income</b>	<b>95,433</b>	<b>101,755</b>	<b>97,039</b>
Provision for loan losses	7,050	10,423	5,350
<b>Net Interest Income After Provision for Loan Losses</b>	<b>88,383</b>	<b>91,332</b>	<b>91,689</b>
<b>Noninterest Income</b>			
Total investment securities impairment losses	(11,100)	(38,270)	-
Noncredit impairment losses recognized in other comprehensive income	5,762	-	-
Net investment securities impairment losses	(5,338)	(38,270)	-
(Loss) gain on sale of investment securities	(826)	5	45
Service charges	45,013	45,995	44,416
Insurance commissions	5,576	4,212	4,090
Trust and investment management fee income	2,343	2,239	2,042
Bank-owned life insurance	3,271	2,932	2,477
Gain on sale of retail credit card portfolio and merchant agreements	-	-	1,500
VISA IPO Gain	-	3,289	-
Other income	1,944	1,534	1,566
<b>Total Noninterest Income</b>	<b>51,983</b>	<b>21,936</b>	<b>56,136</b>
<b>Noninterest Expense</b>			
Salaries and employee benefits	37,526	37,263	36,034
Occupancy and equipment	7,689	6,871	6,366
Depreciation	4,746	4,523	4,472
Professional fees	1,505	1,680	1,628
Postage, delivery, and statement mailings	2,600	2,549	2,588
Advertising	3,503	2,899	3,123
Telecommunications	1,865	1,916	1,809
Bankcard expenses	2,599	2,689	2,354
Insurance and regulatory	3,379	1,388	1,555
Office supplies	2,005	2,021	1,838
Repossessed asset losses (gains), net of expenses	672	524	(157)
Loss on early extinguishment of debt	-	1,208	-
Other expenses	9,099	10,141	9,403
<b>Total Noninterest Expense</b>	<b>77,188</b>	<b>75,672</b>	<b>71,013</b>
<b>Income Before Income Taxes</b>	<b>63,178</b>	<b>37,596</b>	<b>76,812</b>
Income tax expense	20,533	9,487	25,786
<b>Net Income Available to Common Shareholders</b>	<b>\$ 42,645</b>	<b>\$ 28,109</b>	<b>\$ 51,026</b>
Basic earnings per common share	\$ 2.69	\$ 1.74	\$ 3.02
Diluted earnings per common share	\$ 2.68	\$ 1.74	\$ 3.01
Dividends declared per common share	\$ 1.36	\$ 1.36	\$ 1.24
Average common shares outstanding:			
Basic	15,877	16,118	16,877
Diluted	15,932	16,167	16,935

See notes to consolidated financial statements.

**CONSOLIDATED STATEMENTS OF  
CHANGES IN SHAREHOLDERS' EQUITY**  
CITY HOLDING COMPANY AND SUBSIDIARIES

(in thousands)	Common Stock (Par Value)	Capital Surplus	Retained Earnings	Accumulated Other Comprehensive (Loss) Income	Treasury Stock	Total Shareholders' Equity
Balances at December 31, 2006	\$ 46,249	\$ 104,043	\$ 194,213	\$ (5,529)	\$ (33,669)	\$ 305,307
Comprehensive income:						
Cumulative effect of adoption of FASB ASC 740	-	-	(125)	-	-	(125)
Net income	-	-	51,026	-	-	51,026
Other comprehensive gain, net of deferred income taxes of \$10,270:						
Unrealized gain on securities of \$1,443, net of tax	-	-	-	866	-	866
Unrealized gain on interest rate floors of \$7,667, net of tax	-	-	-	4,600	-	4,600
Decrease in underfunded pension liability of \$1,160, net of tax	-	-	-	696	-	696
Total comprehensive income	-	-	-	-	-	57,188
Cash dividends declared (\$1.24 per share)	-	-	(20,728)	-	-	(20,728)
Issuance of stock award shares, net	-	(515)	-	-	942	427
Exercise of 7,300 stock options	-	(141)	-	-	295	154
Excess tax benefit on stock-based compensation	-	3	-	-	-	3
Purchase of 1,314,112 common shares for treasury	-	-	-	-	(48,232)	(48,232)
Balances at December 31, 2007	\$ 46,249	\$ 103,390	\$ 224,386	\$ 633	\$ (80,664)	\$ 293,994
Comprehensive income:						
Net income	-	-	28,109	-	-	28,109
Other comprehensive loss, net of deferred income tax benefit of \$12,143:						
Unrealized loss on securities of \$16,452, net of tax	-	-	-	(9,978)	-	(9,978)
Unrealized gain on interest rate floors of \$8,074, net of tax	-	-	-	4,897	-	4,897
Increase in underfunded pension liability of \$3,766, net of tax	-	-	-	(2,284)	-	(2,284)
Total comprehensive income	-	-	-	-	-	20,744
Cash dividends declared (\$1.36 per share)	-	-	(21,882)	-	-	(21,882)
Issuance of stock award shares, net	-	(12)	-	-	491	479
Exercise of 66,454 stock options	-	(749)	-	-	2,418	1,669
Excess tax benefit on stock-based compensation	-	266	-	-	-	266
Purchase of 337,060 common shares for treasury	-	-	-	-	(10,974)	(10,974)
Balances at December 31, 2008	\$ 46,249	\$ 102,895	\$ 230,613	\$ (6,732)	\$ (88,729)	\$ 284,296

See notes to consolidated financial statements.

**CONSOLIDATED STATEMENTS OF  
CHANGES IN SHAREHOLDERS' EQUITY (CONTINUED)**  
CITY HOLDING COMPANY AND SUBSIDIARIES

(in thousands)	Common Stock (Par Value)	Capital Surplus	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock	Total Shareholders' Equity
Balances at December 31, 2008	\$ 46,249	\$ 102,895	\$ 230,613	\$ (6,732)	\$ (88,729)	\$ 284,296
Cumulative effect of adoption of FASB ASC 320	-	-	1,561	(1,561)	-	-
Comprehensive income:						
Net income	-	-	42,645	-	-	42,645
Other comprehensive gain, net of deferred income taxes of \$9,317:						
Unrealized gain on securities of \$18,575, net of tax	-	-	-	11,442	-	11,442
Unrealized loss on interest rate floors of \$10,104, net of tax	-	-	-	(6,224)	-	(6,224)
Decrease in underfunded pension liability of \$846, net of tax	-	-	-	521	-	521
Total comprehensive income	-	-	(21,652)	-	-	48,384
Cash dividends declared (\$1.36 per share)	-	-	-	-	-	(21,652)
Issuance of stock award shares, net	-	(1,135)	-	-	1,699	564
Exercise of 1,350 stock options	-	(10)	-	-	39	29
Purchase of 133,286 common shares for treasury	-	-	-	-	(3,886)	(3,886)
Balances at December 31, 2009	\$ 46,249	\$ 101,750	\$ 253,167	\$ (2,554)	\$ (90,877)	\$ 307,735

See notes to consolidated financial statements.

**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**CITY HOLDING COMPANY AND SUBSIDIARIES**

(in thousands)	Year Ended December 31		
	2009	2008	2007
<b>Operating Activities</b>			
Net income	\$ 42,645	\$ 28,109	\$ 51,026
Adjustments to reconcile net income to net cash provided by operating activities:			
Amortization and accretion	171	(1,195)	(2,309)
Depreciation of premises and equipment	4,746	4,523	4,472
Provision for loan losses	7,050	10,423	5,350
Loss on early extinguishments of debt	-	1,208	-
Deferred income tax expense (benefit)	8,647	(14,449)	(1,176)
Accretion of gain from sale of interest rate floors	(6,224)	-	-
Net periodic pension cost	200	50	236
Increase in value of bank-owned life insurance	(3,270)	(2,933)	(2,477)
Proceeds from bank-owned life insurance	282	-	205
Gain from sale of retail credit card portfolio and merchant agreements	-	-	(1,500)
Loss on sale of premises and equipment	87	125	-
Realized investment securities losses (gains)	6,164	38,265	(45)
Decrease in accrued interest receivable	1,055	2,230	1,083
Increase in other assets	(6,178)	(17,712)	(4,775)
(Decrease) Increase in other liabilities	(30,344)	5,916	258
<b>Net Cash Provided by Operating Activities</b>	<b>25,031</b>	<b>54,560</b>	<b>50,348</b>
<b>Investing Activities</b>			
Proceeds from maturities and calls of securities held to maturity	1,200	1,468	12,458
Proceeds from sale of money market and mutual fund available-for-sale securities	808,313	972,269	1,015,160
Purchases of money market and mutual fund available-for-sale securities	(823,385)	(972,375)	(969,052)
Proceeds from sales of securities available-for-sale	3,791	3,019	1,819
Proceeds from maturities and calls of securities available-for-sale	96,611	56,765	84,431
Purchases of securities available-for-sale	(129,376)	(159,246)	(41,261)
Net decrease (increase) in loans	10,868	(47,445)	(88,566)
Sales of premises and equipment	-	340	15
Purchases of premises and equipment	(8,888)	(10,491)	(14,433)
Investment in bank owned life insurance	-	(3,000)	(7,000)
Proceeds from sale of retail credit card portfolio and merchant agreements	-	-	1,650
Proceeds from sale of VISA stock	-	2,334	-
Proceeds from sale of derivative instruments	-	20,454	-
<b>Net Cash Used in Investing Activities</b>	<b>(40,866)</b>	<b>(135,908)</b>	<b>(4,779)</b>
<b>Financing Activities</b>			
Net increase (decrease) in noninterest-bearing deposits	29,910	(15,701)	(6,807)
Net increase in interest-bearing deposits	92,682	66,750	11,671
Net (decrease) increase in short-term borrowings	(78,134)	47,106	(17,524)
Proceeds from long-term debt	-	16,495	-
Repayment of long-term debt	(85)	(100)	(163)
Redemption of trust preferred securities	-	(17,569)	-
Purchases of treasury stock	(3,886)	(10,974)	(48,232)
Proceeds from stock options exercises	29	1,669	154
Excess tax benefits from stock-based compensation arrangements	-	266	3
Dividends paid	(21,675)	(21,483)	(20,601)
<b>Net Cash Provided by (Used in) Financing Activities</b>	<b>18,841</b>	<b>66,459</b>	<b>(81,499)</b>
<b>Increase (Decrease) in Cash and Cash Equivalents</b>	<b>3,006</b>	<b>(14,889)</b>	<b>(35,930)</b>
Cash and cash equivalents at beginning of year	59,629	74,518	110,448
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$ 62,635</b>	<b>\$ 59,629</b>	<b>\$ 74,518</b>

See notes to consolidated financial statements.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## CITY HOLDING COMPANY AND SUBSIDIARIES

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### NOTE ONE

#### SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES

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**Summary of Significant Accounting and Reporting Policies:** The accounting and reporting policies of City Holding Company and its subsidiaries (the “Company”) conform with U. S. generally accepted accounting principles and require management to make estimates and develop assumptions that affect the amounts reported in the financial statements and related footnotes. Actual results could differ from management’s estimates. The following is a summary of the more significant policies.

**Principles of Consolidation:** The consolidated financial statements include the accounts of City Holding Company and its wholly owned subsidiaries. All significant intercompany accounts and transactions have been eliminated in the consolidated financial statements.

The Company determines whether it has a controlling financial interest in an entity by first evaluating whether the entity is a voting interest entity or a variable interest entity in conformity with U. S. generally accepted accounting principles. Voting interest entities are entities in which the total equity investment at risk is sufficient to enable the entity to finance itself independently and provides the equity holders with the obligation to absorb losses, the right to receive residual returns and the right to make decisions about the entity’s activities. The Company consolidates voting interest entities in which it has all, or at least a majority of, the voting interest. As defined in applicable accounting standards, variable interest entities (VIEs) are entities that lack one or more of the characteristics of a voting interest entity. A controlling financial interest in an entity is present when an enterprise has a variable interest, or a combination of variable interests, that will absorb a majority of the entity’s expected losses, receive a majority of the entity’s expected residual returns, or both. The enterprise with a controlling financial interest, known as the primary beneficiary, consolidates the VIE. The Company’s wholly owned subsidiary, City Holding Capital Trust III, is a VIE for which the Company is not the primary beneficiary. Accordingly, the accounts of this entity are not included in the Company’s consolidated financial statements.

Management has evaluated subsequent events for disclosure and/or recognition up to the time of filing these financial statements with the Securities and Exchange Commission on March 29, 2010.

**Description of Principal Markets and Services:** The Company is a bank holding company headquartered in Charleston, West Virginia, and conducts its principal activities through its wholly-owned subsidiary, City National Bank of West Virginia (“City National”). City National is a retail and consumer-oriented community bank with 67 offices in West Virginia, Kentucky, and Ohio. Principal activities include providing deposit, credit, trust and investment management, and insurance related products and services. The Company conducts its business activities through one reportable business segment - community banking.

**Cash and Due from Banks:** The Company considers cash, due from banks, and interest-bearing federal deposits in depository institutions as cash and cash equivalents.

**Securities:** Management determines the appropriate classification of securities at the time of purchase. If management has the intent and the Company has the ability at the time of purchase to hold debt securities to maturity, they are classified as investment securities held-to-maturity and are stated at amortized cost, adjusted for amortization of premiums and accretion of discounts. Debt securities for which the Company may not hold to maturity are classified as investment securities available-for-sale along with the Company’s investment in equity securities. Securities available-for-sale are carried at fair value, with the unrealized gains and losses, net of tax, reported in comprehensive income. Securities classified as available-for-sale include securities that management intends to use as part of its asset/liability management strategy and that may be sold in response to changes in interest rates, resultant prepayment risk, and other factors.

On a quarterly basis, the Company performs a review of investment securities to determine if any unrealized losses are other than temporarily impaired. In estimating other-than-temporary impairment losses, management considers the following, among other things, in its determination of the nature of the unrealized losses, (i) the length of time and the extent to which the fair value has been less than cost; (ii) the financial condition, capital strength, and near-term (12 months) prospects of the issuer, including any specific events which may influence the operations of the issuer such as changes in technology that may impair the earnings potential of the investment or the discontinuance of a segment of the business that may affect the future earnings potential; (iii) the historical volatility in the market value of the investment and/or the liquidity or illiquidity of the investment; (iv) adverse conditions specifically related to the security, an industry, or a geographic area; or (v) the intent to sell the security and if it’s more likely than not the Company will not have to sell the security before recovery of its cost basis. In addition to the process just described, the Company performs additional procedures to evaluate its investments in pooled trust preferred securities to determine if any unrealized losses are other than temporarily impaired (see Note Three).

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### CITY HOLDING COMPANY AND SUBSIDIARIES

The specific identification method is used to determine the cost basis of securities sold.

**Loans:** Loans, excluding previously securitized loans, which are discussed separately below, are reported at the principal amount outstanding, net of unearned income. Portfolio loans include those for which management has the intent and City has the ability to hold for the foreseeable future, or until maturity or payoff. The foreseeable future is based upon management's judgment of current business strategies and market conditions, the type of loan, asset/ liability management, and liquidity.

Interest income on loans is accrued and credited to operations based upon the principal amount outstanding, using methods that generally result in level rates of return. Loan origination fees, and certain direct costs, are deferred and amortized as an adjustment to the yield over the term of the loan. The accrual of interest income generally is discontinued when a loan becomes 90 days past due as to principal or interest. Other indicators considered for placing a loan on non-accrual status include the borrower's involvement in bankruptcies, foreclosures, repossessions, litigation and any other situation resulting in doubt as to whether full collection of contractual principal and interest is attainable. When interest accruals are discontinued, unpaid interest recognized in income in the current year is reversed, and interest accrued in prior years is charged to the allowance for loan losses. Management may elect to continue the accrual of interest when the estimated net realizable value of collateral exceeds the principal balance and related accrued interest, and the loan is in process of collection.

Interest income during the period the loan is non-performing is recorded on a cash basis after recovery of principal is reasonably assured. Cash payments received on nonperforming loans are typically applied directly against the outstanding principal balance until the loan is fully repaid. Generally, loans are restored to accrual status when the obligation is brought current, has performed in accordance with the contractual terms for a reasonable period of time, and the ultimate collectability of the total contractual principal and interest is no longer in doubt.

Residential and home equity loans are generally subject to charge-off when the loan becomes 120 days past due, depending on the estimated fair value of the collateral less cost to dispose, versus the outstanding loan balance. Unsecured commercial loans are generally charged off when the loan becomes 120 days past due. Secured commercial loans are generally evaluated for charge-off when the loan becomes 180 days past due. Closed-end consumer loans are generally charged off when the loan becomes 120 days past due and open-end consumer loans are generally charged off when the loan becomes 180 days past due.

**Previously Securitized Loans:** Amounts reported in Note Four of Notes to Consolidated Financial Statements as "previously securitized loans" represent the carrying value of loans beneficially owned by the Company as a result of having fully redeemed the obligations owed to investors ("notes") in certain of the Company's securitization transactions. The loans were recorded at the lower of fair value or their carrying values, which was the carrying value of the related retained interest asset underlying the securitization plus amounts remitted by the Company to the noteholders to redeem the notes. Because the carrying value of the retained interests incorporated assumptions with regard to expected prepayment and default rates on the loans and also considered the expected timing and amount of cash flows to be received by the Company, the carrying value of the retained interests and the carrying value of the loans was less than the actual outstanding balance of the loans.

The Company is accounting for the difference between the carrying value and the expected cash flows from these loans as an adjustment of the yield on the loans over their remaining lives. The discount is accreted to income over the period during which payments are probable of collection and are reasonably estimable.

The excess of expected cash flows over contractual cash flows is recognized prospectively through an adjustment to the yield over the remaining lives of the loans. If upon evaluation of estimated collections and collections to date, the estimated total amount of collections is reduced below the original value of the loans, the loans are considered impaired for further evaluation.

**Allowance for Loan Losses:** The allowance for loan losses is maintained at a level that represents management's best estimate of probable losses in the loan portfolio. Management's determination of the adequacy of the allowance for loan losses is based upon an evaluation of individual credits in the loan portfolio, historical loan loss experience, current economic conditions, and other relevant factors. This determination is inherently subjective, as it requires material estimates including the amounts and timing of future cash flows expected to be received on impaired loans that may be susceptible to significant change. These evaluations are conducted at least quarterly and more frequently if deemed necessary. The allowance for loan losses related to loans considered to be impaired is generally evaluated based on the discounted cash flows using the impaired loan's initial effective interest rate or the fair value of the collateral for certain collateral dependent loans. Loan losses are charged against the allowance and recoveries of amounts previously charged are credited to the allowance. A provision for loan losses is charged to operations based on management's periodic evaluation of the adequacy of the allowance after considering factors noted above, among others.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

### CITY HOLDING COMPANY AND SUBSIDIARIES

In evaluating the adequacy of its allowance for loan losses, the Company stratifies the loan portfolio into seven major groupings, including commercial real estate, other commercial, residential real estate, home equity, and others. Historical loss experience, as adjusted, is applied to the then outstanding balance of loans in each classification to estimate probable losses inherent in each segment of the portfolio. Historical loss experience is adjusted using a systematic weighted probability of potential risk factors that could result in actual losses deviating from prior loss experience. Risk factors considered by the Company in completing this analysis include: (1) unemployment and economic trends in the Company's markets, (2) concentrations of credit, if any, among any industries, (3) trends in loan growth, loan mix, delinquencies, losses or credit impairment, (4) adherence to lending policies and others. Each risk factor is designated as low, moderate/increasing, or high based on the Company's assessment of the risk to loss associated with each factor. Each risk factor is then weighted to consider probability of occurrence.

Additionally, all loans within the portfolio are subject to internal risk grading. Risk grades are generally assigned by the primary lending officer and are periodically evaluated by the Company's internal loan review process. Based on an individual loan's risk grade, estimated loss percentages are applied to the outstanding balance of the loan to determine the amount of probable loss.

**Premises and Equipment:** Premises and equipment are stated at cost less accumulated depreciation. Depreciation is computed primarily by the straight-line method over the estimated useful lives of the assets. Depreciation of leasehold improvements is computed using the straight-line method over the lesser of the term of the respective lease or the estimated useful life of the respective asset. Maintenance and repairs are charged to expense as incurred, while improvements that extend the useful life of premises and equipment are capitalized and depreciated over the estimated remaining life of the asset.

**Goodwill and Other Intangible Assets:** Goodwill is the excess of the cost of an acquisition over the fair value of tangible and intangible assets acquired. Goodwill is not amortized. Intangible assets represent purchased assets that also lack physical substance, but can be separately distinguished from goodwill because of contractual or other legal rights or because the asset is capable of being sold or exchanged either on its own or in combination with a related contract, asset or liability. Intangible assets with determinable useful lives, such as core deposits, are amortized over their estimated useful lives.

The Company performs an annual review for impairment in the recorded value of goodwill and indefinite lived intangible assets. Goodwill is tested for impairment between the annual tests if an event occurs or circumstances change that more than likely reduce the fair value of a reporting unit below its carrying value. An indefinite-lived intangible asset is tested for impairment between the annual tests if an event occurs or circumstances change indicating that the asset might be impaired.

**Insurance Commissions:** Commission revenue is recognized as of the effective date of the insurance policy or the date the customer is billed, whichever is later. The Company also receives contingent commissions from insurance companies as additional incentive for achieving specified premium volume goals and/or the loss experience of the insurance placed by the Company. The Company maintains a reserve for commission adjustments based on estimated policy cancellations. This reserve was not significant at December 31, 2009 or 2008.

**Derivative Financial Instruments:** The Company enters into derivative transactions principally to protect against the risk of adverse price or interest rate movements on the value of certain assets and liabilities and on future cash flows. All derivative instruments are carried at fair value on the balance sheet. The change in the fair value of the hedged item related to the risk being hedged is recognized in earnings in the same period and in the same income statement caption as the change in the fair value of the derivative. The Company formally documents all relationships between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking each hedge transaction.

Derivative instruments designated in a hedge relationship to mitigate exposure to changes in the fair value of an asset, liability, or firm commitment attributable to a particular risk, such as interest rate risk, are considered fair value hedges. The Company has not entered into any fair value hedges as of December 31, 2009. Derivative instruments designated in a hedge relationship to mitigate exposure to variability in expected future cash flows, or other types of forecasted transactions, are considered cash flow hedges.

Cash flow hedges are accounted for by recording the fair value of the derivative instrument on the balance sheet as either a freestanding asset or liability, with a corresponding offset recorded in other comprehensive income within shareholders' equity, net of income taxes. Amounts are reclassified from other comprehensive income to the income statement in the period or periods the hedged forecasted transaction affects earnings.



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### CITY HOLDING COMPANY AND SUBSIDIARIES

For the Company's cash flow hedges, derivative gains and losses not effective in hedging the change in fair value or expected cash flows of the hedged item are recognized immediately in the income statement. At the hedge's inception and at least quarterly thereafter, a formal assessment is performed to determine whether changes in the fair values or cash flows of the derivative instruments have been highly effective in offsetting changes in the fair values or cash flows of the hedged items and whether they are expected to be highly effective in the future. If it is determined a derivative instrument has not been or will not continue to be highly effective as a hedge, hedge accounting is discontinued.

**Trust Assets:** Assets held in a fiduciary or agency capacity for customers are not included in the accompanying financial statements since such items are not assets of the Company.

**Income Taxes:** The consolidated provision for income taxes is based upon reported income and expense. Deferred income taxes are provided for temporary differences between financial reporting and tax bases of assets and liabilities, computed using enacted tax rates. The Company files a consolidated income tax return. The respective subsidiaries generally provide for income taxes on a separate return basis and remit amounts determined to be currently payable to the Parent Company.

The Company and its subsidiaries are subject to examinations and challenges from federal and state taxing authorities regarding positions taken in returns. Uncertain tax positions are initially recognized in the consolidated financial statements when it is more likely than not the position will be sustained upon examination. These positions are initially and subsequently measured as the largest amount of tax benefit that is greater than 50% likely of being realized upon ultimate settlement with the taxing authority and assuming full knowledge of the position and all relevant facts by the taxing authority.

**Advertising Costs:** Advertising costs are expensed as incurred.

**Stock-Based Compensation:** Compensation expense related to stock options and restricted stock awards issued to employees is based upon the fair value of the award at the date of grant. The fair value of stock options is estimated utilizing a Black Scholes pricing model, while the fair value of restricted stock awards is based upon the stock price at the date of grant. Compensation expense is recognized on a straight line basis over the vesting period for options and the respective period for stock awards.

**Basic and Diluted Earnings per Common Share:** Basic earnings per share is computed by dividing net income by the weighted-average number of shares of common stock outstanding, excluding participating securities. Diluted earnings per share is computed by dividing net income by the weighted-average number of shares outstanding, excluding participating securities, increased by the number of shares of common stock which would be issued assuming the exercise of stock options and other common stock equivalents. The incremental shares related to stock options were 55,000, 49,000, and 58,000 in 2009, 2008, and 2007, respectively.

**Recent Accounting Pronouncements:** In July 2009, the Accounting Standards Codification (the "Codification") became FASB's officially recognized source of authoritative accounting principles for non-governmental entities in the preparation of financial statements in conformity with U.S. general accepted accounting principles. Rules and interpretive releases of the SEC under authority of federal securities laws are also sources of authoritative guidance for SEC registrants. All guidance contained in the Codification carries an equal level of authority. All non-grandfathered, non-SEC accounting literature not included in the codification is superseded and deemed non-authoritative. The "Codification" became effective for the financial statements ending September 30, 2009.

New authoritative guidance under FASB ASC topic 260 "Earnings Per Share" clarifies whether instruments, such as restricted stock, granted in share-based payments are participating securities prior to vesting. Such participating securities must be included in the computation of earnings per share under the two-class method as described in ASC Topic 260. ASC Topic 260 requires companies to treat unvested share-based payment awards that have non-forfeitable rights to dividend or dividend equivalents as a separate class of securities in calculating earnings per share. The Company adopted ASC Topic 260 January 1, 2009 and determined that its unvested restricted stock awards are participating securities. However, the adoption of ASC Topic 260 did not have a material effect on the Company's earnings per share for 2009 or previously reported earnings per share amounts.

New authoritative guidance under FASB ASC Topic 320 "Investments-Debt and Equity Securities" (i) changes existing guidance for determining whether an impairment is other-than-temporary to debt securities and (ii) replaces the existing requirement that the entity's management assert it has both the intent and the ability to hold an impaired security until recovery with a requirement that management assert: (a) it does not have the intent to sell the security; and (b) it is more likely than not it will not have to sell the security before recovery of its cost basis. Under ASC Topic 320, declines in the fair value of held-to-maturity and available-for-sale securities below their cost that are deemed to be other-than-temporary are reflected in earnings as realized losses to the extent the impairment is related to credit losses. The amount of the impairment related to other factors is recognized in other comprehensive income. The Company adopted the provisions of ASC Topic 320 and recorded a cumulative effect adjustment of \$1.6 million related to the noncredit portion of other-than-temporary impairment losses previously recorded.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### CITY HOLDING COMPANY AND SUBSIDIARIES

On January 1, 2009, new authoritative guidance under FASB ASC Topic 805 "Business Combinations" became applicable to the Company's accounting for business combinations closing after January 1, 2009. ASC Topic 805 requires an acquirer, upon initially obtaining control of another entity, to recognize the assets, liabilities, and any non-controlling interest in the acquiree at fair value as of the acquisition date. Contingent consideration is required to be recognized and measured at fair value on the date of acquisition rather than at a later date when the amount of that consideration may be determinable beyond a reasonable doubt. This fair value approach replaces the cost-allocation process required under previous accounting guidance whereby the cost of an acquisition was allocated to the individual assets acquired and liabilities assumed based on their estimated fair value. ASC Topic 805 requires acquirers to expense acquisition-related costs as incurred rather than allocating such costs to the assets acquired and liabilities assumed, as was previously the case under prior accounting guidance. Under ASC Topic 805, the requirements of ASC Topic 420, "Exit or Disposal Cost Obligations," would have to be met in order to accrue for a restructuring plan in purchase accounting. Pre-acquisition contingencies are to be recognized at fair value, unless it is a non-contractual contingency that is not likely to materialize, in which case, nothing should be recognized in the purchase accounting and, instead, the contingency would be subject to the probable and estimable recognition criteria of ASC Topic 450, "Contingencies." Reversals of deferred income tax valuation allowances and income tax contingencies will be recognized in earnings subsequent to the measurement period. The allowance for loan losses of an acquiree will not be permitted to be recognized by the acquirer. Additionally, ASC Topic 805 requires new and modified disclosures surrounding subsequent changes to acquisition-related contingencies, contingent consideration, noncontrolling interests, acquisition-related transaction costs, fair values and cash flows not expected to be collected for acquired loans, and an enhanced goodwill rollforward.

FASB ASC Topic 810 "Consolidation" clarifies that a non-controlling interest in a subsidiary, which is sometimes referred to as minority interest will be recharacterized as a "noncontrolling interest" and should be reported as a component of equity. Among other requirements, ASC Topic 810 requires consolidated net income to be reported at amounts that include the amounts attributable to both the parent and the non-controlling interest. It also requires disclosure, on the face of the consolidated income statement, of the amounts of consolidated net income attributable to the parent and to the non-controlling interest. ASC Topic 810 became effective for the Company on January 1, 2009 and did not have a significant impact on the Company's financial statements.

Further new authoritative guidance under ASC Topic 810 amends prior guidance to change how a company determines when an entity that is insufficiently capitalized or is not controlled through voting (or similar rights) should be consolidated. The determination of whether a company is required to consolidate an entity is based on, among other things, an entity's purpose and design and a company's ability to direct the activities of the entity that most significantly impact the entity's economic performance. ASC Topic 810 requires additional disclosures about the reporting entity's involvement with variable-interest entities and any significant changes in risk exposure due to that involvement as well as its affect on the entity's financial statements. ASC Topic 810 will be effective January 1, 2010 and is not expected to have a significant impact on the Company's financial statements.

New authoritative guidance under FASB ASC Topic 815 "Derivatives and Hedging" amends prior guidance to amend and expand the disclosure requirements for derivatives and hedging activities to provide greater transparency about (i) how and why an entity uses derivative instruments, (ii) how derivative instruments and related hedged items affect an entity's financial position, results of operations and cash flows. To meet those objectives, ASC Topic 815 requires qualitative disclosures about objectives and strategies for using derivatives, quantitative disclosures about fair value amounts of gains and losses on derivative instruments and disclosures about credit-risk-related contingent features in derivative agreements. The only derivative instruments that the Company has at December 31, 2009 are interest rate swaps with customers while at the same time entering into an offsetting interest rate swap with another financial institution. At December 31, 2009, the fair value of these instruments was less than \$0.1 million. The Company adopted the provisions of ASC Topic 815 on January 1, 2009 and based on the immateriality of the outstanding derivatives, there was no significant impact on the disclosures in the Company's financial statements.

FASB ASC Topic 820 "Fair Value Measurements and Disclosures" affirms that the objective of fair value when the market for an asset is not active is the price that would be received to sell the asset in an orderly transaction, and clarifies and includes additional factors for determining whether there has been a significant decrease in market activity for an asset when the market for that asset is not active. ASC Topic 820 requires an entity to base its conclusion about whether a transaction was not orderly on the weight of the evidence. FASB ASC Topic 820 also amended prior guidance to expand certain disclosure requirements. The Company adopted the provision of ASC Topic 820 as of June 30, 2009 and the adoption of ASC Topic 820 did not have a significant impact on the Company's financial statements.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**CITY HOLDING COMPANY AND SUBSIDIARIES**

Further new authoritative guidance (Accounting Standards Updated No 2009-5) under ASC Topic 820 provides guidance for measuring the fair value of a liability in circumstances in which a quoted price in an active market for the identical liability is not available. In such instances, a reporting entity is required to measure fair value utilizing a valuation technique that uses (i) the quoted price of the identical liability when traded as an asset, (ii) quoted prices for similar liabilities or similar liabilities when traded as assets, or (iii) another valuation technique that is consistent with the existing principles of ASC Topic 820, such as an income approach or market approach. ASC Topic 820 also clarifies that when estimating the fair value of a liability, a reporting entity is not required to include a separate input or adjustment to other inputs relating to the existence of a restriction that prevents the transfer of the liability. ASC Topic 820 became effective for the Company's financial statements beginning October 1, 2009 and did not have a significant impact on the Company's financial statements.

New authoritative guidance under FASB ASC Topic 855 "Subsequent Events" establishes general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or available to be issued. ASC Topic 855 defines (i) the period after the balance sheet date during which a reporting entity's management should evaluate events or transactions that may occur for potential recognition or disclosure in the financial statements (ii) the circumstances under which an entity should recognize events or transactions occurring after the balance sheet date in its financial statements, and (iii) the disclosures an entity should make about events or transactions that occurred after the balance sheet date. ASC Topic 855 became effective for the Company during the second quarter of 2009 and did not have a significant impact on the Company's financial statements.

**Statements of Cash Flows:** Cash paid for interest, including interest paid on long-term debt and trust preferred securities, was \$37.5 million, \$47.4 million, and \$60.3 million in 2009, 2008, and 2007, respectively. During 2009, 2008 and 2007, the Company paid \$23.5 million, \$26.7 million, and \$25.5 million, respectively, for income taxes.

**Correction of Immaterial Errors:** The Company has revised certain amounts in its consolidated balance sheet and consolidated statements of changes in shareholders' equity at December 31, 2008 to correct an inadvertent clerical error that improperly reported incorrect amounts for the fair value of certain pooled trust preferred securities. This revision does not impact the consolidated statements of income or the consolidated statements of cash flows for any period presented. We have assessed the materiality of this error in accordance with Staff Accounting Bulletin (SAB) No. 108 and determined that the error was immaterial to previously reported amounts contained in our periodic reports, and we have corrected this error in the December 31, 2009 consolidated balance sheets and consolidated statements of changes in shareholders' equity. The effects of recording these immaterial corrections in our consolidated financial statements at December 31, 2008 are presented below (in thousands):

	December 31, 2008	
	As Reported	As Revised
Investment securities available-for-sale, at fair value	\$ 424,214	\$ 430,590
Total investment securities	453,281	459,657
Net deferred tax assets	48,462	45,953
Total Assets	2,582,446	2,586,313
Total comprehensive income	16,877	20,744
Total Accumulated Other Comprehensive Loss	(10,599)	(6,732)
Total Shareholders' Equity	280,429	284,296

**NOTE TWO**  
**RESTRICTIONS ON CASH AND DUE FROM BANKS**

City National is required to maintain an average reserve balance with the Federal Reserve Bank of Richmond to compensate for services provided by the Federal Reserve and to meet statutory required reserves for demand deposits. The average amount of the reserve balance for the year ended December 31, 2009 was approximately \$15.5 million.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS** (CONTINUED)  
CITY HOLDING COMPANY AND SUBSIDIARIES

**NOTE THREE**  
**INVESTMENTS**

The aggregate carrying and approximate market values of securities follow. Fair values are based on quoted market prices, where available. If quoted market prices are not available, fair values are based on quoted market prices of comparable financial instruments.

(in thousands)	December 31, 2009			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Securities available-for-sale:				
Obligations of states and political subdivisions	\$ 52,474	\$ 712	\$ (451)	\$ 52,735
Mortgage-backed securities:				
US government agencies	293,662	9,241	(109)	302,794
Private label	12,414	-	(426)	11,988
Trust preferred securities	70,048	521	(6,832)	63,737
Corporate securities	20,771	23	(1,306)	19,488
<b>Total Debt Securities</b>	<b>449,369</b>	<b>10,497</b>	<b>(9,124)</b>	<b>450,742</b>
Marketable equity securities	8,603	-	(3,509)	5,094
Non-marketable equity securities	13,023	-	-	13,023
Investment funds	16,930	-	(22)	16,908
<b>Total Securities Available-for-Sale</b>	<b>\$ 487,925</b>	<b>\$ 10,497</b>	<b>\$ (12,655)</b>	<b>\$ 485,767</b>
Securities held-to-maturity:				
Obligations of states and political subdivisions	\$ 1,642	\$ 15	\$ -	\$ 1,657
Trust preferred securities	26,522	-	(3,159)	23,363
<b>Total Securities Held-to-Maturity</b>	<b>\$ 28,164</b>	<b>\$ 15</b>	<b>\$ (3,159)</b>	<b>\$ 25,020</b>

(in thousands)	December 31, 2008			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Securities available-for-sale:				
Obligations of states and political subdivisions	\$ 41,960	\$ 196	\$ (735)	\$ 41,421
Mortgage-backed securities:				
US government agencies	269,121	3,986	(302)	272,805
Private label	18,112	-	(2,584)	15,528
Trust preferred securities	71,694	57	(13,769)	57,982
Corporate securities	24,712	-	(2,684)	22,028
<b>Total Debt Securities</b>	<b>425,599</b>	<b>4,239</b>	<b>(20,074)</b>	<b>409,764</b>
Marketable equity securities	9,476	-	(3,511)	5,965
Non-marketable equity securities	13,037	-	-	13,037
Investment funds	1,859	-	(35)	1,824
<b>Total Securities Available-for-Sale</b>	<b>\$ 449,971</b>	<b>\$ 4,239</b>	<b>\$ (23,620)</b>	<b>\$ 430,590</b>
Securities held-to-maturity:				
Obligations of states and political subdivisions	\$ 2,834	\$ 28	\$ -	\$ 2,862
Trust preferred securities	26,233	-	(5,347)	20,886
<b>Total Securities Held-to-Maturity</b>	<b>\$ 29,067</b>	<b>\$ 28</b>	<b>\$ (5,347)</b>	<b>\$ 23,748</b>

Securities with limited marketability, such as stock in the Federal Reserve Bank or the Federal Home Loan Bank are carried at cost and are reported as non-marketable equity securities in the table above.

Certain investment securities owned by the Company were in an unrealized loss position (i.e., amortized cost basis exceeded the estimated fair value of the securities) as of December 31, 2009 and 2008. The following table shows the gross unrealized losses and fair value of the Company's investments aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position at December 31, 2009 and 2008.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS** (CONTINUED)  
CITY HOLDING COMPANY AND SUBSIDIARIES

(in thousands)	December 31, 2009					
	Less Than Twelve Months		Twelve Months or Greater		Total	
	Estimated Fair Value	Unrealized Loss	Estimated Fair Value	Unrealized Loss	Estimated Fair Value	Unrealized Loss
<b>Securities available-for-sale:</b>						
Obligations of states and political subdivisions	\$ 8,081	\$ 216	\$ 3,444	\$ 235	\$ 11,525	\$ 451
Mortgage-backed securities:						
US Government agencies	29,532	109	-	-	29,532	109
Private-label	4,877	16	7,538	410	12,415	426
Trust preferred securities	478	46	38,179	6,786	38,657	6,832
Corporate securities	-	-	5,101	1,306	5,101	1,306
Marketable equity securities	2,098	1,942	2,953	1,567	5,051	3,509
Investment funds	-	-	1,478	22	1,478	22
<b>Total</b>	<b>\$ 45,066</b>	<b>\$ 2,329</b>	<b>\$ 58,693</b>	<b>\$ 10,326</b>	<b>\$ 103,759</b>	<b>\$ 12,655</b>

<b>Securities held-to-maturity:</b>						
Trust preferred securities	\$ -	\$ -	\$ 12,829	\$ 3,159	\$ 12,829	\$ 3,159

(in thousands)	December 31, 2008					
	Less Than Twelve Months		Twelve Months or Greater		Total	
	Estimated Fair Value	Unrealized Loss	Estimated Fair Value	Unrealized Loss	Estimated Fair Value	Unrealized Loss
<b>Securities available-for-sale:</b>						
Obligations of states and political subdivisions	\$ 17,068	\$ 729	\$ 187	\$ 6	\$ 17,255	\$ 735
Mortgage-backed securities:						
US Government agencies	28,104	302	-	-	28,104	302
Private-label	15,529	2,584	-	-	15,529	2,584
Trust preferred securities	32,236	8,179	5,498	5,590	37,734	13,769
Corporate securities	7,365	2,314	1,480	370	8,845	2,684
Marketable equity securities	5,305	3,010	659	501	5,964	3,511
Investment funds	-	-	1,465	35	1,465	35
<b>Total</b>	<b>\$ 105,607</b>	<b>\$ 17,118</b>	<b>\$ 9,289</b>	<b>\$ 6,502</b>	<b>\$ 114,896</b>	<b>\$ 23,620</b>

<b>Securities held-to-maturity:</b>						
Trust preferred securities	\$ 12,408	\$ 5,282	\$ 1,386	\$ 65	\$ 13,794	\$ 5,347

During 2009, the Company recorded \$5.3 million of net other-than-temporary impairment losses. The charges deemed to be other-than-temporary were related to pooled bank trust preferreds (\$3.8 million impairment for the full year) with a remaining book value of \$9.6 million at December 31, 2009 and community bank and bank holding company equity positions (\$1.5 million impairment for the full year) with a remaining book value of \$5.1 million at December 31, 2009. The impairment charges of \$3.8 million related to the pooled bank trust preferred securities were based on the Company's quarterly review of its investment securities for indications of losses considered to be other-than-temporary. Based on management's assessment of the securities the Company owns, the seniority position of the securities within the pools, the level of defaults and deferred payments with the pools, and a review of the financial strength of the banks within the respective pools, management concluded that credit related impairment charges of \$3.8 million on the pooled bank trust preferred securities were necessary for the year ended December 31, 2009. The impairment charges of \$1.5 million related to community bank and bank holding company equity positions were due to poor financial performance of the bank holding companies and the length of time and extent to which the market values have been below the Company's cost basis in these positions.

During 2008, the Company recorded \$38.3 million of net other-than-temporary impairment losses, or \$23.2 million on an after-tax basis. The charges deemed to be other-than-temporary were related to agency preferreds (\$21.1 million impairment) with remaining book value of \$1.6 million at December 31, 2008; pooled bank trust preferreds (\$14.2 million impairment) with remaining book value of \$10.9 million at December 31, 2008; income notes (\$2.0 million impairment) with no remaining book value at December 31, 2008; and corporate debt securities (\$1.0 million impairment) with remaining book value of \$24.6 million at December 31, 2008. The impairment charges for the agency preferred securities were due to the actions of the federal government to place Freddie Mac and Fannie Mae into conservatorship and the suspension of dividends on such preferred securities. The impairment charges related to the pooled bank trust preferred securities and income notes were based on the Company's quarterly reviews of its investment securities for indications of losses considered to be other-than-temporary. Based on management's assessment of the securities the Company owns, the seniority position of the securities within the pools, the level of defaults and deferred payments within the pools, and a review of the financial strength of the banks within the respective pools, management concluded that impairment charges of \$14.2 million and \$2.0 million on the pooled bank trust preferred securities and the income notes, respectively, were necessary for the year ended December 31, 2008. The \$1.0 million impairment charge for corporate debt securities was due to Lehman Brothers Holdings bankruptcy filing. The Company had acquired this security as the result of an acquisition of a bank in 2005.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### CITY HOLDING COMPANY AND SUBSIDIARIES

Declines in the fair value of held-to-maturity and available-for-sale securities below their cost that are deemed to be other-than-temporary would be reflected in earnings as realized losses. In estimating other-than-temporary impairment losses, management considers, among other things, (i) the length of time and the extent to which the fair value has been less than cost; (ii) the financial condition, capital strength, and near-term (12 months) prospects of the issuer, including any specific events which may influence the operations of the issuer such as changes in technology that may impair the earnings potential of the investment or the discontinuance of a segment of the business that may affect the future earnings potential; (iii) the historical volatility in the market value of the investment and/or the liquidity or illiquidity of the investment; (iv) adverse conditions specifically related to the security, an industry, or a geographic area; or (v) the intent to sell the security and if it's more likely than not the Company will not have to sell the security before recovery of its cost basis.

Management has the ability and intent to hold the securities classified as held to maturity until they mature, at which time the Company will receive full value for the securities. Furthermore, as of December 31, 2009, management does not intend to sell an impaired security and it is not more than likely that it will be required to sell the security before the recovery of its amortized cost basis. The unrealized losses on debt securities are primarily the result of interest rate changes, credit spread widening on agency-issued mortgage related securities, general financial market uncertainty and unprecedented market volatility. These conditions will not prohibit the Company from receiving its contractual principal and interest payments on its debt securities. The fair value is expected to recover as the securities approach their maturity date or repricing date. As of December 31, 2009, management believes the unrealized losses detailed in the table above are temporary and no impairment loss has been recognized in the Company's consolidated income statement. Should the impairment of any of these securities become other-than-temporary, the cost basis of the investment will be reduced and the resulting loss recognized in net income in the period will reflect the credit loss identified, while any noncredit loss will be recognized in other comprehensive income.

At December 31, 2009, the book value of the Company's five pooled trust preferred securities totaled \$9.6 million with an estimated fair value of \$6.2 million. All of these securities are mezzanine tranches. Pooled trust preferred securities represent beneficial interests in securitized financial assets that the Company analyzes within the scope of FASB ASC 320, Investments—Debt and Equity Securities and are evaluated quarterly for other-than-temporary-impairment ("OTTI"). Management performs an analysis of OTTI utilizing its internal methodology as described below to estimate expected cash flows to be received in the future. The Company reviews each of its pooled trust preferred securities to determine if an OTTI charge would be recognized in current earnings in accordance with FASB ASC 320, Investments—Debt and Equity Securities. There is risk that continued collateral deterioration could cause the Company to recognize additional OTTI charges in earnings in the future.

When evaluating pooled trust preferred securities for OTTI, the Company determines a credit related portion and a noncredit related portion, if any. The credit related portion is recognized in earnings and represents the expected shortfall in future cash flows. The noncredit related portion is recognized in other comprehensive income, and represents the difference between the book value and the fair value of the security less the amount of the credit related impairment. The determination of whether it is probable that an adverse change in estimated cash flows has occurred is evaluated by comparing estimated cash flows to those previously projected as further described below. The Company considers this process to be its primary evidence when determining whether credit related OTTI exists. The results of these analyses are significantly affected by other variables such as the estimate of future cash flows, credit worthiness of the underlying issuers and determination of the likelihood of defaults of the underlying collateral.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS** (CONTINUED)  
**CITY HOLDING COMPANY AND SUBSIDIARIES**

The following is a description of the process employed by the Company in reviewing its pooled trust preferred securities.

The Company reviews each issuer bank individually within each of the respective five pooled trust preferred securities to determine its estimate of cash flows available to recover its amortized cost basis. The estimated cash flows are reduced for defaults and deferrals that have occurred as well as expected future defaults from management's internal analysis of the remaining issuing banks.

For issuing banks that have defaulted, management assumes no recovery. For issuing banks that have deferred its interest payments, management excludes the collateral balance associated with these banks and assumes no recoveries of such collateral balance in the future. The exclusion of such issuing banks in a current deferral position is based on such bank experiencing a certain level of financial difficulty that raises doubt about its ability to satisfy its contractual debt obligation, and accordingly, the Company excludes the associated collateral balance from its estimate of expected cash flows.

In addition, management excludes from its estimate of cash flows the collateral balance from issuing banks whereby specific information indicates a default or deferral is likely to occur in the future. In developing this estimate, management maintains an internal watch list of institutions based on the issuing bank's current financial metrics. The Company specifically reviews the financial ratios of asset quality (including Texas ratio analysis), capitalization, earnings trends, profitability, and capital adequacy of each bank. The Company believes the "Texas Ratio ("TR")" is a prominent indicator of the stress that a financial institution is experiencing and ultimately an indicator of failure. The TR is calculated by dividing nonperforming assets and loans, including past due 90 days or more, divided by tangible equity plus loan loss reserve. The TR of the issuing bank determines the estimated amount of default percentage of the respective banks. Although the other factors mentioned previously (capitalization, earnings trends, profitability, and capital adequacy of each bank) have not historically had a material impact on our analysis of issuer banks, the Company will continue to consider such factors in its methodology.

The following assumptions were used at December 31, 2009:

- A TR in excess of 100% results in a default estimate of 100%; a TR ranging from 75% to 99.9% results in an estimated default rate of 60%; a TR ranging from 50% to 74.9% results in an estimated default rate of 35%; and a TR ranging from 40% to 49.9% results in an estimated default rate of 10%. Management assumes no defaults for banks with TR below 40%;
- The Company excludes the collateral balance of issuing banks that have elected to defer its interest payments and assumes no future recoveries as such banks are typically experiencing a certain level of financial difficulty that raises doubt about its ability to satisfy its contractual debt obligation.

After reducing the collateral balance for defaults and deferrals that have occurred as well as expected future defaults from management's internal watch list, management arrives at its estimate of expected cash flows, which represents the estimated collateral pool balance. Since the Company owns only mezzanine tranches, the outstanding senior security position is subtracted to determine the estimated collateral balance available to satisfy the amortized cost basis of the mezzanine tranche. If the estimated collateral balance is less than the outstanding balance of the mezzanine tranche, it is assumed that the cost basis will not be recovered. Additionally, the Company determines if there has been an adverse change in cash flows by comparing the present value of the current estimate of cash flows to the present value of cash flows previously revised. If an adverse change in cash flows has occurred, management determines the credit loss to be recognized in the current period and the portion related to noncredit factors to be recognized in other comprehensive income.

This analysis is performed at the end of each reporting period when actual payments have been made by the trustee on each security and cash flows can be modeled, but the data for this analysis is gathered and considered each day as it becomes available during each reporting period.

Based upon the analysis performed by management as of December 31, 2009, the Company estimates that all the contractual principal and interest payments on the five pooled trust preferred securities it owns will not be collected in their entirety. The analysis on these five pooled trust preferred securities resulted in a \$3.8 million of credit-related OTTI charge during the year ended December 31, 2009.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS** (CONTINUED)  
**CITY HOLDING COMPANY AND SUBSIDIARIES**

The following table presents a progression of the credit loss component of OTTI on debt securities recognized in earnings during the year ended December 31, 2009. The credit loss component represents the difference between the present value of expected future cash flows and the amortized cost basis of the security. The credit component of OTTI recognized in earnings during the year ended 2009 is presented in two parts based upon whether the current period is the first time the debt security was credit impaired or if it is an additional credit impairment. The credit loss component is reduced if the Company sells, intends to sell or believes it will be required to sell previously credit impaired securities. Additionally, the credit loss component is reduced if the Company receives cash flows in excess of what it expected to receive over the remaining life of the credit impaired debt security or when the security matures.

(in thousands)	For the period ended December 31, 2009
Balance at April 1, 2009	\$ 17,017
Additions:	
Initial credit impairment	-
Additional credit impairment	1,680
Balance December 31, 2009	<u>\$ 18,694</u>

The amortized cost and estimated fair value of debt securities at December 31, 2009, by contractual maturity, are shown in the following table. Expected maturities will differ from contractual maturities because the issuers of the securities may have the right to prepay obligations without prepayment penalties. Mortgage-backed securities have been allocated to their respective maturity groupings based on their contractual maturity.

(in thousands)	Cost	Estimated Fair Value
<b>Securities Available-for-Sale</b>		
Due in one year or less	\$ 3,300	\$ 3,695
Due after one year through five years	30,361	30,106
Due after five years through ten years	100,099	102,694
Due after ten years	315,609	314,247
	<u>\$ 449,369</u>	<u>\$ 450,742</u>
<b>Securities Held-to-Maturity</b>		
Due in one year or less	\$ 1,206	\$ 1,214
Due after one year through five years	436	443
Due after five years through ten years	-	-
Due after ten years	26,522	23,363
	<u>\$ 28,164</u>	<u>\$ 25,020</u>

Gross gains and gross losses realized by the Company from investment security transactions are summarized in the table below:

(in thousands)	2009	2008	2007
Gross realized gains	\$ 259	\$ 5	\$ 47
Gross realized losses	(6,423)	(38,270)	(2)
Investment security (losses) gains	<u>\$ (6,164)</u>	<u>\$ (38,265)</u>	<u>\$ 45</u>

The specific identification method is used to determine the cost basis of securities sold.

The carrying value of securities pledged to secure public deposits and for other purposes as required or permitted by law approximated \$204.2 million and \$223.3 million at December 31, 2009 and 2008, respectively.



**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**CITY HOLDING COMPANY AND SUBSIDIARIES**

The following table presents additional information about the Company's trust preferred securities with a credit rating of below investment grade:

(Dollars in thousands)

Deal Name	Type	Class	Original Cost	Amortized Cost	Fair Value	Difference <sup>(1)</sup>	Lowest Credit Rating	# of issuers currently performing	Actual deferrals/defaults (as a % of original dollar)	Expected deferrals/defaults (as a % of remaining of performing collateral) <sup>(2)</sup>	Excess Subordination as a Percentage of Current Performing Collateral <sup>(3)</sup>
Pooled trust preferred securities:											
Other-than-temporarily impaired											
Available for Sale:											
P1 <sup>(4)</sup>	Pooled	Mezz	\$ 1,072	\$ 879	\$ 384	\$ (495)	Caa1	28	17.8%	5.9%	3.8%
P2 <sup>(5)</sup>	Pooled	Mezz	3,288	1,196	1,068	(128)	Ca	27	15.4%	8.5%	14.3%
P3 <sup>(6)</sup>	Pooled	Mezz	2,962	1,617	1,417	(200)	Caa3	28	17.6%	13.5%	-
P4 <sup>(7)</sup>	Pooled	Mezz	4,060	1,824	723	(1,101)	Ca	14	12.2%	32.2%	37.8%
P5 <sup>(8)</sup>	Pooled	Mezz	4,688	826	413	(413)	Ca	27	28.9%	13.5%	-
Held to Maturity:											
P6 <sup>(9)</sup>	Pooled	Mezz	2,074	1,692	745	(947)	Caa1	28	17.8%	5.9%	3.8%
P7 <sup>(10)</sup>	Pooled	Mezz	4,366	1,581	1,407	(174)	Ca	27	15.4%	8.5%	14.3%
Single issuer trust preferred securities											
Available for sale:											
S1	Single		1,149	1,049	1,049	-	NR	1	-	-	-
S2	Single		587	530	460	(70)	NR	1	-	-	-
S3	Single		1,113	1,059	920	(139)	NR	1	-	-	-
S4	Single		542	524	478	(46)	NR	1	-	-	-
S5	Single		261	250	127	(123)	NR	1	-	-	-
S6	Single		3,171	3,105	2,265	(840)	NR	1	-	-	-
S7	Single		1,046	1,034	910	(124)	NR	1	-	-	-
S8	Single		1,000	1,000	818	(182)	Caa1	1	-	-	-
Held to Maturity:											
S9	Single		4,000	4,000	4,000	-	NR	1	-	-	-
S10	Single		3,360	3,137	2,430	(707)	NR	1	-	-	-
S11	Single		3,564	3,543	3,238	(305)	NR	1	-	-	-
S12	Single		788	750	566	(184)	NR	1	-	-	-
S13	Single		1,329	1,262	944	(318)	NR	1	-	-	-

The differences noted consist of unrealized losses recorded at December 31, 2009 and noncredit other-than-temporary impairments recorded subsequent to April 1, 2009 that

- (1) have not been reclassified as credit losses.
- Performing collateral is defined as total collateral minus all collateral that has been called, is currently deferring, or currently in default. This definition assumes that all collateral that is currently deferring will default with a zero recovery rate. The underlying issuers can cure thus the bonds could recover at a higher percentage upon default than zero.
- (2) Excess subordination is defined as the additional defaults/deferrals necessary in the next reporting period to deplete the entire credit enhancement (excess interest and over-collateralization) beneath our tranche within each pool to the point that would cause a "break in yield." This amount assumes that all currently performing collateral continues to perform. A break in yield means that our security would not be expected to receive all the contractual cash flows (principal and interest) by maturity. The "percent of current performing collateral" is the ratio of the "excess subordination amount" to current performing collateral—a higher percent means there is more excess subordination to absorb additional defaults/deferrals, and the better our security is protected from loss.
- (3) Other-than-temporary impairment losses of \$539,000 were recognized during 2008. No other-than-temporary impairment losses were incurred during 2009. The amortized cost has been adjusted to reflect the noncredit portion of other-than-temporary impairment losses recorded prior to April 1, 2009.
- (4) Other-than-temporary impairment losses of \$2,401,000 were recognized during 2008. No other-than-temporary impairment losses were incurred during 2009. The amortized cost has been adjusted to reflect the noncredit portion of other-than-temporary impairment losses recorded prior to April 1, 2009.
- (5) Other-than-temporary impairment losses of \$1,379,000 were recognized during 2009, including \$19,000 in the fourth quarter of 2009. No other-than-temporary impairment losses were incurred during 2008. The amortized cost has been adjusted to reflect the noncredit portion of other-than-temporary impairment losses recorded prior to April 1, 2009.
- (6) Other-than-temporary impairment losses of \$1,674,000 and \$709,000 were recognized during 2008 and 2009, respectively. The amortized cost has been adjusted to reflect the noncredit portion of other-than-temporary impairment losses recorded prior to April 1, 2009.
- (7) Other-than-temporary impairment losses of \$1,875,000 and \$1,750,000 were recognized during 2008 and 2009, respectively, including \$268,000 in the fourth quarter of 2009. The amortized cost has been adjusted to reflect the noncredit portion of other-than-temporary impairment losses recorded prior to April 1, 2009.
- (8) Other-than-temporary impairment losses of \$1,078,000 were recognized during 2008. No other-than-temporary impairment losses were incurred during 2009. The amortized cost has been adjusted to reflect the noncredit portion of other-than-temporary impairment losses recorded prior to April 1, 2009.
- (9) Other-than-temporary impairment losses of \$3,201,000 were recognized during 2008. No other-than-temporary impairment losses were incurred during 2009. The amortized cost has been adjusted to reflect the noncredit portion of other-than-temporary impairment losses recorded prior to April 1, 2009.
- (10) cost has been adjusted to reflect the noncredit portion of other-than-temporary impairment losses recorded prior to April 1, 2009

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS** (CONTINUED)  
CITY HOLDING COMPANY AND SUBSIDIARIES

**NOTE FOUR**  
**LOANS**

The following summarizes the Company's major classifications for loans:

(in thousands)	2009	2008
Residential real estate – mortgage	\$ 595,678	\$ 611,962
Home equity	398,752	384,320
Commercial, financial, and agriculture	752,052	768,255
Installment loans to individuals	44,239	43,585
Previously securitized loans	1,713	4,222
Gross Loans	1,792,434	1,812,344
Allowance for loan losses	(18,687)	(22,254)
Net Loans	\$ 1,773,747	\$ 1,790,090

The Company's commercial and residential real estate construction loans are primarily secured by real estate within the Company's principal markets. These loans were originated under the Company's loan policy, which is focused on the risk characteristics of the loan portfolio, including construction loans. Adequate consideration has been given to these loans in establishing the Company's allowance for loan losses.

**NOTE FIVE**  
**ALLOWANCE FOR LOAN LOSSES**

A summary of changes in the allowance for loan losses follows:

(in thousands)	2009	2008	2007
Balance at January 1	\$ 22,254	\$ 17,581	\$ 15,405
Provision for possible loan losses	7,050	10,423	5,350
Charge-offs	(12,816)	(8,048)	(5,652)
Recoveries	2,199	2,298	2,478
Balance at December 31	\$ 18,687	\$ 22,254	\$ 17,581

The recorded investment in loans on nonaccrual status and loans past due 90 days or more and still accruing interest is included in the following table:

(in thousands)	2009	2008
Nonaccrual loans	\$ 13,583	\$ 25,224
Accruing loans past due 90 days or more	382	623
Previously securitized loans past due 90 days or more	79	10
Total	\$ 14,044	\$ 25,857

Information pertaining to impaired loans is included in the following table:

(in thousands)	2009	2008
Impaired loans with a valuation allowance	\$ 12,125	\$ 25,847
Impaired loans with no valuation allowance	7,360	10
Total impaired loans	\$ 19,485	\$ 25,857
Allowance for loan losses allocated to impaired loans	\$ 1,826	\$ 6,964

The average recorded investment in impaired loans during 2009, 2008, and 2007 was \$21.4 million, \$21.1 million, and \$15.8 million, respectively. The Company recognized approximately \$0.2 million, \$0.3 million, and \$0.8 million of interest income received in cash on non-accrual and impaired loans in 2009, 2008 and 2007, respectively. Approximately \$0.9 million, \$0.7 million and \$0.4 million of interest income would have been recognized during 2009, 2008 and 2007, respectively, if such loans had been current in accordance with their original terms. There were no commitments to provide additional funds on non-accrual, impaired, or other potential problem loans at December 31, 2009 and 2008. The Company recognized interest income of \$0.2 million, \$0.2 million and \$0.1 million using the accrual method of income recognition during the time period the loans were impaired for 2009, 2008 and 2007, respectively.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS** (CONTINUED)  
CITY HOLDING COMPANY AND SUBSIDIARIES

**NOTE SIX**  
**PREVIOUSLY SECURITIZED LOANS**

Between 1997 and 1999, the Company completed six securitization transactions involving approximately \$759.8 million of fixed rate, junior lien mortgage loans. As described in Note One, the Company retained a financial interest in each of the securitizations until 2004. Principal amounts owed to investors were evidenced by securities ("Notes"). During 2003 and 2004, the Company exercised its early redemption options on each of those securitizations. Once the Notes were redeemed, the Company became the beneficial owner of the mortgage loans and recorded the loans as assets of the Company within the loan portfolio. The table below summarizes information regarding delinquencies, net credit losses, and outstanding collateral balances of previously securitized loans for the dates presented:

(in thousands)	2009	December 31 2008	2007
Total principal amount of loans outstanding	\$ 15,119	\$ 18,955	\$ 24,062
Discount	(13,406)	(14,733)	(17,170)
Net book value	\$ 1,713	\$ 4,222	\$ 6,892
Principal amount of loans between 30 and 89 days past due	\$ 1,023	\$ 999	\$ 1,099
Principal amount of loans between 90 and 119 days past due	79	10	76
Net credit (recoveries) during the year	(312)	(351)	(2,938)

Because the book value of the mortgage loans incorporates assumptions for expected cash flows considering prepayment and default rates, the carrying value of the loans is generally less than the actual contractual outstanding balance of the mortgage loans. As of December 31, 2009 and 2008, the Company reported a book value of previously securitized loans of \$1.7 million and \$4.2 million, respectively, while the actual outstanding balance of previously securitized loans at December 31, 2009 and 2008 was \$15.1 million and \$19.0 million, respectively. The difference ("the discount") between the book value and actual outstanding balance of previously securitized loans is accreted into interest income over the life of the loans. If the discounted present value of estimated future cash flows from previously securitized loans declines below the recorded value, an impairment charge would be provided through the Company's provision and allowance for loan losses. No such impairment charges were recorded during the three years in the period ended December 31, 2009.

Key assumptions used in estimating the value of the Company's previously securitized loans were as follows:

	2009	December 31 2008
Prepayment speed (CPR):		
From January 2009 – December 2009	-	9%
From January 2010 – December 2012	6%	9%
Thereafter	5%	5%
Weighted-average cumulative defaults	9.26%	9.39%

Prepayment speed, or constant prepayment rate (CPR), represents the annualized monthly prepayment amount as a percentage of the previous month's outstanding loan balance minus the scheduled principal payment. Weighted-average cumulative defaults represent actual loan defaults experienced life-to-date plus forecasted loan defaults projected over the remaining life of the collateral loans, divided by the original collateral balance.

During 2009, 2008, and 2007 the Company recognized \$3.9 million, \$5.6 million, and \$7.3 million, respectively, of interest income on the previously securitized loans and received cash of \$6.3 million, \$8.7 million, and \$16.1 million, respectively, comprised of principal and interest payments from borrowers.

**NOTE SEVEN**  
**PREMISES AND EQUIPMENT**

A summary of premises and equipment and related accumulated depreciation as of December 31 is summarized as follows:

(in thousands)	Estimated Useful Life	2009	2008
Land		\$ 23,901	\$ 19,967
Buildings and improvements	10 to 30 yrs.	70,095	67,204
Equipment	3 to 7 yrs.	43,215	42,330
		137,211	129,501
Less accumulated depreciation		(73,018)	(69,363)
Net premises and equipment		\$ 64,193	\$ 60,138

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS** (CONTINUED)  
CITY HOLDING COMPANY AND SUBSIDIARIES

**NOTE EIGHT**  
**GOODWILL AND INTANGIBLE ASSETS**

The carrying amount of goodwill approximated \$54.9 million at December 31, 2009 and 2008, respectively. The Company completed its annual assessment of the carrying value of goodwill during 2009 and concluded that its carrying value was not impaired.

The following table summarizes core deposit intangibles as of December 31, 2009 and 2008, which are subject to amortization:

(in thousands)	2009	2008
Gross carrying amount	\$ 4,404	\$ 6,580
Accumulated amortization	(2,284)	(3,991)
<b>Net core deposit intangible</b>	<b>\$ 2,120</b>	<b>\$ 2,589</b>

During 2009, 2008, and 2007, the Company recognized pre-tax amortization expense of \$469,000, \$639,000, and \$706,000, respectively, associated with its core deposit intangible assets. The estimated amortization expense for core deposit intangible assets for each of the next five years is as follows:

(in thousands)	Projected Amortization Expense
2010	\$ 437
2011	409
2012	392
2013	376
2014	359
	<u>\$ 1,973</u>

**NOTE NINE**  
**SCHEDULED MATURITIES OF TIME DEPOSITS**

Scheduled maturities of time deposits outstanding at December 31, 2009 are summarized as follows:

(in thousands)	
2010	\$ 563,283
2011	284,724
2012	91,601
2013	24,754
2014	33,685
Over five years	49
<b>Total</b>	<b>\$ 998,096</b>

Scheduled maturities of time deposits of \$100,000 or more outstanding at December 31, are summarized as follows:

(in thousands)	2009	2008
Within one year	\$ 146,790	\$ 159,739
Over one through two years	94,771	36,595
Over two through three years	29,556	55,754
Over three through four years	6,800	4,636
Over four through five years	8,718	5,303
<b>Total</b>	<b>\$ 286,635</b>	<b>\$ 262,027</b>

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**CITY HOLDING COMPANY AND SUBSIDIARIES**

**NOTE TEN**  
**SHORT-TERM BORROWINGS**

On January 30, 2008, the Company's Board of Directors authorized the redemption of the Junior Subordinated Debentures owed to City Holding Capital Trust at a price of 104.58% of the principal amount on April 1, 2008. The Company incurred charges of \$1.2 million to fully amortize issuance costs incurred in 1998 that were being amortized over the original 30 year life of the securities and for the early redemption premium. Due to the Company's announced intentions to redeem the debentures on April 1, 2008, the debentures were reflected as short-term borrowings at December 31, 2007. Interest expense and average balances for the debentures are considered long-term debt for the year ended December 31, 2007.

A summary of short-term borrowings are as follows:

(dollars in thousands)	2009	2008	2007
Balance at end of year:			
Securities repurchase agreements	\$ 116,329	\$ 122,904	\$ 119,554
FHLB advances	2,000	71,559	25,526
Junior subordinated debentures owed to City Holding Capital Trust	-	-	16,836
<b>Total</b>	<b>\$ 118,329</b>	<b>\$ 194,463</b>	<b>\$ 161,916</b>
Avg. outstanding during the year:			
Securities repurchase agreements	\$ 125,024	\$ 132,030	\$ 117,442
FHLB advances	8,992	4,837	42,896
Junior subordinated debentures owed to City Holding Capital Trust	-	-	-
Max. outstanding at any month end:			
Securities repurchase agreements	\$ 154,577	\$ 137,921	\$ 127,744
FHLB advances	42,256	71,559	46,430
Junior subordinated debentures owed to City Holding Capital Trust	-	-	16,836
Weighted-average interest rate:			
During the year:			
Securities repurchase agreements	0.26%	1.89%	4.35%
FHLB advances	2.27%	2.74%	3.58%
Junior subordinated debentures owed to City Holding Capital Trust	-	-	-
End of the year:			
Securities repurchase agreements	0.25%	0.38%	3.95%
FHLB advances	6.30%	0.84%	3.68%
Junior subordinated debentures owed to City Holding Capital Trust	-	-	9.15%

**NOTE ELEVEN**  
**LONG-TERM DEBT**

The components of long-term debt are summarized as follows:

(in thousands)	Maturity	Weighted-Average Interest Rate	2009	2008
FHLB Advances	2010	6.30%	\$ -	2,003
FHLB Advances	2011	4.45%	464	549
Junior subordinated debentures owed to City Holding Capital Trust III	2038	3.80%	16,495	16,495
<b>Total Long-term debt</b>			<b>\$ 16,959</b>	<b>\$ 19,047</b>

Through City National, the Company has purchased 62,965 shares of Federal Home Loan Bank ("FHLB") stock at par value as of December 31, 2009. Such purchases are required based on City National's maximum borrowing capacity with the FHLB. Additionally, FHLB stock entitles the Company to dividends declared by the FHLB and provides an additional source of short-term and long-term funding, in the form of collateralized advances. Financing obtained from the FHLB is based, in part, on the amount of qualifying collateral available, specifically U.S. Treasury, U.S. agency debentures and mortgage-backed securities and 1-4 family residential mortgages. At December 31, 2009 and 2008, collateral pledged to the FHLB included approximately \$395.0 million and \$705.6 million, respectively, in investment securities and one-to-four-family residential property loans. Therefore, in addition to the short-term (see Note Ten) and long-term financing discussed above, at December 31, 2009 and 2008, City National had an additional \$392.5 million and \$631.5 million, respectively, available from unused portions of lines of credit with the FHLB and other financial institutions. During January 2009, the Company reduced its borrowing capacity from its line of credit with the FHLB from \$631.5 million to \$350.0 million.

The Company formed a statutory business trust, City Holding Capital Trust III, under the laws of the state of Delaware ("Capital Trust III"). Capital Trust III was created for the exclusive purpose of (i) issuing trust preferred securities ("Capital Securities"), which represent preferred undivided beneficial interests in the assets of the trusts, (ii) using the proceeds from the sale of the Capital Securities to acquire junior subordinated debentures ("Debentures") issued by the Company, and (iii) engaging in only those activities necessary or incidental thereto. The trust is considered a variable interest entity for which the Company is not the primary beneficiary. Accordingly, the accounts of the trust are not included in the Company's consolidated financial statements (see Note 1).

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**CITY HOLDING COMPANY AND SUBSIDIARIES**

Distributions on the Debentures are cumulative and will be payable quarterly at an interest rate of 3.50% over the three month LIBOR rate, reset quarterly. Interest payments are due in March, June, September and December. The Debentures are redeemable prior to maturity at the option of the Company (i) in whole or at any time or in part from time-to-time, at declining redemption prices ranging from 103.525% to 100.000% on June 15, 2013, and thereafter, or (ii) in whole, but not in part, at any time within 90 days following the occurrence and during the continuation of certain pre-defined events.

Payments of distributions on the trust preferred securities and payments on redemption of the trust preferred securities are guaranteed by the Company. The Company also entered into an agreement as to expenses and liabilities with the trust pursuant to which it agreed, on a subordinated basis, to pay any costs, expenses or liabilities of the trust other than those arising under the trust preferred securities. The obligations of the Company under the junior subordinated debentures, the related indentures, the trust agreement establishing the trust, the guarantees and the agreements as to expenses and liabilities, in the aggregate, constitute a full and unconditional guarantee by the Company of the trust's obligations under the trust preferred securities. The Capital Securities issued by the statutory business trusts qualify as Tier 1 capital for the Company under current Federal Reserve Board guidelines.

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**NOTE TWELVE**  
**DERIVATIVE INSTRUMENTS**

The Company utilized interest rate floors to mitigate exposure to interest rate risk. During 2005 and 2006, the Company entered into interest rate floors with a total notional value of \$600 million, seven of which (total notional amount of \$500 million) were designated as cash flow hedges. These derivative instruments provided the Company protection against the impact of declining interest rates on future income streams from the Company's portfolio of \$500 million of variable-rate loans outstanding. The interest rate floors had maturities between May 2008 and June 2011 and strike rates ranging from 6.00% to 8.00%. During 2008, interest rate floors with a total notional value of \$150 million matured. The remaining interest rate floors with a total notional value of \$450 million were sold during 2008. The gains from the sales of \$16.8 million will be recognized over the remaining lives of the various hedged loans. At December 31, 2009, the unrecognized gain was approximately \$5.6 million or \$3.1 million net of taxes.

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**NOTE THIRTEEN**  
**INCOME TAXES**

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's deferred tax assets and liabilities are as follows at December 31:

(in thousands)	2009	2008
Deferred tax assets:		
Previously securitized loans	\$ 8,126	\$ 8,849
Allowance for loan losses	7,035	8,612
Deferred compensation payable	2,763	2,923
Underfunded pension liability	2,366	2,763
Unrealized securities losses	202	7,631
Accrued expenses	1,164	1,343
Impaired building and premises	1,019	1,173
Impaired security losses	8,642	15,059
Other	1,235	1,321
<b>Total Deferred Tax Assets</b>	<b>32,552</b>	<b>49,674</b>
Deferred tax liabilities:		
Intangible assets	1,951	2,197
Deferred loan fees	222	558
Other	899	966
<b>Total Deferred Tax Liabilities</b>	<b>3,072</b>	<b>3,721</b>
<b>Net Deferred Tax Assets</b>	<b>\$ 29,480</b>	<b>\$ 45,953</b>

No valuation allowance for deferred tax assets was recorded at December 31, 2009 and 2008 as the Company believes it is more likely than not that all of the deferred tax assets will be realized because they were supported by recoverable taxes paid in prior years.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS** (CONTINUED)  
CITY HOLDING COMPANY AND SUBSIDIARIES

Significant components of the provision for income taxes are as follows:

(in thousands)	2009	2008	2007
Current:			
Federal	\$ 10,083	\$ 23,322	\$ 25,326
State	1,803	614	1,636
Total current	<u>11,886</u>	<u>23,936</u>	<u>26,962</u>
Deferred:			
Federal	7,881	(11,118)	(1,029)
State	766	(3,331)	(147)
Total deferred	<u>8,647</u>	<u>(14,449)</u>	<u>(1,176)</u>
<b>Income tax expense</b>	<b>\$ 20,533</b>	<b>\$ 9,487</b>	<b>\$ 25,786</b>
<b>Income tax (benefit) expense attributable to securities transactions</b>	<b>\$ (2,426)</b>	<b>\$ (15,306)</b>	<b>\$ 18</b>

A reconciliation of the significant differences between the federal statutory income tax rate and the Company's effective income tax rate is as follows:

(in thousands)	2009	2008	2007
Computed federal taxes at statutory rate	\$ 22,111	\$ 13,159	\$ 26,884
State income taxes, net of federal tax benefit	1,669	(671)	969
Tax effects of:			
Tax-exempt interest income	(748)	(686)	(786)
Bank-owned life insurance	(1,195)	(1,026)	(867)
Tax reserve adjustment	(64)	(1,095)	-
Other items, net	(1,240)	(194)	(414)
<b>Income tax expense</b>	<b>\$ 20,533</b>	<b>\$ 9,487</b>	<b>\$ 25,786</b>

Effective January 1, 2007, the Company adopted the required accounting guidance related to uncertain income tax positions. The cumulative effect of adopting this guidance was an increase in tax reserves and a decrease of \$0.1 million to the January 1, 2007 retained earnings balance. The entire amount of the Company's unrecognized tax benefits if recognized, would favorably affect the Company's effective tax rate. The Company does not expect that the amounts of unrecognized tax positions will change significantly within the next 12 months. A reconciliation of the beginning and ending balance of unrecognized tax benefits for the year ended December 31, 2009 is as follows:

(in thousands)	2009	2008	2007
Balance at January 1, 2008			\$ 1,516
Additions for current year tax positions			198
Additions for prior year tax positions			-
Decreases for prior year tax positions			(120)
Decreases for settlements with tax authorities			(1,403)
Decreases related to lapse of applicable statute of limitation			(191)
Balance at December 31, 2008			\$ -
Additions for current year tax positions			-
Additions for prior year tax positions			-
Decreases for prior year tax positions			-
Decreases for settlements with tax authorities			-
Decreases related to lapse of applicable statute of limitation			-
Balance at December 31, 2009			<u>\$ -</u>

Interest and penalties on income tax uncertainties are included in income tax expense. During 2009, 2008, and 2007, the provision related to interest and penalties was \$0.3 million, \$0.4 million, and \$0.4 million, respectively. The balance of accrued interest and penalties at December 31, 2009 and 2008 was \$0.4 million and \$0.5 million, respectively.

The Company is currently open to audit under the statute of limitations by the Internal Revenue Service for the years ended December 31, 2006 through 2008. The Company and its subsidiaries state income tax returns are open to audit under the statute of limitations for the year ended December 31, 2007 and December 31, 2008. A tax examination by the State of West Virginia for the years 2004 through 2006 was completed during the third quarter of 2008.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**CITY HOLDING COMPANY AND SUBSIDIARIES**

**NOTE FOURTEEN**  
**EMPLOYEE BENEFIT PLANS**

During 2003, shareholders approved the City Holding Company 2003 Incentive Plan (“the Plan”), replacing the Company’s 1993 Stock Incentive Plan that expired on March 8, 2003. Employees, directors, and individuals who provide service to the Company (collectively “Plan Participants”) are eligible to participate in the Plan. Pursuant to the terms of the Plan, the Compensation Committee of the Board of Directors, or its delegate, may, from time-to-time, grant stock options, stock appreciation rights (“SARs”), or stock awards to Plan Participants. A maximum of 1,000,000 shares of the Company’s common stock may be issued upon the exercise of stock options and SARs and stock awards, but no more than 350,000 shares of common stock may be issued as stock awards. These limitations may be adjusted in the event of a change in the number of outstanding shares of common stock by reason of a stock dividend, stock split, or other similar event. Specific terms of options and SARs awarded, including vesting periods, exercise prices (stock price date of grant), and expiration dates are determined at the date of grant and are evidenced by agreements between the Company and the awardee. The exercise price of the option grants equals the market price of the Company’s stock on the date of grant. All incentive stock options and SARs will be exercisable up to ten years from the date granted and all options and SARs are exercisable for the period specified in the individual agreement. As of December 31, 2009, 347,750 stock options had been awarded pursuant to the terms of the Plan and 101,775 stock awards had been granted.

Each award from the Plan is evidenced by an award agreement that specifies the option price, the duration of the option, the number of shares to which the option pertains, and such other provisions as the Compensation Committee, or its delegate, determines. The option price for each grant is equal to the fair market value of a share of the Company’s common stock on the date of grant. Options granted expire at such time as the Compensation Committee determines at the date of grant and in no event does the exercise period exceed a maximum of ten years. Upon a change-in-control of the Company, as defined in the plans, all outstanding options immediately vest.

A summary of the Company’s stock option activity and related information is presented below for the years ended December 31:

	2009		2008		2007	
	Options	Weighted-Average Exercise Price	Options	Weighted-Average Exercise Price	Options	Weighted-Average Exercise Price
Outstanding at January 1	270,455	\$ 33.96	305,909	\$ 32.05	271,709	\$ 30.51
Granted	17,500	27.98	31,000	34.28	47,500	39.34
Exercised	(1,350)	21.99	(66,454)	25.11	(7,300)	21.17
Forfeited	(6,000)	37.90	-	-	(6,000)	35.20
Outstanding at December 31	<u>280,605</u>	<u>\$ 33.56</u>	<u>270,455</u>	<u>\$ 33.96</u>	<u>305,909</u>	<u>\$ 32.05</u>
Exercisable at end of year	<u>169,230</u>	<u>32.61</u>	<u>157,205</u>	<u>32.72</u>	<u>203,784</u>	<u>30.31</u>
Nonvested at beginning of year	113,250	\$ 35.68	102,125	\$ 35.40	71,125	\$ 32.21
Granted during year	17,500	27.98	31,000	34.28	47,500	39.34
Vested during year	(17,875)	31.91	(19,875)	32.07	(13,500)	32.64
Forfeited during year	(1,500)	40.88	-	-	(3,000)	35.22
Nonvested at end of year	<u>111,375</u>	<u>\$ 35.01</u>	<u>113,250</u>	<u>\$ 35.68</u>	<u>102,125</u>	<u>\$ 35.40</u>

Additional information regarding stock options outstanding and exercisable at December 31, 2009, is provided in the following table:

Ranges of Exercise Prices	No. of Options Outstanding	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Life (Months)	Intrinsic Value	No. of Options Currently Exercisable	Weighted-Average Exercise Price of Options Currently Exercisable	Weighted-Average Remaining Contractual Life (Months)	Intrinsic Value
\$ 13.30	1,300	\$ 13.30	25	\$ 25	1,300	\$ 13.30	25	\$ 25
\$ 26.62 - \$33.90	186,805	31.23	66	280	133,180	31.69	55	153
\$ 35.36 - \$40.88	92,500	38.56	82	-	34,750	36.85	72	-
	<u>280,605</u>			<u>\$ 305</u>	<u>169,230</u>			<u>\$ 178</u>



**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS** (CONTINUED)  
**CITY HOLDING COMPANY AND SUBSIDIARIES**

Proceeds from stock option exercises were less than \$0.1 million in 2009, \$1.7 million in 2008, and \$0.2 million in 2007. Shares issued in connection with stock option exercises are issued from available treasury shares. If no treasury shares are available, new shares are issued from available authorized shares. During 2009, 2008 and 2007, all shares issued in connection with stock option exercises and restricted stock awards were issued from available treasury stock.

The total intrinsic value of stock options exercised was less than \$0.1 million in 2009, \$1.1 million in 2008, and \$0.1 million in 2007.

Stock-based compensation expense totaled \$0.3 million in 2009, \$0.2 million in 2008, and \$0.3 million in 2007. The total income tax benefit recognized in the accompanying consolidated statements of income related to stock-based compensation was less than \$0.1 million in 2009. Unrecognized stock-based compensation expense related to stock options totaled \$0.6 million at December 31, 2009. At such date, the weighted-average period over which this unrecognized expense was expected to be recognized was 1.7 years.

The fair value for the options was estimated at the grant date using a Black-Scholes option-pricing model with the following weighted average assumptions:

	2009	2008	2007
Risk-free interest rate	2.52%	3.98%	4.38%
Expected dividend yield	4.86%	2.59%	3.15%
Volatility factor	0.463	0.498	0.391
Expected life of option	8 years	8 years	6 years

The Company records compensation expense with respect to restricted shares in an amount equal to the fair value of the common stock covered by each award on the date of grant. The restricted shares awarded become fully vested after various periods of continued employment from the respective dates of grant. The Company is entitled to an income tax deduction in an amount equal to the taxable income reported by the holders of the restricted shares when the restrictions are released and the shares are issued. Compensation is being charged to expense over the respective vesting periods.

Restricted shares are forfeited if officers and employees terminate prior to the lapsing of restrictions. The Company records forfeitures of restricted stock as treasury share repurchases and any compensation cost previously recognized is reversed in the period of forfeiture. Recipients of restricted shares do not pay any cash consideration to the Company for the shares, have the right to vote all shares subject to such grant and receive all dividends with respect to such shares, whether or not the shares have vested. The Company recognized \$0.4 million and \$0.3 million of compensation expense for the years ended December 31, 2009 and December 31, 2008, respectively, within salaries and employee benefits in the Company's Consolidated Statements of Income associated with the restricted stock awards issued. Unrecognized stock-based compensation expense related to non-vested restricted shares was \$2.1 million at December 31, 2009. At December 31, 2009, this unrecognized expense is expected to be recognized over 6.8 years based on the weighted average-life of the restricted shares.

A summary of the Company's restricted shares activity and related information is presented below for the years ended December 31:

	2009		2008	
	Restricted Awards	Average Market Price At Grant	Restricted Awards	Average Market Price At Grant
Outstanding at January 1	36,175		31,818	
Granted	59,100	\$ 30.67	8,825	\$ 39.00
Vested	(7,166)		(4,468)	
Outstanding at December 31	<u>88,109</u>		<u>36,175</u>	

Because the Company's employee stock options have characteristics significantly different from those of traded options and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, the existing models do not necessarily provide a reliable single measure of the fair value of its employee stock options at the time of grant.

The Company provides retirement benefits to its employees through the City Holding Company 401(k) Plan and Trust ("the 401(k) Plan"), which is intended to be compliant with Employee Retirement Income Security Act (ERISA) section 404(c). Any employee who has attained age 21 is eligible to participate beginning the first day of the month following employment. Unless specifically chosen otherwise, every employee is automatically enrolled in the 401(k) Plan and may make before-tax contributions of between 1% and 15% of eligible pay up to the dollar limit imposed by Internal Revenue Service regulations. The first 6% of an employee's contribution is matched 50% by the Company. The employer matching contribution is invested according to the investment elections chosen by the employee. Employees are 100% vested in both employee and employer contributions and the earnings generated by such contributions. As of December 31, 2009, there were 18 investment options, including City Holding Company common stock, available under the 401(k) Plan.

The Company's total expense associated with the retirement benefit plan approximated \$609,000, \$597,000, and \$592,000, in 2009, 2008, and 2007, respectively. The total number of shares of the Company's common stock held by the 401(k) Plan as of December 31, 2009 and 2008 is 313,263 and 293,302, respectively. Other than the 401(k) Plan, the Company offers no postretirement benefits.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**CITY HOLDING COMPANY AND SUBSIDIARIES**

The Company also maintains a defined benefit pension plan (“the Defined Benefit Plan”) that covers approximately 300 current and former employees. The Defined Benefit Plan was frozen in 1999 subsequent to the Company’s acquisition of the plan sponsor. The Defined Benefit Plan maintains a December 31 year-end for purposes of computing its benefit obligations.

Primarily as a result of the interest rate environment over the past two years, the benefit obligation exceeded the estimated fair value of plan assets as of December 31, 2009 and December 31, 2008. The Company has recorded a pension liability of \$2.4 million and \$4.0 million as of December 31, 2009 and 2008, respectively, included in Other Liabilities within the Consolidated Balance Sheets, and a \$3.7 million and \$4.3 million, net of tax, underfunded pension liability in Accumulated Other Comprehensive Income within Shareholders’ Equity at December 31, 2009 and 2008, respectively. The following table summarizes activity within the Defined Benefit Plan in 2009 and 2008:

(in thousands)	Pension Benefits	
	2009	2008
Change in fair value of plan assets:		
Fair value at beginning of measurement period	\$ 7,195	\$ 10,806
Actual gain (loss) on plan assets	1,775	(2,994)
Contributions	879	149
Benefits paid	(694)	(766)
Fair value at end of measurement period	9,155	7,195
Change in benefit obligation:		
Benefit obligation at beginning of measurement period	(11,181)	(11,017)
Interest cost	(678)	(772)
Actuarial loss	(440)	(158)
Benefits paid	694	766
Benefit obligation at end of measurement period	(11,605)	(11,181)
Funded status	(2,450)	(3,986)
Unrecognized net actuarial gain	6,149	7,007
Other comprehensive loss	(6,149)	(7,007)
<b>Accrued Benefit Cost</b>	<b>\$ (2,450)</b>	<b>\$ (3,986)</b>
Weighted-average assumptions as of December 31:		
Discount rate	6.00%	6.25%
Expected return on plan assets	8.00%	8.50%

The following table presents the components of the net defined benefit pension benefit:

(in thousands)	Pension Benefits		
	2009	2008	2007
Components of net periodic benefit:			
Interest cost	\$ 678	\$ 662	\$ 657
Expected return on plan assets	(797)	(857)	(741)
Net amortization and deferral	319	245	320
<b>Net Periodic Pension Cost</b>	<b>\$ 200</b>	<b>\$ 50</b>	<b>\$ 236</b>

The Defined Benefit Plan is administered by the West Virginia Bankers Association (“WVBA”) and all investment policies and strategies are established by the WVBA Pension Committee. The policy established by the Pension Committee is to invest assets per target allocations, as detailed in the table below. The assets are reallocated periodically to meet these target allocations. The investment policy is reviewed periodically, under the advisement of a certified investment advisor, to determine if the policy should be revised.

The overall investment return goal is to achieve a return greater than a blended mix of stated indices tailored to the same asset mix of the plan assets by 0.5%, after fees, over a rolling five-year moving average basis. Allowable assets include cash equivalents, fixed income securities, equity securities, exchange-traded index funds and guaranteed investment contracts. Prohibited investments include, but are not limited to, commodities and futures contracts, private placements, options, limited partnerships, venture capital investments, real estate and interest-only, principal-only, and residual tranche collateralized mortgage obligations. Unless a specific derivative security is allowed per the plan document, permission must be sought from the WVBA Pension Committee to include such investments.

In order to achieve a prudent level of portfolio diversification, the securities of any one company are not to exceed more than 10% of the total plan assets, and no more than 25% of total plan assets are to be invested in any one industry (other than securities of the U.S. government or U.S. government agencies). Additionally, no more than 20% of plan assets shall be invested in foreign securities (both equity and fixed).

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS** (CONTINUED)  
**CITY HOLDING COMPANY AND SUBSIDIARIES**

The expected long-term rate of return for the plan's assets is based on the expected return of each of the categories, weighted based on the median of the target allocation for each class, noted in the table below. The allowable, target, and current allocation percentages of plan assets are as follows:

	Target Allocation 2009	Allowable Allocation Range	Percentage of Plan Assets at December 31	
			2009	2008
Equity securities	70-75%	40-80%	63%	64%
Debt securities	20-25%	20-40%	32%	30%
Other	0-5%	3-10%	5%	6%
<b>Total</b>			<b>100%</b>	<b>100%</b>

The major categories of assets in the Company's Defined Benefit Plan as of year-end are presented in the following table. Assets are segregated by the level of the valuation inputs within the fair value hierarchy established by ASC Topic 820 utilized to measure fair value (See Note Nineteen – Fair Values of Financial Instruments).

(in thousands)	Total	Level 1	Level 2	Level 3
<b>2009</b>				
Cash and cash equivalents	\$ 389	\$ 389	\$ -	\$ -
Mutual funds	2,115	971	1,144	-
Common stocks	4,805	4,431	374	-
Mortgage-backed securities	1,303	-	1,303	-
Government and GSE bonds	542	-	542	-
<b>Total</b>	<b>9,154</b>	<b>5,791</b>	<b>3,363</b>	<b>-</b>
<b>2008</b>				
Cash and cash equivalents	\$ 430	\$ 430	\$ -	\$ -
Mutual funds	1,993	877	1,116	-
Common stocks	3,040	2,754	286	-
Mortgage-backed securities	1,373	-	1,373	-
Government and GSE bonds	359	-	359	-
<b>Total</b>	<b>7,195</b>	<b>4,061</b>	<b>3,134</b>	<b>-</b>

Mutual funds include large value and fixed income funds. Common stocks include investments in small to mid cap funds and large cap funds primarily located inside of the United States. Common stocks also include funds invested in commercial real estate as well as international value funds. Government and GSE bonds include U.S. Treasury notes with varying maturity dates.

The Company anticipates making a contribution to the plan of \$0.2 million for the year ending December 31, 2010. The following table summarizes the expected benefits to be paid in each of the next five years and in the aggregate for the five years thereafter:

Plan Year Ending December 31	Expected Benefits to be Paid (in thousands)
2010	\$ 745
2011	749
2012	751
2013	766
2014	777
2015 through 2019	4,184

In addition, the Company and its subsidiary participate in the Pentegra multi-employer pension plan (the "multi-employer plan"). This non-contributory defined benefit plan covers current and former employees of Classic Bancshares (acquired by the Company during 2005). The multi-employer plan has a June 30 year-end, and it is the policy of the Company to fund the normal cost of the multiemployer plan. No contributions were required for the year ended December 31, 2009. The benefits of the multi-employer plan were frozen prior to the acquisition of Classic Bancshares in 2005, and it is the intention of the Company to fund benefit amounts when assets of the plan are sufficient.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS** (CONTINUED)  
**CITY HOLDING COMPANY AND SUBSIDIARIES**

The Company has entered into employment contracts with certain of its current and former executive officers. The employment contracts provide for, among other things, the payment of severance compensation in the event an executive officer either voluntarily or involuntarily terminates his employment with the Company for other than "Just Cause." The cost of these benefits was accrued over the five-year service period for each executive and is included in Other Liabilities within the Consolidated Balance Sheets. The liability was \$2.0 million and \$2.0 million at December 31, 2009 and 2008, respectively. No charge to operations was incurred for the years ended December 31, 2009 and December 31, 2008.

Certain entities previously acquired by the Company had entered into individual deferred compensation and supplemental retirement agreements with certain current and former directors and officers. The Company has assumed the liabilities associated with these agreements, the cost of which is being accrued over the period of active service from the date of the respective agreement. The cost of such agreements approximated \$0.2 million, \$0.2 million, and \$0.2 million, during 2009, 2008, and 2007, respectively. The liability for such agreements approximated \$4.4 million and \$4.5 million at December 31, 2009 and December 31, 2008, respectively and is included in Other Liabilities in the accompanying Consolidated Balance Sheets.

To assist in funding the above liabilities, the acquired entities had insured the lives of certain current and former directors and officers. The Company is the current owner and beneficiary of insurance policies with a cash surrender value approximating \$7.0 million and \$7.2 million at December 31, 2009 and 2008, respectively, which is included in Other Assets in the accompanying Consolidated Balance Sheets.

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**NOTE FIFTEEN**  
**RELATED PARTY TRANSACTIONS**

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City National has granted loans to certain non-executive officers and directors of the Company and its subsidiaries, and to their associates totaling \$41.2 million at December 31, 2009 and \$26.1 million at December 31, 2008. The loans were made in the ordinary course of business and on substantially the same terms, including interest rates and collateral, as those prevailing at the same time for comparable transactions with third-party lending arrangements. During 2009, total principal additions were \$29.6 million and total principal reductions were \$14.5 million.

Related party deposits of executive officers and directors of the Company and its subsidiaries, and their associates totaled \$11.1 million and \$17.3 million at December 31, 2009 and 2008, respectively.

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**NOTE SIXTEEN**  
**COMMITMENTS AND CONTINGENT LIABILITIES**

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The Company has entered into agreements with certain of its customers to extend credit or provide a conditional commitment to provide payment on drafts presented in accordance with the terms of the underlying credit documents. Conditional commitments generally include standby and commercial letters of credit. Standby letters of credit represent an obligation of the Company to a designated third party contingent upon the failure of a customer of the Company to perform under the terms of the underlying contract between the customer and the third party. Commercial letters of credit are issued specifically to facilitate trade or commerce. Under the terms of a commercial letter of credit, drafts will be drawn when the underlying transaction is consummated, as intended, between the customer and a third party. The table below presents a summary of the contractual obligations of the Company resulting from significant commitments:

(in thousands)	2009	2008
Commitments to extend credit:		
Home equity lines	\$ 132,757	\$ 129,794
Commercial real estate	33,191	34,025
Other commitments	177,759	173,522
Standby letters of credit	18,092	18,388
Commercial letters of credit	30	159

Loan commitments, standby letters of credit and commercial letters of credit have credit risks essentially the same as that involved in extending loans to customers and are subject to the Company's standard credit policies. Collateral is obtained based on management's credit assessment of the customer. Management does not anticipate any material losses as a result of these commitments.

The Company and City National are involved in various legal actions arising in the ordinary course of business. There can be no assurance that the ultimate resolution of the current actions will not materially impact the financial statements or that no material actions will be presented in the future.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS** (CONTINUED)  
CITY HOLDING COMPANY AND SUBSIDIARIES

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**NOTE SEVENTEEN**

**PREFERRED STOCK AND SHAREHOLDER RIGHTS PLAN**

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The Company's Board of Directors has the authority to issue preferred stock, and to fix the designation, preferences, rights, dividends, and all other attributes of such preferred stock, without any vote or action by the shareholders. As of December 31, 2009, no such shares are outstanding, nor are any expected to be issued, except as might occur pursuant to the Stock Rights Plan discussed below.

The Company's Stock Rights Plan provides that each share of common stock carries with it one right. The rights would be exercisable only if a person or group, as defined, acquired 15% or more of the Company's common stock, or announces a tender offer for such stock. Under conditions described in the Stock Rights Plan, holders of rights could acquire shares of preferred stock or additional shares of the Company's common stock—or in the event of a 50% or more change in control, shares of common stock of the acquirer. The value of shares acquired under the plan would equal twice the exercise price. The Stock Rights Plan expires on June 12, 2011.

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**NOTE EIGHTEEN**

**REGULATORY REQUIREMENTS AND CAPITAL RATIOS**

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The principal source of income and cash for City Holding (the "Parent Company") is dividends from City National. Dividends paid by City National to the Parent Company are subject to certain legal and regulatory limitations. Generally, any dividends in amounts that exceed the earnings retained by City National in the current year plus retained net profits for the preceding two years must be approved by regulatory authorities. Approval is also required if dividends declared would cause City National's regulatory capital to fall below specified minimum levels. During 2008 and 2009 combined, City National received regulatory approval and paid \$74.9 million in cash dividends to the Parent Company, while generating net profits of \$70.6 million. Therefore, City National will be required to obtain regulatory approval prior to declaring any cash dividends to the Parent Company throughout 2010. Although regulatory authorities have approved prior cash dividends, there can be no assurance that future dividend requests will be approved.

During 2009, the Parent Company used cash obtained from the dividends received primarily to: (1) pay common dividends to shareholders, (2) remit interest payments on the Company's junior subordinated debentures, and (3) fund repurchases of the Company's common shares. As of December 31, 2009, the Parent Company reported a cash balance of approximately \$16.1 million. Management believes that the Parent Company's available cash balance, together with cash dividends from City National, is adequate to satisfy its funding and cash needs in 2010.

The Company, including City National, is subject to various regulatory capital requirements administered by the various banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory, and possibly additional discretionary, action by regulators that, if undertaken, could have a direct material effect on the Company's consolidated financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Company and City National must meet specific capital guidelines that involve quantitative measures of assets, liabilities, and certain off-balance sheet items calculated under regulatory accounting practices. The Company's and City National's capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

Quantitative measures established by regulation to ensure capital adequacy require the Company and City National to maintain minimum amounts and ratios (set forth in the table below) of total and Tier 1 capital (as defined in the regulations) to risk-weighted assets (as defined). Management believes, as of December 31, 2009, that the Company and City National met all capital adequacy requirements to which they were subject.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS** (CONTINUED)  
**CITY HOLDING COMPANY AND SUBSIDIARIES**

As of December 31, 2009, the most recent notifications from banking regulatory agencies categorized the Company and City National as “well capitalized” under the regulatory framework for prompt corrective action. There are no conditions or events since these notifications that management believes have changed the institutions’ categories. The Company’s and City National’s actual capital amounts and ratios are presented in the following table.

(dollars in thousands)	2009		2008		Well Capitalized Ratio	Minimum Ratio
	Amount	Ratio	Amount	Ratio		
<b>Total Capital (to Risk-Weighted Assets):</b>						
Consolidated	\$ 261,255	14.5%	\$ 231,106	13.5%	10.0%	8.0%
City National	211,556	12.2	190,296	11.5	10.0	8.0
<b>Tier I Capital (to Risk-Weighted Assets):</b>						
Consolidated	279,941	13.6	253,359	12.3	6.0	4.0
City National	230,234	11.2	212,549	10.3	6.0	4.0
<b>Tier I Capital (to Average Assets):</b>						
Consolidated	279,941	10.2	253,359	9.5	5.0	4.0
City National	230,234	8.3	212,549	8.0	5.0	4.0

**NOTE NINETEEN**  
**FAIR VALUES OF FINANCIAL INSTRUMENTS**

Effective January 1, 2008, the Company adopted FASB ASC Topic 820 “Fair Value Measurements and Disclosures”, which defines fair value, establishes a framework for measuring fair value under accounting principles generally accepted in the United States, and enhances disclosures about fair value measurements.

ASC Topic 820 defines fair value as the exchange price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

ASC Topic 820 establishes a fair value hierarchy for valuation inputs that gives the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The fair value hierarchy established by ASC Topic 820 is as follows:

**Level 1:** Quoted prices (unadjusted) or identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

**Level 2:** Significant other observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, and other inputs that are observable or can be corroborated by observable market data.

**Level 3:** Significant unobservable inputs that reflect a company’s own assumptions about the assumptions that market participants would use in pricing an asset or liability.

The Company bases fair value of assets and liabilities on quoted market prices, quoted market prices for similar assets or liabilities, quoted prices in markets that are not active, and other inputs that are observable or can be corroborated by observable market data. If such information is not available, fair value is based upon internally developed models that primarily use, as inputs, observable market-based parameters. Valuation adjustments may be made to ensure that financial instruments are recorded at fair value. These adjustments may include amounts to reflect counterparty credit quality and the Company’s creditworthiness, among other things, as well as unobservable parameters. Any such valuation adjustments are applied consistently over time. The Company’s valuation methodologies may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. While management believes the Company’s valuation methodologies are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date. Furthermore, the reported fair value amounts have not been comprehensively revalued since the presentation dates, and therefore, estimates of fair value after the balance sheet date may differ significantly from the amounts presented herein. A more detailed description of the valuation methodologies used for assets and liabilities measured at fair value, as well as the general classification of such instruments pursuant to the valuation hierarchy, is set forth below.

**Securities Available for Sale.** Securities available for sale are reported at fair value utilizing Level 1, Level 2, and Level 3 inputs. The fair value of securities available for sale is determined by obtaining quoted prices on nationally recognized securities exchanges (other than forced or distressed transactions) that occur in sufficient volume or matrix pricing, which is a mathematical technique used widely in the industry to value debt securities without relying exclusively on quoted prices for the specific securities but rather by relying on the securities’ relationship to other benchmark quoted securities. If such measurements are unavailable, the security is classified as Level 3. Significant judgment is required to make this determination.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS** (CONTINUED)  
**CITY HOLDING COMPANY AND SUBSIDIARIES**

The Company has determined that its pooled trust preferred securities should be valued using Level 3 inputs in accordance with FASB ASC Topic 820, Fair Value Measurements and Disclosures and guidance issued by the SEC. The Company has determined that there are few observable transactions and market quotations available for pooled trust preferred securities and they are not reliable for purposes of determining fair value at December 31, 2009. As such, the Company evaluates currently available information in estimating the future cash flows of these securities and determines whether there have been favorable or adverse changes in estimated cash flows from the cash flows previously projected. The Company considers the structure and term of the respective pools and the financial condition of each issuer bank individually within each respective pool. Specifically, the evaluation incorporates factors such as collateral position, interest rates and appropriate risk premiums, the timing and amount of interest and principal payments and the allocation of payments to the various tranches. Current estimates of cash flows are based on the most recent trustee reports, announcements of deferrals or defaults, and assumptions regarding expected future default rates, and other relevant information. The Company's estimates of cash flows do not assume any prepayments or recoveries. At such time as there are observable transactions or quoted prices that are associated with an orderly and active market for pooled trust preferred securities, the Company will incorporate such market values in its estimate of fair values for these securities.

**Derivatives.** Derivatives are reported at fair value utilizing Level 2 inputs. The Company obtains dealer quotations to value its customer interest rate swaps.

**Previously Securitized Loans.** Previously securitized loans are reported at fair value utilizing Level 3 inputs. The Company utilizes an internal valuation model that calculates the present value of estimated future cash flows. The internal valuation model incorporates assumptions such as loan prepayment and default rates. Using cash flow modeling techniques that incorporate these assumptions, the Company estimated total future cash collections expected to be received from these loans and determined the yield at which the resulting discount would be accreted into income.

**Impaired Loans.** Loans for which it is probable that payment of interest and principal will not be made in accordance with the contractual terms of the loan agreement are considered impaired. Once a loan is identified as individually impaired, management measures impairment in accordance with ACS Topic 310, "Receivables." The fair value of impaired loans is estimated using one of several methods, including collateral value, liquidation value and discounted cash flows. Those impaired loans not requiring an allowance represent loans for which the fair value of the expected repayments or collateral exceed the recorded investments in such loans. At December 31, 2009 and 2008, substantially all of the impaired loans were evaluated based on the fair value of the collateral. In accordance with ASC Topic 820, impaired loans where an allowance is established based on the fair value of collateral require classification in the fair value hierarchy. When the fair value of the collateral is based on an observable market price or a current appraised value, the Company records the impaired loan as nonrecurring Level 2. When an appraised value is not available or management determines the fair value of the collateral is further impaired below the appraised value and there is no observable market price, the Company records the impaired loan as nonrecurring Level 3.

The following table presents assets and liabilities measured at fair value on a recurring basis at December 31, 2009 and 2008:

(in thousands)	Total	Level 1	Level 2	Level 3
<b>2009</b>				
Assets:				
Obligations of states and political subdivisions	\$ 52,735	\$ -	\$ 52,735	\$ -
Mortgage-backed securities:				
U.S. Government agencies	302,794	-	302,794	-
Private label	11,988	-	11,988	-
Trust preferred securities	63,735	-	59,730	4,005
Corporate securities	19,488	-	19,488	-
Marketable equity securities	5,094	5,094	-	-
Investment funds	16,908	16,908	-	-
Derivative assets	19	-	19	-
Previously securitized loans	1,713	-	-	1,713
Derivative liabilities	19	-	19	-
<b>2008</b>				
Assets:				
Obligations of states and political subdivisions	\$ 41,421	\$ -	\$ 41,421	\$ -
Mortgage-backed securities:				
U.S. Government agencies	272,805	-	272,805	-
Private label	15,528	-	15,528	-
Trust preferred securities	57,982	-	50,463	7,519
Corporate securities	22,028	-	22,028	-
Marketable equity securities	5,965	5,490	475	-
Investment funds	1,824	1,824	-	-
Derivative assets	2,066	-	2,066	-
Previously securitized loans	4,222	-	-	4,222
Derivative liabilities	2,066	-	2,066	-

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**CITY HOLDING COMPANY AND SUBSIDIARIES**

The table below presents a reconciliation and income statement classification of gains and losses for all assets measured at fair value on a recurring basis for Level 3 assets for the year ended December 31, 2009 and 2008.

(in thousands)	Previously Securitized Loans	Investment Securities Available for Sale
Balance, December 31, 2007	\$ 6,892	\$ -
Principal receipts and recoveries (net)	(2,670)	-
Transfers into Level 3	-	7,519
Balance, December 31, 2008	\$ 4,222	\$ 7,519
Principal receipts and recoveries (net)	(3,836)	-
Accretion	1,327	-
Total gains/or losses (realized and unrealized) :		
Impairment losses on investment securities	-	(3,838)
Included in other comprehensive income	-	324
Transfers into Level 3	-	-
Balance, December 31, 2009	\$ 1,713	\$ 4,005

The Company may be required, from time to time, to measure certain assets at fair value on a nonrecurring basis in accordance with accounting principles generally accepted in the United States. These include assets that are measured at the lower of cost or market that were recognized at fair value below cost at the end of the period. At December 31, 2009 and 2008, the Company has \$19.5 million and \$23.9 million, respectively of impaired loans that are measured at fair value on a nonrecurring basis. These assets are considered to be measured at Level 2 in the fair value measurement hierarchy.

The Company adopted ASC Topic 820 for non-financial assets and non-financial liabilities effective January 1, 2009.

**Long-lived assets held for sale.** Long-lived assets held for sale include real estate owned. The fair value of real estate owned is based on independent full appraisals and real estate broker's price opinions, less estimated selling costs. Certain properties require assumptions that are not observable in an active market in the determination of fair value. Assets that are acquired through foreclosure, repossession or return are initially recorded at the lower of the loan or lease carrying amount or fair value less estimated selling costs at the time of transfer to real estate owned. At December 31, 2009 and 2008, the Company has \$19.5 million and \$23.9 million, respectively of long-lived assets held for sale that are measured at fair value on a nonrecurring basis. These assets are considered to be measured at Level 2 in the fair value measurement hierarchy. The Company wrote down approximately \$0.4 million and \$0.1 million of long-lived assets held for sale to their fair value during the year ended December 31, 2009 and 2008, respectively.

FASB ASC Topic 825 "Financial Instruments" as amended, requires disclosure of fair value information about financial instruments, whether or not recognized in the balance sheet, for which it is practicable to estimate that value. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. In that regard, the derived fair value estimates cannot be substantiated by comparison to independent markets and, in many cases, could not be realized in immediate settlement of the instrument. ASC Topic 825 excludes certain financial instruments and all nonfinancial instruments from its disclosure requirements. Accordingly, the aggregate fair value amounts presented do not represent the underlying value of the Company.

The following table represents the estimates of fair value of financial instruments:

(in thousands)	Fair Value of Financial Instruments			
	2009		2008	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Assets:				
Cash and cash equivalents	\$ 62,635	\$ 62,635	\$ 59,629	\$ 59,629
Securities available-for-sale	485,767	485,767	430,590	430,590
Securities held-to-maturity	28,164	25,020	29,067	23,748
Net loans	1,773,767	1,857,566	1,790,090	1,842,888
Liabilities:				
Deposits	2,163,722	2,050,830	2,041,130	2,065,947
Short-term borrowings	118,329	118,401	194,463	194,544
Long-term debt	16,959	16,986	19,047	19,242

The following methods and assumptions were used in estimating fair value amounts for financial instruments:

**Cash and cash equivalents:** Due to their short-term nature, the carrying amounts reported in the Consolidated Balance Sheets approximate fair value.

**Securities:** The fair value of securities, both available-for-sale and held-to-maturity, are generally based on quoted market prices or matrix pricing, which is a mathematical technique used widely in the industry to value debt securities without relying exclusively on quoted prices for the specific securities but rather by relying on the securities' relationship to other benchmark quoted securities.

**Net loans:** The fair value of the loan portfolio is estimated using discounted cash flow analyses at interest rates currently being offered for loans with similar terms to borrowers of similar credit quality. The carrying value of accrued interest approximates its fair value.

**Deposits:** The fair values of demand deposits (e.g., interest and noninterest-bearing checking, regular savings, and other money market demand accounts) are, by definition, equal to their carrying values. Fair values for certificates of deposit are estimated using a discounted cash flow calculation that applies interest rates currently being offered on certificates to a schedule of aggregate expected monthly maturities of time deposits.



**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS** (CONTINUED)  
CITY HOLDING COMPANY AND SUBSIDIARIES

**Short-term borrowings:** Securities sold under agreements to repurchase represent borrowings with original maturities of less than 90 days. The carrying amount of advances from the FHLB and borrowings under repurchase agreements approximate their fair values.

**Long-term debt:** The fair value of long-term borrowings is estimated using discounted cash flow analyses based on the Company's current incremental borrowing rates for similar types of borrowing arrangements and market conditions of similar debt instruments.

**Commitments and letters of credit:** The fair values of commitments are estimated based on fees currently charged to enter into similar agreements, taking into consideration the remaining terms of the agreements and the counterparties' credit standing. The fair value of letters of credit is based on fees currently charged for similar agreements or on the estimated cost to terminate them or otherwise settle the obligations with the counterparties at the reporting date. The amounts of fees currently charged on commitments and letters of credit are deemed insignificant, and therefore, the estimated fair values and carrying values have not been reflected in the table above.

**NOTE TWENTY**

**CITY HOLDING COMPANY (PARENT COMPANY ONLY) FINANCIAL INFORMATION**

**Condensed Balance Sheets**

(in thousands)	December 31	
	2009	2008
<b>Assets</b>		
Cash	\$ 16,084	\$ 1,411
Securities available-for-sale	5,094	5,489
Investment in subsidiaries	303,336	294,764
Deferred tax asset	3,123	2,071
Fixed assets	14	18
Other assets	2,027	2,500
<b>Total Assets</b>	<b>\$ 329,678</b>	<b>\$ 306,253</b>
<b>Liabilities</b>		
Junior subordinated debentures	\$ 16,495	\$ 16,495
Dividends payable	5,400	5,423
Accrued interest payable	27	39
Other liabilities	21	-
<b>Total Liabilities</b>	<b>21,943</b>	<b>21,957</b>
<b>Shareholders' Equity</b>	<b>307,735</b>	<b>284,296</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$ 329,678</b>	<b>\$ 306,253</b>

Junior subordinated debentures represent the Parent Company's amounts owed to City Holding Capital Trust III.

**Condensed Statements of Income**

(in thousands)	Year Ended December 31		
	2009	2008	2007
<b>Income</b>			
Dividends from subsidiaries	\$ 39,500	\$ 40,900	\$ 51,200
Other income	262	286	297
	<b>39,762</b>	<b>41,186</b>	<b>51,497</b>
<b>Expenses</b>			
Interest expense	757	1,170	1,472
Investment securities losses	1,720	1,954	2
Loss on early extinguishment of debt	-	1,208	-
Other expenses	571	413	563
	<b>3,048</b>	<b>4,745</b>	<b>2,037</b>
<b>Income Before Income Tax Benefit and Equity in Undistributed Net Income (Excess Dividends) of Subsidiaries</b>	<b>36,714</b>	<b>36,441</b>	<b>49,460</b>
Income tax benefit	(1,172)	(1,930)	(890)
<b>Income Before Equity in Undistributed Net Income (Excess Dividends) of Subsidiaries</b>	<b>37,886</b>	<b>38,371</b>	<b>50,350</b>
Equity in undistributed net income (excess dividends) of subsidiaries	4,759	(10,262)	676
<b>Net Income</b>	<b>\$ 42,645</b>	<b>\$ 28,109</b>	<b>\$ 51,026</b>

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**CITY HOLDING COMPANY AND SUBSIDIARIES**

**Condensed Statements of Cash Flows**

(in thousands)	Year Ended December 31		
	2009	2008	2007
<b>Operating Activities</b>			
Net income	\$ 42,645	\$ 28,109	\$ 51,026
Adjustments to reconcile net income to net cash provided by operating activities:			
Realized investment securities losses	1,720	1,954	2
Amortization and accretion	19	17	12
Provision for depreciation	4	22	35
(Increase) in other assets	(161)	(463)	(1,511)
Increase (decrease) in other liabilities	573	(463)	(739)
(Equity in undistributed net income) excess dividends of subsidiaries	(4,759)	10,263	(676)
<b>Net Cash Provided by Operating Activities</b>	<b>40,041</b>	<b>39,439</b>	<b>48,149</b>
<b>Investing Activities</b>			
Purchases of available for sale securities	(2,753)	(5,312)	(2,555)
Proceeds from sales of available for sale securities	317	186	718
Investment in subsidiaries	2,600	(11,687)	(11,030)
<b>Net Cash Provided by (Used in) Investing Activities</b>	<b>164</b>	<b>(16,813)</b>	<b>(12,867)</b>
<b>Financing Activities</b>			
Proceeds from long-term debt	-	16,495	-
Redemption of junior subordinated debentures	-	(16,836)	-
Dividends paid	(21,675)	(21,483)	(20,601)
Purchases of treasury stock	(3,886)	(10,974)	(48,232)
Exercise of stock options	29	1,669	154
Excess tax benefits from stock-based compensation arrangements	-	266	3
<b>Net Cash Used in Financing Activities</b>	<b>(25,532)</b>	<b>(30,863)</b>	<b>(68,676)</b>
<b>Increase (Decrease) in Cash and Cash Equivalents</b>	<b>14,673</b>	<b>(8,237)</b>	<b>(33,394)</b>
Cash and cash equivalents at beginning of year	1,411	9,648	43,042
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$ 16,084</b>	<b>\$ 1,411</b>	<b>\$ 9,648</b>

**NOTE TWENTY-ONE**

**SUMMARIZED QUARTERLY FINANCIAL INFORMATION (UNAUDITED)**

A summary of selected quarterly financial information for 2009 and 2008 follows:

(in thousands, except per share data)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
<b>2009</b>				
Interest income	\$ 34,534	\$ 32,964	\$ 32,651	\$ 31,887
Taxable equivalent adjustment	220	219	236	234
Interest income (FTE)	34,754	33,183	32,887	32,121
Interest expense	9,780	9,526	8,995	8,302
Net interest income	24,974	23,657	23,892	23,819
Provision for loan losses	1,650	2,150	1,675	1,575
Investment securities (losses)	(2,075)	(332)	(2,320)	(1,437)
Noninterest income	14,508	14,619	14,660	14,360
Noninterest expense	18,834	20,336	18,802	19,216
Income before income tax expense	16,923	15,458	15,755	15,951
Income tax expense	5,779	5,093	5,022	4,639
Taxable equivalent adjustment	220	219	236	234
Net income	\$ 10,924	\$ 10,146	\$ 10,497	\$ 11,078
Basic earnings per common share	\$ 0.69	\$ 0.64	\$ 0.66	\$ 0.70
Diluted earnings per common share	0.69	0.64	0.66	0.70
Average common shares outstanding:				
Basic	15,921	15,908	15,893	15,838
Diluted	15,933	15,949	15,952	15,897
<b>2008</b>				
Interest income	\$ 37,520	\$ 36,968	\$ 36,522	\$ 36,663
Taxable equivalent adjustment	214	204	200	200
Interest income (FTE)	37,734	37,172	36,722	36,863
Interest expense	13,601	11,494	10,241	10,582
Net interest income	24,133	25,678	26,481	26,281
Provision for loan losses	1,883	850	2,350	5,340
Investment securities gains (losses)	2	-	(27,467)	(10,800)
Noninterest income	17,316	14,195	14,709	13,981
Noninterest expense	19,899	18,761	19,246	17,766
Income (loss) before income tax expense	19,669	20,262	(7,873)	6,356
Income tax expense (benefit)	6,417	6,679	(5,516)	1,907
Taxable equivalent adjustment	214	204	200	200
Net income (loss)	\$ 13,038	\$ 13,379	\$ (2,557)	\$ 4,249
Basic earnings (loss) per common share	\$ 0.81	\$ 0.83	\$ (0.16)	\$ 0.26
Diluted earnings (loss) per common share	0.80	0.83	(0.16)	0.26
Average common shares outstanding:				
Basic	16,147	16,103	16,142	16,078
Diluted	16,205	16,167	16,195	16,100



**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**CITY HOLDING COMPANY AND SUBSIDIARIES**

The Company has revised certain amounts in its consolidated balance sheet and consolidated statements of changes in shareholders' equity for the quarterly periods ended March 31, 2009, June 30, 2009, and September 30, 2009 to correct an inadvertent clerical error that improperly reported incorrect amounts for the fair value of certain pooled trust preferred securities. This revision does not impact the consolidated statements of income or the consolidated statements of cash flows for any period presented. We have assessed the materiality of this error in accordance with Staff Accounting Bulletin (SAB) No. 108 and determined that the error was immaterial to previously reported amounts contained in our periodic reports. The effects of recording these immaterial corrections in our consolidated financial statements at March 31, 2009, June 30, 2009, and September 30, 2009 are presented below (in thousands):

	March 31, 2009	
	As Reported	As Revised
Investment securities available-for-sale, at fair value	\$ 459,014	\$ 463,912
Total investment securities	488,063	492,961
Net deferred tax assets	50,297	48,338
Total Assets	2,584,193	2,587,132
Total comprehensive income	7,450	10,389
Total Accumulated Other Comprehensive Loss	(14,073)	(11,134)
Total Shareholders' Equity	281,505	284,444

	June 30, 2009	
	As Reported	As Revised
Investment securities available-for-sale, at fair value	\$ 502,286	\$ 506,956
Total investment securities	531,315	536,985
Net deferred tax assets	45,694	43,426
Total Assets	2,626,317	2,629,719
Total comprehensive income – QTD	22,454	25,856
Total comprehensive income – YTD	15,004	18,406
Total Accumulated Other Comprehensive Loss	(9,215)	(5,813)
Total Shareholders' Equity	291,182	294,584

	September 30, 2009	
	As Reported	As Revised
Investment securities available-for-sale, at fair value	\$ 473,785	\$ 477,987
Total investment securities	502,464	506,666
Net deferred tax assets	36,672	34,991
Total Assets	2,596,236	2,598,757
Total comprehensive income – QTD	17,386	19,907
Total comprehensive income – YTD	39,840	42,361
Total Accumulated Other Comprehensive Loss	(2,326)	195
Total Shareholders' Equity	301,452	303,973

**NOTE TWENTY-TWO**  
**EARNINGS PER SHARE**

The following table sets forth the computation of basic and diluted earnings per share:

(in thousands, except per share data)	2009	2008	2007
Net income available to common shareholders	\$ 42,645	\$ 28,109	\$ 51,026
Average shares outstanding	15,877	16,118	16,877
Effect of dilutive securities:			
Employee stock options	55	49	58
Shares for diluted earnings per share	15,932	16,167	16,935
Basic earnings per share	\$ 2.69	\$ 1.74	\$ 3.02
Diluted earnings per share	\$ 2.68	\$ 1.74	\$ 3.01

Options to purchase 199,418, 97,500 and 88,750 shares of common stock at exercise prices between \$31.32 and \$40.88, \$36.48 and \$40.88 and \$36.48 and 39.34 per share were outstanding during 2009, 2008 and 2007, respectively, but were not included in the computation of diluted earnings per share because the exercise price of the options was greater than the average market price of the common shares and therefore, the effect would be antidilutive.

Subsidiaries of City Holding Company

As of December 31, 2009, the subsidiaries, each wholly-owned, of City Holding Company included:

City National Bank of West Virginia 3601 MacCorkle Avenue S.E. Charleston, West Virginia	National Banking Association	Insured Depository Institution
City Financial Corporation 3601 MacCorkle Avenue S.E. Charleston, West Virginia	West Virginia Corporation	Inactive Securities Brokerage and Investment Advisory Company
City Mortgage Corporation Pittsburgh, Pennsylvania	Pennsylvania Corporation	Inactive Mortgage Banking Company
City Holding Capital Trust 25 Gatewater Road Charleston, West Virginia	Delaware Business Trust	Inactive Special-purpose Statutory Trust
City Capital Management Company 300 Delaware Avenue Wilmington, Delaware	Delaware Corporation	Capital Management Company
City Holding Capital Trust 25 Gatewater Road Charleston, West Virginia	Delaware Business Trust	Special-purpose Statutory Trust

Consent of Independent Registered Public Accounting Firm

We consent to the inclusion in this Annual Report (Form 10-K) of City Holding Company for the year ended December 31, 2009, of our reports dated March 29, 2010, with respect to the consolidated financial statements of City Holding Company and the effectiveness of internal control over financial reporting of City Holding Company.

We also consent to the incorporation by reference in the following Registration Statements:

- 1) Registration Statement (Forms S-8 Nos. 333-115282 and 333-87667) of City Holding Company pertaining to the 2003 Incentive Plan and the 1993 Stock Incentive Plan, and
- 2) Registration Statement (Form S-3 No. 333-155344) of City Holding Company

of our reports dated March 29, 2010, with respect to the consolidated financial statements of City Holding Company and the effectiveness of internal control over financial reporting of City Holding Company included in the Annual Report (Form 10-K) for the year ended December 31, 2009.

/s/ Ernst & Young LLP

March 29, 2010  
Charleston, West Virginia

**CERTIFICATION**

I, Charles R. Hageboeck certify that:

1. I have reviewed this Annual Report on Form 10-K of City Holding Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rule 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 29, 2010

/s/ Charles R. Hageboeck

Charles R. Hageboeck  
President and Chief Executive Officer

CERTIFICATION

I, David L. Bumgarner certify that:

1. I have reviewed this Annual Report on Form 10-K of City Holding Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rule 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 29, 2010

/s/ David L. Bumgarner

David L. Bumgarner  
Senior Vice President, Chief Financial Officer and Principal Accounting Officer



**CERTIFICATION PURSUANT TO**  
**18 U.S.C. SECTION 1350,**  
**AS ADOPTED PURSUANT TO**  
**SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report on Form 10-K of City Holding Company (the "Company") for the period ending December 31, 2009 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Charles R. Hageboeck, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: March 29, 2010

/s/ Charles R. Hageboeck  
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Charles R. Hageboeck  
President and Chief Executive Officer

**CERTIFICATION PURSUANT TO**

**18 U.S.C. SECTION 1350,**

**AS ADOPTED PURSUANT TO**

**SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report on Form 10-K of City Holding Company (the "Company") for the period ending December 31, 2009 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, David L. Bumgarner, Senior Vice President, Chief Financial Officer and Principal Accounting Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: March 29, 2010

/s/ David L. Bumgarner  
David L. Bumgarner  
Senior Vice President, Chief Financial Officer and Principal Accounting  
Officer