ROPER INDUSTRIES INC /DE/
Form 424B5
December 10, 2003

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The information in this prospectus supplement and the accompanying prospectus is not complete and may be changed. This prospectus supplement and the accompanying prospectus are not an offer to sell these securities and are not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

Filed Pursuant to Rule 424(b)(5)
Registration No. 333-110491

Subject to Completion
Preliminary Prospectus Supplement dated December 8, 2003

PROSPECTUS SUPPLEMENT

(To prospectus dated December 1, 2003)

3,955,000 Shares

Common Stock

Our common stock is listed on the New York Stock Exchange under the symbol ROP. On December 3, 2003, the last reported sale price for our common stock as reported on the New York Stock Exchange was $50.57 per share.

We will use the proceeds from this offering, together with borrowings under our new senior secured credit facility, to pay for our acquisition of Neptune Technology Group Holdings Inc., or NTGH, repay our existing credit facility and pay related fees and expenses.

Concurrently with this offering, we are offering, by means of a separate prospectus supplement, senior subordinated convertible notes of $150 million principal amount at issuance, assuming the underwriters overallotment option is not exercised. We will use all of the proceeds from the notes offering to redeem our outstanding senior notes. The closing of this offering is conditioned upon the completion of our new senior secured credit facility and the NTGH acquisition. We refer you to Prospectus Supplement Summary Acquisition Financing and Related Transactions in this prospectus supplement. We expect this offering to close concurrently with the notes offering, our new senior secured credit facility and the NTGH acquisition.

Holders of shares purchased in this offering will initially be entitled to one vote per share. Holders of our common stock who have held their shares for at least four years without a change in beneficial ownership are entitled to five votes per share. If there is no change in beneficial ownership of the shares you purchase in this offering for at least four years, the shares will become entitled to five votes per share until a change in beneficial ownership occurs, at which time the shares will revert to one vote per share for a period of at least four years. See Description of Common Stock in the accompanying prospectus.

Investing in our common stock involves risks. See Risk Factors beginning on page S-18 of this prospectus supplement.

	Per Share	Total
Public offering price	$	$
Underwriting discount	$	$
Proceeds, before expenses, to us	$	$

The underwriters may also purchase up to an additional 593,250 shares from us at the public offering price less the underwriting discount, within 30 days from the date of this prospectus supplement to cover any overallotments.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The shares will be ready for delivery on or about December , 2003.

Sole Book-Running Manager

Merrill Lynch & Co.

JPMorgan **Wachovia Securities**

Robert W. Baird & Co.

JMP Securities **McDonald Investments Inc.** **SunTrust Robinson Humphrey**

The date of this prospectus supplement is , 2003.

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We have not authorized anyone to provide you with any information other than the information contained or incorporated by reference in this prospectus supplement and the accompanying prospectus. This document may only be used where it is legal to offer and sell the common stock.

This prospectus supplement is part of, and you should read it in conjunction with, the accompanying prospectus. Unless the context otherwise requires, references in this prospectus supplement to Roper, we, us and our and similar references refer to Roper Industries, Inc., a Delaware corporation, and its consolidated subsidiaries, including, after giving effect to the NTGH acquisition, NTGH. NTGH refers to Neptune Technology Group Holdings Inc., a Delaware corporation, and its consolidated subsidiaries.

This prospectus supplement and the accompanying prospectus contain some of our and NTGH s trademarks and service marks.

Market and industry data used throughout this prospectus supplement and the accompanying prospectus, including information relating to market share and trends, is based on our good faith estimates. These estimates were based on our review of internal surveys, independent industry publications and other publicly available information. Although we believe these sources are reliable, we have not independently verified this information.

Certain persons participating in this offering may engage in transactions that stabilize, maintain or otherwise affect the price of our common stock. Such transactions may include stabilization and the purchase of common stock to cover short positions. For a description of these activities, see Underwriting.

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Special Note Regarding Forward-Looking Statements

This prospectus supplement includes and incorporates by reference forward-looking statements within the meaning of the federal securities laws. All statements that are not historical facts are forward-looking statements. The words estimate, project, intend, expect, beli anticipate and similar expressions identify forward-looking statements. In particular, this prospectus supplement contains forward-looking statements regarding the NTGH acquisition and its benefits to our business, and as described in the risk factor We may not be able to realize the anticipated benefits from the NTGH acquisition and we may experience unforeseen liabilities in connection with the acquisition, we may not be able to realize these benefits to our business. Other forward-looking statements include statements regarding our expected financial position, business, financing plans, business strategy, business prospectus, revenues, working capital, liquidity, capital needs, interest costs and income and potential acquisitions.

Forward-looking statements are estimates and projections reflecting our best judgment and involve a number of risks and uncertainties that could cause actual results to differ materially from those suggested by the forward-looking statements. These statements are based on our management s beliefs and assumptions, which in turn are based on currently available information. Important assumptions relating to the forward-looking statements include, among others, assumptions regarding demand for our products, the cost, timing and success of product upgrades and new product introductions, raw materials costs, expected pricing levels, the timing and cost of expected capital expenditures, expected outcomes of pending litigation, competitive conditions, general economic conditions and expected synergies relating to acquisitions, joint ventures and alliances. These assumptions could prove inaccurate. Although we believe that the estimates and projections reflected in the forward-looking statements are reasonable, our expectations may prove to be incorrect. In particular, the forward-looking statements regarding the NTGH acquisition are subject to the risks described in Risk Factors. Important factors that could cause actual results to differ materially from our other estimates or projections contained in the forward-looking statements include:

- our ability to realize the anticipated benefits from the NTGH acquisition;
- any unforeseen liabilities associated with the NTGH acquisition;
- limitations on our business imposed by our indebtedness;
- reductions in our business with Gazprom;
- unfavorable changes in foreign exchange rates;
- difficulties associated with exports;
- risks and costs associated with our international sales and operations;
- difficulty making acquisitions and successfully integrating acquired businesses;
- product liability and insurance risks and costs;
- our ability to achieve anticipated benefits from the realignment of our operating structure;
- the cyclical nature of our industry;
- future competition;
- changes in the supply of, or price for, parts and components;
- environmental compliance costs and liabilities;
- potential write-offs of our substantial intangible assets;

our ability to develop new products;

failure to protect our technology;

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- terrorist attacks;
- future health crises; and
- those factors listed in this prospectus supplement under "Risk Factors" as well as those included in our SEC filings incorporated by reference in this prospectus supplement and the accompanying prospectus.

We believe our forward-looking statements are reasonable; however, undue reliance should not be placed on any forward-looking statements, which are based on current expectations. Further, forward-looking statements speak only as of the date they are made, and we undertake no obligation to update publicly any of them in light of new information or future events.

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PROSPECTUS SUPPLEMENT SUMMARY

The following summary highlights selected information in this prospectus supplement. The summary does not contain all of the information that may be important to you, and you should carefully read the entire prospectus supplement and accompanying prospectus before deciding whether to invest in our common stock. In August 2003, we changed our fiscal year-end from October 31 to December 31 to more closely align our reporting periods with those of our customers. In this prospectus supplement and the accompanying prospectus, references to one of our fiscal years mean a year ended October 31 and references to one of NTGH s years means a year ended December 31. In this prospectus supplement, we use the terms adjusted EBITDA and free cash flow, which are financial measures not calculated in accordance with generally accepted accounting principles, or GAAP. We include reconciliations of these measures to the most directly comparable GAAP measures in Summary Consolidated Financial Data Roper, Summary Consolidated Financial Data NTGH and Summary Pro Forma Consolidated Financial Data. Unless otherwise noted herein, the information in this prospectus supplement assumes no exercise of the underwriters overallotment options in this offering and the notes offering.

Roper Industries

We design, manufacture and distribute engineered products and solutions for selected segments of a broad range of global markets. Our principal markets include oil and gas, scientific and industrial research, medical, semiconductor, refrigeration, automotive, water and wastewater, power generation and general industrial.

We pursue consistent and sustainable growth in sales and earnings by emphasizing continuous improvement in the operating performance of our existing businesses and by acquiring other carefully selected businesses that offer high value-added, engineered products and solutions and are capable of achieving and maintaining high margins. We compete in many niche markets and are the market leader or the competitive alternative to the market leader in the majority of these markets.

We believe that our financial results reflect the high value we provide to our customers, our continuous improvement initiatives, our end market and geographic diversification and our ability to acquire and integrate businesses successfully. From fiscal 1992, the year of our initial public offering, through our fiscal year ended October 31, 2002, our net sales have grown at a compound annual growth rate of 24% and earnings from continuing operations before change in accounting principle per share have grown at a compound annual growth rate of 27%. In fiscal 2002, we generated net sales of $617 million, adjusted EBITDA of $130 million, or 21% of net sales, cash flows from operating activities of $87 million, earnings from continuing operations before change in accounting principle of $66 million and net earnings of $40 million. During the nine months ended September 30, 2003, we generated net sales of $488 million, adjusted EBITDA of $96 million, or 20% of net sales, cash flows from operating activities of $58 million, earnings from continuing operations of $46 million and net earnings of $43 million and during the nine months ended September 30, 2002, we generated net sales of $455 million, adjusted EBITDA of $90 million, or 20% of net sales, cash flows from operating activities of $66 million and earnings from continuing operations and net earnings of $45 million.

Our Business Segments

In early 2003, we realigned our operations into four market-based segments: Instrumentation, Industrial Technology, Energy Systems and Controls and Scientific and Industrial Imaging.

Instrumentation. Our Instrumentation segment provides sophisticated products and solutions that prepare material samples for analysis, test fluid products for physical and elemental properties, detect leaks in consumer and industrial products, perform spectrographic analyses and dispense fluids with extremely high precision. This segment focuses primarily on the test, inspection and measurement applications in oil and gas, research and industrial markets. Our primary business units in this segment are Acton Research, Antek Instruments, Integrated Designs, Logitech, PAC, Struers and Uson.

Industrial Technology. Our Industrial Technology segment provides products and solutions for improving our customers productivity. Industrial Technology offerings include centrifugal, gear, progressing cavity and diaphragm pumps; refrigeration controls and systems; rotating machinery and process controls; and precision metering, measurement and valves for specialty applications. Our primary business units in this segment are Abel Pump, AMOT Controls, Cornell Pump, Flow Technology, Fluid Metering, Hansen Technologies and Roper Pump, which provide products and solutions largely for diverse industrial, energy, commercial refrigeration and water and wastewater markets.

Energy Systems and Controls. Our Energy Systems and Controls segment provides control, monitoring and inspection systems and services, which improve the quality, safety and efficiency of customer equipment and processes, primarily in the energy markets. We offer our customers technologies for vibration measurement and monitoring of rotating and reciprocating machinery, control systems for turbomachinery and non-destructive testing solutions used primarily in power plant maintenance. Our primary business units in this segment are Compressor Controls, Metrix and Zetec.

Scientific and Industrial Imaging. Our Scientific and Industrial Imaging segment provides solutions that enable research in life and physical sciences and are used in various industrial applications. Our products include digital imaging cameras, spectrographic systems, electron microscope accessories, high-speed digital video equipment and image processing software. Our primary business units in this segment are Gatan, Media Cybernetics, QImaging, Redlake and Roper Scientific.

Our Strengths

Strategic

Leadership in Niche Markets. We have developed and maintained a leading position in many of our markets. We believe our market positions are attributable to the technical sophistication of our products, the applications expertise used to create our advanced products and systems and our service capabilities.

Diversified End Markets and Geographic Reach. Over the past decade, we have strategically expanded the number of end markets we serve to increase revenue and business stability and expand our opportunities for growth. During that same period, we grew our global presence to the degree that sales to customers outside the U.S. accounted for $361 million for fiscal 2002, up from $23 million in fiscal 1992.

Disciplined Acquisition Process. Acquisitions are an important part of our growth strategy. Over the past decade, we have followed a disciplined acquisition process to complement our existing businesses and to migrate into higher growth areas. From fiscal 1992 through fiscal 2002, we completed 33 acquisitions for an aggregate investment of over $700 million.

Experienced Management Team. Our company combines disciplined corporate leadership with entrepreneurial business unit management to create stockholder value. We support the growth of our business units by providing strategic direction, assisting in the development of strategic initiatives, encouraging best practices among our business unit management teams, developing our managers skills through focused forums, setting appropriate compensation policies and incentives and providing financial support. We believe that our recent organizational change to four market-based segments, led by a strengthened executive team, will allow us to better capture synergistic benefits among our business units and accelerate organic growth.

Financial

Significant and Consistent Growth. A decade of disciplined execution of our operating and acquisition strategies has led to sustained growth in our net sales, net earnings and cash flow. From fiscal 1992 through fiscal 2002, our net sales and earnings from continuing operations before change in accounting principle per share have grown at compound annual growth rates of 24% and 27%, respectively. As a result of our strong operations management and emphasis on working capital improvement, our free cash flow (cash flows from operating activities minus capital expenditures) has exceeded net earnings every year since 1998. We consistently reinvest in research and development to maintain technological leadership in our markets.

Strong and Sustainable Margins. We have been able to obtain favorable pricing and attractive gross margins throughout the business cycle due to the high level of engineered content of our customer offerings and our market leadership positions. In each fiscal year since 1993, we have achieved gross margins in excess of 50%, and our margins are well above those of most comparable industrial companies.

Attractive Cash Flow Characteristics. Our favorable margins and selective use of capital have allowed us to produce strong cash flows. All of our business units are actively focused on reducing capital intensity and improving contributions to working capital. From fiscal 1992 through fiscal 2002, we grew adjusted EBITDA by a compound annual growth rate of 25%. For fiscal 2002, we achieved adjusted EBITDA margins of 21% and generated $87 million of cash flows from operating activities and free cash flow of $79 million.

Our Business Strategy

We create stockholder value through the disciplined execution of our strategy:

Engineered Content for Diverse Niche Markets. Our operating units grow their businesses through new product development and development of new applications for existing products to satisfy customer needs. In addition, our operating units continue to grow our customer base by expanding our distribution.

Strong Operations Management. We continuously seek to improve our operations to increase our margins and cash flow. Our business units employ initiatives such as process reengineering, lean manufacturing techniques and global sourcing to increase productivity and reduce costs. In fiscal 2002, we generated approximately $18 million of cash from working capital reductions and achieved gross margins of 54%.

Strategic Reinvestment of Cash Flow. We invest our strong cash flow in the development of new technologies and products, distribution channel management and operational improvements to drive organic growth and market expansion. We have increased our research and development spending by a compound annual growth rate of 39% since 1992, to $30 million in fiscal 2002, which represented 5% of our fiscal 2002 net sales. We also strategically invest our cash flow in a disciplined manner in acquisitions meeting our stated criteria:

- engineered, high value-added products and solutions;
- high gross margins;
- rapid cash return;
- opportunity for enhanced growth; and
- new strategic solutions and products.

The Neptune Technology Group Holdings Inc. Acquisition

On October 21, 2003, we entered into a stock purchase agreement to acquire NTGH, a leader in the water management market, for a cash purchase price of approximately $475 million, which is net of cash acquired and includes debt to be repaid. The closing of this offering is conditioned on the closing of the NTGH acquisition. In connection with our acquisition of NTGH, we intend to enter into an agreement to purchase the remaining one-third interest in DAP Technologies, a Canadian company that manufactures fully-rugged handheld computers, that NTGH does not own for total consideration of approximately $9.2 million.

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NTGH

NTGH operates in four lines of business:

meter products serving the water management market under the Neptune brand name;

automatic meter reading products and systems serving the water management market under the Neptune brand name;

fully-rugged handheld computers serving both utility and non-utility customers under the DAP Technologies brand name; and

software for route optimization, mapping and work order management under the DB Microware brand name.

Collectively, these technologies are brought together to provide a complete solution for measuring, metering and reading water consumption, primarily for North American residential markets. For over 110 years, many of the over 50,000 utilities and water systems throughout North America have used NTGH s water management systems and products to more efficiently and accurately measure water usage by consumers.

Meter Products. NTGH s meters currently account for approximately 35% of the installed base of approximately 70 million residential water meters in the U.S. In the commercial and industrial segments, NTGH offers fully integrated meters and metering systems for both potable and fire service use in high volume and high performance applications. Approximately 97% of NTGH s unit sales are for residential applications, while the remaining 3% are for commercial and industrial applications.

Automatic Meter Reading Products and Systems. NTGH s automatic meter reading, or AMR, systems allow for remote monitoring, measurement and reading of water usage. This feature reduces the labor costs required under manual methods, improves customer service through increased accuracy and faster identification of leaks, lowers environmental risks for meter-reading workers and enables utilities to bill customers more frequently and accurately. Since entering the radio frequency, or RF, segment of the AMR market in 1999, NTGH had increased its share of the AMR market to 16% and more than doubled its total AMR sales through 2002.

Fully-Rugged Handheld Computers. NTGH s DAP Technologies business unit is a growing business that manufactures fully-rugged handheld computers that serve utility and non-utility markets.

Software. NTGH s DB Microware business unit provides automation software for meter reading and service order management.

NTGH had net sales of $190 million for 2002 and $147 million for the nine months ended September 30, 2003, and employs approximately 800 people. NTGH s sales from AMR and water meters were roughly equivalent and represented the substantial majority of its net sales during 2002 and the nine months ended September 30, 2003, with the remainder of sales coming from fully-rugged handheld computers and automation software.

Strategic Benefits of the NTGH Acquisition

We expect to realize a number of strategic benefits as a result of the NTGH acquisition, including the following:

Furthering our Market Leadership in Niche Markets. NTGH is a market leader in North American residential water meters and AMR technologies, and also serves the global fully-rugged handheld computer market, which among other applications, includes applications for water utilities. NTGH offers a complete range of products from meters to the most innovative solutions available using RF capabilities, handheld computers and meter reading software.

Establishing a Strong Platform in the Attractive Water Management Market. The North American water management market is growing as utilities demand more accurate and reliable water management

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solutions to meet water conservation and operational efficiency goals. We believe that the North American residential water meter and AMR markets currently represent a combined $550 million annual market, with meters experiencing steady growth and AMR growing at an approximate 28% compound annual growth rate since 1999. The growth of the AMR market is an example of technological innovation being embraced by water utilities seeking to achieve improved operational efficiencies, service levels, billing cycles and conservation. We believe the migration of utilities from standard water meters to water management systems increases the market opportunity for NTGH. In addition, we believe NTGH s large installed base, strong relationships with many of the over 50,000 utilities and water systems in its current markets and its broad product offerings, including fully-rugged handheld computers and software, provide it with a strong growth platform.

Positioning our Portfolio in Attractive Markets. The NTGH acquisition positions our portfolio in attractive end markets with a stable and diversified customer base. In addition, we believe that the NTGH acquisition will provide us with a more stable mix of geographic end markets. Giving effect to the NTGH acquisition, on a combined basis in fiscal 2002, our largest net sales and market concentration would have been 25% in the water and wastewater markets, and net sales into North America would have represented 58% of total net sales. We believe that our combined end markets and geographic territories provide stability and attractive growth opportunities.

Enhancing Cash Flow Characteristics and Growth Profile. NTGH s strong adjusted EBITDA margins combined with its low working capital and capital expenditure requirements have provided significant cash flow. In 2002, NTGH generated $190 million in net sales, 20% higher than in 2001, and $54 million of adjusted EBITDA, representing a 28% margin. For the nine months ended September 30, 2003, NTGH generated $147 million in net sales, 6% higher than the nine months ended September 30, 2002, and $39 million of adjusted EBITDA, representing a 27% margin. Through internal product development and strategic investments, NTGH has become a leading provider of complete water management solutions. A key element of NTGH s growth strategy has been to migrate its customers to more efficient, higher value products. We believe this movement of customers to higher technology water management solutions combined with our market-focused philosophy, should improve our margins, cash flow and growth.

Roper was incorporated in Delaware in 1981. Our principal executive offices are located at 2160 Satellite Boulevard, Suite 200, Duluth, Georgia 30097, and our telephone number is (770) 495-5100.

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Acquisition Financing and Related Transactions

We are offering the common stock in connection with our acquisition of NTGH. We are acquiring NTGH for a cash purchase price of approximately $475 million, which is net of cash acquired and includes debt to be repaid, as more fully described under The Acquisition. Concurrently with this offering, we are offering, by means of a separate prospectus supplement, senior subordinated convertible notes of $150 million principal amount at issuance. In addition, in connection with the NTGH acquisition, we will enter into a new $625 million senior secured credit facility consisting of a five-year term loan and a three-year revolving credit facility. See Description of Certain Indebtedness. We expect this offering to close concurrently with the notes offering, our new senior secured credit facility and the NTGH acquisition.

The closing of this offering of our common stock is conditioned upon:

the completion of our new senior secured credit facility; and

the completion of the NTGH acquisition.

We will use the proceeds from this offering, together with borrowings under our new senior secured credit facility, to pay for the NTGH acquisition and the cash portion of the DAP Technologies acquisition, repay our existing credit facility and pay related fees and expenses. We will use all of the proceeds from the notes offering to redeem our outstanding senior notes. In addition to paying $7.5 million in cash in connection with the DAP Technologies acquisition, we also intend to issue 34,000 shares of our common stock. In this prospectus supplement, we refer to all of the foregoing transactions as the Transactions.

The following table sets forth the estimated sources and uses of funds relating to the Transactions, assuming that the Transactions had occurred on September 30, 2003 (in thousands):

Sources of Funds		Uses of Funds	
Common stock offered hereby(1)	$200,004	NTGH acquisition(4)	$475,000
Senior subordinated convertible notes offering(1)	150,000	Cash portion of DAP Technologies acquisition(5)	7,500
Borrowings under our new senior secured credit facility(2)(3)	476,662	Repayment of indebtedness under our existing credit facility(3)	162,266
		Redemption of our outstanding senior notes(6)	147,900
		Fees and expenses(7)	34,000
Total sources of funds	$826,666	Total uses of funds	$826,666

(1) Does not reflect the underwriting discounts and expenses payable by us in connection with the offerings.

(2) In connection with the Transactions, we will borrow $26.7 million under our new revolving credit facility to repay indebtedness under our existing credit facility. After giving pro forma effect to these borrowings, we would have approximately $148.3 million available for borrowing under our new revolving credit facility.

(3) Upon the closing of the NTGH acquisition, the new senior secured credit facility will replace our existing credit facility. As of September 30, 2003, $162.3 million was outstanding under our existing credit facility. The weighted average interest rate on our existing credit facility as of September 30, 2003 was 2.65%.

(4) Includes NTGH s existing debt to be repaid in connection with the NTGH acquisition.

(5) NTGH currently owns two-thirds of DAP Technologies. In connection with our acquisition of NTGH, we intend to purchase the remaining one-third interest in DAP Technologies for

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approximately $9.2 million, consisting of cash consideration of $7.5 million and 34,000 shares of our common stock.

(6) We currently have $125 million of senior notes outstanding. In connection with the redemption of these notes, we will be required to pay a make-whole payment of $22.9 million. We intend to take a charge for this amount in the quarter in which the senior notes are redeemed, less a tax benefit of $8.0 million.

(7) Includes the underwriting discounts and other expenses incurred or to be incurred in connection with the Transactions.

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The Offering

Common stock offered by us in this offering	3,955,000 shares
Common stock outstanding after the offering(1)	35,770,905 shares
Voting rights	Holders of all outstanding shares of our common stock vote together as one class on all matters submitted to a vote of our stockholders. Holders of shares purchased in this offering will initially be entitled to one vote per share. Holders of our common stock who have held their shares for at least four years without a change in beneficial ownership are entitled to five votes per share. If there is no change in beneficial ownership of the shares you purchase in this offering for at least four years, the shares will become entitled to five votes per share until a change in beneficial ownership occurs, at which time the shares will revert to one vote per share for a period of at least four years. See Description of Common Stock in the accompanying prospectus.
Use of proceeds	We intend to use the proceeds from this offering, together with borrowings under our new senior secured credit facility, to pay for the NTGH acquisition and the cash portion of the DAP Technologies acquisition, repay our existing credit facility and pay related fees and expenses. We intend to use all of the proceeds from the concurrent notes offering to redeem our outstanding senior notes.
Risk factors	See Risk Factors beginning on page S-18 of this prospectus supplement for a discussion of factors you should carefully consider before deciding to invest in shares of our common stock.
New York Stock Exchange Symbol	ROP

(1) The number of shares of our common stock outstanding after the offering are based on the number of shares outstanding as of September 30, 2003 and excludes:

593,250 shares issuable upon any exercise of the underwriters overallotment option;

2,524,616 shares issuable upon the exercise of stock options outstanding as of September 30, 2003, which had a weighted average exercise price of $32.56 per share;

1,664,758 shares issuable upon the exercise of options reserved for grant under our stock option plans as of September 30, 2003;

34,000 shares to be issued in connection with the DAP Technologies acquisition; and

shares reserved for issuance upon conversion of our senior subordinated convertible notes being offered in the notes offering.

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Summary Consolidated Financial Data Roper

The following summary consolidated financial data for and as of the end of each of the three fiscal years ended October 31, 2002 are derived from our audited consolidated financial statements. Our consolidated financial statements for and as of the end of each of the three years ended October 31, 2002 were audited by PricewaterhouseCoopers LLP, independent accountants. In August 2003, we changed our fiscal year-end from October 31 to December 31 effective as of January 1, 2003, with the two months ended December 31, 2002 being the transition period. The summary consolidated financial data as of and for the two months ended December 31, 2001 and December 31, 2002 and for the nine months ended September 30, 2002 and September 30, 2003 were derived from our unaudited consolidated financial statements and, in our opinion, reflect all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of the data for those periods. Our results of operations for the nine months ended September 30, 2003 may not be indicative of results that may be expected for the full fiscal year.

We filed an amendment to our annual report on Form 10-K for the fiscal year ended October 31, 2002 on November 3, 2003 to restate our consolidated financial statements as of October 31, 2001 and 2002 and for the three years ended October 31, 2002 to reflect the discontinued operations of our Petrotech operation and the realignment of our operations into four new segments.

You should read the table below in conjunction with Management s Discussion and Analysis of Financial Condition and Results of Operations Roper and our consolidated financial statements and related notes included elsewhere in this prospectus supplement.

	Year Ended October 31,			Two Months Ended December 31,		Nine Months Ended September 30,	
	2000	2001	2002	2001	2002	2002	2003
				(unaudited)		(unaudited)	
	(in thousands, except per share amounts and percentages)						
Statement of operations data:							
Net sales	$469,999	$562,955	$617,462	$ 86,904	$83,885	$455,375	$ 487,562
Gross profit	252,522	304,750	333,755	45,334	41,565	244,927	257,058
Income from operations	88,662	100,866	115,545	10,517	4,568	81,142	78,796
Earnings from continuing operations before change in accounting principle(1)	49,575	57,415	66,438	5,052	853	44,945	46,164
Net earnings (loss)	49,278	55,839	40,053	(20,918)	853	44,615	43,342(2)
Earnings per common share from continuing operations before change in accounting principle:							
Basic	$ 1.63	$ 1.87	$ 2.13	$ 0.17	$ 0.04	$ 1.44	$ 1.47
Diluted	1.59	1.82	2.09	0.17	0.04	1.41	1.45
Net earnings (loss) per common share:							
Basic	$ 1.62	$ 1.82	$ 1.28	$ (0.68)	$ 0.03	$ 1.43	$ 1.38
Diluted	1.58	1.77	1.26	(0.66)	0.03	1.40	1.36
Dividends per common share	$ 0.28	$ 0.30	$ 0.33	$ 0.0825	$0.0875	$ 0.2475	$ 0.2625
Other financial data:							
Cash flows from operating activities	$ 67,799	$102,439	$ 86,758	$ 1,012	$ 7,381	$ 65,510	$ 57,770
Adjusted EBITDA(3)	111,213	132,000	130,164	14,658	7,367	89,710	95,892
Adjusted EBITDA margin(4)	23.7%	23.4%	21.1%	16.9%	8.8%	19.7%	19.7%
Capital expenditures	(14,935)	(7,432)	(7,738)	(2,016)	(658)	(4,502)	(8,084)
Free cash flow(5)	52,864	95,007	79,020	(1,004)	6,723	61,008	49,686

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	At October 31, 2000	At October 31, 2001	At October 31, 2002	At December 31, 2002	At September 30, 2003
				(unaudited)	(unaudited)
	(in thousands)				
Balance sheet data:					
Working capital	$136,909	$135,972	$118,590	$115,238	$142,692
Total assets	596,902	762,122	828,973	821,805	835,677
Long-term debt, less current portion	234,603	323,830	311,590	308,684	287,470
Stockholders equity	270,191	323,506	376,012	380,981	441,728

	Year Ended October 31, 2002	Nine Months Ended September 30, 2003
	(in thousands, except percentages)	
Combined Financial Data:		
Combined adjusted EBITDA(3)(6)	$186,071	$136,013
Combined adjusted EBITDA margin(4)	23.1%	21.4%

(1) There was no impact for change in accounting principle for the nine months ended September 30, 2002 and 2003.

(2) Net earnings for the nine months ended September 30, 2003 reflect costs of $5.2 million from restructuring activities following the realignment of our operations into new segments. These costs are included in costs of goods sold and selling, general and administrative expenses.

(3) Adjusted EBITDA is a supplemental non-GAAP financial measure. EBITDA is commonly defined as net earnings plus (a) interest expense, (b) income taxes and (c) depreciation and amortization. Our definition of adjusted EBITDA is different from EBITDA because we also add the following items to net earnings: (a) loss from discontinued operations during each period, (b) restructuring costs included in cost of goods sold and selling, general and administrative expenses (as described in note 2 above), (c) change in accounting principle and (d) loss on extinguishment of debt. However, adjusted EBITDA for Roper for the periods presented does not add any loss on extinguishment of debt back to net earnings since none is applicable for the periods presented. We use adjusted EBITDA, in addition to net earnings, operating income, cash flows from operating activities and free cash flow, to assess our performance and believe it is important for investors to be able to evaluate us using the same measures used by management. We believe this measure is an important indicator of our operational strength and performance of our business because it provides a link between profitability and operating cash flow. In addition, we use adjusted EBITDA, as opposed to EBITDA, because adjusted EBITDA adds back items to net earnings which we believe are generally not operational in nature and not indicative of core operating performance of our continuing operations. We also believe that adjusted EBITDA is a supplemental measurement tool used by analysts and investors to help evaluate a company s overall operating performance by including only transactions related to core cash operating business activities.

Adjusted EBITDA as calculated by us is not necessarily comparable to similarly titled measures reported by other companies. In addition, adjusted EBITDA: (a) does not represent net income or cash flows from operations as defined by GAAP; (b) is not necessarily indicative of cash available to fund our cash flow needs; and (c) should not be considered as an alternative to net earnings, operating income, cash flows from operating activities or our other financial information determined under GAAP.

We believe the line on our consolidated statement of operations entitled net earnings is the most directly comparable GAAP measure to adjusted EBITDA. The following table reconciles adjusted

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EBITDA on a consolidated basis to the line on our consolidated statement of operations entitled net earnings for the periods presented in the table above:

	Year Ended October 31,			Two Months Ended December 31,		Nine Months Ended September 30,	
	2000	2001	2002	2001	2002	2002	2003
	(in thousands)						
Net earnings	$ 49,278	$ 55,839	$ 40,053	$ (20,918)	$ 853	$ 44,615	$ 43,342
Interest expense	13,483	15,917	18,506	2,970	2,978	13,703	12,653
Income taxes	26,811	31,450	29,889	2,895	529	20,196	19,784
Depreciation and amortization	21,344	26,709	15,331	3,424	2,620	10,866	12,106
EBITDA	110,916	129,915	103,779	(11,629)	6,980	89,380	87,885
Loss from discontinued operations, net of taxes	297	1,576	415	317	387	330	2,822
Restructuring costs		509					5,185
Change in accounting principle			25,970	25,970			
Adjusted EBITDA	$ 111,213	$ 132,000	$ 130,164	$ 14,658	$ 7,367	$ 89,710	$ 95,892

(4) Adjusted EBITDA margin represents adjusted EBITDA as a percentage of net sales.

(5) Free cash flow is a supplemental non-GAAP financial measure. We define free cash flow as cash flows from operating activities minus capital expenditures. Free cash flow is one of the measures we use to evaluate our operating performance.

We use free cash flow internally to measure the amount of cash available for the repayment of indebtedness, for strategic acquisitions, to pay dividends and for potential stock repurchases. As a result, we believe free cash flow is a significant measure of our ability to generate long-term value and that it is useful for investors to know whether this ability is being enhanced or diminished as a result of our operating performance. We believe the presentation of free cash flow is relevant and useful for investors because it allows investors to view performance in a manner similar to the method used by management. In addition, free cash flow is also a primary measure used externally by our analysts and investors for purposes of valuation and comparing our operating performance to other industrial companies.

Free cash flow as calculated by us is not necessarily comparable to similarly titled measures reported by other companies.

In addition, free cash flow: (a) does not represent net earnings or cash flows from operations as defined by GAAP; (b) is not necessarily indicative of cash available to fund our cash flow needs; and (c) should not be considered as an alternative to cash flows from operating activities or our other financial information determined under GAAP.

We believe the line on our consolidated statement of operations entitled cash flows from operating activities is the most directly comparable GAAP measure to free cash flow. The following table reconciles free cash flow to the line on our consolidated statement of cash flows entitled cash flows from operating activities for the periods presented in the table above:

	Year Ended October 31,			Two Months Ended December 31,		Nine Months Ended September 30,	
	2000	2001	2002	2001	2002	2002	2003
	(in thousands)						
Cash flows from operating activities	$ 67,799	$ 102,439	$ 86,758	$ 1,012	$ 7,381	$ 65,510	$ 57,770
Capital expenditures	(14,935)	(7,432)	(7,738)	(2,016)	(658)	(4,502)	(8,084)

Free cash flow	$ 52,864	$ 95,007	$79,020	$(1,004)	$6,723	$61,008	$49,686

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(6) Represents adjusted EBITDA for Roper, after giving pro forma effect to the Transactions as if they had occurred at the beginning of the periods presented. We believe the line on our pro forma consolidated statement of operations entitled earnings from continuing operations before change in accounting principle is the most directly comparable GAAP measure to adjusted EBITDA. The following tables reconcile adjusted EBITDA to the line on our consolidated statement of operations entitled earnings from continuing operations before change in accounting principle for the periods presented in the tables above. Supplementally, we have also provided a reconciliation of our pro forma consolidated net earnings to net earnings from continuing operations before change in accounting principle. Our pro forma consolidated net earnings represent our pro forma consolidated earnings from continuing operations before change in accounting principle less (a) loss from discontinued operations, net of taxes, (b) change in accounting principle and (c) minority interest in consolidated subsidiaries. See note 3 above for a further discussion of adjusted EBITDA. For the purpose of presenting combined adjusted EBITDA information for the year ended October 31, 2002, the audited income statements of NTGH for the year ended December 31, 2002 have been utilized. The adjustment for minority interest in consolidated subsidiaries represents an adjustment to remove the impact of the DAP Technologies minority interest (which we intend to acquire as part of the Transactions) as this amount is not required to be presented in our pro forma results under Article 11 of Regulation S-X. See our Unaudited Pro Forma Consolidated Financial Information included elsewhere in this prospectus supplement for a description of the other adjustments for the Transactions.

	Year Ended October 31, 2002			
	Roper	NTGH	Adjustments for the Transactions	As Adjusted
	(in thousands)			
Earnings from continuing operations before change in accounting principle	$ 66,438	$ 13,402	$ 1,941	$ 81,781
Loss from discontinued operations, net of taxes	(415)			(415)
Change in accounting principle	(25,970)			(25,970)
Minority interest in consolidated subsidiaries		(1,575)	1,575	
Net earnings	40,053	11,827	3,516	55,396
Interest expense	18,506	12,880	(4,886)	26,500
Income taxes	29,889	7,833	1,045	38,767
Depreciation and amortization	15,331	20,439	1,900	37,670
EBITDA	103,779	52,979	1,575	158,333
Loss from discontinued operations, net of taxes	415			415
Restructuring costs				
Change in accounting principle	25,970			25,970
Loss on extinguishment of debt		1,353		1,353
Adjusted EBITDA	$ 130,164	$ 54,332	$ 1,575	$ 186,071

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	Nine Months Ended September 30, 2003			
	Roper	NTGH	Adjustments for the Transactions	As Adjusted
	(in thousands)			
Earnings from continuing operations before change in accounting principle	$46,164	$ (975)	$ 4,758	$ 49,947
Loss from discontinued operations, net of taxes	(2,822)			2,822
Change in accounting principle				
Minority interest in consolidated subsidiaries		(817)	817	
Net earnings (loss)	43,342	(1,792)	5,575	47,125
Interest expense	12,653	14,867	(7,920)	19,600
Income taxes	19,784	451	2,562	22,797
Depreciation and amortization	12,106	16,449	600	29,155
EBITDA	87,885	29,975	817	118,677
Loss from discontinued operations, net of taxes	2,822			2,822
Restructuring costs	5,185			5,185
Change in accounting principle				
Loss on extinguishment of debt		9,329		9,329
Adjusted EBITDA	$95,892	$39,304	$ 817	$136,013

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Summary Consolidated Financial Data NTGH

NTGH did not conduct business until November 1, 2001, when it acquired a division of Schlumberger that was engaged in the production and sale of AMR equipment and software and water meters principally sold into North American water utility markets. For financial reporting purposes the results of operations for the Schlumberger division are reported separately as set forth below from the results of operations of NTGH subsequent to the November 1, 2001 acquisition. The following summary consolidated financial data for the ten months ended October 31, 2001, for and as of the two months ended December 31, 2001 and for and as of the end of the year ended December 31, 2002 are derived from NTGH s audited consolidated financial statements which were audited by PricewaterhouseCoopers LLP, independent accountants. The summary consolidated financial data as of and for the nine months ended September 30, 2002 and September 30, 2003 were derived from NTGH s unaudited consolidated financial statements and, in NTGH s opinion, reflect all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of the data for those periods. NTGH s results of operations for the nine months ended September 30, 2003 may not be indicative of results that may be expected for the full fiscal year. You should read the table below in conjunction with Management s Discussion and Analysis of Financial Condition and Results of Operations NTGH and NTGH s consolidated financial statements and related notes included elsewhere in this prospectus supplement.

	Ten Months Ended October 31, 2001	Two Months Ended December 31, 2001	Year Ended December 31, 2002	Nine Months Ended September 30, 2002	Nine Months Ended September 30, 2003
				(unaudited)	
	(in thousands, except percentages)				
Statement of operations data:					
Revenues	$130,951	$27,498	$189,544	$138,681	$147,473
Gross profit	52,755	7,474	80,333	58,690	63,700
Operating income	25,290	1,273	34,540	26,138	26,228
Net income (loss)(1)	13,197	(606)	11,827	8,847	(1,792)
Other financial data:					
Cash flows from operating activities(1)	$ 19,226	$ 9,137	$ 47,755	$ 35,554	$ 30,589
Adjusted EBITDA(2)	31,666	4,548	54,332	40,775	39,304
Adjusted EBITDA margin(3)	24.2%	16.5%	28.7%	29.4%	26.7%
Depreciation and amortization	6,718	3,141	20,439	14,977	16,449
Capital expenditures	3,325	555	5,852	4,450	4,254

	At December 31, 2001	At December 31, 2002	At September 30, 2003
			(unaudited)
	(in thousands)		
Balance sheet data:			
Working capital	$ 26,514	$ 38,896	$ 36,876
Total assets	346,742	368,690	368,242
Long-term debt, less current portion	206,433	200,529	277,304
Stockholders equity	118,325	130,457	10,040

(1) During April 2003, NTGH completed a recapitalization transaction. As part of the recapitalization, NTGH, among other transactions, entered into a new term loan and issued new senior subordinated notes, in part to refinance existing indebtedness, resulting in greater leverage and a higher weighted average interest rate. For the nine months ended September 30, 2002 and 2003, interest expense was $9.8 million and $14.9 million, respectively, and loss on extinguishment of debt was $1.4 million and $9.3 million, respectively.

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(2) Adjusted EBITDA is a supplemental non-GAAP financial measure. EBITDA is commonly defined as net income plus (a) interest expense, (b) income taxes and (c) depreciation and amortization. The definition of adjusted EBITDA is different from EBITDA because we also add the following items to net income (loss): (a) loss from discontinued operations, (b) restructuring costs included in cost of goods sold and selling, general and administrative expenses, (c) change in accounting principle and (d) loss on extinguishment of debt. However, NTGH s adjusted EBITDA does not add back loss from discontinued operations, restructuring costs or change in accounting principle to net income as NTGH did not experience such losses, costs or charges during the periods presented. Adjusted EBITDA is used, in addition to net income (loss), operating income, cash flows from operating activities, and free cash flow to assess NTGH s business performance and we believe it is important for investors to be able to evaluate NTGH and the NTGH acquisition using the same measures used by us. We believe this measure is an important indicator of NTGH s operational strength and performance of its business because it provides a link between profitability and operating cash flow. In addition, we use adjusted EBITDA, as opposed to EBITDA, because adjusted EBITDA adds back items to net income which we believe are generally not operational in nature and therefore not indicative of core operating performance. We believe that adjusted EBITDA is a supplemental measurement tool used by analysts and investors to help evaluate a company s overall operating performance, its ability to incur and service debt and its capacity for making capital expenditures by including only transactions related to core cash operating business activities.

Adjusted EBITDA as calculated by us is not necessarily comparable to similarly titled measures reported by other companies. In addition, adjusted EBITDA: (a) does not represent net income or cash flows from operations as defined by GAAP; (b) is not necessarily indicative of cash available to fund our cash flow needs; and (c) should not be considered as an alternative to net income, operating income, cash flows from operating activities or our other financial information determined under GAAP.

We believe the line on NTGH s consolidated statement of operations entitled net income is the most directly comparable GAAP measure to adjusted EBITDA. The following table reconciles adjusted EBITDA on a consolidated basis to the line on NTGH s consolidated statement of operations entitled net income for the periods presented in the table above:

	Ten Months Ended October 31, 2001	Two Months Ended December 31, 2001	Year Ended December 31, 2002	Nine Months Ended September 30, 2002	Nine Months Ended September 30, 2003	
			(in thousands)			
Net income (loss)	$ 13,197	$ (606)	$ 11,827	$ 8,847	$ (1,792)	
Interest expense	1,154	2,394	12,880	Other comprehensive gain, net of deferred income taxes of $4,431:		
Unrealized gains on available-for-sale securities of $2,911, net of taxes					1,748	1,748
Net unrealized gain on interest rate floors of $8,165, net of taxes					4,899	4,899
Total comprehensive income						19,685
Cash dividends declared ($0.34 per share)			(5,476)			(5,476)
Issuance of stock awards, net		(5)		278		273
Exercise of 5,700 stock options		(115)		191		76
		6				6

	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive (Loss)	Total Shareholders' Equity
Excess tax benefit on stock-basedcompensation						
Purchase of 104,960 treasury shares				(3,717)		(3,717)
Balances at March 31, 2008	$ 46,249	$ 103,276	$ 231,948	$ (83,912)	$ 7,280	$ 304,841

	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive (Loss)	Total Shareholders' Equity
Balances at December 31, 2008	$ 46,249	$ 102,895	$ 230,613	$ (88,729)	$ (10,599)	$ 280,429
Comprehensive income:						
Net income			10,924			10,924
Other comprehensive loss, net of deferred income taxes of 5,728:						
Unrealized losses on available-for-sale securities of $2,783, net of taxes					(1,688)	(1,688)
Net unrealized loss on interest rate floors of $2,945, net of taxes					(1,786)	(1,786)
Total comprehensive income						7,450
Cash dividends declared ($0.34 per share)			(5,410)			(5,410)
Issuance of stock awards, net		(94)		369		275
Exercise of 300 stock options		(4)		7		3
Purchase of 49,363 treasury shares				(1,242)		(1,242)
Balances at March 31, 2009	$ 46,249	$ 102,797	$ 236,127	$ (89,595)	$ (14,073)	$ 281,505

See notes to consolidated financial statements.

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Consolidated Statements of Cash Flows (Unaudited)
City Holding Company and Subsidiaries
(in thousands)

	Three Months Ended March 31 2009	2008
Operating Activities		
Net income	$ 10,924	$ 13,038
Adjustments to reconcile net income to net cash provided by operating activities:		
Amortization and accretion	(61)	(439)
Provision for loan losses	1,650	1,883
Depreciation of premises and equipment	1,211	1,133
Deferred income tax (benefit) expense	(739)	183
Accretion of gain from sale of interest rate floors	(1,786)	-
Net periodic employee benefit cost	50	12
Loss on early extinguishment of debt	-	1,208
Loss on disposal of premises and equipment	-	111
Realized investment securities losses (gains)	2,075	(2)
Increase in value of bank-owned life insurance	(731)	(676)
(Increase) Decrease in accrued interest receivable	(800)	692
Decrease (Increase) in other assets	5,937	(19,159)
(Decrease) Increase in other liabilities	(13,688)	8,643
Net Cash Provided by Operating Activities	4,042	6,627
Investing Activities		
Proceeds from maturities and calls of securities held-to-maturity	-	1,145
Proceeds from sale of money market and mutual fund securities available-for-sale	72,034	314,400
Purchases of money market and mutual fund securities available-for-sale	(121,215)	(372,304)
Proceeds from sales of securities available-for-sale	86	2,065
Proceeds from maturities and calls of securities available-for-sale	20,167	15,122
Purchases of securities available-for-sale	(11,139)	(38,664)
Net decrease in loans	19,713	62,365
Sales of premises and equipment	-	340
Purchases of premises and equipment	(2,762)	(1,093)
Investment in bank-owned life insurance	-	(3,000)
Redemption of VISA stock	-	2,334
Net Cash Used in Investing Activities	(23,116)	(17,290)
Financing Activities		
Net increase (decrease) in noninterest-bearing deposits	15,333	(3,585)
Net increase in interest-bearing deposits	69,137	32,149
Net (decrease) in short-term borrowings	(69,850)	(5,702)
Proceeds from long-term debt	-	16,495
Repayment of long-term debt	(21)	(29)
Redemption of trust preferred securities	-	(17,569)
Purchases of treasury stock	(1,242)	(3,717)

Proceeds from exercise of stock options		3		76
Excess tax benefits from stock-based compensation arrangements		-		6
Dividends paid		(5,422)		(5,022)
Net Cash Provided by Financing Activities		7,938		13,102
(Decrease) Increase in Cash and Cash Equivalents		(11,136)		2,439
Cash and cash equivalents at beginning of period		59,629		74,518
Cash and Cash Equivalents at End of Period	$	48,493	$	76,957

See notes to consolidated financial statements.

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Notes to Consolidated Financial Statements (Unaudited)
March 31, 2009
Note A – Basis of Presentation

The accompanying consolidated financial statements, which are unaudited, include all of the accounts of City Holding Company ("the Parent Company") and its wholly-owned subsidiaries (collectively, "the Company"). All material intercompany transactions have been eliminated. The consolidated financial statements include all adjustments that, in the opinion of management, are necessary for a fair presentation of the results of operations and financial condition for each of the periods presented. Such adjustments are of a normal recurring nature. The results of operations for the three months ended March 31, 2009 are not necessarily indicative of the results of operations that can be expected for the year ending December 31, 2009. The Company's accounting and reporting policies conform with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Such policies require management to make estimates and develop assumptions that affect the amounts reported in the consolidated financial statements and related footnotes. Actual results could differ from management's estimates.

The consolidated balance sheet as of December 31, 2008 has been derived from audited financial statements included in the Company's 2008 Annual Report to Shareholders. Certain information and footnote disclosures normally included in annual financial statements prepared in accordance with U.S. generally accepted accounting principles have been omitted. These financial statements should be read in conjunction with the financial statements and notes thereto included in the 2008 Annual Report of the Company.

Note B –Previously Securitized Loans

Between 1997 and 1999, the Company completed six securitization transactions involving approximately $760 million in 125% of fixed rate, junior-lien underlying mortgages. 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 recoveries, and outstanding collateral balances of previously securitized loans for the dates presented:

(in thousands)	As of and for the Three Months Ended March 31, 2009	As of and for the Three Months Ended March 31, 2008	As of and for the Year Ended December 31, 2008
Previously Securitized Loans:			
Total principal amount of loans outstanding	$ 18,251	$ 22,532	$ 18,955
Discount	(14,497)	(16,507)	(14,733)
Net book value	$ 3,754	$ 6,025	$ 4,222
Principal amount of loans between 30 and 89 days past due	$ 754	$ 819	$ 999
Principal amount of loans 90 days and above past due	64	78	10
Net credit recoveries during the period	264	228	351

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The Company accounts for the difference between the carrying value and the total expected cash flows from these loans as an adjustment of the yield earned 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. Additionally, the collectibility of previously securitized loans is evaluated over the remaining lives of the loans. An impairment charge on previously securitized loans would be provided through the Company's provision for loan losses if the discounted present value of estimated future cash flows declines below the recorded value of previously securitized loans. No such impairment charges were recorded for the three months ended March 31, 2009 and 2008, or for the year ending December 31, 2008.

As of March 31, 2009, the Company reported a book value of previously securitized loans of $3.8 million whereas the actual contractual outstanding balance of previously securitized loans at March 31, 2009 was $18.3 million. The difference ("the discount") between the book value and the expected total cash flows from previously securitized loans is being accreted into interest income over the estimated remaining life of the loans.

For the three months ended March 31, 2009 and 2008, the Company recognized $1.1 million and $1.6 million, respectively, of interest income from its previously securitized loans.

Note C – Short-term borrowings

The components of short-term borrowings are summarized below:

(in thousands)	March 31, 2009	December 31, 2008
Security repurchase agreements	$ 122,364	$ 122,904
Short-term advances	2,249	71,559
Total short-term borrowings	$ 124,613	$ 194,463

Securities sold under agreement to repurchase were sold to corporate and government customers as an alternative to available deposit products. The underlying securities included in repurchase agreements remain under the Company's control during the effective period of the agreements.

Note D – Long-Term Debt

The components of long-term debt are summarized below:

(dollars in thousands)	Maturity	March 31, 2009	Weighted Average Interest Rate
FHLB Advances	2010	$ 2,000	6.30%
FHLB Advances	2011	528	4.44%
Junior subordinated debentures owed to City Holding CapitalTrust III	2038 (a)	16,495	4.82%
Total long-term debt		$ 19,023	

(a) Junior Subordinated Debentures owed to City Holding Capital Trust III are redeemable prior to maturity at the option of the Company (i) in whole at any time or in part from time-to-time, at declining redemption prices ranging from 103.525% to 100.00% 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.

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The Company formed a statutory business trust, City Holding Capital Trust III ("Capital Trust III"), under the laws of Delaware. Capital Trust III was created for the exclusive purpose of (i) issuing trust-preferred capital securities ("Capital Securities"), which represent preferred undivided beneficial interests in the assets of the trust, (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 trusts are not included in the Company's consolidated financial statements.

The Capital Securities issued by the statutory business trust qualify as Tier 1 capital for the Company under the Federal Reserve Board guidelines. In March 2005, the Federal Reserve Board issued a final rule that allows the inclusion of trust preferred securities issued by unconsolidated subsidiary trusts in Tier 1 capital, but with stricter limits. Under ruling, after a five-year transition period, the aggregate amount of trust preferred securities and certain other capital elements would be limited to 25% of Tier 1 capital elements, net of goodwill. The amount of trust preferred securities and certain other elements in excess of the limit could be included in Tier 2 capital, subject to restrictions. In October 2008, the Federal Reserve Board delayed implementation of the new limits until March 2011. The Company expects to continue to include all of its $16 million in trust preferred securities in Tier 1 capital. The trust preferred securities could be redeemed without penalty if they were no longer permitted to be included in Tier 1 capital.

Note E – Employee Benefit Plans

The Company accounts for share-based compensation in accordance with SFAS No. 123R, "Share-Based Payment." A summary of the Company's stock option activity and related information is presented below for the three months ended March 31:

	2009		2008	
	Options	Weighted-Average Exercise Price	Options	Weighted-Average Exercise Price
Outstanding at January 1	270,455	$ 33.96	305,909	$ 32.05
Granted	17,500	27.98	11,500	40.88
Exercised	(300)	13.30	(5,700)	13.30
Forfeited	-	-	-	-
Outstanding at March 31	287,655	$ 33.62	311,709	$ 32.68

Additional information regarding stock options outstanding and exercisable at March 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)	Aggregate Intrinsic Value (in thousands)	No. of Options Currently Exercisable	Weighted-Average Exercise Price of Options Currently Exercisable	Weighted-Average Remaining Contractual Life (Months)	Aggregate Intrinsic Value of Options Currently Exercisable (in thousands)
$ 13.30	1,600	$ 13.30	34	$ 22	1,600	$ 13.30	34	$ 22
$ 26.62 - $33.90	187,555	31.22	75	1	133,930	31.68	64	-
$ 35.36 - $40.88	98,500	38.52	91	-	39,250	36.86	81	-

287,655	$	23	174,780	$	22

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Proceeds from stock options totaled approximately $0.1 million during the three months ended March 31, 2009 and 2008, respectively. 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 the three months ended March 31, 2009 and March 31, 2008 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 during the three months ended March 31, 2009 and 2008, respectively.

Stock-based compensation expense totaled $0.1 million for both the three months ended March 31, 2009 and March 31, 2008. Unrecognized stock-based compensation expense related to stock options totaled $0.8 million at March 31, 2009. At such date, the weighted-average period over which this unrecognized expense was expected to be recognized was 2.0 years.

The fair value of the options is estimated at the date of grant using a Black-Scholes option-pricing model. The following weighted average assumptions were used to estimate the fair value of options granted during the three months ended March 31:

	2009	2008
Risk-free interest rate	2.51%	3.14%
Expected dividend yield	4.83%	3.33%
Volatility factor	46.47%	52.89%
Expected life of option	8.0 years	8.0 years

The Company records compensation expense with respect to restricted shares in an amount equal to the fair market 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. Unrecognized stock-based compensation expense related to non-vested restricted shares was $0.9 million at March 31, 2009. At March 31, 2009, this unrecognized expense is expected to be recognized over 3.7 years based on the weighted average-life of the restricted shares.

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A summary of the Company's restricted shares activity and related information is presented below for the three months ended March 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	6,950	$ 35.04	2,775	$ 40.88
Forfeited/Vested	(566)		-	
Outstanding at March 31	42,559		34,593	

Subsequent to March 31, 2009, the Company's Board of Directors approved the grant of 46,275 restricted stock awards to certain executive officers of the Company on April 29, 2009. The fair value of these restricted awards was $30.06 on the date of grant. The vesting period for these restricted awards is seven to twelve years with a varying number of shares vesting per year.

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 they generate. The Company's total expense associated with the retirement benefit plan approximated $0.2 million for the three month periods ended March 31, 2009 and March 31, 2008.

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. The Company did not make any contributions to the Defined Benefit Plan during the three months ended March 31, 2009 and 2008.

The following table presents the components of the net periodic pension cost of the Defined Benefit Plan:

	Three months ended March 31,	
(in thousands)	2009	2008
Components of net periodic cost:		
Interest cost	$ 169	$ 166
Expected return on plan assets	(199)	(217)
Net amortization and deferral	80	63
Net Periodic Pension Cost	$ 50	$ 12

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Note F – Commitments and Contingencies

The Company is a party to certain financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of its customers. The Company has entered into agreements with 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. The Company also provides overdraft protection to certain demand deposit customers that represent an unfunded commitment. Overdraft protection commitments, which are included with other commitments below, are uncollateralized and are paid at the Company's discretion. 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 funded portion of these financial instruments is reflected in the Company's balance sheet, while the unfunded portion of these commitments is not reflected in the balance sheet. The table below presents a summary of the contractual obligations of the Company resulting from significant commitments:

(in thousands)	March 31, 2009	December 31, 2008
Commitments to extend credit:		
Home equity lines	$ 131,236	$ 129,794
Commercial real estate	32,944	34,025
Other commitments	173,672	173,522
Standby letters of credit	18,324	18,388
Commercial letters of credit	40	159

Loan commitments and standby 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.

Note G – Total Comprehensive Income

The following table sets forth the computation of total comprehensive income:

(in thousands)	Three months ended March 31, 2009	2008
Net income	$ 10,924	$ 13,038
Unrealized security (losses) gains arising during the period	(7,389)	2,911
Reclassification adjustment for losses included in income	4,606	2
	(2,783)	2,913
Unrealized (loss) gains on interest rate floors	(2,945)	8,165
Other comprehensive income before income taxes	5,196	24,116
Tax effect	2,254	(4,431)
Total comprehensive income	$ 7,450	$ 19,685

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Note H – Earnings per Share

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

(in thousands, except per share data)	Three months ended March 31, 2009	2008
Net income	$ 10,924	$ 13,038
Average shares outstanding	15,921	16,147
Effect of dilutive securities:		
Employee stock options	12	58
Shares for diluted earnings per share	15,933	16,205
Basic earnings per share	$ 0.69	$ 0.81
Diluted earnings per share	$ 0.69	$ 0.80

Options to purchase 284,055 and 59,000 shares of common stock at an exercise price between $28.00 and $40.88 and between $39.34 and $40.88 per share were outstanding during the first quarter of 2009 and the first quarter of 2008, respectively, but were not included in the computation of diluted earnings per share because the options' exercise price was greater than the average market price of the common shares and therefore, the effect would have been anti-dilutive.

Note I –Fair Value Measurements

Effective January 1, 2008, the Company adopted Statement of Financial Accounting Standard No. 157, ("SFAS No. 157"), "Fair Value Measurements", 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.

SFAS No. 157 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.

SFAS 157 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 SFAS No. 157 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.

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The Company used the following methods and significant assumptions to estimate fair value for assets and liabilities recorded at fair value.

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 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.

Dervivatives. 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.

The following table presents assets and liabilities measured at fair value on a recurring basis,

(in thousands)				
March 31, 2009	Total	Level 1	Level 2	Level 3
Assets:				
Investment Securities Available for Sale	$ 445,979	$ 59,925	$ 386,054	$ -
Derivative Assets	2,183	-	2,183	-
Previously Securitized Loans	3,754	-	-	3,754
Derivative Liabilities	2,183	-	2,183	-

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 three months ended March 31, 2009.

(in thousands)	Previously Securitized Loans
Beginning balance, January 1, 2009	$ 4,222
Principal Receipts and Recoveries (net)	(704)
Accretion	236
Transfers into Level 3	-
Ending Balance, March 31, 2009	$ 3,754

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 March 31, 2009, the Company has $19.8 million 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.

In accordance with Financial Accounting Standards Board Staff Position No. 157-2, "Effective Date of FASB Statement No. 157," the Company adopted SFAS No. 157 for non-financial assets and non-financial liabilities effective January 1, 2009.

The Company used the following methods and significant assumptions to estimate fair value for assets measured on a nonrecurring basis.

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 SFAS No. 114, "Accounting by Creditors for Impairment of a Loan," (SFAS No. 114). 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 March 31, 2009, substantially all of the impaired loans were evaluated based on the fair value of the collateral. In accordance with SFAS No. 157, 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.

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. Long-lived assets held for sale with a carrying amount of $3.3 million were written down $0.1 million, which is included in other non-interest expense, to their fair value of $3.2 million during the three months ended March 31, 2009.

Note J– Recent Accounting Pronouncements

In December 2007, the FASB issued Statement No. 141 (revised 2007) ("SFAS No. 141R"), "Business Combinations." SFAS No. 141R will significantly change how the acquisition method will be applied to business combinations. SFAS No. 141R 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 SFAS No. 141 whereby the cost of an acquisition was allocated to the individual assets acquired and liabilities assumed based on their estimated fair value. SFAS No. 141R 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 SFAS No. 141. Under SFAS No. 141R, the requirements of SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities," 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 purchase accounting and, instead, that contingency would be subject to the probable and estimable recognition criteria of SFAS No. 5, "Accounting for 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, SFAS No. 141(R) will require 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. SFAS No. 141(R) will be applicable to all business combinations completed by the Company on or after January 1, 2009.

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In December 2007, the FASB issued SFAS No. 160 (“SFAS No. 160”), “Noncontrolling Interest in Consolidated Financial Statements, an amendment of ARB Statement No. 51.” SFAS No. 160 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, SFAS No. 160 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. SFAS No. 160 became effective for the Company on January 1, 2009 and did not have a significant impact on the Company’s financial statements.

In March 2008, the FASB issued SFAS No. 161, (“SFAS No. 161”),"Disclosures About Derivative Instruments and Hedging Activities, an Amendment of FASB Statement No. 133." SFAS No. 161 applies to all derivative instruments and related hedged items accounted for under SFAS No. 133. SFAS No. 161 amends SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," to amend and expand the disclosure requirements of SFAS No. 133 to provide greater transparency about (i) how and why an entity uses derivative instruments, (ii) how derivative instruments and related hedge items are accounted for under SFAS No. 133 and its related interpretations, and (iii) how derivative instruments and related hedged items affect an entity's financial position, results of operations and cash flows. To meet those objectives, SFAS No. 161 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 March 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 March 31, 2009, the fair value of these instruments approximated $2.2 million. The Company adopted the provisions of SFAS No. 161 on January 1, 2009 and based on the immateriality of the outstanding derivatives, there was no significant impact on related disclosure in the Company's financial statements.

In June 2008, the FASB issued FSP EITF 03-6-1 (“FSP EITF 03-6-1”), “Determining Whether Instruments Granted in Share-Based Payment Transactions are Participating Securities”. FSP EITF 03-6-1 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 SFAS No. 128, “Earnings per Share.” FSP EITF 03-6-1 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 FSP EITF 03-6-1 January 1, 2009. The adoption of FSP EITF 03-6-1 did not have a material effect on the Company’s consolidated results of operations or earnings per share.

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In April 2009, the FASB issued FSP SFAS 157-4 ("FSP SFAS 157-4"), "Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly." FSP SFAS 157-4 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. FSP SFAS 157-4 requires an entity to base its conclusion about whether a transaction was not orderly on the weight of the evidence. FSP SFAS 157-4 also amended SFAS 157, "Fair Value Measurements," to expand certain disclosure requirements. FSP SFAS 157-4 is effective for interim and annual periods ending after June 15, 2009 and the Company does not expect that the adoption of FSP SFAS 157-4 will have a material effect on the Company's financial statements.

In April 2009, the FASB issued FSP SFAS 115-2 and SFAS 124-2 ("FSP SFAS 115-2 and SFAS 124-2), "Recognition and Presentation of Other-Than-Temporary Impairments." FSP SFAS 115-2 and SFAS 124-2 (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 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 FSP SFAS 115-2 and SFAS 124-2, 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. FSP SFAS 115-2 and SFAS 124-2 is effective for interim and annual periods ending after June 15, 2009 and the Company does not expect that the adoption of FSP SFAS 115-2 and SFAS 124-2 will have a material effect on the Company's financial statements.

In April 2009, the FASB issued FSP SFAS 107-1 and APB 28-1 (FSP SFAS 107-1 and APB 28-1"), "Interim Disclosures about Fair Value of Financial Instruments." FSP SFAS 107-1 and APB 28-1 amends SFAS 107, "Disclosures about Fair Value of Financial Instruments," to require an entity to provide disclosures about fair value of financial instruments in interim financial information and amends Accounting Principles Board (APB) Opinion No. 28, "Interim Financial Reporting," to require those disclosures in summarized financial information at interim reporting periods. Under FSP SFAS 107-1 and APB 28-1, a publicly traded company shall include disclosures about the fair value of its financial instruments whenever it issues summarized financial information for interim reporting periods. In addition, entities must disclose, in the body or in the accompanying notes of its summarized financial information for interim reporting periods and in its financial statements for annual reporting periods, the fair value of all financial instruments for which it is practicable to estimate that value, whether recognized or not recognized in the statement of financial position, as required by SFAS 107. The new interim disclosures required by FSP SFAS 107-1 and APB 28-1 will be included in the Company's interim financial statements beginning with the second quarter of 2009.

Item 2 – Management’s Discussion and Analysis of Financial Condition and Results of Operations

Critical Accounting Policies

The accounting policies of 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. 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 to the audited financial statements included in the Company’s 2008 Annual Report to Shareholders. The information included in this Quarterly Report on Form 10-Q, including the Consolidated Financial Statements, Notes to Consolidated Financial Statements, and Management’s Discussion and Analysis of Financial Condition and Results of Operations, should be read in conjunction with the financial statements and notes thereto included in the 2008 Annual Report of the Company. 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 previously securitized loans 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 23 - 27 of this Quarterly Report on Form 10-Q 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.

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 is currently open to audit under the statute of limitations by the Internal Revenue Service for the years ended December 31, 2005 through 2007. 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.

Note B, beginning on page 8 of this Quarterly Report on Form 10-Q, and pages 27-28 provide management’s analysis of the Company’s previously securitized loans. The carrying value of previously securitized loans is determined using assumptions with regard to 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. If, upon periodic evaluation, the estimate of the total probable collections is increased or decreased but is still greater than the sum of the original carrying amount less subsequent collections plus the discount accreted to date, and it is probable that collection will occur, the amount of the discount to be accreted is adjusted accordingly and the amount of periodic accretion is adjusted over the remaining lives of the loans. If, upon periodic evaluation, the discounted present value of estimated future cash flows declines below the recorded value of previously securitized loans, an impairment charge would be provided through the Company's provision for loan losses. Please refer to Note B of Notes to Consolidated Financial Statements, on pages 8 - 9 for further discussion.

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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 and near-term prospects of the issuer, and (iii) 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. As a result of this review, the Company recognized $2.2 million of other than temporary impairment charges during the quarter ended March 31, 2009. These impairment charges were related to pooled bank trust preferreds with a remaining book value of $8.9 million. At March 31, 2009, the Company's portfolio of perpetual callable preferred securities, preferred securities, and trust preferred securities primarily invested in regional banks have a total book value of $109.7 million and unrealized losses of $21.7 million. 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 our 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 has the ability and intent to hold these securities until the temporary losses recover or the securities are called or mature. 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.

Financial Summary

Three Months Ended March 31, 2009 vs. 2008

The Company reported consolidated net income of $10.9 million, or $0.69 per diluted common share, for the three months ended March 31, 2009, compared to $13.0 million, or $0.80 per diluted common share for the first three months of 2008. Return on average assets ("ROA") was 1.70% and return on average equity ("ROE") was 15.3% for the first three months of 2009, compared to 2.09% and 17.4%, respectively, for the first three months of 2008.

The Company's net interest income for the first three months of 2009 increased $0.8 million compared to the first three months of 2008 (see Net Interest Income). The Company recorded a provision for loan losses of $1.7 million for the first three months of 2009 while $1.9 million was recorded for the first three months of 2008 (see Allowance and Provision for Loan Losses). The Company recorded $2.2 million of investment impairment losses in the first three months of 2009 (see Non-Interest Income and Expense) while no such impairment charges were recognized in the first quarter of 2008. As further discussed under the caption Non-Interest Income and Expense, excluding investment impairment losses and the gain from the Visa initial public offering, non-interest income increased $0.5 million from the three months ended March 31, 2008, to the three months ended March 31, 2009. Excluding the loss on the early redemption of the trust preferred securities in the first quarter of 2008, non-interest expenses for the three months ended March 31, 2009 increased $0.1 million from the three months ended March 31, 2008.

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Net Interest Income

Three Months Ended March 31, 2009 vs. 2008

The Company's tax equivalent net interest income increased $0.9 million, or 3.5%, from $24.1 million during the first three months of 2008 to $25.0 million during the first three months of 2009, 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 increased from 4.40% for the quarter ended March 31, 2008 to 4.46% for the quarter ended March 31, 2009.

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 will be recognized over the remaining lives of the various hedged loans. During the first quarter of 2009, the Company recognized $2.9 million of interest income compared to $1.0 million of interest income recognized in the first quarter of 2008 from the interest rate floors.

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Table One
Average Balance Sheets and Net Interest Income
(in thousands)

	Three months ended March 31, 2009			2008		
	Average Balance	Interest	Yield/ Rate	Average Balance	Interest	Yield/ Rate
Assets						
Loan portfolio (1):						
Residential real estate	$ 603,767	$ 8,781	5.90%	$ 601,600	$ 9,886	6.61%
Home equity	386,653	6,143	6.44	343,658	5,912	6.92
Commercial, financial, and agriculture	756,201	10,875	5.83	700,155	12,235	7.03
Loans to depository institutions	-	-	-	4,670	35	3.01
Installment loans to individuals	47,566	1,118	9.53	47,629	1,346	11.37
Previously securitized loans	3,867	1,141	119.66	6,421	1,578	98.84
Total loans	1,798,054	28,058	6.33	1,704,133	30,992	7.31
Securities:						
Taxable	430,734	6,062	5.71	455,663	6,064	5.35
Tax-exempt (2)	37,558	629	6.79	37,723	614	6.55
Total securities	468,292	6,691	5.79	493,386	6,678	5.44
Deposits in depository institutions	4,826	5	0.42	8,697	65	3.01
Total interest-earning assets	2,271,172	34,754	6.21	2,206,216	37,735	6.88
Cash and due from banks	52,410			65,442		
Bank premises and equipment	60,813			54,709		
Other assets	211,000			186,273		
Less: allowance for loan losses	(22,564)			(17,837)		
Total assets	$ 2,572,831			$ 2,494,803		
Liabilities						
Interest-bearing demand deposits	$ 416,695	$ 463	0.45%	$ 409,745	$ 712	0.70%
Savings deposits	360,740	507	0.57	360,587	1,104	1.23
Time deposits	982,947	8,403	3.47	933,502	10,199	4.39
Short-term borrowings	147,510	153	0.42	127,793	1,145	3.60
Long-term debt	19,032	254	5.41	22,505	441	7.88
Total interest-bearing liabilities	1,926,924	9,780	2.06	1,854,132	13,601	2.95

Noninterest-bearing demand deposits	324,333			311,885		
Other liabilities	35,392			28,770		
Stockholders' equity	286,182			300,016		
Total liabilities and stockholders' equity	$ 2,572,831			$ 2,494,803		
Net interest income		$ 24,974			$ 24,134	
Net yield on earning assets			4.46%			4.40%

(1) For purposes of this table, non-accruing loans have been included in average balances and loan fees, which are immaterial, have been included in interest income.

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

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Table Two
Rate Volume Analysis of Changes in Interest Income and Interest Expense
(in thousands)

	Three months ended March 31, 2009 vs. 2008 Increase (Decrease) Due to Change In:		
	Volume	Rate	Net
Interest-earning assets:			
Loan portfolio			
Residential real estate	$ 35	$ (1,140)	$ (1,105)
Home equity	734	(503)	231
Commercial, financial, and agriculture	971	(2,331)	(1,360)
Loans to depository institutions	(35)	-	(35)
Installment loans to individuals	(2)	(226)	(228)
Previously securitized loans	(622)	185	(437)
Total loans	1,081	(4,015)	(2,934)
Securities:			
Taxable	(321)	319	(2)
Tax-exempt (1)	(12)	27	15
Total securities	(333)	346	13
Deposits in depository institutions	(29)	(31)	(60)
Total interest-earning assets	$ 719	$ (3,700)	$ (2,981)
Interest-bearing liabilities:			
Demand deposits	$ 12	$ (261)	$ (249)
Savings deposits	-	(597)	(597)
Time deposits	536	(2,332)	(1,796)
Short-term borrowings	175	(1,167)	(992)
Long-term debt	(67)	(120)	(187)
Total interest-bearing liabilities	$ 656	$ (4,477)	$ (3,821)
Net Interest Income	$ 63	$ 777	$ 840

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

Allowance and Provision for Loan Losses

Management systematically monitors the loan portfolio and the adequacy of the allowance for loan losses ("ALLL") 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.

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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 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.

As a result of the Company's quarterly analysis of the adequacy of the ALLL, the Company recorded a provision for loan losses of $1.7 million in the first three months of 2009 and $1.9 million in the first three months of 2008. The provision for loan losses recorded during the first three months of 2009 reflects the difficulties of certain commercial borrowers of the Company during the quarter, the downgrade of their related credits, and management's assessment of the impact of these difficulties on the ultimate collectability of the loans. Changes in the amount of the provision and related allowance are based on the Company's detailed methodology and are directionally consistent with changes in the growth, composition, and quality of the Company's loan portfolio. The Company believes its methodology for determining its ALLL adequately provides for probable losses inherent in the loan portfolio at March 31, 2009.

The Company had net charge-offs of $1.9 million for the first three months of 2009. Net charge-offs on commercial and residential loans were $1.5 and $0.3 million, respectively, for the three months ended March 31, 2009. Charge-offs for commercial loans were primarily related to three specific credits that had been appropriately considered in establishing the allowance for loan losses in prior periods. In addition, depository accounts net charge-offs were $0.1 million for the first three months of 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 improved from 1.64% at December 31, 2008 to 1.53% at March 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 March 31, 2009. The Company's ratio of non-performing assets to total loans and other real estate owned is 138 basis points lower than that of our peer group (bank holding companies with total assets between $1 and $5 billion), which reported average non-performing assets as a percentage of loans and other real estate owned of 2.91% for the most recently reported quarter ended December 31, 2008.

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Approximately 43% of the Company's non-performing loans at March 31, 2009, or approximately $9 million, were associated with a $13 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. Through March 31, 2009, the Company has specifically reserved $4.0 million of the ALLL associated with this portfolio of speculative properties. During the second quarter of 2009, two of the completed residences and two residential lots were foreclosed and taken into the Company's Other Real Estate Owned. The loans associated with these properties were included in non-performing assets at March 31, 2009. The Greenbrier Resort has a long history and storied tradition as a top resort destination. However, the current economic scenario has been challenging for the Greenbrier, which lost $35 million in 2008 according to its owner, CSX Corporation. During March 2009, the Greenbrier filed for Chapter 11 bankruptcy reorganization and CSX Corporation announced that Marriott International was willing to buy the Greenbrier for up to $130 million, pending court approval and a new labor deal with Greenbrier workers. While this announcement sheds some light on the future of the Greenbrier, the Company has considered the uncertainty of the situation at the Greenbrier 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 March 31, 2009.

In addition to the 43% of the Company's non-performing loans associated with speculative builders at the Greenbrier, slightly more than 25% of the Company's non-performing assets are associated with real estate in what is known as the "Eastern Panhandle" of West Virginia – the counties of Jefferson, Berkeley, and Morgan. 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 account for only 32% of the Company's non-performing loans.

The allowance allocated to the commercial loan portfolio (see Table Five) increased $0.3 million, or 1.8% from $15.1 million at December 31, 2008 to $15.4 at March 31, 2009. This increase was attributable to recent trends in the quality of the Company's commercial portfolio.

The allowance allocated to the residential real estate portfolio (see Table Five) decreased $0.2 million, or 4.1% from $4.6 million at December 31, 2008 to $4.4 million at March 31, 2009. This decrease was primarily due to improvement in non-performing real estate loans during the three months ended March 31, 2009.

The allowance allocated to the consumer loan portfolio (see Table Five) remained consistent at $0.2 million at December 31, 2008 and March 31, 2009.

The allowance allocated to overdraft deposit accounts (see Table Five) decreased $0.4 million, or 15.2% from $2.4 million at December 31, 2008 to $2.0 million at March 31, 2009. This decrease was attributable to declines in losses experienced during the three months ended March 31, 2009.

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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 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 March 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.

Table three
Analysis of the Allowance for Loan Losses

(in thousands)	Three months ended March 31, 2009	2008	Year ended December 31, 2008
Balance at beginning of period	$ 22,254	$ 17,581	$ 17,581
Charge-offs:			
Commercial, financial, and agricultural	(1,479)	(406)	(3,064)
Real estate-mortgage	(394)	(274)	(1,590)
Installment loans to individuals	(69)	(75)	(243)
Overdraft deposit accounts	(664)	(984)	(3,151)
Total charge-offs	(2,606)	(1,739)	(8,048)
Recoveries:			
Commercial, financial, and agricultural	29	13	38
Real estate-mortgage	81	27	223
Installment loans to individuals	55	108	296
Overdraft deposit accounts	517	694	1,741
Total recoveries	682	842	2,298
Net charge-offs	(1,924)	(897)	(5,750)
Provision for loan losses	1,650	1,883	10,423
Balance at end of period	$ 21,980	$ 18,567	$ 22,254
As a Percent of Average Total Loans:			
Net charge-offs (annualized)	(0.43)%	(0.21)%	(0.33)%
Provision for loan losses (annualized)	0.37%	0.44%	0.60%
As a Percent of Non-Performing Loans:			
Allowance for loan losses	107.44%	113.55%	86.07%

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Table four
Non-Performing Assets

(in thousands)	As of March 31, 2009	2008	As of December 31, 2008
Non-accrual loans	$ 20,007	$ 15,840	$ 25,224
Accruing loans past due 90 days or more	386	257	623
Previously securitized loans past due 90 days or more	64	255	10
Total non-performing loans	20,457	16,352	25,857
Other real estate, excluding property associated withpreviously securitized loans	6,686	4,192	3,469
Other real estate associated with previouslysecuritized loans	374	148	400
Total other real estate owned	7,060	4,340	3,869
Total non-performing assets	$ 27,517	$ 20,692	$ 29,726

Table five
Allocation of the Allowance For Loan Losses

(in thousands)	As of March 31, 2009	2008	As of December 31, 2008
Commercial, financial and agricultural	$ 15,398	$ 11,682	$ 15,128
Real estate-mortgage	4,395	4,038	4,583
Installment loans to individuals	192	298	190
Overdraft deposit accounts	1,995	2,549	2,353
Allowance for Loan Losses	$ 21,980	$ 18,567	$ 22,254

Previously Securitized Loans

As of March 31, 2009, the Company reported a carrying value of previously securitized loans of $3.8 million, while the actual outstanding contractual balance of these loans was $18.3 million. The Company accounts for the difference between the carrying value and the total expected cash flows 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 increased or decreased but is still greater than the sum of the original carrying amount less subsequent collections plus the discount accreted to date, and it is probable that collection will occur, the amount of the discount to be accreted is adjusted accordingly and the amount of periodic accretion is adjusted over the remaining lives of the loans. If, upon periodic evaluation, the discounted present value of estimated future cash flows declines below the recorded value of previously securitized loans, an impairment charge would be provided through the Company's provision for loan losses.

During the three months ended March 31, 2009 and for the year ended December 31, 2008, the Company has experienced net recoveries on these loans primarily due to increased collection efforts. Subsequent to our assumption of the servicing of these loans during 2005, the Company has averaged net recoveries, but does not believe that the trend of net recoveries can be sustained indefinitely.

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During the first three months of 2009 and 2008, the Company recognized $1.1 million and $1.6 million, respectively, of interest income on its previously securitized loans. Cash receipts for the three months ended March 31, 2009 and 2008 are summarized in the following table:

(in thousands)	Three months ended March 31, 2009	2008
Principal receipts	$ 968	$ 3,038
Interest income receipts	587	899
Total cash receipts	$ 1,555	$ 3,937

Based on current cash flow projections, the Company believes that the carrying value of previously securitized loans will approximate:

As of:	Estimated Balance:
December 31, 2009	$4 million
December 31, 2010	3 million
December 31, 2011	3 million
December 31, 2012	2 million

Non-Interest Income and Non-Interest Expense

Three Months Ended March 31, 2009 vs. 2008

Non-Interest Income: During the first three months of 2009, the Company recorded $2.2 million of investment impairment losses. The charges deemed to be other than temporary were related to pooled bank trust preferreds with a remaining book value of $8.9 million at March 31, 2009. The impairment charges 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 within the pools, and a review of the financial strength of the banks within the respective pools, management concluded that impairment charges of $2.2 million on the pooled bank trust preferred securities were necessary for the quarter ended March 31, 2009.

Exclusive of other than temporary investment impairment losses and the gain from the Visa initial public offering in the first quarter of 2008, non-interest income increased $0.5 million to $14.5 million in the first three months of 2009 as compared to $14.0 million in the first three months of 2008. Insurance commission revenues increased $0.9 million, or 86.2%, from $1.0 million during the first quarter of 2008 to $1.9 million during the first quarter of 2009 due to contingency payments and new business. Partially offsetting this increase was a decrease of $0.8 million, or 7.4%, in service charges from depository accounts. This decrease is attributable to a general nationwide decline in consumer spending.

Non-Interest Expense: Excluding the loss on the early redemption of the trust preferred securities in the first quarter of 2008, non-interest expenses increased $0.1 million from $18.7 million in the first quarter of 2008 to $18.8 million in the first quarter of 2009. Occupancy and equipment increased $0.3 million, or 19.5%, from the first quarter of 2008 due to an upgrade of the Company's core processing system and increased occupancy expenses, while salaries and employee benefits increased $0.2 million, or 2.3%, from the first quarter of 2008. In addition, advertising expenses rose $0.2 million from the first quarter of 2008. Partially offsetting these increases was a decline in other expenses of $1.1 million due in part to increased special charitable contributions of approximately $0.5 million during the first quarter of 2008.

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Income Tax Expense: The Company's effective income tax rate for the first quarter of 2009 was 34.6% compared to 25.2% for the year ended December 31, 2008, and 33.0% for the quarter ended March 31, 2008. The effective rate is based upon the Company's expected tax rate for the year ending December 31, 2009. The increase in the effective income tax rate is largely attributable to revisions in the West Virginia state tax code that are effective for the 2009 calendar year.

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 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 will be recognized over the remaining lives of the various hedged loans. At March 31, 2009, the unrecognized gain was approximately $12.4 million.

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The following table summarizes the sensitivity of the Company's net income to various interest rate scenarios. The results 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 (Decrease) in Net Income Over 12 Months	Estimated Increase (Decrease) in Economic Value of Equity
March 31, 2009:			
+300	3.25%	+11.9%	+19.9%
+200	2.25	+7.4	+13.1
+100	1.25	+3.0	+5.6
December 31, 2008:			
+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 results above will be achieved in the event that interest rates increase during 2009 and beyond. The results above do not necessarily imply that the Company will experience decreases 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 in rates compared to what would otherwise occur if rates remain stable.

Based upon the results 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 2007 and 2008, City National received regulatory approval to pay $88.6 million of cash dividends to the Parent Company, while generating net profits of $78.1 million. Therefore, City National will be required to obtain regulatory approval prior to declaring any cash dividends to the Parent Company during 2009. Although regulatory authorities have approved prior cash dividends, there can be no assurance that future dividend requests will be approved.

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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 trust-preferred securities, and (3) fund repurchase of the Company's common shares.

Over the next 12 months, the Parent Company has an obligation to remit interest payments approximating $0.8 million on the junior subordinated debentures held by City Holding Capital Trust III. Additionally, the Parent Company anticipates continuing the payment of dividends, which are expected to approximate $21.6 million on an annualized basis over the next 12 months based on common shareholders of record at March 31, 2009. However, interest payments on the debentures can be deferred for up to five years under certain circumstances and dividends to shareholders can, if necessary, be suspended. In addition to these anticipated cash needs, the Parent Company has operating expenses and other contractual obligations, which are estimated to require $0.9 million of additional cash over the next 12 months. As of March 31, 2009, the Parent Company reported a cash balance of $5.7 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 2009 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.

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 and other financial institutions. As of March 31, 2009, City National's assets are significantly funded by deposits and capital. Additionally, City National maintains borrowing facilities with the FHLB and other financial institutions that are accessed as necessary to fund operations and to provide contingency funding mechanisms. As of March 31, 2009, City National has the capacity to borrow an additional $408.4 million from the FHLB 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 systemic financial industry crisis. Also, City National maintains a significant percentage (94.0%, or $459.0 million at March 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.

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. The Company's net loan to asset ratio is 68.5% as of March 31, 2009 and deposit balances fund 82.3% of total assets. 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 that totaled $488.1 million at March 31, 2009, and that greatly exceeded the Company's non-deposit sources of borrowing which totaled $177.1 million. Further, the Company's deposit mix has a very high proportion of transaction and savings accounts that fund 43.1% of the Company's total assets.

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As illustrated in the Consolidated Statements of Cash Flows, the Company generated $5.8 million of cash from operating activities during the first three months of 2009, primarily from interest income received on loans and investments, net of interest expense paid on deposits and borrowings. The Company used $24.9 million of cash in investing activities during the first three months of 2009 primarily for the purchase of money market and mutual fund securities and to fund additional loans, net of proceeds from these securities and from maturities and calls of securities available-for-sale. The Company generated $7.9 million of cash in financing activities during the first three months of 2009, primarily from cash dividends paid to the Company's common stockholders of $5.4 million, and the purchase of treasury stock of $1.2 million.

Capital Resources

During the first three months of 2009, Shareholders' Equity increased $1.1 million, or 3.9%, from $280.4 million at December 31, 2008 to $281.5 million at March 31, 2009. This increase was primarily due to reported net income of $10.9 million. This increase was partially offset by dividends declared during the year of $5.4 million, unrealized losses on interest rate floors of $1.8 million, unrealized losses on available-for-sale securities of $1.7 million, and common stock purchases of $1.2 million.

During August 2007, the Board of Directors authorized the Company to buy back up to 1,000,000 shares of its common shares (approximately 6% of outstanding shares) in open market transactions at prices that are accretive to the earnings per share of continuing shareholders. No time limit was placed on the duration of the share repurchase program. 49,363 shares were repurchased during the first three months of 2009 and 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. As of March 31, 2009, the Company may repurchase an additional 156,065 shares from time to time depending on market conditions under the authorization.

Regulatory guidelines require the Company to maintain a minimum total capital to risk-adjusted assets ratio of 8.0%, with at least one-half of capital consisting of tangible common stockholders' equity and a minimum Tier I leverage ratio of 4.0%. 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 8.0%, 4.0%, and 4.0%, respectively. To be classified as "well capitalized," City National must maintain total capital, Tier I capital, and leverage ratios of 10.0%, 6.0%, and 5.0%, respectively.

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The Company's regulatory capital ratios remained strong for both City Holding and City National as illustrated in the following table:

	Minimum	Well-Capitalized	Actual March 31, 2009	Actual December 31, 2008
City Holding:				
Total	8.0%	10.0%	13.5%	13.4%
Tier I Risk-based	4.0	6.0	12.3	12.3
Tier I Leverage	4.0	5.0	9.4	9.5
City National:				
Total	8.0%	10.0%	11.3%	11.5%
Tier I Risk-based	4.0	6.0	10.1	10.3
Tier I Leverage	4.0	5.0	7.7	8.0

Item 3 – Quantitative and Qualitative Disclosure of Market Risk

The information called for by this item is provided under the caption "Risk Management" under Item 2—Management's Discussion and Analysis of Financial Condition and Results of Operations.

Item 4 – Controls and Procedures

Pursuant to Rule 13a-15(b) 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 Rule 13a-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 SEC filings. There has been no change in the Company's internal control over financial reporting during the quarter ended March 31, 2009 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

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PART II – OTHER INFORMATION
Item 1. Legal Proceedings.

The Company is engaged in various legal actions that it deems to be in the ordinary course of business. The Company believes that it has adequately provided for probable costs of current litigation. As these legal actions are resolved, however, 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 1A. Risk Factors.

There have been no material changes to the factors disclosed in Item 1A. Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2008.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

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
January 1 – January 31, 2009	--	--	--	205,428
February 1 – February 28, 2009	16,963	25.23	16,963	188,465
March 1 – March 31, 2009	32,400	25.12	32,400	156,065

(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. No timetable was placed on the duration of this share repurchase program.

Item 3. Defaults Upon Senior Securities. None.

Item 4. Submission of Matters to a Vote of Security Holders. None.

Item 5. Other Information. None.

Item 6. Exhibits.

(a) Exhibits

31(a)	Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 for Charles R. Hageboeck
31(b)	Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 for 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 for Charles R. Hageboeck
32(b)	Certification pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 for David L. Bumgarner

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SIGNATURES

Pursuant to the requirements 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.

City Holding Company
(Registrant)

/s/ Charles R. Hageboeck
Charles R. Hageboeck
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)

Date: May 6, 2009