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OHIO VALLEY BANC CORP
Form 8-K
October 14, 2003

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

October 10, 2003 (October 10, 2003)
Date of Report (Date of earliest event reported)

OHIO VALLEY BANC CORP
(Exact name of registrant as specified in its charter)

Ohio
(State or other jurisdiction of incorporation)

0-20914 31-1359191
(Commission file number) (IRS Employer Identification Number)

420 Third Avenue, Gallipolis, Ohio 45631
(Address of principal executive offices) (Zip code)

Registrant's telephone number, including area code: (740) 446-2631

Not Applicable
(Former name or former address, if changed since last report.)

Exhibit Index at Page 4.

Item 7. Financial Statements and Exhibits

(c) Exhibits:

99.1 Press Release dated October 10, 2003 of Ohio Valley Banc Corp.

Item 9. Regulation FD Disclosure

The following information is disclosed pursuant to Item 12 on Form 8-K:

On October 10, 2003, Ohio Valley Banc Corp. issued a news release announcing its earnings for the third quarter and year-to-date periods ending September 30, 2003. The information contained in the news release, which is attached as Exhibit 99.1 to this Form 8-K, is incorporated herein by this reference.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

OHIO VALLEY BANC CORP

Date: October 10, 2003

By /s/ Jeffrey E. Smith

Jeffrey E. Smith, President and
Chief Executive Officer

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EXHIBIT INDEX

| Exhibit Number | Description |
|----------------|--|
| ----- | ----- |
| 99.1 | Press release of Ohio Valley Banc Corp dated October 10, 2003, announcing the company's earnings for the third quarter and year-to-date periods ending September 30, 2003. |

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Exhibit 99.1

October 10, 2003 - For immediate release Contact:
Scott Shockey, CFO or Bryna Butler, Corporate Communications
1-800-468-6682 or (740) 446-2631

Ohio Valley Banc Corp Continues Earnings Growth

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Ohio Valley Banc Corp [Nasdaq: OVBC] reported consolidated net earnings for the quarter ended September 30, 2003, of \$1,590,000 representing an increase of 12.8 percent over the prior year. Earnings per share for the third quarter of 2003 were \$.46, up 12.2 percent from the \$.41 earned the third quarter of 2002. For the nine months ended September 30, 2003, consolidated net earnings were \$4,622,000, up 15.2 percent compared to \$4,014,000 a year ago. Earnings per share were \$1.33 for the first nine months of 2003 versus \$1.16 last year, an increase of 14.7 percent.

"We are pleased with the work of our employees in delivering another quarter of solid earnings growth even though we continue to operate in a historical low interest rate environment and a challenged economy," stated Jeffrey E. Smith, President and CEO. "The double-digit earnings growth represents our commitment to the consistency in financial performance and to the enhancement of shareholders' total return." For the nine months ended September 30, 2003 compared to the same time period last year, the Company's return on average equity improved to 11.95 percent from 11.33 percent and return on average assets improved to .89 percent from .81 percent. "Thanks to the hard work and dedication of the employees of the Company for making these financial results possible."

For the nine months ended September 30, 2003, net interest income improved \$902,000 or 4.5 percent over last year. For the third quarter of 2003, net interest income increased \$73,000 over the prior year third quarter reflecting the slower growth in earning assets. Based on historical low interest rates, the Company has emphasized loan mix to reduce interest rate risk. For 2003, total loans are up \$6 million, but real estate mortgage loans are down \$11 million as management sold long-term, fixed rate residential mortgage loans into the secondary market. As a result, the Company is better positioned should a rise in interest rates occur. The net interest margin for the nine months ending September 30, 2003 was 4.33 percent compared to 4.36 percent for the same time period the prior year.

Providing additional revenue growth was an increase of \$340,000 or 8.3 percent in noninterest income which totaled \$4,458,000 for the nine months ended September 30, 2003, as compared to \$4,118,000 for the same time period last year. For the three months ended September 30, 2003, noninterest income increased \$61,000 or 4.3 percent over the prior year third quarter. The growth in noninterest income came from the sales of secondary market real estate loans which generated an additional \$409,000 in revenue over the prior year. Management began selling secondary market loans in the third quarter of 2002.

On a year-to-date basis, noninterest expense totaled \$15,114,000 in 2003, an increase of only \$179,000 or 1.2 percent compared to \$14,935,000 the previous year. Salaries and employee benefits grew \$576,000 or 7.2 percent for the first nine months of 2003, as compared to the same time period in 2002. The increase was related to annual merit increases and the rising cost of medical insurance. Impacting the 2002 year-to-date results for other noninterest expense was the charge off of fraudulent checks during the second quarter with the impact net of recoveries being \$389,000. The remaining noninterest expense categories have increased minimally from 2002 with the exception of furniture and equipment expense which is down. OVBC's efficiency ratio was 59.2 percent for the nine months ending September 30, 2003, as compared to 61.0 percent the prior year.

For the first nine months of 2003, the Company's provision for loan losses increased \$132,000 over the same time period last year. Nonperforming loans as a percent of total loans decreased to .96 percent at September 30, 2003, compared to 1.44 percent at year end 2002. Nonperforming assets to total assets also decreased to 1.18 percent at September 30, 2003, from 1.21 percent at year end 2002 and 1.36 percent the prior quarter. The nonperforming ratios are impacted primarily by two large lines which have been discussed in previous earnings

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releases. For the quarter ending September 30, 2003, provision expense was down \$545,000 from the same quarter the prior year. The decline in provision expense was in relation to the provision expense associated with a large line that became nonperforming in the third quarter of 2002. Net charge-offs for the first nine months of 2003 were up \$491,000 from the same time period last year which occurred primarily in commercial loans. The allowance for loan losses stands at 1.32 percent of total loans for September 30, 2003, as compared to 1.26 percent on December 31, 2002. Based on the evaluation of the adequacy of the allowance for loan losses, management feels that the allowance for loan losses is adequate to absorb probable losses in the portfolio.

Total assets of \$697,185,000 are relatively unchanged from year end. Asset growth in 2003 has been challenged by a decline in loan demand combined with more emphasis placed on selling fixed rate real estate loans. Although real estate loans are down from year end, the Company has been able to grow adjustable rate mortgages nearly \$40,000,000 which will be a benefit to interest income in a rising rate environment. Commercial loans are up \$12,324,000 or 6.0 percent from year end and consumer loans are up \$4,601,000 or 3.6 percent. The majority of the consumer loan growth occurred during the third quarter within automobile loans and home equity capital lines. OVBC's funding growth occurred within retail deposits. Interest-bearing deposits grew \$13,148,000 from year end 2002 led by savings and NOW accounts. In addition, checking account balances were up \$3,097,000. Offsetting the increase in retail deposits was a decline in repurchase agreements of \$10,857,000 and other borrowed funds of \$8,115,000. Ohio Valley Banc Corp common stock is traded on the NASDAQ Stock Market under the symbol OVBC. The holding company owns three subsidiaries: Ohio Valley Bank, with 17 offices in Ohio and West Virginia; Loan Central, with five consumer finance offices in Ohio, and Ohio Valley Financial Services, an insurance agency based in Jackson, Ohio. Learn more about Ohio Valley Banc Corp at www.ovbc.com.

Forward-Looking Information

Certain statements contained in this earnings release which are not statements of historical fact constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Words such as "believes," "anticipates," "expects," "intends," "targeted" and similar expressions are intended to identify forward-looking statements but are not the exclusive means of identifying those statements. Forward-looking statements involve risks and uncertainties. Actual results may differ materially from those predicted by the forward-looking statements because of various factors and possible events, including: (i) changes in political, economic or other factors such as inflation rates, recessionary or expansive trends, and taxes; (ii) competitive pressures; (iii) fluctuations in interest rates; (iv) the level of defaults and prepayment on loans made by the Company; (v) unanticipated litigation, claims, or assessments; (vi) fluctuations in the cost of obtaining funds to make loans; and (vii) regulatory changes. Forward-looking statements speak only as of the date on which they are made and Ohio Valley undertakes no obligation to update any forward-looking statement to reflect events or circumstances after the date on which the statement is made to reflect unanticipated events.

OHIO VALLEY BANC CORP - Financial Highlights (Unaudited)

| | Three months ended | | Nine months ended | |
|--------------------|--------------------|--------|-------------------|--------|
| | September 30, | | September 30, | |
| | 2003 | 2002 | 2003 | 2002 |
| PER SHARE DATA | | | | |
| Earnings per share | \$0.46 | \$0.41 | \$1.33 | \$1.16 |

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| | | | | |
|-------------------------------------|-----------|-----------|-----------|-----------|
| Dividend per share | \$0.18 | \$0.17 | \$0.53 | \$0.50 |
| Book value per share | \$15.19 | \$14.22 | \$15.19 | \$14.22 |
| Dividend payout ratio | 39.41% | 41.68% | 39.82% | 43.07% |
| Weighted average shares outstanding | 3,483,994 | 3,459,337 | 3,476,898 | 3,459,768 |

PERFORMANCE RATIOS

| | | | | |
|--------------------------------------|-----------|-----------|-----------|-----------|
| Return on average equity | 11.96% | 11.58% | 11.95% | 11.33% |
| Return on average assets | 0.91% | 0.82% | 0.89% | 0.81% |
| Net interest margin | 4.28% | 4.28% | 4.33% | 4.36% |
| Efficiency Ratio | 60.69% | 56.68% | 59.18% | 61.02% |
| Average Earning Assets (in 000's) | \$649,616 | \$643,279 | \$650,854 | \$620,009 |

OHIO VALLEY BANC CORP - Consolidated Statements of Income (Unaudited)

| (in \$000's) | Three months ended September 30, | | Nine months ended September 30, | |
|--------------------------------------|-------------------------------------|--------|------------------------------------|--------|
| | 2003 | 2002 | 2003 | 2002 |
| | ----- | ----- | ----- | ----- |
| Interest income: | | | | |
| Interest and fees on loans | \$10,280 | 11,159 | \$31,518 | 32,746 |
| Interest and dividends on securities | 899 | 960 | 2,766 | 2,869 |
| Total interest income | 11,179 | 12,119 | 34,284 | 35,615 |
| Interest expense: | | | | |
| Deposits | 2,951 | 3,827 | 9,441 | 11,467 |
| Borrowings | 1,316 | 1,453 | 4,033 | 4,240 |
| Total interest expense | 4,267 | 5,280 | 13,474 | 15,707 |
| Net interest income | 6,912 | 6,839 | 20,810 | 19,908 |
| Provision for loan losses | 996 | 1,541 | 3,627 | 3,495 |
| Noninterest income: | | | | |
| Service charges on deposit accounts | 832 | 806 | 2,332 | 2,301 |
| Trust fees | 54 | 51 | 165 | 164 |
| Income from bank owned insurance | 172 | 172 | 516 | 512 |
| Net gain on sale of loans | 84 | 5 | 435 | 26 |
| Other | 343 | 390 | 1,010 | 1,115 |
| Total noninterest income | 1,485 | 1,424 | 4,458 | 4,118 |
| Noninterest expense: | | | | |
| Salaries and employee benefits | 2,938 | 2,726 | 8,621 | 8,045 |
| Occupancy | 331 | 324 | 980 | 959 |
| Furniture and equipment | 267 | 280 | 744 | 814 |
| Data processing | 177 | 144 | 475 | 435 |
| Other | 1,438 | 1,278 | 4,294 | 4,682 |
| Total noninterest expense | 5,151 | 4,752 | 15,114 | 14,935 |
| Income before income taxes | 2,250 | 1,970 | 6,527 | 5,596 |
| Income taxes | 660 | 560 | 1,905 | 1,582 |
| NET INCOME | \$1,590 | 1,410 | \$4,622 | 4,014 |

OHIO VALLEY BANC CORP - Consolidated Balance Sheets (Unaudited)

| (in 000's) | September 30, 2003 | December 31, 2002 |
|--|-----------------------|----------------------|
| | ----- | ----- |
| ASSETS | | |
| Cash and noninterest-bearing deposits with banks | \$16,301 | \$18,826 |
| Federal funds sold | 4,500 | 4,625 |
| Total cash and cash equivalents | 20,801 | 23,451 |

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| | | |
|---|-----------|-----------|
| Interest-bearing balances with banks | 877 | 1,505 |
| Securities available-for-sale | 69,242 | 75,264 |
| Securities held-to-maturity (estimated fair value: 2003 - \$14,945 , 2002 - \$14,834) | 14,227 | 13,990 |
| Total loans | 565,715 | 559,561 |
| Less: Allowance for loan losses | (7,442) | (7,069) |
| Net loans | 558,273 | 552,492 |
| Premises and equipment, net | 8,926 | 8,247 |
| Accrued income receivable | 3,113 | 3,144 |
| Goodwill | 1,267 | 1,267 |
| Bank owned life insurance | 13,113 | 12,673 |
| Other assets | 7,346 | 4,323 |
| Total assets | \$697,185 | \$696,356 |
| LIABILITIES | | |
| Noninterest-bearing deposits | \$62,094 | \$58,997 |
| Interest-bearing deposits | 451,555 | 438,407 |
| Total deposits | 513,649 | 497,404 |
| Securities sold under agreements to repurchase | 22,195 | 33,052 |
| Other borrowed funds | 87,320 | 95,435 |
| Obligated mandatorily redeemable capital securities of subsidiary trust | 13,500 | 13,500 |
| Accrued liabilities | 7,558 | 6,590 |
| Total liabilities | 644,222 | 645,981 |
| SHAREHOLDERS' EQUITY | | |
| Common stock (\$1.00 stated value, 10,000,000 shares authorized; 2003 - 3,644,550 shares issued, 2002 - 3,620,335 shares issued) | 3,645 | 3,620 |
| Additional paid-in capital | 30,623 | 30,092 |
| Retained Earnings | 22,120 | 19,339 |
| Accumulated other comprehensive income | 706 | 1,439 |
| Treasury stock at cost (2003 - 157,756 shares, 2002 - 157,115 shares) | (4,131) | (4,115) |
| Total shareholders' equity | 52,963 | 50,375 |
| Total liabilities and shareholders' equity | \$697,185 | \$696,356 |