OHIO VALLEY BANC CORP
Form 10-Q
November 09, 2009

United States
Securities and Exchange Commission
Washington, D.C. 20549

Form 10-Q

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2009

OR

o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ____________ to ____________

Commission file number 0-20914

OHIO VALLEY BANC CORP.
(Exact Name of Small Business Issuer as Specified in its Charter)

Ohio	31-1359191
(State of Incorporation)	(I.R.S. Employer Identification No.)

420 Third Avenue Gallipolis, Ohio	45631
(Address of Principal Executive Offices)	(ZIP Code)

(740) 446-2631
(Issuer's Telephone Number, Including Area Code)

____

Indicate by check whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate web site, if any, every Interactive Data file required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months(or for such shorter period that the registrant was required to submit and post such files). Yes o No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-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. (Check one):

o	Accelerated filer	x

Large accelerated filer			
Non-accelerated filer	o	Smaller reporting company	o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No x

The number of common shares of the registrant outstanding as of November 6, 2009 was 3,983,009.

OHIO VALLEY BANC CORP.
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PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

OHIO VALLEY BANC CORP.
CONSOLIDATED BALANCE SHEETS (UNAUDITED)
(dollars in thousands, except share data)

	September 30, 2009	December 31, 2008
ASSETS		
Cash and noninterest-bearing deposits with banks	$10,088	$16,650
Federal funds sold	----	1,031
Total cash and cash equivalents	10,088	17,681
Interest-bearing deposits in other financial institutions	12,834	611
Securities available-for-sale	92,651	75,340
Securities held-to-maturity (estimated fair value: 2009 - $15,617; 2008 - $17,241)	15,270	16,986
Federal Home Loan Bank stock	6,281	6,281
Total loans	648,370	630,391
Less: Allowance for loan losses	(8,622)	(7,799)
Net loans	639,748	622,592
Premises and equipment, net	10,488	10,232
Accrued income receivable	3,170	3,172
Goodwill	1,267	1,267
Bank owned life insurance	18,446	18,153
Other assets	9,734	8,793
Total assets	$819,977	$781,108
LIABILITIES		
Noninterest-bearing deposits	$81,576	$85,506
Interest-bearing deposits	572,095	506,855
Total deposits	653,671	592,361
Securities sold under agreements to repurchase	29,853	24,070
Other borrowed funds	41,439	76,774
Subordinated debentures	13,500	13,500
Accrued liabilities	15,461	11,347
Total liabilities	753,924	718,052
SHAREHOLDERS' EQUITY		
Common stock ($1.00 par value per share, 10,000,000 shares authorized; 2009 and 2008 - 4,642,748 shares issued)	4,643	4,643
Additional paid-in capital	32,683	32,683
Retained earnings	43,509	40,752
Accumulated other comprehensive income	930	690
Treasury stock, at cost (2009 and 2008 - 659,739 shares)	(15,712)	(15,712)
Total shareholders' equity	66,053	63,056
Total liabilities and shareholders' equity	$819,977	$781,108

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OHIO VALLEY BANC CORP.
CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)
(dollars in thousands, except per share data)

	Three months ended September 30,		Nine months ended September 30,	
	2009	2008	2009	2008
Interest and dividend income:				
Loans, including fees	$10,854	$11,580	$33,300	$35,965
Securities				
Taxable	672	771	2,144	2,350
Tax exempt	111	131	341	407
Dividends	78	84	219	245
Other Interest	18	91	50	277
	11,733	12,657	36,054	39,244
Interest expense:				
Deposits	3,516	3,914	10,527	13,070
Securities sold under agreements to repurchase	18	109	57	346
Other borrowed funds	478	637	1,622	2,057
Subordinated debentures	273	273	817	817
	4,285	4,933	13,023	16,290
Net interest income	7,448	7,724	23,031	22,954
Provision for loan losses	957	693	2,101	2,310
Net interest income after provision for loan losses	6,491	7,031	20,930	20,644
Noninterest income:				
Service charges on deposit accounts	776	833	2,108	2,323
Trust fees	61	59	171	184
Income from bank owned life insurance	755	200	1,158	576
Gain on sale of loans	95	20	713	110
Gain (loss) on sale of other real estate owned	1	7	28	(31)
Other	496	455	1,933	1,583
	2,184	1,574	6,111	4,745
Noninterest expense:				
Salaries and employee benefits	3,838	3,609	11,242	10,428
Occupancy	406	404	1,208	1,172
Furniture and equipment	308	260	874	752
Data processing	142	176	601	707
FDIC insurance	322	121	1,303	155
Other	1,559	1,417	4,906	4,340
	6,575	5,987	20,134	17,554
Income before income taxes	2,100	2,618	6,907	7,835
Provision for income taxes	400	733	1,760	2,254
NET INCOME	$1,700	$1,885	$5,147	$5,581

Earnings per share	$ .43	$ .47	$ 1.29	$ 1.38

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OHIO VALLEY BANC CORP.
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES
IN SHAREHOLDERS' EQUITY (UNAUDITED)
(dollars in thousands, except share and per share data)

	Three months ended September 30,		Nine months ended September 30,	
	2009	2008	2009	2008
Balance at beginning of period	$65,348	$61,594	$63,056	$61,511
Comprehensive income:				
Net income	1,700	1,885	5,147	5,581
Change in unrealized income/loss on available-for-sale securities	(301)	----	363	580
Income tax effect	103	----	(123)	(197)
Total comprehensive income	1,502	1,885	5,387	5,964
Cash dividends	(797)	(761)	(2,390)	(2,304)
Shares acquired for treasury	----	(895)	----	(2,269)
Cumulative-effect adjustment in adopting ASC 715-60	----	----	----	(1,079)
Balance at end of period	$66,053	$61,823	$66,053	$61,823
Cash dividends per share	$0.20	$0.19	$0.60	$0.57
Shares from common stock issued through dividend reinvestment plan	----	----	----	1
Shares acquired for treasury	----	37,500	----	92,336

OHIO VALLEY BANC CORP.
CONDENSED CONSOLIDATED STATEMENTS OF
CASH FLOWS (UNAUDITED)
(dollars in thousands)

	Nine months ended September 30, 2009	Nine months ended September 30, 2008
Net cash provided by operating activities:	$11,275	$7,862
Investing activities:		
Proceeds from maturities of securities available-for-sale	23,962	18,418
Purchases of securities available-for-sale	(41,108)	(10,060)
Proceeds from maturities of securities held-to-maturity	1,749	1,427
Purchases of securities held-to-maturity	(40)	(3,060)
Change in interest-bearing deposits in other financial institutions	(12,223)	(7,393)
Net change in loans	(20,674)	9,956
Proceeds from sale of other real estate owned	882	552
Purchases of premises and equipment	(1,036)	(759)
Purchases of bank owned life insurance	(304)	(427)
Proceeds from bank owned life insurance	556	----
Net cash provided by (used in) investing activities	(48,236)	8,654
Financing activities:		
Change in deposits	61,310	4,973
Cash dividends	(2,390)	(2,304)
Purchases of treasury stock	----	(2,269)
Change in securities sold under agreements to repurchase	5,783	(5,856)
Proceeds from Federal Home Loan Bank borrowings	----	13,000
Repayment of Federal Home Loan Bank borrowings	(11,004)	(16,012)
Change in other short-term borrowings	(24,331)	(4,230)
Net cash provided by (used in) financing activities	29,368	(12,698)
Change in cash and cash equivalents	(7,593)	3,818
Cash and cash equivalents at beginning of period	17,681	16,894
Cash and cash equivalents at end of period	$10,088	$20,712
Supplemental disclosure:		
Cash paid for interest	$14,009	$18,527
Cash paid for income taxes	2,335	2,115
Non-cash transfers from loans to other real estate owned	1,417	4,905

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(dollars in thousands, except per share data)

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION: The accompanying consolidated financial statements include the accounts of Ohio Valley Banc Corp. ("Ohio Valley") and its wholly-owned subsidiaries, The Ohio Valley Bank Company (the "Bank"), Loan Central, Inc. ("Loan Central"), a consumer finance company, and Ohio Valley Financial Services Agency, LLC ("Ohio Valley Financial Services"), an insurance agency. Ohio Valley and its subsidiaries are collectively referred to as the "Company". All material intercompany accounts and transactions have been eliminated in consolidation. Subsequent events have been reviewed through November 9, 2009, which is the date the Company filed the Form 10-Q with the U.S. Securities and Exchange Commission ("SEC").

These interim financial statements are prepared by the Company without audit and reflect all adjustments of a normal recurring nature which, in the opinion of management, are necessary to present fairly the consolidated financial position of the Company at September 30, 2009, and its results of operations and cash flows for the periods presented. The results of operations for the nine months ended September 30, 2009 are not necessarily indicative of the operating results to be anticipated for the full fiscal year ending December 31, 2009. The accompanying consolidated financial statements do not purport to contain all the necessary financial disclosures required by accounting principles generally accepted in the United States of America ("US GAAP") that might otherwise be necessary in the circumstances. The Annual Report of the Company for the year ended December 31, 2008 contains consolidated financial statements and related notes which should be read in conjunction with the accompanying consolidated financial statements.

The accounting and reporting policies followed by the Company conform to US GAAP. The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates. The allowance for loan losses is particularly subject to change.

The majority of the Company's income is derived from commercial and retail lending activities. Management considers the Company to operate in one segment, banking.

INCOME TAX: Income tax expense is the sum of the current year income tax due or refundable and the change in deferred tax assets and liabilities. Deferred tax assets and liabilities are the expected future tax consequences of temporary differences between the carrying amounts and tax bases of assets and liabilities, computed using enacted tax rates. A valuation allowance, if needed, reduces deferred tax assets to the amount expected to be realized.

CASH FLOW: For consolidated financial statement classification and cash flow reporting purposes, cash and cash equivalents include cash on hand, noninterest-bearing deposits with banks and federal funds sold. Generally, federal funds are purchased and sold for one-day periods. The Company reports net cash flows for customer loan transactions, deposit transactions, short-term borrowings and interest-bearing deposits with other financial institutions.

EARNINGS PER SHARE: Earnings per share are computed based on net income divided by the weighted average number of common shares outstanding during the period. The weighted average common shares outstanding were 3,983,009 and 3,998,509 for the three months ended September 30, 2009 and 2008, respectively. The weighted average common shares outstanding were 3,983,009 and 4,030,542 for the nine months ended September 30, 2009 and 2008, respectively. Ohio Valley had no dilutive effect and no potential common shares issuable under stock

options or other agreements for any period presented.

SECURITIES: The Company classifies securities into held-to-maturity and available-for-sale categories. Held-to-maturity securities are those which the Company has the positive intent and ability to hold to maturity and are reported at amortized cost. Securities classified as available-for-sale include equity securities and other securities that could be sold for liquidity, investment management or similar reasons even if there is not a present intention of such a sale. Available-for-sale securities are reported at fair value, with unrealized gains or losses included as a separate component of equity, net of tax. Other securities, such as Federal Home Loan Bank stock, are carried at cost.

Premium amortization is deducted from, and discount accretion is added to, interest income on securities using the level yield method. Gains and losses are recognized upon the sale of specific identified securities on the completed transaction basis. Securities are written down to fair value when a decline in fair value is other than temporary.

LOANS: Loans are reported at the principal balance outstanding, net of unearned interest, deferred loan fees and costs, and an allowance for loan losses. Interest income is reported on an accrual basis using the interest method and includes amortization of net deferred loan fees and costs over the loan term. Interest income is not reported when full loan repayment is in doubt, typically when the loan is impaired or payments are past due over 90 days. Payments received on such loans are reported as principal reductions.

ALLOWANCE FOR LOAN LOSSES: The allowance for loan losses is a valuation allowance for probable incurred credit losses, increased by the provision for loan losses and decreased by charge-offs less recoveries. Loan losses are charged against the allowance when management believes the uncollectibility of a loan is confirmed. Subsequent recoveries, if any, are credited to the allowance. Management estimates the allowance balance required using past loan loss experience, the nature and volume of the portfolio, information about specific borrower situations and estimated collateral values, economic conditions and other factors. Allocations of the allowance may be made for specific loans, but the entire allowance is available for any loan that, in management's judgment, should be charged-off.

The allowance consists of specific and general components. The specific component relates to loans that are individually classified as impaired or loans otherwise classified as substandard or doubtful. The general component covers non-classified loans and is based on historical loss experience adjusted for current factors.

A loan is impaired when full payment under the loan terms is not expected. Commercial and commercial real estate loans are individually evaluated for impairment. Impaired loans are carried at the present value of expected cash flows discounted at the loan's effective interest rate or at the fair value of the collateral if the loan is collateral dependent. A portion of the allowance for loan losses is allocated to impaired loans. Large groups of smaller balance homogeneous loans, such as consumer and residential real estate loans, are collectively evaluated for impairment, and accordingly, they are not separately identified for impairment disclosures.

MORTGAGE SERVICING RIGHTS: A mortgage servicing right ("MSR") is a contractual agreement where the right to service a mortgage loan is sold by the original lender to another party. When the Company sells mortgage loans to the secondary market, it retains the servicing rights to these loans. The Company's MSR is recognized separately when acquired through sales of loans and is initially recorded at fair value with the income statement effect recorded in gains on sales of loans. Subsequently, the MSR is then amortized in proportion to and over the period of estimated future servicing income of the underlying loan. The MSR is then evaluated for impairment periodically based upon the fair value of the rights as compared to the carrying amount, with any impairment being recognized through a valuation allowance. Fair value of the MSR is based on market prices for comparable mortgage servicing contracts. At September 30, 2009, the Company's MSR asset portfolio was not material, totaling $505, or 0.7% of the total mortgage loans being serviced.

RECENT ACCOUNTING PRONOUNCEMENTS:
In June 2009, the Financial Accounting Standards Board ("FASB") issued an accounting pronouncement establishing the FASB Accounting Standards Codification (the "ASC") as the source of authoritative accounting principles recognized by the FASB to be applied by nongovernmental entities. This pronouncement was effective for financial statements issued for interim and annual periods ending after September 15, 2009, for most entities. On the effective date, all non-SEC accounting and reporting standards will be superseded. The Company adopted this new accounting pronouncement for the quarterly period ended September 30, 2009, as required, and adoption did not have a material impact on the Company's financial position and results of operations.

In June 2009, FASB issued SFAS No. 166 "Accounting for Transfers of Financial Assets—an amendment of FASB Statement No. 140." This removes the concept of a qualifying special-purpose entity from existing GAAP and removes the exception from applying FASB ASC 810-10, Consolidation (FASB Interpretation No. 46 (revised December 2003) Consolidation of Variable Interest Entities) to qualifying special purpose entities. The objective of this new guidance is to improve the relevance, representational faithfulness, and comparability of the information that a reporting entity provides in its financial statements about a transfer of financial assets; the effects of a transfer on its financial position, financial performance, and cash flows; and a transferor's continuing involvement in transferred financial assets. The new guidance shall be effective as of the beginning of each reporting entity's first annual reporting period that begins after November 15, 2009, for interim periods within that first annual reporting period, and for interim and annual reporting periods thereafter. The Company is still evaluating the impact of this accounting standard.

In June 2009, FASB issued SFAS No. 167 "Amendments to FASB Interpretation No. 46(R)." The objective of this new guidance is to amend certain requirements of FASB Interpretation No. 46 (revised December 2003), Consolidation of Variable Interest Entities, to improve financial reporting by enterprises involved with variable interest entities and to provide more relevant and reliable information to users of financial statements. This guidance shall be effective as of the beginning of each reporting entity's first annual reporting period that begins after November 15, 2009, for interim periods within that first annual reporting period, and for interim and annual reporting periods thereafter. Earlier application is prohibited. The Company is still evaluating the impact of this accounting standard.

In April 2009, FASB issued three related accounting pronouncements intended to provide additional guidance and enhance disclosures regarding fair value measurements and impairments of securities. The first pronouncement provides guidelines for making fair value measurements more consistent with the existing accounting principles when the volume and level of activity for the asset or liability have decreased significantly. The pronouncement emphasizes that even if there has been a significant decrease in the volume and level of activity for the asset or liability and regardless of the valuation technique(s) used, the objective of a fair value measurement remains the same. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction (that is, not a forced liquidation or distressed sale) between market participants at the measurement date under current market conditions. Further, the pronouncement also includes guidance on identifying circumstances that indicate a transaction is not orderly.

The second pronouncement enhances consistency in financial reporting by increasing the frequency of fair value disclosures. The changes to fair value disclosures relate to financial instruments that are not currently reflected on the balance sheet at fair value. Prior to these pronouncements, fair value disclosures for these instruments were required for annual statements only. These disclosures now are required to be included in interim financial statements as well as in annual financial statements.

The third pronouncement modifies existing general standards of accounting for and disclosure of other-than-temporary impairment ("OTTI") losses for impaired debt securities. This pronouncement amends the OTTI impairment guidance in GAAP for debt securities to make the guidance more operational and to improve the presentation and disclosure of OTTIs on debt and equity securities in the financial statements. This pronouncement

does not amend existing recognition and measurement guidance related to OTTIs of equity securities.

All three pronouncements were effective for interim and annual periods ending after June 15, 2009. Entities were permitted to early adopt the provisions of these pronouncements for interim and annual periods ending after March 15, 2009, but had to adopt all three concurrently. The Company adopted the provisions of these pronouncements for the quarterly period ended June 30, 2009, as required. The adoption of these pronouncements did not have any material impact on the Company's financial position and results of operations.

RECLASSIFICATIONS: Certain items related to the consolidated financial statements for 2008 have been reclassified to conform to the presentation for 2009. These reclassifications had no effect on the net results of operations.

NOTE 2 – FAIR VALUE MEASUREMENTS

The measurement of fair value under US GAAP uses a hierarchy intended to maximize the use of observable inputs and minimize the use of unobservable inputs. This hierarchy uses three levels of inputs to measure the fair value of assets and liabilities as follows:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, and other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant, unobservable inputs that reflect a company's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

The following is a description of the Company's valuation methodologies used to measure and disclose the fair values of its financial assets and liabilities on a recurring or nonrecurring basis:

Securities Available-For-Sale: Securities classified as available-for-sale are reported at fair value utilizing Level 2 inputs. For these securities, the Company obtains fair value measurements using pricing models that vary based on asset class and include available trade, bid and other market information. Fair value of securities available-for-sale may also be determined by matrix pricing, which is a mathematical technique used widely in the industry to value debt securities without relying exclusively on quoted prices for the specific securities, but rather by relying on the securities' relationship to other benchmark quoted securities.

Impaired Loans: Some impaired loans are reported at the fair value of the underlying collateral adjusted for selling costs. Collateral values are estimated using Level 3 inputs based on third party appraisals.

Assets and Liabilities Measured on a Recurring Basis
Assets and liabilities measured at fair value on a recurring basis are summarized below:

Fair Value Measurements at September 30, 2009, Using

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:			
U.S. Treasury securities	----	$10,571	----
U.S. Government sponsored entity securities	----	$47,852	----
Mortgage-backed securities - agency	----	$34,228	----

Value Measurements at December 31, 2008, Using

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:			
U.S. Government sponsored entity securities	----	$31,866	----
Mortgage-backed securities - agency	----	$43,474	----

Assets and Liabilities Measured on a Nonrecurring Basis
Assets and liabilities measured at fair value on a nonrecurring basis are summarized below:

Fair Value Measurements at September 30, 2009, Using

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:			
Impaired Loans	----	----	$ 10,472

Fair Value Measurements at December 31, 2008, Using

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:			
Impaired Loans	----	----	$ 1,182

Impaired loans, which are usually measured for impairment using the fair value of the collateral, had a carrying amount of $21,132 at September 30, 2009. The portion of this impaired loan balance for which a specific allowance for credit losses was allocated totaled $14,221, resulting in a specific valuation allowance of $3,749. At December 31, 2008, impaired loans had a carrying amount of $8,099. The portion of this impaired loan balance for which a specific allowance for credit losses was allocated totaled $2,586, resulting in a specific valuation allowance of $1,404. The specific valuation allowance for those loans has increased from $1,404 at December 31, 2008 to $3,749 at September 30, 2009.

The following table presents the fair values of financial assets and liabilities carried on the Company's consolidated balance sheet at September 30, 2009 and December 31, 2008, including those financial assets and financial liabilities that are not measured and reported at fair value on a recurring or non-recurring basis:

	September 30, 2009		December 31, 2008	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets:				
Cash and cash equivalents	$10,088	$10,088	$17,681	$17,681
Interest-bearing deposits in other banks	12,834	12,834	611	611
Securities	107,921	108,268	92,326	92,581
Federal Home Loan Bank stock	6,281	N/A	6,281	N/A
Loans	639,748	656,574	622,592	637,422
Accrued interest receivable	3,170	3,170	3,172	3,172
Financial liabilities:				
Deposits	(653,671)	(655,940)	(592,361)	(591,742)
Securities sold under agreements to repurchase	(29,853)	(29,853)	(24,070)	(24,070)
Other borrowed funds	(41,439)	(42,283)	(76,774)	(78,777)
Subordinated debentures	(13,500)	(13,714)	(13,500)	(13,718)
Accrued interest payable	(3,947)	(3,947)	(4,933)	(4,933)

NOTE 3 – SECURITIES

The following table summarizes the amortized cost and fair value of the available-for-sale and held-to-maturity investment securities portfolio at September 30, 2009 and December 31, 2008 and the corresponding amounts of unrealized gains and losses therein:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Securities Available-for-Sale				
September 30, 2009				
U.S. Treasury securities	$10,566	$8	$(3)	$10,571
U.S. Government sponsored entity securities	47,072	780	----	47,852
Mortgage-backed securities - agency	33,604	624	----	34,228
Total securities	$91,242	$1,412	$(3)	$92,651
December 31, 2008				
U.S. Treasury securities	----	----	----	----
U.S. Government sponsored entity securities	$30,623	$1,243	----	$31,866
Mortgage-backed securities - agency	43,671	82	$(279)	43,474
Total securities	$74,294	$1,325	$(279)	$75,340

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value

Securities Held-to-Maturity				
September 30, 2009				
Obligations of states and political subdivisions	$15,234	$377	$(29)	$15,582
Mortgage-backed securities - agency	36	----	(1)	35
Total securities	$15,270	$377	$(30)	$15,617
December 31, 2008				
Obligations of states and political subdivisions	$16,946	$327	$(70)	$17,203
Mortgage-backed securities - agency	40	----	(2)	38
Total securities	$16,986	$327	$(72)	$17,241

The amortized cost and fair value of the investment securities portfolio at September 30, 2009 are shown by expected maturity. Expected maturities may differ from contractual maturities if borrowers have the right to call or prepay obligations with or without call or prepayment penalties.

	Available-for-Sale		Held-to-Maturity	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Maturity:				
Due in one year or less	$41,571	$41,790	$475	$475
Due in one to five years	13,566	14,023	3,283	3,429
Due in five to ten years	2,501	2,610	3,677	3,823
Due after ten years	----	----	7,799	7,855
Mortgage-backed securities - agency	33,604	34,228	36	35
Total securities	$91,242	$92,651	$15,270	$15,617

The following table summarizes the investment securities with unrealized losses at September 30, 2009 by aggregated major security type and length of time in a continuous unrealized loss position:

	Less Than 12 Months		12 Months or Longer		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
U.S. Treasury securities	$3,035	$(3)	----	----	$3,035	$(3)
Obligations of states and political subdivisions	----	----	$1,415	$(29)	1,415	(29)
Mortgage-backed securities – agency	----	----	35	(1)	35	(1)
Total securities	$3,035	$(3)	$1,450	$(30)	$4,485	$(33)

Unrealized losses on the Company's debt securities have not been recognized into income because the issuers' securities are of high credit quality, management has the intent and ability to hold them for the foreseeable future, and the decline in fair value is largely due to changes in market interest rates. The fair value is expected to recover as the bonds approach their maturity date or reset date. Management does not believe any individual unrealized loss at September 30, 2009 represents an OTTI.

NOTE 4 - LOANS

Total loans as presented on the balance sheet are comprised of the following classifications:

	September 30, 2009	December 31, 2008
Residential real estate	$ 239,257	$ 252,693
Commercial real estate	213,885	198,559
Commercial and industrial	51,694	44,824
Consumer	135,148	126,911
All other	8,386	7,404

	$ 648,370	$ 630,391

At September 30, 2009 and December 31, 2008, loans on nonaccrual status were approximately $4,245 and $3,396, respectively. Loans past due more than 90 days and still accruing at September 30, 2009 and December 31, 2008 were $2,891 and $1,878, respectively.

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NOTE 5 - ALLOWANCE FOR LOAN LOSSES AND IMPAIRED LOANS

Following is an analysis of changes in the allowance for loan losses for the nine-month periods ended September 30:

	2009	2008
Balance - January 1,	$7,799	$6,737
Loans charged off:		
Commercial 1	241	1,101
Residential real estate	715	160
Consumer	1,664	1,703
Total loans charged off	2,620	2,964
Recoveries of loans:		
Commercial 1	730	94
Residential real estate	9	57
Consumer	603	563
Total recoveries of loans	1,342	714
Net loan charge-offs	(1,278)	(2,250)
Provision charged to operations	2,101	2,310
Balance – September 30,	$8,622	$6,797

Information regarding impaired loans is as follows:

	September 30, 2009	December 31, 2008
Balance of impaired loans	$21,132	$8,099
Less portion for which no specific allowance is allocated	6,911	5,513
Portion of impaired loan balance for which a specific allowance for credit losses is allocated	$ 14,221	$ 2,586
Portion of allowance for loan losses specifically allocated for the impaired loan balance	$ 3,749	$ 1,404
Average investment in impaired loans year-to-date	$21,384	$9,027

Interest recognized on impaired loans was $1,017 and $292 for the nine-month periods ended September 30, 2009 and 2008, respectively. Accrual basis income was not materially different from cash basis income for the periods presented.

NOTE 6 - CONCENTRATIONS OF CREDIT RISK AND FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK

The Company, through its subsidiaries, grants residential, consumer, and commercial loans to customers located primarily in the central and southeastern areas of Ohio as well as the western counties of West Virginia. Approximately 3.83% of total loans were unsecured at September 30, 2009, up from 3.79% at December 31, 2008.

The Bank is a party to financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit, standby letters of credit and financial guarantees. The contract amounts of these instruments are not included in the consolidated financial statements. At September 30, 2009, the contract amounts of these instruments totaled approximately $72,617, compared to $77,940 at December 31, 2008. Since many of these instruments are expected to expire without being drawn upon, the total contract amounts do not necessarily represent future cash requirements.

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1 Includes commercial and industrial and commercial real estate loans.

NOTE 7 - OTHER BORROWED FUNDS

Other borrowed funds at September 30, 2009 and December 31, 2008 are comprised of advances from the Federal Home Loan Bank ("FHLB") of Cincinnati, promissory notes and Federal Reserve Bank ("FRB") Notes.

	FHLB Borrowings	Promissory Notes	FRB Notes	Totals
September 30, 2009	$37,160	$4,128	$151	$41,439
December 31, 2008	$68,715	$5,479	$2,580	$76,774

Pursuant to collateral agreements with the FHLB, advances are secured by $213,972 in qualifying mortgage loans and $6,281 in FHLB stock at September 30, 2009. Fixed-rate FHLB advances of $37,160 mature through 2033 and have interest rates ranging from 2.13% to 6.62%. There were no variable-rate FHLB borrowings at September 30, 2009.

At September 30, 2009, the Company had a cash management line of credit enabling it to borrow up to $75,000 from the FHLB. All cash management advances have an original maturity of 90 days. The line of credit must be renewed on an annual basis. There was $75,000 available on this line of credit at September 30, 2009.

Based on the Company's current FHLB stock ownership, total assets and pledgeable residential first mortgage loans, the Company had the ability to obtain borrowings from the FHLB up to a maximum of $158,497 at September 30, 2009.

Promissory notes, issued primarily by Ohio Valley, have fixed rates of 2.00% to 4.50% and are due at various dates through a final maturity date of December 30, 2010. A total of $400 represented promissory notes payable by Ohio Valley to related parties.

FRB notes represent the collection of tax payments from Bank customers under the Treasury Tax and Loan program. These funds have a variable interest rate and are callable on demand by the U.S. Treasury. The interest rate for the Company's FRB notes was 0.00% at September 30, 2009, unchanged from December 31, 2008. Various investment securities from the Bank used to collateralize the FRB notes totaled $4,690 at September 30, 2009 and $5,880 at December 31, 2008.

Letters of credit issued on the Bank's behalf by the FHLB to collateralize certain public unit deposits as required by law totaled $39,450 at September 30, 2009 and $45,850 at December 31, 2008.

Scheduled principal payments over the next five years:

	FHLB Borrowings	Promissory Notes	FRB Notes	Totals
Year Ended 2009	$5,001	$2,191	$151	$7,343
Year Ended 2010	26,005	1,937	----	27,942
Year Ended 2011	6,006	----	----	6,006
Year Ended 2012	6	----	----	6
Year Ended 2013	6	----	----	6
Thereafter	136	----	----	136
	$37,160	$4,128	$151	$41,439

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

(dollars in thousands, except share and per share data)

Forward Looking Statements

Except for the historical statements and discussions contained herein, statements contained in this report constitute "forward looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Act of 1934 and as defined in the Private Securities Litigation Reform Act of 1995. Such statements are often, but not always, identified by the use of such words as "believes," "anticipates," "expects," and similar expressions. Such statements involve various important assumptions, risks, uncertainties, and other factors, many of which are beyond our control, which could cause actual results to differ materially from those expressed in such forward looking statements. These factors include, but are not limited to, the risk factors discussed in Part I, Item 1A of Ohio Valley's Annual Report on Form 10-K for the fiscal year ended December 31, 2008 and Ohio Valley's other securities filings. Readers are cautioned not to place undue reliance on such forward looking statements, which speak only as of the date hereof. The Company undertakes no obligation and disclaims any intention to republish revised or updated forward looking statements as a result of unanticipated future events.

Financial Overview

The Company is primarily engaged in commercial and retail banking, offering a blend of commercial and consumer banking services within central and southeastern Ohio as well as western West Virginia. The banking services offered by the Bank include the acceptance of deposits in checking, savings, time and money market accounts; the making and servicing of personal, commercial, floor plan and student loans; and the making of construction and real estate loans. The Bank also offers individual retirement accounts, safe deposit boxes, wire transfers and other standard banking products and services. As part of its lending function, the Bank also offers credit card services. Loan Central engages in consumer finance, offering smaller balance personal and mortgage loans to individuals with higher credit risk history. Loan Central's line of business also includes seasonal tax refund loan services during the January through April periods. Ohio Valley Financial Services sells life insurance.

For the three months ended September 30, 2009, net income decreased by $185, or 9.8%, compared to the same quarterly period in 2008, to finish at $1,700. Earnings per share for the third quarter of 2009 decreased $.04, or 8.5%, compared to the same quarterly period in 2008, to finish at $.43 per share. For the nine months ended September 30, 2009, net income decreased by $434, or 7.8%, compared to the same period in 2008, to finish at $5,147. Earnings per share for the first nine months of 2009 finished at $1.29, a decrease of 6.5% from the same period in 2008. The percentage decrease in nominal dollar net income for both the quarterly and year-to-date periods ended September 30, 2009 exceeded the net income earnings per share percentage decrease due to the Company's stock repurchase program, with increases in treasury stock repurchases from a year ago lowering the weighted average number of common shares outstanding. The annualized net income to average asset ratio, or return on assets (ROA), and net income to average equity ratio, or return on equity (ROE), both decreased to 0.84% and 10.66% at September 30, 2009, as compared to 0.95% and 12.20%, respectively, at September 30, 2008.

The Company's decrease in earnings during both the three months and nine months ended September 30, 2009 as compared to the same periods in 2008 was primarily the result of increases in FDIC premiums that have been assessed on all FDIC insured institutions. With the increases in FDIC premiums, along with a special assessment that was charged by the FDIC in June 2009, the Company's FDIC insurance expense increased $201 and $1,148 during the third quarter and year-to-date period of 2009, respectively, as compared to the same periods in 2008. Partially offsetting the significant FDIC insurance expense increases was noninterest income improvement of 38.9% during the third quarter of 2009 and 28.8% during the year-to-date period ending September 30, 2009, as compared to the same

periods in 2008. The growth in noninterest income was largely due to life insurance proceeds collected in the third quarter of 2009 as well as increased transaction volume related to the Company's gain on sale of loans to the secondary market and seasonal tax clearing services performed during the first half of 2009.

The consolidated total assets of the Company increased $38,869, or 5.0%, during the first nine months of 2009 as compared to year-end 2008, to finish at $819,977. This change in assets was led by an increase in the Company's interest-bearing deposits in other financial institutions, which increased $12,223 from year-end 2008, largely from the deployment of interest- and non-interest bearing deposit liability growth. New purchases of U.S. Treasury and Government sponsored entity securities led the increase in the Company's investment securities, growing 16.9% from year-end 2008. The Company's loan portfolio also experienced an increase from year-end 2008, growing 2.9%, a relatively stable growth pace. This mild increase came primarily from the commercial loan portfolio, which includes commercial real estate and commercial and industrial loans. Historical low interest rates have created an increasing demand for consumers to refinance their existing mortgage loans. This has led to a significant increase in the volume of real estate loans sold to the secondary market, which has caused a corresponding decrease to the Company's residential real estate loan portfolio, which was down 5.3% from year-end 2008. Furthermore, the Company's residential real estate loan portfolio continues to be challenged by various economic trends that have had a negative impact on consumer spending. While the demand for loans was limited during the first nine months of 2009, the Company was able to benefit from growth in its total deposit liabilities of $61,310 from year-end 2008. Interest-bearing deposit liability growth was led by surges in the Company's wholesale deposits of $33,701, Market Watch balances of $16,671 and public fund NOW balances of $19,344, all up from year-end 2008. Partially offsetting growth in interest-bearing deposits were decreases in the Company's noninterest-bearing demand deposits, which were down $3,930 from year-end 2008. The total deposits retained from year-end 2008 were partially used to fund the repayments of other borrowed funds, which decreased $35,335 from year-end 2008. The excess liquidity created by the growth in total deposits will continue to be used as funding sources for potential earning asset growth during the remainder of 2009.

Comparison of Financial Condition at September 30, 2009 and December 31, 2008

The following discussion focuses, in more detail, on the consolidated financial condition of the Company at September 30, 2009 compared to December 31, 2008. The purpose of this discussion is to provide the reader a more thorough understanding of the consolidated financial statements. This discussion should be read in conjunction with the interim consolidated financial statements and the footnotes included in this Form 10-Q.

Cash and Cash Equivalents

The Company's cash and cash equivalents consist of cash and non-interest bearing balances due from banks and federal funds sold. The amounts of cash and cash equivalents fluctuate on a daily basis due to customer activity and liquidity needs. At September 30, 2009, cash and cash equivalents had decreased $7,593, or 42.9%, to $10,088 as compared to $17,681 at December 31, 2008. The decrease in cash and cash equivalents was largely affected by the Company's preference to utilize its interest-bearing Federal Reserve Bank clearing account to maintain its excess funds. The Federal Reserve Bank clearing account became interest-bearing during the fourth quarter of 2008. Further affecting the decrease in cash and cash equiva