

CITY HOLDING CO  
Form S-4  
October 16, 2012  
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As filed with the Securities and Exchange Commission on October 16, 2012.

Registration No. 333-

# SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

## FORM S-4

### REGISTRATION STATEMENT

*UNDER*

*THE SECURITIES ACT OF 1933*

## CITY HOLDING COMPANY

(Exact Name of Registrant as Specified in Its Charter)

West Virginia  
(State or Other Jurisdiction of

Incorporation or Organization)

6021  
(Primary Standard Industrial

Classification Code Number)  
25 Gateway Road

55-0619957  
(I. R. S. Employer

Identification Number)

**Edgar Filing: CITY HOLDING CO - Form S-4**

**Cross Lanes, West Virginia 25313**

**(304) 769-1100**

**(Address, Including Zip Code, and Telephone Number, Including Area Code, of Registrant's Principal Executive Offices)**

**Charles R. Hageboeck**

**City Holding Company**

**25 Gatewater Road**

**Cross Lanes, West Virginia 25313**

**(304) 769-1100**

**(Name, Address, Including Zip Code, and Telephone Number, Including Area Code, of Agent for Service)**

*with copies to:*

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**Suite 100**  
**Washington, DC 20007**  
**(202) 295-4507**

Approximate date of commencement of proposed sale to the public: as soon as practicable after this registration statement becomes effective.

If the securities being registered on this Form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box. "

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

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Indicate by a check mark whether the registrant is a large accelerated filer, an accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer  Accelerated Filer   
 Non-Accelerated Filer  Smaller Reporting Company

If applicable, place an X in the box to designate the appropriate rule provision relied upon in conducting this transaction:

Exchange Act Rule 13e-4(i) (Cross-Border Issuer Tender Offer)

Exchange Act Rule 14d-1(d) (Cross-Border Third-Party Tender Offer)

### CALCULATION OF REGISTRATION FEE

| Title of Each Class of<br>Securities to Be Registered | Amount<br>to Be<br>Registered (1) | Proposed<br>Maximum<br>Offering Price<br>Per Unit | Proposed<br>Maximum<br>Aggregate<br>Offering Price (2) | Amount of<br>Registration Fee |
|---|-----------------------------------|---|--|-------------------------------|
| Common Stock, par value \$2.50 per share              | 764,599 shares                    | Not applicable                                    | \$4,495,843  | \$613.23                      |

- (1) The maximum number of shares of City Holding Company, or City Holding, common stock estimated to be issuable upon the completion of the City Holding/Community Financial Corporation merger described herein.
- (2) Estimated solely for the purpose of calculating the registration fee required by Section 6(b) of the Securities Act and computed pursuant to Rules 457(f)(1) of the Securities Act, based on a rate of \$136.40 per \$1,000,000 of the proposed maximum aggregate offering price. The proposed maximum aggregate offering price of the registrant's common stock was calculated based upon the average of the high and low prices reported on The Nasdaq Stock Market, Inc. for Community Financial on October 12, 2012, the latest practicable date before the filing of this registration statement in accordance with Rule 457(f)(1) under the Securities Act outstanding as of October 12, 2012.

**THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(a) OF THE SECURITIES ACT OF 1933, AS AMENDED, OR UNTIL THIS REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE SECURITIES AND EXCHANGE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(a), MAY DETERMINE.**

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**Information in this proxy statement/prospectus is subject to completion or amendment. A registration statement relating to these securities has been filed with the Securities and Exchange Commission. These securities may not be sold nor may offers to buy be accepted prior to the time the registration statement becomes effective. This proxy statement-prospectus shall not constitute an offer to sell or the solicitation of any offer to buy, nor shall there be, any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.**

**PRELIMINARY SUBJECT TO COMPLETION DATED OCTOBER 12, 2012**

**COMMUNITY FINANCIAL CORPORATION**

**MERGER PROPOSAL YOUR VOTE IS VERY IMPORTANT**

Dear Fellow Shareholders:

You are cordially invited to attend a special meeting of shareholders of Community Financial Corporation to be held on \_\_\_\_\_, 2012, at \_\_\_\_\_ p.m., at our executive offices located at 38 North Central Avenue, Staunton, Virginia. At the special meeting, you will be asked to approve the merger agreement authorizing the merger of Community Financial with and into City Holding Company.

If the merger is approved and completed, each share of Community Financial common stock that you own will be converted into the right to receive 0.1753 shares of the common stock, par value \$2.50 per share, of City Holding Company, for each share of Community Financial common stock that you own, plus cash in lieu of fractional shares as more fully described in the attached proxy statement/prospectus.

The above exchange ratio is fixed and will not be adjusted to reflect stock price changes prior to the closing of the merger. City Holding's common stock currently trades on The Nasdaq Global Select Market under the symbol CHCO. On \_\_\_\_\_, 2012, the closing sale price of a share of City Holding common stock was \$ \_\_\_\_\_. The market price of City Holding common stock will fluctuate before the merger. You should obtain current stock price quotations for City Holding common stock.

Based on the merger agreement, we expect the merger to be tax-free with respect to the shares of City Holding common stock that you receive. If you receive cash for fractional shares in the merger, you may have to recognize income or gain for tax purposes.

The merger cannot be completed unless the holders of a majority of the outstanding shares of Community Financial common stock vote in favor of approval of the merger agreement at the special meeting.

At the special meeting, in addition to being asked to approve the merger agreement, you will also be asked to approve the adjournment of the special meeting, if necessary or appropriate, to solicit additional proxies in favor of the approval of the merger agreement. You will also be asked to approve, on an advisory (non-binding) basis, the compensation that may be paid or become payable to Community Financial's named executive officers in connection with the merger.

**Your vote is important.** Whether or not you plan to attend the special meeting, please complete, sign and date the enclosed proxy card and return it promptly in the enclosed envelope. If you do not vote, the effect will be the same as a vote against the merger.

**The accompanying proxy statement/prospectus provides you with additional information about the special meeting, the merger agreement and the merger. We encourage you to read this entire document carefully, including the Risk Factors section beginning on page 13.** A copy of the merger agreement is attached as Annex A to the accompanying proxy statement/prospectus. We encourage you to read the entire proxy statement/prospectus and its annexes, including the merger agreement, carefully before making your voting and investment decision.

After careful consideration, Community Financial's board of directors unanimously adopted and approved the merger agreement and the merger. **Accordingly, our board of directors recommends that you vote FOR approval of the merger agreement and the merger.**

James R. Cooke, Jr.

Chairman of the Board

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**An investment in City Holding common stock in connection with the merger involves certain risks and uncertainties. See Risk Factors beginning on page 13 of this proxy statement/prospectus.**

**Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of City Holding common stock to be issued in the merger and pursuant to this proxy statement/prospectus or determined if this proxy statement/prospectus is accurate or adequate. Any representation to the contrary is a criminal offense.**

**The securities to be issued in the merger are not savings or deposit accounts or other obligations of any bank or non-bank subsidiary of either City Holding or Community Financial, and they are not insured by the Federal Deposit Insurance Corporation or any other federal or state governmental agency.**

This proxy statement/prospectus is dated \_\_\_\_\_, 2012, and it is first being mailed to Community Financial shareholders on or about \_\_\_\_\_, 2012.

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**COMMUNITY FINANCIAL CORPORATION**

**38 North Central Avenue**

**Staunton, Virginia 24401**

**(540) 886-0796**

**NOTICE OF SPECIAL MEETING OF COMMUNITY FINANCIAL CORPORATION**

**SHAREHOLDERS TO BE HELD ON \_\_\_\_\_, 2012**

A special meeting of shareholders of Community Financial Corporation ( Community Financial ) will be held on \_\_\_\_\_, 2012, at Community Financial's executive offices located at 38 North Central Avenue, Staunton, Virginia, at \_\_\_\_\_m., local time, for the following purposes:

1. To consider and vote on a proposal to approve and adopt the Agreement and Plan of Merger dated as of August 2, 2012, by and among Community Financial, Community Bank, City Holding Company ( City Holding ) and City National Bank of West Virginia, the related plan of merger of City Holding and Community Financial attached as an exhibit thereto (together, the merger agreement ), and the transactions contemplated thereby. The merger agreement provides that Community Financial will merge with and into City Holding upon the terms and subject to the conditions set forth in the merger agreement, as more fully described in the accompanying proxy statement/prospectus. A copy of the merger agreement is attached as Annex A to the proxy statement/prospectus (See Proposal One: Approval of the Merger ).
2. To consider and vote on a proposal to adjourn or postpone the meeting to a later date or dates, if necessary, to permit further solicitation of proxies in the event there are not sufficient votes at the time of the meeting to approve the merger agreement. (See Proposal Two: Adjournment of the Meeting ).
3. To consider and vote on a proposal, on an advisory (non-binding) basis, to approve the compensation that may be paid or become payable to Community Financial's named executive officers in connection with the merger. (See Proposal Three: Advisory (Non-Binding) Vote on the Compensation Proposal ).
4. To transact such other business as may properly come before the special meeting.

Our board of directors has determined that the terms of the merger are fair to and in the best interests of Community Financial and our shareholders, has approved and adopted the merger agreement, and recommends that our shareholders vote **FOR** the approval and adoption of the merger agreement and the transactions contemplated thereby, **FOR** the approval of the adjournment of the special meeting, if necessary or appropriate, to solicit additional proxies in favor of such approval and **FOR** the approval, on an advisory (non-binding) basis, of the compensation that may be paid or become payable to Community Financial's named executive officers in connection with the merger.

Only holders of record of Community Financial common stock at the close of business on \_\_\_\_\_, 2012, are entitled to notice of and to vote at the special meeting and any adjournments or postponements thereof. The special meeting may be adjourned or postponed from time to time upon approval of our shareholders without any notice other than by announcement at the special meeting of the adjournment or postponement thereof, and any and all business for which notice is hereby given may be transacted at such adjourned or postponed special meeting.

**Approval and adoption of the merger agreement by Community Financial shareholders requires the affirmative vote of a majority of all votes entitled to be cast by the holders of Community Financial common stock.**

**Your vote is very important.** Please vote, sign, date and return the enclosed proxy card in the enclosed, self-addressed envelope as promptly as possible, even if you plan to attend the special meeting. If you attend the special meeting, you may vote your shares in person, even though you have previously signed and returned your proxy. You may revoke your proxy before it is voted at the special meeting. Failure to return a properly executed proxy card, or to vote at the special meeting, will have the same effect as a vote against the merger agreement and the merger.

By Order of the Board of Directors

Ramona W. Savidge

Corporate Secretary

Staunton, Virginia

, 2012

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**ADDITIONAL INFORMATION**

This proxy statement/prospectus incorporates certain important information about City Holding from other documents filed with the Securities and Exchange Commission, or the SEC, that are not included in or delivered with this proxy statement/prospectus. This information is available to you without charge upon written or telephone request from City Holding at the following address:

City Holding Company

25 Gatewater Road

Cross Lanes, West Virginia 25313

Attention: Vikki Evans-Faw

Telephone: (304) 769-1100

**If you would like to request any documents, please do so by \_\_\_\_\_, 2012 in order to receive them before the special meeting.**

**This document, which forms part of a registration statement on Form S-4 filed with the SEC by City Holding (File No. 333- \_\_\_\_\_), constitutes a prospectus of City Holding under Section 5 of the Securities Act of 1933, as amended, which we refer to as the Securities Act, with respect to the shares of City Holding common stock to be issued to holders of Community Financial common stock as required by the merger agreement. This document also constitutes a proxy statement with respect to the special meeting of shareholders of Community Financial at which shareholders of Community Financial common stock will be asked to vote on a proposal to approve and adopt the merger agreement.**

**You should rely on the information contained or incorporated by reference into this proxy statement/prospectus with respect to the merger agreement. No one has been authorized to provide you with information that is different from that contained in, or incorporated by reference into, this proxy statement/prospectus. This proxy statement/prospectus is dated \_\_\_\_\_, 2012. You should not assume that the information contained, or incorporated by reference into, this proxy statement/prospectus is accurate as of any date other than that date. Neither our mailing of this proxy statement/prospectus to Community Financial shareholders nor the issuance by City Holding of common stock in connection with the merger will create any implication to the contrary.**

**This document does not constitute an offer to sell, or a solicitation of an offer to buy, any securities, or the solicitation of a proxy, in any jurisdiction to or from any person to whom it is unlawful to make any such offer or solicitation in such jurisdiction. Except where the context otherwise indicates, information contained in this document regarding Community Financial has been provided by Community Financial and information contained in this document regarding City Holding has been provided by City Holding.**

In this proxy statement/prospectus, Community Financial Corporation is referred to as Community Financial; Community Bank, the wholly-owned bank subsidiary of Community Financial, is referred to as Community Bank; City Holding Company is referred to as City Holding; and City National Bank of West Virginia, the wholly-owned bank subsidiary of City Holding, is referred to as City National. The Agreement and Plan of Merger dated as of August 2, 2012, by and among Community Financial, Community Bank, City Holding and City National, by and among the parties, and the related plan of merger of City Holding and Community Financial attached as an exhibit thereto, is referred to collectively as the merger agreement. The special meeting of shareholders of Community Financial is referred to as the special meeting.

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**QUESTIONS AND ANSWERS ABOUT THE SHAREHOLDER MEETING AND THE MERGER**

**Q: What am I being asked to vote on at the special meeting?**

**A:** Community Financial's shareholders will be voting on the following three matters:

A proposal to approve and adopt the merger agreement between Community Financial and City Holding and the transactions contemplated thereby.

A proposal to adjourn or postpone the meeting to a later date or dates, if necessary, to permit further solicitation of proxies in the event there are not sufficient votes at the time of the meeting to approve the merger agreement.

A proposal to approve, on an advisory (non-binding) basis, the compensation that may be paid or become payable to Community Financial's named executive officers in connection with the merger, including the agreements and understandings pursuant to which such compensation may be paid or become payable. We refer to this as the compensation proposal.

Community Financial shareholders will also transact such other business that may properly come before the special meeting. As of the date of this proxy statement/prospectus, the Community Financial board of directors is not aware of any matters, other than those stated above, that may be brought before the special meeting.

**Q: Why is Community Financial proposing the merger?**

**A:** We believe the proposed merger is fair to and in the best interests of Community Financial and its shareholders. Our board of directors believes that combining with City Holding provides significant value to our shareholders and provides our shareholders with opportunities for growth offered by the combined company.

**Q: When and where is the special meeting?**

**A:** The special meeting is scheduled to take place on \_\_\_\_\_, 2012, at \_\_\_\_\_:00 \_\_\_\_\_m., local time, at the executive office of Community Financial, 38 North Central Avenue, Staunton, Virginia.

**Q: What does the Community Financial board of directors recommend?**

**A:** The Community Financial board of directors has approved the merger agreement. The Community Financial board recommends that shareholders vote **FOR** the proposal to approve and adopt the merger agreement and the transactions contemplated thereby, **FOR** the approval of the adjournment of the special meeting, if necessary or appropriate, to solicit additional proxies in favor of such approval and **FOR** the approval, on an advisory (non-binding) basis, of the compensation that may be paid or become payable to Community Financial's named executive officers in connection with the merger.

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**Q: What will I receive for my Community Financial common stock?**

**A:** In the merger, each share of Community Financial common stock, par value \$0.01 per share ( Community Financial common stock ), that you own will be exchanged for 0.1753 shares of the common stock, par value \$2.50 per share, of City Holding ( City Holding common stock ).

**Q: What are the tax consequences of the merger to me?**

**A:** The merger is intended to qualify as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code of 1986, as amended (the Internal Revenue Code ), and holders of Community Financial common stock are not expected to recognize any gain or loss for U.S. federal income tax purposes on the

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exchange of shares of Community Financial common stock for shares of City Holding common stock in the merger, except with respect to cash received in lieu of a fractional share interest in Community Financial common stock. For greater detail, see Certain Federal Income Tax Consequences of the Merger, beginning on page .

**Q: What should I do now?**

**A:** After you have read this document carefully, indicate on your proxy card how you want your shares to be voted. Then complete, sign, date and return your proxy card in the enclosed return envelope as soon as possible so that your shares may be represented at the special meeting. It is important that the proxy card be received as soon as possible and in any event before the special meeting.

**Q: If my shares of common stock are held in street name by my bank or broker, will my bank or broker automatically vote my shares for me?**

**A:** No. Your bank or broker cannot vote your shares without instructions from you. You should instruct your bank or broker how to vote your shares in accordance with the instructions provided to you. Please check the voting form used by your bank or broker. However, if you mark **ABSTAIN** on your proxy with respect to the adjournment proposal or the compensation proposal, or if you fail to vote or fail to instruct your bank or broker how to vote with respect to the adjournment proposal or the compensation proposal, it will have no effect on the adjournment proposal or the compensation proposal. If you do not provide your broker with instructions on how to vote your shares held in street name, your broker will not be permitted to vote your shares on the proposal to approve and adopt the merger agreement.

**Q: Can I change my vote after I mail my proxy card?**

**A:** Yes. You can change your vote at any time before your proxy is voted at the shareholder meeting. You can do this in one of three ways:

First, you can send a written notice to the Corporate Secretary of Community Financial stating that you would like to revoke your proxy.

Second, you can complete and submit a new proxy card. Your latest vote actually received by Community Financial before the special meeting will be counted, and any earlier votes will be revoked.

Third, you can attend the shareholder meeting and vote in person. Any earlier proxy will thereby be revoked. However, simply attending the special meeting will not revoke your earlier proxy.

If you choose either of the first or second methods, you must submit your notice of revocation or your new proxy card to Community Financial prior to the special meeting. Your submissions must be mailed to the Corporate Secretary of Community Financial at the address listed on the Notice of Special Meeting.

**Q: What if I do not vote or I abstain from voting?**

**A:** If you fail to vote, mark **ABSTAIN** on your proxy or fail to instruct your bank or broker how to vote with respect to the proposal to approve the merger agreement, it will have the same effect as a vote **AGAINST** the merger proposal. However, if you mark **ABSTAIN** on your proxy with respect to the adjournment proposal or the compensation proposal, or if you fail to vote or fail to instruct your bank or

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broker how to vote with respect to the adjournment proposal or the compensation proposal, it will have no effect on the adjournment proposal or the compensation proposal.

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**Q: What is the vote required to approve each proposal at the special meeting?**

**A:** The presence, in person or by proxy, of the holders of a majority of the aggregate number of outstanding shares of Community Financial common stock entitled to vote at the special meeting is necessary to constitute a quorum for the special meeting. If a quorum exists at the special meeting, approval and adoption of the merger agreement requires the affirmative vote of a majority of all votes entitled to be cast by the holders of Community Financial common stock voting together as a single class. The adjournment proposal and the compensation proposal will be approved if the number of shares, represented in person or by proxy at the special meeting and entitled to vote thereon, voted in favor of each such proposal exceeds the number of shares voted against such proposal.

In determining whether the proposal to approve and adopt the merger agreement has received the requisite number of affirmative votes at the special meeting, a failure to vote, an abstention or broker non-vote will be treated the same as a **NO** vote. Failures to vote, abstentions or broker non-votes will not count as votes cast and will have no effect for purposes of determining whether the proposal to adjourn or postpone the special meeting or the compensation proposal has been approved.

**Q: What will happen if Community Financial's shareholders do not approve, on an advisory (non-binding) basis, the compensation payable to Community Financial's named executive officers in connection with the merger?**

**A:** The vote on the compensation proposal is a vote separate and apart from the vote to approve the merger agreement. You may vote for the compensation proposal and against the proposal to approve the merger agreement, and vice versa. Because the vote on the compensation proposal is advisory only, it will not be binding on either Community Financial or City Holding. Accordingly, because City Holding is contractually obligated to pay the compensation, if the merger is completed, the compensation will be payable, subject only to the conditions applicable thereto, regardless of the outcome of the advisory (non-binding) vote.

**Q: Will I be able to sell the shares of City Holding common stock that I receive in the merger?**

**A:** Yes. The shares of City Holding common stock to be issued in the merger will be registered under the Securities Act of 1933 and listed on The Nasdaq Global Select Market.

**Q: How will I receive my shares of City Holding common stock?**

**A:** If the merger agreement is approved, the exchange agent will mail transmittal forms to each Community Financial shareholder. You should complete the transmittal form and return it to the exchange agent as soon as possible. Once the exchange agent has received the proper documentation, it will forward to you the City Holding common stock to which you are entitled.

Shareholders will not receive any fractional shares of City Holding common stock. Instead, they will receive cash, without interest, for any fractional share of City Holding common stock that they might otherwise have been entitled to receive based on the average of the per share closing price of City Holding common stock as reported on The Nasdaq Global Select Market during the 10 trading days immediately preceding the 10<sup>th</sup> calendar day immediately preceding the effective date of the merger.

**Q: How do I exchange my Community Financial common stock certificates?**

**A:** You must return your Community Financial common stock certificates or an appropriate guarantee of delivery with your letter of transmittal, which will be mailed to you within five calendar days after the effective date of the merger. You will receive instructions on where to surrender your Community Financial common stock certificates from the exchange agent after the merger is completed. **In any event, you should not forward your Community Financial certificates with your proxy card. Your certificates should be sent along**

**with the letter of transmittal which will be mailed after the effective date of the merger.**

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**Q: What should I do if I hold my shares of Community Financial common stock through my stock broker in book-entry form?**

**A:** You are not required to take any specific actions if your shares of Community Financial common stock are held in book-entry form. After the completion of the merger, shares of Community Financial common stock held in book-entry form automatically will be exchanged for the merger consideration, including shares of City Holding common stock in book-entry form and any cash to be paid in exchange for fractional shares in the merger.

**Q: When will we complete the merger?**

**A:** We expect to complete the merger in the first quarter of 2013. However, we cannot assure you when or if the merger will occur. We must first obtain the approval of Community Financial shareholders and the necessary regulatory approvals. Other conditions to the closing provided in the merger agreement also need to be satisfied or waived.

**Q: What should I do now?**

**A:** Mail your signed proxy card in the enclosed return envelope as soon as possible so that your shares may be represented at the special meeting. It is important that the proxy card be received as soon as possible and in any event before the special meeting.

**Q: Do I have appraisal rights in connection with the merger?**

**A:** No. Under Virginia law, holders of Community Financial common stock are not entitled to appraisal rights in connection with the merger because the Community Financial common stock is traded on The Nasdaq Stock Market, Inc.

**Q: Who should shareholders call with questions?**

**A:** If you have more questions about the merger or the special meeting you should contact:  
Community Financial Corporation

38 North Central Avenue

Staunton, Virginia 24401

Attention:

Telephone: (540) 886-0796

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**SUMMARY**

*This summary highlights selected information from this proxy statement/prospectus. It does not contain all of the information that may be important to you. We urge you to carefully read this entire proxy statement/prospectus and the other documents to which this proxy statement/prospectus refers to fully understand the merger agreement and the merger. See *Where You Can Find More Information* on page to obtain the information incorporated by reference into this proxy statement/prospectus without charge. Each item in this summary includes a page reference directing you to a more complete description of that item.*

**The Merger (page )**

We have attached the merger agreement to this proxy statement/prospectus as Annex A. We encourage you to read the merger agreement. It is the legal document that governs the merger.

In the merger, City Holding will acquire Community Financial by means of the merger of Community Financial with and into City Holding. City Holding will be the surviving entity in the merger.

Each share of Community Financial common stock, par value \$0.01 per share, that you own will be exchanged for 0.1753 shares of the common stock, par value \$2.50 per share, of City Holding.

Shareholders will not receive any fractional shares of City Holding common stock. Instead, they will receive cash, without interest, for any fractional share of City Holding common stock that they might otherwise have been entitled to receive based on the average of the per share closing price of City Holding common stock as reported on The Nasdaq Global Select Market during the 10 trading days immediately preceding the 10<sup>th</sup> calendar day immediately preceding the effective date of the merger.

Upon completion of the merger, we expect that City Holding shareholders will own approximately % of the combined company and former holders of Community Financial common stock will own approximately % of the combined company.

**The market price of City Holding common stock will fluctuate prior to the merger. You should obtain current stock price quotations for City Holding common stock.**

**Our Reasons for the Merger (page )**

For the factors considered by Community Financial's board of directors in deciding to seek a merger partner and the factors considered by the board of directors in reaching its decision to approve the merger agreement, see the section entitled *Proposal One: Approval of the Merger* Reasons for the Merger.

**Our Recommendation (page )**

Community Financial's board of directors believes that the merger is fair to and in the best interests of Community Financial's shareholders. Community Financial's board of directors recommends that shareholders vote **FOR** the proposal to approve and adopt the merger agreement and the transactions contemplated thereby. See the section entitled *Proposal One: Approval of the Merger* Recommendation of Community Financial's Board of Directors.

**Opinion of Community Financial's Financial Advisor (page and Annex B)**

On August 2, 2012, Scott & Stringfellow, LLC, Community Financial's financial advisor in connection with the merger, rendered its oral opinion to Community Financial's board of directors, subsequently confirmed in writing, that as of such date and based upon and subject to the assumptions, procedures, considerations, qualifications, and limitations set forth in the written opinion, the merger consideration was fair, from a financial point of view, to the holders of shares of Community Financial's common stock.

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The full text of Scott & Stringfellow's opinion, dated August 2, 2012, is attached as Annex B to this proxy statement/prospectus. You should read the opinion in its entirety for a discussion of the assumptions made, procedures followed, factors considered and limitations upon the review undertaken by Scott & Stringfellow in rendering its opinion.

For further information, see *The Merger Opinion of Scott & Stringfellow, LLC*.

**Scott & Stringfellow's opinion as to the fairness, from a financial point of view, of the merger consideration to Community Financial and its shareholders was provided to the Community Financial board of directors in connection with its evaluation of the merger consideration from a financial point of view, and does not address any other aspect of the merger and does not constitute a recommendation to any Community Financial shareholder as to how to vote or act with respect to the merger.**

### **Accounting Treatment (page )**

City Holding will account for the merger as a business combination as that term is used under U.S. generally accepted accounting principles.

### **Certain Federal Income Tax Consequences (page )**

The merger is intended to qualify as a tax-free reorganization for federal income tax purposes, and assuming the merger will so qualify, you will not recognize any gain or loss for U.S. federal income tax purposes as a result of your exchange of shares of Community Financial common stock solely for shares of City Holding common stock. Community Financial shareholders may, however, have to recognize income or gain in connection with the receipt of any cash received in the merger in lieu of a fractional share interest in Community Financial common stock.

Because this tax treatment may not apply to all of Community Financial's shareholders, you should consult your own tax advisor for a full understanding of the merger's tax consequences that are particular to you. It is a condition to our obligation to complete the merger that we receive a legal opinion that the merger will be treated for federal income tax purposes as a reorganization within the meaning of Section 368 of the Internal Revenue Code of 1986, as amended. This opinion, however, will not bind the Internal Revenue Service, which could take a different view.

Shareholders will also be required to file certain information with their federal income tax returns and to retain certain records with regard to the merger.

**The discussion of U.S. federal income tax consequences set forth above is for general information only and does not purport to be a complete analysis or listing of all potential tax effects that may apply to a holder of Community Financial common stock. Shareholders of Community Financial are strongly urged to consult their tax advisors to determine the particular tax consequences to them of the merger, including the application and effect of federal, state, local, foreign and other tax laws.**

### **The Companies (page )**

*City Holding Company*

*25 Gateway Road*

*Cross Lanes, West Virginia 25313*

*(304) 769-1100*

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City Holding is a \$2.9 billion diversified financial holding company with its headquarters in Charleston, West Virginia. City National Bank of West Virginia (the principal banking subsidiary of City Holding) operates                      branch locations serving communities across West Virginia, Ohio, Kentucky and Virginia. Based upon its strong profitability, strong asset quality, and strong capital position, City was named by Bank Director Magazine as the third best performing bank in the U.S. in 2010. City Holding is located on the web at [www.bankatcity.com](http://www.bankatcity.com).

As of June 30, 2012, City Holding had total assets of \$2.9 billion, total deposits of \$2.4 billion, and shareholders' equity of \$321 million.

*Community Financial Corporation*

*38 North Central Avenue*

*Staunton, Virginia 24401*

*Telephone: (540) 886-0796*

Community Financial is headquartered in Staunton, Virginia. Originally organized in 1928, Community Bank, the wholly owned subsidiary of Community Financial, serves the Shenandoah Valley and Hampton Roads areas of Virginia through 11 branch offices. At June 30, 2012, Community Financial had total assets of \$498 million, total deposits of \$368 million and stockholders' equity of \$51 million.

**The Shareholder Meeting (page    )**

The special meeting will be held on                      , 2012 at                      .m. at the executive offices located at 38 North Central Avenue, Staunton, Virginia. At the special meeting, you will be asked:

to approve and adopt the merger agreement and the transactions contemplated thereby (See Proposal One: Approval of the Merger );

to consider and vote upon a proposal to adjourn the special meeting to a later date or dates, if necessary, to permit further solicitation of proxies in the event that there are not sufficient votes at the time of the meeting to approve the merger agreement (See Proposal Two: Adjournment of the Meeting );

to consider and vote upon a proposal to approve, on an advisory basis, the compensation that may be paid or become payable to Community Financial's named executive officers in connection with the merger, including the agreements and understandings pursuant to which such compensation may be paid or become payable. (See Proposal Three: Advisory (Non-Binding) Vote on the Compensation Proposal).

**Conditions to Completion of the Merger (page    )**

The obligations of City Holding and Community Financial to complete the merger depend on a number of conditions being satisfied or waived. These conditions include:

Community Financial's shareholders' approval of the merger agreement;

approval of the merger by the necessary federal and state regulatory authorities;

the effectiveness of the registration statement on Form S-4 filed by City Holding with the SEC, of which this proxy statement/prospectus is a part, and that no stop order suspending the effectiveness thereof shall have been issued and no proceedings

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for that purpose shall have been initiated or threatened by the Securities and Exchange Commission;

authorization for the listing on The Nasdaq Global Select Market of the shares of City Holding common stock to be issued in the merger;

absence of any law or court order prohibiting the merger;

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receipt of an opinion from Jackson Kelly PLLC, outside counsel to City Holding, that the merger will qualify as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code;

the accuracy of the other party's representations and warranties, subject to the material adverse effect standard in the merger agreement;

the performance in all material respects of all obligations contained in the merger agreement; and

the execution of an agreement by City Holding for the purchase from the United States Treasury of the Community Financial Fixed Rate Perpetual Preferred Stock, Series A and related warrant to purchase 351,194 shares of Community Financial common stock on terms set forth in the merger agreement and acceptable to City Holding.

We cannot be certain when, or if, the conditions to the merger will be satisfied or waived, or that the merger will be completed.

**Regulatory Approvals (page )**

The merger and the other transactions contemplated by the merger agreement require the approval of the Board of Governors of the Federal Reserve System (the Federal Reserve ) and the Virginia Bureau of Financial Institutions. As a bank holding company, City Holding is subject to regulation under the Bank Holding Company Act of 1956, as amended. City National is a national banking association and is subject to the laws of the United States. City Holding has filed all required applications seeking approval of the merger with the Federal Reserve and the Virginia Bureau of Financial Institutions. City National and Community Bank have also applied with the Office of the Comptroller of the Currency for approval of the merger of Community Bank into City National.

As of the date of this proxy statement/prospectus, no regulatory approvals have been received. While City Holding and Community Financial do not know of any reason why necessary regulatory approvals would not be obtained in a timely manner, we cannot be certain when or if we will receive them, or if obtained, whether they will contain terms, conditions or restrictions not currently contemplated that will be detrimental to City Holding after completion of the merger.

**Termination of the Merger Agreement (page )**

Community Financial and City Holding may mutually agree to terminate the merger agreement at any time.

Either Community Financial or City Holding may terminate the merger agreement if any of the following occurs:

the merger is not complete by January 31, 2013, unless the failure of the merger to be consummated arises out of or results from the action or inaction of the party seeking to terminate; or

the approval of any governmental entity required for consummation of the merger is denied or the shareholders of Community Financial do not approve the merger agreement within 60 days of the date of this proxy statement/prospectus.

City Holding may terminate the merger agreement if any of the following occurs:

Community Financial materially breaches any of its representations or obligations under the merger agreement and does not cure the breach within 30 days of written notice of the breach; or

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Community Financial's board fails to recommend approval of the merger agreement to the Community Financial shareholders, withdraws its recommendation or modifies its recommendation in a manner adverse to City Holding.

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Community Financial may terminate the merger agreement under any of the following circumstances:

City Holding materially breaches any of its representations or obligations under the merger agreement and does not cure the breach within 30 days of written notice of the breach;

The price of City Holding common stock declines by more than 20% over a designated measurement period and the stock prices of the banks and bank holding companies included on the Nasdaq Bank Index have not collectively experienced a similar decline during the same period, unless City Holding elects to increase the consideration to be paid to Community Financial shareholders (which it is not obligated to do); or

Community Financial enters into an agreement with respect to an unsolicited acquisition proposal that if consummated would result in a transaction more favorable to Community Financial's shareholders from a financial point of view than the merger, provided that Community Financial pays the termination fee described below.

### **Effect of Termination; Termination Fee (page )**

Community Financial must pay City Holding a termination fee of \$1,200,000 if the merger agreement is terminated under the following circumstances:

by City Holding if the Community Financial board of directors fails to recommend approval of the merger agreement or withdraws, modifies or changes its recommendation of approval of the merger agreement in a manner adverse to the interests of City Holding;

by Community Financial if it enters into an agreement with respect to an unsolicited acquisition proposal that would result in a transaction more favorable to Community Financial's shareholders from a financial point of view than the merger; or

by Community Financial or City Holding due to the failure of Community Financial to receive shareholder approval of the merger agreement, and if an acquisition proposal is publicly announced prior to the special meeting and within 12 months after the announcement of the acquisition proposal a change in control of Community Financial is consummated.

### **No Solicitation (page )**

Community Financial has agreed that it will not directly or indirectly:

solicit or encourage inquiries or proposals with respect to any acquisition proposal other than the merger; or

engage in any negotiations or discussions concerning, or provide any confidential information relating to, an acquisition proposal other than the merger.

The merger agreement does not, however, prohibit Community Financial from considering an acquisition proposal from a third party if certain specified conditions are met.

### **Waiver and Amendment (page )**

Community Financial and City Holding may jointly amend the merger agreement, and each party may waive its right to require the other party to adhere to the terms and conditions of the merger agreement. However, the parties may not amend the merger agreement after Community

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Financial s shareholders approve the merger agreement if the amendment or waiver would violate applicable law.

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**Community Financial's Officers and Directors Have Financial Interests in the Merger Different from Your Interests (page )**

Some of the officers of Community Bank have interests in the merger that differ from, or are in addition to, their interests as shareholders of Community Financial. These interests exist because of, among other things, employment or severance agreements that the officers entered into with Community Bank, including employment and change-in-control agreements providing certain officers with severance benefits if their employment is terminated in connection with the merger. Because of these agreements, several officers are to receive either new contracts from City National and/or potential payments by City National. Additionally, one director of Community Financial will become a director of City Holding and City National. This person has not yet been identified and must be mutually agreed to by City Holding and City Financial.

Each of Norman C. Smiley, III, President and Chief Executive Officer, and Lyle A. Moffett, Senior Vice President of Lending, have change-in-control agreements and Mr. Smiley has an employment agreement with Community Bank, and neither will receive payments from Community Financial, Community Bank or City National under those agreements. None of these agreements contain a non-compete or non-solicitation clause. As a condition to City Holding effectuating the merger, both of these individuals must enter into agreements with City National, as more fully described on page hereof.

Additionally, certain other executive officers have change-in-control agreements with Community Bank, and some of these officers will enter into change-of-control agreements with City National which will result in the change-of-control agreements with Community Bank being terminated. For further discussion, see page under Community Financial's Officers and Directors Have Financial Interests in the Merger Different from Your Interests. The members of Community Financial's board of directors knew about these additional interests and considered them when they approved the merger agreement and the merger. Likewise, Scott & Stringfellow, LLC, Community Financial's financial advisor, when rendering its fairness opinion to Community Financial's board of directors in connection with the merger, also knew about and considered these interests as well.

***Indemnification and Insurance.*** City Holding has agreed to indemnify the officers and directors of Community Financial against certain liabilities arising before the merger for a period of six years after the merger. City Holding has also agreed to use its reasonable best efforts to cause the directors and officers of Community Financial to be covered by a directors' and officers' liability policy maintained by City Holding for three years after the merger, subject to a cap on the annual premium payments equal to 150% of Community Financial's current annual premium.

**Comparison of the Rights of Shareholders (page )**

The rights of City Holding shareholders are governed by West Virginia law and by City Holding's articles of incorporation and bylaws. The rights of Community Financial shareholders are governed by Virginia law and by Community Financial's articles of incorporation and bylaws. Upon completion of the merger, the rights of City Holding shareholders, including former shareholders of Community Financial who become shareholders of City Holding, will be governed by West Virginia law and the articles of incorporation and bylaws of City Holding.

This proxy statement/prospectus contains a comparison of shareholder rights under each of the City Holding and Community Financial governing documents.

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**Community Financial Will Hold its Special Meeting on \_\_\_\_\_, \_\_\_\_\_, 2012 (page \_\_\_\_\_)**

The special meeting of Community Financial's shareholders will be held on \_\_\_\_\_, 2012, at \_\_\_\_\_ .m. local time, at 38 North Central Avenue, Staunton, Virginia. At the special meeting, Community Financial's shareholders will be asked to:

approve and adopt the merger agreement and the transactions it contemplates;

approve the adjournment of the special meeting, if necessary or appropriate, to solicit additional proxies in favor of the approval of the merger agreement; and

approve, on an advisory (non-binding) basis, the compensation that may be paid or become payable to Community Financial's named executive officers in connection with the merger.

Only holders of record at the close of business on \_\_\_\_\_, 2012 will be entitled to vote at the special meeting. Each share of Community Financial common stock is entitled to one vote on each proposal to be considered at the Community Financial special meeting. As of the record date, there were \_\_\_\_\_ shares of Community Financial common stock entitled to vote at the special meeting. Each of the directors of Community Financial has entered into a voting agreement with City Holding, pursuant to which they have agreed, solely in their capacity as Community Financial shareholders, to vote all of their shares of Community Financial common stock in favor of the proposals to be presented at the special meeting. As of the record date, Community Financial directors who are parties to the voting agreements, owned and were entitled to vote an aggregate of approximately \_\_\_\_\_ shares of Community Financial common stock, which represents approximately \_\_\_\_\_ % of the shares of Community Financial common stock outstanding on that date. As of the record date, the directors and executive officers of Community Financial and their affiliates beneficially owned and were entitled to vote approximately \_\_\_\_\_ shares of Community Financial common stock representing approximately \_\_\_\_\_ % of the shares of Community Financial common stock outstanding on that date, and held options to purchase \_\_\_\_\_ shares of Community Financial common stock. As of the record date, City Holding and its subsidiaries held no shares of Community Financial common stock (other than shares held as fiduciary, custodian or agent), and its directors and executive officers or their affiliates held no shares of Community Financial common stock.

To approve and adopt the merger agreement, a majority of the outstanding shares of Community Financial common stock entitled to vote at the special meeting must be voted in favor of approving and adopting the merger agreement. Because approval is based on the affirmative vote of a majority of the shares outstanding, your failure to vote, failure to instruct your bank or broker how to vote, or abstention with respect to the proposal to approve and adopt the merger agreement will have the same effect as a vote against approval and adoption of the merger agreement.

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**RISK FACTORS**

*In addition to general investment risks and the other information contained in or incorporated by reference into this proxy statement/prospectus, including the matters addressed under the heading **Forward-Looking Statements** and the matters described under the caption **Risk Factors** in the Annual Report on Form 10-K filed by City Holding for the year ended December 31, 2011, you should carefully read and consider the following risk factors concerning the merger before you decide whether to vote to approve and adopt the merger agreement.*

**Risks Associated with the Merger**

**Fluctuations in the trading price of City Holding common stock will change the value of the shares of City Holding common stock you receive in the merger.**

The exchange ratio is set at 0.1753 shares of City Holding common stock for each share of Community Financial common stock. Because the exchange ratio is fixed, the value of the shares of City Holding common stock that will be issued to you in the merger will depend on the market price of City Holding common stock at the time the shares are issued. After the merger, the market value of City Holding common stock may decrease and be lower than the market value of City Holding common stock that was used in calculating the exchange ratios in the merger. Except as described in this proxy statement/prospectus and the merger agreement, there will be no adjustment to the fixed number of shares of City Holding common stock that will be issued to you based upon changes in the market price of City Holding common stock prior to the closing.

The market price of City Holding common stock at the time the merger is completed may vary from the price of City Holding common stock on the date the merger agreement was executed, on the date of this proxy statement/prospectus and on the date of the special meeting as a result of various factors that are beyond the control of City Holding and Community Financial, including but not limited to general market and economic conditions, changes in our respective businesses, operations and prospects, and regulatory considerations. In addition to the approval of the merger agreement by Community Financial shareholders, completion of the merger is subject to receipt of required regulatory approvals and satisfaction of other conditions that may not occur until after the special meeting. Therefore, at the time of the special meeting you will not know the precise value of the consideration you will receive at the effective time of the merger. You should obtain current market quotations for shares of City Holding common stock.

**The market price of City Holding common stock after the merger may be affected by factors different from those affecting the shares of Community Financial or City Holding currently.**

Upon completion of the merger, certain holders of shares of Community Financial common stock will become holders of City Holding common stock. City Holding's business differs from that of Community Financial, and, accordingly, the results of operations of the combined company and the market price of the combined company's shares of common stock may be affected by factors different from those currently affecting the independent results of operations of each of City Holding and Community Financial and their respective securities. For a discussion of the business of City Holding and of certain factors to consider in connection with that business, see the documents incorporated by reference or described elsewhere in this proxy statement/prospectus.

**The merger agreement limits Community Financial's ability to pursue alternatives to the merger.**

The merger agreement contains no-shop provisions that, subject to limited exceptions, limit Community Financial's ability to discuss, facilitate or commit to competing third-party proposals to acquire all or a significant part of Community Financial. In addition, Community Financial must pay City Holding a termination fee of \$1,200,000 if the merger agreement is terminated and Community Financial, subject to certain restrictions,

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consummates another similar transaction. These provisions might discourage a potential competing acquiror that might have an interest in acquiring all or a significant part of Community Financial from considering or proposing the acquisition even if it were prepared to pay consideration with a greater value than that proposed in the merger.

### **The integration of the operations of City Holding and Community Financial may be more difficult than anticipated.**

The success of the merger will depend on a number of factors, including (but not limited to) City Holding's ability to:

timely and successfully integrate the operations of City Holding and Community Financial;

retain key employees of City Holding and Community Financial;

maintain existing relationships with depositors in Community Financial to minimize withdrawals of deposits prior to and subsequent to the merger;

maintain and enhance existing relationships with borrowers to limit unanticipated losses from loans of Community Financial;

retain and attract qualified personnel at City Holding and Community Financial; and

compete effectively in the communities served by City Holding and Community Financial and in nearby communities.

City Holding may not be able to manage effectively its growth resulting from the merger.

### **Regulatory approvals may not be received, may take longer than expected or impose conditions that are not presently anticipated.**

Before the merger may be completed, we must obtain various approvals or consents from various bank regulatory and other authorities. These regulators may impose conditions on the completion of the merger or require changes to the terms of the merger. Although City Holding and Community Financial do not currently expect that any such conditions or changes would be imposed, there can be no assurance that they will not be, and such conditions or changes could have the effect of delaying completion of the merger or imposing additional costs on or limiting the revenues of City Holding following the merger. There can be no assurance as to whether the regulatory approvals will be received, the timing of those approvals, or whether any conditions will be imposed. See "Proposal One: Approval of the Merger - Regulatory Approvals" on page 10.

### **Combining the two companies may be more difficult, costly or time-consuming than expected.**

City Holding and Community Financial have operated and, until the completion of the merger, will continue to operate, independently. The success of the merger will depend on City Holding's ability to successfully combine the businesses of City Holding and Community Financial. To realize these anticipated benefits after the completion of the merger, City Holding expects to integrate Community Financial's business into its own. It is possible that the integration process could result in the loss of key employees, the disruption of each company's ongoing businesses or inconsistencies in standards, controls, procedures and policies that adversely affect the combined company's ability to maintain relationships with clients, customers, depositors and employees or to achieve the anticipated benefits of the merger. The loss of key employees could adversely affect City Holding's ability to successfully conduct its business in the markets in which Community Financial now operates, which could have an adverse effect on City Holding's financial results and the value of its common stock. If City Holding experiences difficulties with the integration process, the anticipated benefits of the merger may not be realized fully or at all, or may take longer to realize than expected. As with any merger of financial institutions, there also may be business disruptions that cause Community Financial to lose customers or cause customers to



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remove their accounts from Community Financial and move their business to competing financial institutions. Integration efforts between the two companies will also divert management attention and resources. These integration matters could have an adverse effect on each of Community Financial and City Holding during this transition period and for an undetermined period after consummation of the merger.

**Community Financial's shareholders will have less influence as shareholders of City Holding than as shareholders of Community Financial.**

Community Financial's shareholders currently have the right to vote in the election of the board of directors of Community Financial and on other matters affecting Community Financial. Following the merger, the shareholders of Community Financial as a group will own approximately % of City Holding. When the merger occurs, each shareholder that receives shares of City Holding common stock will become a shareholder of City Holding with a percentage ownership of the combined organization much smaller than such shareholder's percentage ownership of Community Financial. Because of this, Community Financial's shareholders will have less influence on the management and policies of City Holding than they now have on the management and policies of Community Financial.

**The fairness opinion obtained by Community Financial from its financial advisor will not reflect changes in circumstances between signing the merger agreement and the completion of the merger.**

Community Financial has not obtained an updated fairness opinion as of the date of this proxy statement/prospectus from Scott & Stringfellow, LLC, Community Financial's financial advisor. Changes in the operations and prospects of Community Financial or City Holding, general market and economic conditions and other factors that may be beyond the control of Community Financial and City Holding, and on which the fairness opinion was based, may alter the value of Community Financial or City Holding or the prices of shares of Community Financial common stock or City Holding common stock by the time the merger is completed. The opinion does not speak as of the time the merger will be completed or as of any date other than the date of such opinion. Because Community Financial does not anticipate asking its financial advisor to update its opinion, the August 2, 2012 opinion does not address the fairness of the merger consideration, from a financial point of view, at the time the merger is completed. The opinion is included as Annex B to this proxy statement/prospectus. For a description of the opinion that Community Financial received from its financial advisor, please refer to Proposal One: Approval of the Merger Opinion of Community Financial's Financial Advisor on page . For a description of the other factors considered by Community Financial's board of directors in determining to approve the merger, please refer to Proposal One: Approval of the Merger Reasons for the Merger; Recommendation of Community Financial's Board of Directors on page .

**The merger will not be completed unless important conditions are satisfied.**

Specified conditions set forth in the merger agreement must be satisfied or waived to complete the merger. If the conditions are not satisfied or waived, the merger will not occur or will be delayed and each of City Holding and Community Financial may lose some or all of the intended benefits of the merger. The following conditions, in addition to other closing conditions, must be satisfied or waived, if permissible, before City Holding and Community Financial are obligated to complete the merger:

the merger agreement must be approved by the requisite vote of the shareholders of Community Financial;

all required regulatory approvals must be obtained;

there must be an absence of any law or order by a court or regulatory authority that prohibits, restricts or makes illegal the merger;

City Holding's registration statement on Form S-4 shall become effective under the Securities Act and no stop order shall have been issued or threatened by the SEC; and

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the shares of City Holding common stock to be issued in the merger must be approved for listing on The Nasdaq Global Select Market.

**Termination of the merger agreement could negatively impact Community Financial.**

If the merger agreement is terminated, there may be various consequences. For example, Community Financial's business may have been impacted adversely by the failure to pursue other beneficial opportunities due to the focus of management on the merger, without realizing any of the anticipated benefits of completing the merger. If the merger agreement is terminated and Community Financial's board of directors seeks another merger or business combination, Community Financial shareholders cannot be certain that Community Financial will be able to find a party willing to pay the equivalent or greater consideration than that which City Holding has agreed to pay in the merger. In addition, if the merger agreement is terminated under certain circumstances, including circumstances involving a change in recommendation by Community Financial's board of directors, Community Financial may be required to pay City Holding a termination fee of \$1,200,000.

**Risks Associated with City Holding's Business**

**City Holding's business may be adversely affected by conditions in the financial markets and economic conditions generally.**

The business environment that City Holding operates in the United States and worldwide could deteriorate, which could affect the credit quality of City Holding's loans, results of operations, and financial condition. From December 2007 through June 2009, the United States was in a recession. Business activity across a wide range of industries and regions was greatly reduced and local governments and many businesses continue to be in serious difficulty due to the lack of consumer spending and the lack of liquidity in the credit markets. Unemployment increased significantly during this time period.

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

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

City Holding's financial performance generally, and in particular the ability of borrowers to pay interest on and repay principal of outstanding loans and the value of collateral securing those loans, is highly dependent upon on the business environment in the markets where City Holding operates, in the States of West Virginia, Kentucky, Ohio, and Virginia, and in the United States as a whole. A favorable business environment is generally

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characterized by, among other factors, economic growth, efficient capital markets, low inflation, high business and investor confidence, and strong business earnings. Unfavorable or uncertain economic and market conditions can be caused by: declines in economic growth, business activity or investor or business confidence; limitations on the availability or increases in the cost of credit and capital; increases in inflation or interest rates; natural disasters; or a combination of these or other factors.

Overall, during 2012, the business environment has continued to be adverse for many households and businesses in the United States and worldwide. While the business environments in West Virginia, Kentucky, Ohio, and Virginia the United States and worldwide have shown improvement since the recession, there can be no assurance that these conditions will continue to improve. Such conditions could adversely affect the credit quality of City Holding's loans, results of operations and financial condition.

### **An economic slowdown in West Virginia, Kentucky, Ohio and Virginia could hurt our business.**

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

loan delinquencies may increase;

problem assets and foreclosures may increase;

demand for the products and services of City National may decline; and

collateral (including real estate) for loans made by City National may decline in value, in turn reducing customers' borrowing power, and making existing loans less secure.

### **City Holding and City National are extensively regulated.**

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

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

### **City Holding is subject to interest rate risk.**

Changes in monetary policy, including changes in interest rates, could influence not only the interest City Holding receives on loans and securities and the amount of interest it pays on deposits and borrowings, but such changes could also affect (i) City Holding's ability to originate loans and obtain deposits, (ii) the fair value of City Holding's financial assets and liabilities, and (iii) the average duration of City Holding's mortgage-backed securities portfolio. City Holding's earnings and cash flows are largely dependent upon its net interest income. Net interest income is the difference between interest income earned on interest-earning assets such as loans and securities and interest expense paid on interest-bearing liabilities such as deposits and borrowed funds. Interest rates are highly sensitive to many factors that are beyond City Holding's control, including general economic conditions and policies of various governmental and regulatory agencies and, in particular, the Board of

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Governors of the Federal Reserve System. If the interest rates paid on deposits and other borrowings increase at a faster rate than the interest rates received on loans and other investments, City Holding's net interest income, and therefore earnings, could be adversely affected. Earnings could also be adversely affected if the interest rates received on loans and other investments fall more quickly than the interest rates paid on deposits and other borrowings.

Although management believes it has implemented effective asset and liability management strategies, including the use of derivatives as hedging instruments, to reduce the potential effects of changes in interest rates on City Holding's results of operations, any substantial, unexpected, prolonged change in market interest rates could have a material adverse effect on City Holding's financial condition and results of operations.

**City Holding's allowance for loan losses may not be sufficient.**

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

Management evaluates the adequacy of the allowance for loan losses at least quarterly, which includes testing certain individual loans as well as collective pools of loans for impairment. This evaluation includes an assessment of actual loss experience within each category of the portfolio, individual commercial and commercial real estate loans that exhibit credit weakness; current economic events, including employment statistics, trends in bankruptcy filings, and other pertinent factors; industry or geographic concentrations, and regulatory guidance.

**Customers may default on the repayment of loans.**

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

**Due to increased competition, City Holding may not be able to attract and retain banking customers at current levels.**

City Holding faces competition from the following:

local, regional and national banks;

savings and loans;

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internet banks;

credit unions;

finance companies; and

brokerage firms serving City Holding's market areas.

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

**City Holding may be required to write down goodwill and other intangible assets, causing its financial condition and results to be negatively affected.**

When City Holding acquires a business, a portion of the purchase price of the acquisition is allocated to goodwill and other identifiable intangible assets. The excess of the purchase price over the fair value of the net identifiable tangible and intangible assets acquired determines the amount of the purchase price that is allocated to goodwill acquired. At June 30, 2012, City Holding's goodwill and other identifiable intangible assets were approximately \$65.2 million. Under current accounting standards, if City Holding determines goodwill or intangible assets are impaired, it would be required to write down the value of these assets. City Holding conducts an annual review to determine whether goodwill and other identifiable intangible assets are impaired. City Holding recently completed such an impairment analysis and concluded that no impairment charge was necessary for the year ended December 31, 2011. City Holding cannot provide assurance whether it will be required to take an impairment charge in the future. Any impairment charge would have a negative effect on its shareholders' equity and financial results and may cause a decline in our stock price.

**Acquisition opportunities may present challenges.**

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

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

**City Holding's controls and procedures may fail or be circumvented.**

Any failure or circumvention of City Holding's controls and procedures or failure to comply with regulations related to controls and procedures could have a material adverse effect on City Holding's business, results of operations and financial condition. Management regularly reviews and updates City Holding's internal

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controls, disclosure controls and procedures, and corporate governance policies and procedures. Any system of controls, no matter how well designed and operated, is based in part on certain assumptions and can provide only reasonable, not absolute, assurances that the objectives of the system are met.

### **Significant legal actions could result in substantial liabilities.**

From time to time, City Holding is subject to claims related to our operations. These claims and legal actions, including supervisory actions by our regulators, could involve large monetary claims and cause City Holding to incur significant defense claims. As a result, City Holding may be exposed to substantial liabilities, which could negatively effect on its shareholders' equity and financial results.

### **City Holding may not be able to attract and retain skilled people.**

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

### **Risks Associated with City Holding's Common Stock**

#### **Future issuances of common stock by City Holding in connection with acquisitions or otherwise could dilute your ownership of City Holding.**

City Holding may use its common stock to acquire other companies or to make investments in banks and other complementary businesses in the future. It may also issue common stock, or securities convertible into common stock, through public or private offerings, in order to raise additional capital in connection with future acquisitions, to satisfy regulatory capital requirements or for general corporate purposes. Any such stock issuances would dilute your ownership interest in City Holding and may dilute the per share value of the common stock.

#### **City Holding is not obligated to pay cash dividends on its common stock.**

City Holding is a holding company and, currently, its primary source of funds for paying dividends to its shareholders is dividends it receives from City National. While City Holding currently pays quarterly cash dividends to holders of its common stock, it is not obligated to pay dividends in any particular amounts or at any particular times. Its decision to pay dividends in the future will depend on a number of factors, including its capital and the availability of funds from which dividends may be paid. See "Price Range of Common Stock and Dividends" on page 10 and "Description of City Holding Capital Stock" on page 11.

#### **The value of City Holding common stock may fluctuate.**

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

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

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**The trading volume in City Holding common stock is less than that of other larger financial services companies.**

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

**Future sales of shares of City Holding common stock could negatively affect its market price.**

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

**Shares of City Holding common stock are not FDIC insured.**

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

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**SUMMARY SELECTED FINANCIAL DATA**

The historical consolidated financial information of City Holding at or for each of the years in the five year period ended December 31, 2011 is derived from City Holding's audited consolidated financial statements, which are incorporated by reference into this proxy statement/prospectus. The historical consolidated financial information of City Holding for the six months ended June 30, 2012 and 2011 is derived from City Holding's unaudited financial statements contained in its quarterly report on Form 10-Q for the quarter ended June 30, 2012, which is incorporated by reference into this proxy statement/prospectus. See "Where You Can Find More Information" on page 41 for instructions on how to obtain the information incorporated by reference.

The historical consolidated financial information of Community Financial at or for each of the years in the five year period ended March 31, 2012 is derived from Community Financial's audited consolidated financial statements. The historical consolidated financial information of Community Financial is contained in its quarterly report on Form 10-Q for the quarter ended June 30, 2012. Community Financial's audited consolidated financial statements for the years ended March 31, 2012 and 2011 begin in Annex C of this proxy statement/prospectus.

**Table of Contents****CITY HOLDING COMPANY****Summary Consolidated Financial Data**

|  | At or for the<br>Six Months Ended<br>June 30, |              | At or for the Years Ended December 31, |              |              |              |              |
|--|---|--------------|--|--------------|--------------|--------------|--------------|
|  | 2012  | 2011         | 2011                                   | 2010         | 2009         | 2008         | 2007         |
| <b>(Dollars in thousands, except per share data)</b> |   |              |  |              |              |              |              |
| <b>Summary of Operations:</b>                        |   |              |  |              |              |              |              |
| Total interest income                                | \$ 54,895                                     | \$ 57,078    | \$ 112,888                             | \$ 121,916   | \$ 132,036   | \$ 147,673   | \$ 157,315   |
| Total interest expense                               | 7,534   | 11,743       | 20,758                                 | 27,628       | 36,603       | 45,918       | 60,276       |
| Net interest income                                  | 47,361  | 45,335       | 92,130                                 | 94,288       | 95,433       | 101,755      | 97,039       |
| Provision for loan losses                            | 3,625   | 2,372        | 4,600                                  | 7,093        | 6,994        | 10,515       | 5,327        |
| Other income   | 26,908  | 29,199       | 54,860                                 | 48,939       | 51,983       | 21,936       | 56,136       |
| Other expense  | 44,278  | 42,770       | 81,141                                 | 78,721       | 77,244       | 75,580       | 71,036       |
| Income tax expense                                   | 8,924   | 9,947        | 20,571                                 | 18,453       | 20,533       | 9,487        | 25,786       |
| Net income   | 17,442  | 19,445       | 40,678                                 | 38,960       | 42,645       | 28,109       | 51,026       |
| Cash dividends                                       | 10,326  | 10,462       | 20,630                                 | 21,350       | 21,675       | 21,483       | 20,601       |
| <b>Per Common Share:</b>                             |   |              |  |              |              |              |              |
| Net income:  |   |              |  |              |              |              |              |
| Basic  | \$ 1.18                                       | \$ 1.27      | \$ 2.68                                | \$ 2.48      | \$ 2.69      | \$ 1.74      | \$ 3.02      |
| Diluted  | 1.17  | 1.26         | 2.67                                   | 2.47         | 2.68         | 1.74         | 3.01         |
| Cash dividends paid                                  | 0.70  | 0.68         | 1.37                                   | 1.36         | 1.36         | 1.36         | 1.24         |
| Book value per share                                 | 21.63   | 20.58        | 21.05                                  | 20.31        | 19.45        | 17.90        | 18.21        |
| <b>Selected Ratios:</b>                              |   |              |  |              |              |              |              |
| Return on average assets                             | 1.26%   | 1.44%        | 1.51%                                  | 1.47%        | 1.63%        | 1.12%        | 2.03%        |
| Return on average shareholders equity                | 10.93%  | 12.28%       | 12.87%                                 | 12.33%       | 14.48%       | 9.27%        | 16.92%       |
| Average total loans to average deposits              | 87.30%  | 83.89%       | 85.50%                                 | 83.12%       | 84.10%       | 86.54%       | 86.06%       |
| Average stockholders equity to average total assets  | 11.51%  | 11.75%       | 11.70%                                 | 11.91%       | 11.29%       | 12.12%       | 12.01%       |
| Risk-based capital ratio (Tier 1)                    | 12.46%  | 13.42%       | 13.12%                                 | 13.88%       | 13.46%       | 12.27%       | 14.12%       |
| Dividend payout ratio                                | 59.32%  | 53.54%       | 51.12%                                 | 54.84%       | 50.56%       | 78.16%       | 41.06%       |
| <b>Selected Balance Sheet Data:</b>                  |   |              |  |              |              |              |              |
| Average assets                                       | \$ 2,772,165                                  | \$ 2,696,469 | \$ 2,701,720                           | \$ 2,654,497 | \$ 2,608,750 | \$ 2,502,411 | \$ 2,511,992 |
| Investment securities                                | 407,896                                       | 464,772      | 396,175                                | 453,585      | 513,931      | 459,657      | 417,016      |
| Total loans  | 2,065,589                                     | 1,897,344    | 1,973,103                              | 1,865,000    | 1,792,434    | 1,812,344    | 1,767,021    |
| Total assets   | 2,893,466                                     | 2,713,820    | 2,777,109                              | 2,637,295    | 2,622,620    | 2,586,403    | 2,482,949    |
| Total deposits                                       | 2,395,380                                     | 2,234,621    | 2,221,268                              | 2,171,375    | 2,163,722    | 2,041,130    | 1,990,081    |
| Long-term borrowings                                 | 16,495  | 16,495       | 16,495                                 | 16,495       | 16,959       | 19,047       | 4,973        |
| Total liabilities                                    | 2,572,844                                     | 2,403,441    | 2,465,975                              | 2,322,434    | 2,313,718    | 2,302,017    | 2,188,773    |
| Stockholders equity                                  | 320,622                                       | 310,379      | 311,134                                | 314,861      | 308,902      | 285,463      | 295,161      |

**Table of Contents****COMMUNITY FINANCIAL CORPORATION****Summary Consolidated Financial Data**

|   | June 30,<br>2012         | March 31,<br>2012        | 2012        | 2011        | At March 31,<br>2010 | 2009        | 2008        |
|---|--------------------------|--------------------------|-------------|-------------|----------------------|-------------|-------------|
| <b>(Dollars in thousands)</b>                       |                          |                          |             |             |                      |             |             |
| <b>Selected Financial Condition Data:</b>           |                          |                          |             |             |                      |             |             |
| Total assets  | \$ 498,491               | \$ 503,907               | \$ 503,907  | \$ 530,080  | \$ 547,180           | \$ 512,724  | \$ 491,246  |
| Loans receivable, net                               | 437,973                  | 445,098                  | 445,098     | 478,293     | 502,126              | 476,950     | 437,174     |
| Investment securities and other earning assets      | 17,370                   | 11,383                   | 19,500      | 11,917      | 11,780               | 7,658       | 30,475      |
| Real estate owned, net                              | 7,544                    | 9,259                    | 9,259       | 10,264      | 3,182                | 1,400       | 593         |
| Deposits  | 368,083                  | 372,418                  | 372,418     | 379,045     | 398,420              | 365,508     | 350,731     |
| Advances and other borrowed money                   | 76,000                   | 78,000                   | 78,000      | 98,445      | 97,096               | 96,476      | 98,834      |
| Stockholders equity                                 | 51,462                   | 50,403                   | 50,403      | 49,760      | 49,012               | 46,337      | 38,705      |
| <b>Three Months Ended</b>                           |                          |                          |             |             |                      |             |             |
|   | <b>June 30,<br/>2012</b> | <b>June 30,<br/>2011</b> | <b>2012</b> | <b>2011</b> | <b>2010</b>          | <b>2009</b> | <b>2008</b> |
| <b>Selected Operations Data:</b>                    |                          |                          |             |             |                      |             |             |
| Total interest income                               | \$ 6,102                 | \$ 6,910                 | \$ 26,353   | \$ 27,585   | \$ 28,198            | \$ 28,692   | \$ 32,244   |
| Total interest expense                              | 680                      | 999                      | 3,445       | 5,612       | 8,081                | 12,460      | 16,978      |
| Net interest income                                 | 5,422                    | 5,911                    | 22,908      | 21,973      | 20,117               | 16,232      | 15,266      |
| Provision for loan losses                           | 184                      | 706                      | 4,908       | 6,469       | 3,326                | 4,285       | 625         |
| Net interest income after provision for loan losses | 5,238                    | 5,204                    | 18,000      | 15,504      | 16,791               | 11,946      | 14,641      |
| Service charges and fees                            | 812                      | 862                      | 3,412       | 3,712       | 3,300                | 3,037       | 3,007       |
| Securities impairment                               |                          |                          |             |             |                      | (11,536)    |             |
| Other noninterest income                            | 96                       | 112                      | 375         | 345         | 511                  | 386         | 336         |
| Noninterest expenses                                | 4,146                    | 5,327                    | 18,993      | 17,196      | 15,661               | 13,449      | 12,293      |
| Income (loss) before income taxes                   | 2,000                    | 852                      | 2,794       | 2,365       | 4,941                | (9,616)     | 5,691       |
| Income taxes  | 783                      | 304                      | 976         | 843         | 1,349                | (3,793)     | 1,855       |
| Net income (loss)                                   | 1,217                    | 548                      | 1,818       | 1,522       | 3,592                | (5,823)     | 3,836       |
| Effective dividend on preferred stock               | 188                      | 188                      | 753         | 753         | 753                  | 211         |             |
| Net income available to common stockholders         | 1,029                    | 360                      | 1,065       | 769         | 2,839                | (6,034)     | 3,836       |

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|   | At or For the Quarter Ended |                  | At or For Year Ended March 31, |         |         |           |         |
|---|-----------------------------|------------------|--------------------------------|---------|---------|-----------|---------|
|   | June 30,<br>2012            | June 30,<br>2011 | 2012                           | 2011    | 2010    | 2009      | 2008    |
| <b>Other Data:</b>  |                             |                  |                                |         |         |           |         |
| Average interest-earning assets to average interest bearing liabilities | 103.92%                     | 102.87%          | 103.15%                        | 103.41% | 104.24% | 105.39%   | 105.21% |
| Average interest rate spread during year                                | 4.68                        | 4.84             | 4.79                           | 4.34    | 3.92    | 3.31      | 3.14    |
| Non-performing assets to total assets                                   | 4.56                        | 3.63             | 4.29                           | 3.13    | 3.24    | 1.75      | 0.33    |
| Return on assets (ratio of net income to average total assets)          | 0.98                        | 0.42             | 0.35                           | 0.28    | 0.67    | (1.17)    | 0.80    |
| Return on equity (ratio of net income to average total equity)          | 9.51                        | 4.31             | 3.56                           | 3.04    | 7.45    | (14.57)   | 9.77    |
| Equity-to-assets ratio (ratio of average equity to average assets)      | 10.34                       | 9.71             | 9.97                           | 9.36    | 9.02    | 8.03      | 8.18    |
| Allowance for loan losses to total loans                                | 1.91                        | 1.56             | 1.96                           | 1.61    | 1.58    | 1.25      | .73     |
| Allowance for loan losses to non-performing loans                       | 56.5                        | 75.5             | 73.0                           | 127.1   | 55.5    | 78.7      | 313.3   |
| Allowance for loan losses to nonperforming assets                       | 37.5                        | 38.8             | 41.2                           | 47.4    | 45.5    | 66.4      | 49.8    |
| Risk-based capital ratio  | 13.59                       | 12.52            | 13.08                          | 12.29   | 11.25   | 11.17     | 9.98    |
| <b>Per Share Data</b>   |                             |                  |                                |         |         |           |         |
| Net income (loss) diluted   | \$ 0.24                     | \$ 0.08          | \$ 0.24                        | \$ 0.18 | \$ 0.65 | \$ (1.39) | \$ 0.87 |
| Book value  | 8.90                        | 8.60             | 8.66                           | 8.55    | 8.34    | 7.72      | 8.93    |
| Dividends (common)  | 0.00                        | 0.00             | 0.00                           | 0.00    | 0.00    | 0.13      | 0.26    |
| Dividend payout ratio   | %                           | %                | %                              | %       | %       | %         | 29.22%  |
| Number of full-service offices  | 11                          | 11               | 11                             | 11      | 11      | 11        | 10      |

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**RETROSPECTIVELY REVISED FINANCIAL INFORMATION FOR**  
**ADOPTION OF A NEW ACCOUNTING STANDARD**

Effective for the quarter ended March 31, 2012, City Holding and Community Financial adopted the Financial Accounting Standards Board's Accounting Standards Update (ASU) No. 2011-05, Comprehensive Income (Topic 220): *Presentation of Comprehensive Income*, as amended by ASU 2011-12, Comprehensive Income (Topic 220): *Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income in Accounting Standards Update No. 2011-05*. These updates revise the manner in which entities present comprehensive income in their financial statements.

The following tables disclose the impact of the adoption of these new accounting pronouncements on the historical financial statements of City Holding and Community Financial. The tables present selected components of the Consolidated Statements of Comprehensive Income for City Holding and Community Financial and should be read in conjunction with the information in City Holding's 2011 Annual Report on Form 10-K and the Community Financial's 2011 Annual Report on Form 10-K (included in Annex C of this proxy statement/prospectus). This information was previously disclosed in the Notes to Consolidated Financial Statements for each company.

**City Holding Company and Subsidiaries**

**Consolidated Statements of Comprehensive Income (unaudited)**

| <i>(Dollars in Thousands)</i>                               | <b>For the fiscal years ended December 31,</b> |             |             |
|---|--|-------------|-------------|
|   | <b>2011</b>                                    | <b>2010</b> | <b>2009</b> |
| Net income  | \$ 40,678                                      | \$ 38,960   | \$ 42,645   |
| Other comprehensive income (loss):                          |  |             |             |
| Unrealized security gains arising during the period         | 2,169  | 44          | 12,411      |
| Reclassification adjustments for (gains) losses             | (2,483)  | 4,667       | 6,164       |
|   | (314)  | 4,711       | 18,575      |
| Unrealized loss on interest rate floors                     | (473)  | (4,494)     | (10,104)    |
| Change in unfunded pension liability                        | (1,473)  | (125)       | 846         |
| Total other comprehensive income (loss) before income taxes | (2,260)  | 92          | 9,317       |
| Tax effect  | 850  | (35)        | (3,578)     |
| Total other comprehensive income (loss)                     | (1,410)  | 57          | 5,739       |
| Total comprehensive income                                  | \$ 39,268                                      | \$ 39,017   | \$ 48,384   |

**Community Financial Corporation and Subsidiary**

**Consolidated Statements of Comprehensive Income (unaudited)**

| <i>(Dollars in Thousands)</i>        | <b>For the fiscal years ended March 31,</b> |             |
|--------------------------------------|---|-------------|
|                                      | <b>2012</b>                                 | <b>2011</b> |
| Net income                           | \$ 1,818                                    | \$ 1,522    |
| Other comprehensive (loss):          |   |             |
| Change in unfunded pension liability | (877)                                       | (262)       |
| Tax effect                           | 333   | 100         |
| Total other comprehensive (loss)     | (544)                                       | (162)       |
| Total comprehensive income           | \$ 1,274                                    | \$ 1,360    |



**Table of Contents****PRICE RANGE OF COMMON STOCK AND DIVIDENDS**

City Holding common stock is traded on The Nasdaq Global Select Market under the symbol CHCO. The closing sale price reported for City Holding common stock on August 1, 2012, the last trading date preceding the public announcement of the merger, was \$32.66. Community Financial's common stock is traded on The Nasdaq Capital Market under the symbol CFFC. The closing sale price reported for Community Financial's common stock on August 1, 2012, the last trading date preceding the public announcement of the merger, was \$3.90.

As of \_\_\_\_\_, 2012, the last date prior to printing this proxy statement/prospectus for which it was practicable to obtain this information, there were approximately \_\_\_\_\_ registered holders of City Holding common stock and approximately \_\_\_\_\_ registered holders of Community Financial common stock.

**City Holding**

The following table sets forth for the periods indicated the high and low sale prices per share of City Holding common stock as reported on The Nasdaq Global Select Market, along with the quarterly cash dividends per share declared. The per share prices do not include adjustments for markups, markdowns or commissions.

| Time Period                          | Dividends | Sales Price |          |
|--------------------------------------|-----------|-------------|----------|
|                                      |           | High        | Low      |
| <b>2012</b>                          |           |             |          |
| Fourth Quarter (through _____, 2012) | \$        | \$          | \$       |
| Third Quarter                        | \$ 0.35   | \$ 36.43    | \$ 32.37 |
| Second Quarter                       | \$ 0.35   | \$ 35.62    | \$ 30.96 |
| First Quarter                        | \$ 0.35   | \$ 37.16    | \$ 32.59 |
| <b>2011</b>                          |           |             |          |
| Fourth Quarter                       | \$ 0.35   | \$ 35.10    | \$ 26.06 |
| Third Quarter                        | \$ 0.34   | \$ 33.96    | \$ 26.82 |
| Second Quarter                       | \$ 0.34   | \$ 36.37    | \$ 30.55 |
| First Quarter                        | \$ 0.34   | \$ 37.22    | \$ 33.79 |
| <b>2010</b>                          |           |             |          |
| Fourth Quarter                       | \$ 0.34   | \$ 38.03    | \$ 30.37 |
| Third Quarter                        | \$ 0.34   | \$ 31.15    | \$ 26.87 |
| Second Quarter                       | \$ 0.34   | \$ 37.28    | \$ 27.88 |
| First Quarter                        | \$ 0.34   | \$ 34.92    | \$ 30.37 |

**Table of Contents****Community Financial**

The following tables present the high, low and closing sales prices of Community Financial's common stock as reported by The Nasdaq Capital Market during the last two fiscal years and the common dividends declared by Community Financial for the stated periods.

| <b>Fiscal 2013</b>                  | <b>High</b> | <b>Low</b> | <b>Close</b> | <b>Common Dividend Declared</b> |
|-------------------------------------|-------------|------------|--------------|---------------------------------|
| Third Quarter (through _____, 2012) |             |            |              |                                 |
| September 2012                      | \$ 6.07     | \$ 5.60    | \$ 5.99      | \$ .                            |
| June 2012                           | 3.88        | 3.50       | 3.68         | .                               |
| <b>Fiscal 2012</b>                  | <b>High</b> | <b>Low</b> | <b>Close</b> | <b>Common Dividend Declared</b> |
| March 2012                          | \$ 3.50     | \$ 2.58    | \$ 3.23      | \$ .                            |
| December 2011                       | 3.50        | 2.39       | 3.28         | .                               |
| September 2011                      | 3.94        | 2.26       | 2.90         | .                               |
| June 2011                           | 4.10        | 2.75       | 4.10         | .                               |
| <b>Fiscal 2011</b>                  | <b>High</b> | <b>Low</b> | <b>Close</b> | <b>Common Dividend Declared</b> |
| March 2011                          | \$ 3.65     | \$ 2.95    | \$ 3.14      | \$ .                            |
| December 2010                       | 4.28        | 2.72       | 3.48         | .                               |
| September 2010                      | 4.54        | 3.58       | 4.07         | .                               |
| June 2010                           | 5.29        | 3.69       | 4.36         | .                               |

The board of directors of Community Financial makes dividend payment decisions after consideration of a variety of factors, including earnings, financial condition, market considerations and regulatory restrictions. Our ability to pay dividends is limited by restrictions imposed by the Virginia Stock Corporation Act, the Federal Reserve, contractually pursuant to our participation in the U.S. Treasury's TARP preferred stock and indirectly by the Office of the Comptroller of the Currency. Restrictions on dividend payments from Community Bank to Community Financial (Community Financial's primary source of funds for the payment of dividends to its stockholders) are described in Note 10 of the Notes to Consolidated Financial Statements beginning on Page F-1 of this proxy statement/prospectus.

The following table sets forth historical per share market values for City Holding common stock (i) on August 1, 2012, the last trading day prior to public announcement of the merger and (ii) on \_\_\_\_\_, 2012 the most recent practicable date before the printing and mailing of this proxy statement/prospectus. The table also shows the equivalent pro forma market value of Community Financial common stock on those dates.

The equivalent pro forma market value of Community Financial common stock is obtained by multiplying the historical market price of City Holding common stock by the applicable exchange ratio of 0.1753.

**Historical Market Price**

|                | <b>City Holding</b> | <b>Community Financial</b> | <b>Community Financial Equivalent Pro Forma Market Value</b> |
|----------------|---------------------|----------------------------|--|
| August 1, 2012 | \$ 32.66            | \$ 3.90                    | \$ 5.73  |
| _____, 2012    | \$                  | \$                         | \$   |

The market prices of City Holding common stock will fluctuate prior to the merger. Community Financial shareholders should obtain current stock price quotations for City Holding common stock.



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**UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION**

The following unaudited pro forma condensed combined financial information is based on the historical financial statements of City Holding and Community Financial, and has been prepared to illustrate the financial effect of City Holding's merger with Community Financial. The following unaudited pro forma condensed combined financial information combines the historical consolidated financial position and results of operations of City Holding and its subsidiaries and of Community Financial and its subsidiary, as an acquisition by City Holding of Community Financial using the acquisition method of accounting and giving effect to the related pro forma adjustments described in the accompanying notes. Under the acquisition method of accounting, the assets and liabilities of Community Financial will be recorded by City Holding at their respective fair values as of the date the merger is completed. The pro forma financial information should be read in conjunction with City Holding's Quarterly Report on Form 10-Q for the period ending June 30, 2012 and Annual Report on Form 10-K for the fiscal year ended December 31, 2011 which are incorporated by reference herein and Community Financial's audited financial statements for the fiscal year ended March 31, 2012 and the interim financial statements for the period ended June 30, 2012 which is included in this document in Annex C.

The unaudited pro forma condensed combined financial information set forth below assumes that the merger with Community Financial was consummated on January 1, 2011 for purposes of the unaudited pro forma condensed combined statement of income and June 30, 2012 for purposes of the unaudited pro forma condensed combined balance sheet and gives effect to the merger, for purposes of the unaudited pro forma condensed combined statement of income, as if it had been effective during the entire period presented.

These unaudited pro forma condensed combined financial statements reflect the Community Financial merger based upon estimated preliminary acquisition accounting adjustments. Actual adjustments will be made as of the effective date of the merger and, therefore, may differ from those reflected in the unaudited pro forma condensed combined financial information.

Subject to the receipt of requisite regulatory approvals, City Holding intends to purchase, or fund Community Financial's redemption of, the Community Financial TARP Preferred Stock held by the U.S. Treasury and the outstanding Community Financial TARP Warrant to purchase Community Financial common stock, also held by the U.S. Treasury, prior to or concurrently with the completion of the merger. The Community Financial TARP Preferred Stock is expected to be extinguished upon consummation of the merger. The repurchase of the Community Financial TARP Preferred Stock and the Community Financial TARP Warrant are reflected in the pro forma financial information. Additionally, the impact from a potential sale of certain Community Financial non-accrual or underperforming loans, which cannot currently be estimated, is excluded from this pro forma analysis.

The unaudited pro forma condensed combined financial statements included herein are presented for informational purposes only and do not necessarily reflect the financial results of the combined company had the companies actually been combined at the beginning of each period presented. The adjustments included in these unaudited pro forma condensed financial statements are preliminary and may be revised. This information also does not reflect the benefits of the expected cost savings and expense efficiencies, opportunities to earn additional revenue, potential impacts of current market conditions on revenues, or asset dispositions, among other factors, and includes various preliminary estimates and may not necessarily be indicative of the financial position or results of operations that would have occurred if the merger had been consummated on the date or at the beginning of the period indicated or which may be attained in the future. The unaudited pro forma condensed combined financial statements and accompanying notes should be read in conjunction with and are qualified in their entirety by reference to the historical consolidated financial statements and related notes thereto of City Holding and its subsidiaries and of Community Financial and its subsidiary. Such information and notes thereto are incorporated by reference herein.

**Table of Contents****City Holding Company and Subsidiaries****Unaudited Pro Forma Condensed Combined Balance Sheet**

As of June 30, 2012

|   | City<br>Holding     | Community<br>Financial | Pro Forma<br>Adjustments | Pro Forma<br>Combined<br>City Holding |
|---|---------------------|------------------------|--------------------------|---------------------------------------|
| (In thousands, except per share amounts)          |                     |                        |                          |                                       |
| <b><u>Assets</u></b>                              |                     |                        |                          |                                       |
| Cash and cash equivalents                         | \$ 134,040          | \$ 6,844               | \$ (12,964)              | \$ 127,920                            |
| Investment securities                             | 407,896             | 21,971                 |                          | 429,867                               |
| Net loans   | 2,046,137           | 437,973                | (52,752)                 | 2,431,358                             |
| Goodwill and other intangibles                    | 65,162              |                        | 24,850                   | 90,012                                |
| Other assets                                      | 240,231             | 31,703                 | 19,470                   | 274,301                               |
| <b>Total Assets</b>                               | <b>\$ 2,893,466</b> | <b>\$ 498,491</b>      | <b>\$ (22,996)</b>       | <b>\$ 3,368,961</b>                   |
| <b><u>Liabilities and Shareholders Equity</u></b> |                     |                        |                          |                                       |
| Deposits  | \$ 2,395,380        | \$ 368,083             | \$ 1,904                 | \$ 2,765,367                          |
| Short-term borrowings                             | 123,074             | 76,000                 |                          | 199,074                               |
| Junior subordinated debt                          | 16,495              |                        |                          | 16,495                                |
| Other liabilities                                 | 37,895              | 2,946                  |                          | 40,841                                |
| <b>Total Liabilities</b>                          | <b>2,572,844</b>    | <b>447,029</b>         | <b>1,904</b>             | <b>3,021,777</b>                      |
| <b>Shareholders Equity</b>                        | <b>320,622</b>      | <b>51,462</b>          | <b>(24,900)</b>          | <b>347,184</b>                        |
| <b>Total Liabilities and Shareholders Equity</b>  | <b>\$ 2,893,466</b> | <b>\$ 498,491</b>      | <b>\$ (22,996)</b>       | <b>\$ 3,368,961</b>                   |
| <b>Book value per common share</b>                | <b>\$ 21.63</b>     | <b>\$ 8.90</b>         |                          | <b>\$ 22.28</b>                       |
| <b>Shares outstanding</b>                         | <b>14,821</b>       | <b>4,362</b>           |                          | <b>15,585</b>                         |

See notes to the unaudited pro forma condensed combined financial information

**Table of Contents****City Holding Company and Subsidiaries****Unaudited Pro Forma Condensed Combined Statement of Income**

For the six months ended June 30, 2012

|  | City Holding | Community<br>Financial | Pro Forma<br>Adjustments | Pro Forma<br>Combined<br>City Holding |
|--|--------------|------------------------|--------------------------|---------------------------------------|
| (In thousands, except per share amounts)                   |              |                        |                          |                                       |
| <b>Interest Income</b>                                     |              |                        |                          |                                       |
| Loans, including fees                                      | \$ 46,210    | \$ 12,241              | \$ 786                   | \$ 59,237                             |
| Securities and other                                       | 8,685        | 204                    |                          | 8,889                                 |
| <b>Total Interest Income</b>                               | 54,895       | 12,445                 | 786                      | 68,126                                |
| <b>Interest Expense</b>                                    |              |                        |                          |                                       |
| Deposits   | 7,051        | 1,337                  | (317)                    | 8,071                                 |
| Other borrowings   | 483          | 86                     |                          | 569                                   |
| <b>Total Interest Expense</b>                              | 7,534        | 1,423                  | (317)                    | 7,640                                 |
| <b>Net Interest Income</b>                                 | 47,361       | 11,023                 | 1,104                    | 59,488                                |
| Provision for loan losses                                  | 3,625        | 216                    |                          | 3,841                                 |
| <b>Net Interest Income After Provision for Loan Losses</b> | 43,736       | 10,806                 | 1,104                    | 55,646                                |
| <b>Other Income</b>  | 26,908       | 1,818                  |                          | 28,726                                |
| <b>Other Expense</b>                                       | 44,278       | 8,915                  | 178                      | 53,371                                |
| <b>Income before Income taxes</b>                          | 26,366       | 3,708                  | 926                      | 31,000                                |
| Income tax expense   | 8,924        | 1,409                  | 324                      | 10,657                                |
| Preferred dividends and amortization                       |              | 376                    | (376)                    |                                       |
| <b>Net Income Available to Common Shareholders</b>         | \$ 17,442    | \$ 1,923               | \$ 978                   | \$ 20,343                             |
| Earnings Per Share   |              |                        |                          |                                       |
| Basic  | \$ 1.18      | \$ 0.44                |                          | \$ 1.31                               |
| Diluted  | \$ 1.17      | \$ 0.44                |                          | \$ 1.30                               |
| Average Shares Outstanding                                 |              |                        |                          |                                       |
| Basic  | 14,676       | 4,362                  |                          | 15,441                                |
| Diluted  | 14,760       | 4,365                  |                          | 15,525                                |

See notes to the unaudited pro forma condensed combined financial information

**Table of Contents****City Holding Company and Subsidiaries****Unaudited Pro Forma Condensed Combined Statement of Income**

For the year ended December 31, 2011, combining the fiscal years ended

|  | City Holding | Community<br>Financial | Pro Forma<br>Adjustments | Pro Forma<br>Combined<br>City Holding |
|--|--------------|------------------------|--------------------------|---------------------------------------|
| (In thousands, except per share amounts)                   |              |                        |                          |                                       |
| <b>Interest Income</b>                                     |              |                        |                          |                                       |
| Loans, including fees                                      | \$ 93,414    | \$ 26,024              | \$ 1,572                 | \$ 121,010                            |
| Securities and other                                       | 19,474       | 329                    |                          | 19,803                                |
| <b>Total Interest Income</b>                               | 112,888      | 26,353                 | 1,572                    | 140,813                               |
| <b>Interest Expense</b>                                    |              |                        |                          |                                       |
| Deposits   | 19,794       | 3,283                  | (635)                    | 22,442                                |
| Other borrowings   | 964          | 162                    |                          | 1,126                                 |
| <b>Total Interest Expense</b>                              | 20,758       | 3,445                  | (635)                    | 23,568                                |
| <b>Net Interest Income</b>                                 | 92,130       | 22,908                 | 2,207                    | 117,245                               |
| Provision for loan losses                                  | 4,600        | 4,908                  |                          | 9,508                                 |
| <b>Net Interest Income After Provision for Loan Losses</b> | 87,530       | 18,000                 | 2,207                    | 107,737                               |
| <b>Other Income</b>  | 54,860       | 3,787                  |                          | 58,647                                |
| <b>Other Expense</b>                                       | 81,141       | 18,993                 | 355                      | 100,489                               |
| <b>Income before Income taxes</b>                          | 61,249       | 2,794                  | 1,852                    | 65,895                                |
| Income tax expense   | 20,571       | 976                    | 648                      | 22,195                                |
| Preferred dividends and amortization                       |              | 753                    | (753)                    |                                       |
| <b>Net Income Available to Common Shareholders</b>         | \$ 40,678    | \$ 1,065               | \$ 1,957                 | \$ 43,700                             |
| Earnings Per Share   |              |                        |                          |                                       |
| Basic  | \$ 2.68      | \$ 0.24                |                          | \$ 2.73                               |
| Diluted  | \$ 2.67      | \$ 0.24                |                          | \$ 2.73                               |
| Average Shares Outstanding                                 |              |                        |                          |                                       |
| Basic  | 15,055       | 4,362                  |                          | 15,820                                |
| Diluted  | 15,130       | 4,399                  |                          | 15,894                                |

See notes to the unaudited pro forma condensed combined financial information

**Table of Contents****Notes to the Unaudited Pro Forma Condensed Combined Financial Information****Note A Basis of Pro Forma Presentation**

On August 2, 2012, City Holding entered into the Agreement and Plan of Merger with Community Financial. Under the terms of the merger agreement, City Holding will exchange 0.1753 shares of its common stock for each share of Community Financial common stock. The receipt by Community Financial shareholders of shares of City Holding common stock in exchange for their shares of Community Financial common stock is anticipated to qualify as a tax-free exchange. The transaction, approved by the directors of both companies, currently is valued at \$26.6 million. This value is based on City Holding's closing stock price on October 12, 2012 of \$34.74. Considering the range of City Holding's stock prices since the announcement of the merger, the value of the transaction at close is not anticipated to be materially different from the transaction value included in these pro formas.

The unaudited pro forma condensed combined financial information of City Holding's financial condition and results of operations, including per share data, are presented after giving effect to the merger. The pro forma financial information assumes that the merger with Community Financial was consummated on January 1, 2011 for purposes of the unaudited pro forma condensed combined statement of income and on June 30, 2012 for purposes of the pro forma balance sheet and gives effect to the merger, for purposes of the unaudited pro forma condensed combined statement of income, as if it had been effective during the entire period presented.

The merger will be accounted for using the acquisition method of accounting; accordingly, the difference between the purchase price over the estimated fair value of the assets acquired (including identifiable intangible assets) and liabilities assumed will be recorded as goodwill.

The pro forma financial information includes estimated adjustments to record the assets and liabilities of Community Financial at their respective fair values and represents management's estimates based on available information. The pro forma adjustments included herein may be revised as additional information becomes available and as additional analysis is performed. The final allocation of the purchase price will be determined after the merger is completed and after completion of a final analysis to determine the fair values of Community Financial's tangible, and identifiable intangible, assets and liabilities as of the closing date.

Funding for the merger transaction is included in the pro forma adjustments as follows (*in thousands*):

|                          |           |
|--------------------------|-----------|
| Issuance of common stock | \$ 26,562 |
| Cash on hand             | 79        |
| Total purchase price     | \$ 26,641 |

**Note B Repurchase of TARP Preferred Stock and Warrant**

City Holding intends to repurchase, or fund Community Financial's repurchase of, the Community Financial TARP Preferred Stock held by the U.S. Treasury prior to or concurrently with the completion of the merger, in which case the Community Financial TARP Preferred Stock will be extinguished upon consummation of the merger. This transaction will result in the payment of \$12.6 million to repurchase the preferred stock and approximately \$0.2 million to repurchase the related warrant resulting in a pre-acquisition charge to retained earnings of \$0.2 million relating to the unamortized discount on the Community Financial TARP Preferred Stock and a \$0.2 million charge to capital surplus for the repurchase of the warrant (estimated by multiplying 351,194 shares subject to the warrant by the sum of \$6.09 less the \$5.40 strike price for the warrant). The transaction is assumed to be funded with available cash.

**Note C Purchase Accounting Adjustments**

The pro forma adjustments include the purchase accounting entries to record the merger transaction. The excess of the purchase price over the fair value of the net assets acquired, net of deferred taxes, is allocated to goodwill. Estimated fair value adjustments included in the pro forma financial statements are based upon

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available information, and certain assumptions considered reasonable, and may be revised as additional information becomes available. For purposes of this pro forma analysis, fair value adjustments, other than goodwill, are amortized/accreted on a straight-line basis over their estimated average remaining lives. Estimated accretion and amortization on borrowings are based on estimated maturity by type of borrowing. When the actual amortization/accretion is recorded for periods following the merger closing, the effective yield method will be used where appropriate. Tax expense related to the net fair value adjustments is calculated at the statutory 35% tax rate.

Included in the pro forma adjustments are core deposit intangibles of \$3.6 million. The core deposit intangibles are separate from goodwill and amortized on a straight-line basis over its estimated average remaining life. When the actual amortization is recorded for periods following the merger closing, the sum-of-the-years digits method will be used. Goodwill totaling \$21.3 million is included in the pro forma adjustments, and is not subject to amortization.

The allocation of the purchase price is as follows (*in thousands*):

**Purchase Price:**

|  |           |
|--|-----------|
| Fair value of City Holding shares to be issued                       | \$ 26,562 |
| Cash consideration for outstanding Community Financial stock options | 79        |
| Total purchase price   | 26,641    |

**Net assets acquired (equity capital less fair value adjustments):**

|   |          |
|---|----------|
| Community Financial's shareholders' equity  | 51,462   |
| Effect of repurchase of TARP preferred stock and warrant                                | (12,885) |
| Reduction of loans, net of elimination of Community Financial allowance for loan losses | (52,752) |
| Estimated core deposit intangible   | 3,553    |
| Increase in certificates of deposit   | (1,904)  |
| Decrease in OREO  | (1,600)  |
| Deferred taxes related to fair value adjustments  | 19,470   |
| Net assets (Equity capital less fair value adjustments)                                 | 5,344    |
| Goodwill resulting from the merger  | 21,297   |

**Note D Projected amortization/accretion of purchase accounting adjustments**

The following table sets forth an estimate of the expected effects of the projected aggregate purchase accounting adjustments reflected in the pro forma combined financial statements on the future pre-tax net income of City Holding after the merger with Community Financial:

| <i>(Unaudited, dollars in thousands)</i>  | <b>Discount Accretion (Premium Amortization) for<br/>the Years Ended December 31,</b> |             |             |             |             |
|---|---|-------------|-------------|-------------|-------------|
|   | <b>2013</b>   | <b>2014</b> | <b>2015</b> | <b>2016</b> | <b>2017</b> |
| Loans                                     | \$ 1,572  | \$ 1,572    | \$ 1,572    | \$ 1,572    | \$ 1,572    |
| Customer/deposit base                     | (355)   | (355)       | (355)       | (355)       | (355)       |
| Time deposits                             | 635   | 635         | 635         |             |             |
| Increase (decrease) in pre-tax net income | \$ 1,852  | \$ 1,852    | \$ 1,852    | \$ 1,217    | \$ 1,217    |

The actual effect of purchase accounting adjustments on the future pre-tax income of City Holding will differ from these estimates based on the closing date estimates of fair values and the use of different amortization methods than assumed above.

**Note E Cost Savings and Merger-Related Costs**

Estimated cost savings, expected to approximate 30% of Community Financial's annualized pre-tax operating expenses, are excluded from this pro forma analysis. Cost savings are estimated to be realized at 75%

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in the first year after the acquisition and 100% in subsequent years. In addition, estimated merger-related costs are not included in the pro forma combined statements of income since they will be recorded in the combined results of income as they are incurred prior to or after completion of the merger and are not indicative of what the historical results of the combined company would have been had the companies been actually combined during the periods presented. Merger-related costs are estimated to be \$8.4 million.

**Table of Contents****COMPARATIVE HISTORICAL AND PRO FORMA UNAUDITED PER SHARE DATA**

We have summarized below historical, unaudited per share information for City Holding and Community Financial and additional information as if the companies had been combined for the periods shown, which we refer to as pro forma information. The pro forma information is based upon the total number of shares of Community Financial common stock outstanding as of \_\_\_\_\_, 2012 (\_\_\_\_\_ shares), and City Holding average closing price of \$ \_\_\_\_\_, with an exchange ratio of 0.1753 shares of City Holding common stock for each share of Community Financial common stock. Per share data for Community Financial was calculated by taking into account the currently outstanding shares of common stock of Community Financial.

The Community Financial pro forma equivalent per share amounts are calculated by multiplying the City Holding pro forma combined book value per share and net income per share by the exchange ratio of 0.1753 so that the per share amounts equate to the respective values for one share of Community Financial common stock.

We expect that both City Holding and Community Financial will incur merger and integration charges as a result of the merger. We also anticipate that the merger will provide the combined company with financial benefits that may include reduced operating expenses. The information set forth below, while helpful in illustrating the financial characteristics of the combined company under one set of assumptions, may not reflect all of these anticipated financial expenses and does not reflect any of these anticipated financial benefits or consider any potential impacts of current market conditions or the merger or revenues, expense efficiencies, asset dispositions and share repurchases, among other factors, and, accordingly, does not attempt to predict or suggest future results. It also does not necessarily reflect what the historical results of the combined company would have been had our companies been combined during the periods presented.

In addition, the information set forth below has been prepared based on preliminary estimates of merger consideration and fair values attributable to the merger, and the actual amounts recorded for the merger may differ from the information presented. The estimation and allocations of merger consideration are subject to change pending further review of the fair value of the assets acquired and liabilities assumed and actual transaction costs. A final determination of fair values will be based on the actual net tangible and intangible assets and liabilities of Community Financial that will exist on the date of completion of the merger.

|  | Historical |           | Pro         | Pro        |
|--|------------|-----------|-------------|------------|
|  | City       | Community | Forma       | Forma      |
|  | Holding    | Financial | Combined    | Equivalent |
|  |            |           |             | Community  |
|  |            |           |             | Financial  |
|  |            |           |             | Share      |
| <b>Basic Earnings per Common Share</b>   |            |           |             |            |
| For the year ended December 31, 2011 (5) | \$ 2.68    | \$ 0.24   | \$ 2.74(1)  | \$ 0.48(2) |
| For the six months ended June 30, 2012   | \$ 1.18    | \$ 0.44   | \$ 1.31     | \$ 0.23    |
| <b>Diluted Earnings per Common Share</b> |            |           |             |            |
| For the year ended December 31, 2011 (5) | \$ 2.67    | \$ 0.24   | \$ 2.73(1)  | \$ 0.48(2) |
| For the six months ended June 30, 2012   | \$ 1.17    | \$ 0.44   | \$ 1.30     | \$ 0.23    |
| <b>Cash Dividends per Common Share</b>   |            |           |             |            |
| For the year ended December 31, 2011 (5) | \$ 1.37    | \$        | \$ 1.37(3)  | \$ 0.24(2) |
| For the six months ended June 30, 2012   | \$ 0.70    | \$        | \$ 0.70     | \$ 0.12    |
| <b>Book Value per Common Share</b>       |            |           |             |            |
| For the year ended December 31, 2011 (5) | \$ 21.05   | \$ 8.66   | \$ 21.30(4) | \$ 3.73(2) |
| For the six months ended June 30, 2012   | \$ 21.63   | \$ 8.90   | \$ 22.28    | \$ 3.91    |

- (1) Pro forma earnings per share are based on pro forma combined net income and pro forma combined shares outstanding at the end of the period.
- (2) Calculated based on pro forma combined multiplied by the applicable exchange ratio of 0.1753.
- (3) Pro forma dividends per share represent City Holding's historical dividends per share.
- (4) Calculated based on pro forma combined equity and pro forma combined common shares outstanding at the end of period.
- (5) Combined fiscal years December 31, 2011 for City Holding and March 31, 2012 for Community Financial.



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**THE SPECIAL MEETING**

This section contains information for Community Financial shareholders about the special meeting that Community Financial has called to allow its shareholders to consider the approval and adoption of the merger agreement and the merger. We are mailing this proxy statement/prospectus to you, as a Community Financial shareholder, on or about \_\_\_\_\_, 2012. Together with this proxy statement/prospectus, we are also sending to you a notice of the special meeting of Community Financial shareholders and a form of proxy that Community Financial's board of directors is soliciting for use at the special meeting and at any adjournments or postponements of the special meeting. This proxy statement/prospectus is also being furnished by City Holding to Community Financial shareholders as a prospectus in connection with the issuance of shares of City Holding common stock upon completion of the merger.

**Time and Place of the Special Meeting**

This proxy statement/prospectus is being furnished to our shareholders as part of the solicitation of proxies by the Community Financial board of directors for use at the special meeting to be held on \_\_\_\_\_, 2012, starting at \_\_\_\_\_ .m., at Community Financial's executive offices located at 38 North Central Avenue, Staunton, Virginia, or at any postponement or adjournment thereof.

**Matters to be Considered**

At the special meeting, shareholders will be asked to consider and vote on the following proposals: (i) to approve and adopt the merger agreement and the transactions contemplated thereby; (ii) to consider and vote on a proposal to adjourn or postpone the special meeting, if necessary or appropriate, for the purpose of soliciting additional proxies if there are insufficient votes at the time of the special meeting to approve the proposal to approve and adopt the merger agreement and the transactions contemplated thereby; and (iii) to approve, on an advisory (non-binding) basis, the compensation that may be paid or become payable to Community Financial's named executive officers in connection with the merger.

Community Financial shareholders must approve the proposal to approve and adopt the merger agreement and the transactions contemplated thereby in order for the merger to occur. If our shareholders fail to approve the proposal to approve and adopt the merger agreement and the transactions contemplated thereby, the merger will not occur. A copy of the merger agreement is attached as Annex A to this proxy statement/prospectus, which we encourage you to read carefully in its entirety.

**Recommendation of the Community Financial Board of Directors**

Community Financial's board of directors determined that the merger, the merger agreement and the transactions contemplated by the merger agreement are advisable and in the best interests of Community Financial and its shareholders and has approved the merger and the merger agreement. Community Financial's board of directors recommends that Community Financial shareholders vote **FOR** approval and adoption of the merger agreement, **FOR** the adjournment/postponement proposal and **FOR** the compensation proposal. See Proposal One: Approval of the Merger Reasons for the Merger ; Recommendation of Community Financial's Board of Directors on page \_\_\_\_\_ for a more detailed discussion of the Community Financial board of directors' recommendation.

**Record Date and Voting Rights; Quorum**

We have fixed the close of business on \_\_\_\_\_, 2012, as the record date for the special meeting, and only holders of record of shares of Community Financial common stock on the record date are entitled to vote at the special meeting. You are entitled to receive notice of, and to vote at, the special meeting if you owned shares of Community Financial common stock at the close of business on the record date. On the record date, there were approximately \_\_\_\_\_ shares of Community Financial common stock outstanding and entitled to vote. Each share of Community Financial common stock entitles its holder to one vote on all matters properly coming before the special meeting.

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The presence, in person or by proxy, of the holders of a majority of the aggregate number of outstanding shares of Community Financial common stock entitled to vote is necessary to constitute a quorum for the special meeting. Shares of Community Financial common stock represented at the special meeting but not voted, including shares of common stock for which a shareholder directs an abstention from voting, will be counted for purposes of establishing a quorum. Broker non-votes will also be counted for determining whether a quorum is present. A quorum is necessary to transact business at the special meeting. Once a share of Community Financial common stock is represented at the special meeting, it will be counted for the purpose of determining a quorum at the special meeting and any adjournment/postponement of the special meeting.

### **Vote Required**

If a quorum exists at the special meeting, approval of the proposal to approve and adopt the merger agreement and the transactions contemplated thereby requires the affirmative vote of a majority of all votes entitled to be cast by the holders of Community Financial common stock. For the proposal to approve and adopt the merger agreement and the transactions contemplated thereby, you may vote **FOR**, **AGAINST** or **ABSTAIN**. Abstentions have the effect of a **NO** vote on the proposal to approve and adopt the merger agreement but will count for the purpose of determining whether a quorum is present. Failure to vote also will have the effect of a **NO** vote on the proposal to approve and adopt the merger agreement.

The adjournment proposal and the compensation proposal will be approved if the number of shares, represented in person or by proxy at the special meeting and entitled to vote thereon, voted in favor of each such proposal exceeds the number of shares voted against such proposal. Therefore, if you mark **ABSTAIN** on your proxy with respect to the adjournment proposal or the compensation proposal, or if you fail to vote or fail to instruct your bank or broker how to vote with respect to the adjournment proposal or the compensation proposal, it will have no effect on the adjournment proposal or the compensation proposal.

If your shares of Community Financial common stock are held through a bank, brokerage firm or other nominee, you are considered the beneficial owner of shares of Community Financial common stock held in street name. In that case, this proxy statement/prospectus has been forwarded to you by your bank, brokerage firm or other nominee who is considered, with respect to those shares of Community Financial common stock, the shareholder of record. As the beneficial owner, you have the right to direct your bank, brokerage firm or other nominee how to vote your shares by following their instructions for voting.

Banks, brokerage firms or other nominees who hold shares in street name for customers have the authority to vote on routine proposals when they have not received instructions from beneficial owners. However, banks, brokerage firms or other nominees are precluded from exercising their voting discretion with respect to approving non-routine matters, such as the proposal to approve and adopt the merger agreement and, as a result, absent specific instructions from the beneficial owner of such shares of Community Financial common stock, banks, brokerage firms or other nominees are not empowered to vote those shares on non-routine matters, which we refer to generally as broker non-votes. These broker non-votes will be counted for purposes of determining a quorum, but will have the effect of a **NO** vote to approve and adopt the merger agreement and the transactions contemplated thereby.

### **Voting at the Community Financial Special Meeting**

If you are a shareholder of record of Community Financial common stock, your shares of Community Financial common stock can be voted on the matters presented at the special meeting in either of the following ways:

*Ballot.* You can attend the special meeting and vote in person. A ballot will be provided for your use at the meeting.

*Return Your Proxy Card by Mail.* You may vote by completing, signing and returning the proxy card in the postage-paid envelope provided with this proxy statement/prospectus. The proxy holders will vote

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your shares of Community Financial common stock according to your directions. If you sign and return your proxy card without specifying choices, your shares of Community Financial common stock will be voted by the persons named in the proxy in accordance with the recommendations of the board as set forth in this proxy statement/prospectus.

If you are a beneficial owner, you will receive instructions from your bank, brokerage firm or other nominee that you must follow in order to have your shares of Community Financial common stock voted. Please note that if you are a beneficial owner and wish to vote in person at the special meeting, you must provide a legal proxy from your bank, brokerage firm or other nominee.

**Shares Held by Directors and Officers**

As of \_\_\_\_\_, 2012, the record date for the special meeting, the directors and executive officers of Community Financial beneficially owned and were entitled to vote, in the aggregate, \_\_\_\_\_ shares of Community Financial common stock, representing \_\_\_\_\_ % of the outstanding shares of Community Financial common stock entitled to vote at the special meeting. The directors and executive officers have informed Community Financial that they currently intend to vote all of their shares of Community Financial common stock **FOR** the proposal to approve and adopt the merger agreement and the transactions contemplated thereby, **FOR** the proposal to adjourn or postpone the special meeting, if necessary or appropriate, to solicit additional proxies and **FOR** the compensation proposal. Each director of Community Financial has entered into an agreement with City Holding pursuant to which he has agreed to vote all of his shares in favor of the merger agreement, except that certain shares they hold in a fiduciary capacity are not covered by the agreement.

**Security Ownership of Management**

As of \_\_\_\_\_, 2012, the record date for the special meeting, the directors and executive officers of Community Financial beneficially owned and were entitled to vote, in the aggregate, \_\_\_\_\_ shares of Community Financial common stock, representing \_\_\_\_\_ % of the outstanding shares of Community Financial common stock entitled to vote at the special meeting. The directors and executive officers have informed Community Financial that they currently intend to vote all of their shares of Community Financial common stock **FOR** the proposal to approve and adopt the merger agreement and the transactions contemplated thereby, **FOR** the proposal to adjourn or postpone the special meeting, if necessary or appropriate, to solicit additional proxies and **FOR** the compensation proposal.

**Stock Ownership of Community Financial Directors and Executive Officers**

The persons named in this table have sole voting power for all shares of common stock shown as beneficially owned by them, subject to community property laws where applicable and except as indicated in the footnotes to this table. The address of each beneficial owner named in the table, except where otherwise indicated, is the same address as Community Financial. An asterisk (\*) in the table indicates that an individual beneficially owns less than one percent of the outstanding common stock of Community Financial.

Beneficial ownership is determined in accordance with the rules of the Securities and Exchange Commission (the "SEC"). In computing the number of shares beneficially owned by a person and the percentage ownership of that person, shares of common stock subject to outstanding options held by that person that are currently exercisable or exercisable within 60 days after \_\_\_\_\_, 2012 are deemed outstanding. These shares, however, are not deemed outstanding for the purpose of computing the percentage ownership of any other person. As of \_\_\_\_\_, 2012, there were \_\_\_\_\_ shares of Community Financial common stock outstanding.

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| Name of Beneficial Owner   | Amount and Nature of<br>Common Stock<br>Beneficially Owned |                        |
|--|--|------------------------|
|  | Number<br>of<br>Shares<br>Beneficially<br>Owned            | Percent<br>of<br>Class |
| <b>Beneficial Owners of More Than 5%</b>   |  |                        |
| Sagus Financial Fund, LP, Sagus Partners, LLC, Bankers Capital Group, LLC              | 401,179  | 9.2%                   |
| and David C Brown(1)   |  |                        |
| 3399 Peachtree Road, Suite 2040  |  |                        |
| Atlanta, Georgia 30326   |  |                        |
| United States Department of the Treasury (the Treasury ) (2)                           | 351,194  | 8.1%                   |
| 1500 Pennsylvania Avenue, NW   |  |                        |
| Washington, D.C. 20220   |  |                        |
| Community Financial Employee Stock Ownership and 401(k)                                | 263,339  | 6.0%                   |
| Profit Sharing Plan  |  |                        |
| <b>Directors and Executive Officers (3)(4)(5)</b>                                      |  |                        |
| James R. Cooke, Jr., D.D.S.<br>Chairman of the Board                                   | 74,722   | 1.6%                   |
| P. Douglas Richard<br>Vice Chairman of the Board                                       | 69,496   | 1.6%                   |
| Charles F. Andersen, M.D.<br>Director/Director Nominee                                 | 92,680   | 2.1%                   |
| Charles W. Fairchilds (6)<br>Director/Director Nominee                                 | 26,820   | *                      |
| Paul M. Mott<br>Director   | 1,500  | *                      |
| Dale C. Smith (7)<br>Director  | 107,400  | 2.5%                   |
| Morgan N. Trimyer, Jr.<br>Director   | 24,900   | *                      |
| Norman C. Smiley, III<br>Director/President and Chief Executive Officer                | 61,935   | 1.4%                   |
| R. Jerry Giles<br>Senior Vice President and Chief Financial Officer                    | 70,306   | 1.6%                   |
| John J. Howerton<br>Senior Vice President Director of Retail Banking                   | 10,405   | *                      |
| All directors and executive officers of<br>Community Financial as a group (15 persons) | 614,401  | 13.5%                  |

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- (1) As reported by Sagus Financial Fund, LP, a Delaware limited partnership ( SFF ), Sagus Partners, LLC, a Georgia limited liability company and managing partner of SFF ( SP ), Bankers Capital Group, LLC, a Georgia limited liability company and 50% owner of SP ( BCG ), and David C. Brown, a resident of Georgia who is the 50% owner and manager of SP (Mr. Brown, with SFF, SP and BCG, the Reporting Persons ) in a Schedule 13G/A dated February 14, 2012. The Reporting Persons reported sole voting and investment power over all of its reported shares.

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- (2) Represents the warrant for 351,194 shares of common stock of City Holding acquired by the Treasury in connection with its purchase of shares of preferred stock of City Holding in the TARP program. As of January 1, 2010, the Treasury may exercise the warrant and may sell the warrant or the underlying warrant shares. Treasury has agreed not to vote the warrant shares but that agreement would not apply to any subsequent holder.
- (3) Includes shares of Community Financial common stock held directly, as well as shares held jointly with family members, shares held in retirement accounts, held in a fiduciary capacity, held by certain of the group members' families, or held by trusts of which the group member is a trustee or substantial beneficiary, with respect to which shares of common stock the group member may be deemed to have sole or shared voting and/or investment powers.
- (4) Includes shares of Community Financial common stock as to which the named individual has the right to acquire beneficial ownership, currently or within 60 days after \_\_\_\_\_, 2012, pursuant to the exercise of stock options, as follows: Dr. Cooke, 4,000 shares; Mr. Richard, 25,000 shares; Dr. Andersen, 8,000 shares; Mr. Fairchilds, 8,000 shares; Mr. Smith, 8,000 shares; Mr. Trimyer, 18,000 shares; Mr. Smiley, 29,500 shares; Mr. Giles, 24,000 shares; Mr. Howerton, 9,000 shares; and all directors and executive officers as a group, 177,500 shares.
- (5) Includes shares of common stock held by the KSOP that have been allocated to accounts of the following individuals: Mr. Richard, 12,265 shares; Mr. Smiley, 19,535 shares; Mr. Giles, 8,211 shares; Mr. Howerton, 1,005 shares; and all directors and executive officers as a group, 59,521 shares. Pursuant to the terms of the KSOP, each individual has the right to direct the voting of the shares of common stock allocated to his account.
- (6) Includes 17,400 shares of common stock held in a trust over which shares Mr. Fairchilds has shared voting and dispositive power with his spouse.
- (7) Includes 87,148 shares of common stock held in a trust over which shares Mr. Smith has shared voting and dispositive power with his spouse and 5,754 shares pledged for an obligation.

**Proxies and Revocation**

If you choose to vote by mailing a proxy card, your proxy card must be received by our Secretary by the time the special meeting begins. Please do not send in your stock certificates with your proxy card. When the merger is completed, a separate letter of transmittal will be mailed to you that will enable you to receive the per share merger consideration in exchange for your stock certificates.

If you vote by proxy, the individuals named on the enclosed proxy card, and each of them, with full power of substitution, will vote your shares of stock in the way that you indicate. When completing the proxy card, you may specify whether your shares of Community Financial common stock should be voted for or against or to abstain from voting on all, some or none of the specific items of business to come before the special meeting.

All shares represented by valid proxies that we receive through this solicitation, and that are not revoked, will be voted on in accordance with your instructions on the proxy card. If you properly sign your proxy card but do not mark the boxes showing how your shares of stock should be voted on a matter, the shares of stock represented by your properly signed proxy will be voted **FOR** the proposal to approve and adopt the merger agreement and the transactions contemplated thereby, **FOR** the proposal to adjourn or postpone the special meeting, if necessary or appropriate, to solicit additional proxies and **FOR** the compensation proposal.

**IT IS IMPORTANT THAT YOU VOTE YOUR SHARES OF STOCK PROMPTLY. WHETHER OR NOT YOU PLAN TO ATTEND THE SPECIAL MEETING, PLEASE COMPLETE, DATE, SIGN AND RETURN, AS PROMPTLY AS POSSIBLE, THE ENCLOSED PROXY CARD IN THE ACCOMPANYING PREPAID REPLY ENVELOPE. SHAREHOLDERS WHO ATTEND THE SPECIAL MEETING MAY REVOKE THEIR PROXIES BY VOTING IN PERSON.**

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If you are a shareholder of record, you have the right to revoke a proxy at any time before it is voted at the special meeting by:

Signing another proxy card with a later date and returning it to us prior to the special meeting; or

Attending the special meeting and voting in person.

### **Solicitation of Proxies**

Community Financial will bear the entire cost of soliciting proxies from you. In addition to solicitation of proxies by mail, Community Financial will request that banks, brokers and other record holders send proxies and proxy material to the beneficial owners of Community Financial common stock and secure their voting instructions. Community Financial will reimburse the record holders for their reasonable expenses in taking those actions. If necessary, Community Financial may use several of its regular employees, who will not be specially compensated, to solicit proxies from the Community Financial shareholders, either personally or by telephone, facsimile, letter or other electronic means.

### **Attending the Meeting**

All holders of Community Financial common stock, including shareholders of record and shareholders who hold their shares through banks, brokers, nominees or any other holder of record, are invited to attend the special meeting. Shareholders of record can vote in person at the special meeting. If you are not a shareholder of record, you must obtain a proxy executed in your favor from the record holder of your shares, such as a broker, bank or other nominee, to be able to vote in person at the special meeting. If you plan to attend the special meeting, you must hold your shares in your own name or have a letter from the record holder of your shares confirming your ownership. We reserve the right to refuse admittance to anyone without proper proof of share ownership. The use of cameras, sound recording equipment, communications devices or any similar equipment during the special meeting is prohibited without Community Financial's express written consent.

### **Adjournments and Postponements**

Although it is not currently expected, the special meeting may be adjourned or postponed, including for the purpose of soliciting additional proxies (if sufficient votes on the adjournment proposal are received), if there are insufficient votes at the time of the special meeting to approve the proposal to approve and adopt the merger agreement and the transactions contemplated thereby or if a quorum is not present at the special meeting. Other than an announcement to be made at the special meeting of the time, date and place of an adjourned or postponed meeting, an adjournment or postponement generally may be made without notice. Any adjournment or postponement of the special meeting for the purpose of soliciting additional proxies will allow the shareholders who have already sent in their proxies to revoke them at any time prior to their use at the special meeting as adjourned or postponed.

### **Anticipated Date of Completion of the Merger**

We are working towards completing the merger as soon as possible. If the merger is approved at the shareholders' meeting, then, assuming timely satisfaction of the other necessary closing conditions, we anticipate that the merger will be completed in the first quarter of 2013.

### **Questions and Additional Information**

If you have more questions about the merger or how to submit your proxy or vote, or if you need additional copies of this proxy statement/prospectus or the enclosed proxy card or voting instructions, please call \_\_\_\_\_, \_\_\_\_\_ of Community Financial Corporation, at (540) \_\_\_\_\_.

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**PROPOSAL ONE: APPROVAL OF THE MERGER**

**This summary of the material terms and provisions of the merger agreement is qualified in its entirety by reference to the merger agreement. The merger agreement is attached as Annex A to this proxy statement/prospectus. We incorporate this document into this summary by reference. We urge you to read carefully this entire proxy statement/prospectus, including the merger agreement attached as Annex A, for a more complete understanding of the merger.**

**Merger**

Subject to satisfaction or waiver of all conditions in the merger agreement, Community Financial will merge with and into City Holding. Upon completion of the merger, Community Financial's corporate existence will terminate and City Holding will continue as the surviving corporation. In addition, upon completion of the merger, Community Financial's wholly-owned subsidiary, Community Bank, will merge with and into City National with City National continuing as the surviving bank.

Community Financial and City Holding expect to complete the merger in the first quarter of 2013, subject to receiving the required shareholder and regulatory approvals and the satisfaction or waiver of other conditions contained in the merger agreement.

**Merger Consideration**

Each share of Community Financial common stock, par value \$0.01 per share, that you own will be exchanged for 0.1753 shares of the common stock, par value \$2.50 per share, of City Holding.

Shareholders will not receive any fractional shares of City Holding common stock. Instead, they will receive cash, without interest, for any fractional share of City Holding common stock that they might otherwise have been entitled to receive based on the average of the per share closing price of City Holding common stock as reported on The Nasdaq Global Select Market during the 10 trading days immediately preceding the 10<sup>th</sup> calendar day immediately preceding the effective date of the merger.

Upon completion of the merger, we expect that City Holding shareholders will own approximately % of the combined company and former Community Financial shareholders will own approximately % of the combined company.

**Background of the Merger**

Beginning in late 2011, the Board of Directors of Community Financial held several meetings to discuss the financial condition, earnings and future prospects of Community Financial and its alternatives to increase stockholder value and repay its TARP preferred stock issued under the Capital Purchase Program as part of the Troubled Assets Relief Program established by the Emergency Economic Stabilization Act of 2008 ( TARP CPP ). The Board had concerns that, despite Community Financial's profitability, Community Financial's stock price continued to trade at a substantial discount to tangible book value.

On February 22, 2012, the Board of Directors asked for and received from Scott & Stringfellow, Community Financial's investment bankers, an analysis of the impact on Community Financial of the sale of the Hampton Roads branches. The Board of directors also requested that Scott & Stringfellow prepare an analysis of a potential common stock offering and the value of Community Financial to a merger partner.

On March 7, 2012, Scott & Stringfellow met with the Board of Directors of Community Financial, as well as the senior management team, to discuss its analysis of the sale of the Hampton Roads branches, a potential common stock offering and the sale of the entire Company. The Board of Directors and management team discussed the options, noting that the sale of the Hampton Roads branches would significantly reduce future

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earnings, would not provide enough excess capital to redeem Community Financial's TARP preferred stock and would likely leave Community Financial with higher ratios of non-performing assets to total assets. The Board of Directors noted that the current market environment for community bank stocks would make it difficult to issue common stock and if Community Financial were able to issue common stock, the low offering price would significantly dilute the ownership, tangible book value per share and earnings per share of Community Financial. The Board of Directors determined that these were not viable strategies to pursue. The Board of Directors and management discussed the Scott & Stringfellow presentation analyzing the sale of the entire Company, noting that Scott & Stringfellow estimated a buyer could likely pay approximately \$5.00 to \$7.00 per share for Community Financial. The Board of Directors then dismissed both Scott & Stringfellow and the management team and continued to discuss the merits of seeking a merger partner at this time. No further action was taken at this meeting.

On March 12, 2012, the Board of Directors met to further discuss the alternatives available to Community Financial to increase stockholder value. At that meeting the Board of Directors determined to engage Scott & Stringfellow to conduct an auction process to explore the possibility of merging with another banking organization. Community Financial signed an engagement letter with Scott & Stringfellow on April 3, 2012 to pursue a possible merger.

In late March, 2012, Scott & Stringfellow began soliciting indications of interest in a merger with or acquisition of Community Financial. On April 25, 2012, Scott & Stringfellow met with the Board of Directors to update them on the progress of the auction process. Scott & Stringfellow informed the Board of Directors that it had contacted 37 potential merger partners, listed those parties and noted which of them had been interested in signing confidentiality agreements and receiving further non-public information about Community Financial. 22 institutions signed confidentiality agreements and received additional information.

In early May, 2012, Scott & Stringfellow received three preliminary indications of interest. Each of these indications of interest were subject to further on-site due diligence.

Bidder one (City Holding) proposed an all stock transaction with a fixed exchange ratio that, based on bidder one's stock price as of the date of its indication of interest, would have a value of \$7.00 to \$8.00 per share. Bidder one indicated a willingness to pay a portion of the consideration in cash if desired by Community Financial. Bidder one proposed to re-purchase Community Financial's outstanding TARP CPP preferred stock and warrants in conjunction with the transaction.

Bidder two proposed an all stock transaction with a fixed exchange ratio that, based on bidder two's stock price as of the date of its indication of interest, would have a value of \$6.94 per share. Bidder two proposed to re-purchase Community's outstanding TARP CPP preferred stock and warrants in conjunction with the transaction. Bidder two's proposal also indicated a willingness to consider the possibility of contingent consideration based on the performance of specific Community Bank assets if Community Financial was so inclined.

Bidder three proposed an all stock transaction with a floating exchange ratio that would have a value of \$5.50 to \$7.00 per share. The exchange ratio would be determined based upon bidder three's stock price prior to closing, and would have customary collars to provide price protection for both parties. Bidder three proposed to re-purchase Community Financial's outstanding TARP CPP preferred stock and warrants in conjunction with the transaction.

At a Board of Directors meeting on May 9, 2012 to discuss these three preliminary indications of interest, Scott & Stringfellow and Community Financial's counsel advised the Board of Directors with regard to the financial condition, results of operations, market valuations and stock price performance of each bidder, the tax considerations of stock consideration versus cash consideration, as well as the tax implications of contingent consideration, and the likelihood of each bidder receiving regulatory approval to complete the transaction. Each of these preliminary indications of interest was within or above the estimated range of value Scott & Stringfellow

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had presented to the Board of Directors as a range of prices that could be expected. As a result, the Board of Directors authorized Scott & Stringfellow to invite all three bidders to conduct on-site due diligence and submit revised indications of interest by June 21, 2012.

Following on-site due diligence by bidders one and two, Scott & Stringfellow received revised indications of interest from bidders one and two. Bidder three declined to conduct on-site due diligence and did not submit a revised bid. Shortly after the due date for the receipt of revised bids, bidder three announced that it had signed an agreement to acquire another financial institution.

The revised indication of interest from bidder one offered all stock with a fixed exchange ratio, having a then current value of \$5.00 per share, plus an earn-out (contingent consideration) based on the performance of a to-be-determined pool of loans of Community Bank. The maximum value of the contingent consideration would be \$2.50 per share, would be paid in cash over a three year period and would be based on the value of this pool of loans exceeding certain to be agreed upon parameters, with Community Financial's stockholders receiving 75% of any excess and bidder one receiving 25% of any excess, up to a total of \$2.50 per share. Scott & Stringfellow requested an indication of interest from bidder one that did not include contingent consideration and was advised by bidder one that such an indication of interest would be all stock, with a fixed exchange ratio, having a then current value of \$5.00 per share. This revised indication of interest also provided for one board seat for a representative of Community Financial and reiterated bidder one's intention to re-purchase Community Financial's outstanding TARP CPP preferred stock and warrants in conjunction with the transaction.

The revised indication of interest from bidder two offered \$5.25 per share, all cash. Bidder two indicated that it would consider offering all or a portion of the merger consideration in stock rather than cash if this was preferred by the Board of Directors. This revised indication of interest also provided for one board seat for a representative of Community Financial on bidder two's bank board of directors and reiterated bidder two's intention to re-purchase Community Financial's outstanding TARP CPP preferred stock and warrants in conjunction with the transaction.

On June 27, 2012, Community Financial's Board of Directors met with counsel and Scott & Stringfellow to discuss both revised indications of interest. The Board of Directors considered the amount and the form of consideration in both proposals, the tax implications of cash versus stock consideration to stockholders of Community Financial and the likelihood of each bidder receiving regulatory approval for the proposed transaction. The Board of Directors also considered the size, financial condition and results of operations of each bidder, the market valuations and stock price performance of each bidder and experience of each bidder in completing acquisitions. The Board of Directors also asked numerous questions of counsel and Scott & Stringfellow regarding the contingent consideration proposed by bidder one, including the number and timing of any payouts, the oversight of each payout determination, the loans to be included in the pool of assets upon which the payout would be based and the likelihood of any payout being made to stockholders. The Board of Directors also considered the risks of remaining independent, including the current and expected levels of non-performing assets, limitations on growth imposed by Community Bank's regulators, proposed regulatory orders and restrictions sought by the regulators,

TARP CPP refinancing and pay-off considerations, Community Financial's inability to pay cash dividends to stockholders and Community Financial's ability to provide a reasonable return to stockholders. At the conclusion of the meeting, the Board of Directors authorized management, counsel and Scott & Stringfellow to attempt to negotiate a binding merger agreement with bidder one, including the contingent consideration.

On July 25, 2012, the Board of Directors met and received a summary from counsel of the terms of the merger agreement being negotiated with bidder one. The Board of Directors had received a draft of this agreement and all exhibits on July 24, 2012. Counsel explained the agreement and related documents in detail. The Board of Directors asked numerous questions regarding various provisions of the agreement and exhibits. The Board of Directors then asked Scott & Stringfellow to discuss whether the merger consideration to be received by stockholders was fair, from a financial point of view. Scott & Stringfellow presented its analysis, orally and in writing, to the Board of Directors and concluded that the merger consideration to be paid to stockholders by bidder one was fair, from a financial point of view.

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Counsel pointed out to the Board of Directors that the contingent consideration provision had not been finalized, but that the parties had discussed the issue extensively and there seemed to be agreement on the issues and this agreement would be incorporated into the final version of the merger agreement. Counsel explained to the Board of Directors the current understanding of the parties as to how the contingent consideration would be structured. The Board of Directors authorized management to execute a binding agreement with bidder one once the contingent consideration provision was finalized consistent with the parties' current understanding of how this provision would be structured.

On Friday, July 27, 2012, Scott & Stringfellow spoke with bidder one regarding the contingent consideration. While the language in the merger agreement was acceptable to both parties, the parties were unable to agree on the number and value of the loans that would be included in the pool of loans for purposes of calculating the contingent consideration. As a result, Scott & Stringfellow encouraged bidder one to revise its offer to exclude contingent consideration. Late on July 27, 2012, bidder one revised its indication of interest and increased its fixed exchange ratio to have a value of \$5.75 per share based on bidder one's closing stock price on that date. The contingent consideration was dropped from the proposal.

Scott & Stringfellow contacted Mr. Smiley, the President of Community Financial, and the negotiating committee of the Board of Directors, consisting of directors Cooke and Richard, and advised them of the revised proposal. They contacted counsel and by conference call discussed the revised proposal and whether to re-open the auction process and invite bidder two to submit another proposal. No decision was made.

On Monday, July 30, 2012, President Smiley, directors Cooke and Richard, counsel and Scott & Stringfellow again met by conference call to discuss bidder one's revised proposal. The directors asked Scott & Stringfellow its opinion as to the advisability of asking bidder two to submit another proposal, and the likelihood that they would submit a proposal higher than that of bidder one. Scott & Stringfellow stated that, based on their knowledge of bidder two, it was unlikely that bidder two would significantly increase its proposal. Scott & Stringfellow also stated its concern that re-opening the bidding process could cause bidder one to withdraw its current proposal. Scott & Stringfellow suggested that bidder one might further increase its proposal based on Community Financial's view of the value in the contingent consideration that they are giving up. After discussion, the negotiating committee of the Board of Directors authorized Scott & Stringfellow to contact bidder one to attempt to negotiate a higher offer.

Scott & Stringfellow contacted bidder one later that day, encouraging them to increase their offer for Community Financial. Late on July 30, 2012, bidder one offered to increase its fixed exchange ratio so the value to Community Financial's stockholders of the bidder one stock to be received in the proposed transaction would be \$6.00 per share, based on the closing stock price of bidder one as of July 27, 2012.

On August 2, 2012, the Board of Directors again met with counsel and Scott & Stringfellow. Counsel stated that the only significant changes to the merger agreement from the draft presented at the July 26, 2012 meeting was the increase in the fixed exchange ratio and the elimination of the contingent consideration. Scott & Stringfellow again summarized the terms of bidder one's proposal and updated the Board of Directors on the market performance of bidder one's stock. Scott & Stringfellow, upon the request of the Board of Directors, rendered an oral opinion that the transaction was fair to the stockholders of Community Financial from a financial point of view. Scott & Stringfellow agreed to provide its written fairness opinion shortly following the meeting. The Board of Directors then voted unanimously to authorize management to execute the merger agreement with bidder one.

### **Reasons for the Merger; Recommendation of Community Financial's Board of Directors**

In reaching its decision to approve the merger agreement and recommend that Community Financial's stockholders approve the merger, Community Financial's Board of Directors consulted with Community Financial's management, as well as its financial and legal advisors, and considered a number of factors, including:

the expected results from continuing to operate as an independent institution and the likely benefits to stockholders, compared with the stock merger consideration offered by City Holding;

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the current recessionary environment and its impact on Community Financial's borrowers, evidenced by the level of non-performing assets at Community Financial;

the fact that the estimated per share value of the merger consideration (\$5.73 as of August 1, 2012) represented a premium over the recent trading prices for Community Financial's common stock prior to the public announcement of the merger agreement (with the last such closing price being \$3.90 on August 1, 2012);

the annual cash dividends paid by City Holding, amounting to approximately \$0.245 per share of Community stock, compared to no cash dividends paid by Community for over three years;

the opinion rendered by Scott & Stringfellow to Community Financial's Board of Directors that the merger consideration is fair, from a financial point of view, to Community Financial's stockholders;

the Board's assessment of the likelihood that City Holding will receive the regulatory approvals it needs to complete the merger;

information regarding Community Financial's and City Holding's financial condition, results of operations, capital position, asset quality and prospects;

the difficulty faced by Community Financial in repurchasing or refinancing its TARP CPP preferred stock and warrants and the scheduled increase in the dividend on the preferred stock to 9% at the end of 2013;

the current and prospective competitive and regulatory environments facing Community Financial and the financial services industry generally, including the individual minimum capital requirement imposed on Community Bank by the OCC and the written agreement between the OCC and Community Bank designating Community Bank as being in troubled condition and imposing certain requirements and restrictions on Community Bank;

the absence of a liquid and active trading market for Community Financial's common stock, which makes it more difficult for investors to purchase or sell shares;

the fact that the merger generally will be a non-taxable transaction for Community Financial's stockholders;

the fact that most employees of Community Financial are expected to be retained following the merger;

the Board's belief that the merger will not negatively impact Community Bank's customers and the communities served by Community Bank;

the restrictions under the merger agreement on the conduct of Community Financial's business pending completion of the merger;

the rights of City Holding and Community Financial to terminate the merger agreement under specified circumstances, and the possibility that Community Financial may be required to pay a fiduciary out fee to City Holding depending on the termination

scenario; and

the fact that Community Financial's directors or executive officers may have interests in the merger that are in addition to or different from the interests of stockholders generally, as described under Interests of Certain Persons in the Merger. The foregoing discussion of the factors considered by Community Financial's Board of Directors is not intended to be exhaustive, but rather includes the material factors considered by the Board of Directors. In reaching its decision to approve the merger agreement and recommend the merger, the Board of Directors did not quantify or assign any relative weights to the factors considered, and individual directors may have given different weights to different factors. The Board of Directors considered all these factors as a whole, including discussions with, and questioning of, Community Financial's management and Community Financial's financial and legal advisors, and overall considered the factors to be favorable to, and to support, its determination. The

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Board of Directors also relied on the experience of Scott & Stringfellow, as its financial advisor, for analyses of the financial terms of the merger and for its opinion as to the fairness, from a financial point of view, of the per share merger consideration to be received by Community Financial's stockholders.

**For the reasons set forth above, Community Financial's Board of Directors determined that the merger is advisable and in the best interests of Community Financial and its stockholders, and unanimously approved the merger agreement. Community Financial's Board of Directors recommends that stockholders vote FOR approval of the merger.**

### **City Holding's Reasons for the Merger**

The merger is consistent with City Holding's plan to have operations, offices and distinct capabilities in every market of its choice within its region. The merger will afford City Holding the opportunity to further expand the Virginia market in the Staunton area. City Holding believes that, in addition to expanding City Holding's presence in very attractive markets, the merger provides an opportunity to enhance City Holding's shareholder value with the prospects of positive long-term performance of City Holding's common stock.

### **Opinion of Community Financial's Financial Advisor**

Scott & Stringfellow, LLC is acting as financial advisor to Community Financial in connection with the merger. Scott & Stringfellow is a leading full-service, middle market investment banking firm with substantial experience in transactions similar to the merger and is familiar with Community Financial and its business. As part of its investment banking business, Scott & Stringfellow is continually engaged in the valuation of community banks and their securities in connection with mergers and acquisitions.

On July 25, 2012, Community Financial's board of directors held a special meeting to review the merger agreement. At that special meeting, Scott & Stringfellow rendered an oral opinion, that as of that date and based upon and subject to the factors and assumptions set forth in its fairness opinion presentation and letter, the consideration to be paid to Community Financial in connection with the merger is fair to Community Financial shareholders from a financial point of view. Following the conclusion of the special meeting, City Holding offered to increase its fixed exchange ratio so the value to Community Financial's stockholders of City Holding stock to be received would be \$6.00 per share, based on the closing stock price of City Holding as of July 27, 2012. Scott & Stringfellow, upon the request of the Board of Directors, subsequently rendered a second oral opinion that the new consideration was fair to the stockholders of Community Financial from a financial point of view. The opinion has been reviewed and approved by Scott & Stringfellow's Investment Banking Valuation Committee.

**The full text of Scott & Stringfellow's written opinion is attached as Annex B to this proxy statement/prospectus and is incorporated herein by reference. The opinion outlines matters considered and qualifications and limitations on the review undertaken by Scott & Stringfellow in rendering its opinion. The description of the opinion set forth below is qualified in its entirety by reference to the full text of the opinion. Shareholders of Community Financial are urged to read the entire opinion carefully in connection with their consideration of the proposed merger.**

No limitations were imposed by Community Financial on the scope of Scott & Stringfellow's investigation or the procedures to be followed by Scott & Stringfellow in rendering its opinion. In arriving at its opinion, Scott & Stringfellow did not ascribe a specific range of values to Community Financial. Scott & Stringfellow's opinion is based on the financial and comparative analyses described below. Scott & Stringfellow's opinion is solely for the information of, and directed to, Community Financial's board of directors for its information and assistance in connection with the board of directors' consideration of the financial terms of the merger and is not to be relied upon by any shareholder of Community Financial or City Holding or any other person or entity. Scott & Stringfellow's opinion was not intended to be and does not constitute a recommendation to Community Financial's board of directors as to how the board of directors should vote on the merger or to any shareholder of

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Community Financial as to how any such shareholder should vote at the special meeting at which the merger is considered, or whether or not any shareholder of Community Financial should enter into a voting, shareholders or affiliates agreement with respect to the merger, or exercise any appraisal rights that may be available to such shareholder. In addition, Scott & Stringfellow's opinion does not compare the relative merits of the merger with any other alternative transaction or business strategy which may have been available to Community Financial and does not address the underlying business decision of Community Financial's board of directors or Community Financial to proceed with or effect the merger.

In rendering its opinion, Scott & Stringfellow reviewed, analyzed, and relied upon, among other things:

the merger agreement and special meetings and discussions with members of senior management of Community Financial regarding the material terms of the merger agreement;

certain publicly available financial statements and other historical financial information of City Holding that we deemed relevant and special meetings and discussions regarding the same with members of senior management of City Holding;

certain publicly available and non-publicly available financial statements and other historical financial information of Community Financial that we deemed relevant and special meetings and discussions regarding the same with members of senior management of Community Financial;

internal financial forecasts for Community Financial related to the business, earnings, cash flows, assets and prospects of Community Financial for the calendar years ending December 31, 2011 through 2016 prepared by Scott & Stringfellow and reviewed with senior management of Community Financial (the "Forecasts");

the estimated pro forma financial impact of the Community Financial merger on City Holding, based on assumptions relating to, without limitation, transaction expenses, purchase accounting adjustments, cost savings, and certain synergies determined by and reviewed with the senior management of Community Financial and discussed summarily with the senior management of City Holding;

the historical market prices and trading activity for City Holding common stock and a comparison of certain financial and stock market information for City Holding and Community Financial with similar publicly-traded companies which we deemed to be relevant;

the proposed financial terms of the Community Financial merger and a comparison of such terms with the financial terms, to the extent publicly available, of certain recent business combinations in the banking industry which we deemed to be relevant;

the relative contribution of Community Financial and City Holding with regard to certain assets, liabilities, earnings, and capital;

the current market environment generally and the banking environment in particular;

a discounted dividend scenario of Community Financial based upon the Forecasts and an illustrative dividend payout; and

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such other information, financial studies, analyses and investigations, and financial, economic, and market criteria as we deemed appropriate.

In conducting its review and arriving at its opinion, Scott & Stringfellow relied upon and assumed the accuracy and completeness of all of the financial and other information provided to or otherwise made available to Scott & Stringfellow or that was discussed with, or reviewed by or for Scott & Stringfellow, or that was publicly available. Scott & Stringfellow did not assume any responsibility to verify such information independently. Scott & Stringfellow assumed that the financial and operating forecasts for City Holding and Community Financial provided by the management of each respective institution were reasonably prepared and reflect the best currently available estimates and judgments of senior management of each respective institution as to the future financial and

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operating performance of City Holding and Community Financial. Scott & Stringfellow assumed, without independent verification, that the aggregate allowances for loan and lease losses for City Holding and Community Financial are adequate to cover those losses. Scott & Stringfellow did not make or obtain any evaluations or appraisals of any assets or liabilities of City Holding or Community Financial, and Scott & Stringfellow did not examine any books and records or review individual credit files.

For purposes of rendering its opinion, Scott & Stringfellow assumed that, in all respects material to its analyses:

the merger will be completed substantially in accordance with the terms set forth in the merger agreement;

the representations and warranties of each party in the merger agreement and in all related documents and instruments referred to in the merger agreement are true and correct;

each party to the merger agreement and all related documents will perform all of the covenants and agreements required to be performed by such party under such documents;

all conditions to the completion of the merger will be satisfied without any waivers; and

in the course of obtaining the necessary regulatory, contractual, or other consents or approvals for the merger, no restrictions, including any divestiture requirements or amendments or modifications will be imposed that may have a material adverse effect on the future results of operations or financial condition of City Holding, Community Financial, or the combined entity, as the case may be, or the contemplated benefits of the merger.

Scott & Stringfellow further assumed that the merger will be accounted for as a purchase under generally accepted accounting principles. Scott & Stringfellow's opinion is not an expression of an opinion as to the prices at which shares of City Holding common stock will trade following the announcement of the merger or the actual value of City Holding common stock when issued pursuant to the merger, or the prices at which City Holding common stock will trade following the completion of the merger.

In performing its analyses, Scott & Stringfellow made numerous assumptions with respect to industry performance, general business, economic, market and financial conditions, and other matters, many of which are beyond the control of Scott & Stringfellow, City Holding, and Community Financial. Any estimates contained in the analyses performed by Scott & Stringfellow are not necessarily indicative of actual values or future results, which may be significantly more or less favorable than suggested by these analyses. Additionally, estimates of the value of businesses or securities do not purport to be appraisals nor to reflect the prices at which such businesses or securities might actually be sold. Accordingly, these analyses and estimates are inherently subject to substantial uncertainty. In addition, the Scott & Stringfellow opinion was among several factors taken into consideration by the Community Financial board of directors in making its determination to approve the merger agreement and the merger. Consequently, the analyses described below should not be viewed as solely determinative of the decision of the Community Financial board or management of Community Financial with respect to the fairness of the merger consideration.

### **Summary of Analyses by Scott & Stringfellow**

The following is a summary of the material analyses presented by Scott & Stringfellow to the Community Financial board of directors and in connection with its revised written opinion dated August 2, 2012. The summary is not a complete description of the analyses underlying the Scott & Stringfellow opinion or the presentation made by Scott & Stringfellow to the Community Financial board, but summarizes the material analyses performed and presented in connection with such opinion. The preparation of a fairness opinion is a complex analytic process involving various determinations as to the most appropriate and relevant methods of financial analysis and the application of those methods to the particular circumstances. Therefore, a fairness opinion is not readily susceptible to partial analysis or summary description. In arriving at its opinion, Scott & Stringfellow did not attribute any particular weight to any analysis or factor that it considered, but rather

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made qualitative judgments as to the significance and relevance of each analysis and factor. The financial analyses summarized below include information presented in tabular format. Accordingly, Scott & Stringfellow believes that its analyses and the summary of its analyses must be considered as a whole and that selecting portions of its analyses and factors or focusing on the information presented below in tabular format, without considering all analyses and factors or the full narrative description of the financial analyses, including the methodologies and assumptions underlying the analyses, could create a misleading or incomplete view of the process underlying its analyses and opinion. The tables alone are not a complete description of the financial analyses.

**Transaction Overview.** Scott & Stringfellow reviewed the financial terms of the merger agreement, including the consideration to be received by Community Financial shareholders. For every share of Community Financial stock held, such shareholders will receive 0.1753 shares of City Holding common stock in connection with the merger. Based on the closing price of City Holding's common stock on July 31, 2012 of \$33.05, Scott & Stringfellow calculated an aggregate value ( Effective Aggregate Value ) of approximately \$25.3 million, or \$5.79 per share ( Price as used in the Transaction Multiples table below) for Community Financial common stock. Additionally, City Holding has agreed to repay all \$12.4 million of Community Financial TARP preferred stock in connection with the merger; this amount is not included in the Effective Aggregate Value presented herein. Completion of the transaction is subject to Community Financial shareholder approval, required regulatory approvals, and other conditions set forth in the merger agreement.

**Transaction Pricing Multiples.** Scott & Stringfellow calculated the following transaction multiples:

| <b>Transaction Multiples (Community Financial financial data as of 3/31/2012)</b> |                                      |        |
|---|--------------------------------------|--------|
| Price / Last Twelve Months  | Reported Earnings per Share (\$0.24) | 24.1x  |
| Price / Book Value per Share (\$8.70)   |                                      | 66.6%  |
| Price / Tangible Book Value per Share (\$8.70)                                    |                                      | 66.6%  |
| Price / Total Assets per Share (\$115.53)   |                                      | 5.0%   |
| Price / Total Deposits per Share (\$85.38)  |                                      | 6.8%   |
| Tangible Book Premium / Core Deposits (1)   |                                      | (4.3%) |
| Premium to CFFC Stock Price 1-Day Prior to Announcement                           |                                      | 42.4%  |

(1) Core Deposits defined as total deposits less jumbo CDs (CDs with balances greater than \$100,000)

**Market Validation.** Scott & Stringfellow led an extensive process to contact financial institutions (potential acquirors) that Scott & Stringfellow and Community Financial determined may be interested in acquiring Community Financial and that had a high certainty of closing such a transaction with Community Financial. Over a period of approximately two months, Scott & Stringfellow contacted 37 potential acquirors, distributed 22 confidential informational memoranda on the business and financial condition of Community Financial and its subsidiary, Community Bank, and held discussions with multiple potential acquirors. Three of the potential acquirors, including City Holding, submitted non-binding indications of interest. Scott & Stringfellow met with Community Financial's board of directors to review the indications of interest. The board directed Scott & Stringfellow to move forward and allow the three potential acquirors to conduct on-site due diligence and loan portfolio review. Ultimately, only City Holding and one other potential acquirer conducted thorough onsite due diligence on Community Financial, including loan portfolio reviews and discussions with Community Financial's senior management. The third potential acquirer dropped from the process before conducting additional due diligence as a result of resource and time constraints relating to another acquisition. City Holding's final, non-binding indication of interest submitted following due diligence was deemed superior to that of the second remaining final bidder, and as such, Community Financial's board decided to move forward exclusively with City Holding on an expedited basis to negotiate the merger agreement.

**Selected Peer Group Analysis.** Scott & Stringfellow reviewed and compared publicly available financial data (as of March 31, 2012), market information, and trading multiples for Community Financial with other selected publicly traded companies that Scott & Stringfellow deemed relevant to Community Financial. The peer

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group consisted of certain select publicly traded banks and thrifts headquartered in Virginia with assets as of the most recent quarter reported less than \$1 billion (14 companies). The peer group excluded institutions identified as the target of a publicly announced merger as of July 31, 2012.

| <b>Name (Ticker)</b>                           | <b>Name (Ticker)</b>                               |
|--|--|
| Bank of the James Financial Group, Inc. (BOTJ) | First Capital Bancorp, Inc. (FCVA)                 |
| Benchmark Bankshares, Inc. (BMBN)              | Fauquier Bankshares, Inc. (FBSS)                   |
| Botetourt Bankshares, Inc. (BORT)              | HomeTown Bankshares Corporation (HMTA)             |
| C&F Financial Corporation (CFFI)               | MainStreet BankShares, Inc. (MREE)                 |
| Citizens Bancorp of Virginia, Inc. (CZBT)      | Pinnacle Bankshares Corporation (PPBN)             |
| Eagle Financial Services, Inc. (EFSI)          | Southern National Bancorp of Virginia, Inc. (SONA) |
| F & M Bank Corp. (FMBM)                        | Valley Financial Corporation (VYFC)                |

For the selected publicly traded companies, Scott & Stringfellow analyzed, among other things, stock price as a multiple of last twelve months earnings, book value per share, and tangible book value per share. All multiples were based on closing stock prices as of July 31, 2012 and financial data as of March 31, 2012. The following table sets forth the minimum, median, and maximum operating metrics, valuation multiples, and market capitalization provided by the market analysis of selected publicly traded companies. Multiples for Community Financial have been excluded as a means of comparison to a relevant peer set. However, this analysis resulted in a range of imputed stock price values for Community Financial of between \$1.98 and \$14.41 per share based on the median multiples for the peer group.

| <b>Operating Metrics (\$ in thousands)</b> | <b>Community Financial Peer Group</b> |                |               |                |
|--|---------------------------------------|----------------|---------------|----------------|
|  | <b>Community Financial</b>            | <b>Minimum</b> | <b>Median</b> | <b>Maximum</b> |
| Total Assets                               | \$ 503,907                            | \$ 198,892     | \$ 481,713    | \$ 945,471     |
| Loans / Deposits                           | 121.91%                               | 70.88%         | 87.59%        | 108.51%        |
| NPAs + 90 DDQ / Assets (1)                 | 4.88%                                 | 0.94%          | 2.95%         | 5.42%          |
| Tangible Common Equity / Tangible Assets   | 7.53%                                 | 5.79%          | 8.18%         | 14.98%         |
| LTM ROAA                                   | 0.35%                                 | (1.84%)        | 0.81%         | 1.37%          |
| LTM ROAE                                   | 3.56%                                 | (23.09%)       | 8.40%         | 13.91%         |
| LTM Efficiency Ratio                       | 55.22%                                | 47.83%         | 65.65%        | 97.85%         |
| Price to:                                  |                                       |                |               |                |
| Book value per share                       | 46.8%                                 | 22.8%          | 83.2%         | 145.8%         |
| Tangible book value per share              | 46.8%                                 | 22.8%          | 83.2%         | 165.5%         |
| LTM earnings per share                     | 17.0x                                 | NM             | 10.4x         | 24.2x          |
| Market capitalization (July 31, 2012)      | \$ 17,752                             | \$ 7,796       | \$ 36,915     | \$ 131,583     |
| Dividend Yield                             | 0.00%                                 | 0.00%          | 2.54%         | 4.47%          |

- (1) NPAs defined as nonaccrual loans, loans past due 90 days or more and still accruing, and other real estate owned as a percent of total assets

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Scott & Stringfellow also reviewed and compared publicly available financial data, market information, and trading multiples for City Holding with other selected publicly traded companies that Scott & Stringfellow deemed relevant to City Holding. The peer group consisted of certain select publicly traded commercial banks headquartered in the Mid-Atlantic United States with assets as of the most recent quarter reported between \$1 and \$10 billion (15 companies). The peer group excluded commercial banks identified as the target of a publicly announced merger as of July 31, 2012.

| <b>Name (Ticker)</b>                    | <b>Name (Ticker)</b>                             |
|---|--|
| Cardinal Financial Corporation (CFNL)   | S&T Bancorp, Inc. (STBA)                         |
| Community Bank System, Inc. (CBU)       | Sandy Spring Bancorp, Inc. (SASR)                |
| Community Trust Bancorp, Inc. (CTBI)    | StellarOne Corporation (STEL)                    |
| Eagle Bancorp, Inc. (EGBN)              | Union First Market Bankshares Corporation (UBSH) |
| First Community Bancshares, Inc. (FCBC) | United Bankshares, Inc. (UBSI)                   |
| First Financial Bancorp. (FFBC)         | Virginia Commerce Bancorp, Inc. (VCBI)           |
| National Bankshares, Inc. (NKSH)        | WesBanco, Inc. (WSBC)                            |
| Peoples Bancorp Inc. (PEBO)             |  |

For the selected publicly traded companies, Scott & Stringfellow analyzed, among other things, stock price as a multiple of last twelve months earnings per share, estimated 2012 and 2013 earnings per share, book value per share, and tangible book value per share. All multiples were based on closing stock prices as of July 31, 2012 and financial data as of March 31, 2012. Projected earnings per share for the comparable companies were based on FactSet consensus estimates. FactSet is an information provider that publishes, among other things, a compilation of estimates of projected financial performance for publicly traded commercial banks produced by equity research analysts at leading investment banking firms. The following table sets forth the minimum, median, and maximum operating metrics, valuation multiples, and market capitalization provided by the market analysis of selected publicly traded companies. This analysis resulted in a range of imputed values for City Holding of between \$15.71 and \$44.01 per share based on the median multiples for the peer group.

| <b>Operating Metrics (\$ in thousands)</b> | <b>City Holding Peer Group</b> |                |               |                |
|--|--------------------------------|----------------|---------------|----------------|
|  | <b>City Holding</b>            | <b>Minimum</b> | <b>Median</b> | <b>Maximum</b> |
| Total Assets                               | \$ 2,780,803                   | \$ 1,083,842   | \$ 3,668,273  | \$ 8,529,469   |
| Loans / Deposits                           | 85.65%                         | 62.74%         | 86.25%        | 95.84%         |
| NPAs + 90 DDQ / Assets (1)                 | 1.05%                          | 0.53%          | 1.41%         | 2.54%          |
| Tangible Common Equity / Tangible Assets   | 9.54%                          | 6.76%          | 8.55%         | 12.54%         |
| LTM Core ROAA                              | 1.52%                          | 0.68%          | 1.03%         | 1.78%          |
| LTM Core ROAE                              | 13.16%                         | 4.72%          | 8.60%         | 13.18%         |
| LTM Efficiency Ratio                       | 52.27%                         | 39.68%         | 56.35%        | 70.59%         |
| Price to:                                  |                                |                |               |                |
| Book value per share                       | 154.0%                         | 73.2%          | 112.1%        | 163.6%         |
| Tangible book value per share              | 187.3%                         | 102.5%         | 153.3%        | 225.5%         |
| LTM earnings per share                     | 11.8x                          | 11.1x          | 12.0x         | 15.8x          |
| 2012E earnings per share                   | 12.1x                          | 10.8x          | 12.0x         | 15.4x          |
| 2013E earnings per share                   | 11.6x                          | 10.4x          | 11.7x         | 13.4x          |
| Market capitalization (July 31, 2012)      | \$ 489,822                     | \$ 211,114     | \$ 396,288    | \$ 1,171,428   |
| Dividend Yield                             | 4.24%                          | 0.00%          | 3.16%         | 7.52%          |

(1) NPAs defined as nonaccrual loans, loans past due 90 days or more and still accruing, and other real estate owned as a percent of total assets

No company used in the analyses described above is identical to Community Financial, City Holding, or the pro forma combined company. Accordingly, an analysis of the results of the foregoing necessarily involves

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complex considerations and judgments concerning financial and operating characteristics and other factors that could affect the merger, public trading, or other values of the companies to which they are being compared. In addition, mathematical analyses, such as determining the median, are not in and of themselves meaningful methods of using comparable company data.

**Selected Transaction Analysis.** Scott & Stringfellow reviewed and analyzed certain financial data related to 21 completed and pending bank and thrift mergers and acquisitions announced between July 1, 2010 and July 31, 2012. These transactions involved sellers based in the United States with the following characteristics:

Total assets for the most recent quarter of less than \$1 billion;

Ratio of nonperforming assets (1) to total assets for the most recent quarter between 2.0% and 7.0%; and

Target company headquartered in the Southeast / Mid-Atlantic U.S.

(1) Defined as nonaccrual loans and leases, renegotiated loans and leases, and other real estate owned  
Those transactions (listed by closing date in order from pending to oldest) were as follows:

**Acquiror**

WashingtonFirst Bankshares, Inc.  
City Holding Company  
First Community Bancshares, Inc.  
Sandy Spring Bancorp, Inc.  
SCBT Financial Corporation  
First Volunteer Corporation  
1st United Bancorp, Inc.  
Trustmark Corporation  
Piedmont Community Bank Holdings, Inc.  
Park Sterling Corporation  
BCB Bancorp, Inc.  
Customers Bancorp Inc  
American National Bankshares Inc.  
Donegal Financial Services Corp.  
Piedmont Community Bank Holdings, Inc.  
Old Line Bancshares, Inc.  
Stonegate Bank  
F.N.B. Corporation  
Community Trust Bancorp, Inc.  
First Peoples Bancorp, Inc.  
Roma Financial Corporation (MHC)

**Target**

Alliance Bankshares Corporation  
Virginia Savings Bancorp, Inc.  
Peoples Bank of Virginia  
CommerceFirst Bancorp, Inc.  
Peoples Bancorporation, Inc.\*  
Gateway Bancshares, Inc.\*  
Anderen Financial, Inc.  
Bay Bank & Trust Co.  
Crescent Financial Corporation\*  
Community Capital Corporation  
Allegiance Community Bank  
Berkshire Bancorp, Inc.\*  
MidCarolina Financial Corporation  
Union National Financial Corporation  
Community Bank of Rowan  
Maryland Bankcorp, Inc.  
Southwest Capital Bancshares, Inc.  
Comm Bancorp, Inc.  
Lafollette First National Corporation  
First Peoples Bank of Tennessee  
Sterling Banks, Inc.

\* Indicates target company had TARP preferred equity at the time of announcement

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For the purpose of this analysis, transaction multiples from the merger were derived from the \$5.79 per share Effective Aggregate Value at July 31, 2012 and financial data as of March 31, 2012 for Community Financial. Scott & Stringfellow compared these results with the multiples implied by the selected transactions listed above. All selected transaction financials, deal terms, and resulting valuations are based on financial data available at the time of each respective transaction's announcement. The results of Scott & Stringfellow's calculations and the analysis are set forth in the following table. This analysis resulted in a range of imputed values for Community Financial of between \$3.66 and \$20.43 per share based on the median multiples for the peer group.

| (\$ in thousands)                               | City Holding /<br>Community Financial<br>Transaction | Minimum    | Selected Transactions  |                  |            |
|---|--|------------|------------------------|------------------|------------|
|   |  |            | Median<br>(No<br>TARP) | Median<br>(TARP) | Maximum    |
| Target Assets                                   | \$ 503,907   | \$ 121,346 | \$ 247,009             | \$ 406,274       | \$ 973,018 |
| Target NPAs+90DDQ /<br>Assets (1)               | 4.9%   | 1.4%       | 3.9%                   | 5.7%             | 6.7%       |
| Target LTM ROAA                                 | 0.4%   | (6.8%)     | (0.7%)                 | (0.4%)           | 0.8%       |
| Target LTM ROAE                                 | 3.6%   | (100.8%)   | (7.3%)                 | (4.3%)           | 6.7%       |
| Deal Price / Book Value                         | 66.6%  | 43.7%      | 94.0%                  | 65.3%            | 126.5%     |
| Deal Price / Tangible Book Value                | 66.6%  | 44.1%      | 97.2%                  | 65.3%            | 127.3%     |
| Deal Price / Last Twelve Months<br>Reported EPS | 24.1x  | 16.4x      | 18.8x                  | 23.1x            | 52.3x      |
| Deal Price / Assets                             | 5.0%   | 3.6%       | 9.5%                   | 6.9%             | 17.7%      |
| Deal Price / Deposits                           | 6.8%   | 4.3%       | 9.0%                   | 7.9%             | 21.7%      |
| Tangible Book Premium / Core<br>Deposits (2)    | (4.3%)   | (4.6%)     | (0.2%)                 | (3.2%)           | 3.0%       |

(1) NPAs defined as nonaccrual loans, loans past due 90 days or more and still accruing, and other real estate owned as a percent of total assets

(2) Core Deposits defined as total deposits less jumbo CDs (CDs with balances greater than \$100,000)

No company or transaction used as a comparison in the above analysis is identical to City Holding, Community Financial or the merger. Accordingly, an analysis of these results is not mathematical. Rather, it involves complex considerations and judgments concerning differences in financial and operating characteristics of the companies.

**Discounted Dividend Stream and Terminal Value Analysis of Community Financial.** Scott & Stringfellow performed an analysis that estimated a future stream of potential dividend flows of Community Financial assuming that Community Financial performed in accordance with the earnings projections reviewed by Community Financial management and assuming that Community Financial employs a hypothetical dividend payout ratio of 15% in the projected calendar years. Community Financial does not currently pay a dividend, nor does Community Financial management forecast paying a dividend at this time. For 2012 through 2016, Scott & Stringfellow used the earnings projections prepared by both Scott & Stringfellow and reviewed by Community Financial's management. To approximate the terminal value of Community Financial common stock at December 31, 2016, Scott & Stringfellow applied a range of 8.0x to 16.0x price / earnings multiples to Community Financial's estimated calendar year December 31, 2016 earnings, the result of which we believe adequately quantifies a present value of all earnings generated beyond the projected period as of December 31, 2016. The potential dividend income streams and terminal values were then discounted to present values using different discount rates ranging from 13.0% to 17.0%, chosen to reflect different assumptions regarding required rates of return to the holders of Community Financial common stock. As illustrated in the following table, this analysis indicated an imputed range of values per share of Community Financial common stock of \$4.78 to \$10.84 when applying the 8.0x - 16.0x price / earnings multiples range for calculating the terminal values. A

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discounted cash flow analysis was included because it is a widely used valuation methodology, but the results of such methodology are highly dependent upon the numerous assumptions that must be made, including earnings growth rates, asset growth rates, terminal multiples, and discount rates.

| Discount Rate | Terminal Value EPS Multiple |         |         |         |          |
|---------------|-----------------------------|---------|---------|---------|----------|
|               | 8.0x                        | 10.0x   | 12.0x   | 14.0x   | 16.0x    |
| 13.0%         | \$ 5.66                     | \$ 6.95 | \$ 8.25 | \$ 9.54 | \$ 10.84 |
| 14.0%         | \$ 5.42                     | \$ 6.66 | \$ 7.90 | \$ 9.14 | \$ 10.38 |
| 15.0%         | \$ 5.20                     | \$ 6.38 | \$ 7.57 | \$ 8.75 | \$ 9.94  |
| 16.0%         | \$ 4.98                     | \$ 6.12 | \$ 7.25 | \$ 8.39 | \$ 9.53  |
| 17.0%         | \$ 4.78                     | \$ 5.87 | \$ 6.96 | \$ 8.05 | \$ 9.13  |

**Contribution Analysis.** Scott & Stringfellow analyzed the relative contribution of each of City Holding and Community Financial to certain pro forma balance sheet and income statement items of the combined entity. Scott & Stringfellow compared the relative contribution of balance sheet and income statement items with the estimated pro forma ownership percentage Community Financial shareholders would represent in City Holding pro forma. The results of Scott & Stringfellow's analysis are set forth in the following table.

| Category                             | City Holding | Community Financial |
|--------------------------------------|--------------|---------------------|
| LTM Pre-Tax, Pre-Provision Earnings  | 89.5%        | 10.5%               |
| 2012E Net Income                     | 91.5%        | 8.5%                |
| 2013E Net Income                     | 88.6%        | 11.4%               |
| Total Assets                         | 84.7%        | 15.3%               |
| Net Loans                            | 81.4%        | 18.6%               |
| Deposits                             | 86.1%        | 13.9%               |
| Shareholders' Equity                 | 86.2%        | 13.8%               |
| Tangible Equity                      | 83.8%        | 16.2%               |
| Average Contribution                 | 89.3%        | 10.7%               |
| Implied Stock Ownership (100% stock) | 95.1%        | 4.9%                |

**Financial Impact Analysis.** Scott & Stringfellow performed pro forma merger analyses that combined projected income statement and balance sheet information of both City Holding and Community Financial. Assumptions regarding the accounting treatment, acquisition adjustments, and cost savings were used to calculate the financial impact that the merger would have on certain projected financial results of the pro forma company. This analysis indicated that the merger is expected to be accretive to City Holding's estimated 2013-2014 earnings per share, accretive to pro forma March 31, 2012 book value per share, and dilutive to pro forma March 31, 2012 tangible book value per share. This analysis was based on financial projections and certain merger assumptions (including estimated cost savings and one-time charges) provided by and reviewed with senior management of Community Financial. For all of the above analyses, the actual results achieved by the pro forma company following the merger will vary from the projected results, and the variations may be material.

**Other Analyses.** Scott & Stringfellow compared the relative financial and market performance of City Holding to a variety of relevant industry peer groups and indices.

Scott & Stringfellow has not expressed an opinion about the fairness of the amount or nature of compensation that any of the Community Financial officers, directors, employees, or class of such person relative to the compensation to the shareholders of Community Financial.

In the ordinary course of its business as a broker-dealer, Scott & Stringfellow may, from time to time purchase securities from, and sell securities to, Community Financial and City Holding, and as a market maker in securities, Scott & Stringfellow may from time to time have a long or short position in, and buy, sell, or hold equity securities of Community Financial and City Holding for its own account and for the accounts of its customers.

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Community Financial and Scott & Stringfellow have entered into an engagement relating to the services to be provided by Scott & Stringfellow in connection with the merger. Community Financial paid a non-refundable retainer of \$25,000 to S&S at the time of engagement, as well as a \$125,000 fairness opinion fee which was payable when Community Financial shareholders approved the merger agreement. At closing, Community Financial will pay Scott & Stringfellow a contingent advisory fee equal to 1.25% of the Effective Aggregate Value plus TARP preferred equity redeemed up to and including an amount corresponding to \$6.00 purchase price per share, plus an additional fee equal to 2.00% of the Effective Aggregate Value plus TARP preferred equity redeemed corresponding to any amount greater than a \$6.00 purchase price per share on the effective date of the merger. Pursuant to the Scott & Stringfellow engagement agreement, Community Financial also agreed to reimburse Scott & Stringfellow for reasonable out-of-pocket expenses and disbursements incurred in connection with its retention. During the three-year period ended December 31, 2011, Scott & Stringfellow did not receive any other fees or compensation from either Community Financial or City Holding.

### **Conditions to Completion of the Merger**

The respective obligations of City Holding and Community Financial to consummate the merger are subject to the satisfaction of certain mutual conditions, including the following:

The shareholders of Community Financial approve and adopt the merger agreement and the transactions contemplated thereby at the special meeting;

All regulatory approvals required by law to consummate the transactions contemplated by the merger agreement are obtained from the appropriate federal and/or state regulatory agencies, all waiting periods after such approvals required by law or regulation expire and no such approvals shall contain any conditions, restrictions or requirements applicable either before or after the effective time of the merger that would have a material adverse effect on either City Holding or Community Financial;

The registration statement (of which this proxy statement/prospectus is a part) registering shares of City Holding common stock to be issued in the merger is declared effective by the SEC and is not subject to a stop order or any threatened stop order; and

The absence of any statute, rule, regulation, judgment, decree, injunction or other order being enacted, issued, promulgated, enforced or entered by a governmental authority effectively prohibiting consummation of the merger.

In addition to the conditions described above, the obligation of City Holding to consummate the merger is subject to the satisfaction, unless waived, of the following other conditions:

The representations and warranties of Community Financial made in the merger agreement are true and correct as of the date of the merger agreement and as of the effective time of the merger and City Holding receives a certificate of the chief executive officer and the chief financial officer of Community Financial to that effect;

Community Financial performs in all material respects all obligations required to be performed under the merger agreement prior to the effective time of the merger and delivers to City Holding a certificate of its chief executive officer and chief financial officer to that effect;

City Holding shall have received an opinion of Jackson Kelly PLLC, outside counsel to City Holding, stating that, among other things, as of the effective time of the merger, the merger constitutes a reorganization under Section 368 of the Internal Revenue Code;

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Each of Community Financial's and Community Bank directors except for Paul M. Mott have executed and delivered to City Holding agreements whereby they agree not to engage in the retail or commercial deposit or lending business, trust or asset management services customarily provided by banks or City Holding or City National for three years from the effective time of the merger;

Norman C. Smiley, III, and Lyle A. Moffett shall have executed agreements containing non-competition, non-solicitation and change in control provisions;

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City Holding shall have entered into an agreement for the purchase of the Community Financial Fixed Rate Perpetual Preferred Stock, Series A (at book value), and related Warrant to purchase 351,194 shares of Community Financial common stock (at fair market value) on terms and conditions acceptable to City Holding and the purchase of such preferred stock shall be consummated;

The SERP between Community Financial and Mr. Smiley is amended to freeze any amounts payable at their current level with no future accrual of benefits under the SERP;

The Employee Stock Ownership and 401(k) Plan shall be terminated as of the effective date and Community Financial common stock held by the Plan shall be converted into rights to receive the merger consideration with respect thereto; and

As of the effective date Community Financial and Community Bank shall take all steps to cease benefit accruals under the defined benefit plan maintained by Community Financial and Community Bank and to treat the plan as a frozen plan under the applicable plan documents.

In addition to the conditions described above, Community Financial's obligation to complete the merger is subject to the satisfaction, unless waived, of the following other conditions:

The representations and warranties of City Holding made in the merger agreement are true and correct as of the date of the merger agreement and as of the effective time of the merger and Community Financial receives a certificate of the chief executive officer and chief financial officer of City Holding to that effect;

City Holding performs in all material respects all obligations required to be performed under the merger agreement prior to the effective time of the merger and delivers to Community Financial a certificate of its chief executive officer and chief financial officer to that effect;

Community Financial shall have received from Scott & Stringfellow, LLC an opinion dated August 2, 2012, that the merger consideration is fair to the shareholders of Community Financial from a financial point of view;

Community Financial shall have received an opinion of Jackson Kelly PLLC, outside counsel to City Holding, stating that, among other things, as of the effective time of the merger, the merger constitutes a reorganization under Section 368 of the Internal Revenue Code and that no gain or loss will be recognized by the shareholders of Community Financial to the extent that they receive City Holding common stock in exchange for their Community Financial common stock in the merger; and

Authorization has been received from The Nasdaq Global Select Market for the listing of the shares of City Holding common stock to be issued in the merger, subject to official notice of issuance.

**Representations and Warranties**

The merger agreement contains representations and warranties by Community Financial and City Holding. These include, among other things, representations and warranties by City Holding and Community Financial to each other as to:

organization, good standing and valid existence of each entity and its subsidiaries;

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each entity's capital structure;

each entity's power and authority relative to the execution and delivery of, and performance of its obligations under, the merger agreement;

absence of material adverse changes since March 31, 2012;

consents and approvals required;

compliance with laws;

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accuracy of documents, including financial statements and other reports;

absence of defaults under contracts and agreements;

absence of environmental problems;

absence of conflicts between each entity's obligations under the merger agreement and its charter documents and contracts to which it is a party or by which it is bound;

deposit insurance;

litigation and related matters;

taxes and tax regulatory matters;

absence of brokerage commissions, except as disclosed for financial advisors;

employee benefit matters;

books and records fully and accurately maintained and fairly present events and transactions;

labor matters;

loans and investments;

properties, contracts and other agreements; and

title to property and insurance matters.

**Termination of the Merger Agreement**

Community Financial and City Holding may mutually agree to terminate the merger agreement at any time.

Either Community Financial or City Holding may terminate the merger agreement if any of the following occurs:

the merger is not completed by January 31, 2013, unless the failure of the merger to be consummated arises out of or results from the action or inaction of the party seeking to terminate; or

the approval of any governmental entity required for consummation of the merger is denied or the shareholders of Community Financial do not approve the merger agreement within 60 days of this proxy statement/prospectus.

City Holding may terminate the merger agreement if any of the following occurs:

Community Financial materially breaches any of its representations or obligations under the merger agreement, and does not cure the breach within 30 days; or

Community Financial's board of directors fails to recommend approval of the merger agreement, withdraws its recommendation or modifies its recommendation in a manner adverse to City Holding.

Community Financial may terminate the merger agreement if any of the following occurs:

City Holding materially breaches any of its representations or obligations under the merger agreement, and does not cure the breach within 30 days; or

The price of City Holding common stock declines by more than 20% over a designated measurement period and the stock prices of the banks and bank holding companies included on the Nasdaq Bank Index have not collectively experienced a similar decline during the same period, unless City Holding elects to increase the consideration to be paid to Community Financial shareholders (which it is not obligated to do); or

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Community Financial enters into an agreement with respect to an unsolicited acquisition proposal that if consummated would result in a transaction more favorable to Community Financial's shareholders from a financial point of view than the merger, provided that Community Financial pays the termination fee described below.

**Effect of Termination; Termination Fee**

The provisions of the merger agreement relating to expenses and termination fee will continue in effect notwithstanding termination of the merger agreement. If the merger agreement is validly terminated, the merger agreement will become void without any liability on the part of any party except that termination will not relieve a breaching party from liability for any willful breach of the merger agreement.

Community Financial has agreed to pay a termination fee to City Holding equal to \$1,200,000 if:

City Holding terminates the merger agreement because Community Financial's board of directors fails to recommend approval of the merger agreement or withdraws, modifies or changes its recommendation of the approval of the merger agreement in a manner adverse to City Holding;

Community Financial terminates the merger agreement and enters into an agreement relating to an unsolicited competing acquisition proposal that Community Financial's board of directors has determined, in good faith after consulting with and considering the advice of Community Financial's outside legal counsel and financial advisors, would result in a transaction more favorable to Community Financial's shareholders from a financial point of view than the merger; or

either Community Financial or City Holding terminates the merger agreement due to the failure of Community Financial to receive shareholder approval of the merger agreement, and if an acquisition proposal is publicly announced prior to the special meeting and within 12 months after the announcement of the acquisition proposal a change in control of Community Financial is consummated.

**Waiver and Amendment**

Prior to the effective time of the merger, any provision of the merger agreement may be waived by the party benefiting by the provision or amended or modified by an agreement in writing between the parties, except that, after the special meeting, the merger agreement may not be amended if it would violate applicable law.

**No Solicitation of Other Acquisition Proposals**

Community Financial has agreed that it will not, and that it will cause its officers, directors, agents, advisors, and affiliates not to, solicit or encourage inquiries or proposals with respect to, engage in any negotiations concerning, or provide any confidential information to any person relating to any proposal to acquire the stock or assets of Community Financial or other business combination transactions with Community Financial, unless the Community Financial board of directors concludes in good faith, after consultation with and consideration of the advice of its financial advisors and outside legal counsel, that the failure to enter into such discussions or negotiations would be reasonably likely to be inconsistent with its fiduciary duties under Virginia law. If the board of directors of Community Financial is obligated by its fiduciary duties to accept a third-party proposal that it believes is superior to City Holding's offer set forth in the merger agreement, Community Financial is obligated to pay to City Holding the termination fee equal to \$1,200,000 upon termination of the merger agreement. See Effect of Termination; Termination Fee on page .

**Closing Date; Effective Time**

The merger will be consummated and become effective on the date and at the time shown on the Articles of Merger required to be filed in the office of the Secretary of State of the State of West Virginia and the office of the Virginia State Corporation Commission. Subject to the merger agreement, the parties will cause the merger to

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become effective (a) on the date that is the fifth full trading day on The Nasdaq Global Select Market to occur after the last of all required regulatory and shareholder approvals of the merger and the subsidiary merger have been received and all required waiting periods have expired or (b) on such other date the parties may agree to in writing.

**Regulatory Approvals**

The merger and the other transactions contemplated by the merger agreement require the approval of the Federal Reserve and the Virginia Bureau of Financial Institutions. As a bank holding company, City Holding is subject to regulation under the Bank Holding Company Act of 1956, as amended ( BHCA ). City National is a national banking association and is subject to the laws of the United States. City Holding has filed all required applications seeking approval of the merger with the Federal Reserve and the Virginia Bureau of Financial Institutions. City National and Community Bank have also applied with the Office of the Comptroller of the Currency for approval of the merger of Community Bank into City National.

Under the BHCA, the Federal Reserve is required to examine the financial and managerial resources and future prospects of the combined organization and analyze the capital structure and soundness of the resulting entity. The Federal Reserve has the authority to deny an application if it concludes that the combined organization would have inadequate capital. In addition, the Federal Reserve can withhold approval of the merger if, among other things, it determines that the effect of the merger would be to substantially lessen competition in the relevant markets. City Holding and Community Financial operate in different market areas, as defined by the Federal Reserve. Further, the Federal Reserve must consider whether the combined organization meets the requirements of the Community Reinvestment Act of 1977, by assessing the involved entities' records of meeting the credit needs of local communities in which they operate, consistent with the safe and sound operation of such institutions. In general, the Virginia Bureau of Financial Institutions will review the merger under similar standards.

In addition, a period of 15 to 30 days must expire following approval by the Federal Reserve before completion of the merger is allowed, within which period the United States Department of Justice may file objections to the merger under federal antitrust laws.

The merger cannot be consummated prior to the receipt of all required approvals. There can be no assurance that the required regulatory approvals for the merger will be obtained and, if the merger is approved, as to the date of such approvals or whether the approvals will contain any unacceptable conditions. There can likewise be no assurance that the United States Department of Justice will not challenge the merger during the waiting period set aside for such challenges after receipt of approval from the Federal Reserve.

City National and Community Financial are not aware of any governmental approvals or actions that may be required for consummation of the merger other than as described above. Should any other approval or action be required, it is presently contemplated that such approval or action would be sought. There can be no assurance that any necessary regulatory approvals or actions will be timely received or taken, that no action will be brought challenging such approval or action, or, if such a challenge is brought, as to the result thereof, or that any such action or approval will not be conditioned in a manner that would cause the parties to abandon the merger.

The approval of any application merely implies the satisfaction of regulatory criteria for approval, which does not include review of the merger from the standpoint of the adequacy of the merger consideration. Furthermore, regulatory approvals do not constitute an endorsement or recommendation of the merger.

As of the date of this proxy statement/prospectus, no regulatory approvals have been received. While City Holding and Community Financial do not know of any reason why necessary regulatory approvals would not be obtained in a timely manner, we cannot be certain when or if we will receive them, or if obtained, whether they will contain terms, conditions or restrictions not currently contemplated that will be detrimental to City Holding after completion of the merger.

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### **Conduct of Business Pending the Merger**

The merger agreement contains reciprocal forbearances made by Community Financial and City Holding to each other. Community Financial and City Holding have agreed that, until the effective time of the merger, neither of them nor any of their subsidiaries, without the prior written consent of the other, will:

Conduct business other than in the ordinary and usual course or fail to use reasonable efforts to preserve intact its business organizations and assets and maintain its rights, franchises and existing relations with customers, suppliers, employees and business associates;

Implement or adopt any change in its accounting principles, practices or methods, other than as may be required by generally accepted accounting principles;

Take any action while knowing that such action would, or is reasonably likely to, prevent or impede the merger from qualifying as a reorganization within the meaning of Section 368 of the Internal Revenue Code, or knowingly take any action that is intended or is reasonably likely to result in any of the conditions to the merger not being satisfied, or a material violation of any provision of the merger agreement except, in each case, as may be required by applicable law or regulation; or

Amend its articles of incorporation, articles of association, charter or bylaws (or similar governing documents).

Community Financial has also agreed that, prior to the effective time of the merger, without the prior written consent of, or as previously disclosed to, City Holding, it will not and will cause its subsidiary not to:

Other than pursuant to rights previously disclosed and outstanding on the date of the merger agreement, issue, sell or otherwise permit to become outstanding, or authorize the creation of, any additional Community Financial common stock or any rights to purchase shares of Community Financial common stock or Community Bank stock, enter into any agreement with respect to the foregoing, or permit any additional shares of Community Financial common stock to become subject to new grants of employee or director stock options, other rights or similar stock based employee rights;

Make, declare, pay or set aside for payment any dividend (other than dividends required by the terms of the Community Financial preferred stock);

Enter into, amend, modify, renew or terminate any employment, consulting, severance or similar contracts with any directors, officers, or employees of, or independent contractors with respect to, Community Financial and Community Bank, or grant any salary, wage or other increase or increase any employee benefits (including incentive or bonus payments) except for changes that are required by applicable law, changes contemplated by the merger agreement, changes in base salary consistent with City Holding's salary administration procedures and properly approved by City Holding or bonuses for performance under documented incentive plans and upon approval by City Holding;

Enter into, establish, adopt or amend (except as may be required by applicable law or to satisfy previously disclosed contractual obligations existing as of the date of the merger agreement) any pension, retirement, stock option, stock purchase, savings, profit sharing, deferred compensation, consulting, bonus, group insurance or other employee benefit, incentive or welfare contract, plan or arrangement, or any trust agreement (or similar arrangement) related thereto, or make any new or increase any outstanding grants or awards under any such contract, plan or arrangement, in respect of any current or former directors, officers or employees of, or independent contractors with respect to, Community Financial or Community Bank, including taking any action that accelerates the

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vesting or exercisability of or the payment or distribution with respect to other compensation or benefits payable thereunder except that as may be required by applicable law, as are provided for or contemplated in the merger agreement or in the ordinary course of business consistent with past practice;

Except as previously disclosed, sell, transfer, mortgage, encumber or otherwise dispose of or discontinue any material portion of its assets, business or properties;

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Except (1) under existing contracts and previously disclosed, (2) for short term investments for cash management purposes, (3) under a bona fide hedging transaction, (4) by way of foreclosures or otherwise in satisfaction of debts previously contracted in good faith, in each case in the ordinary and usual course of business consistent with past practice, (5) consistent with past practice, for supplies and other assets used in the ordinary course of business to support operations and existing infrastructure of Community Financial and Community Bank and (6) readily marketable securities in the ordinary and usual course of business consistent with past practice, neither Community Financial nor Community Bank will acquire any assets or properties of another person in any one transaction or a series of related transactions;

Without prior consultation with City Holding, other than existing commitments, make indirect automobile loans in amounts inconsistent with past practices or that are not made in the ordinary course of business or make any loan or advance in excess of \$500,000, or renew any existing loan in excess of \$500,000 other than residential mortgage loans in the ordinary course of business consistent with lending policies as in effect on the date of the merger agreement; provided that in the case of any loan for which consultation is required, Community Bank may make any such loan in the event (1) Community Bank has delivered to City Holding or its designated representative, a notice of its intention to make such loan and such additional information as City Holding or its designated representative may immediately require and (2) City Holding or its designated representative shall not have reasonably objected to such loan by giving notice of such objection within three business days following the delivery of the applicable notice of intention;

Except in the ordinary course of business consistent with or pursuant to the terms of the merger agreement, enter into or terminate any material contract or amend or modify in any material respect any of its existing material contracts in a manner that is material to Community Financial and Community Bank taken as a whole;

Settle any claim, action or proceeding, except for any claim, action or proceeding that involves solely money damages in an amount, individually or in the aggregate, that is not material to Community Financial and Community Bank, taken as a whole;

Make any capital expenditures or incur any other non-interest expense, except in the ordinary course of business consistent with past practice, individually in excess of \$15,000 or in the aggregate in excess of \$35,000, other than expenses related to other real estate owned or foreclosures, or related to or incurred in connection with the merger agreement;

Except as required by applicable law or regulation, implement or adopt any material change in its interest rate risk management and hedging policies, procedures or practices, or fail to follow in any material respect its existing policies or practices with respect to managing its exposure to interest rate risk;

Other than in the ordinary course of business consistent with past practice, incur any indebtedness for borrowed money, assume, guarantee, endorse or otherwise as an accommodation become responsible for the obligations of any other person, or cancel, release, assign or modify any material amount of indebtedness of any other person;

Increase the rate of interest on any certificate of deposit with a term of more than one year without the approval of City Holding, which approval shall not be unreasonably withheld;

Take no steps prior to the effective date which would entitle any employee to resign and receive benefits under an employment, change of control, severance, salary continuation or other agreement which provides benefits for termination of employment; or

Agree or commit to do any of the foregoing.



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### **Surrender of Stock Certificates**

Computershare Investor Services, LLC will act as exchange agent in the merger and in that role will process the exchange of Community Financial common stock certificates for City Holding common stock and cash in lieu of fractional shares. The exchange agent, or City Holding and Community Financial if the exchange agent declines to do so, will also be making any computations required by the merger agreement, and all such computations will be conclusive and binding on the holders of Community Financial common stock in the absence of manifest error. **In any event, do not forward your Community Financial common stock certificates with your proxy cards.**

After the completion of the merger, the exchange agent will mail to Community Financial shareholders a letter of transmittal, together with instructions for the exchange of their Community Financial common stock certificates for the merger consideration.

After the effective time of the merger, each certificate formerly representing Community Financial common stock, until so surrendered and exchanged, will evidence only the right to receive the number of whole shares of City Holding common stock that the holder is entitled to receive in the merger, any cash payment in lieu of a fractional share of City Holding common stock and any dividend or other distribution with respect to Community Financial common stock with a record date prior to the effective time of the merger. The holder of such unexchanged certificate will not be entitled to receive any dividends or distributions payable by City Holding until the certificate has been exchanged. Subject to applicable laws, following surrender of such certificates, such dividends and distributions, together with any cash payment in lieu of a fractional share of City Holding common stock, will be paid without interest.

After the completion of the merger, there will be no further transfers of Community Financial common stock. Community Financial common stock certificates presented for transfer after the completion of the merger will be canceled and exchanged for the merger consideration.

If your Community Financial common stock certificates have either been lost, stolen or destroyed, you will have to prove your ownership of these certificates and that they were lost, stolen or destroyed before you receive any consideration for your shares. Upon request, our exchange agent, Computershare Investor Services, LLC, will send you instructions on how to provide evidence of ownership.

### **No Fractional Shares**

Shareholders will not receive any fractional shares of City Holding common stock. Instead, they will receive cash, without interest, for any fractional share of City Holding common stock that they might otherwise have been entitled to receive based on the average of the per share closing price of City Holding common stock as reported on The Nasdaq Global Select Market during the 10 trading days immediately preceding the 10th calendar day immediately preceding the effective date of the merger.

### **Accounting Treatment**

The merger will be accounted for as a business combination, as that term is used under U.S. generally accepted accounting principles. As such, the assets and liabilities of Community Financial, as of the completion of the merger, will be recorded at their fair values as well as any identifiable intangible assets. Any remaining excess purchase price will be allocated to goodwill, will not be amortized and will be evaluated for impairment annually. Consolidated financial statements of City Holding issued after the consummation of the merger will reflect such values. In addition, costs incurred in connection with the business combination will be expensed as incurred unless related to the equity issuance.

**Table of Contents****Interests of Community Financial's Directors and Executive Officers in the Merger**

Certain members of Community Financial's management have interests in the merger in addition to their interests as shareholders of Community Financial. These interests are described below. In each case, Community Financial's board of directors was aware of these potential interests, and considered them, among other matters in approving the merger agreement and the transactions contemplated thereby.

***Employment Agreement and Change-In-Control Agreement with Norman C. Smiley, III, President and Chief Executive Officer; Change-In-Control Agreement with Lyle A. Moffett, Senior Vice President of Lending.*** Both of Norman C. Smiley, III, President and Chief Executive Officer, and Lyle A. Moffett, Senior Vice President of Lending, of Community Bank, have a change-in-control agreement and Mr. Smiley has an employment agreement with Community Bank and Community Financial. Neither will receive payments from Community Bank, Community Financial or City National under those agreements. None of their agreements contain a non-compete or non-solicitation clause. As one of the conditions to City Holding effectuating the merger, both of these individuals must enter into agreements included as Exhibit C-1 and C-2 of the merger agreement, attached hereto as Annex A.

When those City National agreements are executed, the change-in-control agreements with Community Financial and the employment agreement with Community Bank will terminate. Under the new City National agreements, if either individual is involuntarily terminated without cause or voluntarily terminates his City National employment within two years of closing of the merger, he will receive a severance payment to be paid over a two-year period, during which he will be subject to the non-compete and non-solicitation provisions of the new agreement. The non-compete provision covers involvement in any banking or financial services enterprise engaging in business engaged in by City National in its market area, which includes 25 counties in West Virginia, four counties in Kentucky, two counties in Ohio and 13 counties or cities in Virginia. Any severance payments ultimately made by City National are primarily in exchange for City National receiving its extensive non-compete and non-solicitation protection.

Under the new City National agreement, if Mr. Smiley is involuntarily terminated without cause or voluntarily terminates his City National employment within two years of the closing of the merger, he will receive a severance payment of \$526,417, to be paid in 24 equal monthly installments, during which he will be subject to the non-compete and non-solicitation provisions of the new agreement. Mr. Moffett's agreement with City National is identical to Mr. Smiley's agreement, except that his payment would be \$309,000.

***Change-in-Control Agreements with and/or Payments to R. Jerry Giles, Chief Financial Officer, Benny W. Werner, Senior Vice President-Operations and John J. Howerton, Senior Vice President-Retail.*** Each of these individuals has a change-in-control agreement with Community Financial providing for payment of two years' salary upon a change in control of Community Financial and the termination, or constructive termination of employment of these employees. The merger may constitute a change-in-control event under these agreements because City National does not currently intend to offer these individuals equivalent positions with City Holding or City National. Depending on whether these individuals are employed by City National after the closing of the merger, they will enter into new change-in-control agreements with City National, included as Exhibit D of the merger agreement attached hereto as Annex A, or will receive the required change-in-control payment under the existing Community Financial agreement. These payments will be made after the closing of the merger by City National and will be accounted for as a direct non-interest expense.

The new change-in-control agreements for those officers employed by City National will provide for payments upon a voluntary termination for good reason within 12 months of a change-of-control of City National or upon an involuntary termination without cause within 18 months of a change of control of City National. The payment amount would be up to two times the individual's highest calendar year compensation over the prior three years. The new agreements will also provide that upon involuntary termination prior to the end of 2014, these persons would be entitled to an amount to be negotiated but not to exceed the amount that would have been

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payable under the Community Bank agreement. The new change-in-control agreements contain a non-solicitation provision, which is not included in the Community Financial agreements.

### ***Change-in-Control Agreements with and/or Payments to Jane Orem, Commercial Loan Officer, and Kathy Bryan, Operations Manager.***

Each of these individuals has a change-in-control agreement with Community Financial providing for payment of one year's salary upon a change in control of Community Financial and the termination, or constructive termination of employment of these employees. The City Holding acquisition may constitute a change-in-control event under these agreements to the extent that either of these individuals is not offered equivalent positions with City Holding or City National. Depending on whether these individuals are employed by City National after the closing of the merger, they will enter into new change-in-control agreements with City National, included as Exhibit D of the merger agreement attached hereto as Annex A, or will receive the required change-in-control payment under the existing Community Financial agreement. These payments will be made after closing by City National and will be accounted for as a direct non-interest expense.

***Severance Payments to All Other Employees of Community Bank.*** All employees of Community Bank who do not have change-in-control agreements and who are not hired by City National or are hired and then involuntarily terminated other than for cause by City National within nine months of closing of the merger, will receive from City national upon their termination one week of salary per year of service with Community Bank, with a minimum of 10 weeks and a maximum of 26 weeks, plus medical benefits for the same period, if they execute the release agreement attached to the merger agreement.

### **Voting Agreement**

Each director of Community Financial, as part of the merger agreement, has agreed to vote all of the shares of Community Financial common stock that are registered in such director's name for the approval of the merger agreement, subject to the director's fiduciary obligations if a trustee or other fiduciary under law. In addition, each of the directors has agreed not to transfer any shares of Community Financial common stock for the purpose of avoiding such agreement.

### **Resales of City Holding Common Stock**

The shares of City Holding common stock to be issued to shareholders of Community Financial under the merger agreement have been registered under the Securities Act of 1933 and may be freely traded without restriction by holders, including holders who were affiliates of Community Financial on the date of the special meeting.

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**CERTAIN FEDERAL INCOME TAX CONSEQUENCES OF THE MERGER**

**General**

The following summary sets forth the material U.S. federal income tax consequences of the merger to the holders of Community Financial common stock who exchange such stock for (1) shares of City Holding common stock, (2) cash, or (3) a combination of cash and City Holding common stock. The tax consequences under state, local and foreign laws are not addressed in this summary. The following summary is based upon the Internal Revenue Code, Treasury regulations, administrative rulings and court decisions in effect as of the date hereof, all of which are subject to change, possibly with retroactive effect. Any such change could affect the continuing validity of this summary. No assurance can be given that the Internal Revenue Service would not assert, or that a court would not sustain, a position contrary to any of the tax consequences set forth below.

The following summary addresses only shareholders who are citizens or residents of the United States who hold their Community Financial common stock as a capital asset. It does not address all the tax consequences that may be relevant to particular shareholders in light of their individual circumstances or to shareholders that are subject to special rules, including, without limitation: financial institutions; tax-exempt organizations; S corporations, partnerships or other pass-through entities (or an investor in an S corporation, partnership or other pass-through entity); insurance companies; mutual funds; dealers in stocks or securities, or foreign currencies; foreign holders; a trader in securities who elects the mark-to-market method of accounting for the securities; persons that hold shares as a hedge against currency risk, a straddle or a constructive sale or conversion transaction; holders who acquired their shares pursuant to the exercise of employee stock options or otherwise as compensation or through a tax-qualified retirement plan; holders of Community Financial debt instruments; and holders subject to the alternative minimum tax.

**The Merger**

No ruling has been, or will be, sought from the Internal Revenue Service as to the U.S. federal income tax consequences of the merger. Consummation of the merger is conditioned upon City Holding and Community Financial receiving an opinion from Jackson Kelly PLLC to the effect that, based upon facts, representations and assumptions set forth in such opinion, the merger constitutes a reorganization within the meaning of Section 368 of the Internal Revenue Code and that shareholders of Community Financial will not recognize gain or loss on the exchange of their shares of Community Financial common stock solely for City Holding common stock. The issuance of the opinion is conditioned on, among other things, such tax counsel's receipt of representation letters from each of City Holding or Community Financial, in each case in form and substance reasonably satisfactory to such counsel. The opinion of counsel is not binding on the Internal Revenue Service.

Based upon the above assumptions and qualifications, for U.S. federal income tax purposes the merger will constitute a reorganization within the meaning of Section 368 of the Internal Revenue Code. Each of Community Financial and City Holding will be a party to the merger within the meaning of Section 368(b) of the Internal Revenue Code, and neither of Community Financial or City Holding will recognize any gain or loss as a result of the merger.

**Consequences to Shareholders**

***Exchange of Community Financial Common Stock for City Holding Common Stock.*** A holder of Community Financial common stock who exchanges all of his or her Community Financial common stock solely for City Holding common stock will not recognize income, gain or loss for U.S. federal income tax purposes, except, as discussed below, with respect to cash received in lieu of fractional shares of City Holding common stock.

***Cash in Lieu of Fractional Shares.*** Holders of Community Financial common stock who receive cash in lieu of fractional shares of City Holding common stock in the merger generally will be treated as if the fractional

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shares of City Holding common stock had been distributed to them as part of the merger, and then redeemed by City Holding in exchange for the cash actually distributed in lieu of the fractional shares, with the redemption generally qualifying as an exchange under Section 302 of the Internal Revenue Code, as described below. Consequently, those holders generally will recognize capital gain or loss with respect to the cash payments they receive in lieu of fractional shares measured by the difference between the amount of cash received and the tax basis allocated to the fractional shares.

**Community Financial shareholders are urged to consult their own tax advisors for a full understanding of the tax consequences of these contingent payments.**

***Possible Treatment of Cash as a Dividend.*** Whether the cash received by a holder of Community Financial common stock, in those situations described in the immediately preceding three paragraphs, will be treated as capital gain or as ordinary dividend income is determined under the principles of Section 302 of the Internal Revenue Code. In applying these principles, the holder is treated as if shares of City Holding having a fair market value equal to the cash paid to the holder had been distributed by City Holding to the holder with such shares of City Holding common stock then being redeemed by City Holding in return for the cash. If this hypothetical redemption constitutes an exchange under Section 302 of the Internal Revenue Code, taking into account the holder's actual and constructive ownership of Community Financial common stock under Section 318 of the Internal Revenue Code, the holder of Community Financial common stock who receives cash will recognize capital gain measured by the difference between that holder's adjusted basis for the portion of City Holding common stock exchanged and the cash received. If the hypothetical redemption does not qualify as an exchange under Section 302 of the Internal Revenue Code, the cash received by the holder will be treated as ordinary dividend income, generally to the extent of the holder's ratable share of the accumulated earnings and profits of Community Financial and of City Holding. To the extent the cash distribution exceeds the holder's ratable share of accumulated earnings and profits, the amount received will be applied against and reduce the holder's adjusted basis in his or her stock and any excess will be treated as gain from the sale or exchange of the stock.

In general, whether this hypothetical redemption constitutes an exchange under Section 302 of the Internal Revenue Code will depend upon whether and to what extent the hypothetical redemption reduces the holder's percentage stock ownership in City Holding. The hypothetical redemption will be treated as an exchange if, under the principles of Section 302 of the Internal Revenue Code, the hypothetical redemption is (a) substantially disproportionate, (b) not essentially equivalent to a dividend or (c) results in a complete termination of the holder's interest in City Holding common stock.

In general, the determination of whether the hypothetical redemption will be substantially disproportionate will require a comparison of (x) the percentage of the outstanding voting stock of City Holding that the holder of Community Financial common stock is deemed to actually and constructively own immediately before the hypothetical redemption by City Holding and (y) the percentage of the outstanding voting stock of City Holding actually and constructively owned by the holder immediately after the hypothetical redemption by City Holding. Generally, the hypothetical redemption will be substantially disproportionate to a holder of Community Financial common stock if the percentage described in (y) above is less than 80% of the percentage described in (x) above.

Whether the hypothetical redemption is not essentially equivalent to a dividend with respect to the holder will depend on the holder's particular circumstances. In order for the hypothetical redemption to be not essentially equivalent to a dividend, the hypothetical redemption must result in a meaningful reduction in the holder's percentage stock ownership of the merged company's common stock. The Internal Revenue Service has ruled that a minority shareholder in a publicly traded corporation whose relative stock interest is minimal and who exercises no control with respect to corporate affairs is considered to have a meaningful reduction generally if such shareholder has some reduction in such shareholder's percentage stock ownership. Holders should consult their tax advisors as to the applicability of the ruling to their own individual circumstances.

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The hypothetical redemption will result in a complete termination of the holder's interest in City Holding common stock if either (i) all of the shares actually and constructively owned by the shareholder are exchanged for cash pursuant to the merger or (ii) all of the shares actually owned by the holder are exchanged pursuant to the merger and the holder is eligible to waive, and effectively waives, the attribution of shares constructively owned by the holder in accordance with the procedures described in Section 302(c)(2) of the Internal Revenue Code. Only family attribution, as referred to below, may be waived under Section 302(c)(2) of the Internal Revenue Code.

**Constructive Ownership.** In applying the constructive ownership provisions of Section 318 of the Internal Revenue Code, a holder of Community Financial common stock may be deemed to own stock that is owned directly or indirectly by other persons, such as certain family members and entities such as trusts, corporations, partnerships or other entities in which the holder has an interest. Because the constructive ownership provisions are complex, holders should consult their tax advisors as to the applicability of these provisions.

**Taxation of Capital Gain.** Any capital gain recognized by any holder of Community Financial common stock under the above discussion will be long-term capital gain if the holder has held the Community Financial common stock for more than twelve months at the time of the exchange. In the case of a non-corporate holder, that long-term capital gain may be subject to a maximum federal income tax of 15% for 2012, which is scheduled to increase to 20% in 2013. The deductibility of capital losses by shareholders may be limited.

**Unearned Income Tax.** For 2013, certain taxpayers may be subject to a tax on unearned income of 3.8%. Both capital gains and dividends are treated as unearned income. This additional 3.8% tax will apply to taxpayers with adjusted gross income in excess of the threshold amount (\$250,000 married filing jointly and \$200,000 for all other taxpayers).

**Basis and Holding Period of City Holding Common Stock.** Each holder's aggregate tax basis in City Holding common stock received in the merger will be the same as the holder's aggregate tax basis in the Community Financial common stock exchanged, decreased by the amount of any cash received in the merger and the amount of loss recognized by the taxpayer on the exchange and increased by the amount of cash which was treated as a dividend and by any gain recognized in the exchange. The holding period of City Holding common stock received by a holder in the merger will include the holding period of the Community Financial common stock exchanged in the merger to the extent the Community Financial common stock exchanged is held as a capital asset at the time of the merger.

## **Backup Withholding and Reporting Requirements**

Holders of Community Financial common stock, other than certain exempt recipients, may be subject to backup withholding at a current rate of 28% which is scheduled to increase to 31% in 2013 with respect to any cash payment received in the merger in certain circumstances. Generally, however, backup withholding will not apply to any holder who either (a) furnishes a correct taxpayer identification number and certifies that he or she is not subject to backup withholding by completing the substitute Form W-9 that will be included with the transmittal letter, or (b) otherwise proves to City Holding and its exchange agent that the holder is exempt from backup withholding.

Shareholders will also be required to file certain information with their federal income tax returns and to retain certain records with regard to the merger.

**The discussion of U.S. federal income tax consequences set forth above is for general information only and does not purport to be a complete analysis or listing of all potential tax effects that may apply to a holder of Community Financial common stock. We strongly encourage shareholders of Community Financial to consult their tax advisors to determine the particular tax consequences to them of the merger, including the application and effect of federal, state, local, foreign and other tax laws.**

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**INFORMATION ABOUT CITY HOLDING**

City Holding is a bank holding company headquartered in Charleston, West Virginia. City Holding conducts its principal activities through its wholly-owned subsidiary, City National. Through its network of 73 banking offices in West Virginia (57 offices), Kentucky (8 offices), Ohio (3 offices) and Virginia (5 offices), City National provides credit, deposit, trust and investment management, and insurance products and services to its customers. In addition to its branch network, City National's delivery channels include ATMs, check cards, interactive voice response systems, and internet technology. As of June 30, 2012, City National has approximately 7% of the deposit market share in West Virginia and City Holding is the third largest bank holding company headquartered in West Virginia based on deposit share. City Holding's business activities are currently limited to one reportable business segment, which is community banking.

No portion of City National's deposits are derived from a single person or persons, the loss of which could have a material adverse effect on liquidity, capital, or other elements of financial performance. Although no portion of City National's loan portfolio is concentrated within a single industry or group of related industries, it historically has held residential mortgage loans as a significant portion of its loan portfolio. At June 30, 2012, 55% of City Holding's loan portfolio was categorized as residential mortgage and home equity loans. However, due to the fractionated nature of residential mortgage lending, there is no concentration of credits that would be considered materially detrimental to City Holding's financial position or operating results.

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

City Holding's loan portfolio is comprised of commercial and industrial, commercial real estate, residential real estate, home equity, consumer loans, Demand Deposit Account (DDA) overdrafts and previously securitized loans.

The commercial and industrial loan portfolio consists of loans to corporate borrowers primarily in small to mid-size industrial and commercial companies, as well as automobile dealers, service, retail and wholesale merchants. Collateral securing these loans includes equipment, machinery, inventory, receivables and vehicles. Commercial and industrial loans are considered to contain a higher level of risk than other loan types although care is taken to minimize these risks. Numerous risk factors impact this portfolio including industry specific risks such as economy, new technology, labor rates and cyclicalities, as well as customer specific factors, such as cash flow, financial structure, operating controls and asset quality. As of June 30, 2012, City National reported \$116.3 million of loans classified as Commercial and Industrial.

Commercial real estate loans consist of commercial mortgages, which generally are secured by nonresidential and multi-family residential properties, including hotel/motel and apartment lending. Commercial real estate loans are to many of the same customers and carry similar industry risks as the commercial and industrial loans. As of June 30, 2012, City Holding reported \$768.2 million of loans classified as Commercial Real Estate.

City Holding diversifies risk within the commercial and industrial and commercial real estate portfolios by closely monitoring industry concentrations and portfolios to ensure that it does not exceed established lending guidelines. Diversification is intended to limit the risk of loss from any single unexpected economic event or trend. Underwriting standards require a comprehensive credit analysis and independent evaluation of virtually all larger balance commercial loans by the loan committee prior to approval.

Residential mortgage loans represent loans to consumers for the purchase or refinance of a residence. These loans are generally financed over a 15- to 30-year term, and in most cases, are extended to borrowers to finance

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their primary residence. In some cases, government agencies or private mortgage insurers guarantee the loan. City Holding sells a significant majority of our fixed-rate originations in the secondary market. As of June 30, 2012, City Holding reported \$997.0 million of loans classified as Residential Real Estate.

Home equity lending includes both home equity loans and lines-of-credit. This type of lending, which is secured by a first- or second-mortgage on the borrower's residence, allows customers to borrow against the equity in their home. Real estate market values as of the time the loan or line is granted directly affect the amount of credit extended. As of June 30, 2012, City Holding reported \$143.4 million of loans classified as Home Equity.

Consumer loans are secured by automobiles, boats, recreational vehicles, and other personal property. City Holding monitors the risk associated with these types of loans by monitoring such factors as portfolio growth, lending policies and economic conditions. Underwriting standards are continually evaluated and modified based upon these factors. As of June 30, 2012, City Holding reported \$37.4 million of loans classified as Consumer.

DDA overdraft balances reflect demand deposit accounts that have been overdrawn by deposit customers and have been reclassified as loans. As of June 30, 2012, City Holding reported \$3.3 million of loans classified as DDA Overdrafts.

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

City Holding categorizes commercial loans by industry according to the North American Industry Classification System (NAICS) to monitor the portfolio for possible concentrations in one or more industries. As of June 30, 2012, City Holding has no industry classifications that exceeded 10% of total loans.

For more information regarding City Holding, please see City Holding's Annual Report on Form 10-K for the year ended December 31, 2011, Quarterly Report on Form 10-Q for the Quarter ended June 30, 2012 and its proxy statement for its 2012 Annual Meeting of Shareholders, all of which are incorporated into this proxy statement/prospectus by reference.

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**INFORMATION ABOUT COMMUNITY FINANCIAL**

Attached to this document as Annex C and Annex D, respectively, are copies of Community Financial's Annual Report on Form 10-K for the fiscal year ended March 31, 2012 and Community Financial's Quarterly Report on Form 10-Q for the quarter ended June 30, 2012, each as filed with the Securities and Exchange Commission.

**Director of Community Financial and Community Bank Who Will Become a Director of City Holding and City National**

The following paragraph provides information as of the date hereof about \_\_\_\_\_ who will serve on the board of directors of City Holding and City National after the effective date of the merger. [Information of director to serve as a City director to come.]

**Loans and Related Transactions with Executive Officers and Directors**

Community Bank has followed a policy of granting loans to officers and directors. These loans are made in the ordinary course of business and on the same terms and conditions as those of comparable transactions with the general public prevailing at the time, in accordance with our underwriting guidelines, and do not involve more than the normal risk of collectibility or present other unfavorable features. All loans that Community Bank makes to directors and executive officers are subject to Office of the Comptroller of the Currency regulations restricting loans and other transactions with affiliated persons of Community Bank. All loans to directors and executive officers were performing in accordance with their terms at \_\_\_\_\_, 2012.

The Audit Committee of the board of directors is responsible for the review and approval of all related party transactions for potential conflict of interest situations. A related party transaction is a transaction required to be disclosed pursuant to SEC Regulation S-K, Item 404. While there are no written policies or procedures regarding the Audit Committee's review of related party transactions, the committee must review the material facts of any related party transaction and approve the transaction. If advance approval is not practicable, then the committee must ratify the related party transaction at its next scheduled meeting or the transaction must be rescinded. In making its determination to approve or ratify the transaction, the committee will consider such factors as (i) the extent of the related party's interest in the related party transaction; (ii) if applicable, the availability of other sources of comparable products or services; (iii) whether the terms of the related party transaction are no less favorable than terms generally available in unaffiliated transactions under like circumstances; (iv) the benefit to City Holding; and (v) the aggregate value of the related party transaction. During fiscal 2012, there were no related party transactions between Community Financial (or its subsidiary) and any of its directors, executive officers and/or their related interests.

**Table of Contents****COMPENSATION OF EXECUTIVE OFFICERS****Summary Compensation Table**

The following table sets forth information concerning the annual compensation for services provided to Community Financial and Community Bank during the periods indicated by Norman C. Smiley, III and our two other most highly compensated executive officers. We refer to the individuals listed in the table below as the named executive officers.

| Name and Principal Position  | Fiscal Year | Salary (\$) | Bonus (\$) | Option awards (\$)(1) | All Other Compensation (\$) | Total (\$) |
|--|-------------|-------------|------------|-----------------------|-----------------------------|------------|
| Norman C. Smiley, III<br><i>President and CEO of Community Financial and Community Bank</i>      | 2012        | \$ 250,000  |            |                       | \$ 10,000(2)                | \$ 260,000 |
|  | 2011        | 250,000     |            |                       | 10,000                      | 260,000    |
| R. Jerry Giles<br><i>Senior Vice President and CFO of Community Financial and Community Bank</i> | 2012        | \$ 169,125  |            |                       | \$ 10,148(2)                | \$ 179,273 |
|  | 2011        | 165,000     |            | \$ 2,100              | 9,900                       | 177,000    |
| John J. Howerton<br><i>Senior Vice President/Director of Retail Banking</i>                      | 2012        | \$ 169,125  |            |                       | \$ 6,765(2)                 | \$ 175,890 |
|  | 2011        | 165,000     |            | \$ 4,200              | 6,600                       | 175,800    |

(1) Reflects the aggregate grant date fair value of stock options granted to the named individuals computed in accordance with Financial Accounting Standards Board Accounting Standards Codification Topic 718, Compensation Stock Compensation ( FASB ASC Topic 718 ). The assumptions used in calculating these amounts are included in Note 14 to the Consolidated Financial Statements contained in our 2012 Annual Report on Form 10-K accompanying this proxy statement. See also Outstanding Equity Awards at Fiscal Year End table below.

(2) Reflects Community Bank's matching contribution under the 401(k) portion of the KSOP.

**Employment Agreements.** At March 31, 2012, Community Bank had an employment agreement with Mr. Smiley for his services as President of Community Bank. Mr. Smiley's employment agreement provides for an annual base salary of not less than his annual base salary for the prior year. The agreement provides for annual extensions of one year in addition to the then-remaining term, subject to a formal performance evaluation of the executive and approval of the one year extension by Community Bank's board of directors. Mr. Smiley is also entitled to participate (i) in performance-based and discretionary bonuses, if any, as are authorized and declared by the board of directors and (ii) employee benefit and welfare programs applicable to executive officers, subject to any limitation that might be imposed as a result of Community Financial's participation in the U.S. Treasury Department's Capital Purchase Program. The agreement provides for termination of the executive upon his death, an illness which causes the executive to be unable to perform his duties under the agreement on a full-time basis for six consecutive months, for cause and in certain events specified by banking regulations.

Mr. Smiley, if he had been terminated without cause or resigned for good reason at March 31, 2012, would have been entitled to receive for 12 months following the date of his termination, an amount equal to his annual base salary under his agreement plus any bonus paid during the 12 months preceding his termination or resignation. In addition, Community Bank would also be required to maintain in full force and effect for the continued benefit of Mr. Smiley for 12 months following the effective date of his termination or resignation, as the case may be, at no cost to him, substantially the same health and other benefits available to him in effect immediately prior to such termination. The foregoing payments would be reduced by any cash compensation or health and other benefits actually paid to, or receivable by, Mr. Smiley from another employer during the period he is receiving post-termination compensation benefits from Community Bank. In the event Mr. Smiley is terminated for cause, he would have no further rights under the employment agreement.

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In the event Mr. Smiley's employment is terminated in connection with or following a change in control (as defined in his change of control agreement with Community Financial), then he will be entitled to receive, in lieu of the amounts described in the preceding paragraph, a cash payment in an amount not to exceed 2.99 times his base amount as determined under Section 280G of the Internal Revenue Code of 1986, as amended. The terms of the change of control agreement are set forth under - Change of Control Agreements - below.

**Change of Control Agreements.** As of March 31, 2012, Community Financial had a change of control agreement with each of Messrs. Smiley, Giles and Howerton. These agreements remain in effect until canceled by either party, upon at least 24 months prior written notice to the other party. Under these agreements, the executive generally is entitled to a change of control payment from Community Financial if he is terminated (or for Mr. Smiley, if he resigns for good reason) within six months preceding or 24 months after a change in control (as defined in the agreements). In such an event, Mr. Smiley would be entitled to receive (i) a cash payment in an amount not to exceed 2.99 times his base amount as determined under Section 280G of the Internal Revenue Code of 1986, as amended and (ii) for one year from the date of termination, substantially the same health and other benefits available to him in effect immediately prior to such termination at no additional cost to him. The foregoing payments would be in lieu of any amounts owed to Mr. Smiley under his employment agreement discussed above and would also be reduced by any cash compensation or health and other benefits actually paid to, or receivable by, him from another employer during the period he is receiving post-termination compensation benefits. Messrs. Giles and Howerton would each be entitled to receive a cash payment in an amount equal to 24 months of their then current salary.

All of the above payments that would be made in connection with a change in control are subject to cut-back to the extent the payments would result in either the loss of a tax deduction to Community Financial or the imposition of a penalty tax on the executive.

**Outstanding Equity Awards at Fiscal Year-End**

The following table sets forth certain information concerning option awards held by Mr. Smiley that were outstanding as of , 2012. There were no other equity awards held by the named executive officers at March 31, 2012.

| Name             | Number of Securities Underlying Unexercised Options (#) Exercisable | Number of Securities Underlying Unexercised Options (#) Unexercisable | Option Exercise Price (\$) | Option Expiration Date |
|------------------|---|---|----------------------------|------------------------|
| Norman C. Smiley | 2,000   |   | 7.43                       | 03/16/2013             |
|                  | 10,000  |   | 9.40                       | 12/16/2013             |
|                  | 6,000   |   | 11.22                      | 03/23/2015             |
|                  | 4,000   |   | 10.90                      | 03/22/2016             |
|                  | 7,500   |   | 3.68                       | 03/24/2020             |
| R. Jerry Giles   | 2,000   |   | 7.43                       | 03/16/2013             |
|                  | 10,000  |   | 9.40                       | 12/16/2013             |
|                  | 6,000   |   | 11.22                      | 03/23/2015             |
|                  | 4,000   |   | 10.90                      | 03/22/2016             |
|                  | 2,000   |   | 3.13                       | 03/22/2021             |
| John J. Howerton | 5,000   |   | 5.71                       | 09/23/2018             |
|                  | 4,000   |   | 3.13                       | 03/23/2021             |

**Table of Contents****Retirement Benefits**

The table below sets forth information on the pension benefits for Mr. Smiley under each of the following pension plans:

**Tax-Qualified Pension Plan.** Community Financial's subsidiary, Community Bank, has a noncontributory defined benefit pension plan ( Pension Plan ) covering substantially all of the employees of Community Financial and Community Bank who have met minimum service requirements, excluding hourly employees. Compensation covered by the Pension Plan includes all earnings and amounts deferred at the election of the employee under the Community Financial's KSOP, but excludes amounts paid with respect to non-qualified deferred compensation plans, if any. The benefits under this Pension Plan are not subject to Social Security or other offsets.

**Salary Continuation Agreements.** The Bank has entered into a Salary Continuation Agreement with Messrs. Smiley and Giles. Benefits will commence upon the later of the executive reaching age 65 or the executive's termination of service, at a benefit level equal to 20% and 25%, respectively, of his final pay, as defined, and will be paid for a period of 15 years, except in the case of an executive's voluntary termination of employment prior to reaching normal retirement age or termination for cause. In the event of an executive's voluntary termination of employment prior to reaching age 65, Community Bank will pay the executive, over 15 years, the accrued balance in the executive's account. In the event of an executive's termination of employment for cause (as defined in the agreement), no benefit shall be payable under the Salary Continuation Agreement. Benefits payable under these agreements are unfunded, unsecured obligations of Community Bank. The cost of benefits payable under the retirement agreements are expected to be offset by the earnings and death benefits from life insurance purchased by Community Bank.

The assumptions used in determining the present value of accumulated service in the table below are referenced in Note 13 to our audited financial statements contained in this proxy/statement prospectus.

| Name                  | Plan Name                     | Number of<br>Years<br>Credited<br>Service<br>(#) | Present Value<br>of<br>Accumulated<br>Service<br>(\$) | Payments<br>During<br>Last<br>Fiscal<br>Year<br>(\$) |
|-----------------------|-------------------------------|--|---|--|
| Norman C. Smiley, III | Pension Plan                  | 16   | \$ 205,416  |  |
|                       | Salary Continuation Agreement | 8  | 75,148  |  |
| R. Jerry Giles        | Pension Plan                  | 18   | 382,325   |  |
|                       | Salary Continuation Agreement | 8  | 311,251   |  |
| John J. Howerton      | Pension Plan                  | 2  | 51,076  |  |

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**Post-Termination Payments and Benefits**

The following tables summarize the value of termination payments and benefits that our named executive officers would receive if they had terminated employment with Community Financial on March 31, 2012 under the circumstances shown. The tables exclude (i) amounts accrued through March 31, 2012 that would be paid in the normal course of continued employment, such as accrued but unpaid salary and, if any, earned annual bonus for fiscal 2012, and (ii) contracts, agreements, plans and arrangements that do not discriminate in scope, terms or operation in favor of our executive officers, and that are available generally to all of our salaried employees, such as vested account balances under our Pension Plan, KSOP and health and welfare benefits.

**Norman C. Smiley, III**

| <b>Benefit</b>                | <b>Termination of Service for Cause (\$)</b> | <b>Retirement</b> | <b>Death or Disability (\$)</b> | <b>Resignation by Executive for Good Reason or Termination by Company Without Cause NOT in Connection with a Change of Control (\$)</b> | <b>Resignation by Executive for Good Reason or Termination by Company without Cause 6 Months Prior or 12 Months Following a Change of Control (\$)</b> |
|-------------------------------|--|-------------------|---------------------------------|---|--|
| Employment Agreement          |  |                   |                                 | \$ 250,000(1)   |  |
| Salary Continuation Agreement |  | \$ 21,044(2)      | \$ 50,000(3)                    | \$ 50,000(3)  | \$ 50,000(3)   |
| Change in Control Agreement   |  |                   |                                 |   | \$ 526,417(4)  |

- (1) Reflects the lump sum cash amount that would be payable to Mr. Smiley under this scenario. In addition to this amount, Mr. Smiley would also be entitled for 12 months following the effective date of his termination or resignation ( liquidated damages period ), as the case may be, at no cost to him, to (i) participate in all employee health and welfare benefit plans and programs or arrangements generally available to our employee and (ii) payment of all membership dues and assessments associated with his membership in the Country Club of Staunton, which is approximately \$2,100 annually. These amounts are subject to offset for income earned from providing services to another company during the liquidated damages period.
- (2) Reflects the annual benefit that would be payable to Mr. Smiley assuming he retired as of March 31, 2012. The annual benefit is based on the accrued balance in the executive's account as of that date. The annual benefit would be paid in monthly installments for a 15 year period, commencing on the first day of the month following Mr. Smiley's 65th birthday.
- (3) Reflects the annual benefit payable to Mr. Smiley or his beneficiary, as the case may be. The annual benefit is equal to 20% of Mr. Smiley's annual cash compensation, as calculated under his salary continuation agreement. The annual benefit would be paid in monthly installments for a 15 year period, commencing, in the event of disability, the first day of the month following Mr. Smiley's disability and, in the event of death, the first day of the month following his death.
- (4) Reflects the lump sum cash amount payable to Mr. Smiley under this scenario.

**R. Jerry Giles**

| <b>Benefit</b> | <b>Termination of Service for Cause (\$)</b> | <b>Retirement</b> | <b>Death or Disability (\$)</b> | <b>Resignation by Executive for Good Reason or Termination</b> | <b>Resignation by Executive for Good Reason or Termination by</b> |
|----------------|--|-------------------|---------------------------------|--|---|
|----------------|--|-------------------|---------------------------------|--|---|

|                               |              |              | by<br>Company Without<br>Cause NOT<br>in<br>Connection<br>with a<br>Change of<br>Control<br>(\$) | Company<br>without<br>Cause 6<br>Months<br>Prior or 12 Months<br>Following a<br>Change of<br>Control<br>(\$) |
|-------------------------------|--------------|--------------|--|--|
| Salary Continuation Agreement | \$ 35,051(1) | \$ 42,281(2) | \$ 42,281(2)   | \$ 42,281(2)   |
| Change in Control Agreement   |              |              |  | \$ 338,250(3)  |

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- (1) Reflects the annual benefit that would be payable to Mr. Giles assuming he retired as of March 31, 2012. The annual benefit is based on the accrued balance in the executive's account as of that date. The annual benefit would be paid in monthly installments for a 15 year period, commencing on the first day of the month following Mr. Giles' 65th birthday.
- (2) Reflects the annual benefit payable to Mr. Giles or his beneficiary, as the case may be. The annual benefit is equal to 25% of Mr. Giles' annual cash compensation, as calculated under his salary continuation agreement. The annual benefit would be paid in monthly installments for a 15 year period, commencing, in the event of disability, the first day of the month following Mr. Giles' disability and, in the event of death, the first day of the month following his death.
- (3) Reflects the lump sum cash amount payable to Mr. Giles under this scenario. This benefit is subject to a maximum limitation not to exceed 2.99 times base amount as defined in the Internal Revenue Code of 1986, as amended.

**John J. Howerton**

| Benefit                     | Termination<br>of<br>Service<br>for<br>Cause<br>(\$) | Retirement | Death<br>or<br>Disability<br>(\$) | Resignation by<br>Executive<br>for<br>Good<br>Reason or<br>Termination<br>by<br>Company Without<br>Cause NOT<br>in<br>Connection<br>with a<br>Change of<br>Control<br>(\$) | Resignation by<br>Executive for<br>Good Reason or<br>Termination by<br>Company<br>without<br>Cause 6 Months<br>Prior or 12 Months<br>Following a<br>Change of<br>Control<br>(\$) |
|-----------------------------|--|------------|-----------------------------------|--|--|
| Change in Control Agreement |  |            |                                   |  | \$ 338,250(1)  |

- (1) Reflects the lump sum cash amount payable to Mr. Howerton under this scenario. This benefit is subject to a maximum limitation not to exceed 2.99 times base amount as defined in the Internal Revenue Code of 1986, as amended.

**Executive Compensation Restrictions and Limitations Resulting from Participation in Treasury's Capital Purchase Program**

In December 2008, Community Financial participated in the Capital Purchase Program (referred to in this section as the "CPP") through which the U.S. Treasury Department invested approximately \$12.6 million in exchange for our preferred stock and warrants for our common stock. The CPP mandates that we implement certain restrictions and limitations on executive compensation. In particular, it requires a review to ensure our incentive compensation programs do not encourage our senior executive officers to take excessive risks and limits our tax deductions for senior executive pay.

On February 17, 2009, President Obama signed into law the American Recovery and Reinvestment Act of 2009 (the "ARRA"). The ARRA amends, among other things, the CPP legislation by directing the U.S. Treasury Department to issue regulations implementing strict limitations on compensation paid or accrued by financial institutions, like us, participating in the CPP. Except as expressly mentioned otherwise, the foregoing discussion under "Executive Compensation of Executive Officers" does not address the effect, if any, compliance with the ARRA may have on our executive compensation programs.

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**Table of Contents****DESCRIPTION OF CITY HOLDING CAPITAL STOCK****General**

The authorized capital stock of City Holding consists of 50,000,000 shares of common stock, par value \$2.50 per share, and 500,000 shares of preferred stock, par value of \$25.00 per share. City Holding has 14,833,283 shares of common stock issued (including 3,665,999 shares held as treasury shares) and no shares of preferred stock issued, each as of \_\_\_\_\_, 2012. The outstanding shares are held by approximately \_\_\_\_\_ shareholders of record, as of \_\_\_\_\_. All outstanding shares of City Holding common stock are fully paid and non-assessable. The unissued portion of City Holding's authorized common stock (subject to registration approval by the SEC) and the treasury shares are available for issuance as the board of directors of City Holding determines advisable.

**Common Stock**

**Voting Rights.** City Holding has only one class of stock issued and outstanding and all voting rights are vested in the holders of City Holding's common stock. On all matters subject to a vote of shareholders, the shareholders of City Holding will be entitled to one vote for each share of common stock owned. Shareholders of City Holding have cumulative voting rights with regard to election of directors. At the present time, no senior securities of City Holding are outstanding, nor does the board of directors presently contemplate issuing senior securities.

**Dividend Rights.** The shareholders of City Holding are entitled to receive dividends when and as declared by its board of directors. Dividends were \$1.37 per share in 2011, \$1.36 per share in 2010 and \$1.36 per share in 2009. The dividends paid in the first six months of 2012, were \$0.70 per share. The payment of dividends is subject to the restrictions set forth in the West Virginia Corporation Act and the limitations imposed by the Federal Reserve.

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

**Liquidation Rights.** Upon any liquidation, dissolution or winding up of its affairs, the holders of City Holding common stock are entitled to receive pro rata all of the assets of City Holding for distribution to shareholders. There are no redemption or sinking fund provisions applicable to the common stock.

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**Assessment and Redemption.** Shares of City Holding common stock presently outstanding are validly issued, fully paid and non-assessable. There is no provision for any voluntary redemption of City Holding common stock.

**Transfer Agent and Registrar.** The transfer agent and registrar for City Holding's common stock is Computershare Investor Services, LLC.

## **Preferred Stock**

The authorized preferred stock may be issued by the City Holding board of directors in one or more series, from time to time, with each such series to consist of such number of shares and to have such voting powers, full or limited, or no voting powers, and such designations, preferences and relative, participating, optional or other special rights, and the qualifications, limitations or restrictions thereof, as shall be stated in the resolution or resolutions providing for the issuance of such series adopted by the City Holding board of directors. Currently, no shares of preferred stock have been issued.

The authorization of preferred stock will not have an immediate effect on the holders of City Holding common stock. The actual effect of the issuance of any shares of preferred stock upon the rights of the holders of common stock cannot be stated until the City Holding board of directors determines the specific rights of any shares of preferred stock. However, the effects might include, among other things, restricting dividends on common stock, diluting the voting power of common stock, reducing the market price of common stock or impairing the liquidation rights of the common stock without further action by the shareholders. Holders of the common stock will not have preemptive rights with respect to the preferred stock.

## **Preemptive Rights**

No holder of any share of the capital stock of City Holding has any preemptive right to subscribe to an additional issue of its capital stock or to any security convertible into such stock.

## **Certain Provisions of the Bylaws**

**Indemnification and Limitations on Liability of Officers and Directors.** As permitted by the West Virginia Business Corporation Act, the articles of incorporation of City Holding contain provisions that indemnify its directors and officers to the fullest extent permitted by West Virginia law. These provisions do not limit or eliminate the rights of City Holding or any shareholder to seek an injunction or any other non-monetary relief in the event of a breach of a director's or officer's fiduciary duty. In addition, these provisions apply only to claims against a director or officer arising out of his role as a director or officer and do not relieve a director or officer from liability if he engaged in willful misconduct or a knowing violation of the criminal law or any federal or state securities law.

In addition, the articles of incorporation of City Holding provide for the indemnification of both directors and officers for expenses that they incur in connection with the defense or settlement of claims asserted against them in their capacities as directors and officers. This right of indemnification extends to judgments or penalties assessed against them. City Holding has limited its exposure to liability for indemnification of directors and officers by purchasing directors' and officers' liability insurance coverage.

The rights of indemnification provided in the articles of incorporation of City Holding are not exclusive of any other rights that may be available under any insurance or other agreement, by vote of shareholders or disinterested directors or otherwise.

Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers or persons controlling City Holding pursuant to the foregoing provisions, City Holding has been informed that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable.

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**Shares Eligible for Future Sale**

All of the City Holding shares that will be exchanged for shares of Community Financial common stock upon consummation of the merger will be freely tradable without restriction or registration under the Securities Act.

City Holding cannot predict the effect, if any, that future sales of shares of its common stock, or the availability of shares for future sales, will have on the market price prevailing from time to time. Sales of substantial amounts of shares of City Holding common stock, or the perception that such sales could occur, could adversely affect the prevailing market price of the shares.

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**COMPARISON OF THE RIGHTS OF SHAREHOLDERS**

In the merger, Community Financial shareholders will exchange their shares of Community Financial common stock for shares of City Holding common stock. City Holding is organized under the laws of the State of West Virginia and Community Financial is organized under the laws of the Commonwealth of Virginia. On consummation of the merger, some of Community Financial's shareholders will become City Holding shareholders, and the Articles of Incorporation of City Holding Company (the "City Holding Articles") and the Amended and Restated Bylaws of City Holding Company (the "City Holding Bylaws") will govern their rights as City Holding shareholders.

The following summary discusses some of the material differences between the current rights of City Holding shareholders and Community Financial shareholders under the City Holding Articles, City Holding Bylaws, the Articles of Incorporation of Community Financial (the "Community Financial Articles"), and the Bylaws of Community Financial (the "Community Financial Bylaws"). The statements in this section are qualified in their entirety by reference to, and are subject to, the detailed provisions of the Virginia Stock Corporation Act, the West Virginia Business Corporation Act (the "WVBCA"), and the articles of incorporation and bylaws of City Holding and Community Financial, respectively.

**Authorized Capital**

**City Holding.** City Holding is authorized to issue 50,000,000 shares of common stock, \$2.50 par value per share, all of which have identical rights and preferences, and 500,000 shares of preferred stock, \$25.00 par value per share. As of the date of this proxy statement/prospectus, City Holding had outstanding \_\_\_\_\_ shares of its common stock and no shares of preferred stock. Each of the outstanding shares of City Holding common stock has been validly issued, fully paid, and is not liable for further call or assessment.

**Community Financial.** Community Financial is authorized to issue 10,000,000 shares of common stock, \$0.01 par value per share, all of which have identical rights and preferences, and 3,000,000 shares of preferred stock, \$0.01 par value per share. As of the date of this proxy statement/prospectus, Community Financial had outstanding \_\_\_\_\_ shares of its common stock and 12,643 shares of its Series A Non-Voting Preferred Stock. Each of the outstanding shares of Community Financial's capital stock has been validly issued, full paid, and is not liable for further call or assessment.

**Voting Rights and Cumulative Voting**

**City Holding.** Each holder of City Holding common stock generally has the right to cast one vote for each share of City Holding common stock held of record on all matters submitted to a vote of shareholders of City Holding. If City Holding issues shares of preferred stock, holders of the preferred stock may also possess voting rights. The WVBCA and the City Holding Bylaws allow a shareholder to cumulate his votes in the election of directors.

**Community Financial.** Each holder of Community Financial common stock generally has the right to cast one vote for each share of Community Financial common stock held of record on all matters submitted to a vote of shareholders of Community Financial. Holders of Community Financial TARP preferred stock generally do not have voting rights. Shareholders are not permitted to cumulate votes in the election of directors.

**Dividends**

City Holding and Community Financial may pay dividends and make other distributions on its securities at such times, in such amounts, to such persons, for such consideration and upon such terms and conditions as City Holding's or Community Financial's board of directors may determine, subject to certain statutory restrictions. The payment of cash dividends on Community Financial's common stock requires the prior approval of federal banking regulators.

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### **Liquidation**

In the event of liquidation, dissolution or winding up of City Holding or Community Financial, the holders of shares of common stock will be entitled to receive, after payment or provision for payment of City Holding's and Community Financial's debts and other liabilities and of all shares having priority over the common stock, a ratable share of the remaining assets of City Holding or Community Financial, respectively.

### **Preemptive Rights**

Holders of City Holding and Community Financial common stock are not entitled to preemptive rights with respect to any shares which may be issued.

### **Preferred Stock**

The merger agreement prohibits Community Financial's board of directors from issuing preferred stock prior to the effective time of the merger. The boards of directors of City Holding and Community Financial are generally authorized to issue preferred stock in series and to fix and state the voting powers, designations, preferences and other rights of the shares of each such series and the limitations thereof. City Holding's preferred stock may rank prior to its common stock as to dividend rights, liquidation preferences or both, and may have full or limited voting rights. The holders of such preferred stock will be entitled to vote as a separate class or series under certain circumstances, regardless of any other voting rights which such holders may have.

### **Issuance of Additional Shares**

**City Holding.** Except in connection with the proposed merger with Community Financial, the exercise of stock options and as otherwise provided herein, City Holding has no specific plans for the issuance of the additional authorized shares of its common stock or for the issuance of any shares of preferred stock. In the future, the authorized but unissued and unreserved shares of City Holding common stock will be available for general corporate purposes including, but not limited to, possible issuance as stock dividends or stock splits, in future mergers or acquisitions, under a cash dividend reinvestment and stock purchase plan, or in future underwritten or other public or private offerings. The authorized but unissued shares of City Holding preferred stock will similarly be available for issuance in future mergers or acquisitions, in future underwritten public offerings or private placements or for other general corporate purposes.

Section 31D-6-621 of the WVBCA authorizes the board of directors of a West Virginia corporation to authorize the issuance of additional shares, unless the corporation's articles of incorporation reserve such a right for the corporation's shareholders. In accordance with the City Holding Articles, except as otherwise required to approve the transaction in which the additional authorized shares of City Holding common stock or authorized shares of preferred stock would be issued, no shareholder approval will be required for the issuance of these shares. Accordingly, City Holding's board of directors, without shareholder approval, may issue preferred stock with voting and conversion rights which could adversely affect the voting power of the holders of City Holding common stock subject to the restrictions imposed on the issuance of such shares by The Nasdaq Stock Market.

**Community Financial.** Community Financial has no specific plans for the issuance of additional shares of its capital stock. The authorized but unissued and unreserved shares of Community Financial capital stock are available for general corporate purposes including, but not limited to, possible issuance as stock dividends or stock splits, in future mergers or acquisitions, pursuant to stock purchase or similar plans, or in future underwritten or other public or private offerings.

Section 13.1-643 of the VSCA authorizes the board of directors of a Virginia corporation to authorize the issuance of additional shares unless the corporation's articles of incorporation reserve such a right for the corporation's shareholders. In accordance with the Community Financial Articles, except as otherwise required to approve the transaction in which the additional authorized shares of Community Financial common stock or

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Community Financial preferred stock would be issued, no shareholder approval will be required for the issuance of these shares. Accordingly, Community Financial's board of directors, without shareholder approval, may issue preferred stock with voting and conversion rights which could adversely affect the voting power of the holders of Community Financial common stock and Community Financial preferred stock.

### **Number and Restrictions upon Directors**

**City Holding.** The City Holding Bylaws provide that the size of the City Holding board of directors shall range between five and twenty-five directors, with the exact number of directors to be fixed from time to time exclusively by the City Holding board of directors pursuant to a resolution adopted by a majority of the total number of directors, subject to certain conditions.

The City Holding Bylaws provide that directors of City Holding need not be residents of the State of West Virginia. No board member may serve beyond the annual meeting following the date that he or she shall attain age 75.

**Community Financial.** The Community Financial Bylaws provide that the number of directors constituting the Community Financial board of directors shall be eight directors.

### **Removal from Board**

**City Holding.** Under the WVBCA, any member of a corporation's board of directors may be removed, with or without cause, by the affirmative vote of a majority of all the votes entitled to be cast for the election of directors; provided, however, that a director may not be removed if the number of votes sufficient to elect the director under cumulative voting is voted against the director's removal. The City Holding Bylaws provide that a director may be removed by the affirmative vote of a majority of shareholders.

**Community Financial.** Under the VSCA and the Community Financial Articles, any member of Community Financial's board of directors may be removed, for cause, by the affirmative vote of a majority of all votes entitled to be cast for the election of directors.

### **Special Meetings of the Board**

**City Holding.** The City Holding Bylaws provide that special meetings of the City Holding board of directors may be called by any three directors or by the president of City Holding upon not less than one day's notice.

**Community Financial.** The Community Financial Bylaws provide that special meetings of the Community Financial board of directors may be called by the chairman of the board or the president upon not less than 24 hours' notice.

### **Classified Board of Directors**

The City Holding Bylaws and the Community Financial Articles provide that their companies' respective boards of directors will be divided into three classes, with directors in each class elected for three-year staggered terms. Therefore, it could take two annual elections to replace a majority of the board of directors of City Holding or Community Financial, respectively.

### **Indemnification**

**City Holding.** The WVBCA provides in part that each West Virginia corporation has the power to indemnify any director against liability incurred in a proceeding against him by reason of being or having been such director (other than in an action by or in the right of the corporation) if he acted in good faith and in a manner he reasonably believed to be or not opposed to the best interests of the corporation, or, in the case of any

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criminal proceeding, he had no reasonable cause to believe his conduct was unlawful. With respect to an action by or in the right of the corporation, except for reasonable expenses incurred in the proceeding as to which he meets the foregoing standard of conduct, a director may not be indemnified. A director also may not be indemnified unless ordered by a court if he is adjudged liable on the basis that he received a financial benefit to which he was not entitled. A West Virginia corporation may make any other or further indemnity to any such persons that may be authorized by the corporation's articles of incorporation.

A corporation must indemnify a director who was wholly successful on the merits in the proceeding against reasonable expenses of the proceeding. A corporation may advance expenses incurred by a director in such a proceeding if he affirms he has met the standard of conduct and agrees to return the advanced expenses if it is determined he has not met this standard.

The City Holding Articles provide that City Holding shall indemnify any current or former officer or director of City Holding or a person serving as an officer or director of another corporation at City Holding's request against costs and expenses incurred by him in connection with a claim or proceeding against him by reason of his being or having been an officer or director, unless the claim or proceeding relates to matters as to which the officer or director has been adjudged to be liable for gross negligence or willful misconduct in the performance of his duty to the corporation. To the extent that City Holding board of directors determines that a settlement is in City Holding's best interests, City Holding shall reimburse the officer or director for any amounts paid in effecting the settlement and for reasonable expenses associated therewith.

**Community Financial.** Unless its articles of incorporation provide otherwise, a Virginia corporation must indemnify a director who entirely prevails in the defense of any proceeding to which he was a party because he is or was a director of the corporation against reasonable expenses incurred by him in connection with the proceeding.

The Community Financial Articles provide that Community Financial shall indemnify any current or former officer or director of Community Financial, and may indemnify a person serving as a director, trustee, partner or officer of another corporation, partnership, joint venture, trust, employee benefit plan or other enterprise at Community Financial's request, against costs and expenses incurred by him in connection with a claim or proceeding against him by reason of him being or having been an officer or director, to the fullest extent permitted under Virginia law. The Community Financial board of directors may, by a majority vote of a quorum of disinterested directors, enter into a contract to indemnify any director or officer in respect of any proceedings arising from any act or omission, whether occurring before or after the execution of such contract.

### **Special Meetings of Shareholders**

**City Holding.** The City Holding Articles provide that a special meeting of shareholders may be called at any time by the City Holding board of directors, or by the president and secretary, or by any three or more shareholders holding together not less than ten percent (10%) of the shares of City Holding, in accordance with the WVBCA.

**Community Financial.** The Community Financial Bylaws provide that a special meeting of shareholders may be called at any time by the chairman of the board, the president, or a majority of the board of directors.

### **Shareholder Nominations**

**City Holding.** The City Holding Bylaws provide that the City Holding board of directors or any City Holding shareholder entitled to vote in the election of directors may nominate persons for election to City Holding's board of directors pursuant to certain procedures set forth in the City Holding Bylaws. A shareholder nominating a person for the board of directors must give notice to City Holding's secretary not less than 120 days prior to the first anniversary of the previous year's annual meeting unless the dates of the annual meeting has changed by more than 30 days from the anniversary date of the previous year's annual meeting in which case notice must be received not

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later than 120 calendar days prior to such annual meeting or 10 calendar days following the date on which public announcement of the meeting date is first made. If no annual meeting was held in the previous year or the date of the annual meeting was changed by more than 30 days from the anniversary date of the previous year's annual meeting, the shareholder must give notice not later than 120 calendar days prior to such annual meeting or 10 calendar days following the date on which public announcement of the meeting is first made.

**Community Financial.** The Community Financial Bylaws provide that shareholders entitled to vote in the election of directors may nominate persons for election to Community Financial's board of directors. A shareholder nominating a person for the board of directors must give notice to Community Financial's secretary not less than 60 days before the date of the annual meeting.

### **Notice of Shareholder Proposals**

**City Holding.** Pursuant to the City Holding Bylaws, shareholder proposals must be submitted to City Holding's secretary not less than 120 days prior to the meeting at which such proposals are to be considered. If no annual meeting was held in the previous year or the date of the annual meeting was changed by more than 30 days from the anniversary date of the previous year's annual meeting, the shareholder must give notice not later than 120 calendar days prior to such annual meeting or 10 calendar days following the date on which public announcement of the meeting is first made.

**Community Financial.** Pursuant to the Community Financial Bylaws, shareholder proposals must be submitted to Community Financial's secretary not less than 60 days prior to the anniversary of the preceding year's annual meeting.

### **Amendment of Articles of Incorporation and Bylaws**

**City Holding.** Under the WVBCA, the City Holding Articles generally may be amended by the affirmative vote of a majority of all votes of shareholders entitled to be cast on a matter and a majority of the outstanding stock of each class entitled to vote on the amendment, unless a greater number is specified in the articles of incorporation. The City Holding Articles do not require a greater vote.

The City Holding Bylaws may be amended only by a majority vote of the directors of City Holding.

**Community Financial.** The Community Financial Articles generally may be amended by the affirmative vote of a majority of the total votes entitled to be cast by each voting group entitled to vote on the amendment.

The Community Financial Bylaws may be amended by a majority vote of the directors of Community Financial or by a majority vote of the shareholders voting in the election of directors.

### **Factors in Board Decision-Making**

**City Holding.** Neither the City Holding Articles nor the WVBCA addresses the factors that may be considered by a board of directors in its decision-making process when considering acquisition or merger proposals.

**Community Financial.** Similar to City Holding, neither the Community Financial Articles nor the VSCA addresses the factors that may be considered by a board of directors in its decision-making process when considering acquisition or merger proposals.

### **Business Combinations with Interested Parties**

**City Holding.** West Virginia corporate law does not contain statutory provisions restricting certain business combinations. Additionally, the City Holding Articles do not contain special provisions related to business combinations with interested parties.

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**Community Financial.** The Affiliated Transactions Statute of the VSCA contains provisions governing affiliated transactions. These include various transactions such as mergers, share exchanges, sales, leases, or other dispositions of material assets, issuances of securities, dissolutions, and similar transactions with an interested shareholder. An interested shareholder is generally the beneficial owner of more than 10% of any class of a corporation's outstanding voting shares. During the three years following the date a shareholder becomes an interested shareholder, any affiliated transaction with the interested shareholder must be approved by both a majority of the disinterested directors (those directors who were directors before the interested shareholder became an interested shareholder or who were recommended for election by a majority of disinterested directors) and by the affirmative vote of the holders of two-thirds of the corporation's voting shares other than shares beneficially owned by the interested shareholder. These requirements do not apply to affiliated transactions if, among other things, a majority of the disinterested directors approve the interested shareholder's acquisition of voting shares making such a person an interested shareholder before such acquisition. Beginning three years after the shareholder becomes an interested shareholder, the corporation may engage in an affiliated transaction with the interested shareholder if:

the transaction is approved by the holders of two-thirds of the corporation's voting shares, other than shares beneficially owned by the interested shareholder;

the affiliated transaction has been approved by a majority of the disinterested directors; or

subject to certain additional requirements, in the affiliated transaction the holders of each class or series of voting shares will receive consideration meeting specified fair price and other requirements designed to ensure that all shareholders receive fair and equivalent consideration, regardless of when they tendered their shares.

The Affiliated Transactions Statute is only applicable to corporations that have more than 300 shareholders. Corporations may opt out of the Affiliated Transactions Statute in their articles of incorporation or bylaws. Community Financial has opted-out of the Affiliated Transactions Statute and the Community Financial Articles do not contain special provisions related to business combinations with interested parties.

**PROPOSAL TWO: ADJOURNMENT OF THE SPECIAL MEETING**

In the event that there are not sufficient votes to constitute a quorum at the time of the special meeting, the meeting will be adjourned or postponed to a later date or dates in order to permit further solicitation of proxies. In order to allow proxies that have been received at the time of the meeting to be voted for an adjournment, if necessary, to solicit proxies to approve the merger agreement, Community Financial is submitting this question to its shareholders as a separate matter for their consideration. The board of directors of Community Financial recommends that its shareholders vote **FOR** the proposal to adjourn or postpone the meeting to a later date or dates, if necessary, to permit further solicitation of proxies in the event there are not sufficient votes at the time of the special meeting to approve the merger agreement. If it is necessary to adjourn or postpone the special meeting, no notice of such adjourned or postponed meeting is required to be given to Community Financial's shareholders, other than an announcement at the special meeting of the place, date and time to which the meeting is adjourned or postponed.

The adjournment proposal will be approved if the number of shares, represented in person or by proxy at the special meeting and entitled to vote thereon, voted in favor of the proposal exceeds the number of shares voted against such proposal. Therefore, if you mark **ABSTAIN** on your proxy with respect to the adjournment proposal, or if you fail to vote or fail to instruct your bank or broker how to vote with respect to the adjournment proposal, it will have no effect on the compensation proposal.

**The board of directors of Community Financial recommends that you vote *FOR* approval of this proposal.**

**Table of Contents****PROPOSAL THREE: ADVISORY (NON-BINDING) VOTE****ON THE COMPENSATION PROPOSAL**

The following table sets forth the amount of payments and benefits that each of the named executive officers of Community Financial would receive in connection with the merger, assuming the merger was completed on \_\_\_\_\_, 2012, and that each of them incurred a severance-qualifying termination on such date. These payments and benefits are the subject of an advisory (non-binding) vote of Community Financial's shareholders.

**Golden Parachute Compensation**

| Name                  | Cash<br>(\$) | Equity<br>(\$) | Pension/     | Perquisites/     | Tax                   |               | Total<br>(\$) |
|-----------------------|--------------|----------------|--------------|------------------|-----------------------|---------------|---------------|
|                       |              |                | NQDC<br>(\$) | Benefits<br>(\$) | Reimbursement<br>(\$) | Other<br>(\$) |               |
| Norman C. Smiley, III | \$ 526,417   | \$ 0           | \$ 0         | \$ 0             | \$ 0                  | \$ 0          | \$ 526,417    |
| R. Jerry Giles        | \$ 348,398   | \$ 0           | \$ 0         | \$ 0             | \$ 0                  | \$ 0          | \$ 348,398    |
| John J. Howerton      | \$ 348,398   | \$ 0           | \$ 0         | \$ 0             | \$ 0                  | \$ 0          | \$ 348,398    |

On June 18, 2012, the Office of the Comptroller of the Currency ( OCC ) informed Community Bank that it was deemed to be in troubled condition due to its deteriorated financial condition and high level of risk exposure associated with its asset quality. On August 9, 2012, Community Bank entered into an Agreement with the OCC which requires Community Bank to take certain actions to strengthen management and improve asset quality, lending, risk management, liquidity, profit, capital and other matters. This Agreement repeats the troubled condition designation already in place. Federal law may limit or prohibit certain payments to employees of banks which are designated as troubled. City Holding and City National Bank have filed applications with the Board of Governors of the Federal Reserve and the Federal Deposit Insurance Corporation asserting that these limitations do not apply to City Holding and City National but seeking permission to make these payments if those regulatory agencies do not agree. The merger agreement provides that City Holding and City National are not obligated to make any payments or enter into any agreements which are not permitted by law.

The Agreement provides that entry into agreements with Norman C. Smiley and Lyle Moffett are conditions to closing of the merger. In the event that City Holding and City National are not permitted to enter into the agreements with Mr. Smiley and Mr. Moffett, then the conditions will have to be waived by the parties or alternative arrangements which are acceptable to the regulatory agencies will have to be substituted in order to close the merger.

Section 14A of the Securities Exchange Act of 1934 adopted pursuant to the Dodd-Frank Wall Street Reform and Consumer Protection Act requires that any proxy statement relating to a meeting of shareholders at which shareholders are asked to approve a merger must disclose any type of compensation payable to the acquired company's named executive officers in connection with the transaction, and must include a separate resolution subject to a shareholder advisory (non-binding) vote to approve any such compensation. The tables and the narrative contained in this proxy statement/prospectus under The Merger Interests of Community Financial's Directors and Executive Officers in the Merger provide the required disclosures of the compensation that may be paid or become payable to Community Financial's named executive officers in connection with the merger and the agreements and understandings pursuant to which such compensation may be paid or become payable. The following resolution, which Community Financial's shareholders are being asked to adopt, provides Community Financial's shareholders with the opportunity to cast an advisory (non-binding) vote on such compensation:

RESOLVED, that the shareholders of Community Financial Corporation, in connection with the merger of Community Financial Corporation with and into City Holding Company, and the agreements and understandings pursuant to which such compensation may be paid or become payable, as disclosed

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in the table in the section of the proxy statement/prospectus dated \_\_\_\_\_, 2012, entitled, "The Merger" Interests of Community Financial's Directors and Executive Officers in the Merger.

The vote on the compensation proposal is a vote separate and apart from the vote to approve the merger agreement. You may vote for the compensation proposal and against the proposal to approve the merger agreement, and vice versa. Because the vote on the compensation proposal is advisory only, it will not be binding on either Community Financial or City Holding. Accordingly, because City Holding is contractually obligated to pay the compensation, if the merger is completed and subject to the non-objection of applicable banking regulators, the compensation will be payable subject only to the conditions applicable thereto, regardless of the outcome of the advisory vote.

**Community Financial's board of directors recommends that you vote *FOR* the compensation proposal.**

**LEGAL MATTERS**

Jackson Kelly PLLC will opine as to the tax treatment of the consideration paid in connection with the merger under the Internal Revenue Code. Jackson Kelly PLLC will opine as to the legality of the common stock of City Holding offered by this proxy statement/prospectus. Silver, Freedman & Taff, L.L.P. will opine on corporate organization and authority to Community Financial.

**EXPERTS**

The consolidated financial statements of City Holding Company incorporated by reference in City Holding Company's Annual Report on Form 10-K for the year ended December 31, 2011 have been audited by Ernst & Young LLP, independent registered public accounting firm, as set forth in their reports thereon, incorporated by reference therein, and incorporated herein by reference. Such consolidated financial statements are incorporated herein by reference, in reliance upon such report given on the authority of such firm as experts in accounting and auditing.

The consolidated financial statements of Community Financial as of March 31, 2012 and 2011, and for each of the two years in the period ended March 31, 2012, included in this proxy statement/prospectus have been audited by Yount, Hyde & Barbour, P.C., independent auditors, as stated in their report appearing herein and have been so included in reliance upon the report of such firm given upon their authority as experts in accounting and auditing.

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**WHERE YOU CAN FIND MORE INFORMATION**

City Holding filed with the SEC under the Securities Act the registration statement on Form S-4 to register the shares of City Holding common stock to be issued to Community Financial's shareholders in connection with the merger. The registration statement, including the exhibits and schedules thereto, contains additional relevant information about City Holding and its common stock. The rules and regulations of the SEC allow City Holding to omit certain information included in the registration statement from this proxy statement/prospectus. This proxy statement/prospectus is part of the registration statement and is a prospectus of City Holding in addition to being Community Financial's proxy statement for its special meeting.

City Holding (File No. 0-11733) files reports, proxy statements and other information with the SEC under the Securities Exchange Act of 1934, as amended. You may read and copy this information at the Public Reference Room of the SEC at 100 F Street, N.E., Washington, D.C. 20549. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC also maintains an Internet web site that contains reports, proxy statements and other information about issuers, like City Holding, that file electronically with the SEC. The address of that site is [www.sec.gov](http://www.sec.gov). City Holding also posts its SEC filings on its website. The website address is [www.cityholding.com](http://www.cityholding.com). Information contained on the City Holding website is not incorporated by reference into this proxy statement/prospectus, and you should not consider information contained in its website as part of this proxy statement/prospectus. You can also inspect reports, proxy statements and other information that City Holding has filed with the SEC at the National Association of Securities Dealers, Inc., 1735 K Street, Washington, D.C. 20096.

The SEC allows City Holding to incorporate by reference information into this proxy statement/prospectus. This means that we can disclose important information to you by referring you to another document filed separately by City Holding with the SEC. The information incorporated by reference is considered to be a part of this proxy statement/prospectus, except for any information that is superseded by information that is included directly in this proxy statement/prospectus.

This proxy statement/prospectus incorporates by reference the documents listed below that City Holding has previously filed with the SEC:

|   |  |
|---|--|
| Annual Report on Form 10-K for the year ended December 31, 2011   | Filed on March 15, 2012  |
| Quarterly Report on Form 10-Q for the six months ended June 30, 2012  | Filed on August 9, 2012  |
| Definitive Proxy Materials for the 2012 Annual Meeting of Shareholders  | Filed on March 23, 2012  |
| Current Reports on Form 8-K   | Filed on March 16, 2012, March 29, 2012, April 26, 2012, April 30, 2012, June 5, 2012, June 28, 2012, August 1, 2012, August 3, 2012, and August 7, 2012 |
| The description of City Holding's common stock set forth in City Holding's registration statement on Form 8-A filed pursuant to Section 12 of the Exchange Act and any amendment or report filed for the purpose of updating those descriptions | Filed on May 28, 1987  |

City Holding also incorporates by reference additional documents that may be filed under Sections 13(a) and 15(d) of the Securities Exchange Act of 1934 with the SEC between the date of this proxy statement/prospectus and the date of Community Financial's special meeting of shareholders or the termination of the merger agreement. These include periodic reports such as Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K.

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You can obtain additional copies of the documents incorporated by reference in this proxy statement/prospectus free of charge by requesting them in writing or by telephone from the following address:

**City Holding Company**

**25 Gatewater Road**

**Cross Lanes, West Virginia 25313**

**Attention: Vikki Evans-Faw**

**Telephone: (304) 769-1100**

**If you would like to request any documents, please do so by \_\_\_\_\_, 2012, in order to receive them before the special meeting.**

Neither City Holding nor Community Financial has authorized anyone to give any information or make any representation about the merger or the companies that is different from, or in addition to, that contained in this proxy statement/prospectus or in any of the materials that we have incorporated into this proxy statement/prospectus. Therefore, if anyone does give you information of this sort, you should not rely on it. Information in this proxy statement/prospectus about City Holding has been supplied by City Holding and information about Community Financial has been supplied by Community Financial. The information contained in this proxy statement/prospectus speaks only as of the date of this proxy statement/prospectus unless the information specifically indicates that another date applies.

**OTHER MATTERS**

The board of directors of Community Financial knows of no other matters that may come before the special meeting. If any matters other than those referred to should properly come before the meeting, it is the intention of the persons named in the enclosed proxy to vote such proxy in accordance with their best judgment.

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**Annex A**

**AGREEMENT AND PLAN OF MERGER**

**by and among**

**COMMUNITY FINANCIAL CORPORATION, INC.**

**COMMUNITY BANK,**

**CITY HOLDING COMPANY,**

**and**

**CITY NATIONAL BANK OF WEST VIRGINIA**

**August 2, 2012**

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**AGREEMENT AND PLAN OF MERGER**

THIS AGREEMENT AND PLAN OF MERGER (the Agreement) is dated as of August 2, 2012, by and among Community Financial Corporation, Inc. a Virginia corporation (Community Financial), Community Bank, a federal savings association (Community Bank), City Holding Company, a West Virginia corporation (CHC), and City National Bank of West Virginia, a national banking association (City National).

**WITNESSETH:**

A. Each of the parties desires to effect a merger of Community Financial with and into CHC, with CHC being the surviving entity in the merger (the Company Merger);

B. Community Financial has 10,000,000 authorized shares of common stock, par value \$0.01 per share (Community Financial Common Stock), of which 4,361,658 shares are presently issued and outstanding, and 3,000,000 shares of preferred stock, par value \$0.01 and liquidation value of \$1,000 per share (Community Financial Preferred Stock), of which 12,643 shares are presently issued and outstanding (collectively, Community Financial Shares). Community Financial has also issued a Warrant to Purchase 351,194 shares of Community Financial Common Stock at an exercise price of \$5.40 per share, dated December 19, 2008 (the Warrant);

C. CHC has 50,000,000 authorized shares of common stock, par value \$2.50 per share (CHC Common Stock), and 500,000 authorized shares of preferred stock, par value \$25.00 per share, of which 14,820,633 shares of CHC Common Stock and no shares of preferred stock are presently issued and outstanding;

D. Community Financial owns all of the issued and outstanding shares of Community Bank's common stock. CHC owns all of the issued and outstanding shares of capital stock of City National. In addition to the Company Merger, the parties desire to effect a merger of Community Bank with and into City National, with City National being the surviving entity in the merger (the Subsidiary Merger);

E. The Boards of Directors of Community Financial, Community Bank, CHC, and City National, respectively, each have determined that it is in the best interests of their respective organizations and shareholders to effect the mergers; and

F. It is the intention of the parties to this Agreement that the business combinations contemplated hereby each be treated as a reorganization under Section 368 of the Internal Revenue Code of 1986, as amended (the Code).

NOW, THEREFORE, in consideration of the premises, and of the mutual covenants, representations, warranties and agreements contained herein, the parties agree as follows:

Article I

The Company Merger

1.01 The Company Merger. On the Effective Time (as defined below) or as soon thereafter as possible, the Company Merger contemplated by this Agreement shall occur and in furtherance thereof:

(a) Structure and Effects of the Company Merger. Community Financial shall merge with and into CHC, and the separate corporate existence of Community Financial shall thereupon cease. CHC shall be the surviving corporation in the Company Merger (sometimes hereinafter referred to as the Surviving Corporation) and shall continue to be governed by the laws of the State of West Virginia, and the separate corporate existence of CHC with all its rights, privileges, immunities, powers and franchises shall continue unaffected by the Company Merger. The Company Merger shall have the effects specified in W. Va. Code Section 31D-11-1107 of the West Virginia Business Corporation Act (the WVBCA) and Section 13.1-721 of the Virginia Stock Corporation Act (the VSCA).

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(b) Name and Offices. The name of the Surviving Corporation shall be City Holding Company. Its principal office shall be located at 25 Gatewater Road, Charleston, West Virginia 25313.

(c) Articles of Incorporation. The CHC articles of incorporation, as in effect immediately prior to the Effective Time, shall continue to be the articles of incorporation of the Surviving Corporation following the Company Merger, until duly amended in accordance with the terms thereof and the WVBCA.

(d) Bylaws. The CHC Code of Bylaws, as in effect immediately prior to the Effective Time, shall continue to be the bylaws of the Surviving Corporation following the Company Merger, until duly amended in accordance with the terms thereof, the articles of incorporation of CHC and the WVBCA.

(e) Directors. The directors of CHC, immediately prior to the Effective Time, together with the director appointed pursuant to Section 6.23, shall continue to hold such positions following the Company Merger, and such directors shall hold offices until such time as their successors shall be duly elected and qualified.

(f) Officers. The officers of CHC holding such positions immediately prior to the Effective Time shall continue to be the officers of the Surviving Corporation following the Company Merger.

1.02 Reservation of Right to Revise Structure. At CHC's election, the Company Merger may alternatively be structured so that Community Financial is merged with and into any other direct wholly-owned subsidiary of CHC; provided, however, that no such change shall (x) alter or change the amount or kind of the Merger Consideration (as defined in Section 3.01(a)) or the treatment of the holders of the capital stock of Community Financial, (y) prevent Community Financial from obtaining the opinion of Scott & Stringfellow, LLC, referred to in Section 7.02(d) or otherwise adversely affect the tax treatment of the Company Merger to the Community Financial shareholders or (z) materially impede or delay consummation of the transactions contemplated by this Agreement. In the event of such an election, the parties agree to execute an appropriate amendment to this Agreement in order to reflect such election.

1.03 Effective Time. The Company Merger shall become effective on the date and at the time shown on the Articles of Merger required to be filed in the office of the Secretary of State of the State of West Virginia, which shall include the Plan of Merger attached hereto as Exhibit A in accordance with the WVBCA, and the office of the Virginia State Corporation Commission, which shall include the Plan of Merger attached h