

CITY HOLDING CO
Form DEF 14A
March 21, 2003

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the
Securities Exchange Act of 1934
(Amendment No. __)

Filed by the Registrant Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only** (as permitted by Rule 14a-6(e)(2))
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-12

City Holding Company

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

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(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

March 21, 2003

To Our Shareholders:

On behalf of the Board of Directors, I cordially invite you to attend the Annual Meeting of Shareholders of City Holding Company to be held at the Embassy Suites Hotel located at 300 Court Street, Charleston, West Virginia 25301, on Wednesday, April 30, 2003 at 1:30 p.m. We look forward to personally greeting those of you who are able to attend the meeting.

The notice of meeting and proxy statement accompanying this letter describes the specific business to be acted upon.

In addition to the specific matters to be acted upon, there will be a report on the progress of the Company and an opportunity for questions of general interest to the shareholders.

It is important that your shares be represented at the meeting. Whether or not you plan to attend in person, you are requested to vote, sign, date and promptly return the enclosed proxy in the postage-paid envelope provided.

City Holding Company thanks you for your consideration and your continued support.

Sincerely,

Gerald R. Francis

Chairman, President & CEO

CITY HOLDING COMPANY

25 Gatewater Road

Post Office Box 7520

Charleston, West Virginia 25356-0520

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

To Be Held April 30, 2003

Notice is hereby given that the Annual Meeting of Shareholders of City Holding Company will be held at the Embassy Suites Hotel located at 300 Court Street, Charleston, West Virginia 25301, on Wednesday, April 30, 2003, at 1:30 p.m. (local time) for the following purposes:

1. To elect seven Class I directors to serve for a term of three years. The names of the nominees are set forth in the accompanying proxy statement.
2. To ratify the Board of Directors' appointment of Ernst & Young LLP as independent auditors of City Holding Company for 2003.
3. To approve City Holding Company's 2003 Incentive Plan.
4. To transact such other business as may properly come before the meeting.

Shareholders of record at the close of business on March 7, 2003 are the only shareholders entitled to notice of and to vote at the annual shareholders meeting.

By Order of the Board of Directors,

Victoria A. Evans,

Secretary

March 21, 2003

IMPORTANT NOTICE

Whether you expect to attend the meeting or not, please vote, sign, date and return the enclosed proxy in the enclosed self-addressed, postage paid envelope as promptly as possible. If you attend the meeting, you may vote your shares in person, even though you have previously signed and returned your proxy.

CITY HOLDING COMPANY

25 Gatewater Road

Post Office Box 7520

Charleston, West Virginia 25356-0520

PROXY STATEMENT

Information Concerning the Solicitation

This statement is furnished in connection with the solicitation of proxies to be used at the Annual Meeting of Shareholders of City Holding Company (the Company) to be held on April 30, 2003.

The solicitation of proxies in the enclosed form is made on behalf of the Board of Directors of the Company. The cost of preparing, assembling, and mailing the proxy material and of reimbursing brokers, nominees, and fiduciaries for the out-of-pocket and clerical expenses of transmitting copies of the proxy material to the beneficial owners of shares held of record by such persons will be borne by the Company. The Company does not currently intend to solicit proxies otherwise than by use of the mail, but certain officers and regular employees of the Company or its subsidiaries, without additional compensation, may use their best efforts, by telephone or otherwise, to obtain proxies. The proxy materials are being mailed, on or about March 24, 2003, to shareholders of record at the close of business on March 7, 2003.

A shareholder signing and returning a proxy on the enclosed form has the power to revoke it at any time before the shares subject to it are voted by (i) notifying, in writing, Victoria A. Evans, City Holding Company, P. O. Box 7520, Charleston, WV 25356-0520, (ii) executing a proxy with a later date, or (iii) voting in person at the Annual Meeting the shares represented by the proxy. If a shareholder specifies how the proxy is to be voted with respect to any of the proposals for which a choice is provided, the proxy will be voted in accordance with such specifications. If a shareholder fails to specify with respect to such proposals, the proxy will be voted **FOR** proposals One, Two and Three.

Shareholders' Proposals for 2004 Annual Meeting

Shareholders' proposals intended to be presented at the 2004 Annual Meeting must be delivered to the Secretary at the principal executive offices of the Company not less than 120 calendar days prior to the first anniversary of the 2003 Annual Meeting. If the date of the 2004 Annual Meeting is changed by more than 30 days from the anniversary date of the 2003 Annual Meeting, notice by the shareholder must be received by the later of 120 days prior to the 2004 Annual Meeting or 10 calendar days following the date on which public announcement of the date of the 2004 Annual Meeting is first made. To be so included, all such submissions must comply with the requirements of Rule 14a-8 of the Securities Exchange Act of 1934. The Board of Directors directs the close attention of interested shareholders to that Rule. In addition, if the Company does not receive notice of a shareholder proposal at least 45 days before the Company first mails its proxy statement for the 2004 Annual Meeting, the persons named as proxies in the Company's proxy card for the 2004 Annual Meeting will have discretionary authority to vote on such proposal at the 2004 Annual Meeting.

Outstanding Voting Shares

Only shareholders of record at the close of business on March 7, 2003 are entitled to vote at the Annual Meeting. On that day, there were issued and outstanding 16,621,367 shares of Common Stock (after deducting an aggregate of 297,881 shares held in treasury). Each share has one vote. Directors are elected by a plurality of the votes cast. The affirmative vote of a majority of the shares represented and entitled to vote at the Annual Meeting is required to approve the Company's 2003 Incentive Plan and to ratify the appointment of Ernst & Young LLP. In elections of directors, each shareholder shall have the right to cast one vote for each share of stock owned by him for as many persons as there are directors to be elected, or, upon notice to the Company in accordance with West Virginia law, he may cumulate such votes and give one candidate as many votes as the number of directors to be elected multiplied by the number of his shares of stock or he may distribute them on the same principle among as many candidates and in such manner as he shall desire. If one shareholder has given notice that he intends to cumulate votes, all shareholders may do so. The Proxies may cumulate their votes at their discretion.

The presence, in person, or by properly executed proxy, of the holders of a majority of the outstanding shares of the Company's Common Stock entitled to a vote at the Annual Meeting is necessary to constitute a quorum at the Annual Meeting. Abstentions will be counted as shares present for purposes of determining the presence of a quorum. As a consequence, abstentions will have the effect of votes against the proposals to approve the Company's 2003 Incentive Plan and to ratify the appointment of Ernst & Young LLP. Because director nominees must receive a plurality of the votes cast at the meeting, a vote withheld will not

affect the outcome of the election. Any shares held in street name that are not voted (broker non-votes) in the election of directors or the proposals to approve the Company s 2003 Incentive Plan and to ratify the appointment of Ernst & Young LLP will not be included in determining the number of votes cast.

**STOCK OWNERSHIP OF DIRECTORS, NOMINEES FOR DIRECTOR
AND NAMED EXECUTIVE OFFICERS**

The Company s only authorized voting equity security is its Common Stock, par value \$2.50 per share (the Common Stock). As discussed on the preceding pages, the Company s Common Stock has one vote per share on all matters except the election of directors.

The table below presents certain information as of February 1, 2003 regarding beneficial ownership of shares of Common Stock by Directors, named executive officers, and all Directors and executive officers as a group. The Company knows of no person that owns more than 5% of the outstanding Common Stock.

Name of Beneficial Owner	Sole Voting and Investment Power	Other(1)	Common Shares Subject to a Right to Acquire(2)	Aggregate Percentage Owned
Directors:				
Samuel M. Bowling	63,176	17,292		*
Hugh R. Clonch	19,300	91,984		*
Oshel B. Craigo	9,765	2,912		*
William H. File III	12,476	999		*
Robert D. Fisher	11,489			*
Gerald R. Francis	30,500	7,424	300,000	2.03%
Jay C. Goldman	11,445			*
Robert E. Grist(3)	33,805			*
David E. Haden	62,496	6,183		*
David W. Hambrick(3)	32,572	3,045		*
Frank S. Harkins, Jr.(3)	32,799	10,000		*
Tracy W. Hylton II	16,407			*
C. Dallas Kayser	33,949	475		*
Philip L. McLaughlin	41,291	3,970		*
E. M. Payne III	4,895	54,230		*
Robert T. Rogers	22,358			*
James L. Rossi(3)	9,549			*
Sharon H. Rowe	47,488	8		*
James E. Songer II(3)	5,285	55,295		*
Albert M. Tieche, Jr.(3)	30,000			*
Mary H. Williams(3)	7,101	56,740		*
Named Executive Officers:				
William L. Butcher	19,300	6,768	40,000	*
Charles R. Hageboeck	23,350	744	41,000	*
John S. Loeber	33,547		28,453	*
Craig G. Stilwell	13,250	791	35,000	*
Directors and Executive				
Officers as a group (25 persons)	627,593	318,860	444,453	8.34%

* Less than 1%.

- (1) Includes shares (a) owned by or with certain relatives; (b) held in various fiduciary capacities; (c) held by certain corporations; (d) held in trust under the Company's 401(k) Plan and Trust.
- (2) Includes options to acquire shares of the Company's Common Stock that are exercisable within 60 days of February 1, 2003.
- (3) Messrs. Grist, Hambrick, Harkins, Rossi, Songer, Tieche and Ms. Williams are nominees for re-election to the Board of Directors.

ELECTION OF DIRECTORS (Proposal 1)

In accordance with the Company's Bylaws, the Board of Directors is classified into three classes as nearly equal in number as the then total number of Directors constituting the whole Board permits. Each class is to be elected to separate three year terms with each term expiring in different years. At each Annual Meeting the directors or nominees constituting one class are elected for a three year term. The term of those directors listed below as Class I expires at the Annual Meeting on April 30, 2003. There are seven nominees for election as Class I directors to serve for terms of three years expiring on the date of the Annual Meeting in 2006. Messrs. Grist, Hambrick, Harkins, Rossi, Songer, Tieche and Ms. Williams currently serve as directors of the Company and will stand for re-election as Class I directors. Any vacancies that occur after the Directors are elected may be filled by the Board of Directors in accordance with the Company's Bylaws for the remainder of the full term of the vacant directorship.

Each director elected will continue in office until a successor has been elected. It is intended that the persons named in the accompanying proxy will vote to elect seven Class I directors, unless authority to so vote is withheld. If any nominee is unable to serve, which the Board of Directors has no reason to expect, the persons named in the accompanying proxy intend to vote for the balance of those named and, if they deem it advisable, for a substitute nominee. The names of the nominees for directors of the Company and the names of the directors of the Company whose terms of office will continue after the Annual Meeting are listed in the following table.

<u>Name</u>	<u>Age</u>	<u>Director Since</u>	<u>Principal Occupation During The Past Five Years</u>
Class I Nominees (Terms Expire in 2006):			
Robert E. Grist	45	2001	President, Grist Lumber, Inc., Clintonville, WV (hardwood lumber manufacturer). Director, City National Bank of West Virginia, Charleston, WV since 1999. Former Director, Greenbrier Valley National Bank, Lewisburg, WV.
David W. Hambrick	61	1993(1)	Attorney, Guills & Via, Lewisburg, WV (law firm) since January 2002. Self-employed attorney from March 2000 - December 2001. Former Vice President, City Holding Company from January 1999 - March 2000. Executive Vice President, Horizon Bancorp, Inc., 1986 - 1999. Director, City National Bank of West Virginia since May 29, 2002. Former Director, First National Bank in Marlinton, Marlinton, WV.
Frank S. Harkins, Jr.	63	1982(1)	Retired as Chairman of the Board and Chief Executive Officer, Horizon Bancorp, Inc., Beckley, WV in May 1998. Director, City National Bank of West Virginia since May 29, 2002. Former Director, President and Chief Executive Officer, Bank of Raleigh, Beckley, WV until 1999. Former Director, National Bank of Summers of Hinton, Hinton, WV; Greenbrier Valley National Bank, Lewisburg, WV; and The Twentieth Street Bank, Huntington, WV.
James L. Rossi	48	2001	President, James Rossi, CPA, Point Pleasant, WV (public accounting). Director, City National Bank of West Virginia, Charleston, WV since 1999. Former Director, Peoples Bank of Point Pleasant, Point Pleasant, WV.
James E. Songer II	47	2000	

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President, Songer Insurance Agency, Beckley, WV (insurance agency).
Owner, Homeseekers LLC, Beckley, WV (real estate sales and
development). Director, City National Bank of West Virginia since May
29, 2002. Former Director, Bank of Raleigh, Beckley, WV.

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Albert M. Tieche, Jr.	50	1992(1)	General Manager, Black Knight Country Club, Beckley, WV (golf and country club) since February 2002. President, BHI, Inc. (surviving corporation of Beckley Hospital Inc.), Beckley, WV. Former Administrator and Treasurer, Beckley Hospital, Inc., Beckley, WV (health care), 1977 - 1997. Director, City National Bank of West Virginia since May 29, 2002. Former Director, Bank of Raleigh, Beckley, WV.
Mary H. Williams	41	2001	Treasurer, Hooten Equipment Company, Charleston, WV (dealers/distributors of commercial heating and air conditioning and suppliers of food service equipment). Treasurer, Virginia Street Corporation, Charleston, WV (real estate). Director, City National Bank of West Virginia, Charleston, WV since 1999. Former Pharmaceutical Sales Specialist, AstraZeneca, from September 2000 - August 2001. Former Director, Capital State Bank, Charleston, WV.
Class II Directors (Terms Expire in 2004):			
Oshel B. Craigo	65	2001	Owner, Better Foods, Inc. (restaurants). Owner, Craigo Real Estate, Inc. (real estate). Owner, Mt. State Properties, Inc. (real estate). Owner, Gino's Distributing Co., Inc. (restaurants). Director, City National Bank of West Virginia, Charleston, WV since 1999.
William H. File III	55	2001	Partner, File, Payne, Scherer & File, Beckley, WV (law firm). Director, City National Bank of West Virginia since May 29, 2002. Former Director, Horizon Bancorp, Inc., Beckley, WV; Bank of Raleigh, Beckley, WV.
Gerald R. Francis	59	2001	Chairman of the Board, City Holding Company and City National Bank of West Virginia since April 2002. President and Chief Executive Officer, City Holding Company and City National Bank, Charleston, WV since January 2001. Director, City National Bank of West Virginia, Charleston, WV since June 2001. President and Director, Peoples Bank Corp. of Indianapolis, IN, 1997 - 1999.
Tracy W. Hylton II	54	1993(1)	President, Eller, Inc., Beckley, WV (construction and reclamation company). President, Gracie, Inc., Mabscott, WV (lease holding company). Member, Harper Hotel LLC, Beckley, WV (management company). President, Lightning, Inc., Skelton, WV (lease holding and coal sales). President, MIN, Inc., Beckley, WV (coal sales). Vice President, Nell Jean Enterprises, Inc., Beckley, WV (retail sales of mining, construction, sporting goods). President, Nell Jean Industries, Mabscott, WV (heavy excavation and reclamation). President, New Land Leasing Company, Inc., Skelton, WV (lease holding company). President, Patience, Inc., Skelton, WV (surface coal mining). Secretary and Treasurer, Patton, Inc., Beckley, WV (contract underground coal mines). Member, T & M, LLC, Beckley, WV (land owner and lessor). Executive Vice President, WRM, Inc., Beckley, WV (management company). Director, City National Bank of West Virginia since May 29, 2002. Former Director, Bank of Raleigh, Beckley, WV.
C. Dallas Kayser	51	1995	Partner, Kayser, Layne & Clark, PLLC (formerly C. Dallas Kayser, LC), Point Pleasant, WV (law firm). Treasurer, Deerfield Development Corp., Point Pleasant, WV (land development). Director, City National Bank of West Virginia since May 29, 2002. Former Chairman, Peoples National Bank, Point Pleasant, WV. Former Director, Peoples Bank of Point Pleasant, Point Pleasant, WV.
E. M. Payne III	67	1985(1)	Partner, File, Payne, Scherer & File, Beckley, WV (law firm). Former Director, Bank of Raleigh, Beckley, WV. Director, City National Bank of West Virginia since June 2002.
Sharon H. Rowe	52	2001	Vice President of Communications, The Greenbrier Resort Management Company, White Sulphur Springs, WV since 1998. Director of Communications, The Greenbrier Resort, White Sulphur

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Springs, WV. Director, City National Bank of West Virginia, Charleston, WV since 1999. Former Director, Horizon Bancorp, Inc., Beckley, WV; Greenbrier Valley National Bank, Lewisburg, WV.

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Class III Directors (Terms Expire in 2005)

Samuel M. Bowling	65	1983	President and Owner, Dougherty Co., Inc., Charleston, WV (mechanical contractor). Owner, S. M. Bowling, Inc., Charleston, WV (personal holding company). Owner, Bowling Enterprises, Inc., Charleston, WV (auto, truck, and equipment leasing company). Vice Chairman of the Board, City Holding Company since 1999. Chairman of the Board, City National Bank of West Virginia 1990 - March 2002. Vice Chairman of the Board, City National Bank of West Virginia since April 2002.
Hugh R. Clonch	63	1995	President, Clonch Industries, Dixie, WV (lumber manufacturer). Director, City National Bank of West Virginia since May 29, 2002.
Robert D. Fisher	50	1994	Partner, Adams, Fisher & Evans, Ripley, WV (law firm). Director, City National Bank of West Virginia since May 29, 2002.
Jay C. Goldman	59	1988	Mayor, City of Charleston, Charleston, WV, since June 1999. President, Goldman and Associates, Charleston, WV (real estate). Director, City National Bank of West Virginia since May 29, 2002.
David E. Haden	64	1998	Consultant, Ringle Associates of West Virginia (structured settlements) since January 2003. Retired President, CityInsurance Professionals (formerly RMI, Ltd;), Charleston, WV (insurance agency). Director, City National Bank of West Virginia since May 29, 2002.
Philip L. McLaughlin	62	1993(1)	Retired as Chairman of the Board, City Holding Company, Charleston, WV in April 2002. Director, City National Bank of West Virginia since May 29, 2002. Regional President (Allegheny Region), City National Bank, Charleston, WV from 1999 - June 2001. Former President, Chief Operating Officer and Director, Horizon Bancorp, Inc., Beckley, WV. President, Chief Executive Officer and Director, Greenbrier Valley National Bank, Lewisburg, WV. Former Director, First National Bank in Marlinton, Marlinton, WV; Bank of Raleigh, Beckley, WV; and The Twentieth Street Bank, Inc., Huntington, WV.
Robert T. Rogers	69	1985(1)	President and Chief Executive Officer, R. T. Rogers Oil Co., Hinton, WV (oil and fuel distributor). Director, City National Bank of West Virginia since May 29, 2002. Former Director of National Bank of Summers of Hinton, Hinton, WV.

(1) On December 31, 1998, the merger of Horizon Bancorp, Inc. (Horizon) into City Holding Company (City Holding) (the Holding Company Merger) was consummated and certain directors of Horizon became directors of City Holding.

ADDITIONAL INFORMATION CONCERNING THE BOARD OF DIRECTORS

Committees of the Board of Directors and Meeting Attendance

The full Board of Directors met twelve times during the fiscal year ended December 31, 2002. No director attended fewer than 75% of the meetings of the Company's Board of Directors held during fiscal year 2002. On May 29, 2002, all directors of the Company also became directors of the Company's lead subsidiary, City National Bank of West Virginia (the Bank). Prior to that date, only Messrs. Bowling, Craigo, File, Francis, Grist, Rossi and Mmes. Rowe and Williams were directors of the Bank.

The Company has an Executive Committee consisting of Messrs. McLaughlin (Chairman until April 24, 2002), Bowling, Clonch, Francis (Chairman after April 24, 2002), Grist, Harkins, Kayser, Payne, Rogers and Ms. Rowe that meets only on call. Subject to limitations imposed by the West Virginia Business Corporation Act, the Committee has the power to act between meetings of the Board on virtually all matters that the Board could act upon, but generally as a matter of practice reserves its function for special or emergency purposes. In addition, the Executive Committee members, with the exceptions of Messrs. Francis and McLaughlin, serve as members of the Compensation Committee, of which Mr. Bowling is the Chairman. The Compensation Committee's function is to make recommendations to the full Board with respect to compensation of the Board, the Company's executive officers and certain other officers who participate in the Company's 1993 Stock Incentive Plan. The Executive Committee met two times during the fiscal year ended December 31, 2002. No Executive Committee member attended fewer than 75% of the Executive Committee meetings held during fiscal year 2002 except Mr. McLaughlin and Mr. Kayser. The Compensation Committee held one meeting during the fiscal year ended December 31, 2002 and all Compensation Committee members attended the meeting.

The Audit Committee held seven meetings during fiscal year 2002. During 2002, members of the Audit Committee included Messrs. Rossi (Chairman), File, Fisher, Hambrick, Hylton, Payne and Tieche, none of whom is employed by the Company. The Audit Committee recommends the engagement of the independent auditors, considers the scope of the audit, reviews the activities and recommendations made by the Company's internal auditors, and considers comments made by the independent auditors with respect to the Company's internal control structure. The Audit Committee comprises seven directors, all of whom are independent, as that term is defined in the listing standards of The Nasdaq Stock Market, Inc., except Mr. Hambrick, who was employed by the Company until March 31, 2000. Upon review of his credentials, business experience, financial expertise, and previous audit committee experience, the Board of Directors has determined that exceptional and limited circumstances exist such that the best interests of the Company and its shareholders are served by the membership of Mr. Hambrick on the Audit Committee. The Audit Committee operates under a written charter adopted by the Board of Directors. No Audit Committee member attended fewer than 75% of the committee meetings held during the fiscal year ended December 31, 2002.

The Company has a Legal Oversight Committee whose members comprise Messrs. Payne (Chairman), File, Fisher, Goldman, Hambrick and Kayser. The Committee met six times during fiscal year 2002. The Legal Oversight Committee advises and makes recommendations to management on legal matters. The Committee meets quarterly or on an on call basis. No Legal Oversight Committee member attended fewer than 75% of the committee meetings held during fiscal year 2002.

During 2002, the Trust Committee held six meetings. The Trust Committee exercises general oversight of the trust activities of the Company's lead subsidiary, City National Bank. Membership of the Committee includes Messrs. File (Chairman), Craigo, Haden, Rogers, Songer, Tieche and Ms. Williams. No director attended fewer than 75% of the committee meetings held during the fiscal year ended December 31, 2002.

The Nominating Committee met one time during fiscal year 2002. Pursuant to the Company's Amended and Restated Bylaws, the Board considers nominees recommended by the shareholders if such recommendations are submitted to the Secretary at the principal executive offices

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of the Company not less than 120 calendar days prior to the first anniversary of the previous year's annual meeting. 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, notice by the shareholder must be so received by the later of 120 calendar days prior to such annual meeting or 10 calendar days following the date on which public announcement of the date of the meeting is first made. Nominations of persons for election to the Board of Directors may be made only (A) by the Board of Directors or the Chief Executive Officer, or (B) by any shareholder entitled to vote at the meeting who complies with the requirements of the Securities Exchange Act of 1934 and rules and regulations promulgated thereunder and the procedures set forth in the Company's Amended and Restated Bylaws. All Nominating Committee members attended the meeting except Mr. Hylton.

The Board had two limited purpose committees, the Compliance Committee and the Strategic Planning Committee. Each of these Committees comprised members from both the Company's Board of Directors and the Board of Directors of City National

Bank. Compliance Committee members included Messrs. Rossi (Chairman), Bowling, Francis, Goldman, Harkins, Tieche and Mmes. Rowe and Williams. The Strategic Planning Committee consisted of Ms. Rowe (Chairman), Messrs. Bowling, Hambrick, Harkins, Kayser, McLaughlin and Tieche. The purpose of the Compliance and Strategic Planning Committees was to review and monitor the Bank's progress with respect to various articles contained within a formal agreement signed between the Office of the Comptroller of the Currency and the Bank. Both of these committees were dissolved on May 29, 2002 with the Bank's release from the formal agreement. Compliance activities previously monitored by the Compliance Committee were reassigned to the Audit Committee and strategic planning became a function of the full Board. During fiscal year 2002, the Compliance Committee held four meetings and no director attended fewer than 75% of those meetings. The Strategic Planning Committee held two meetings during the fiscal year ended December 31, 2002 and no director attended fewer than 75% of the meetings held except Mr. Kayser.

Compensation of Directors

During 2002, non-employee Directors of the Company received a \$2,500 quarterly retainer, \$500 for each Board meeting attended and \$250 for each Committee meeting attended. Based upon the Company's performance during 2002, Directors received a bonus of \$8,250 using a formula tied to the Company's return on equity. Directors who are officers or employees of the Company and its subsidiaries receive no additional compensation for service on the Board or any of its Committees. Mr. McLaughlin was employed by the Company through June 30, 2002 and received Board compensation beginning July 1, 2002 and a Director's bonus for the year of \$4,625.

Mr. Bowling was paid \$27,500 during fiscal year 2002 for serving as vice-chairman of the Board of Directors and is classified as an employee, with benefits commensurate with those available to all other employees of the Company. He also received a bonus of \$20,937.50 based upon the Company's performance in 2002. He was not paid any other fees for director or committee service or for meeting attendance.

Mr. Rossi, who serves as Chairman of the Audit Committee, received an annual retainer of \$15,000, a bonus of \$11,875 and meeting fees as discussed above.

Directors Payne, File, Songer, Harkins, Hylton, and Tieche were directors of the former Bank of Raleigh, and are covered by the Bank of Raleigh Directors' Deferred Compensation Plan. Mr. Harkins was also a director of the former National Bank of Summers and is covered under the National Bank of Summers Directors' Deferred Compensation Plan. Under the terms of these Plans, directors (or their survivors) are entitled to payments for a period of 15 years upon reaching retirement age, as defined by the Plans, or death. The methodology for calculating future benefits for these Directors was established at the time that the deferrals were made, and is unaffected by their current service on the Board of the Company. The Company accrues the present value of these obligations in its Consolidated Balance Sheet.

During fiscal year 2002, Mr. Rogers received retirement benefit payments totaling \$14,374 under the National Bank of Summers Directors' Deferred Compensation Plan. Mr. Rogers' retirement benefit payments began at age 65, as provided for under that Plan.

Report of the Audit Committee

The Audit Committee of the Board of Directors (the "Audit Committee") recommends to the Board of Directors, subject to shareholder ratification, the selection of the Company's independent accountants. Management is responsible for the Company's internal controls and the financial reporting process. The independent accountants are responsible for performing an independent audit of the Company's consolidated financial statements in accordance with generally accepted auditing standards and for issuing a report thereon. The Audit Committee's responsibility is to monitor and oversee these processes. In this context, the Audit Committee has met and held discussions with management and Ernst & Young LLP ("Ernst & Young"), the Company's independent accountants.

Management represented to the Audit Committee that the Company's audited consolidated financial statements were prepared in accordance with generally accepted accounting principles, and the Audit Committee has reviewed and discussed the audited consolidated financial statements with management and Ernst & Young.

The Audit Committee has discussed with Ernst & Young the matters required to be discussed by Statement on Auditing Standards No. 61 (Codification of Statements on Accounting Standards).

The Audit Committee has also received the written disclosures and the letter from Ernst & Young relating to the independence of that firm as required by Independence Standards Board Standard No. 1 (Independence Discussions with Audit Committees), and has discussed with Ernst & Young that firm's independence from the Company. The Audit Committee has also considered whether the provision of non-audit related services by Ernst & Young is compatible with maintaining Ernst & Young's independence.

Based upon the Audit Committee's discussions with management and Ernst & Young and the Audit Committee's review of the representations of management and the report of Ernst & Young to the Audit Committee, the Audit Committee recommended that the Board of Directors include the audited consolidated financial statements in the Company's Annual Report on Form 10-K for the year ended December 31, 2002 filed with the Securities and Exchange Commission.

Respectfully submitted,

James L. Rossi, Chairman

William H. File III

Robert D. Fisher

David W. Hambrick

Tracy W. Hylton II

E.M. Payne III

Albert M. Tieche, Jr.

EXECUTIVE OFFICERS OF CITY HOLDING COMPANY

At March 21, 2003, the executive officers of the Company were as follows:

Name