

Ohio Valley Banc Corp. Reports Higher 3rd Quarter Earnings

Written by Australian Business

GALLIPOLIS, Ohio, Oct. 24, 2013 /PRNewswire/ -- Ohio Valley Banc Corp. (Nasdaq: [OVBC](#)) (the "Company") reported consolidated net income for the quarter ended September 30, 2013

, of
\$1,407,000
, an increase of 27.1 percent from the
\$1,107,000
earned for the third quarter of 2012. Earnings per share for the third quarter of 2013 were
\$.35
, up 29.6 percent from the prior year third quarter. For the nine months ended
September 30, 2013
, net income totaled
\$6,572,000
, a 20.6 percent increase from net income of
\$5,448,000
for the nine months ended
September 30
, 2012. Earnings per share were
\$1.62
for the first nine months of 2013 versus
\$1.35
for the first nine months of 2012, an increase of 20.0 percent. Return on average assets and
return on average equity was 1.11 percent and 11.32 percent, respectively, for the nine months
ended
September 30, 2013
, compared to .87 percent and 9.89 percent, respectively, for the same period in the prior year.

"We are pleased with the quarter and year-to-date results," stated Thomas E. Wiseman,

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President and CEO. "As we look to the future, we continue to be mindful of soft loan demand throughout our region. Our employees have taken proactive steps to supplement interest income through expense savings and the development of alternative sources of revenue. We continue to benefit from lower loan loss reserves, a direct result of our aggressive handling of troubled assets in prior years. In pursuing our 'Community First' mission, our employees are finding new and innovative ways to connect with each other, our customers, and our communities, all to the benefit of our shareholders."

For the third quarter of 2013, net interest income increased \$63,000 from the same period last year. The increase was related to the higher net interest margin for the third quarter, which more than offset the \$52 million

decline in average earning assets. The decline in earning assets occurred primarily in low yielding balances at the Federal Reserve, which positively impacted our yield on total earning assets. When combined with the continued decrease in funding costs, the net interest margin increased to 4.57 percent for the third quarter of 2013, as compared to 4.23 percent for the prior year third quarter. For the nine months ended

September 30, 2013

, net interest income decreased \$640,000

, or 2.6 percent. Contributing to the lower year-to-date net interest income was the decline in average earning assets, which was partially offset by a higher net interest margin. For the nine months ended

September 30, 2013

, average earning assets decreased \$42 million

from the same period last year, which occurred in Federal Reserve balances and loans. For the nine months ended

September 30, 2013

, the net interest margin increased to 4.43 percent, from 4.30 percent for the same period the prior year. The improvement in net interest margin was attributable to a decrease in our funding costs aided by a continued composition shift to lower costing transaction accounts from certificates of deposit.

For the three months ended September 30, 2013, management provided \$309,000 to the allowance for loan losses, a decrease of \$874,000

from the same period last year. For the nine months ended

September 30, 2013

, management provided \$151,000

to the allowance for loan losses, a decrease of

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\$2,872,000

from the same period last year. The significant decline in provision for loan loss expense was due to a decrease in charge-offs and nonperforming loans. For the nine months ended September 30, 2013

, net charge-offs totaled only

\$313,000

, a decrease of

\$1,869,000

from the same period in 2012. The ratio of nonperforming loans to total loans was .84 percent at

September 30, 2013

compared to 1.27 percent at

September 30

, 2012. With the continued improvement in asset quality trends, the historical loss factors

utilized to estimate the allowance for loan losses have also decreased. As a result, general

reserves have decreased, which contributed to lower provision for the three and nine months ended

September 30

, 2013. Based on the evaluation of the adequacy of the allowance for loan losses, management believes that the allowance for loan losses at

September 30, 2013

was adequate and reflects probable incurred losses in the portfolio. The allowance for loan losses was 1.21 percent of total loans at

September 30, 2013

, compared to 1.24 percent at

December 31, 2012

and 1.46 percent at

September 30, 2012

.

For the three months ended September 30, 2013, noninterest income totaled \$1,574,000, a decrease of

\$100,000

from 2012's third quarter, primarily due to lower mortgage banking income as originations declined due to higher mortgage interest rates. Noninterest income totaled

\$7,479,000

for the nine months ended

September 30, 2013

, as compared to

\$7,127,000

for the same period last year, an increase of

\$352,000

, or 4.9 percent. Contributing to higher year-to-date noninterest income was life insurance

proceeds, tax refund processing fees and interchange fee income. In conjunction with various

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benefit plans for directors and key employees, the Company maintains an investment in bank owned life insurance. During the first quarter, the Company received life insurance proceeds of \$452,000

. For the nine months ended
September 30, 2013

, tax processing fees totaled
\$2,532,000

, an increase of
\$253,000

from the same period the prior year due to an increase in the number of tax refund items processed. Further contributing to revenue growth was the increase in interchange fees earned on debit and credit card transactions. By continuing to offer incentives to customers to utilize the bank's debit and credit card for purchases, interchange income increased \$209,000

, or 16.9 percent, for the nine months ended
September 30, 2013

, as compared to the same period in 2012.

For the three months ended September 30, 2013, noninterest expense totaled \$7,320,000, an increase of
\$363,000

from the same period last year. For the nine months ended
September 30, 2013

, noninterest expense totaled
\$22,585,000

, an increase of
\$1,134,000

, or 5.3 percent, from the same period last year. Contributing to the increase was salaries and employee benefits, which increased
\$208,000

, or 5.1 percent, for the three months ended
September 30, 2013

, and increased
\$561,000

, or 4.5 percent, for the nine months ended
September 30, 2013

, as compared to the same periods in 2012. The increase was primarily related to annual merit increases and retirement benefit costs. In association with the higher debit and credit card transaction volume, the related customer reward expense has increased as well. For the quarter, customer reward expense increased
\$53,000

, and for the first nine months of 2013, increased
\$178,000

from the same time periods in 2012. Also contributing to higher year-to-date noninterest

expense was the increase in foreclosure costs associated with bank owned properties. For the nine months ended

September 30, 2013

, foreclosure costs increased

\$146,000

from the same period last year. In addition, noninterest expense increased

\$212,000

due to a premium paid with the early redemption of trust preferred securities. During the first quarter of 2013, the Company exercised the option to redeem

\$5 million

in trust preferred securities prior to maturity, which is anticipated to have a favorable impact on future earnings due to the elimination of the annual interest expense on the securities totaling

\$530,000

.

Ohio Valley Banc Corp. common stock is traded on the NASDAQ Global Market under the symbol OVBC. The holding company owns Ohio Valley Bank, with 15 offices in Ohio and West Virginia

, and Loan Central, with seven consumer finance offices in Ohio. Learn more about Ohio Valley Banc Corp. at

www.ovbc.com

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Forward-Looking Information

Certain statements contained in this earnings release which are not statements of historical fact constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Words such as "believes," "anticipates," "expects," "appears," "intends," "targeted" and similar expressions are intended to identify forward-looking statements but are not the exclusive means of identifying those statements. Forward-looking statements involve risks and uncertainties. Actual results may differ materially from those predicted by the forward-looking statements because of various factors and possible events, including: (i) changes in political, economic or other factors, such as inflation rates, recessionary or expansive trends, taxes, the effects of implementation of the Budget Control Act of 2011 and the American Taxpayer Relief Act of 2012 and the continuing economic uncertainty in various parts of the world; (ii) competitive pressures; (iii) fluctuations in interest rates; (iv) the level of defaults and prepayment on loans made by the Company; (v) unanticipated litigation, claims, or assessments; (vi) fluctuations in the cost of obtaining funds to make loans; and (vii) regulatory changes. Forward-looking statements speak only as of the date on which they are made, and the Company undertakes no obligation to update any forward-looking statement to reflect

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events or circumstances after the date on which the statement is made to reflect unanticipated events. See Item 1.A. "Risk Factors" in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2012, for further discussion of the risks affecting the business of the Company and the value of an investment in its shares.

Contact: Scott Shockey, CFO (740) 446-2631

OHIO VALLEY BANC CORP - Financial Highlights (Unaudited)

Three months ended

Nine months ended

September 30,

September 30,

2013

2012

2013

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2012

PER SHARE DATA

Earnings per share

\$ 0.35

\$ 0.27

\$ 1.62

\$ 1.35

Dividends per share

\$ 0.21

\$ 0.21

\$ 0.52

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\$ 0.67

Book value per share

\$ 19.54

\$ 18.77

\$ 19.54

\$ 18.77

Dividend payout ratio (a)

60.62%

76.44%

32.14%

49.54%

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Weighted average shares outstanding

4,062,204

4,029,439

4,062,204

4,028,944

PERFORMANCE RATIOS

Return on average equity

7.15%

5.89%

11.32%

9.89%

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Return on average assets

0.75%

0.55%

1.11%

0.87%

Net interest margin (b)

4.57%

4.23%

4.43%

4.30%

Efficiency ratio (c)

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76.05%

72.02%

70.52%

66.42%

Average earning assets (in 000's)

\$ 698,975

\$ 751,393

\$ 740,518

\$ 782,491

(a) Total dividends paid as a percentage of net income.

(b) Fully tax-equivalent net interest income as a percentage of average earning assets.

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(c) Noninterest expense as a percentage of fully tax-equivalent net interest income plus noninterest income

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

Three months ended

Nine months ended

(in \$000's)

September 30,

September 30,

2013

2012

2013

2012

Interest income:

Interest and fees on loans

\$ 8,174

\$ 8,781

\$ 25,260

\$ 27,678

Interest and dividends on securities

574

624

1,732

2,049

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Total interest income

8,748

9,405

26,992

29,727

Interest expense:

Deposits

666

1,235

2,294

3,911

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Borrowings

152

303

506

984

Total interest expense

818

1,538

2,800

4,895

Net interest income

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7,930

7,867

24,192

24,832

Provision for loan losses□

309

1,183

151

3,023

Noninterest income:

Service charges on deposit accounts

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472

471

1,340

1,381

Trust fees

56

51

158

151

Income from bank owned life insurance and

annuity assets

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171

198

974

592

Mortgage banking income

85

166

331

398

Electronic refund check / deposit fees

21

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15

2,532

2,279

Debit / credit card interchange income

502

422

1,447

1,238

Gain (loss) on other real estate owned

(6)

30

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(46)

181

Other

273

321

743

907

Total noninterest income

1,574

1,674

7,479

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7,127

Noninterest expense:

Salaries and employee benefits

4,326

4,118

13,132

12,571

Occupancy

418

397

1,199

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1,182

Furniture and equipment

230

238

664

710

FDIC insurance

114

63

375

629

Data processing

276

278

838

786

Foreclosed assets

51

69

390

244

Other

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1,905

1,794

5,987

5,329

Total noninterest expense

7,320

6,957

22,585

21,451

Income before income taxes

1,875

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1,401

8,935

7,485

Income taxes

468

294

2,363

2,037

NET INCOME

\$ 1,407

\$ 1,107

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\$ 6,572

\$ 5,448

OHIO VALLEY BANC CORP - Consolidated Balance Sheets (Unaudited)

(in \$000's, except share data)

September 30,

December 31,

2013

2012

ASSETS

Cash and noninterest-bearing deposits with banks

\$ 9,950

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\$ 10,617

Interest-bearing deposits with banks

22,947

35,034

Total cash and cash equivalents

32,897

45,651

Securities available for sale

88,850

94,965

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Securities held to maturity

(estimated fair value: 2013 - \$23,480; 2012 - \$24,624)

23,327

23,511

Federal Home Loan Bank and Federal Reserve Bank stock

7,776

6,281

Total loans

556,213

558,288

Less: Allowance for loan losses

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(6,742)

(6,905)

Net loans

549,471

551,383

Premises and equipment, net

9,007

8,680

Other real estate owned

2,798

3,667

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Accrued interest receivable

2,051

2,057

Goodwill

1,267

1,267

Bank owned life insurance and annuity assets

24,802

25,056

Other assets

5,606

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6,705

Total assets

\$ 747,852

\$ 769,223

LIABILITIES

Noninterest-bearing deposits

\$ 133,411

\$ 139,526

Interest-bearing deposits

495,422

515,538

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Total deposits

628,833

655,064

Other borrowed funds

18,986

14,285

Subordinated debentures

8,500

13,500

Accrued liabilities

12,141

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10,554

Total liabilities

668,460

693,403

SHAREHOLDERS' EQUITY

Common stock (\$1.00 stated value per share, 10,000,000 shares

authorized; 4,721,943 shares issued)

4,722

4,722

Additional paid-in capital

34,109

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34,109

Retained earnings

55,554

51,094

Accumulated other comprehensive income

719

1,607

Treasury stock, at cost (659,739 shares)

(15,712)

(15,712)

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Total shareholders' equity

79,392

75,820

Total liabilities and shareholders' equity

\$ 747,852

\$ 769,223

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