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OHIO VALLEY BANC CORP  
Form DEF 14A  
April 20, 2009

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549  
SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the  
Securities Exchange Act of 1934

Filed by the Registrant  [X]  
Filed by a Party other than the Registrant  [ ]

Check the appropriate box:

- [ ] Preliminary Proxy Statement  
 [ ] Confidential, for Use of the Commission Only  
(as permitted by Rule 14a-6(e)(2))  
 [X] Definitive Proxy Statement  
 [ ] Definitive Additional Materials  
 [ ] Soliciting Material Pursuant to Section 240.14a-12

OHIO VALLEY BANC CORP.

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(Name of Registrant as Specified In Its Charter)

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(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- [X] No fee required  
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- (1) Title of each class of securities to which transaction applies:  
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(2) Form, Schedule or Registration Statement No.:  
(3) Filing Party:  
(4) Date Filed:

ANNUAL MEETING OF SHAREHOLDERS  
Wednesday, May 13, 2009

TO OUR SHAREHOLDERS:

We take pleasure in inviting you to our Annual Meeting of Shareholders, which will be held on Wednesday, May 13, 2009, at 5:00 p.m., Eastern Daylight Saving

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Time, at the Morris and Dorothy Haskins Ariel Theatre, 426 Second Avenue, Gallipolis, Ohio.

The Annual Meeting will be held for the purpose of electing directors and transacting such other business as may properly be brought before it. At the meeting, we shall also report to you on our operations during the past year and plans for the future.

The close of business on March 26, 2009 has been fixed as the record date for determination of shareholders entitled to notice of the Annual Meeting and to vote at the Annual Meeting or any adjournment thereof.

The formal Notice of Annual Meeting, the Proxy Statement and a proxy are enclosed. After reading the Proxy Statement, please promptly fill in, sign and return to us the enclosed proxy in the envelope provided. As an alternative, you may submit your proxy electronically by going to the Company's website at [www.ovbc.com](http://www.ovbc.com) and following the instructions on that website. We urge you to submit your proxy to insure that your shares are represented.

Last year, more than 81% of the Company's shares were represented in person or by proxy at the Annual Meeting. Please help us exceed last year's participation by signing and returning your proxy or submitting your proxy electronically today.

We hope to see many of you in person at the Annual Meeting. There will be a social hour beginning at 4:00 p.m. Hors D'oeuvres and beverages will be served, and we hope you will take this opportunity to become acquainted with the officers and Directors of your Company.

Sincerely,

/s/ Jeffrey E. Smith

-----  
Jeffrey E. Smith  
President and Chief Executive Officer

Dated: April 20, 2009

OHIO VALLEY BANC CORP.  
P.O. Box 240  
Gallipolis, Ohio 45631  
1-800-468-6682

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS  
Wednesday, May 13, 2009  
5:00 p.m.

Gallipolis, Ohio  
April 20, 2009

To the Shareholders of  
Ohio Valley Banc Corp.

Notice is hereby given that the Annual Meeting of Shareholders (the "Annual Meeting") of Ohio Valley Banc Corp. (the "Company") will be held at the Morris and Dorothy Haskins Ariel Theatre, 426 Second Avenue, Gallipolis, Ohio, on Wednesday, the 13th day of May, 2009, at 5:00 p.m., Eastern Daylight Saving Time, for the following purposes:

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1. To elect four Directors of the Company, each to serve for a three-year term; and
2. To transact such other business as may properly come before the Annual Meeting or any adjournment(s) thereof.

Only holders of common shares of the Company of record at the close of business on March 26, 2009 will be entitled to vote at the Annual Meeting and any adjournment.

You are cordially invited to attend the Annual Meeting. The vote of each shareholder is important, whatever the number of common shares held.

Whether or not you plan to attend the Annual Meeting, please sign, date and return the enclosed proxy promptly in the enclosed postage-paid, return-addressed envelope. As an alternative, you may submit a proxy to vote your shares electronically by going to the Company's website at [www.ovbc.com](http://www.ovbc.com) and following the instructions on that website. If you attend the Annual Meeting, you may revoke your proxy and vote in person if you are a registered shareholder. Attendance at the Annual Meeting will not, in and of itself, constitute revocation of your proxy.

BY ORDER OF THE BOARD OF DIRECTORS

/s/ Jeffrey E. Smith

-----  
Jeffrey E. Smith  
President and Chief Executive Officer

OHIO VALLEY BANC CORP.  
P.O. Box 240  
Gallipolis, Ohio 45631  
1-800-468-6682

April 20, 2009

PROXY STATEMENT

This proxy statement and the accompanying proxy are first being mailed on or about April 20, 2009 to shareholders of Ohio Valley Banc Corp. (the "Company") regarding the Annual Meeting of Shareholders to be held at the Morris and Dorothy Haskins Ariel Theatre, 426 Second Avenue, Gallipolis, Ohio, on Wednesday, May 13, 2009, at 5:00 p.m., Eastern Daylight Saving Time (the "Annual Meeting").

Voting by Proxy

A proxy for use at the Annual Meeting accompanies this proxy statement and is solicited by the Board of Directors of the Company. You may ensure your representation by completing, signing, dating and promptly returning the enclosed proxy in the envelope provided. As an alternative, you may submit your proxy electronically by going to the Company's website at [www.ovbc.com](http://www.ovbc.com) and following the instructions on that website. The deadline for transmitting voting instructions electronically via the Internet is 11:59 p.m. Eastern Daylight Saving Time, on May 12, 2009. Shareholders who submit a proxy via the Internet will incur only their usual Internet access charges, if any. Without affecting any vote previously taken, you may revoke your proxy at any time before it is voted at the Annual Meeting (1) by giving written notice of revocation to the Secretary of the Company, at the address of the Company set forth on the cover page of this proxy statement; (2) by executing a later-dated proxy that is received by the Company prior to the Annual Meeting or submitting a later-dated

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proxy via the Internet prior to the deadline for doing so; or (3) if you are the registered owner of your common shares, by attending the Annual Meeting and giving notice of revocation in person. If your common shares are held in the name of your broker/dealer, financial institution or other holder of record and you wish to revoke your proxy in person, you must bring an account statement or letter from the broker/dealer, financial institution or other holder of record indicating how many common shares you held beneficially on March 26, 2009, the record date for voting. Attendance at the Annual Meeting will not, in and of itself, constitute revocation of a proxy.

### Shares Held in "Street Name"

If you hold your common shares in "street name" with a broker, financial institution or other holder of record, you may be eligible to appoint your proxy electronically via the Internet or telephonically and you may incur costs associated with the electronic access. If you hold your common shares in street name, you should review the information provided to you by the holder of record. This information will describe the procedures to be followed in instructing the holder of record how to vote the street name common shares and how to revoke previously given instructions.

If you hold your common shares in "street name" and wish to vote your shares in person at the Annual Meeting, you must bring a letter or proxy from your broker/dealer, financial institution or other nominee authorizing you to vote your shares on behalf of such record holder.

### Who is Entitled to Vote

Only shareholders of record at the close of business on March 26, 2009, are entitled to receive notice of and to vote at the Annual Meeting and any adjournment. As of March 26, 2009, 3,983,009 common shares were outstanding and entitled to vote at the Annual Meeting. Each common share entitles the holder thereof to one vote on each matter submitted to the shareholders at the Annual Meeting. A quorum for the Annual Meeting is a majority of the outstanding common shares.

### Costs of Proxy Solicitation

The Company will bear the costs of preparing, printing and mailing this proxy statement, the accompanying proxy and any other related materials, as well as all other costs incurred in connection with the solicitation of proxies on behalf of the Company's Board of Directors other than the Internet access and telephone usage charges a shareholder may incur if a proxy is appointed electronically through a holder of record. Proxies will be solicited by mail and may be further solicited, for no additional compensation, by officers, directors or employees of the Company and its subsidiaries by further mailing, telephone, facsimile, electronic mail or personal contact. The Company will also pay the standard charges and expenses of brokers, voting trustees, financial institutions and other custodians, nominees and

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fiduciaries, who are record holders of common shares not beneficially owned by them, for forwarding materials to the beneficial owners of common shares entitled to vote at the Annual Meeting.

### Employee Stock Ownership Plan Participants

If you are a participant in the Ohio Valley Banc Corp. Employee Stock Ownership Plan (the "ESOP") and common shares have been allocated to your account in the ESOP, you will be entitled to instruct the trustee of the ESOP how to vote those common shares and you will receive your voting instructions

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separately. If no instructions are given by you to the trustee of the ESOP, the trustee will vote the common shares allocated to your ESOP account in its sole discretion.

### Tabulation of Votes

The inspectors of election appointed for the Annual Meeting will tabulate the results of shareholder voting. Common shares represented by properly executed proxies returned to the Company prior to the Annual Meeting will be counted toward the establishment of a quorum for the Annual Meeting even though they are marked "WITHHOLD AUTHORITY TO VOTE FOR ALL NOMINEES", or "VOTE FOR ALL EXCEPT" or not at all. Brokers who hold common shares in street name may, under the applicable rules of the exchange and other self-regulatory organizations of which the brokers are members, sign and submit proxies for such common shares and may vote such common shares on routine matters such as the election of Directors. However, brokers who hold common shares in street name may not vote such common shares on non-routine matters, including proposals to approve equity-based compensation plans, without specific instructions from the customer who owns the common shares. Proxies that are signed and submitted by brokers that have not been voted on certain matters as described in the previous sentence are referred to as broker non-votes. Broker non-votes count toward the establishment of a quorum for the Annual Meeting.

The Annual Report of the Company for the fiscal year ended December 31, 2008, including financial statements, is being delivered with this proxy statement.

### Directions to Annual Meeting Location

To obtain directions to attend the Annual Meeting and vote in person, please call Deborah A. Carhart, Assistant Vice President, Shareholder Relations, at 1-800-468-6682 or 1-740-446-2631.

### Important Notice Regarding the Availability of Proxy Materials for the Shareholder Meeting to Be Held on May 13, 2009

This proxy statement, a sample of the form of proxy card sent to shareholders by the Company, and the Company's 2008 Annual Report to Shareholders are available on the Company's website at [www.ovbc.com/go/proxyinfo](http://www.ovbc.com/go/proxyinfo).

### OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The Company knows of no shareholders who are beneficial owners of more than five percent (5%) of the outstanding common shares of the Company as of March 26, 2009.

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The following table furnishes information regarding the beneficial ownership of common shares of the Company, as of March 26, 2009, for each current Director, each nominee for election to the Board of Directors, each executive officer named in the Summary Compensation Table and all current Directors and executive officers as a group.

Name	No. of Common Shares and Nature of Beneficial Ownership (1)	Percent of Class (2)
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Anna P. Barnitz	1,486	(3)	.04%
Steven B. Chapman	1,770	(4)	.04%
Robert E. Daniel	488	(5)	.01%
Robert H. Eastman	129,796	(6)	3.26%
Katrinka V. Hart (7)	11,289	(8)	.28%
Harold A. Howe	15,853	(9)	.40%
E. Richard Mahan (7)	8,138	(10)	.20%
Larry E. Miller, II (7)	8,893	(11)	.22%
Brent A. Saunders	6,193	(12)	.16%
Scott W. Shockey (7)	2,798	(13)	.07%
Jeffrey E. Smith (7)	19,386	(14)	.49%
David W. Thomas	2,417	(15)	.06%
Roger D. Williams	774	(16)	.02%
Lannes C. Williamson	5,099	(17)	.13%
Thomas E. Wiseman	16,638	(18)	.42%
All Directors and executive officers as a Group (15 persons)	231,018	(19)	5.80%

- (1) Unless otherwise indicated, the beneficial owner has sole voting and investment power with respect to all of the common shares reflected in the table. All fractional common shares have been rounded down to the nearest whole common share. The Company has never granted options to purchase its common shares. The mailing address for each of the current Directors and executive officers of the Company is P.O. Box 240, Gallipolis, Ohio 45631.
- (2) The percent of class is based on 3,983,009 common shares outstanding on March 26, 2009.
- (3) Represents 1,422 common shares held jointly by Mrs. Barnitz and her spouse, as to which she shares voting and investment power, and 64 common shares held by Mrs. Barnitz as custodian for her children.
- (4) Includes 1,660 common shares held jointly by Mr. Chapman and his spouse, as to which he shares voting and investment power. The number shown also includes 110 common shares held by a broker for Mr. Chapman's spouse in a self-directed individual retirement account, as to which she has sole voting and investment power.
- (5) Represents common shares held jointly by Mr. Daniel and his spouse, as to which he shares voting and investment power.
- (6) Includes 40,842 common shares held jointly by Mr. Eastman and his spouse, as to which he shares voting and investment power.
- (7) Executive officer of the Company named in the Summary Compensation Table.
- (8) Includes 7,338 common shares held for the account of Ms. Hart in the ESOP.
- (9) Includes 8,504 common shares held jointly by Mr. Howe and his spouse, as to which he shares voting and investment power; 6,902 common shares held in a self-directed individual retirement account at Ohio Valley Bank, as to which Ohio Valley Bank has voting power and Mr. Howe has investment power; and 446 common shares held jointly by Mr. Howe and his children as to which he shares voting and investment power.

(footnotes continued on next page)

- (10) Includes 4,068 common shares held jointly by Mr. Mahan and his spouse, as to which he shares voting and investment power; 111 common shares held by Mr. Mahan as custodian for his niece; and 3,958 common shares held for the account of Mr. Mahan in the ESOP.
- (11) Includes 3,439 common shares held jointly by Mr. Miller and his spouse, as to which he shares voting and investment power; and 5,453 common shares held for the account of Mr. Miller in the ESOP.
- (12) Includes 2,456 common shares held jointly by Mr. Saunders and his spouse, as to which he shares voting and investment power; 712 common shares held by Mr. Saunders as custodian for the benefit of his children; and 243 common shares held by a broker in a self-directed individual retirement account, as to which the broker has voting power and Mr. Saunders has investment power.
- (13) Includes 2,354 common shares held for the account of Mr. Shockey in the ESOP.
- (14) Includes 532 common shares held by Mr. Smith's spouse, as to which she has sole voting and investment power; 297 common shares held by Mr. Smith's spouse as custodian for the benefit of his daughter as to which Mr. Smith's spouse exercises sole voting and investment power; and 14,704 common shares held for the account of Mr. Smith in the ESOP.
- (15) Represents common shares held jointly by Mr. Thomas and his spouse, as to which he shares voting and investment power.
- (16) Represents common shares held by Mr. Williams' spouse, as to which she has sole voting and investment power.
- (17) Includes 23 common shares held by Mr. Williamson's spouse, as to which she has sole voting and investment power; and 4,532 common shares held by a broker in a self-directed individual retirement account, as to which the broker has voting power and Mr. Williamson has investment power.
- (18) Includes 15,501 common shares held jointly by Mr. Wiseman and his spouse, as to which he shares voting and investment power; and 1,137 common shares held by Mr. Wiseman as custodian for the benefit of his children.
- (19) See Notes (3) through (6) and (8) through (18) above.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

The Company's Directors and executive officers, as well as any persons holding more than 10% of the Company's outstanding common shares, are required to report their initial ownership of common shares and any subsequent changes in their ownership to the Securities and Exchange Commission (the "SEC"). Specific due dates have been established by the SEC for such filings, and the Company is required to disclose in this proxy statement any failure to file by those dates. Based on its review of (1) Section 16(a) reports filed on behalf of these individuals for their transactions during the Company's 2008 fiscal year and (2) documentation received from one or more of these individuals that no annual Form 5 reports were required to be filed by them for the Company's 2008 fiscal year, the Company believes that all Section 16(a) reports were timely filed, except that Robert H. Eastman, a Director of the Company, did not timely file a Form 4 reporting the acquisition of 2,000 of the Company's common shares.

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### PROXY ITEM 1: ELECTION OF DIRECTORS

The Company's Board of Directors currently consists of eleven members - four in the class whose terms expire at the Annual Meeting, four in the class whose terms expire in 2010 and three in the class whose terms expire in 2011. Section 2.02(C) of the Company's Regulations provides that the Directors may change the number of Directors and fill any vacancy created by an increase in the number of Directors (provided that the Directors may not increase the number of Directors to more than twelve or reduce the number of Directors to less than five).

In 1980, the Board of Directors of Ohio Valley Bank adopted a policy that each person becoming a director of Ohio Valley Bank after that date would be expected to retire at the next annual meeting of shareholders of Ohio Valley Bank following the director's 70th birthday. Since the Company was formed as the holding company of Ohio Valley Bank in 1992, the directors of the Company have followed that same practice, although neither the Company nor the Bank has ever provided such a requirement in its

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articles of incorporation or regulations or included any such provision in the charter of the Nominating and Corporate Governance Committee.

The Board of Directors of the Company has determined that all of the directors except Messrs. Howe and Smith are "independent" under the listing standards of The NASDAQ Stock Market, LLC ("Nasdaq"). In determining independence, the Board of Directors considered loan and deposit relationships with each director, fees paid to Mr. Saunders for legal services, and notes issued to Mr. Eastman and to the Wiseman Agency (discussed in this proxy statement under the heading "Certain Relationships and Related Transactions"). The rules of Nasdaq do not deem such relationships to disqualify a director from being deemed independent. The Board of Directors does not believe such relationships interfere with the directors' exercise of independent judgment in carrying out their responsibilities as directors.

The Board of Directors proposes that each of the four nominees identified below be re-elected for a new three-year term. Each nominee was recommended to the Board of Directors by the Nominating and Corporate Governance Committee. Each person elected as a Director at the Annual Meeting will hold office for a term of three years and until his successor is duly elected and qualified or until his earlier resignation, removal from office or death. The four nominees for election as Directors receiving the greatest number of votes will be elected. Common shares represented by properly executed and returned proxies will be voted FOR the election of the Board of Directors' nominees unless authority to vote for one or more nominees is withheld. Common shares as to which the authority to vote is withheld will be counted for quorum purposes, but will not be counted toward the election of Directors or toward the election of the individual nominees specified on the proxy.

The following table provides certain information, as of March 26, 2009, concerning each nominee for election as a Director of the Company. Unless otherwise indicated, each individual has had the same principal occupation for more than five years.

### NOMINEES FOR ELECTION FOR TERMS EXPIRING IN 2012

Position(s) Held with the Company



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Name	Age	and its Principal Subsidiaries and Principal Occupation(s)	Director Bank S
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Anna P. Barnitz	46	Treasurer and Chief Financial Officer, Bob's Market and Greenhouses, Inc. (horticultural products for wholesale distribution and retail landscaping stores)	200
Roger D. Williams	58	Former President, Bob Evans Restaurants, a division of Bob Evans Farms, Inc. (restaurant operator and food products)	200
Lannes C. Williamson	64	President, L. Williamson Pallets, Inc. (sawmill; pallet manufacturing; and wood processing)	199
Thomas E. Wiseman	50	President, The Wiseman Agency, Inc. (insurance and financial services)	199

The Board of Directors recommends that shareholders vote FOR the election of the above nominees.

While it is contemplated that all nominees will stand for election, if one or more nominees at the time of the Annual Meeting should be unavailable or unable to serve as a candidate for election as a Director, the individuals designated as proxy holders reserve full discretion to vote the common shares represented by the proxies they hold for the election of the remaining nominees and for the election of any substitute nominee or nominees designated by the Board of Directors. The Board of Directors knows of no reason why any of the nominees named above will be unavailable or unable to serve if elected to the Board.

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The following table provides certain information concerning the current Directors who will continue to serve after the Annual Meeting. Unless otherwise indicated, each individual has had the same principal occupation for more than five years.

DIRECTORS WITH TERMS EXPIRING IN 2010

Name	Age	Position(s) Held with the Company and its Principal Subsidiaries and Principal Occupation(s)	Director o Bank Si
----	---	-----	-----
Steven B. Chapman	62	Certified Public Accountant, Chapman & Burris CPA's LLC (Partner)	1999
Robert E. Daniel	68	Administrator, Holzer Clinic (multispecialty physician group practice)	2005
Robert H. Eastman	68	President of Ohio Valley Supermarkets, Inc. (retail grocery stores)	1986
Jeffrey E. Smith	59	President and Chief Executive Officer of the Company and the Bank	1987

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## DIRECTORS WITH TERMS EXPIRING IN 2011

Name -----	Age ---	Position(s) Held with the Company and its Principal Subsidiaries and Principal Occupation(s) -----	Director Bank -----
Harold A. Howe	58	Self-employed (real estate investments and rentals); and President, Ohio Valley Financial Services Agency, LLC	19
Brent A. Saunders	51	Attorney at Law, Halliday, Sheets & Saunders (Partner)	20
David W. Thomas	53	Former Chief Examiner, Ohio Division of Financial Institutions (bank supervision and regulation)	20

There are no family relationships among any of the directors, nominees for election as directors and executive officers of the Company.

### Meetings of and Communications with the Board of Directors

The Board of Directors held a total of thirteen (13) meetings during 2008. Each incumbent Director attended 75% or more of the aggregate of the total number of meetings held by the Board of Directors and the total number of meetings held by all committees of the Board of Directors on which the Director served, in each case during the Director's period of service in 2008. In accordance with applicable Nasdaq Marketplace Rules, the independent directors meet in executive session as appropriate matters for their consideration arise.

The Company encourages all incumbent Directors and Director nominees to attend each annual meeting of shareholders. All of the incumbent Directors and Director nominees attended the Company's last annual meeting of shareholders held on May 7, 2008.

The Company has an informal process by which shareholders may communicate directly with Directors. Any communication to the Board may be mailed to Thomas E. Wiseman, Lead Director, in care of Investor Relations at the Company's headquarters, P.O. Box 240, Gallipolis, Ohio 45631. The mailing envelope should contain a clear notation indicating that the enclosed

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letter is a "Shareholder-Board Communication" or "Shareholder-Director Communication." There is no screening process, and all shareholder communications that are received for the Board's attention will be forwarded to all Directors.

### Committees of the Board

The Board of Directors has four standing committees: the Audit Committee, the Compensation and Management Succession Committee, the Executive Committee and the Nominating and Corporate Governance Committee.

#### Audit Committee

The Audit Committee is comprised of Anna P. Barnitz, Steven B. Chapman (Chairman), David W. Thomas and Lannes C. Williamson. The Board of Directors has

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determined that each member of the Audit Committee qualifies as independent under Nasdaq Marketplace Rules 4200(a)(15) and 4350(d)(2) as well as under Rule 10A-3 promulgated under the Exchange Act.

The Board of Directors believes that each member of the Audit Committee has substantial financial experience and is highly qualified to discharge such member's duties. Additionally, the Board of Directors has determined that Steven B. Chapman qualifies as an "audit committee financial expert" for purposes of Item 401(h) of SEC Regulation S-K based on his training and experience as a Certified Public Accountant. The Board of Directors has determined that Mr. Chapman is capable of (i) understanding accounting principles generally accepted in the United States ("US GAAP") and financial statements, (ii) assessing the general application of US GAAP in connection with the accounting for estimates, accruals and reserves, (iii) analyzing and evaluating the Company's consolidated financial statements, (iv) understanding internal control over financial reporting, and (v) understanding audit committee functions.

The Audit Committee is organized and conducts its business pursuant to a written charter adopted by the Board of Directors. A current copy of the charter of the Audit Committee is posted on the Company's website at [www.ovbc.com](http://www.ovbc.com) under "About Us" in the Ohio Valley Banc Corp. section. At least annually, the Audit Committee reviews and reassesses the adequacy of its charter and recommends changes to the full Board as necessary. The Audit Committee is responsible for:

- o overseeing the accounting and financial reporting process of the Company and audits of the Company's financial statements;
- o monitoring the Company's financial reporting process and internal control system;
- o overseeing the certification process and other laws and regulations impacting the Company's quarterly and annual financial statements and related disclosure controls;
- o reviewing and evaluating the audit efforts of the Company's independent registered public accounting firm and the Company's internal auditing department;
- o providing an open avenue of communication among the Company's independent registered public accounting firm, financial and senior management, internal auditing department and the Board of Directors;
- o appointing, compensating and overseeing the independent registered public accounting firm employed by the Company for the purpose of preparing or issuing an audit report or performing related work; and
- o establishing procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters.

In addition, the Audit Committee reviews and pre-approves all audit and permitted non-audit services provided by the Company's independent registered public accounting firm and ensures that the registered public accounting firm is not engaged to perform the specific non-audit services prohibited by law, rule or regulation. The Audit Committee will also carry out such other responsibilities as may be delegated to the Audit Committee by the full Board.

The Audit Committee held nine meetings during the 2008 fiscal year. The Report of the Audit Committee for the 2008 fiscal year begins on page 23.

Compensation and Management Succession Committee

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The Compensation and Management Succession Committee is comprised of Robert H. Eastman, Brent A. Saunders and Thomas E. Wiseman (Chairman). The Board of Directors has determined that each member of the Compensation and Management Succession Committee qualifies as independent under Nasdaq Marketplace Rule 4200(a)(15). In addition, the Board of Directors has

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determined that each member of the Compensation and Management Succession Committee qualifies as an "outside director" for purposes of Section 162(m) of the Internal Revenue Code of 1986, as amended, and as a "non-employee director" for purposes of Rule 16b-3 under the Exchange Act.

The Compensation and Management Succession Committee is organized and conducts its business pursuant to a written charter adopted by the Board of Directors. A current copy of the charter of the Compensation and Management Succession Committee is posted on the Company's website at [www.ovbc.com](http://www.ovbc.com) under "About Us" in the Ohio Valley Banc Corp. section. The Compensation and Management Succession Committee periodically reviews and reassesses the adequacy of its charter and recommends changes to the full Board as necessary. The charter was last revised by the Board of Directors on February 26, 2008, upon recommendation of the Compensation and Management Succession Committee.

The purpose of the Compensation and Management Succession Committee is to discharge the responsibilities of the Board of Directors relating to compensation of the Company's Directors and executive officers and to prepare an annual report on executive compensation for inclusion in the proxy statement for the Company's annual meeting of shareholders. The Compensation and Management Succession Committee will also carry out such other responsibilities as may be delegated to it by the full Board.

The Compensation and Management Succession Committee is responsible for reviewing and approving goals and objectives relevant to the compensation of the Company's executive officers (including the Chief Executive Officer), evaluating such executive officers' performance in light of those goals and objectives and determining compensation based on that evaluation. The Compensation and Management Succession Committee is also responsible for reviewing the Company's incentive compensation programs and retirement plans, and recommending changes to such programs and plans to the Board of Directors as necessary. The Compensation and Management Succession Committee also reviews any severance or other termination arrangements to be entered into with the Company's executive officers.

The Compensation and Management Succession Committee held nine meetings during the 2008 fiscal year. The Report of the Compensation and Management Succession Committee on executive compensation relating to the 2008 fiscal year begins on page 17.

### Executive Committee

The Executive Committee is comprised of Steven B. Chapman, Robert H. Eastman, Harold A. Howe, Brent A. Saunders, Jeffrey E. Smith (Chairman), David W. Thomas and Thomas E. Wiseman. The Executive Committee is authorized to act in the intervals between meetings of the Directors on matters delegated by the full Board. There were four meetings of the Executive Committee during the 2008 fiscal year.

### Nominating and Corporate Governance Committee

The Nominating and Corporate Governance Committee consists of Steven B. Chapman, Robert H. Eastman (Chairman) and Thomas E. Wiseman. The Board of

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Directors has determined that each member of the Nominating and Corporate Governance Committee qualifies as independent under Nasdaq Marketplace Rule 4200(a)(15). The purposes of the Nominating and Corporate Governance Committee are to:

- o identify qualified candidates for election, nomination or appointment to the Board and recommend to the full Board a slate of Director nominees for each annual meeting of the shareholders of the Company;
- o make recommendations to the full Board regarding the Directors who shall serve on committees of the Board; and
- o undertake such other responsibilities as may be referred to the Nominating and Corporate Governance Committee by the full Board.

The Nominating and Corporate Governance Committee is organized and conducts its business pursuant to a written charter adopted by the Board of Directors. A current copy of the charter of the Nominating and Corporate Governance Committee is posted on the Company's website at [www.ovbc.com](http://www.ovbc.com) under "About Us" in the Ohio Valley Banc Corp. section. The Nominating and Corporate Governance Committee periodically reviews and reassesses the adequacy of its charter and recommends changes to the full Board as necessary. The Nominating and Corporate Governance Committee held three meetings during the 2008 fiscal year.

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### Nominating Procedures

As described above, the Company has a standing Nominating and Corporate Governance Committee that has the responsibility to identify and recommend individuals qualified to become Directors. The Nominating and Corporate Governance Committee recommended the nominees for election as Directors at the Annual Meeting. When considering potential candidates for the Board, the Nominating and Corporate Governance Committee strives to assure that the composition of the Board, as well as its practices and operation, contribute to value creation and to the effective representation of the Company's shareholders. The Nominating and Corporate Governance Committee may consider those factors it deems appropriate in evaluating Director candidates including experience, reputation and geographic location. Depending upon the current needs of the Board, certain factors may be weighed more or less heavily by the Nominating and Corporate Governance Committee. From time to time, the Nominating and Corporate Governance Committee may deem it prudent to recruit individuals with education and expertise in a specific discipline, such as accounting, finance or law.

In considering candidates for the Board, the Nominating and Corporate Governance Committee evaluates the entirety of each candidate's credentials and does not have any specific minimum qualifications that must be met by a Nominating and Corporate Governance Committee-recommended nominee. However, the Nominating and Corporate Governance Committee does believe that all members of the Board should have the highest character and integrity; a reputation for working constructively with others; sufficient time to devote to Board matters; and no conflict of interest that would interfere with performance as a Director. Additionally, the Company is a highly-regulated institution and all Director candidates are subject to the requirements of applicable federal and state banking laws and regulations.

The Nominating and Corporate Governance Committee considers candidates for the Board from any reasonable source, including recommendations from shareholders and existing Directors. The Nominating and Corporate Governance Committee does not evaluate candidates differently based on who has made the recommendation. The Nominating and Corporate Governance Committee has the

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authority to hire and pay a fee to consultants or search firms to assist in the process of identifying and evaluating candidates. No such consultants or search firms have been used to date and, accordingly, no fees have been paid to consultants or search firms.

Shareholders may recommend Director candidates for consideration by the Nominating and Corporate Governance Committee by writing to Robert H. Eastman, the Chairman of the Nominating and Corporate Governance Committee, at the Company's executive offices, P.O. Box 240, Gallipolis, Ohio 45631. The recommendation should give the candidate's name, age, business address, residence address, principal occupation or employment and number of common shares beneficially owned. The recommendation should also describe the qualifications, attributes, skills or other qualities of the recommended Director candidate. A written statement from the candidate consenting to be named as a Director candidate and, if nominated and elected, to serve as a Director should accompany any such recommendation.

Shareholders who wish to nominate an individual for election as a Director at an annual meeting of the shareholders of the Company must comply with the Company's Code of Regulations regarding shareholder nominations. Shareholder nominations must be made in writing and delivered or mailed to Robert H. Eastman, the Chairman of the Nominating and Corporate Governance Committee, at the Company's executive offices, P.O. Box 240, Gallipolis, Ohio 45631, not less than 14 days nor more than 50 days prior to any meeting of shareholders called for the election of Directors. However, if less than 21 days' notice of the meeting is given to the shareholders, the nomination must be mailed or delivered to the Chairman of the Nominating and Corporate Governance Committee not later than the close of business on the seventh day following the day on which the notice of the meeting was mailed to the shareholders. Each nomination must contain the following information to the extent known by the nominating shareholder: (a) the name and address of each proposed nominee; (b) the principal occupation of each proposed nominee; (c) the total number of common shares of the Company that will be voted for each proposed nominee; (d) the name and residence address of the nominating shareholder; (e) the number of common shares of the Company beneficially owned by the nominating shareholder; and (f) any other information required to be disclosed with respect to a nominee for election as a Director under the proxy rules promulgated under the Exchange Act. Nominations not made in accordance with the Company's Code of Regulations will not be considered.

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### COMPENSATION OF EXECUTIVE OFFICERS AND DIRECTORS

The following are the executive officers of the Company:

Name	Age	Position(s) Held with the Company and its Principal Subsidiaries
----	---	-----
Jeffrey E. Smith	59	President and Chief Executive Officer of the Company and the Bank since 2000; Chairman of the Executive Committee of the Company and the Bank since 2000.
Scott W. Shockey	39	Vice President and Chief Financial Officer of the Company and Senior Vice President and Chief Financial Officer of the Bank since December 2004; Assistant Treasurer of the Company from April 2001 to December 2004; and Vice President and Chief Financial Officer of the Bank from April 2001 to December 2004.

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Katrinka V. Hart	50	Senior Vice President and Risk Management Officer of the Company since 2004; Executive Vice President and Risk Management Officer of the Company since 2003.
E. Richard Mahan	63	Senior Vice President and Chief Credit Officer of the Company and Executive Vice President and Chief Credit Officer of the Bank since December 2007; Senior Vice President and Secretary of the Company from April 2000 to December 2007; and Executive Vice President and Secretary of the Bank from April 2000 to December 2007.
Larry E. Miller, II	44	Senior Vice President and Secretary of the Company and Executive Vice President and Secretary of the Bank since December 2007; Senior Vice President and Treasurer of the Company from April 2000 to December 2007; and Executive Vice President and Treasurer of the Bank from April 2000 to December 2007.

### Compensation Discussion and Analysis

#### Overview of Compensation Program

The executive officers of the Company receive no compensation from the Company. Instead, they are paid by the Bank for services rendered in their capacities as executive officers of the Bank.

The Compensation and Management Succession Committee (the "Compensation Committee") is responsible for reviewing and approving goals and objectives relevant to the compensation of the Company's executive officers (including the named executive officers), evaluating such executive officers' performance in light of those goals and objectives and determining compensation based on that evaluation. As part of that responsibility, the Compensation Committee reviews the Company's bonus program as well as retirement plans and recommends changes to such programs and plans to the Board of Directors as necessary. The Compensation Committee does not believe the goals and objectives relevant to the compensation of the Company's executive officers incent excessive risk taking that would threaten the institution's value. The Company continues to face numerous risks, as do all institutions, which could threaten its value. The most prominent of these risks are liquidity, credit, interest rate, strategic and reputational risk. The Compensation Committee believes the risk management controls currently in place in conjunction with performance goals that properly balance earnings growth and asset quality effectively address the risks inherent in the current economic environment. Although the Compensation Committee also has responsibility for reviewing any severance or other termination arrangements to be entered into with the Company's executive officers, there are currently no such arrangements.

#### Management's Role in Compensation Decisions

While the Committee makes all compensation decisions regarding the named executive officers, the Committee utilizes data and reports as required by the wage and salary administration plan described elsewhere in this Compensation Discussion and Analysis. Some of this data is prepared or assembled by management and includes, but is not limited to, peer analysis of comparable financial industry job grades, cost of living adjustments, and total compensation benchmarking primarily for Ohio and the Midwest Region of the United States. Our Chief Executive Officer works with the Compensation Committee Chair in establishing the agenda for Compensation Committee meetings. The Chief Executive Officer regularly attends meetings briefing the Committee on the Company's overall performance. With respect to developing compensation packages, annually the Chief Executive Officer reviews the performance of each executive officer (excluding his own) by comparing results achieved to established goals as well as the overall performance of the Company as compared to Board approved corporate performance goals. This data, along with salary data derived from the

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Company's wage and salary administration plan, are the bases for his recommendations to the Committee with respect to the compensation of the other executive officers, including base salary adjustments and annual bonus payments. The Committee considers the Chief Executive Officer's recommendations and uses its own discretion in making the final compensation

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decisions. The Committee regularly conducts executive sessions, without the presence of management, in fulfilling its responsibilities pursuant to its charter.

### Compensation Philosophy and Objectives

The objectives of the compensation programs of the Company and the Bank are that:

- o compensation of the Company's executive officers and non-executive officers should be directly linked to corporate operating performance; and
- o executive officers and non-executive officers should receive fair and equitable compensation for their respective levels of responsibility and supervisory authority compared to their peers within the Company as well as their peers within the financial services industry.

In 1993, the Company adopted a comprehensive wage and salary administration plan for the Company and its subsidiaries to be used for all employees, including executive officers. That plan consists of a job grading process for all jobs in the Company, a performance appraisal process, and a periodic total compensation benchmarking process to determine compensation market ranges for all job grades. The components of this plan apply to both executive officers and non-executive officers. The Company believes that it is essential to attracting and retaining qualified officers in its industry that compensation be competitive with that of other companies within the industry. Further, in order to motivate such individuals to perform to the best of their abilities in furthering the Company's goals, the Company also believes there must be an opportunity for such officers to benefit personally from increased efforts and the Company's achievement of its goals.

Over the years, the Company has retained Crowe Horwath LLP ("Crowe Horwath") to update the benchmarking information. In 2007, the Company benchmarked the pay range for base salary and bonus established for each position using the services of Crowe Horwath. The 2007 Crowe Horwath Comprehensive and Midwest Financial Institutions Surveys, the Economic Research Institute salary database, the Watson Wyatt Financial Institutions Compensation Survey (commercial banks category) and the 2006 proxy data from a peer group of ten companies were used in the benchmarking analysis. The selection criteria for inclusion in the peer group were as follows: total assets between \$675 and \$850 million, located in the Midwest Region with comparable performance metrics in return on assets, return on equity, net interest margin and efficiency ratio. The companies which met the aforementioned criterion were:

Ames National Corporation	Team Financial, Inc.
First Financial Service Corporation	First Citizens Banc Corp
Community Bank Shares of Indiana, Inc.	MidWestOne Financial Group, Inc.
First Business Financial Services, Inc.	BNCCORP, Inc.
Monroe Bancorp	Northern States Financial Corporation

The benchmarking analysis also included data gathered from the following employers in the Company's immediate market area:



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City National Bank  
 Oak Hill Financial, Inc.  
 Farmers Bank and Savings Company  
 Holzer Clinic  
 University of Rio Grande

These employers in the Company's immediate market area were chosen based on the economic impact of the institution as well as the size of the employee base in the Gallia and Jackson County, Ohio and Mason County, West Virginia market areas. The Crowe Horwath Comprehensive survey included 63 financial institutions with \$500 million to \$1 billion in assets located in twelve states east of the Mississippi River. The Crowe Horwath Midwest survey is a subset of the Comprehensive survey and included 28 financial institutions located primarily in Ohio, Michigan, Indiana and Illinois. From the Economic Research Institute salary database, which has information from a collection of compensation surveys, Crowe Horwath used information designated by the Economic Research Institute as reflecting individuals (administrative and professional) who had held their positions for three years at commercial banks with a Huntington, West Virginia, database location. The 2007 Watson Wyatt Financial Institutions Survey included commercial banks across the United States. Except as noted above, the Compensation Committee did not have access to the names of the companies included in any of these surveys, but based its decision to use the survey data on the belief that institutions meeting the survey criteria had similarities to the Company in terms of location (Ohio, Michigan, Indiana, Illinois, Iowa, Wisconsin

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and West Virginia); size (total assets greater than \$500 million); and market populations (markets with populations of less than 100,000), which made such institutions appropriate for purposes of maintaining competitive compensation.

Range midpoints from the surveys were averaged to determine a common midpoint for each range. The Company adjusted its existing range midpoints to within +/- 10% of the benchmark project output, thereby creating a new range for each position for 2008 compensation. Then, the Compensation Committee used two Crowe Horwath Compensation surveys in combination with individual performance appraisals to determine the base salaries to be paid to each named executive officer within the established range. The Compensation Committee desires to have total compensation for each officer in the range, rather than just the base salary.

Finally, the Company's base salaries for 2008 were determined based on the personal performance evaluation of each employee and the position of the employee's expected total salary and bonus compensation within the established range.

Based on the benchmarking and salary adjustment process, the following ranges of salary and bonus for the named executive officers were established:

Name	Salary Range	Bonus Range
Jeffrey E. Smith	\$153,525 - 316,826	\$19,009 - 73,933
Scott W. Shockey	58,053 - 121,826	14,456 - 43,169
Katrinka V. Hart	117,853 - 234,998	15,841 - 49,896
E. Richard Mahan	117,853 - 234,998	15,841 - 49,896

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Larry E. Miller, II                      117,853 - 234,998                      15,841 - 49,896  
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The Compensation Committee annually conducts a performance appraisal to evaluate the performance of Mr. Smith and the other named executive officers in achieving the expected requirements of their jobs based on the following 10 specific criteria (the "Evaluation Criteria"): 1) job knowledge-information, 2) priority setting, 3) delegation of duties, 4) decisiveness, 5) creativity, 6) written and oral communication, 7) initiative and adaptability, 8) teamwork and open-mindedness, 9) work efficiency and follow-through, and 10) goal setting. The evaluation conducted by the Compensation Committee assesses the executive officers' performance in each of the 10 criteria on a range from 1, the lowest, to 5, the highest, in increments of .25. The higher an officers' performance on the 10 criteria, the higher the officer will be paid within the pay range established through the benchmarking process.

The Compensation Committee seeks to utilize four components (a base salary, a bonus, retirement plans, and insurance benefits) in the Company's compensation program to insure that employees who are performing "as expected" will, over time, be compensated in the middle one-third of the respective market range for similar jobs in the financial services industry. An employee starting in the lower one-third of a pay range who performs "better than expected" will move to the middle one-third of the pay range faster than an employee who performs "as expected."

The Company has no policy for allocating between long-term and short-term compensation or allocating between cash and non-cash components, although the bonus program does take into account both long-term and short-term goals and performance of the Company.

### Executive Compensation Components and Analysis

The components of the compensation program are: a base salary, a bonus, retirement plans and insurance benefits. Other than the employee stock ownership plan, the Company has no equity-based compensation plans.

#### Base Salary

The objective of the base salary component of the cash compensation plan is to provide predictable and reliable cash compensation sufficient to attract and retain motivated officers and to recognize and reward individual performance. In fulfilling that objective the Compensation Committee desires that each employee, including the named executive officers, who achieves an overall performance evaluation of "3" (as expected), should receive base salaries within +/-10% of the midpoint of the marketplace range.

Using the survey information described above, and based on their annual performance appraisal and the position of their expected total compensation within the marketplace range, the base salaries for the named executive officers were increased an average of 4.71%, plus an amount necessary to be within +/-10% of the benchmark compared to 2007. Each of the named executive officers was, prior to such adjustments, receiving total compensation in the lower one third of the marketplace range established from the surveys.

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#### Bonuses

The objectives of the bonus component of the Company's compensation program are to: (a) motivate executive officers and other employees and reward such persons for the accomplishment of both annual and long range goals of the

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Company and its subsidiaries, (b) reinforce a strong performance orientation with differentiation and variability in individual awards based on contribution to long-range business results and (c) provide a fully competitive compensation package which will attract, reward, and retain individuals of the highest quality. All employees of the Company's subsidiaries holding positions with a pay grade of 8 or above are eligible to participate in the Bonus Program, including all subsidiaries' executive officers.

Bonuses payable to participants in the Bonus Program are based on (a) the performance of the Company and its subsidiaries as measured against specific performance targets; (b) each employee's individual performance; and (c) the marketplace range of compensation for employees holding comparable positions. At the beginning of each fiscal year, the Compensation Committee sets specific performance targets for the Company and its subsidiaries based on a combination of some or all of a number of performance criteria set forth in the Company's strategic plan. The Compensation Committee may establish two sets of targets, one set of which is higher and less likely to be achieved, referred to as the "annual bonus targets". A second set, referred to as the "long range bonus targets" is more likely to be achieved. The targets are based on one or more of the following performance criteria: net income, net income per share, return on assets, return on equity, asset quality (as measured by the ratio of non-performing loans to total loans and non-performing assets to total assets), and efficiency ratio. It is the objective of the Compensation Committee to establish goals that are "reaching" but "reachable". The Committee may not consider the goals to be of equal weight, but, in the aggregate, it considers them to be fundamental metrics which are important to the long-term performance of the Company and which, at the same time, do not expose the Company, nor incite the employees to undertake, excessive risks which would threaten the Company's long-term value. At the end of the fiscal year, the aggregate amount available for the payment of a bonus, if any at all, is determined by the Company's Board of Directors upon recommendation of its Compensation Committee based on an evaluation of the accomplishment of the performance targets. A bonus may be paid at the end of the year without targets having been established or achieved. No officer or employee has any right to the payment of a bonus until the Board of Directors has exercised its discretion to award one and the amount to be paid to each person has been determined and announced.

Once the aggregate amount of the bonus pool is determined, individual bonus awards are determined through a formula that applies each employee's performance evaluation score to a "bonus grid", reflecting the individual employee's job grade, the market place range of compensation for that job grade, and individual job performance using the Evaluation Criteria referenced above. Employees are evaluated by their supervisors, except for the executive officers, who are evaluated by the Compensation Committee of the Company's Board of Directors. The Company's Board of Directors approves the bonuses payable to the executive officers under the Bonus Program based upon the recommendation of the Compensation Committee.

At the end of 2008, the Compensation Committee recommended to the full Board of Directors, and the full Board of Directors determined, to award bonuses reflecting a 16.33% increase from the total bonus amount paid in 2007, based upon the fact that the Company's earnings per share and net income increased by 16.4% and 13.2% respectively compared to the Company's performance in 2007. As stated earlier in this discussion, the Compensation Committee may not consider the performance goals of equal weight. In late 2008, when the Committee considered the overall performance of the Company, it evaluated the following:

	Goal	Actual	Change from 2007
Earnings	\$7,585,000	\$7,128,000	+13.2%

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Earnings per share	\$1.86	\$1.77	+16.4%
Return on assets	.98%	.91%	+11.0%
Return on equity	12.33%	11.62%	+11.7%
Non-performing loans/total loans	.80%	.84%	+47%
Non-performing assets/total assets	.80%	1.28%	+156%
Efficiency ratio	62.00%	62.51%	-5.4%

The Committee considered that, while the 2008 performance targets were very aggressive and none of the seven were achieved, the 2008 results compared to 2007 represented a significant improvement in five of the seven targets, the non-performing loans/total loans and non-performing assets/total assets being the only exceptions. Although asset quality declined, as measured by non-performing loans/total loans and non-performing assets/total assets, the Committee deemed the asset quality as acceptable, particularly in consideration of the significant challenges facing the financial industry and economy in 2008.

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The Committee placed particular emphasis on the increase in both earnings and earnings per share in its decision to increase the aggregate bonus pool by 16.33%. The named executive officers' respective performance appraisals and position in the marketplace range as described above determined each officer's share of the bonus pool for 2008 as reported in the Summary Compensation Table on Page 18.

In 2000, the Compensation Committee recommended to the full Board of Directors, and the full Board of Directors determined to increase base salaries with an expectation that any bonus, if and when determined, would constitute a smaller percentage of total compensation. Again in late 2008, the Compensation Committee assessed the size of the annual performance bonus relative to total compensation and recommended to the full Board of Directors that base salaries, effective in January 2009, be increased with an expectation that any bonus declared at the end of 2009 would constitute a smaller percentage of total compensation. The full Board of Directors approved this action in order to align base compensation more closely with industry norms thereby making it easier to attract and recruit talented employees.

### Executive Retirement Plans

The Board of Directors has established several retirement plans, in order to both provide competitive compensation arrangements to attract talented employees, and also to provide a valuable incentive to retain talented employees once employed. Management expects that the plans not funded by annual contributions will be funded by bank owned life insurance policies previously purchased on the lives of all directors and certain officers of the Company. The Board of Directors decided in 1996 to invest in life insurance contracts as a means to offer supplemental executive retirement plans for certain of its officers, including the named executive officers. These nonqualified plans, described below, offer an additional level of confidence that the executive officers, including the named executive officers, can focus exclusively on their responsibilities as executive officers during their working lives and can maintain a reasonable standard of living in retirement.

**Executive Deferred Compensation Plan.** The Company maintains a nonqualified executive deferred compensation plan for all the Company's executive officers and certain other officers. The deferred compensation plan is strictly voluntary

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and participants in the plan, upon reaching age 65, are eligible to receive a distribution of their contributions, plus accrued interest earned at a designated rate on reinvestment of the contributions. In 2008, the rate paid was 6%. If a participant dies before reaching age 65 and the participant qualifies, the distribution will be made to the participant's designated beneficiary in an amount equal to what the participant would have accumulated if the participant had reached age 65 and had continued to make contributions to the plan. The Company believes that the cost of providing the benefit will be offset by earnings on life insurance contracts associated with the benefit.

Supplemental Executive Retirement Plan. The Company maintains a nonqualified supplemental executive retirement plan (the "SERP"), titled "Salary Continuation Agreement", for certain of its executive officers. Participation in the SERP is at the discretion of the Board and is designed to supplement the retirement benefits of such participants. Currently, Jeffrey E. Smith is the only executive officer who participates in the SERP. The amount of Mr. Smith's annual benefit is \$117,100 if Mr. Smith's employment is terminated on or after age 65 for any reason other than termination for "cause". Cause consists of gross negligence, gross neglect of duty, commission of a felony or gross misdemeanor involving moral turpitude, or fraud, disloyalty, dishonesty or willful violation of any law or significant Company policy committed in connection with Mr. Smith's employment and resulting in an adverse effect on the Company.

If Mr. Smith's employment is terminated other than for cause, or other involuntary non-disability early termination before normal retirement age (because Mr. Smith is eligible for early retirement), the Company will pay Mr. Smith an amount determined by calculating a 20-year fixed annuity from the Company's accrued liability, crediting interest on the unpaid balance at an annual rate of 6%, compounded monthly. The payments would be made monthly for 20 years.

In the event of Mr. Smith's involuntary termination other than after normal retirement age or due to death, disability or cause, the amount payable is the accrued liability based on Mr. Smith's compensation for the plan year ending immediately prior to the date in which termination occurs, which is determined calculating a 20-year fixed annuity from the accrual balance, crediting interest on the unpaid balance at an annual rate of 6 percent, compounded monthly. Payments would be made monthly for 20 years.

As referenced above, the Board of Directors elected to offer the plan to permit the Chief Executive Officer's exclusive focus on the day-to-day job responsibilities of being a CEO with an expectation of a reasonable standard of living at retirement.

Director Retirement Plan. Participants in the Director Retirement Plan, upon reaching age 70, are eligible to receive 50% of the three (3) prior years' average total Directors' compensation. The benefit is payable for 120 months for Directors with 10 years of service or less. The benefit is payable for 240 months for Directors with more than 10 years of service. If a Director dies

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during active service, payment will be made to the Director's designated beneficiary in an amount equal to what the Director would have received had the Director reached age 70, except the benefit term will be reduced to 60 months. If the Director dies during the payment of benefits, payment will be made to the Director's designated beneficiary for the lesser of the remaining term or 60 additional months. The Company believes that the cost of providing the benefit will be offset by earnings on life insurance contracts associated with the benefit. As a Director, Jeffrey E. Smith is a participant in the Director Retirement Plan. If Mr. Smith had retired at December 31, 2007, his monthly

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payment would have been \$806 for 240 months. If he had died on that date, his monthly benefit would have been \$806 for 60 months. The Board of Directors began the Director Retirement Plan in 1996 to encourage an age certain retirement date for Board members as a method of planning Director succession.

Executive Life Insurance. In addition to optional life insurance that the Company makes available to all employees, the Company maintains life insurance on four of the named executive officers of the Company on which the Company paid the entire premium upon purchase. The Company is the sole owner of each policy, but the Company has entered into an agreement with each named executive officer agreeing to provide to such officer's designated beneficiary from the proceeds of the policy an amount equal to the lesser of (a) two times the officer's highest total annual compensation during any calendar year, including the year of the officer's death, or (b) the face amount of the life insurance policy. The Company agrees not to sell, surrender or transfer the policy without giving the officer the option to purchase the policy for the cash surrender value of the policy.

The following table sets forth the amount that would have been payable for each named executive officer covered by Executive Life Insurance at December 31, 2008:

Name	Benefit at December 31, 2008
Jeffrey E. Smith	\$479,884
Katrinka V. Hart	291,812
E. Richard Mahan	280,000
Larry E. Miller, II	291,812

Director Life Insurance. The Company maintains a life insurance policy for all Directors, with a death benefit of two times annual Director fees at time of death reduced by 35% at age 65 and 50% at age 70. The life insurance policies terminate upon retirement. Mr. Smith as an employee of a subsidiary of the Company, is excluded from this benefit under the terms of the Company's group term life insurance program.

### Retirement Plans for All Employees

Profit Sharing Retirement Plan. The Company sponsors a qualified Profit Sharing Retirement Plan for all of its employees, including the named executive officers. Each employee who is at least 21 years of age, has completed 1,000 hours and one year of service to the Company and its subsidiaries, and is employed on the last day of the plan year is qualified to participate in the Profit Sharing Retirement Plan. The Board of Directors determines the amount to contribute to the Profit Sharing Retirement Plan each December in its discretion based on the performance and financial condition of the Company. The Compensation Committee has traditionally considered 1.75% of total Company payroll as a reasonable contribution rate for the Profit Sharing Retirement Plan. In December 2008, the Board of Directors voted to use that same rate to contribute \$186,676 to the Plan. Each participant received a pro rata share of this contribution as well as a pro rata share of reallocated forfeitures (such pro rata share, in each case, based upon such participant's eligible compensation). The named executive officers' share of the 2008 contribution and reallocated forfeitures is reported in the Summary Compensation Table on page 18.

401(k) Retirement Plan. The Company sponsors a qualified 401(k) Plan under

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the Profit Sharing Retirement Plan. Participants' qualifications are identical to those of the Profit Sharing Retirement Plan. In cases where participants made deferrals to the 401(k) Plan, the Company made a matching contribution equal to 25% of the amount deferred by each employee, up to a maximum deferral amount of 5% not to exceed 1.25% of the participant's eligible plan compensation under the 401(k) Plan. The named executive officers' share of the 2008 contribution and reallocated forfeitures is reported in the Summary Compensation Table on page 18.

Employee Stock Ownership Plan. The Company sponsors an Employee Stock Ownership Plan (the "ESOP") for all of its employees, including the named executive officers. Participant qualifications are identical to those of the Profit Sharing Retirement Plan. The Board of Directors determines the amount to contribute to the ESOP each December in its discretion based on the performance and financial condition of the Company. The Compensation Committee has traditionally considered 3.50% of total company payroll as a reasonable contribution rate for the Employee Stock Ownership Plan. In December 2008, the Board of Directors voted to use that same rate to contribute \$373,351 to the

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ESOP. Each participant's share of contributions and reallocated forfeitures is also identical to those of the Profit Sharing Retirement Plan. The named executive officers' share of the 2008 contributions and reallocated forfeitures is reported in the Summary Compensation Table on page 18.

### Other Benefits

Executive officers of the Company also receive benefits available to all employees, including group term life insurance, health insurance, short- and long-term disability, flexible compensation/cafeteria plan and optional life insurance.

The decision-making process and compensation philosophy of the Company and the Bank were considered by the Compensation Committee when determining 2008 compensation for the named executive officers of the Company and the Bank. The Compensation Committee believes that the compensation earned by the named executive officers in 2008 was fair and reasonable when compared with executive compensation levels in the banking industry as reported in the marketplace range developed.

### Tax Deductibility of Compensation

Section 162(m) of the Internal Revenue Code generally disallows a tax deduction to public corporations for non-qualifying compensation in excess of \$1 million paid to covered persons in any fiscal year. Neither the Company nor the Bank has a policy requiring that all compensation in 2008 and thereafter to the covered officers be deductible under Section 162(m). The Boards of Directors of both companies do, however, consider carefully the after-tax cost and value to the Company and the Bank of all compensation. The Board of Directors believes that all compensation paid to covered persons in 2008 was fully deductible.

### COMPENSATION AND MANAGEMENT SUCCESSION COMMITTEE REPORT

The Compensation and Management Succession Committee has reviewed and discussed this Compensation Discussion and Analysis with the Company's Management. Based on this review and discussion, the committee recommends to the Board of Directors that the Compensation Discussion and Analysis be included in the Company's proxy statement and Annual Report on Form 10-K.

Submitted by:

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### Compensation and Management Succession Committee Members

Thomas E. Wiseman, Chairman  
 Robert H. Eastman  
 Brent A. Saunders

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#### Summary Compensation Table for 2008

The following table summarizes the total compensation paid to or earned by each of the named executive officers for the three fiscal years ended December 31, 2008:

Name and Principal Position	Year	Salary (\$) (1)	Bonus (\$) (2)	Stock Awards (\$)	Option Awards (\$)	Non-Equity Incentive Plan Compensation (\$)	C V Non D Com E
(a)	(b)	(c)	(d)	(e)	(f)	(g)	
Jeffrey E. Smith President and Chief Executive Officer	2008	\$178,260 (5)	\$73,228	--	--	--	
	2007	170,802 (5)	55,553	--	--	--	
	2006	165,481 (5)	43,307	--	--	--	
Scott W. Shockey Vice President and Chief Financial Officer	2008	61,012	42,347	--	--	--	
	2007	58,340	36,131	--	--	--	
	2006	48,378	32,163	--	--	--	
Katrinka V. Hart Senior Vice President and Risk Management Officer	2008	100,969	48,947	--	--	--	
	2007	89,658	41,054	--	--	--	
	2006	74,304	33,814	--	--	--	
E. Richard Mahan Senior Vice President and Chief Credit Officer	2008	100,790	49,421	--	--	--	
	2007	89,658	41,452	--	--	--	
	2006	74,794	33,814	--	--	--	
Larry E. Miller, II Senior Vice President and Secretary	2008	100,969	48,947	--	--	--	
	2007	89,658	41,054	--	--	--	
	2006	74,304	33,814	--	--	--	

- (1) Base salaries for the named executive officers are described on page 13.
- (2) Bonuses for the named executive officers are described on page 14.
- (3) The amounts in column (h) reflect the change in the actuarial present value of Mr. Smith's benefits under the Supplemental Executive Retirement Plan and the Director Retirement Plan, each of which is described on page 15, as follows:

Increase in Actuarial Present Value of SERP	Increase in Actuarial Present Value of Director Retirement Plan
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2008	\$100,991	\$3,238
2007	95,124	2,642
2006	89,597	2,646

- (4) The amount shown in column (i) reflects for each named executive officer:
- o Company contributions and reallocated forfeitures under the Profit Sharing Retirement Plan, which is described on page 16.
  - o Company contributions and reallocated forfeitures under the 401(k) Plan, which is provided for under the Profit Sharing Retirement Plan and is described on page 16.
  - o Company contributions and reallocated forfeitures under the Employee Stock Ownership Plan, which is described on page 16.
  - o Board designated Christmas Gift paid to all employees in December of each year in an amount equal to two weeks of the base salary of the employee.
  - o Instructor Fees for teaching a class to employees, and Service Awards for being employed by the Bank for a certain number of years.
- (5) Includes Director's fees received by Mr. Smith totaling \$18,900 in each of 2008, 2007 and 2006.

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Pension Benefits for 2008

The following table shows the present value of accumulated benefits payable to the only named executive officer who received pension benefits in 2008:

Name	Plan Name	Number of Years Credited Service	Present Value Accumulated B
(a)	(b)	(#) (c)	(\$) (d)
Jeffrey E. Smith	SERP	12	\$623,404
	Director Retirement Plan	12	22,184

Descriptions of the SERP and the Director Retirement Plan are set forth under the headings "Compensation Discussion and Analysis - Executive Retirement Plans - Supplemental Executive Retirement Plan" and "Compensation Discussion and Analysis - Executive Retirement Plans - Director Retirement Plan" on page 15. The present value of accumulated benefits under the two plans is calculated based upon the discounted present value of payments for 20 years discounted by 6% per year.

If Mr. Smith were to retire during 2009, he would be eligible to receive early retirement benefits under the SERP in the amount of \$53,595 annually. This benefit would be payable in equal monthly installments over 240 months.

Nonqualified Deferred Compensation for 2008

The following table describes the nonqualified deferred compensation for the named executive officers who participated. A description of the Deferred Compensation Plan is set forth under the headings "Compensation Discussion and Analysis - Executive Retirement Plans - Executive Deferred Compensation Plan" on

page 15.

Name	Executive Contributions in Last FY (\$)	Registrant Contributions in Last FY (\$)	Aggregate Earnings in Last FY (\$)	Aggregate Earnings in Last FY (\$)
(a)	(b) (1)	(c)	(d)	(e)
Jeffrey E. Smith	\$10,000	--	\$10,665	--
Scott W. Shockey	5,000	--	963	--
Katrinka V. Hart	10,000	--	5,475	--
E. Richard Mahan	10,000	--	9,719	--

(1) Amounts represented in column (b) are included in column (c) of the Summary Compensation Table on page 18.

Post-termination or Change in Control Compensation

Neither the Company nor any of its subsidiaries has executed a separate employment, severance or change in control agreement with any of the executive officers of the Company.

Certain compensation plans provide benefits payable upon termination. Benefits payable to the named executive officers upon termination under the Executive Deferred Compensation Plan are described under the heading "Compensation Discussion and Analysis - Executive Retirement Plans - Executive Deferred Compensation Plan" and in the Nonqualified Deferred Compensation Plan table on page 19. Benefits payable to Mr. Smith under the SERP and the Director Retirement Plan are described under the heading "Compensation Discussion and Analysis - Executive Retirement Plans - Supplemental Executive Retirement Plan" on page 15 and under the heading "Compensation Discussion and Analysis - Executive Retirement Plans - Director Retirement Plan" on page 15 and are set forth in the Pension Benefits table on page 19. Benefits payable to named executive officers under executive and director life insurance policies are described under the heading "Compensation Discussion and Analysis - Executive Life Insurance" and "Compensation Discussion and Analysis - Director Life Insurance" on page 16.

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Regardless of the manner in which a named executive officer's employment terminates, the officer will be entitled to receive amounts earned during his or her employment under the Profit Sharing Retirement Plan, the 401(k) Plan and the ESOP. Named executive officers will also be entitled to benefits upon death or disability under group plans available to all employees of the Company or the Bank.

Director Compensation

All of the Directors of the Company also serve as Directors of the Bank. Members of the Board of Directors of the Company receive compensation for their services rendered as Directors of the Bank, not the Company. In 2008, each

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Director who was not an employee of the Company or any of its subsidiaries received \$550 per month for his or her service as a member of the Board of Directors of the Bank. Directors who were employees of one of the subsidiaries of the Company (only Mr. Smith in 2008) received \$350 per month in 2008 for their services. In addition, each Director of the Bank received an annual retainer of \$14,700 in 2008. The retainer was pro-rated for time served for new Directors of the Bank.

In January 2005, the Board of Directors, upon recommendation of the Nominating and Corporate Governance Committee, established the position of Lead Director. The Lead Director's responsibilities are to chair Board and committee meetings in the absence of the Chief Executive Officer as well as chair the monthly meetings of the independent Directors. Thomas E. Wiseman has served as Lead Director since the position's establishment. In addition to the fees outlined above, Mr. Wiseman received \$18,000 for his services as Lead Director in fiscal 2008.

Each non-employee Director who was a member of the Executive Committee of the Bank (Steven B. Chapman, Robert H. Eastman, Harold A. Howe, Brent A. Saunders, David W. Thomas and Thomas E. Wiseman) received fees of \$40,695 in 2008. This figure is pro-rated for time served for new members. Executive Committee members who are employees of the Bank (Jeffrey E. Smith, Chairman) receive no compensation for serving on the Executive Committee. The Executive Committee of the Bank met 43 times in 2008.

The Company maintains a life insurance policy for all Directors with a death benefit of two times annual Director fees at time of death, reduced by 35% at age 65 and 50% at age 70. The life insurance policies terminate upon retirement.

In December 1996, life insurance contracts were purchased by the Company for all Directors and certain officers, and additional contracts have been purchased as new Directors and officers have joined the Company. The Company is the owner of the contracts. The purpose of these contracts was to replace a current group life insurance program for executive officers, implement a deferred compensation plan for Directors and executive officers, implement a Director retirement plan, and implement a supplemental retirement plan for certain officers.

Participants in the deferred compensation plan, upon reaching age 70, are eligible to receive a distribution of their contributions, plus accrued interest earned at a rate on reinvestment of the contributions that is not an above-market preferential rate. In 2008 the rate paid was 6%. If a participant dies before reaching age 70 and the participant qualifies, the distribution will be made to the participant's designated beneficiary in an amount equal to what the participant would have accumulated if the participant had reached age 70 and had continued to make contributions to the plan.

Participants in the Director retirement plan, upon reaching age 70, are eligible to receive 50% of the three (3) prior years' average total Directors' compensation. The benefit is payable for 120 months for Directors with 10 years of service or less. The benefit is payable for 240 months for Directors with more than 10 years of service. If a Director dies during active service, payment will be made to the Director's designated beneficiary in an amount equal to what the Director would have received had the Director reached age 70, except the benefit term will be reduced to 60 months. If the Director dies during the payment of benefits, payment will be made to the Director's designated beneficiary for the lesser of the remaining term or 60 additional months.

The following table summarizes the compensation paid to non-employee

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Directors for the fiscal year ended December 31, 2008:

### Director Compensation for 2008

Name	Fees Earned or Paid in Cash (\$)	Stock Awards (\$)	Option Awards (\$)	Non-Equity Incentive Plan Compensation (\$)	Change in Pensi Value and Nonqual Deferred Compensa Earnings (\$)
(a)	(b)	(c)	(d)	(e)	(f) (1)
Anna P. Barnitz	\$21,300	--	--	--	
Steven B. Chapman	61,995	--	--	--	
Robert E. Daniel	21,300	--	--	--	
Robert H. Eastman	61,995	--	--	--	
Harold A. Howe	61,995	--	--	--	
Brent A. Saunders	61,995	--	--	--	
David W. Thomas	61,995	--	--	--	
Roger D. Williams	21,300	--	--	--	
Lannes C. Williamson	21,300	--	--	--	
Thomas E. Wiseman	79,995	--	--	--	

(1) Consists of the change during 2008 in the actuarial present value of the Director's accumulated benefit under the Director retirement plan.

(2) Consists of the incremental cost of group term life insurance coverage on the lives of the Directors and Service Awards for serving as a Director for a certain number of years.

#### CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The Bank has had and expects to have in the future banking transactions in the ordinary course of the Bank's business with some of the Directors, officers and principal shareholders of the Company and entities with which they are associated. The Board of Directors has determined that all of the directors except Mr. Smith and Mr. Howe are "independent" under the listing standards of Nasdaq. In determining independence, the Board of Directors considered loan and deposit relationships with each Director. The rules of Nasdaq do not deem such relationships to disqualify a Director from being deemed independent. In addition, all loans and other extensions of credit were made and deposits accepted in the ordinary course of business and were made on substantially the same terms (including interest rates and collateral) as those prevailing at the time for comparable transactions with other persons. Further, in management's opinion, the loans did not involve more than normal risk of collectability or present other unfavorable features. As of the date of this Proxy Statement, all of such loans were performing loans. The Board of Directors does not believe

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such relationships interfere with the Directors' exercise of independent judgment in carrying out their responsibilities as Directors.

The Board of Directors also considered the transactions described in "Compensation Committee Interlocks and Insider Participation", rental payments made to Mr. Eastman, and insurance premiums paid to The Wiseman Agency, Inc. (the "Wiseman Agency") and determined that such relationships, which do not disqualify a Director from being deemed independent, do not interfere with the Directors' exercise of independent judgment in carrying out their responsibilities as Directors.

Brent A. Saunders rendered legal services to the Company and its subsidiaries during the Company's 2008 fiscal year and is expected to render legal services to the Company and its subsidiaries during the Company's 2009 fiscal year. The Board of Directors determined that such relationship does not interfere with Mr. Saunders' exercise of independent judgment in carrying out his responsibilities as a Director.

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Any proposed loan between the Bank and a Director or executive officer of the Company is approved by the full Board of Directors. The Executive Committee approved the payment of insurance premiums to the Wiseman Agency. The Chief Executive Officer approved the issuance of promissory notes from the Company to the Wiseman Agency and to Mr. Eastman. All of such related party transactions entered into since January 1, 2008, have been ratified by the Audit Committee.

The Board of Directors adopted a written policy in March 2007 requiring transactions over \$120,000 involving the Company or a subsidiary of the Company and a "related party" with a direct or indirect material interest to be approved or ratified by the Audit Committee. The Audit Committee's approval must be based on its determination that the transaction, first, is in or not inconsistent with the best interests of the Company, and second, is on terms comparable to those that could be obtained in arm's length dealings with an unrelated third party, or is for products or services from a related party of a nature, quantity or quality, or on other terms, that are not readily available from other sources. "Related parties" include directors, executive officers, beneficial holders of more than 5% of the outstanding common shares of the Company, their immediate family members, and firms, corporations and other entities in which any of them have certain relationships.

### Compensation Committee Interlocks and Insider Participation

The members of the Company's Compensation and Management Succession Committee during 2008 were Messrs. Wiseman, Eastman and Saunders. From time to time, the Company accepts loans from various persons to raise funds for ongoing operations and to fund the growth of the Company and its subsidiaries. These loans are evidenced by promissory notes which are sold by the Company in private placements to accredited investors without registration under the Securities Act of 1933, as amended.

Since the beginning of the last fiscal year, the Company had outstanding at various times 8 separate promissory notes to Mr. Eastman and his spouse and 15 separate promissory notes to The Wiseman Agency, Inc., of which Thomas E. Wiseman is the President and partial owner along with other members of his family.

Of the 8 notes outstanding to Mr. and Mrs. Eastman, 4 were renewals of loans that had been made prior to 2008 and 4 were merely renewals of loans that matured during 2008. The notes had terms ranging from as short as 12 months to as long as 29 months. Of those 8 notes, 4 remained outstanding at March 26, 2009. No principal was actually paid to the Eastmans on any of such notes during

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2008; interest was paid and new notes for the same principal amount were executed upon maturity of notes issued earlier.

Of the 15 notes outstanding to The Wiseman Agency at any time since the beginning of 2008, 2 were partially renewed, with principal of \$385,000 paid to The Wiseman Agency in January 2008, and 10 were merely renewals of those same loans as they repeatedly matured during 2008 and 2009. The notes had terms ranging from one month to two months, so essentially the same two loans matured and were renewed several times during 2008, with one loan in the amount of \$500,000 being paid off in December 2008; and the other loan in the amount of \$730,000 being paid off in January 2009. Of those 15 notes, 1 remained outstanding at March 26, 2009. Principal paid to The Wiseman Agency since the beginning of 2008 was \$1,615,000; interest was paid and new notes for the same principal amount were executed upon maturity of notes issued earlier.

The following table sets forth certain information regarding the notes issued by the Company to the Eastmans and The Wiseman Agency that were outstanding at any time since the beginning of 2008:

Name	Largest Aggregate Outstanding Balance since January 1, 2008	Amount Outstanding at March 26, 2009	Interest Paid Since January 1, 2008	Inter
Robert H. and Sheila E. Eastman	\$2,790,850	\$2,790,850	\$224,986	3.75%
The Wiseman Agency, Inc.	1,230,000	400,000	39,874	2.00%

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### AUDIT COMMITTEE MATTERS

Report of the Audit Committee of the Board of Directors for the Fiscal Year Ended December 31, 2008

The Audit Committee has submitted the following report for inclusion in this proxy statement:

Role of the Audit Committee, the Independent Registered Public Accounting Firm and Management

The Audit Committee consists of four Directors who qualify as independent under Nasdaq Marketplace Rules 4200(a)(15) and 4350(d)(2) as well as under Rule 10A-3 promulgated under the Exchange Act. The Audit Committee operates under a written charter adopted by the Board of Directors.

The Audit Committee appoints the Company's independent registered public accounting firm and oversees the Company's financial and reporting processes on behalf of the Board of Directors. Management is responsible for the Company's consolidated financial statements and its accounting and financial reporting processes, including the establishment and maintenance of an adequate system of internal control over financial reporting. Management is also responsible for preparing its report on the establishment and maintenance of, and assessment of the effectiveness of, the Company's internal control over financial reporting. Crowe Horwath LLP ("Crowe Horwath"), the independent registered public accounting firm employed by the Company for the 2008 fiscal year, is responsible for auditing the Company's consolidated financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States)

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and issuing its report thereon based on such audit, for issuing an attestation report on the Company's internal control over financial reporting and for reviewing the Company's unaudited interim consolidated financial statements. The Audit Committee's responsibility is to provide independent, objective oversight of these processes.

Review and Discussion with Management and the Independent Registered Public Accounting Firm

As part of its oversight responsibilities, the Audit Committee reviewed and discussed with management the audited consolidated financial statements of the Company for the year ended December 31, 2008, including a discussion of the quality, and not just the acceptability, of the accounting principles applied, the reasonableness of significant judgments and the clarity of disclosures in the audited financial statements. The Audit Committee also discussed with management and Crowe Horwath the adequacy and effectiveness of the Company's internal control over financial reporting and related accounting and financial controls. The Audit Committee also discussed with management and Crowe Horwath the interim financial and other information contained in the Company's earnings releases and SEC filings.

The Audit Committee discussed with Crowe Horwath the matters required by the standards of the Public Company Accounting Oversight Board (United States), including those described in Statement on Auditing Standard No. 61, as amended, as adopted by the Public Company Accounting Oversight Board in Rule 3200T, and, with and without management present, reviewed and discussed the results of Crowe Horwath's examination of the Company's consolidated financial statements.

The Audit Committee also discussed with Crowe Horwath that firm's independence from the Company and its management. The Audit Committee obtained from Crowe Horwath the written disclosures and the letter from the Public Company Accounting Oversight Board regarding the independent accountant's communication with the Audit Committee concerning independence. The Audit Committee discussed with Crowe Horwath any relationships or services that might affect that firm's objectivity and satisfied itself as to Crowe Horwath's independence.

Management's Representations and Audit Committee Recommendations

Management has represented to the Audit Committee that the Company's audited consolidated financial statements for the year ended December 31, 2008 were prepared in accordance with accounting principles generally accepted in the United States. The Audit Committee has reviewed and discussed with management and Crowe Horwath the audited consolidated financial statements, and management's report on the establishment and maintenance of, and assessments of the effectiveness of, the Company's internal control over financial reporting. Based on the reviews and discussions outlined above, the Audit Committee recommended to the

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Board of Directors that the audited consolidated financial statements be included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2008.

Submitted by:  
Audit Committee Members

Steven B. Chapman, CPA; Chairman  
Anna P. Barnitz  
David W. Thomas  
Lannes C. Williamson

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### Pre-Approval of Services Performed by Independent Registered Public Accounting Firm

Under applicable SEC rules, the Audit Committee is required to pre-approve the audit and non-audit services performed by the independent registered public accounting firm in order to assure that they do not impair that firm's independence from the Company. The SEC's rules specify the types of non-audit services that an independent registered public accounting firm may not provide to its audit client and establish the Audit Committee's responsibility for administration of the engagement of the independent registered public accounting firm. Accordingly, the Audit Committee has adopted, and the Board of Directors has ratified, an Audit and Non-Audit Services Pre-Approval Policy (the "Pre-Approval Policy"), which sets forth the procedures and the conditions pursuant to which services proposed to be performed by the Company's independent registered public accounting firm may be pre-approved.

The purpose of the Pre-Approval Policy is to set forth the procedures by which the Audit Committee intends to fulfill its responsibilities. It does not delegate the Audit Committee's responsibilities to pre-approve services performed by the independent registered public accounting firm to management.

Consistent with the SEC's rules, the Pre-Approval Policy provides two different approaches to pre-approving services. Proposed services may either be pre-approved without consideration of specific case-by-case services by the Audit Committee ("general pre-approval") or require the specific pre-approval of the Audit Committee ("specific pre-approval"). The combination of these two approaches in the Pre-Approval Policy results in an effective and efficient procedure to pre-approve services performed by the independent registered public accounting firm. As set forth in the Pre-Approval Policy, unless a type of service has received general pre-approval, it will require specific pre-approval by the Audit Committee if it is to be provided by the independent registered public accounting firm. Any proposed services exceeding pre-approved cost levels or budgeted amounts will also require specific pre-approval by the Audit Committee.

The Audit Committee may delegate either type of pre-approval authority to one or more of its members. The member to whom such authority is delegated must report, for informational purposes only, any pre-approval decisions to the Audit Committee at its next scheduled meeting.

Appendices to the Pre-Approval Policy describe the services that have the general pre-approval of the Audit Committee. The term of any general pre-approval is 12 months from the date of pre-approval, unless the Audit Committee considers a different period and states otherwise. The Audit Committee will annually review and pre-approve the services that may be provided by the independent registered public accounting firm without obtaining specific pre-approval from the Audit Committee. The Audit Committee will add to or subtract from the list of general pre-approved services from time to time, based on subsequent determinations.

All requests or applications for services to be provided by the independent registered public accounting firm that do not require specific approval by the Audit Committee will be submitted to the Company's internal auditor and must include a detailed description of the services to be rendered. The internal auditor will determine whether such services are included within the list of services that have received the general pre-approval of the Audit Committee. The Audit Committee will be informed on a timely basis of any such services rendered by the independent registered public accounting firm.

Requests or applications to provide services that require specific approval by the Audit Committee will be submitted to the Audit Committee by both the



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independent registered public accounting firm and the internal auditor, and must include a joint statement as to whether, in their view, the request or application is consistent with the SEC's rules on auditor independence.

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The Audit Committee has designated the internal auditor to monitor the performance of all services provided by the independent registered public accounting firm and to determine whether such services are in compliance with the Pre-Approval Policy. The internal auditor will report to the Audit Committee on a periodic basis on the results of this monitoring. Both the internal auditor and management will immediately report to the chairman of the Audit Committee any breach of the Pre-Approval Policy that comes to the attention of the internal auditor or any member of management.

### Services Rendered by Independent Registered Public Accounting Firm

In November 2007, the Audit Committee appointed the accounting firm of Crowe Horwath LLP ("Crowe Horwath") to serve as the independent registered public accounting firm of the Company for 2008. All of the services rendered by Crowe Horwath to the Company during 2008 and 2007 were pre-approved by the Audit Committee. Fees billed for services rendered by Crowe Horwath for each of 2008 and 2007 were:

**Audit Services.** The aggregate fees billed by Crowe Horwath for the audit of the financial statements included in the Annual Report on Form 10-K and for the review of the financial statements included in our quarterly reports on Form 10-Q for our fiscal years ended December 31, 2008 and 2007, were \$175,000 and \$185,000, respectively.

**Audit-Related Fees.** Audit related fees billed in 2008 and 2007 totaled \$2,669 and consisted of an annual database software license.

**Tax Fees.** The aggregate fees billed in each of 2008 and 2007 for professional services rendered by Crowe Horwath for tax compliance, tax advice or tax planning were \$15,000 and \$25,050, respectively.

**All Other Fees.** There were no fees or expenses billed by Crowe Horwath for 2008 and 2007 except for audit, audit related and tax services.

### Notification of Appointment of Independent Registered Public Accounting Firm

On November 20, 2007 the Audit Committee approved the rehiring of Crowe Horwath for a three-year term. Crowe Horwath has served as the Company's independent registered public accounting firm since 1992. The Board of Directors expects representatives of Crowe Horwath will be present at the Annual Meeting. Representatives of Crowe Horwath will have the opportunity to make a statement if they desire to do so, and will be available to respond to appropriate questions.

### ANNUAL REPORT - FORM 10-K

The Company will provide without charge to any shareholder of record on March 26, 2009, on the written request of any such shareholder, a copy of the Company's Annual Report on Form 10-K, including financial statements and schedules thereto, required to be filed under the Exchange Act for the Company's fiscal year ended December 31, 2008. Such written request should be directed to Larry E. Miller, II, Secretary, Ohio Valley Banc Corp., P.O. Box 240, Gallipolis, Ohio 45631, telephone number 1-800-468-6682 or 1-740-446-2631.

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### PROXY STATEMENT PROPOSALS

Each year, the Board of Directors submits its nominations for election of Directors at the Annual Meeting of Shareholders. Other proposals may be submitted by the Board of Directors or shareholders for inclusion in the proxy materials for action at each year's annual meeting. Any proposal submitted by a shareholder for inclusion in the proxy materials for the 2010 Annual Meeting, presently scheduled for May 5, 2010, must be received by the Company on or before December 14, 2009. A shareholder proposal received after December 14, 2009, but on or before February 26, 2010, will not be included in the proxy materials for the 2010 Annual Meeting, but may still be presented by the shareholder at the 2010 Annual Meeting. The individuals named as proxies for the 2010 Annual Meeting will be entitled to use their discretionary voting authority on proposals received after February 26, 2010, without any discussion of the matter in the Company's proxy materials.

Shareholders desiring to nominate candidates for election as directors at the 2010 Annual Meeting must follow the procedures described in "ELECTION OF DIRECTORS - Nominating Procedures."

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### DELIVERY OF PROXY MATERIALS TO HOUSEHOLDS

Pursuant to notice delivered to eligible shareholders who share the same address, the Company and a number of brokers send only one proxy statement and the 2008 Annual Report to shareholders residing at the same address, unless different instructions have been received from the affected shareholder. Accordingly, those registered and beneficial shareholders who share an address will receive only one copy of the 2008 Annual Report and this proxy statement. A separate proxy and Notice of Annual Meeting will continue to be included for each shareholder at the shared address.

Registered shareholders who share an address and would like to receive a separate 2008 Annual Report and/or a separate proxy statement, or have questions regarding the householding process, may contact Deborah A. Carhart, Assistant Vice President, Shareholder Relations, by calling 1-800-468-6682 or 1-740-446-2631; or by a written request addressed to Ms. Carhart at The Ohio Valley Bank Company, P.O. Box 240, Gallipolis, Ohio 45631; or by an e-mail to InvestorRelations@ovbc.com. Promptly upon request, a separate 2008 Annual Report and/or a separate proxy statement will be sent. By contacting Ms. Carhart, registered shareholders sharing an address can also (i) notify the Company that the registered shareholders wish to receive separate annual reports and proxy statements in the future or (ii) request delivery of a single copy of annual reports or proxy statements in the future if they are receiving multiple copies. Beneficial shareholders should contact their broker/dealers, financial institution, or other record holders for specific information on the householding process as it applies to those beneficial shareholders.

### OTHER MATTERS

The only business which the Company's management intends to present at the Annual Meeting consists of the matters set forth in this proxy statement. The Company's management knows of no other matters to be brought before the Annual Meeting by any other person or group.

If any other matters should properly come before the Annual Meeting, the proxy holders will vote on those matters in their discretion.

All duly executed proxies received will be voted.

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Please sign and date the enclosed proxy and mail it promptly in the enclosed envelope. As an alternative, you may submit your proxy electronically by going to the Company's website at www.ovbc.com and following the instructions on that website.

BY ORDER OF THE BOARD OF DIRECTORS

/s/ Jeffrey E. Smith

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Jeffrey E. Smith  
President and Chief Executive Officer

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OHIO VALLEY BANC CORP.  
PROXY FOR ANNUAL MEETING OF SHAREHOLDERS  
TO BE HELD ON MAY 13, 2009

THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS

The undersigned holder(s) of common shares of Ohio Valley Banc Corp. (the "Company") hereby appoints Jeffrey E. Smith, Thomas E. Wiseman and Larry E. Miller, II, and each of them with full power of substitution to each, the true and lawful attorneys and proxies of the undersigned to vote all of the common shares of the Company which the undersigned is entitled to vote at the Annual Meeting of Shareholders of the Company, to be held at the Morris and Dorothy Haskins Ariel Theatre, 426 Second Avenue, Gallipolis, Ohio, on Wednesday, May 13, 2009 at 5:00 p.m., Eastern Daylight Saving Time, and at any adjournment(s) thereof, as follows:

- 1. To elect the following four (4) directors to the Board of Directors for a term of three years each:

THE BOARD OF DIRECTORS RECOMMENDS A VOTE "FOR" ALL OF THE NOMINEES.

Anna P. Barnitz  
Roger D. Williams  
Lannes C. Williamson  
Thomas E. Wiseman

[ ] Vote For All [ ] Withhold Authority to Vote For all Nominees [ ] Vote for all except \_\_\_\_\_

- 2. In their discretion, the individuals designated to vote this proxy are authorized to vote upon any other matter which properly comes before the Annual Meeting or any adjournment thereof.

WHERE A CHOICE IS INDICATED, THE SHARES REPRESENTED BY THIS PROXY WILL BE VOTED OR NOT VOTED AS SPECIFIED. UNLESS INSTRUCTIONS TO THE CONTRARY ARE GIVEN, THE COMMON SHARES REPRESENTED BY THIS PROXY WILL BE VOTED "FOR" THE ELECTION OF THE NOMINEES LISTED ABOVE AS DIRECTORS OF THE COMPANY. IF ANY OTHER MATTERS ARE PROPERLY BROUGHT BEFORE THE ANNUAL MEETING OR ANY ADJOURNMENT THEREOF OR IF A NOMINEE FOR ELECTION AS A DIRECTOR NAMED IN THE PROXY STATEMENT IS UNABLE TO SERVE OR FOR GOOD CAUSE WILL NOT SERVE, THE COMMON SHARES REPRESENTED BY THIS PROXY WILL BE VOTED IN THE DISCRETION OF THE INDIVIDUALS DESIGNATED TO VOTE THIS PROXY, TO THE EXTENT PERMITTED BY APPLICABLE LAW, ON SUCH MATTERS OR FOR SUCH

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SUBSTITUTE NOMINEE(S) AS THE DIRECTORS MAY RECOMMEND.

ALL PROXIES PREVIOUSLY GIVEN BY THE UNDERSIGNED ARE HEREBY REVOKED. THE UNDERSIGNED HEREBY ACKNOWLEDGES RECEIPT OF THE ACCOMPANYING ANNUAL REPORT, NOTICE OF ANNUAL MEETING, AND PROXY STATEMENT FOR THE MAY 13, 2009 MEETING.

Please sign exactly as your name appears hereon. All joint owners should sign. When signing as Attorney, Executor, Administrator, Trustee, or Guardian, please give full title as such. If shareholder is a corporation, please sign the full corporate name by authorized officer. If shareholder is a partnership, please sign in partnership name by authorized person.

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Shareholder Signature	Date	Shareholder Signature (Joint Owners)	Date

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IF YOU WISH TO PROVIDE YOUR INSTRUCTIONS TO VOTE VIA THE INTERNET, PLEASE READ  
THE INSTRUCTIONS ON THE REVERSE SIDE

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OHIO VALLEY BANC CORP.  
420 Third Avenue  
P.O. Box 240  
Gallipolis, OH 45631

No. of OVBC Shares:  
Account No.

Please indicate any address change above.

PROXY VOTING INSTRUCTIONS

Shareholders of record have two ways to vote by proxy:

By Mail

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Sign and date this proxy on the reverse side and return in the enclosed envelope.

Internet

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- o Go to [www.ovbc.com](http://www.ovbc.com) and click on the "Proxy Voting" button.
- o Enter your unique "Control Number" shown in the box above.
- o Follow the instructions on your screen.

You will incur only your usual Internet access charges.

Available until 11:59 p.m. Eastern Daylight Saving Time on May 12, 2009.

Please note that the last instruction received, whether by mail or Internet, will be the instruction counted.