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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 |
|----------------|--|
| ----- | ----- |
| 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 | |
|--|---|-----------|-----------------------|-----------|
| | ----- | ----- | ----- | ----- |
| 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 |
| | ----- | ----- | ----- | ----- |
| 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