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OHIO VALLEY BANC CORP
Form 8-K
October 11, 2002

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 11, 2002 (October 11, 2002)
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 1. Changes in Control of Registrant.
Not applicable.

Item 2. Acquisition or Disposition of Assets.
Not applicable.

Item 3. Bankruptcy or Receivership.
Not applicable.

Item 4. Changes in Registrant's Certifying Accountant.
Not applicable.

Item 5. Other Events.

On October 11, 2002, Ohio Valley Banc Corp issued a news release announcing its earnings for the third quarter and year-to-date periods ending September 30, 2002. The information contained in the news release, which is attached as Exhibit 99 to this Form 8-K, is incorporated herein by this reference.

Item 6. Resignations of Registrant's Directors.
Not applicable.

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Item 7. Financial Statements and Exhibits.

- (a) Financial statements of business acquired:
Not applicable.
- (b) Pro forma financial information:
Not applicable.
- (c) Exhibits:
99 Press release of Ohio Valley Banc Corp dated October 11, 2002, announcing the company's earnings for the third quarter and year-to-date periods ending September 30, 2002.

Item 8. Change in Fiscal Year.
Not applicable.

Item 9. Sales of Equity Securities Pursuant to Regulation S.
Not applicable.

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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 11, 2002

By /s/ Jeffrey E. Smith

Jeffrey E. Smith, President and
Chief Executive Officer

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EXHIBIT INDEX

Exhibit Number	Description
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99	Press release of Ohio Valley Banc Corp dated October 11, 2002, announcing the company's earnings for the third quarter and year-to-date periods ending

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September 30, 2002.

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Exhibit 99

Ohio Valley Banc Corp Continues Earnings Growth

Gallipolis, Ohio, October 11, 2002

Ohio Valley Banc Corp [Nasdaq:OVBC] reported consolidated net earnings for the quarter ended September 30, 2002, of \$1,410,000 representing an increase of 15.6 percent over the prior year. Earnings per share for the third quarter of 2002 were \$.41, up 17.1 percent from the \$.35 earned the third quarter of 2001. For the nine months ended September 30, 2002, consolidated net earnings were \$4,014,000, up 15.3 percent compared to \$3,482,000 a year ago. Earnings per share were \$1.16 for the first nine months of 2002 versus \$1.00 last year, an increase of 16.0 percent.

Strong net interest income growth continues to drive OVBC's double-digit earnings growth. For the nine months ended September 30, 2002, net interest income improved \$2,859,000 or 16.8 percent over last year. The increase in net interest income was the result of a decline in total interest expense of \$2,793,000 or 15.1 percent versus relatively no change in total interest income due to strong loan growth. For the third quarter of 2002, net interest income increased \$745,000 or 12.2 percent over the prior year third quarter. The Company's net interest income has benefited from the current interest rate environment and is reflected in the net interest margin which improved to 4.36 percent for the first nine months of 2002 from 4.28 percent the prior year.

Providing additional revenue growth was an increase of \$368,000 or 9.8 percent in noninterest income which totaled \$4,118,000 for the nine months ended September 30, 2002, as compared to \$3,750,000 for the same time period last year. For the three months ended September 30, 2002, noninterest income increased \$152,000 over the prior year third quarter. Income from deposit and loan service fees as well as bank owned life insurance provided a majority of the growth.

On a year-to-date basis, noninterest expense totaled \$14,935,000 in 2002, an increase of \$1,123,000 or 8.1 percent compared to \$13,812,000 the previous year. Salaries and employee benefits, OVBC's largest noninterest expense grew \$628,000 or 8.5 percent for the first nine months of 2002, as compared to the same time period in 2001. The increase was related to annual merit increases, incentive-based compensation and the rising cost of medical insurance. Impacting the 2002 year-to-date results was the charge off of fraudulent checks during the second quarter with the impact net of recoveries being \$389,000 on other noninterest expense. The remaining noninterest expense categories have increased minimally from 2001. For the third quarter of 2002, noninterest expense totaled \$4,752,000, up \$173,000 or 3.8 percent compared to the same time period last year. OVBC's efficiency ratio continues to improve driven by revenue growth (net interest income plus noninterest income) of 15.5 percent versus total expense growth of 8.1 percent. The efficiency ratio was 61.0 percent for the nine months

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ending September 30, 2002, as compared to 65.0 percent the prior year.

For the first nine months of 2002, the Company's provision for loan losses increased \$1,330,000 over the same time period last year in relation to an increase in net charge-offs of \$1,239,000. Nonperforming loans at September 30, 2002 stood at \$9,216,000 compared to \$7,036,000 at September 30, 2001 and \$6,310,000 at year end. The increase in nonperforming loans was the result of a single commercial line which is in the process of collection. The commercial line represented .79 percent of total loans. Nonperforming loans as a percentage of total loans were 1.64 percent for the quarter ending September 30, 2002 compared to 1.42 percent at September 30, 2001 and 1.24 percent at year end 2001. The allowance for loan losses stood at 1.25 percent of total loans at September 30, 2002, which included a specific allocation of \$450,000 for the commercial line mentioned above, should a loss become reality. The 1.25 percent allowance for loan losses for September 30, 2002 compares to 1.21 percent at September 30, 2001 and to 1.23 percent at year end 2001. Management has increased the ratio of allowance to total loans based on an increase in nonperforming loans and the continued uncertainty of economic conditions. While management is comfortable that the allowance for loan losses is adequate to absorb future losses inherent in the loan portfolio, management is prepared to increase the allowance should economic conditions dictate.

Total assets increased \$60,181,000 or 9.5 percent from year end 2001 to reach \$695,180,000 at September 30, 2002. Driving asset growth was an increase in total loans of \$51,906,000 or 10.2 percent from year end. For the first nine months of 2002, loan growth has exceeded management's expectations, particularly in commercial real estate and indirect automobile lending. Funding came primarily from deposits which are up \$50,773,000 or 11.1 percent from December 31, 2001. A significant portion of the deposit growth occurred in NOW accounts and time deposits.

President and CEO Jeff Smith stated, "We are pleased with the third quarter results which produced double digit earnings growth. Strong revenue growth and expense control continues to make Ohio Valley a more efficient Company which is reflected in shareholder value as return on equity improved to 11.33 percent for the first nine months of 2002 from 10.35 percent the same time period last year."

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, Loan Central, and Ohio Valley Financial Services Agency. Learn more about Ohio Valley Banc Corp at www.ovbc.com.

OHIO VALLEY BANC CORP - Financial Highlights (Unaudited)

	Three months ended September 30, 2002		September 30, 2001	
	2002	2001	2002	2001
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PER SHARE DATA				
Earnings per share	\$0.41	\$0.35	\$1.16	\$1.00
Dividend per share	\$0.17	\$0.16	\$0.50	\$0.47
Book value per share	\$14.22	\$13.39	\$14.22	\$13.39
Dividend payout ratio	41.68%	45.31%	43.07%	46.84%
Weighted average shares outstanding	3,459,337	3,456,661	3,459,768	3,467,768

PERFORMANCE RATIOS

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Return on average equity	11.58%	10.64%	11.33%	10.35%
Return on average assets	0.82%	0.81%	0.81%	0.80%
Net interest margin	4.28%	4.36%	4.36%	4.28%
Efficiency Ratio	56.68%	60.89%	61.02%	64.99%
Average Earning Assets (in 000's)	\$643,279	\$563,472	\$620,009	\$542,612

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

(in \$000's)	Three months ended September 30,		Nine months ended September 30,	
	2002	2001	2002	2001
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Interest income:				
Interest and fees on loans	\$11,159	11,145	\$32,746	32,261
Interest and dividends on securities	960	1,014	2,869	3,288
Total interest income	12,119	12,159	35,615	35,549
Interest expense:				
Deposits	3,827	4,729	11,467	14,907
Borrowings	1,453	1,336	4,240	3,593
Total interest expense	5,280	6,065	15,707	18,500
Net interest income	6,839	6,094	19,908	17,049
Provision for loan losses	1,541	1,092	3,495	2,165
Noninterest income:				
Service charges on deposit accounts	806	757	2,301	2,229
Trust fees	51	53	164	168
Income from bank owned insurance	172	146	512	430
Other	395	316	1,141	923
Total noninterest income	1,424	1,272	4,118	3,750
Noninterest expense:				
Salaries and employee benefits	2,726	2,464	8,045	7,417
Occupancy expense	324	317	959	943
Furniture and equipment expense	280	267	814	806
Data processing expense	144	185	435	408
Other	1,278	1,346	4,682	4,238
Total noninterest expense	4,752	4,579	14,935	13,812
Income before income taxes	1,970	1,695	5,596	4,822
Income taxes	560	475	1,582	1,340
NET INCOME	\$1,410	1,220	\$4,014	3,482

OHIO VALLEY BANC CORP - Consolidated Balance Sheets (Unaudited)

(in 000's)	September 30, 2002	December 31, 2001
	-----	-----
ASSETS		
Cash and noninterest-bearing deposits with banks	\$19,592	\$17,288
Federal funds sold	12,300	9,000
Total cash and cash equivalents	31,892	26,288
Interest-bearing balances with banks	1,495	1,264
Securities available-for-sale	63,338	61,559
Securities held-to-maturity (estimated fair value: 2002 - \$16,193 , 2001 - \$14,421)	15,119	13,973
Total loans	560,566	508,660
Less: Allowance for loan losses	(6,982)	(6,251)
Net loans	553,584	502,409

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Premises and equipment, net	8,346	8,702
Accrued income receivable	3,512	3,420
Intangible assets, net	1,169	1,267
Bank owned life insurance	12,526	12,089
Other assets	4,199	4,028
Total assets	\$695,180	\$634,999
LIABILITIES		
Noninterest-bearing deposits	\$56,438	\$56,735
Interest-bearing deposits	450,196	399,126
Total deposits	506,634	455,861
Securities sold under agreements to repurchase	26,163	29,274
Other borrowed funds	91,299	90,856
Obligated mandatorily redeemable capital securities of subsidiary trust	13,500	5,000
Accrued liabilities	8,435	7,708
Total liabilities	646,031	588,699
SHAREHOLDERS' EQUITY		
Common stock (\$1.00 stated value, 10,000,000 shares authorized; 2002 - 3,602,854 shares issued, 2001 - 3,579,250 shares issued)	3,603	3,579
Additional paid-in capital	29,751	29,207
Retained Earnings	18,264	15,979
Accumulated other comprehensive income	1,441	1,043
Treasury stock at cost (2002 - 147,115 shares, 2001 - 129,990 shares)	(3,910)	(3,508)
Total shareholders' equity	49,149	46,300
Total liabilities and shareholders' equity	\$695,180	\$634,999

Contact: Scott Shockey or Chris Petro
1-800-468-6682 or (740) 446-2631