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OHIO VALLEY BANC CORP  
Form 8-K  
July 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

July 11, 2002 (July 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 July 11, 2002, Ohio Valley Banc Corp issued a news release announcing its earnings for the second quarter and year-to-date periods ending June 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 July 11, 2002, announcing the company's earnings for the second quarter and year-to-date periods ending June 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: July 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 July 11, 2002, announcing the company's earnings for the second quarter and year-to-date periods ending June 30, 2002. |

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Exhibit 99

Ohio Valley Banc Corp Continues Earnings Growth

Gallipolis, Ohio, July 11, 2002

Ohio Valley Banc Corp reported consolidated net earnings for the quarter ended June 30, 2002, of \$1,353,000 representing an increase of 17.2% over the prior year. Earnings per share for the second quarter of 2002 were \$.39, up 18.2% from the \$.33 earned the second quarter of 2001. For the six months ended June 30, 2002, consolidated net earnings were \$2,605,000, up 15.2% compared to \$2,261,000 a year ago. Earnings per share were \$.75 for the first half of 2002 versus \$.65 last year, an increase of 15.4%.

The earnings performance improved over the prior year due to strong net interest income growth. For the six months ended June 30, 2002, net interest income improved \$2,115,000 or 19.3% over last year. The increase in net interest income was the result of a decline in total interest expense of \$2,009,000 or 16.2% versus relatively no change in total interest income due to strong loan growth. For the second quarter of 2002, net interest income increased \$911,000 or 15.7% over the prior year second 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 4.40% for the first half of 2002 from 4.23% the prior year.

Noninterest income totaled \$2,694,000 for the six months ended and \$1,414,000 for the three months ended June 30, 2002, as compared to \$2,477,000 and \$1,311,000 for the same time periods last year. Comparing year-to-date results noninterest income is up 8.8%. Income from bank owned life insurance and loan service fees provided a majority of the growth.

On a year-to-date basis, noninterest expense totaled \$10,183,000 in 2002, an increase of \$950,000 or 10.3% compared to \$9,233,000 the previous year. Salaries and employee benefits, the Company's largest noninterest expense grew \$365,000 or 7.4% for the first six 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 continuing rise in the cost of medical insurance. In the second quarter of 2002, noninterest expense totaled \$5,410,000, up \$556,000 or 11.5% compared to the same time period last year. Impacting the second quarter of 2002 was a one time charge off of \$464,000 related to fraudulent checks which impacted other noninterest expense. Management is actively seeking a recovery of the charge off. The Company's efficiency ratio continues to improve driven by revenue growth (net interest income plus noninterest income) of 17.4% versus total expense growth of 10.3%. The efficiency ratio was 63.4% for the first half of 2002, as compared to 67.2% the prior year. Excluding the fraudulent check expense, total expense growth would have been limited to 5.3% and the efficiency ratio would have been 60.5%.

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For the first six months of 2002, the Company's provision for loan losses increased \$881,000 over the same time period last year in relation to an increase in net charge-offs of \$672,000. During 2002, management has continued to drive down nonperforming loans to strengthen the Company's asset quality. At June 30, 2002, nonperforming loans as a percent of total loans was .97% compared to 1.24% at year end 2001. The allowance for loan losses was 1.24% of total loans at June 30, 2002, up from 1.23% at year end 2001. Even though nonperforming loans have declined, management has maintained the ratio of allowance to total loans based on a general decline in economic conditions and is comfortable that the allowance for loan losses is adequate to absorb future losses inherent in the loan portfolio.

Total assets increased \$30,222,000 or 4.8% from year end 2001 to reach \$665,221,000 at June 30, 2002. Driving asset growth was an increase in total loans of \$36,135,000 or 7.1% from year end. The Company experienced strong loan growth during the second quarter which contributed to 75% of the year-to-date loan growth with a majority of the growth occurring in commercial and installment loans. Funding came primarily from deposits which are up \$25,059,000 or 5.5% from December 31, 2001. Management was pleased that a significant portion of the deposit growth occurred in savings and NOW accounts to accompany time deposit growth.

The results for the first half of 2002 reflect many accomplishments towards the Company's strategic initiatives such as double digit earnings growth, improved operating efficiency and improved asset quality. Management is committed to enhancing shareholders' value and these successes are reflected in the return on equity which improved to 11.20% for the first six months of 2002 from 10.19% 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 two subsidiaries: Ohio Valley Bank, with 17 offices in Ohio and West Virginia, and Loan Central, with four consumer finance company offices in Ohio. Learn more about Ohio Valley Banc Corp at [www.ovbc.com](http://www.ovbc.com).

### OHIO VALLEY BANC CORP - Financial Highlights (Unaudited)

|  | Three months ended |           | Six months ended |           |
|--|--------------------|-----------|------------------|-----------|
|  | June 30,           |           | June 30,         |           |
|  | 2002               | 2001      | 2002             | 2001      |
|  | -----              | -----     | -----            | -----     |
| <b>PER SHARE DATA</b>                  |                    |           |                  |           |
| Earnings per share                     | \$0.39             | \$0.33    | \$0.75           | \$0.65    |
| Dividend per share                     | \$0.17             | \$0.16    | \$0.33           | \$0.31    |
| Book value per share                   | \$13.89            | \$13.12   | \$13.89          | \$13.12   |
| Dividend payout ratio                  | 43.51%             | 48.06%    | 43.83%           | 47.67%    |
| Weighted average shares<br>outstanding | 3,460,731          | 3,466,293 | 3,459,987        | 3,473,414 |
| <b>PERFORMANCE RATIOS</b>              |                    |           |                  |           |
| Return on average equity               | 11.53%             | 10.27%    | 11.20%           | 10.19%    |
| Return on average assets               | 0.83%              | 0.81%     | 0.81%            | 0.80%     |
| Net interest margin                    | 4.42%              | 4.39%     | 4.40%            | 4.23%     |
| Efficiency Ratio                       | 65.51%             | 66.97%    | 63.42%           | 67.24%    |
| Average Earning Assets<br>(in 000's)   | \$617,096          | \$538,297 | \$608,233        | \$532,103 |

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

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| (in \$000's)                         | Three months ended |        | Six months ended |        |
|--------------------------------------|--------------------|--------|------------------|--------|
|                                      | June 30,           |        | June 30,         |        |
|                                      | 2002               | 2001   | 2002             | 2001   |
|                                      | -----              | -----  | -----            | -----  |
| Interest income:                     |                    |        |                  |        |
| Interest and fees on loans           | \$10,940           | 10,727 | \$21,587         | 21,116 |
| Interest and dividends on securities | 947                | 1,140  | 1,909            | 2,274  |
| Total interest income                | 11,887             | 11,867 | 23,496           | 23,390 |
| Interest expense:                    |                    |        |                  |        |
| Deposits                             | 3,740              | 4,922  | 7,640            | 10,178 |
| Borrowings                           | 1,450              | 1,159  | 2,786            | 2,257  |
| Total interest expense               | 5,190              | 6,081  | 10,426           | 12,435 |
| Net interest income                  | 6,697              | 5,786  | 13,070           | 10,955 |
| Provision for loan losses            | 813                | 646    | 1,954            | 1,073  |
| Noninterest income:                  |                    |        |                  |        |
| Service charges on deposit accounts  | 801                | 774    | 1,495            | 1,472  |
| Trust fees                           | 60                 | 60     | 114              | 115    |
| Income from bank owned insurance     | 168                | 146    | 340              | 284    |
| Other                                | 385                | 331    | 745              | 606    |
| Total noninterest income             | 1,414              | 1,311  | 2,694            | 2,477  |
| Noninterest expense:                 |                    |        |                  |        |
| Salaries and employee benefits       | 2,700              | 2,591  | 5,319            | 4,954  |
| Occupancy expense                    | 324                | 310    | 635              | 626    |
| Furniture and equipment expense      | 271                | 266    | 534              | 539    |
| Data processing expense              | 145                | 115    | 291              | 222    |
| Other                                | 1,970              | 1,572  | 3,404            | 2,892  |
| Total noninterest expense            | 5,410              | 4,854  | 10,183           | 9,233  |
| Income before income taxes           | 1,888              | 1,597  | 3,627            | 3,126  |
| Income taxes                         | 535                | 443    | 1,022            | 865    |
| NET INCOME                           | \$1,353            | 1,154  | \$2,605          | 2,261  |

OHIO VALLEY BANC CORP - Consolidated Balance Sheets (Unaudited)

| (in 000's)   | June 30,  | December 31, |
|--|-----------|--------------|
|  | 2002      | 2001         |
|  | -----     | -----        |
| ASSETS   |           |              |
| Cash and noninterest-bearing deposits with banks   | \$16,444  | \$17,288     |
| Federal funds sold   | 6,325     | 9,000        |
| Total cash and cash equivalents  | 22,769    | 26,288       |
| Interest-bearing balances with banks   | 1,492     | 1,264        |
| Securities available-for-sale  | 57,859    | 61,559       |
| Securities held-to-maturity<br>(estimated fair value: 2002 - \$15,980 , 2001 - \$14,421) | 15,305    | 13,973       |
| Total loans  | 544,795   | 508,660      |
| Less: Allowance for loan losses  | (6,746)   | (6,251)      |
| Net loans  | 538,049   | 502,409      |
| Premises and equipment, net  | 8,281     | 8,702        |
| Accrued income receivable  | 3,434     | 3,420        |
| Intangible assets, net   | 1,201     | 1,267        |
| Bank owned life insurance  | 12,380    | 12,089       |
| Other assets   | 4,451     | 4,028        |
| Total assets   | \$665,221 | \$634,999    |
| LIABILITIES  |           |              |
| Noninterest-bearing deposits   | \$57,929  | \$56,735     |

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|  |           |           |
|--|-----------|-----------|
| Interest-bearing deposits  | 422,991   | 399,126   |
| Total deposits   | 480,920   | 455,861   |
| Securities sold under agreements to repurchase   | 26,121    | 29,274    |
| Other borrowed funds   | 88,788    | 90,856    |
| Obligated mandatorily redeemable capital securities of subsidiary trust  | 13,500    | 5,000     |
| Accrued liabilities  | 7,901     | 7,708     |
| Total liabilities  | 617,230   | 588,699   |
| SHAREHOLDERS' EQUITY   |           |           |
| Common stock (\$1.00 stated value, 10,000,000 shares authorized; 2002 - 3,592,964 shares issued, 2001 - 3,579,250 shares issued) | 3,593     | 3,579     |
| Additional paid-in capital   | 29,524    | 29,207    |
| Retained Earnings  | 17,442    | 15,979    |
| Accumulated other comprehensive income   | 1,101     | 1,043     |
| Treasury stock at cost (2002 - 136,715 shares, 2001 - 129,990 shares)  | (3,669)   | (3,508)   |
| Total shareholders' equity   | 47,991    | 46,300    |
| Total liabilities and shareholders' equity   | \$665,221 | \$634,999 |

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