OHIO VALLEY BANC CORP
Form 10-Q
May 11, 2015

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 March 31, 2015

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 registrant 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 mark 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 x 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):

Large accelerated filer	o	Accelerated filer	x
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 May 11, 2015 was 4,117,675.

OHIO VALLEY BANC CORP.
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PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

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

	March 31, 2015 UNAUDITED	December 31, 2014
ASSETS		
Cash and noninterest-bearing deposits with banks	$ 11,498	$ 9,315
Interest-bearing deposits with banks	104,318	21,662
Total cash and cash equivalents	115,816	30,977
Certificates of deposit in financial institutions	980	980
Securities available for sale	89,974	85,236
Securities held to maturity (estimated fair value: 2015 - $23,590; 2014 - $23,570)	22,729	22,820
Federal Home Loan Bank and Federal Reserve Bank stock	6,576	6,576
Total loans	594,517	594,768
Less: Allowance for loan losses	(8,320)	(8,334)
Net loans	586,197	586,434
Premises and equipment, net	9,318	9,195
Other real estate owned	1,501	1,525
Accrued interest receivable	1,897	1,806
Goodwill	1,267	1,267
Bank owned life insurance and annuity assets	25,788	25,612
Other assets	5,942	6,240
Total assets	$ 867,985	$ 778,668
LIABILITIES		
Noninterest-bearing deposits	$ 221,974	$ 161,794
Interest-bearing deposits	502,434	485,036
Total deposits	724,408	646,830
Other borrowed funds	24,648	24,972
Subordinated debentures	8,500	8,500
Accrued liabilities	21,153	12,150
Total liabilities	778,709	692,452
COMMITMENTS AND CONTINGENT LIABILITIES (See Note 5)	----	----
SHAREHOLDERS' EQUITY		
Common stock ($1.00 stated value per share, 10,000,000 shares	4,777	4,777

authorized; 4,777,414 shares issued)		
Additional paid-in capital	35,318	35,318
Retained earnings	63,632	60,873
Accumulated other comprehensive income	1,261	960
Treasury stock, at cost (659,739 shares)	(15,712)	(15,712)
Total shareholders' equity	89,276	86,216
Total liabilities and shareholders' equity	$ 867,985	$778,668

See accompanying notes to consolidated financial statements

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

	Three months ended March 31,	
	2015	2014
Interest and dividend income:		
Loans, including fees	$8,899	$8,814
Securities:		
Taxable	449	406
Tax exempt	139	136
Dividends	74	86
Other Interest	66	66
	9,627	9,508
Interest expense:		
Deposits	535	573
Other borrowed funds	121	112
Subordinated debentures	41	41
	697	726
Net interest income	8,930	8,782
Provision for loan losses	(78)	494
Net interest income after provision for loan losses	9,008	8,288
Noninterest income:		
Service charges on deposit accounts	353	391
Trust fees	58	55
Income from bank owned life insurance and annuity assets	176	159
Mortgage banking income	59	58
Electronic refund check / deposit fees	2,095	2,648
Debit / credit card interchange income	538	504
Gain (loss) on other real estate owned	15	(12)
Gain on sale of ProAlliance Corporation	----	135
Other	195	180
	3,489	4,118
Noninterest expense:		
Salaries and employee benefits	4,400	4,377
Occupancy	402	398
Furniture and equipment	178	180
FDIC insurance	166	127
Data processing	368	321
Foreclosed assets	35	61
Other	1,878	1,831
	7,427	7,295
Income before income taxes	5,070	5,111
Provision for income taxes	1,446	1,547

NET INCOME	$3,624	$3,564
Earnings per share	$.88	$.87

See accompanying notes to consolidated financial statements

OHIO VALLEY BANC CORP.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)
(dollars in thousands)

	Three months ended March 31,	
	2015	2014
Net Income	$3,624	$3,564
Other comprehensive income:		
Change in unrealized gain on available for sale securities	455	446
Related tax (expense) benefit	(154)	(151)
Total other comprehensive income, net of tax	301	295
Total comprehensive income	$3,925	$3,859

See accompanying notes to consolidated financial statements

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 March 31, 2015	Three months ended March 31, 2014
Balance at beginning of period	$86,216	$80,419
Net income	3,624	3,564
Other comprehensive income, net of tax	301	295
Cash dividends	(865)	(861)
Balance at end of period	$89,276	$83,417
Cash dividends per share	$.21	$.21

See accompanying notes to consolidated financial statements

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

	Three months ended March 31, 2015	2014
Net cash provided by operating activities:	$12,738	$5,705
Investing activities:		
Proceeds from maturities of securities available for sale	3,619	3,497
Purchases of securities available for sale	(8,019)	(8,040)
Proceeds from maturities of securities held to maturity	360	355
Purchases of securities held to maturity	(285)	(165)
Redemptions of Federal Home Loan Bank stock	----	1,200
Net change in loans	94	(8,337)
Proceeds from sale of other real estate owned	260	62
Purchases of premises and equipment	(317)	(652)
Net cash provided by (used in) investing activities	(4,288)	(12,080)
Financing activities:		
Change in deposits	77,578	73,083
Cash dividends	(865)	(861)
Proceeds from Federal Home Loan Bank borrowings	----	1,653
Repayment of Federal Home Loan Bank borrowings	(324)	(240)
Net cash provided by financing activities	76,389	73,635
Change in cash and cash equivalents	84,839	67,260
Cash and cash equivalents at beginning of period	30,977	28,344
Cash and cash equivalents at end of period	$115,816	$95,604
Supplemental disclosure:		
Cash paid for interest	$665	$768
Transfers from loans to other real estate owned	221	142
Other real estate owned sales financed by the Bank	----	40

See accompanying notes to consolidated financial statements

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, Ohio Valley Financial Services Agency, LLC ("Ohio Valley Financial Services"), an insurance agency, and OVBC Captive, Inc. ("the Captive"), a limited purpose property and casualty insurance company. Ohio Valley and its subsidiaries are collectively referred to as the "Company". All material intercompany accounts and transactions have been eliminated in consolidation.

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 March 31, 2015, and its results of operations and cash flows for the periods presented. The results of operations for the three months ended March 31, 2015 are not necessarily indicative of the operating results to be anticipated for the full fiscal year ending December 31, 2015. 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 that might otherwise be necessary in the circumstances. The Annual Report of the Company for the year ended December 31, 2014 contains consolidated financial statements and related notes which should be read in conjunction with the accompanying consolidated financial statements.

As previously reported, the Internal Revenue Service proposed that Loan Central, as a tax return preparer, be assessed a penalty for allegedly negotiating or endorsing checks issued by the U.S. Treasury to taxpayers. The penalty would amount to approximately $1.2 million. Loan Central appealed this matter within the Internal Revenue Service. Loan Central was notified that the Appeals Office would not concede the penalty, and the penalty had been assessed. The Company will have to resolve the matter through the judicial system. Based on consultation with legal counsel, management remains confident that it is highly unlikely that the penalty recommendation will be sustained. Therefore, the Company did not recognize any interest and/or penalties related to this matter for the periods presented.

The consolidated financial statements for 2014 have been reclassified to conform to the presentation for 2015. These reclassifications had no effect on the net results of operations or shareholders' equity.

USE OF ESTIMATES IN THE PREPARATION OF FINANCIAL STATEMENTS: To prepare financial statements in conformity with accounting principles generally accepted in the United States of America, management makes estimates and assumptions based on available information. These estimates and assumptions affect the amounts reported in the financial statements and the disclosures provided, and actual results could differ.

INDUSTRY SEGMENT INFORMATION: Internal financial information is primarily reported and aggregated in two lines of business, banking and consumer finance.

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 4,117,675 for the three months ended March 31, 2015 and 4,098,753 for the three months ended March 31, 2014. Ohio Valley had no dilutive effect and no potential common shares issuable under stock options or other agreements for any period presented.

NEW ACCOUNTING PRONOUNCEMENTS: In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09, Revenue from Contracts with Customers (Topic 606). The new topic, Topic 606, provides guidance on revenue recognition for entities that enter into contracts with customers to transfer goods or services or enter into contracts for the transfer of nonfinancial assets. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Additional disclosures are required to provide quantitative and qualitative information regarding the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. Initially, the new guidance was effective for annual reporting periods, and interim reporting periods within those annual periods, beginning after December 15, 2016. However, in April 2015, the FASB voted to defer the effective date of ASU 2014-09 by one year making the amendments effective for public entities for annual reporting periods beginning after December 15, 2017, including interim periods within those reporting periods. Companies have the option to apply ASU 2014-09 as of the original effective date. Management is currently evaluating the impact of the adoption of this guidance on the Company's financial statements.

NOTE 2 – FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the exchange price that would be received for an asset or paid to transfer a liability (exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. There are three levels of inputs that may be used to measure fair values:

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, or 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: The fair values for securities are determined by quoted market prices, if available (Level 1). For securities where quoted prices are not available, fair values are calculated based on market prices of similar securities (Level 2). For securities where quoted prices or market prices of similar securities are not available, fair values are calculated using discounted cash flows or other market indicators (Level 3). During times when trading is more liquid, broker quotes are used (if available) to validate the model. Rating agency and industry research reports as well as defaults and deferrals on individual securities are reviewed and incorporated into the calculations.

Impaired Loans: At the time a loan is considered impaired, it is valued at the lower of cost or fair value. Impaired loans carried at fair value generally receive specific allocations of the allowance for loan losses. For collateral dependent loans, fair value is commonly based on recent real estate appraisals. These appraisals may utilize a single valuation approach or a combination of approaches including comparable sales and the income approach. Adjustments are routinely made in the appraisal process by the independent appraisers to adjust for differences between the comparable sales and income data available. Such adjustments are usually significant and typically result in a Level 3 classification of the inputs for determining fair value. Non-real estate collateral may be valued using an appraisal, net book value per the borrower's financial statements, or aging reports, adjusted or discounted based on management's historical knowledge, changes in market conditions from the time of the valuation, and management's expertise and knowledge of the client and client's business, resulting in a Level 3 fair value classification. Impaired loans are evaluated on a quarterly basis for additional impairment and adjusted accordingly.

Other Real Estate Owned: Assets acquired through or instead of loan foreclosure are initially recorded at fair value less costs to sell when acquired, establishing a new cost basis. These assets are subsequently accounted for at lower of cost or fair value less estimated costs to sell. Fair value is commonly based on recent real estate appraisals. These appraisals may utilize a single valuation approach or a combination of approaches including comparable sales and the income approach. Adjustments are routinely made in the appraisal process by the independent appraisers to adjust for differences between the comparable sales and income data available. Such adjustments are usually significant and typically result in a Level 3 classification of the inputs for determining fair value.

Appraisals for both collateral-dependent impaired loans and other real estate owned are performed by certified general appraisers (for commercial properties) or certified residential appraisers (for residential properties) whose qualifications and licenses have been reviewed and verified by the Company. Once received, a member of management reviews the assumptions and approaches utilized in the appraisal as well as the overall resulting fair value in comparison with management's own assumptions of fair value based on factors that include recent market data or industry-wide statistics. On an as-needed basis, the Company reviews the fair value of collateral, taking into consideration current market data, as well as all selling costs that typically approximate 10%.

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 March 31, 2015 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	----	$ 8,998	----
Agency mortgage-backed securities, residential	----	80,976	----

	Fair Value Measurements at December 31, 2014, 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	----	$ 8,917	----
Agency mortgage-backed securities, residential	----	76,319	----

There were no transfers between Level 1 and Level 2 during 2015 or 2014.

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 March 31, 2015, Using		
	Quoted Prices in Active	Significant Other Observable	Significant Unobservable Inputs

	Markets for Identical Assets (Level 1)	Inputs (Level 2)	(Level 3)
Assets:			
Impaired loans:			
Commercial real estate:			
Owner-occupied	----	----	$ 949
Nonowner-occupied	----	----	5,199
Commercial and industrial	----	----	3,095
Other real estate owned:			
Commercial real estate:			
Construction	----	----	1,147

	Fair Value Measurements at December 31, 2014, 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:			
Commercial real estate:			
Owner-occupied	----	----	$ 1,679
Owner-occupied	----	----	5,270
Commercial and industrial	----	----	2,532
Other real estate owned:			
Commercial real estate:			
Construction	----	----	1,147

At March 31, 2015, the recorded investment of impaired loans measured for impairment using the fair value of collateral for collateral-dependent loans totaled $12,685, with a corresponding valuation allowance of $3,442, resulting in an increase of $150 in provision expense during the three months ended March 31, 2015, with no additional charge-offs recognized. This is compared to a decrease of $173 in provision expense during the three months ended March 31, 2014, with $157 in charge-offs recognized. At December 31, 2014, the recorded investment of impaired loans measured for impairment using the fair value of collateral for collateral-dependent loans totaled $12,773, with a corresponding valuation allowance of $3,292.

Other real estate owned that was measured at fair value less costs to sell at March 31, 2015 and December 31, 2014 had a net carrying amount of $1,147, which is made up of the outstanding balance of $2,217, net of a valuation allowance of $1,070 at December 31, 2014. There were no corresponding write downs during the three months ended March 31, 2015 and 2014. There was $88 in net appreciation during 2014.

The following table presents quantitative information about Level 3 fair value measurements for financial instruments measured at fair value on a non-recurring basis at March 31, 2015 and December 31, 2014:

March 31, 2015	Fair Value	Valuation Technique(s)	Unobservable Input(s)	Range	(Weighted Average)
Impaired loans:					
Commercial real estate:					
Owner-occupied	$949	Sales approach	Adjustment to comparables	1.5% to 62%	24%
Nonowner-occupied	2,526	Income approach	Capitalization Rate	6.5%	6.5%
Nonowner-occupied	2,673	Sales approach	Adjustment to comparables	0% to 12.5%	5.7%
Commercial and industrial	3,095	Sales approach	Adjustment to comparables	10% to 30%	18%

Other real estate owned:					
Commercial real estate:					
Construction	1,147	Sales approach	Adjustment to comparables	5% to 35%	18%

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December 31, 2014	Fair Value	Valuation Technique(s)	Unobservable Input(s)	Range	(Weighted Average)
Impaired loans:					
Commercial real estate:					
Owner-occupied	$1,679	Sales approach	Adjustment to comparables	0.3% to 62%	18%
		Income approach	Capitalization Rate	10%	10%
Nonowner-occupied	2,597	Income approach	Capitalization Rate	6.5%	6.5%
Nonowner-occupied	2,673	Sales approach	Adjustment to comparables	0% to 12.5%	5.7%
Commercial and industrial	2,532	Sales approach	Adjustment to comparables	10% to 30%	21.42%
Other real estate owned:					
Commercial real estate:					
Construction	1,147	Sales approach	Adjustment to comparables	5% to 35%	18%

The carrying amounts and estimated fair values of financial instruments at March 31, 2015 and December 31, 2014 are as follows:

		Fair Value Measurements at March 31, 2015 Using:			
	Carrying Value	Level 1	Level 2	Level 3	Total
Financial Assets:					
Cash and cash equivalents	$115,816	$115,816	$----	$----	$115,816
Certificates of deposit in financial institutions	980	----	980	----	980
Securities available for sale	89,974	----	89,974	----	89,974
Securities held to maturity	22,729	----	12,491	11,099	23,590
Federal Home Loan Bank and Federal Reserve Bank stock	6,576	N/A	N/A	N/A	N/A
Loans, net	586,197	----	----	592,466	592,466
Accrued interest receivable	1,897	----	373	1,524	1,897
Financial liabilities:					
Deposits	724,408	221,942	502,962	----	724,904
Other borrowed funds	24,648	----	24,425	----	24,425
Subordinated debentures	8,500	----	5,035	----	5,035
Accrued interest payable	426	4	422	----	426

		Fair Value Measurements at December 31, 2014 Using:			
	Carrying Value	Level 1	Level 2	Level 3	Total
Financial Assets:					
Cash and cash equivalents	$30,977	$30,977	$----	$----	$30,977
Certificates of deposit					

in financial institutions	980	----	980	----	980
Securities available for sale	85,236	----	85,236	----	85,236
Securities held to maturity	22,820	----	12,144	11,426	23,570
Federal Home Loan Bank and					
Federal Reserve Bank stock	6,576	N/A	N/A	N/A	N/A
Loans, net	586,434	----	----	591,594	591,594
Accrued interest receivable	1,806	----	230	1,576	1,806
Financial liabilities:					
Deposits	646,830	161,784	485,503	----	647,287
Other borrowed funds	24,972	----	24,555	----	24,555
Subordinated debentures	8,500	----	4,979	----	4,979
Accrued interest payable	394	4	390	----	394

The methods and assumptions, not previously presented, used to estimate fair values are described as follows:

Cash and Cash Equivalents: The carrying amounts of cash and short-term instruments approximate fair values and are classified as Level 1.

Certificates of Deposit in Financial Institutions: The carrying amounts of certificates of deposit in financial institutions approximate fair values and are classified as Level 2.

Securities Held to Maturity: The fair values for securities held to maturity are determined in the same manner as securities held for sale and discussed earlier in this note. Level 3 securities consist of nonrated municipal bonds and tax credit ("QZAB") bonds.

Federal Home Loan Bank and Federal Reserve Bank stock: It is not practical to determine the fair value of both Federal Home Loan Bank and Federal Reserve Bank stock due to restrictions placed on its transferability.

Loans: Fair values of loans are estimated as follows: The fair value of fixed rate loans is estimated by discounting future cash flows using interest rates currently being offered for loans with similar terms to borrowers of similar credit quality resulting in a Level 3 classification. For variable rate loans that reprice frequently and with no significant change in credit risk, fair values are based on carrying values resulting in a Level 3 classification. Impaired loans are valued at the lower of cost or fair value as described previously. The methods utilized to estimate the fair value of loans do not necessarily represent an exit price.

Deposit Liabilities: The fair values disclosed for noninterest-bearing deposits are, by definition, equal to the amount payable on demand at the reporting date (i.e., their carrying amount), resulting in a Level 1 classification. The carrying amounts of variable-rate, fixed-term money market accounts and certificates of deposit approximate their fair values at the reporting date resulting in a Level 2 classification. Fair values for fixed-rate certificates of deposit are estimated using a discounted cash flows calculation that applies interest rates currently being offered on certificates to a schedule of aggregated expected monthly maturities on time deposits, resulting in a Level 2 classification.

Other Borrowed Funds: The carrying values of the Company's short-term borrowings, generally maturing within ninety days, approximate their fair values, resulting in a Level 2 classification. The fair values of the Company's long-term borrowings are estimated using discounted cash flow analyses based on the current borrowing rates for similar types of borrowing arrangements, resulting in a Level 2 classification.

Subordinated Debentures: The fair values of the Company's Subordinated Debentures are estimated using discounted cash flow analyses based on the current borrowing rates for similar types of borrowing arrangements, resulting in a Level 2 classification.

Accrued Interest Receivable and Payable: The carrying amount of accrued interest approximates fair value, resulting in a classification that is consistent with the earning assets and interest-bearing liabilities with which it is associated.

Off-balance Sheet Instruments: Fair values for off-balance sheet, credit-related financial instruments are based on fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements and the counterparties' credit standing. The fair value of commitments is not material.

Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instrument. These estimates do not reflect any premium or discount that could result from offering for sale at one time the Company's entire holdings of a particular financial instrument. Because no market exists for a significant portion of the Company's financial instruments, fair value estimates are based on judgments regarding

future expected loss experience, current economic conditions, risk characteristics of various financial instruments and other factors. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

NOTE 3 – SECURITIES

The following table summarizes the amortized cost and estimated fair value of the available for sale and held to maturity securities portfolios at March 31, 2015 and December 31, 2014 and the corresponding amounts of gross unrealized gains and losses recognized in accumulated other comprehensive income for available for sale securities and gross unrecognized gains and losses for held to maturity securities:

Securities Available for Sale	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
March 31, 2015				
U.S. Government sponsored entity securities	$9,017	$34	$(23)	$8,998
Agency mortgage-backed securities, residential	79,047	1,975	(45)	80,976
Total securities	$88,064	$1,978	$(68)	$89,974
December 31, 2014				
U.S. Government sponsored entity securities	$9,019	$2	$(104)	$8,917
Agency mortgage-backed securities, residential	74,761	1,693	(136)	76,319
Total securities	$83,781	$1,695	$(240)	$85,236

Securities Held to Maturity	Amortized Cost	Gross Unrecognized Gains	Gross Unrecognized Losses	Estimated Fair Value
March 31, 2015				
Obligations of states and political subdivisions	$22,721	$ 1,008	$ (147)	$23,582
Agency mortgage-backed securities, residential	8	----	----	8
Total securities	$22,729	$ 1,008	$ (147)	$23,590
December 31, 2014				
Obligations of states and political subdivisions	$22,811	$ 939	$ (189)	$23,561
Agency mortgage-backed securities, residential	9	----	----	9
Total securities	$22,820	$ 939	$ (189)	$23,570

The amortized cost and estimated fair value of the securities portfolio at March 31, 2015, by contractual maturity, are shown below. Actual maturities may differ from contractual maturities because certain issuers may have the right to call or prepay the debt obligations prior to their contractual maturities. Securities not due at a single maturity are shown separately.

	Available for Sale		Held to Maturity	
Debt Securities:	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
Due in one year or less	$1,003	$1,006	$1,220	$1,223
Due in over one to five years	8,014	7,992	6,730	7,116
Due in over five to ten years	----	----	11,569	12,122
Due after ten years	----	----	3,202	3,121
Agency mortgage-backed securities, residential	79,047	80,976	8	8

Total debt securities	$88,064	$89,974	$22,729	$23,590

The following table summarizes the investment securities with unrealized losses at March 31, 2015 and December 31, 2014 by aggregated major security type and length of time in a continuous unrealized loss position:

	Less Than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
Securities Available for Sale						
U.S. Government sponsored						
entity securities	$ ----	$ ----	$ 7,991	$ (23)	$ 7,991	$ (23)
Agency mortgage-backed						
securities, residential	----	----	4,062	(45)	4,062	(45)
Total available for sale	$ ----	$ ----	$ 12,053	$ (68)	$ 12,053	$ (68)

	Less Than 12 Months		12 Months or More		Total	
	Fair Value	Unrecognized Loss	Fair Value	Unrecognized Loss	Fair Value	Unrecognized Loss
Securities Held to Maturity						
Obligations of states and						
political subdivisions	$----	$ ----	$1,509	$ (147)	$1,509	$ (147)
Total held to maturity	$----	$ ----	$1,509	$ (147)	$1,509	$ (147)

December 31, 2014	Less Than 12 Months Fair Value	Unrealized Loss	12 Months or More Fair Value	Unrealized Loss	Total Fair Value	Unrealized Loss
Securities Available for Sale						
U.S. Government sponsored						
entity securities	$----	$----	$7,911	$(104)	$7,911	$ (104)
Agency mortgage-backed						
securities, residential	11,232	(20)	8,397	(116)	19,629	(136)
Total available for sale	$11,232	$(20)	$16,308	$(220)	$27,540	$ (240)

	Less Than 12 Months		12 Months or More		Total	
	Fair Value	Unrecognized Loss	Fair Value	Unrecognized Loss	Fair Value	Unrecognized Loss
Securities Held to Maturity						
Obligations of states and						
political subdivisions	$1,171	$ (9)	$2,916	$ (180)	$4,087	$ (189)
Total held to maturity	$1,171	$ (9)	$2,919	$ (180)	$4,087	$ (189)

Unrealized losses on the Company's debt securities have not been recognized into income because the issuers' securities are of high credit quality at March 31, 2015, and management does not intend to sell and it is likely that management will not be required to sell the securities prior to their anticipated recovery. Management does not believe any individual unrealized loss at March 31, 2015 and December 31, 2014 represents an other-than-temporary impairment.

NOTE 4 – LOANS AND ALLOWANCE FOR LOAN LOSSES

Loans are comprised of the following:	March 31, 2015	December 31, 2014
Residential real estate	$221,310	$223,628
Commercial real estate:		
Owner-occupied	79,047	78,848
Nonowner-occupied	72,159	71,229
Construction	25,987	27,535
Commercial and industrial	89,447	83,998

Consumer:		
Automobile	43,022	42,849
Home equity	19,198	18,291
Other	44,347	48,390
	594,517	594,768
Less: Allowance for loan losses	8,320	8,334
Loans, net	$586,197	$586,434

The following table presents the activity in the allowance for loan losses by portfolio segment for the three months ended March 31, 2015 and 2014:

March 31, 2015	Residential Real Estate	Commercial Real Estate	Commercial and Industrial	Consumer	Total
Allowance for loan losses:					
Beginning balance	$1,426	$4,195	$1,602	$1,111	$8,334
Provision for loan losses	31	6	14	(129)	(78)
Loans charged off	(97)	(8)	(2)	(261)	(368)
Recoveries	105	17	124	186	432
Total ending allowance balance	$1,465	$4,210	$1,738	$907	$8,320

March 31, 2014	Residential Real Estate	Commercial Real Estate	Commercial and Industrial	Consumer	Total
Allowance for loan losses:					
Beginning balance	$1,169	$2,914	$1,279	$793	$6,155
Provision for loan losses	309	57	(19)	147	494
Loans charged off	(54)	(157)	----	(255)	(466)
Recoveries	13	31	71	164	279
Total ending allowance balance	$1,437	$2,845	$1,331	$849	$6,462

The following table presents the balance in the allowance for loan losses and the recorded investment of loans by portfolio segment and based on impairment method as of March 31, 2015 and December 31, 2014:

March 31, 2015	Residential Real Estate	Commercial Real Estate	Commercial and Industrial	Consumer	Total
Allowance for loan losses:					
Ending allowance balance attributable to loans:					
Individually evaluated for impairment	$----	$2,533	$1,021	$4	$3,558
Collectively evaluated for impairment	1,465	1,677	717	903	4,762
Total ending allowance balance	$1,465	$4,210	$1,738	$907	$8,320
Loans:					
Loans individually evaluated for impairment	$1,411	$11,590	$7,358	$219	$20,578
Loans collectively evaluated for impairment	219,899	165,603	82,089	106,348	573,939
Total ending loans balance	$221,310	$177,193	$89,447	$106,567	$594,517

December 31, 2014	Residential Real Estate	Commercial Real Estate	Commercial and Industrial	Consumer	Total
Allowance for loan losses:					
Ending allowance balance attributable to loans:					
Individually evaluated for impairment	$----	$2,506	$900	$6	$3,412
Collectively evaluated for impairment	1,426	1,689	702	1,105	4,922
Total ending allowance balance	$1,426	$4,195	$1,602	$1,111	$8,334
Loans:					
Loans individually evaluated for impairment	$1,415	$11,711	$6,824	$219	$20,169
Loans collectively evaluated for impairment	222,213	165,901	77,174	109,311	574,599
Total ending loans balance	$223,628	$177,612	$83,998	$109,530	$594,768

The following tables present information related to loans individually evaluated for impairment by class of loans as of March 31, 2015 and December 31, 2014:

March 31, 2015	Unpaid Principal Balance	Recorded Investment	Allowance for Loan Losses Allocated
With an allowance recorded:			
Commercial real estate:			
Owner-occupied	$478	$478	$445
Nonowner-occupied	7,580	7,580	2,088
Commercial and industrial	3,045	3,045	1,021
Consumer:			
Home equity	219	219	4
With no related allowance recorded:			
Residential real estate	1,411	1,411	----
Commercial real estate:			
Owner-occupied	3,099	2,552	----
Nonowner-occupied	1,294	300	----
Construction	680	680	----
Commercial and industrial	4,435	4,313	----
Total	$22,241	$20,578	$3,558

December 31, 2014	Unpaid Principal Balance	Recorded Investment	Allowance for Loan Losses Allocated
With an allowance recorded:			
Commercial real estate:			
Owner-occupied	$1,177	$1,177	$414
Nonowner-occupied	7,656	7,656	2,092
Commercial and industrial	2,356	2,356	900
Consumer:			
Home equity	219	219	6
With no related allowance recorded:			
Residential real estate	1,415	1,415	----
Commercial real estate:			
Owner-occupied	3,125	2,578	----
Nonowner-occupied	1,298	300	----
Commercial and industrial	4,703	4,468	----
Total	$21,949	$20,169	$3,412

The following tables present information related to loans individually evaluated for impairment by class of loans for the three months ended March 31, 2015 and 2014:

	Three months ended March 31, 2015		
	Average Impaired Loans	Interest Income Recognized	Cash Basis Interest Recognized
With an allowance recorded:			
Commercial real estate:			
Owner-occupied	$ 827	$ ----	$ ----
Nonowner-occupied	7,618	16	16
Commercial and industrial	2,701	25	25
Consumer:			
Home equity	219	3	3
With no related allowance recorded:			
Residential real estate	1,412	9	9
Commercial real estate:			
Owner-occupied	2,566	30	30
Nonowner-occupied	300	12	12
Construction	340	----	----
Commercial and industrial	4,390	55	55
Total	$ 20,373	$ 150	$ 150

	Three months ended March 31, 2014		
	Average Impaired Loans	Interest Income Recognized	Cash Basis Interest Recognized
With an allowance recorded:			
Residential real estate	$ 906	$ 9	$ 9

Commercial real estate:			
Nonowner-occupied	3,344	34	34
Commercial and industrial	892	10	10
Consumer:			
Home equity	218	2	2
With no related allowance recorded:			
Residential real estate	527	7	7
Commercial real estate:			
Owner-occupied	1,203	9	9
Nonowner-occupied	5,717	75	75
Commercial and industrial	1,734	20	20
Total	$ 14,541	$ 166	$ 166

The recorded investment of a loan is its carrying value excluding accrued interest and deferred loan fees.

Nonaccrual loans and loans past due 90 days or more and still accruing include both smaller balance homogenous loans that are collectively evaluated for impairment and individually classified as impaired loans.

The following table presents the recorded investment of nonaccrual loans and loans past due 90 days or more and still accruing by class of loans as of March 31, 2015 and December 31, 2014:

March 31, 2015	Loans Past Due 90 Days And Still Accruing	Nonaccrual
Residential real estate	$34	$3,594
Commercial real estate:		
Owner-occupied	----	781
Nonowner-occupied	----	3,988
Construction	----	769
Commercial and industrial	----	91
Consumer:		
Automobile	38	11
Home equity	----	149
Other	----	69
Total	$72	$9,452

December 31, 2014	Loans Past Due 90 Days And Still Accruing	Nonaccrual
Residential real estate	$----	$3,768
Commercial real estate:		
Owner-occupied	----	1,484
Nonowner-occupied	----	4,013
Commercial and industrial	----	95
Consumer:		
Automobile	15	18
Home equity	----	103
Other	58	68
Total	$73	$9,549

The following table presents the aging of the recorded investment of past due loans by class of loans as of March 31, 2015 and December 31, 2014:

March 31, 2015	30-59	60-89	90 Days	Total	Loans Not

	Days Past Due	Days Past Due	Or More Past Due	Past Due	Past Due	Total
Residential real estate	$1,997	$493	$3,406	$5,896	$215,414	$221,310
Commercial real estate:						
Owner-occupied	227	----	781	1,008	78,039	79,047
Nonowner-occupied	323	----	3,988	4,311	67,848	72,159
Construction	----	69	769	838	25,149	25,987
Commercial and industrial	256	----	21	277	89,170	89,447
Consumer:						
Automobile	516	162	49	727	42,295	43,022
Home equity	26	----	149	175	19,023	19,198
Other	452	79	69	600	43,747	44,347
Total	$3,797	$803	$9,232	$13,832	$580,685	$594,517

December 31, 2014	30-59 Days Past Due	60-89 Days Past Due	90 Days Or More Past Due	Total Past Due	Loans Not Past Due	Total
Residential real estate	$3,337	$612	$3,489	$7,438	$216,190	$223,628
Commercial real estate:						
Owner-occupied	74	62	1,422	1,558	77,290	78,848
Nonowner-occupied	----	----	----	----	71,229	71,229
Construction	932	----	----	932	26,603	27,535
Commercial and industrial	----	10	24	34	83,964	83,998
Consumer:						
Automobile	616	149	33	798	42,051	42,849
Home equity	----	----	103	103	18,188	18,291
Other	655	20	126	801	47,589	48,390
Total	$5,614	$853	$5,197	$11,664	$583,104	$594,768

Troubled Debt Restructurings:

A troubled debt restructuring ("TDR") occurs when the Company has agreed to a loan modification in the form of a concession for a borrower who is experiencing financial difficulty. All TDR's are considered to be impaired. The modification of the terms of such loans included one or a combination of the following: a reduction of the stated interest rate of the loan; an extension of the maturity date at a stated rate of interest lower than the current market rate for new debt with similar risk; a reduction in the contractual principal and interest payments of the loan; or short-term interest-only payment terms.

The Company has allocated reserves for a portion of its TDR's to reflect the fair values of the underlying collateral or the present value of the concessionary terms granted to the customer.

The following table presents the types of TDR loan modifications by class of loans as of March 31, 2015 and December 31, 2014:

	TDR's Performing to Modified Terms	TDR's Not Performing to Modified Terms	Total TDR's
March 31, 2015			
Residential real estate			
Interest only payments	$516	$----	$516
Commercial real estate:			
Owner-occupied			
Interest only payments	457	----	457
Rate reduction	----	240	240
Reduction of principal and interest payments	621	----	621
Maturity extension at lower stated rate than market rate	1,030	----	1,030
Credit extension at lower stated rate than market rate	204	----	204
Nonowner-occupied			

Interest only payments	3,487	3,988	7,475
Rate reduction	405	----	405
Commercial and industrial			
Interest only payments	6,963	----	6,963
Credit extension at lower stated rate than market rate	395	----	395
Consumer:			
Home equity			
Maturity extension at lower stated rate than market rate	219	----	219
Total TDR's	$14,297	$4,228	$18,525

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	TDR's Performing to Modified Terms	TDR's Not Performing to Modified Terms	Total TDR's
December 31, 2014			
Residential real estate			
Interest only payments	$520	$----	$520
Commercial real estate:			
Owner-occupied			
Interest only payments	457	----	457
Rate reduction	----	244	244
Reduction of principal and interest payments	627	----	627
Maturity extension at lower stated rate than market rate	1,046	----	1,046
Credit extension at lower stated rate than market rate	204	----	204
Nonowner-occupied			
Interest only payments	3,535	4,013	7,548
Rate reduction	408	----	408
Commercial and industrial			
Interest only payments	6,429	----	6,429
Credit extension at lower stated rate than market rate	395	----	395
Consumer:			
Home equity			
Maturity extension at lower stated rate than market rate	219	----	219
Total TDR's	$13,840	$4,257	$18,097

During the three months ended March 31, 2015, the TDR's described above increased the provision expense and the allowance for loan losses by $115 with no corresponding charge-offs. This is compared to a $26 decrease in the provision expense and the allowance for loan losses during the three months ended March 31, 2014 with no corresponding charge-offs.

At March 31, 2015, the balance in TDR loans increased $428, or 2.4%, from year-end 2014. The increase was largely due to line of credit advances related to one commercial and industrial loan during the first quarter of 2015. There were no new loans classified as TDR's during the first quarter of 2015. The Company had 77% of its TDR's performing according to their modified terms at both March 31, 2015 and December 31, 2014. TDR loans not performing to modified terms were largely impacted by a commercial real estate loan totaling $4,013 that was converted to nonaccrual status during the fourth quarter of 2014 after it was determined that full loan repayment was in significant doubt. Furthermore, the collateral values of this commercial real estate loan were re-evaluated during the fourth quarter of 2014 and additional impairment was identified that resulted in a $1,340 specific allocation. As a result, the Company's specific allocations in reserves to customers whose loan terms have been modified in TDR's totaled $3,113 at March 31, 2015, as compared to $2,998 in reserves at December 31, 2014. At March 31, 2015, the Company had $1,337 in commitments to lend additional amounts to customers with outstanding loans that are classified as TDR's, as compared to $1,871 at December 31, 2014.

There were no TDR loan modifications that occurred during the three months ended March 31, 2015 and 2014.

Credit Quality Indicators:

The Company categorizes loans into risk categories based on relevant information about the ability of borrowers to service their debt, such as: current financial information, historical payment experience, credit documentation, public information, and current economic trends, among other factors. These risk categories are represented by a loan grading scale from 1 through 10. The Company analyzes loans individually with a higher credit risk rating and groups these loans into categories called “criticized” and “classified" assets. The Company considers its criticized assets to be loans that are graded 8 and its classified assets to be loans that are graded 9 or 10. The Company's risk categories are reviewed at least annually on loans that have aggregate borrowing amounts that meet or exceed $500.

The Company uses the following definitions for its criticized loan risk ratings:

Special Mention (Loan Grade 8). Loans classified as special mention indicate considerable risk due to deterioration of repayment (in the earliest stages) due to potential weak primary repayment source, or payment delinquency. These loans will be under constant supervision, are not classified and do not expose the institution to sufficient risks to warrant classification. These deficiencies should be correctable within the normal course of business, although significant changes in company structure or policy may be necessary to correct the deficiencies. These loans are considered bankable assets with no apparent loss of principal or interest envisioned. The perceived risk in continued lending is considered to have increased beyond the level where such loans would normally be granted. Credits that are defined as a troubled debt restructuring should be graded no higher than special mention until they have been reported as performing over one year after restructuring.

The Company uses the following definitions for its classified loan risk ratings:

Substandard (Loan Grade 9). Loans classified as substandard represent very high risk, serious delinquency, nonaccrual, or unacceptable credit. Repayment through the primary source of repayment is in jeopardy due to the existence of one or more well defined weaknesses, and the collateral pledged may inadequately protect collection of the loans. Loss of principal is not likely if weaknesses are corrected, although financial statements normally reveal significant weakness. Loans are still considered collectible, although loss of principal is more likely than with special mention loan grade 8 loans. Collateral liquidation is considered likely to satisfy debt.

Doubtful (Loan Grade 10). Loans classified as doubtful display a high probability of loss, although the amount of actual loss at the time of classification is undetermined. This should be a temporary category until such time that actual loss can be identified, or improvements made to reduce the seriousness of the classification. These loans exhibit all substandard characteristics with the addition that weaknesses make collection or liquidation in full highly questionable and improbable. This classification consists of loans where the possibility of loss is high after collateral liquidation based upon existing facts, market conditions, and value. Loss is deferred until certain important and reasonable specific pending factors which may strengthen the credit can be more accurately determined. These factors may include proposed acquisitions, liquidation procedures, capital injection, receipt of additional collateral, mergers, or refinancing plans. A doubtful classification for an entire credit should be avoided when collection of a specific portion appears highly probable with the adequately secured portion graded substandard.

Criticized and classified loans will mostly consist of commercial and industrial and commercial real estate loans. The Company considers its loans that do not meet the criteria for a criticized and classified asset rating as pass rated loans, which will include loans graded from 1 (Prime) to 7 (Watch). All commercial loans are categorized into a risk category either at the time of origination or reevaluation date. As of March 31, 2015 and December 31, 2014, and based on the most recent analysis performed, the risk category of commercial loans by class of loans was as follows:

March 31, 2015	Pass	Criticized	Classified	Total
Commercial real estate:				
Owner-occupied	$73,091	$2,147	$3,809	$79,047
Nonowner-occupied	61,483	2,430	8,246	72,159

Construction	25,050	----	937	25,987
Commercial and industrial	81,291	547	7,609	89,447
Total	$240,915	$5,124	$20,601	$266,640

December 31, 2014	Pass	Criticized	Classified	Total
Commercial real estate:				
Owner-occupied	$72,232	$2,102	$4,514	$78,848
Nonowner-occupied	60,491	2,127	8,611	71,229
Construction	27,364	----	171	27,535
Commercial and industrial	76,395	495	7,108	83,998
Total	$236,482	$4,724	$20,404	$261,610

The Company also obtains the credit scores of its borrowers upon origination (if available by the credit bureau), but the scores are not updated. The Company focuses mostly on the performance and repayment ability of the borrower as an indicator of credit risk and does not consider a borrower's credit score to be a significant influence in the determination of a loan's credit risk grading.

For residential and consumer loan classes, the Company evaluates credit quality based on the aging status of the loan, which was previously presented, and by payment activity. The following table presents the recorded investment of residential and consumer loans by class of loans based on repayment activity as of March 31, 2015 and December 31, 2014:

March 31, 2015	Automobile	Consumer Home Equity	Other	Residential Real Estate	Total
Performing	$42,973	$19,049	$44,278	$217,682	$323,982
Nonperforming	49	149	69	3,628	3,895
Total	$43,022	$19,198	$44,347	$221,310	$327,877

December 31, 2014	Automobile	Consumer Home Equity	Other	Residential Real Estate	Total
Performing	$42,816	$18,188	$48,264	$219,860	$329,128
Nonperforming	33	103	126	3,768	4,030
Total	$42,849	$18,291	$48,390	$223,628	$333,158

The Company, through its subsidiaries, originates residential, consumer, and commercial loans to customers located primarily in the southeastern areas of Ohio as well as the western counties of West Virginia. Approximately 5.89% of total loans were unsecured at March 31, 2015, up from 5.66% at December 31, 2014.

NOTE 5 - FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK

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 Bank’s exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to extend credit and standby letters of credit, and financial guarantees written, is represented by the contractual amount of those instruments. The contract amounts of these instruments are not included in the consolidated financial statements. At March 31, 2015, the contract amounts of these instruments totaled approximately $55,045, compared to $55,344 at December 31, 2014. The Bank uses the same credit policies in making commitments and conditional obligations as it does for instruments recorded on the balance sheet. Since many of these instruments are expected to expire without being drawn upon, the total contract amounts do not

necessarily represent future cash requirements.

NOTE 6 - OTHER BORROWED FUNDS

Other borrowed funds at March 31, 2015 and December 31, 2014 were comprised of advances from the Federal Home Loan Bank ("FHLB") of Cincinnati and promissory notes.

	FHLB Borrowings	Promissory Notes	Totals
March 31, 2015	$ 20,858	$3,790	$24,648
December 31, 2014	$ 21,181	$3,791	$24,972

Pursuant to collateral agreements with the FHLB, advances were secured by $211,195 in qualifying mortgage loans, $77,638 in commercial loans and $5,081 in FHLB stock at March 31, 2015. Fixed-rate FHLB advances of $20,858 mature through 2042 and have interest rates ranging from 1.34% to 3.31% and a year-to-date weighted average cost of 2.10%. There were no variable-rate FHLB borrowings at March 31, 2015.

At March 31, 2015, 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 March 31, 2015.

Based on the Company's current FHLB stock ownership, total assets and pledgeable loans, the Company had the ability to obtain borrowings from the FHLB up to a maximum of $175,993 at March 31, 2015. Of this maximum borrowing capacity, the Company had $116,535 available to use as additional borrowings, of which $75,000 could be used for short-term, cash management advances, as mentioned above.

Promissory notes, issued primarily by Ohio Valley, have fixed rates of 1.15% to 1.50% and are due at various dates through a final maturity date of December 8, 2016. At March 31, 2015, there were no promissory notes payable by Ohio Valley to related parties.

Letters of credit issued on the Bank's behalf by the FHLB to collateralize certain public unit deposits as required by law totaled $38,600 at March 31, 2015 and $29,500 at December 31, 2014.

Scheduled principal payments as of March 31, 2015:

	FHLB Borrowings	Promissory Notes	Totals
2015	$1,450	$2,043	$3,493
2016	1,594	1,747	3,341
2017	4,534	----	4,534
2018	1,484	----	1,484
2019	1,443	----	1,443
Thereafter	10,353	----	10,353
	$20,858	$3,790	$24,648

NOTE 7 – SEGMENT INFORMATION

The reportable segments are determined by the products and services offered, primarily distinguished between banking and consumer finance. They are also distinguished by the level of information provided to the chief operating

decision maker, who uses such information to review performance of various components of the business, which are then aggregated if operating performance, products/services, and customers are similar. Loans, investments, and deposits provide the majority of the net revenues from the banking operation, while loans provide the majority of the net revenues for the consumer finance segment. All Company segments are domestic.

Total revenues from the banking segment, which accounted for the majority of the Company's total revenues, totaled 85.9% and 85.7% of total consolidated revenues for the quarters ended March 31, 2015 and 2014, respectively.

The accounting policies used for the Company's reportable segments are the same as those described in Note 1 - Summary of Significant Accounting Policies. Income taxes are allocated based on income before tax expense.

Information for the Company's reportable segments is as follows:

	Three Months Ended March 31, 2015		
	Banking	Consumer Finance	Total Company
Net interest income	$ 7,561	$ 1,369	$ 8,930
Provision expense	(175)	97	(78)
Noninterest income	3,043	446	3,489
Noninterest expense	6,707	720	7,427
Tax expense	1,107	339	1,446
Net income	2,965	659	3,624
Assets	855,500	12,485	867,985

	Three Months Ended March 31, 2014		
	Banking	Consumer Finance	Total Company
Net interest income	$7,421	$1,361	$8,782
Provision expense	375	119	494
Noninterest income	3,573	545	4,118
Noninterest expense	6,611	684	7,295
Tax expense	1,173	374	1,547
Net income	2,835	729	3,564
Assets	812,584	12,951	825,535

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 that could cause actual results to differ materially from those expressed in such forward looking statements. These factors include, but are not limited to: changes in political, economic or other factors such as inflation rates, recessionary or expansive trends, taxes, the effects of legislation and the continuing economic uncertainty in various parts of the world; competitive pressures; fluctuations in interest rates; the level of defaults and prepayment on loans made by the Company; unanticipated litigation, claims, or assessments; fluctuations in the cost of obtaining funds to make loans; and regulatory changes. Additional detailed information concerning a number of important factors which could cause actual results to differ materially from the forward-looking statements contained in management's discussion and analysis is available in the Company's filings with the Securities and Exchange Commission, under the Securities Exchange Act of 1934, including the disclosure under the heading "Item 1A. Risk

Factors” of Part 1 of the Company's Annual Report on Form 10- K for the fiscal year ended December 31, 2014. 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, whether as a result of new information, unanticipated future events or otherwise.

Financial Overview

The Company is primarily engaged in commercial and retail banking, offering a blend of commercial and consumer banking services within 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; the making of construction and real estate loans; and credit card services. The Bank also offers individual retirement accounts, safe deposit boxes, wire transfers and other standard banking products and services. In addition, the Bank is one of a limited number of financial institutions that facilitates the payment of tax refunds through a third-party tax refund product provider. The Bank has facilitated the payment of these tax refunds through electronic refund check/deposit ("ERC/ERD") transactions. ERC/ERD transactions involve the payment of a tax refund to the taxpayer after the Bank has received the refund from the federal/state government. ERC/ERD transactions occur primarily during the tax refund season, typically during the first quarter of each year. Loan Central also provides refund anticipation loans ("RALs") to its customers. RALs are short-term cash advances against a customer's anticipated income tax refund.

Net income totaled $3,624 during the first quarter of 2015, an increase of $60, or 1.7%, compared to $3,564 during the first quarter of 2014. Earnings per share for the first quarter of 2015 also increased by $.01, or 1.1%, compared to the first quarter of 2014, to finish at $.88 per share. The increase in earnings compared to the first quarter of 2014 was largely attributable to growth in net interest income and a significant savings in provision for loan loss expense, partially offset by lower noninterest income. The Company's return on assets ("ROA"), decreased to 1.67% at March 31, 2015, compared to 1.70% at March 31, 2014. The Company's return on equity ("ROE"), also decreased to 16.94% at March 31, 2015, compared to 17.84% at March 31, 2014.

The Company's net interest income was $8,930 for the first quarter of 2015, an increase of 1.7% over the first quarter of 2014. The primary reasons for net interest income improvement include increasing average earning assets, a decrease in premium expense on mortgage-backed securities and declines in higher-costing time deposits. For the first quarter of 2015, average earning assets totaled $829,036, which represented an increase of 3.2% over the prior year. The successful growth in average earning assets came mostly from loans, particularly the commercial loan segment. Partially offsetting growth in average earning assets was a decline in the Company's net interest margin, which finished at 4.45% during the first quarter of 2015, as compared to 4.51% during the first quarter of 2014. The lower net interest margin was impacted by a greater decrease in asset yields, as compared to the cost of funding sources. With the prolonged low interest rate environment, there is limited opportunity to further reduce the Company's funding costs, while the average yield on loans continues to trend lower.

In 2015, provision expense decreased $572 over the prior year's first quarter. For the three months ended March 31, 2015, the Company experienced negative provision for loan loss expense of $78 in relation to the receipt of net recoveries on loans previously charged off of $64. The provision for loan loss expense incurred in the first quarter of 2014 was associated with an increase in general allocations related to specific loan portfolio risks that management determined were necessary.

Total noninterest income was $3,489 for the quarter ended March 31, 2015, which was 15.3% lower than the prior year's first quarter. Year-over-year decreases were largely due to less tax processing fees through ERC/ERD transactions. Although the volume of tax refunds processed increased during the first quarter of 2015, tax refund processing fees totaled $2,095, a decrease of $553 from the same period during 2014. The decrease in total fees was due to the reduced per item fees received by the Company under the new contract with the third-party tax refund product provider, which was reported in October of 2014. Further impacting lower noninterest income was a $135 fee received during the first quarter of 2014, which gave the buyers of ProAlliance the option to purchase the Company's pro rata shares at a future date. The option was exercised during the third quarter of 2014, resulting in a $675 gain from the sale of ProAlliance. These decreases were partially offset by noninterest revenue growth coming from

debit/credit card interchange, higher gains on sale of OREO, and bank owned life insurance and annuity asset income.

Total noninterest expense was $7,427 for the quarter ended March 31, 2015, an increase of 1.8% from the prior year's first quarter, largely due to increases in salaries and employee benefit expense, data processing costs, FDIC deposit premiums, and accounting fees.

At March 31, 2015, total assets were $867,985, compared to $778,668 at year-end 2014, with the increase due mostly to temporary interest-bearing deposits into the Company's Federal Reserve Clearing account that were generated from seasonal tax clearing activities during the first quarter of 2015. Gross loan balances of $594,517 at March 31, 2015 were relatively the same when compared to year-end 2014, decreasing just $251. Total investment securities increased 4.3% to $112,703 at March 31, 2015, compared to $108,056 at year-end 2014, mostly from purchases of mortgage-backed securities.

Total liabilities were $778,709 at March 31, 2015, up $86,257 since December 31, 2014. Total deposit balances experienced continued growth during 2015, increasing $77,578 compared to year-end 2014. Noninterest-bearing deposits accounted for $60,180 of the increase and were the result of normal seasonal increases in tax refund processing activities and municipal public fund deposit balances.

At March 31, 2015, total shareholders' equity was $89,276, up $3,060 since December 31, 2014. Regulatory capital ratios remained significantly higher than the "well capitalized" minimums.

Comparison of Financial Condition at March 31, 2015 and December 31, 2014

The following discussion focuses, in more detail, on the consolidated financial condition of the Company at March 31, 2015 compared to December 31, 2014. 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

At March 31, 2015, cash and cash equivalents increased $84,839, to finish at $115,816, compared to $30,977 at December 31, 2014. The increase in cash and cash equivalents was largely due to deposit liability growth from year-end 2014, mostly from seasonal increases in ERC/ERD transactions. The Company continues to utilize its interest-bearing Federal Reserve Bank clearing account to maintain these excess funds, which are expected to decrease during the remainder of 2015. The interest rate paid on both the required and excess reserve balances is based on the targeted federal funds rate established by the Federal Open Market Committee, which currently is 0.25%. This interest rate is similar to what the Company would have received from its investments in federal funds sold, currently in a range of less than 0.25%. Furthermore, Federal Reserve Bank balances are 100% secured.

As liquidity levels vary continuously based on consumer activities, amounts of cash and cash equivalents can vary widely at any given point in time. Carrying excess cash has a negative impact on interest income since the Company currently only earns 0.25% on its deposits with the Federal Reserve. As a result, the Company's focus will be to re-invest these excess funds back into longer-term, higher-yielding assets, primarily loans, when the opportunities arise.

Certificates of deposit

At March 31, 2015, the Company had $980 in certificates of deposit, owned by the Captive and unchanged from year-end 2014. The investment consisted of four certificates with maturity terms ranging from one to three years.

Securities

The balance of total securities increased $4,647, or 4.3%, compared to year-end 2014. The increase came mostly from U.S. Government agency ("Agency") mortgage-backed securities, which increased $4,656, or 6.1%, from year-end 2014. The Company's investment securities portfolio is made up mostly of Agency mortgage-backed securities, representing 71.9% of total investments at March 31, 2015. During the first quarter of 2015, the Company invested $8,019 in new Agency mortgage-backed securities, while receiving principal repayments of $3,619. The monthly repayment of principal has been the primary advantage of Agency mortgage-backed securities as compared to other types of investment securities, which deliver proceeds upon maturity or call date. However, with the current low interest rate environment, the cash flow is being reinvested at lower rates.

Loans

The loan portfolio represents the Company's largest asset category and is its most significant source of interest income. Gross loan balances were consistent with year-end, totaling $594,517 at March 31, 2015, as compared to $594,768 at December 31, 2014. Loan balances were positively impacted by increased origination volume within the commercial lending segment, which increased $5,030, or 1.9%, from year-end 2014. This increase came mostly from the commercial and industrial loan portfolio, which grew $5,449, or 6.5%, from year-end 2014. Commercial and industrial loans consist of loans to corporate borrowers primarily in small to mid-sized industrial and commercial companies that include service, retail and wholesale merchants. Collateral securing these loans includes equipment, inventory, and stock. Commercial real estate loans comprise the largest portion of the Company's total commercial loan portfolio, representing 66.5% at March 31, 2015. Commercial real estate loans experienced a decrease of $419, or 0.24%, from year-end 2014, largely within construction loans. While management believes lending opportunities exist in the Company's markets, future commercial lending activities will depend upon economic and related conditions, such as general demand for loans in the Company's primary markets, interest rates offered by the Company, the effects of competitive pressure and normal underwriting considerations. Management will continue to place emphasis on its commercial lending, which generally yields a higher return on investment as compared to other types of loans.

Residential real estate loan balances comprise the largest portion of the Company's loan portfolio at 37.2% and consist primarily of one- to four-family residential mortgages and carry many of the same customer and industry risks as the commercial loan portfolio. Residential real estate loan balances during the first quarter of 2015 decreased $2,318, or 1.0%, from year-end 2014. Movement within the real estate portfolio consists of decreasing long-term fixed-rate mortgages partially offset by increasing short-term adjustable-rate mortgage balances. As part of management's interest rate risk strategy, the Company continues to sell most of its long-term fixed-rate residential mortgages to the Federal Home Loan Mortgage Corporation, while maintaining the servicing rights for those mortgages. A customer that does not qualify for a long-term, secondary market loan may choose from one of the Company's other adjustable-rate mortgage products, which contributed to higher balances of adjustable-rate mortgages from year-end 2014.

Consumer loan balances decreased $2,963, or 2.7%, from year-end 2014. This decrease was impacted most by an 8.4% decrease in other consumer loan balances that include mobile homes, recreational vehicles, consumer real estate and unsecured loans. This decrease was partially offset by a 5.0% increase in home equity lines of credit balances and a 0.4% increase in automobile loans. Automobile loans represent the Company's largest consumer loan type at 40.4% of total consumer loans. The Company will continue to monitor its auto lending segment while maintaining strict loan underwriting processes to limit future loss exposure.

Allowance for Loan Losses

The Company had an $8,320 allowance for loan losses at March 31, 2015, which was relatively unchanged from the $8,334 allowance at year-end 2014. The allowance reserves were impacted by lower general allocations from year-end 2014 impacted by the economic risk factors within the calculation of the allowance for loan losses. As part of the Company's quarterly analysis of the allowance for loan losses, management reviewed various factors that directly impact the general allocation need of the allowance, which include: historical loan losses, loan delinquency levels, local economic conditions and unemployment rates, criticized/classified asset coverage levels and loan loss recoveries. During the first quarter of 2015, the Company experienced a net recovery of $64 on previously charged-off loans versus actual loan charge-offs, which contributed to a lower historical loan loss factor. Furthermore, the Company experienced minimal change in its criticized and classified assets from year-end 2014, which contributed to a lower economic risk factor. As a result, the general allocation component of the

allowance for loan losses decreased $160, or 3.3%, from year-end 2014.

Specific allocations of the allowance for loan losses identify loan impairment by measuring fair value of the underlying collateral and the present value of estimated future cash flows. When re-evaluating the impaired loan balances to their corresponding collateral values at March 31, 2015, a specific allocation of $3,558 was needed to fund the allowance for loan losses, representing an increase of $146, or 4.3%, from year-end 2014. This higher reserve allocation was impacted mostly by one commercial and industrial loan relationship.

The Company experienced a decrease in its troubled assets, with nonperforming loans to total loans finishing at 1.60% at March 31, 2015, down 2 basis points from year-end 2014. The Company's nonperforming assets to total assets totaled 1.27% at March 31, 2015, a decrease of 16 basis points from year-end 2014. Impaired loans at March 31, 2015 increased $409, or 2.0%, from year-end 2014, largely from a commercial real estate construction loan during the first quarter of 2015.

The Company maintained its allowance for loan losses to total loans ratio at 1.40% at March 31, 2015 and year-end 2014. Management believes that the allowance for loan losses at March 31, 2015 was adequate and reflected probable incurred losses in the loan portfolio. There can be no assurance, however, that adjustments to the allowance for loan losses will not be required in the future. Changes in the circumstances of particular borrowers, as well as adverse developments in the economy are factors that could change and make adjustments to the allowance for loan losses necessary. Asset quality will continue to remain a key focus, as management continues to stress not just loan growth, but quality in loan underwriting as well.

Deposits

Deposits continue to be the most significant source of funds used by the Company to meet obligations for depositor withdrawals, to fund the borrowing needs of loan customers, and to fund ongoing operations. Total deposits at March 31, 2015 increased $77,578, or 12.0%, from year-end 2014. This deposit growth came primarily from noninterest-bearing deposit balances. During the first quarter of 2015, the Company experienced a significant increase in its business checking account balances, which increased $54,413, or 54.6%, from year-end 2014. This increase was largely the result of ERC/ERD tax refund items processed during the first quarter of 2015. During 2015, the Company benefited from the successful volume increase in ERC/ERD transactions. As a result of the tax processing activity being seasonal, the elevated first quarter balances within the Company's business checking accounts should decrease during the remainder of 2015.

Deposit growth also came from interest-bearing NOW account balances, which increased $14,974, or 13.3%, during the first three months of 2015 as compared to year-end 2014. This increase was largely driven by growth in municipal NOW products due to seasonality of tax collections received, which typically decrease in the second quarter.

During the first quarter of 2015, time deposits decreased $1,564, or 0.9%, from year-end 2014. As CD market rates continue to adjust downward, the spread between a short-term CD rate and a statement savings rate has become small enough that many customers choose to invest balances into a more liquid product, perhaps hoping for rising rates in the near future. This change in time deposits from year-end 2014 fits within management's strategy of focusing on more "core" deposit balances that include interest-bearing demand, savings, money market and noninterest-bearing deposit balances.

While facing increased competition for deposits in its market areas, the Company will continue to emphasize growth and retention in its core deposit relationships during the remainder of 2015, reflecting the Company's efforts to reduce its reliance on higher cost funding and improving net interest income.

Other Borrowed Funds

Other borrowed funds were $24,648 at March 31, 2015, a decrease of $324, or 1.3%, from year-end 2014. While deposits continue to be the primary source of funding for growth in earning assets, management will continue to utilize Federal Home Loan Bank advances and promissory notes to help manage interest rate sensitivity and liquidity.

Accrued Liabilities

The Company experienced a $9,003 increase in accrued liabilities at March 31, 2015, as compared to December 31, 2014. The increase was primarily due to investment securities that were purchased prior to March 31, 2015, but did not settle until April 2015. The Company follows the trade date accounting method, which requires the purchase of assets to be recorded on their trade date and not their settlement date. As a result, at March 31, 2015, the Company had recorded $8,304 in security purchases within their appropriate asset categories, along with a corresponding increase to accrued liabilities. Upon the settlement dates in April 2015, disbursements of the payments were applied against accrued liabilities, effectively eliminating these temporary amounts from the initial recording of the transaction.

Shareholders' Equity

The Company maintains a capital level that exceeds regulatory requirements as a margin of safety for its depositors. At March 31, 2015, the Bank's capital exceeded the minimum requirements to be deemed "well capitalized" under applicable prompt corrective action regulations. Total shareholders' equity of the Company at March 31, 2015 of $89,276 increased $3,060, or 3.5%, as compared to $86,216 at December 31, 2014. Contributing most to this increase was year-to-date net income of $3,624, partially offset by cash dividends paid of $865, or $.21 per share.

Comparison of Results of Operations
for the Three Months Ended
March 31, 2015 and 2014

The following discussion focuses, in more detail, on the consolidated results of operations of the Company for the three months ended March 31, 2015 compared to the same period in 2014. This discussion should be read in conjunction with the interim consolidated financial statements and the footnotes included in this Form 10-Q.

Net Interest Income

The most significant portion of the Company's revenue, net interest income, results from properly managing the spread between interest income on earning assets and interest expense incurred on interest-bearing liabilities. During the first quarter of 2015, net interest income increased $148, or 1.7%, as compared to the first quarter of 2014. The improvement was largely due to increased average loans and lower premium expenses on investment securities.

Total interest and fee income recognized on the Company's earning assets increased $119, or 1.3%, during the first quarter of 2015, as compared to the same period in 2014, mostly impacted by average loans. Average loans during the first quarter of 2015 were $593,714, an increase of $22,272, or 3.9%, over the average loans during the first quarter of 2014. The Company benefited from average balance increases in all loan portfolio segments, led by commercial loans. The Company further benefited from increased earnings within investment securities, which increased $46, or 8.5%, during the first quarter of 2015, as compared to the same period in 2014, coming primarily from Agency mortgage-backed securities. The effect of slower refinancing volume evident during the first quarter of 2015 has resulted in less principal repayments from Agency mortgage-backed securities, causing monthly premium expense to amortize more slowly. Limiting the growth in interest income were lower asset yields. Asset yields on the Company's earning assets have been negatively impacted by lower market rates and higher average balances within the Company's lower-yielding Federal Reserve Bank clearing account during the first quarter of 2015. As a result, the earning asset yield at March 31, 2015 was 4.79%, compared to 4.87% at March 31, 2014.

Total interest expense incurred on the Company's interest-bearing liabilities during the first quarter of 2015 decreased $29, or 4.0%, from the same period in 2014. The decrease was primarily due to a sustained low-rate environment that has impacted the repricings of various Bank deposit products, especially time deposit balances, which continued to reprice at lower rates during 2015. As a result, the Company's weighted average costs for time deposits decreased from 0.87% at March 31, 2014 to 0.75% at March 31, 2015. The Company also continues to utilize more of its lower cost, core deposit funding sources to further lower interest costs. As a result, the Company's average interest- and non-interest bearing core deposits increased $14,158, or 2.5%, while average time deposit balances increased $2,266, or 1.3%, during the first three months of 2015 when compared to the same period in 2014. As a result of decreases in the average market interest rates and the continued emphasis on utilizing lower costing deposit balances, the Company's total weighted average costs on interest-bearing deposits have lowered 5 basis points from 0.49% at March 31, 2014 to 0.44% at March 31, 2015.

During 2015, the decline in asset yields completely offset the decline in funding costs. As a result, the Company's net interest margin decreased 6 basis points to 4.45% during the first quarter of 2015, as compared to the same period in 2014. The Company will continue to focus on re-deploying the excess liquidity retained within the Federal Reserve account earning 0.25% into higher yielding assets as opportunities arise. The Company will continue to face pressure on its net interest income and margin improvement unless loan balances continue to expand and remain a larger component of overall earning assets.

Provision for Loan Losses

During the first quarter of 2015, the Company experienced negative provision expense of $78, as compared to provision expense charges of $494 during the first quarter of 2014. Provision expense during 2015 was largely impacted by higher net recoveries of previously charged off loans. Recoveries during the first quarter of 2015 totaled $432, which completely offset loan charge-offs of $368 during the same period. Net charge-offs of $187 were recorded during the first quarter of 2014. The success in net recoveries helped to lower the historical loan loss factor, which contributed to lower general allocations within the allowance for loan losses during 2015.

During the first quarter of 2014, provision expense of $494 was primarily impacted by several general allocation metrics that were re-evaluated and adjusted, contributing to higher general allocations within the residential real estate and commercial loan portfolios. Adjustments were made to the commercial loan loss factor, extending the range of the loan loss period from a 3-year rolling average to a 5-year rolling average. This update was due to the significant decline in net charge-offs that had been experienced since the first quarter of 2012 that was reducing the historical loan loss factor for commercial loans. By extending the historical loss period to five years, management felt the historical factor would be more representative of the expected losses to be incurred on commercial loans. Management also increased the economic risk factor by adjusting its criticized/classified asset thresholds to incorporate more risk potential within the Company's special mention and substandard loan portfolios.

Future provisions to the allowance for loan losses will continue to be based on management's quarterly in-depth evaluation that is discussed in further detail under the caption "Critical Accounting Policies - Allowance for Loan Losses" within this Management's Discussion and Analysis.

Noninterest Income

Noninterest income for the three months ended March 31, 2015 was $3,489, a decrease of $629, or 15.3%, from the three months ended March 31, 2014. Lower noninterest income during 2015 was largely affected by the Company's seasonalERC/ERD fees, which decreased $553, or 20.9%, from the prior year. In October 2014, the Bank entered into a new agreement with the third-party tax refund product provider, which lowered the per transaction fee associated with each refund facilitated. As a result, even though the Company experienced an 8% increase in the number of

ERC/ERD transactions that were facilitated, the lower fee structure caused tax processing revenues to be lower than the year before. As a result of ERC/ERD fee activity being mostly seasonal, the majority of income will be recorded during the first half of 2015, with only minimal income expected during the second half of 2015.

Lower noninterest income during 2015 also came from the Company's gain on sale of its 9% ownership interest in ProAlliance of $135 during the first quarter of 2014. This represented the first of two installments the Company received during 2014. The first installment of $135 was received on February 5, 2014, when the Company received its pro rata share of a non-refundable fee giving the buyers an option to purchase the outstanding shares of ProAlliance. On August 1, 2014, the buyer exercised its option to purchase the shares and the Company received $675 for its ownership interest in ProAlliance.

The Company's remaining noninterest income categories were collectively up $59, or 4.4%, during the first quarter of 2015, when compared to the same period in 2014. These changes were primarily due to increases in debit/credit card interchange fees, higher gains on the sale of OREO property and bank owned life insurance and annuity asset income.

Noninterest Expense

Noninterest expense during the first quarter of 2015 increased $132, or 0.5%, from the first quarter in 2014. Contributing to the incline in net overhead expense were higher salaries and employee benefits, FDIC premium costs, data processing expense and accounting expense.

The Company's largest noninterest expense item, salaries and employee benefits, increased $23, or 1.8%, during the three months ended March 31, 2015, when compared to the same period in 2014. The increase was largely due to higher benefit costs, which more than offset lower salary expenses from the prior year.

FDIC insurance premium costs increased $39, or 30.7%, during the first quarter of 2015, when compared to the same period in 2014. The increase was mostly from a higher deposit assessment rate in 2015, largely impacted by an increase in the Bank's nonperforming assets to total assets ratio, which grew from 0.6% at March 31, 2014 to 1.3% at March 31, 2015. The Bank's nonperforming asset ratio is included within the metrics of calculating the bank's quarterly FDIC assessment rate

Further impacting noninterest expense was a $47, or 14.6%, increase in data processing expense during the first quarter of 2015, over the prior year. Monthly data processing costs have increased from last year in large part due to the volume increase within the Company's debit and credit card transactions, as well as its Big Rewards customer incentive platform.

Other noninterest expense grew $47, or 2.6%, during the first quarter of 2015, as compared to the same period in 2014. The impact was mostly from increases in accounting and audit related service fees, which were up $48, or 64.3%, over the prior year's first quarter.

The net change in remaining noninterest expense categories during the first quarter of 2015 decreased $24, or 3.8%, as compared to the same period in 2014.

The Company's efficiency ratio is defined as noninterest expense as a percentage of fully tax-equivalent net interest income plus noninterest income. The effects from provision expense are excluded from the efficiency ratio. Management continues to place emphasis on managing its balance sheet mix and interest rate sensitivity as well as developing more innovative ways to generate noninterest revenue. During the first quarter of 2015, the Company was successful in generating higher net interest income primarily due to increased average earning assets while limiting its overhead cost increase to 1.8%. However, a decrease in the net interest margin combined with a 20.9% decline in tax processing fees caused overhead expense to outpace net revenue levels during 2015. As a result, the first quarter 2015 efficiency ratio regressed to 59.0%, as compared to a stronger 55.9% efficiency ratio during the first quarter of 2014.

Capital Resources

In July 2013, each of the federal bank regulatory agencies issued a final new capital rule that revised its risk-based capital requirements and the method for calculating risk-weighted assets ("RWA") to make them consistent with agreements that were published by the Basel Committee on Banking Supervision and certain provisions of the Dodd-Frank Act. The rule was effective for the Company and the Bank on January 1, 2015. The new rule will both improve the quality and increase the quantity of capital required to be held by banking organizations. The new minimum capital to RWA requirements are a new common equity Tier 1 risk-based capital ratio of 4.5%, a Tier 1 risk-based capital ratio of 6% (increased from the previous 4% requirement), and a total risk-based capital ratio that remains at 8%. The minimum leverage ratio remains at 4%.

The new capital rule also includes changes in the assets that qualify as regulatory capital, some of which are subject to a transition period. These changes include the phasing-out of certain instruments as qualifying capital. In addition, Tier 2 capital is no longer limited to the amount of Tier 1 capital included in total capital. Mortgage servicing rights, certain deferred tax assets and investments in unconsolidated subsidiaries over designated percentages of common stock are required to be deducted from capital, subject to a transition period. Finally, common equity Tier 1 capital includes accumulated other comprehensive income (which includes all unrealized gains and losses on available for sale debt and equity securities), subject to a transition period and a one-time opt-out election. The Company elected to opt-out of this provision. As such, accumulated comprehensive income is not included in the Company's Tier 1 capital. Starting in January 1, 2016, in order to avoid limitations on capital distributions, including dividends, the Company will be required to maintain a capital conservative buffer in excess of the minimum common equity Tier 1 capital.

The requirements in the rule will be fully phased-in by January 1, 2019. While the ultimate impact of the fully phased-in capital standards on the Company and the Bank is still being considered, we currently do not believe the changes will have a material impact once fully implemented.

All of the Company's capital ratios exceeded the regulatory minimum guidelines, as identified in the following table:

	Company Ratios			
	3/31/15	Regulatory Minimum	12/31/14	Regulatory Minimum
Common equity Tier 1 risk-based capital	15.2%	4.50%	N/A	N/A
Tier 1 risk-based capital	16.6%	6.00%	16.2%	4.00%
Total risk-based capital ratio	17.9%	8.00%	17.4%	8.00%
Leverage ratio	10.9%	4.00%	11.8%	4.00%

Cash dividends paid of $865 during the first three months of 2015 represents a 0.5% increase compared to the cash dividends paid during the same period in 2014. The year-to-date dividend rate was $0.21 per share for both 2015 and 2014.

Liquidity

Liquidity relates to the Company's ability to meet the cash demands and credit needs of its customers and is provided by the ability to readily convert assets to cash and raise funds in the market place. Total cash and cash equivalents, held to maturity securities maturing within one year and available for sale securities, totaling $207,010, represented 23.9% of total assets at March 31, 2015. In addition, the FHLB offers advances to the Bank, which further enhances the Bank's ability to meet liquidity demands. At March 31, 2015, the Bank could borrow an additional $116,535 from the FHLB, of which $75,000 could be used for short-term, cash management advances. Furthermore, the Bank has established a borrowing line with the Federal Reserve. At March 31, 2015, this line had total availability of $40,520. Lastly, the Bank also has the ability to purchase federal funds from a correspondent bank.

Off-Balance Sheet Arrangements

As discussed in Note 5 – Financial Instruments with Off-Balance Sheet Risk, the Company engages in certain off-balance sheet credit-related activities, including commitments to extend credit and standby letters of credit, which could require the Company to make cash payments in the event that specified future events occur. Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Standby letters of credit are conditional commitments to guarantee the performance of a customer to a third party. While these commitments are necessary to meet the financing needs of the Company's customers, many of these commitments are expected to expire without being drawn upon. Therefore, the total amount of commitments does not necessarily represent future cash requirements.

Critical Accounting Policies

The most significant accounting policies followed by the Company are presented in Note A to the financial statements in the Company's 2014 Annual Report to Shareholders. These policies, along with the disclosures presented in the other financial statement notes, provide information on how significant assets and liabilities are valued in the financial statements and how those values are determined. Management views critical accounting policies to be those which are highly dependent on subjective or complex judgments, estimates and assumptions, and where changes in those estimates and assumptions could have a significant impact on the financial statements. Management currently views the adequacy of the allowance for loan losses to be a critical accounting policy.

The allowance for loan losses is a valuation allowance for probable incurred credit losses. Loan losses are charged against the allowance when management believes the uncollectibility of a loan balance 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. A loan is impaired when, based on current information and events, it is probable that the Company will be unable to collect all amounts due according to the contractual terms of the loan agreement. Impaired loans generally consist of loans with balances of $200 or more on nonaccrual status or nonperforming in nature. Loans for which the terms have been modified, and for which the borrower is experiencing financial difficulties, are considered troubled debt restructurings and classified as impaired.

Factors considered by management in determining impairment include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length and reasons for the delay, the borrower's prior payment record, and the amount of shortfall in relation to the principal and interest owed.

Commercial and commercial real estate loans are individually evaluated for impairment. If a loan is impaired, a portion of the allowance is allocated so that the loan is reported, net, at the present value of estimated future cash flows using the loan's existing rate or at the fair value of collateral if repayment is expected solely from the collateral. Smaller balance homogeneous loans, such as consumer and most residential real estate, are collectively evaluated for impairment, and accordingly, they are not separately identified for impairment disclosure. Troubled debt restructurings are measured at the present value of estimated future cash flows using the loan's effective rate at

inception. If a troubled debt restructuring is considered to be a collateral dependent loan, the loan is reported, net, at the fair value of the collateral. For troubled debt restructurings that subsequently default, the Company determines the amount of reserve in accordance with the accounting policy for the allowance for loan losses.

The general component covers non-impaired loans and impaired loans that are not individually reviewed for impairment and is based on historical loss experience adjusted for current factors. The historical loss experience is determined by portfolio segment and is based on the actual loss history experienced by the Company over the most recent 3 years for the consumer and real estate portfolio segment and 5 years for the commercial portfolio segment. The total loan portfolio's actual loss experience is supplemented with other economic factors based on the risks present for each portfolio segment. These economic factors include consideration of the following: levels of and trends in delinquencies and impaired loans; levels of and trends in charge-offs and recoveries; trends in volume and terms of loans; effects of any changes in risk selection and underwriting standards; other changes in lending policies, procedures, and practices; experience, ability, and depth of lending management and other relevant staff; national and local economic trends and conditions; industry conditions; and effects of changes in credit concentrations. The following portfolio segments have been identified: Commercial Real Estate, Commercial and Industrial, Residential Real Estate, and Consumer.

Commercial and industrial loans consist of borrowings for commercial purposes by individuals, corporations, partnerships, sole proprietorships, and other business enterprises. Commercial and industrial loans are generally secured by business assets such as equipment, accounts receivable, inventory, or any other asset excluding real estate and generally made to finance capital expenditures or operations. The Company's risk exposure is related to deterioration in the value of collateral securing the loan should foreclosure become necessary. Generally, business assets used or produced in operations do not maintain their value upon foreclosure, which may require the Company to write down the value significantly to sell.

Commercial real estate consists of nonfarm, nonresidential loans secured by owner-occupied and nonowner-occupied commercial real estate as well as commercial construction loans. An owner-occupied loan relates to a borrower purchased building or space for which the repayment of principal is dependent upon cash flows from the ongoing business operations conducted by the party, or an affiliate of the party, who owns the property. Owner-occupied loans that are dependent on cash flows from operations can be adversely affected by current market conditions for their product or service. A nonowner-occupied loan is a property loan for which the repayment of principal is dependent upon rental income associated with the property or the subsequent sale of the property. Nonowner-occupied loans that are dependent upon rental income are primarily impacted by local economic conditions which dictate occupancy rates and the amount of rent charged. Commercial construction loans consist of borrowings to purchase and develop raw land into one- to four-family residential properties. Construction loans are extended to individuals as well as corporations for the construction of an individual or multiple properties and are secured by raw land and the subsequent improvements. Repayment of the loans to real estate developers is dependent upon the sale of properties to third parties in a timely fashion upon completion. Should there be delays in construction or a downturn in the market for those properties, there may be significant erosion in value which may be absorbed by the Company.

Residential real estate loans consist of loans to individuals for the purchase of one- to four-family primary residences with repayment primarily through wage or other income sources of the individual borrower. The Company's loss exposure to these loans is dependent on local market conditions for residential properties as loan amounts are determined, in part, by the fair value of the property at origination.

Consumer loans are comprised of loans to individuals secured by automobiles, open-end home equity loans and other loans to individuals for household, family, and other personal expenditures, both secured and unsecured. These loans typically have maturities of 6 years or less with repayment dependent on individual wages and income. The risk of loss on consumer loans is elevated as the collateral securing these loans, if any, rapidly depreciate in value or may be worthless and/or difficult to locate if repossession is necessary. During the last several years, one of the most significant portions of the Company's net loan charge-offs have been from consumer loans. Nevertheless, the Company has allocated the highest percentage of its allowance for loan losses as a percentage of loans to the other identified loan portfolio segments due to the larger dollar balances associated with such portfolios.

Concentration of Credit Risk

The Company maintains a diversified credit portfolio, with residential real estate loans currently comprising the most significant portion. Credit risk is primarily subject to loans made to businesses and individuals in southeastern Ohio and western West Virginia. Management believes this risk to be general in nature, as there are no material concentrations of loans to any industry or consumer group. To the extent possible, the Company diversifies its loan portfolio to limit credit risk by avoiding industry concentrations.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company's goal for interest rate sensitivity management is to maintain a balance between steady net interest income growth and the risks associated with interest rate fluctuations. Interest rate risk ("IRR") is the exposure of the Company's financial condition to adverse movements in interest rates. Accepting this risk can be an important source of profitability, but excessive levels of IRR can threaten the Company's earnings and capital.

The Company evaluates IRR through the use of an earnings simulation model to analyze net interest income sensitivity to changing interest rates. The modeling process starts with a base case simulation, which assumes a static balance sheet and flat interest rates. The base case scenario is compared to rising and falling interest rate scenarios assuming a parallel shift in all interest rates. Comparisons of net interest income and net income fluctuations from the flat rate scenario illustrate the risks associated with the current balance sheet structure.

The Company's Asset/Liability Committee monitors and manages IRR within Board approved policy limits. The current IRR policy limits anticipated changes in net interest income to an instantaneous increase or decrease in market interest rates over a 12 month horizon to +/- 5% for a 100 basis point rate shock, +/- 7.5% for a 200 basis point rate shock and +/- 10% for a 300 basis point rate shock. Based on the level of interest rates, management did not test interest rates down 200 or 300 basis points.

The following table presents the Company's estimated net interest income sensitivity:

Change in Interest Rates in Basis Points	March 31, 2015 Percentage Change in Net Interest Income	December 31, 2014 Percentage Change in Net Interest Income
+300	5.25%	(2.08%)
+200	3.68%	(1.16%)
+100	1.93%	(.49%)
-100	(3.45%)	(2.81%)

The estimated percentage change in net interest income due to a change in interest rates was within the policy guidelines established by the Board. With the historical low interest rate environment, management generally has been focused on limiting the duration of assets, while trying to extend the duration of our funding sources to the extent customer preferences will permit us to do so. At March 31, 2015, the interest rate risk profile reflects an asset sensitive position, which produces higher net interest income due to an increase in interest rates. This is a change from the liability sensitive position at year end. Contributing to the change in interest rate risk profile was the significant increase in liquidity due to tax refund processing. The additional liquidity is maintained in an interest-bearing account at the Federal Reserve, and the interest rate is highly correlated to any rate change implemented by the Federal Reserve as part of its monetary policy. Since the deposit balance associated with tax refund processing is seasonal, management expects a portion of the balance maintained at the Federal Reserve to decline in subsequent quarters, which will reduce or eliminate our asset sensitive position. In a declining rate environment, net interest income is impacted by the interest rate on many deposit accounts not being able to adjust downward. With interest rates so low, deposit accounts are perceived to be at or near an interest rate floor. As a result, net interest income decreases in a declining interest rate environment. Overall, management is comfortable with the current interest rate risk profile which reflects minimal exposure to interest rate changes.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

With the participation of the Chief Executive Officer (the principal executive officer) and the Vice President and Chief Financial Officer (the principal financial officer) of Ohio Valley, Ohio Valley's management has evaluated the effectiveness of Ohio Valley's disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of the end of the quarterly period covered by this Quarterly Report on Form 10-Q. Based on that evaluation, Ohio Valley's Chief Executive Officer and Vice President and Chief Financial Officer have concluded that Ohio Valley's disclosure controls and procedures are effective as of the end of the quarterly period covered by this Quarterly Report on Form 10-Q to ensure that information required to be disclosed by Ohio Valley in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by Ohio Valley in the reports that it files or submits under the Exchange Act is accumulated and communicated to Ohio Valley's management, including its principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

There was no change in Ohio Valley's internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) that occurred during Ohio Valley's fiscal quarter ended March 31, 2015, that has materially affected, or is reasonably likely to materially affect, Ohio Valley's internal control over financial reporting.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Not applicable.

ITEM 1A. RISK FACTORS

You should carefully consider the risk factors discussed in Part I, "Item 1A. Risk Factors" in Ohio Valley's Annual Report on Form 10-K for the year ended December 31, 2014, as filed with the Securities and Exchange Commission on March 16, 2015 and available at www.sec.gov. These risk factors could materially affect the Company's business, financial condition or future results. The risk factors described in the Annual Report on Form 10-K are not the only risks facing the Company. Additional risks and uncertainties not currently known to the Company or that management currently deems to be immaterial also may materially adversely affect the Company's business, financial condition and/or operating results. Moreover, the Company undertakes no obligation and disclaims any intention to publish revised information or updates to forward looking statements contained in such risk factors or in any other statement made at any time by any director, officer, employee or other representative of the Company unless and until any such revisions or updates are expressly required to be disclosed by applicable securities laws or regulations.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Ohio Valley did not purchase any of its shares during the three months ended March 31, 2015.

Ohio Valley did not sell any unregistered equity securities during the three months ended March 31, 2015.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

Not applicable.

ITEM 6. EXHIBITS

(a) Exhibits:
Reference is made to the Exhibit Index set forth immediately following the signature page of this Form Q.

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:	May 11, 2015	By:	/s/Thomas E. Wiseman Thomas E. Wiseman President and Chief Executive Officer
Date:	May 11, 2015	By:	/s/ Scott W. Shockey Scott W. Shockey Senior Vice President and Chief Financial Officer

EXHIBIT INDEX

The following exhibits are included in this Form 10-Q or are incorporated by reference as noted in the following table:

Exhibit Number	Exhibit Description
3(a)	Amended Articles of Incorporation of Ohio Valley (reflects amendments through April 7, 1999) [for SEC reporting compliance only - - not filed with the Ohio Secretary of State]. Incorporated herein by reference to Exhibit 3(a) to Ohio Valley's Annual Report on Form 10-K for fiscal year ended December 31, 2007 (SEC File No. 0-20914).
3(b)	Code of Regulations of Ohio Valley (as amended by the shareholders on May 12, 2010): Incorporated herein by reference to Exhibit 3(b) to Ohio Valley's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2010 (SEC File No. 0-20914).
4	Agreement to furnish instruments and agreements defining rights of holders of long-term debt: Filed herewith.
31.1	Rule 13a-14(a)/15d-14(a) Certification (Principal Executive Officer): Filed herewith.
31.2	Rule 13a-14(a)/15d-14(a) Certification (Principal Financial Officer): Filed herewith.
32	Section 1350 Certifications (Principal Executive Officer and Principal Accounting Officer): Filed herewith.
101.INS*	XBRL Instance Document: Filed herewith.*
101.SCH*	XBRL Taxonomy Extension Schema: Filed herewith.*
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase: Filed herewith.*
101.DEF*	XBRL Taxonomy Extension Definition Linkbase: Filed herewith.*
101.LAB*	XBRL Taxonomy Extension Label Linkbase: Filed herewith.*
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase: Filed herewith.*

Attached as Exhibit 101 are the following documents formatted in XBRL (eXtensive Business Reporting Language): (i) Unaudited Consolidated Balance Sheets; (ii) Unaudited Condensed Consolidated Statements of Income; (iii) Unaudited Consolidated Statements of Comprehensive Income; (iv) Unaudited Condensed Consolidated Statements of Changes in Stockholders' Equity; (v) Unaudited Condensed Consolidated Statements of Cash Flows; and (vi) Notes to the Consolidated Financial Statements.