RYDER SYSTEM INC
Form DEF 14A
March 19, 2009

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A
(RULE 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION
Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant **þ**

Filed by a Party other than the Registrant **o**

Check the appropriate box:

o Preliminary Proxy Statement

o **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

þ Definitive Proxy Statement

o Definitive Additional Materials

o Soliciting Material Pursuant to § 240.14a-12

Ryder System, Inc.
(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

Payment of Filing Fee (Check the appropriate box):

þ No fee required.

o Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

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o Fee paid previously with preliminary materials:

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(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

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Ryder System, Inc.
11690 N.W. 105th Street
Miami, Florida 33178

NOTICE OF 2009 ANNUAL MEETING OF SHAREHOLDERS

Time:	10:00 a.m., Eastern Daylight Time
Date:	Friday, May 1, 2009
Place:	Ryder System, Inc. Headquarters 11690 N.W. 105th Street Miami, Florida 33178
Purpose:	1. To elect five directors as follows: John M. Berra, Luis P. Nieto, Jr., E. Follin Smith and Gregory T. Swienton for a three-year term expiring at the 2012 Annual Meeting of Shareholders and James S. Beard for a two-year term expiring at the 2011 Annual Meeting of Shareholders. 2. To ratify the appointment of PricewaterhouseCoopers LLP as our independent registered certified public accounting firm for the 2009 fiscal year. 3. To consider any other business that is properly presented at the meeting.
Who May Vote:	You may vote if you were a record owner of our common stock at the close of business on March 6, 2009.
Proxy Voting:	Your vote is important. You may vote: via Internet; by telephone; by mail, if you have received a paper copy of the proxy materials; or in person at the meeting.

By order of the Board of Directors,

Robert D. Fatovic
Executive Vice President, Chief Legal Officer and Corporate Secretary

Miami, Florida
March 19, 2009

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RYDER SYSTEM, INC.

11690 N.W. 105th STREET
MIAMI, FLORIDA 33178

PROXY STATEMENT

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE ANNUAL MEETING TO BE HELD ON MAY 1, 2009.

The Company s Proxy Statement and Annual Report are available online at: ***http://www.proxyvote.com***

INFORMATION ABOUT OUR ANNUAL MEETING

You are receiving this proxy statement because you own shares of Ryder common stock that entitle you to vote at the 2009 Annual Meeting of Shareholders. Our Board of Directors (Board) is soliciting proxies from shareholders who wish to vote at the meeting. By use of a proxy, you can vote even if you do not attend the meeting. This proxy statement describes the matters on which you are being asked to vote and provides information on those matters so that you can make an informed decision.

This year we have elected to take advantage of the Securities and Exchange Commission s notice and access rule that allows us to furnish proxy materials to shareholders online. We believe electronic delivery will expedite the receipt of proxy materials, while significantly lowering costs and reducing the environmental impact of printing and mailing full sets of proxy materials. As a result, on or about March 19, 2009, we mailed to shareholders either (i) a Notice of Internet Availability (Notice) containing instructions on how to access our proxy materials online or (ii) a printed set of proxy materials which includes this proxy statement, our 2008 annual report and a proxy card. If you receive a Notice by mail, you will not receive a printed copy of the materials, unless you specifically request one. Instructions on how to receive a paper copy of the proxy materials are included in the Notice.

Q: When and where is the Annual Meeting?

A: We will hold the Annual Meeting on Friday, May 1, 2009, at 10:00 a.m. Eastern Daylight Time at the Ryder System, Inc. Headquarters, 11690 N.W. 105^{th} Street, Miami, Florida 33178. A map with directions to the meeting can be found on the printed proxy card.

Q: What am I voting on?

A: You are voting on two proposals:

1. Election of directors as follows: John M. Berra, Luis P. Nieto, Jr., E. Follin Smith and Gregory T. Swienton for a three-year term expiring at the 2012 Annual Meeting of Shareholders and James S. Beard for a two-year

term expiring at the 2011 Annual Meeting of Shareholders.

2. Ratification of the appointment of PricewaterhouseCoopers LLP as our independent registered certified public accounting firm for the 2009 fiscal year.

You will also be voting on such other business, if any, as may properly come before the meeting, or any adjournment of the meeting.

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Q: What are the voting recommendations of the Board of Directors?

A: The Board recommends that you vote:

FOR the election of each of the director nominees.

FOR the ratification of the appointment of PricewaterhouseCoopers LLP as our independent registered certified public accounting firm for the 2009 fiscal year.

Q: Who can vote?

A: The Board of Directors has set March 6, 2009 as the record date for the Annual Meeting. Holders of Ryder common stock at the close of business on the record date are entitled to vote their shares at the Annual Meeting. As of March 6, 2009, there were 55,889,226 shares of common stock issued, outstanding and entitled to vote. Each share of common stock issued and outstanding is entitled to one vote.

Q: What is a shareholder of record?

A: You are a shareholder of record if you are registered as a shareholder with our transfer agent, Computershare Trust Company, N.A. (Computershare).

Q: What is a beneficial shareholder?

A: You are a beneficial shareholder if a brokerage firm, bank, trustee or other agent (nominee) holds your shares. This is often called ownership in street name, since your name does not appear anywhere in our records.

Q: What shares are reflected on my proxy?

A: Your proxy reflects all shares owned by you at the close of business on March 6, 2009. For participants in our 401(k) Plan, shares held in your account as of that date are included in your proxy, and the proxy will serve as a voting instruction for the trustee of our 401(k) Plan who will vote your shares as you instruct.

Q: How many votes are needed for the proposals to pass?

A: The affirmative vote of the holders of at least a majority of the total number of shares issued and outstanding and entitled to vote is required for the election of each director and for the ratification of the appointment of PricewaterhouseCoopers LLP.

Q: What is a quorum?

A: A quorum is the minimum number of shares required to hold a meeting. Under our By-Laws, the holders of a majority of the total number of shares issued and outstanding and entitled to vote at the meeting must be present in person or represented by proxy for a quorum.

Q: Who can attend the Annual Meeting?

A: Only shareholders and our invited guests are permitted to attend the Annual Meeting. To gain admittance, you must bring a form of personal identification to the meeting, where your name will be verified against our shareholder list. If a broker or other nominee holds your shares and you plan to attend the meeting, you should bring a brokerage statement showing your ownership of the shares as of the record date, a letter from the broker confirming such ownership, and a form of personal identification. If you wish to vote your shares which are held by a broker or other nominee at the meeting, you must obtain a proxy from your broker or nominee and bring your proxy to the meeting.

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Q: How do I vote?

A: If you are a shareholder of record, you may vote on the Internet, by telephone or by signing, dating and mailing your proxy card. Detailed instructions for Internet and telephone voting are set forth on the Notice and the printed proxy card. You may also vote in person at the Annual Meeting.

If your shares are held in our 401(k) Plan, the proxy will serve as a voting instruction for the trustee of our 401(k) Plan who will vote your shares as you instruct. To allow sufficient time for the trustee to vote, your voting instructions must be received by April 27, 2009. If the trustee does not receive your instructions by that date, the trustee will vote the shares you hold through our 401(k) Plan in the same proportion as those shares in our 401(k) Plan for which voting instructions were received.
If you are a beneficial shareholder, you must follow the voting procedures of your broker, bank or trustee.

Q: What does it mean if I receive more than one proxy card?

A: It means that you hold shares in more than one account. To ensure that all your shares are voted, sign and return each proxy card. Alternatively, if you vote by telephone or on the Internet, you will need to vote once for each proxy card and voting instruction card you receive.

Q: If I plan to attend the Annual Meeting, should I still vote by proxy?

A: Yes. Casting your vote in advance does not affect your right to attend the Annual Meeting. If you send in your proxy card and also attend the meeting, you do not need to vote again at the meeting unless you want to change your vote. Written ballots will be available at the meeting for shareholders of record.

Beneficial shareholders who wish to vote in person must request a legal proxy from the nominee and bring that legal proxy to the Annual Meeting.

Q: Who pays the cost of this proxy solicitation?

A: We pay the cost of soliciting your proxy and reimburse brokerage firms and others for forwarding proxy materials to you. In addition to solicitation by mail, solicitations may also be made by personal interview, letter, fax and telephone. Certain of our officers, directors and employees may participate in the solicitation of proxies without additional consideration.

Q: What is Householding?

A: The SEC s Householding rule affects the delivery of our annual disclosure documents (such as annual reports, proxy statements, notices of internet availability of proxy materials and other information statements) to shareholders. Under this rule, we are allowed to deliver a single set of our annual report and proxy statement to multiple shareholders at a shared address or household, unless a shareholder at that shared address delivers contrary instructions to us through our transfer agent, Computershare. Each shareholder will continue to receive a separate proxy card or voting instruction card even when a single set of materials is sent to a shared address under the Householding rule. The Householding rule is designed to reduce the expense of sending multiple disclosure documents to the same address.

If you are a registered shareholder and you want to request a separate copy of this proxy statement or accompanying annual report, you may contact our Investor Relations Department by calling (305) 500-4053, in writing at Ryder System, Inc., Investor Relations Department, 11690 N.W. 105th Street, Miami, Florida 33178, or by e-mail to *RyderforInvestors@ryder.com*, and a copy will be promptly sent to you. If you wish to receive separate documents in future mailings, please contact our transfer agent, Computershare by calling (800) 730-4001, in writing at Computershare, P.O. Box 43078, Providence, RI 02940-3078, or by e-mail at *http://www-us.computershare.com/investor/contactus/*. Our 2008 annual report and this proxy statement are also available through our website at *www.ryder.com*.

Two or more shareholders sharing an address can request delivery of a single copy of annual disclosure documents if they are receiving multiple copies by contacting Computershare in the manner set forth above.

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If a broker or other nominee holds your shares, please contact such holder directly to inquire about the possibility of Householding.

Q: Who tabulates the votes?

A: Our Board of Directors has appointed Broadridge Investor Communication Solutions (Broadridge) as the independent Inspector of Election. Representatives of Broadridge will count the votes.

Q: Is my vote confidential?

A: Yes. The voting instructions of shareholders of record will only be available to the Inspector of Election (Broadridge). Voting instructions for employee benefit plans will only be available to the plans trustees and the Inspector of Election. The voting instructions of beneficial shareholders will only be available to the shareholder s bank, broker or trustee. Your voting records will not be disclosed to us unless required by a legal order, requested by you or cast in a contested election.

Q: What if I abstain from voting on a proposal?

A: If you sign and return your proxy marked abstain on any proposal, your shares will not be voted on that proposal and will not be counted as votes cast in the final tally of votes with regard to that proposal. However, your shares will be counted for purposes of determining whether a quorum is present. Accordingly, a marking of abstain on any proposal will have the same effect as a vote against the proposal.

Q: What if I sign and return my proxy without making any selections?

A: If you sign and return your proxy without making any selections, your shares will be voted FOR proposals 1 and 2. If other matters properly come before the meeting, the proxy holders will have the authority to vote on those matters for you at their discretion. As of the date of this proxy statement, we are not aware of any matters that will come before the meeting other than those disclosed in this proxy statement.

Q: What if I am a beneficial shareholder and I do not give the nominee voting instructions?

A: Brokerage firms have the authority under New York Stock Exchange (NYSE) rules to vote shares for which their customers do not provide voting instructions on certain routine matters. The election of directors and the proposal to ratify the appointment of PricewaterhouseCoopers LLP as our independent registered certified public accounting firm for the 2009 fiscal year are considered routine matters. If you are a beneficial shareholder and your shares are held in the name of a broker, the broker is permitted to vote your shares on the election of directors and the ratification of the appointment of PricewaterhouseCoopers LLP as our independent registered certified public accounting firm for the 2009 fiscal year even if the broker does not receive voting instructions from you.

A broker non-vote occurs when a broker or other nominee who holds shares for another does not vote on a particular item because the nominee does not have discretionary voting authority for that item and has not received instructions from the owner of the shares. Broker non-votes are included in the calculation of the number of votes considered to be present at the meeting for purposes of determining the presence of a quorum but are not counted as shares present and entitled to be voted with respect to a matter on which the broker has expressly not voted.

Q: How do I change my vote?

A: A shareholder of record may revoke a proxy by giving written notice of revocation to our Corporate Secretary before the meeting, by delivering a later-dated proxy (either in writing, by telephone or over the Internet), or by voting in person at the Annual Meeting.

If you are a beneficial shareholder, you may change your vote by following the nominee s procedures for revoking or changing your proxy.

Q: When are shareholder proposals for next year s Annual Meeting due?

A: To be considered for inclusion in Ryder s 2010 proxy statement, shareholder proposals must be delivered in writing to us at 11690 N.W. 105th Street, Miami, Florida 33178, Attention: Corporate Secretary, no later than November 19, 2009. Additionally, we must receive proper notice of any shareholder proposal to be submitted at the 2010 Annual Meeting of Shareholders (but not required to be included in our proxy statement) at least 90, but no more than 120, days before the one-year anniversary of the 2009 Annual Meeting.

If a shareholder would like to nominate one or more directors for election at the 2010 Annual Meeting of Shareholders, he or she must give advance written notice to us at least 90, but no more than 120, days before the one-year anniversary of the 2009 Annual Meeting, as required by our By-Laws. The notice must include information regarding both the proposing shareholder and the director nominee. In addition, the director nominee must submit a completed and signed questionnaire. This questionnaire will be provided by the Corporate Secretary upon request and is similar to the annual questionnaire completed by all of our directors relating to their background, experience and independence.

All of the requirements relating to the submission of shareholder proposals or director nominations are included in our By-Laws. A copy of our By-Laws can be obtained from our Corporate Secretary. The By-Laws are also included in our filings with the SEC which are available on the SEC s website at *www.sec.gov*.

Q: Can I receive future proxy materials electronically?

A: Yes. If you are a shareholder of record you may, if you wish, receive future proxy statements and annual reports online. If you vote via the Internet as described on your proxy card, you may sign up for electronic delivery at the same time. You may also register for electronic delivery of future proxy materials on the Investor Relations page of our website at *www.ryder.com.*

If you elect this feature, you will receive an e-mail message notifying you when the materials are available along with a web address for viewing the materials and instructions for voting by telephone or on the Internet.

We encourage you to sign up for electronic delivery of future proxy materials as this will allow you to receive the materials more quickly and will reduce printing and mailing cost.

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ELECTION OF DIRECTORS

(Proposal 1)

Under our By-Laws, directors are elected for three-year terms, typically with one-third of the directors standing for election in any given year. The four directors whose terms expire at the 2009 Annual Meeting of Shareholders are John M. Berra, Luis P. Nieto, Jr., E. Follin Smith and Gregory T. Swienton. Upon the recommendation of the Corporate Governance and Nominating Committee (Governance Committee), our Board of Directors has nominated John M. Berra, Luis P. Nieto, Jr., E. Follin Smith and Gregory T. Swienton for re-election at the 2009 Annual Meeting of Shareholders for a three-year term that expires at the 2012 Annual Meeting of Shareholders, and each have consented to serve if elected.

In July 2008, the Board of Directors elected James S. Beard to the Board of Directors. A third-party search firm identified Mr. Beard as a Board candidate, and after an interview process and a recommendation by the Governance Committee, the Board approved his election to the Board. The search firm was paid a fee for their service. In accordance with our By-Laws, Mr. Beard is being nominated for election at the 2009 Annual Meeting of Shareholders. Because our By-Laws require that the number of directors whose terms expire in any given year remains as nearly equal in number as possible, Mr. Beard is being nominated to serve in the class of directors whose terms expire at the 2011 Annual Meeting of Shareholders. Mr. Beard has consented to serve if elected.

Our Board of Directors determined that, other than Gregory T. Swienton, each director nominee qualifies as independent under applicable regulations and the categorical director independence standards adopted by our Board of Directors and set forth under Director Independence on page 11 of this proxy statement.

David I. Fuente, Eugene A. Renna, Abbie J. Smith and Christine A. Varney are currently serving terms that expire at the 2010 Annual Meeting of Shareholders. L. Patrick Hassey, Lynn M. Martin and Hansel E. Tookes, II, are currently serving terms that expire at the 2011 Annual Meeting of Shareholders.

The principal occupation and certain other information about each director and director nominee appears on the following pages.

The Board of Directors recommends a vote FOR the election of each of the director nominees.

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NOMINEE FOR DIRECTOR
FOR A TERM OF OFFICE EXPIRING AT THE 2011 ANNUAL MEETING

James S. Beard, 68, served as Vice President of Caterpillar Inc. from 1991 to 2005, with responsibility for the Financial Products Division. His responsibilities included Caterpillar Financial Services Corporation, where he served as President, Caterpillar Insurance Services Corporation, Caterpillar Redistribution Services Inc. and Caterpillar Power Ventures Corporation. He served in the leadership position of Caterpillar Financial Services since its formation in 1981.

Mr. Beard was elected to the Board of Directors in July 2008 and is a member of the Compensation Committee and the Finance Committee.

Mr. Beard serves on the Boards of Directors of Genesco, Inc. and Rogers Group, Inc. and is a past Chairman of the Equipment Leasing and Finance Association.

NOMINEE FOR DIRECTOR
FOR A TERM OF OFFICE EXPIRING AT THE 2012 ANNUAL MEETING

John M. Berra, 61, is Chairman of Emerson Process Management, a global leader in providing solutions to customers in process control, and Executive Vice President of Emerson Electric Company. Until October 1, 2008, he served as President of Emerson Process Management. Mr. Berra joined Emerson s Rosemount division as a marketing manager in 1976 and thereafter continued assuming more prominent roles in the organization until 1997 when he was named President of Emerson s Fisher-Rosemount division (now Emerson Process Management). Prior to joining Emerson, Mr. Berra was an instrument and electrical engineer with Monsanto Company.

Mr. Berra was elected to the Board of Directors in July 2003 and is the Chair of the Compensation Committee and a member of the Finance Committee.

Mr. Berra serves as an advisory director to the Board of Directors of Emerson Electric Company. He also serves as Chairman of the Fieldbus Foundation and is a past Chairman of the Measurement, Control, and Automation Association.

Luis P. Nieto, Jr., 53, is President of the Consumer Foods Group for ConAgra Foods Inc., one of the largest packaged foods companies in North America. Prior to joining ConAgra, Mr. Nieto was President and Chief Executive Officer of the Federated Group, a leading private label supplier to the retail grocery and foodservice industries from 2002 to 2005. From 2000 to 2002, he served as President of the National Refrigerated Products Group of Dean Foods Company. Prior to joining Dean Foods, Mr. Nieto held positions in brand management and strategic planning with Mission Foods, Kraft Foods and the Quaker Oats Company.

Mr. Nieto was elected to the Board of Directors in February 2007 and is a member of the Audit Committee and the Governance Committee.

Mr. Nieto serves on the Board of Directors of AutoZone, Inc. and is a member of the University of Chicago s College Visiting Committee.

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E. Follin Smith, 49, served as the Executive Vice President, Chief Financial Officer and Chief Administrative Officer of Constellation Energy Group, Inc., then the nation s largest competitive supplier of electricity to large commercial and industrial customers and the nation s largest wholesale power seller, until May 2007. Ms. Smith joined Constellation Energy Group as Senior Vice President, Chief Financial Officer in June 2001 and was appointed Chief Administrative Officer in December 2003. Before joining Constellation Energy Group, Ms. Smith was Senior Vice President and Chief Financial Officer of Armstrong Holdings, Inc., the global leader in hard-surface flooring and ceilings. Ms. Smith began her career with Armstrong in 1998 as Vice President and Treasurer and was promoted to her last position in March 2000. Prior to joining Armstrong, Ms. Smith held various senior financial positions with General Motors including Chief Financial Officer for General Motors Delphi Chassis Systems division.

Ms. Smith was elected to the Board of Directors in July 2005 and is a member of the Audit Committee and the Governance Committee.

Ms. Smith serves on the Board of Directors of Discover Financial Services, and the Boards of Trustees of the University of Virginia s Darden School of Business, Davidson College and CENTERSTAGE, in Baltimore, Maryland.

Gregory T. Swienton, 59, was appointed Chairman of Ryder System, Inc. in May 2002 having been named Chief Executive Officer in November 2000. Mr. Swienton joined Ryder as President and Chief Operating Officer in June 1999. Before joining Ryder, Mr. Swienton was Senior Vice President-Growth Initiatives of Burlington Northern Santa Fe Corporation (BNSF). Prior to that he was BNSF s Senior Vice President-Coal and Agricultural Commodities Business Unit and previously had been Senior Vice President of its Industrial and Consumer Units. He joined the former Burlington Northern Railroad in June 1994 as Executive Vice President-Intermodal Business Unit. Prior to joining Burlington Northern, Mr. Swienton was Executive Director-Europe and Africa of DHL Worldwide Express in Brussels, Belgium from 1991 to 1994, and prior to that, he was DHL s Managing Director-Western and Eastern Europe from 1988 to 1990, also located in Brussels. For the five years prior to these assignments, Mr. Swienton was Regional Vice President of DHL Airways, Inc. in the United States. From 1971 to 1982, Mr. Swienton held various national account, sales and marketing positions with AT&T and Illinois Bell Telephone Company.

Mr. Swienton was elected to the Board of Directors in June 1999.

Mr. Swienton serves on the Board of Directors of Harris Corporation and is on the Board of Trustees of St. Thomas University in Miami.

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DIRECTORS CONTINUING IN OFFICE

David I. Fuente, 63, served as Chairman and Chief Executive Officer of Office Depot, Inc. from 1987, one year after the company was founded, until he retired as its Chief Executive Officer in June 2000 and as Chairman in December 2001. Before joining Office Depot, Mr. Fuente served for eight years at the Sherwin-Williams Company as President of its Paint Stores Group. Before joining Sherwin-Williams, he was Director of Marketing at Gould, Inc.

Mr. Fuente was elected to the Board of Directors in May 1998 and is a member of the Compensation Committee and the Finance Committee.

Mr. Fuente serves on the Boards of Directors of Office Depot, Inc. and Dick s Sporting Goods, Inc.

L. Patrick Hassey, 63, is Chairman, President and Chief Executive Officer of Allegheny Technologies Incorporated (ATI), a global leader in the production of specialty materials. Mr. Hassey was Executive Vice President and a member of the corporate executive committee of Alcoa, Inc. from May 2000 until his early retirement in February 2003. He served as Executive Vice President of Alcoa and Group President of Alcoa Industrial Components from May 2000 to October 2002. Prior to May 2000, Mr. Hassey served as Executive Vice President of Alcoa and President of Alcoa Europe, Inc. Prior to becoming President and Chief Executive Officer of ATI in October 2003, he was an outside management consultant to ATI executive management.

Mr. Hassey was elected to the Board of Directors in December 2005 and is a member of the Compensation Committee and the Governance Committee.

Mr. Hassey serves on the Boards of Directors of ATI and the Allegheny Conference on Community Development, which serves Southwestern Pennsylvania.

Lynn M. Martin, 69, served as Secretary of Labor under President George H.W. Bush from 1991 to 1993. Ms. Martin is the President of Martin Hall Group LLC, a consulting firm. She is a regular commentator, panelist, columnist and speaker on issues relating to the changing global economic and political environment. Ms. Martin was the Davie Chair at the J.L. Kellogg Graduate School of Management and a Fellow of the Kennedy School Institute of Politics.

Ms. Martin was elected to the Board of Directors in August 1993 and is a member of the Compensation Committee and the Governance Committee.

Ms. Martin serves on the Boards of Directors of The Procter & Gamble Company, AT&T Inc., The Dreyfus Funds, Constellation Energy Group, Inc. and Chicago s Lincoln Park Zoo. She is also a member of the Council on Foreign Relations and the Chicago Council of Global Affairs.

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Eugene A. Renna, 64, retired from ExxonMobil Corporation in January 2002 where he was an Executive Vice President and a member of its Board of Directors. He was President and Chief Operating Officer of Mobil Corporation, and a member of its Board of Directors, until the time of its merger with Exxon Corporation in 1999. As President and Chief Operating Officer of Mobil, Mr. Renna was responsible for overseeing all of its global exploration and production, marketing and refining, and chemicals and technology business activities. Mr. Renna s career with Mobil began in 1968 and included a range of senior management roles such as: responsibility for all marketing and refining operations in the Pacific Rim, Africa and Latin America; Executive Vice President of International Marketing and Refining Division; Vice President of Planning and Economics; President of Mobil s worldwide Marketing and Refining Division; and Executive Vice President and Director of Mobil.

Mr. Renna was elected to the Board of Directors in July 2002 and is a member of the Audit Committee and the Finance Committee.

Abbie J. Smith, 55, is the Boris and Irene Stern Professor of Accounting at the University of Chicago Booth School of Business. She joined their faculty in 1980 upon completion of her Ph.D. at Cornell University. The primary focus of her research is corporate restructuring, transparency, and corporate governance. Professor Smith is a co-editor of the *Journal of Accounting Research.*

Ms. Smith was elected to the Board of Directors in July 2003 and is the Chair of the Audit Committee and a member of the Finance Committee.

Ms. Smith serves on the Boards of Directors of HNI Corporation, DFA Investment Dimensions Group Inc. and Dimensional Investment Group Inc. She also serves as a trustee of certain Chicago-based UBS Funds.

Hansel E. Tookes, II, 61, retired from Raytheon Company in December 2002. He joined Raytheon in September 1999 as President and Chief Operating Officer of Raytheon Aircraft Company. He was appointed Chief Executive Officer in January 2000 and Chairman in August 2000. Mr. Tookes became President of Raytheon International in May 2001. Prior to joining Raytheon in 1999, Mr. Tookes had served as President of Pratt & Whitney s Large Military Engines Group since 1996. He joined Pratt & Whitney s parent company, United Technologies Corporation in 1980. Mr. Tookes was a Lieutenant Commander and military pilot in the U.S. Navy and later served as a commercial pilot with United Airlines.

Mr. Tookes was elected to the Board of Directors in September 2002 and is the Chair of the Finance Committee and a member of the Audit Committee.

Mr. Tookes serves on the Boards of Directors of BBA Aviation plc, Corning Incorporated, FPL Group, Inc., and Harris Corporation.

Christine A. Varney, 53, is a Partner in the law firm of Hogan & Hartson LLP, which she rejoined in 1997 after five years in government service. She leads the Internet Law practice group for the firm. Ms. Varney served as a Federal Trade Commissioner from

1994 to 1997 and as a Senior White House Advisor to President Clinton from 1993 to 1994. She also served as Chief Counsel to President Clinton s Campaign in 1992 and as General Counsel to the Democratic National Committee from 1989 to 1992. Prior to her government service, Ms. Varney practiced law with the firms of Pierson, Semmes & Finley (1986 to 1988) and Surrey & Morse (1984 to 1986).

Ms. Varney was elected to the Board of Directors in February 1998 and is the Chair of the Governance Committee and a member of the Compensation Committee.

CORPORATE GOVERNANCE

We maintain a Corporate Governance page on our website at *www.ryder.com*, which includes our Corporate Governance Guidelines, Principles of Business Conduct and Board Committee Charters. The Corporate Governance Guidelines set forth our governance principles relating to, among other things: director independence (including our categorical director independence standards); director qualifications and responsibilities; Board structure; director compensation; management succession; and the periodic performance evaluation of the Board. The Principles of Business Conduct apply to our officers, employees and Board members and cover all areas of professional conduct including conflicts of interest, confidentiality, compliance with law, and mechanisms to report known or suspected wrongdoing. The Principles of Business Conduct include a Finance Code of Ethics applicable to our Chief Executive Officer, Chief Financial Officer, Controller and senior financial management. Any changes to these documents and any waivers granted by the Governance Committee with respect to our Principles of Business Conduct will be posted on our website. Any waivers with respect to our Principles of Business Conduct shall also be disclosed in a public filing made with the SEC.

Shareholders may submit requests for free printed copies of our Corporate Governance Guidelines, Principles of Business Conduct (including the Finance Code of Ethics) and Board Committee Charters in writing to: Ryder System, Inc., Attention: Corporate Secretary, 11690 N.W. 105th Street, Miami, Florida 33178.

BOARD OF DIRECTORS

Director Independence

It is our policy that a substantial majority of the members of our Board of Directors and all of the members of our Audit Committee, Compensation Committee, Governance Committee and Finance Committee qualify as independent as required by the NYSE corporate governance listing standards.

To assist it in making independence determinations, our Board of Directors has adopted categorical director independence standards, which are part of our Corporate Governance Guidelines. The Board determined that each of the following transactions or relationships will not, by itself, be deemed to create a material relationship for the purpose of determining a director s independence:

Prior Employment. The director was employed by us or was personally working on our audit as an employee or partner of our independent registered certified public accounting firm, and over five years have passed since such employment, partnership or auditing relationship ended.

Employment of Immediate Family Member. (i) An immediate family member was an officer of ours or was personally working on our audit as an employee or partner of our independent registered certified public accounting firm, and over five years have passed since such employment, partnership or auditing relationship ended; or (ii) an immediate family member is currently employed by us in a non-officer position, or by our independent registered certified public accounting firm not as a partner and not participating in the firm s audit, assurance or tax compliance practice.

Interlocking Directorships. An executive officer of ours served on the board of directors of a company that employed the director or employed an immediate family member as an executive officer, and over five years have passed since either such relationship ended.

Commercial Relationships. The director is an employee, partner, greater than 10% shareholder, or director (or a director s immediate family member is a partner, greater than 10% shareholder, director or officer) of a company that makes or has made payments to, or receives or has received payments (other than contributions, if the company is a tax-exempt organization) from, us for property or services, and the amount of such payments has not within any of such other company s three most recently completed fiscal years exceeded one percent (or $1 million, whichever is greater) of such other company s consolidated gross revenues for such year.

Indebtedness. A director or an immediate family member is a partner, greater than 10% shareholder, director or officer of a company that is indebted to us or to which we are indebted, and the aggregate amount of such debt is less than one percent (or $1 million, whichever is greater) of the total consolidated assets of the indebted company.

Charitable Relationships. A director is a trustee, fiduciary, director or officer of a tax-exempt organization to which we make contributions, and the contributions to such organization by us have not, within any of such organization s three most recently completed fiscal years, exceeded one percent (or $250,000, whichever is greater) of such organization s consolidated gross revenues for such year.

For purposes of these independence standards, an immediate family member includes a director s spouse, parents, children, siblings, mother- and father-in-law, son- and daughter-in-law, brother- and sister-in-law, and anyone (other than domestic employees) who shares such director s home.

Pursuant to our Corporate Governance Guidelines, the Board undertook its annual review of director independence in February 2009, which included a review of each director s responses to questionnaires asking about any relationships with us. This review is designed to identify and evaluate any transactions or relationships between a director or any member of his or her immediate family and us or members of our senior management.

As part of this review, other than the relationship with Mr. Swienton, our CEO, the Governance Committee and the Board identified and considered the following two transactions:

In his role as Chairman of Emerson Process Management, John M. Berra also serves as Executive Vice President of Emerson Electric Company. We have an ongoing commercial relationship with Emerson Electric Company relating to Emerson s lease of vehicles from us. The transaction falls outside of the NYSE s independence requirements and our categorical director independence standards relating to commercial relationships, and therefore, the Board determined that this relationship did not impair Mr. Berra s independence.

An immediate family member of E. Follin Smith serves as an executive of Dow Jones & Company, Inc. We have an ongoing commercial relationship with Dow Jones pursuant to which Dow Jones leases vehicles from us. The transaction falls outside of the NYSE s independence requirements and our categorical director independence standards relating to commercial relationships, and therefore, the Board determined that this relationship did not impair Ms. Smith s independence.

Based on its independence review and after considering the transactions described above, the Board determined that each of the following directors (which together constitute all of the members of the Board other than Mr. Swienton) is independent: James S. Beard, John M. Berra, David I. Fuente, L. Patrick Hassey, Lynn M. Martin, Luis P. Nieto, Jr., Eugene A. Renna, Abbie J. Smith, E. Follin Smith, Hansel E. Tookes, II and Christine A. Varney.

Communications with the Board

Shareholders and other interested parties can communicate with our independent directors as a group through the Corporate Governance page of our website at *www.ryder.com*, or by mailing their communication to Independent Directors, c/o Corporate Secretary, Ryder System, Inc., 11690 N.W. 105th Street, Miami, Florida 33178. Any communications received from interested parties in the manner described above will be collected and organized by our Corporate Secretary and will be periodically, but in any event prior to each regularly-scheduled Board meeting, reported and/or delivered to our independent directors. The Corporate Secretary will not forward spam, junk mail, mass mailings, service complaints or inquiries, job inquiries, surveys, business solicitations or advertisements, or patently offensive or otherwise inappropriate materials to the independent directors. Correspondence relating to certain of these matters such as service issues may be distributed internally for review and possible response. The procedures for communicating with our independent directors as a group are available on the Corporate Governance page of our website at *www.ryder.com*.

Our Audit Committee has established procedures for the receipt, retention and treatment of complaints regarding questionable accounting, internal control, financial improprieties or auditing matters. Any of our employees or members of the general public may confidentially communicate concerns about any of these matters to any supervisor or manager, the Vice President of Internal Audit, the Vice President, Global Compliance and Business Standards/Deputy General Counsel, or on a confidential and/or anonymous basis by way of an external toll-free hotline number, an internal ethics phone line, *ethics@ryder.com*, or to members of our Audit Committee at *audit@ryder.com*. All of the reporting mechanisms are publicized on our website at *www.ryder.com*, in our Principles of Business Conduct, through compliance training and wallet cards, brochures and location posters. Upon receipt of a complaint or concern, a determination will be made whether it pertains to accounting, internal control, financial improprieties or auditing matters and if it does, it will be handled in accordance with the procedures established by the

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Audit Committee. A summary of all complaints, of whatever type, received through the reporting mechanisms are reported to the Audit Committee at each regularly-scheduled Audit Committee meeting. Matters requiring immediate attention are promptly forwarded to the Chair of the Audit Committee.

Board Meetings

The Board of Directors held six regular and two special meetings in 2008. Each of the directors attended 75% or more of the aggregate number of meetings of the Board and Committees on which the director served in 2008. Attendance by all directors at Board and Committee meetings averaged 91% in 2008. Our independent directors meet in executive session without management present as part of each regularly-scheduled Board meeting. The Chair of our Governance Committee presides over these executive Board sessions.

We expect each of our directors to attend our Annual Meeting of Shareholders. Because the Board of Directors holds one of its regularly-scheduled meetings in conjunction with our Annual Meeting of Shareholders, unless one or more members of the Board are unable to attend, all of the members of the Board are present for the Annual Meeting. All of our directors, other than Lynn M. Martin, attended the 2008 Annual Meeting of Shareholders.

Board Committees

The Board has four standing committees Audit, Compensation, Corporate Governance and Nominating and Finance. All of the Committees are composed entirely of independent directors who meet in executive session without management present as part of each regularly-scheduled Committee meeting. We have adopted written Charters for each of the Committees that comply with the NYSE s corporate governance listing standards, applicable provisions of the Sarbanes-Oxley Act of 2002 (Sarbanes-Oxley) and SEC rules. Each Committee Charter sets forth the respective Committee s responsibilities, and provides for a periodic review of such Charter and an annual evaluation of the respective Committee s performance. The Charters grant each Committee the authority to obtain the advice and assistance of, and receive appropriate funding from us for, outside legal, accounting or other advisors as the Committee deems necessary to fulfill its obligations.

AUDIT COMMITTEE

Members:	Abbie J. Smith (Chair)	***Number of meetings in 2008:***	8
	Luis P. Nieto, Jr.		
	Eugene A. Renna		
	E. Follin Smith		
	Hansel E. Tookes, II		

Responsibilities

The Audit Committee is responsible for appointing, overseeing and determining the compensation and independence of our independent registered certified public accounting firm. The Audit Committee approves the scope of the annual audit and the related audit fees as well as the scope of internal audit procedures. The Audit Committee reviews audit results, financial disclosure and earnings guidance, and is responsible for overseeing investigations into accounting and financial complaints. The Audit Committee also reviews, discusses and oversees the process by which we assess and manage risk.

The Audit Committee meets in executive session, consisting exclusively of independent directors, at the end of every regularly-scheduled Audit Committee meeting (other than telephonic meetings). Our Controller, our Vice President of

Internal Audit and representatives of our independent registered certified public accounting firm attend all Audit Committee meetings to assist the Audit Committee in its discussion and analysis of the various agenda items. Members of management are generally excused from the Audit Committee meetings as appropriate. The Audit Committee also meets individually with each of our Vice President of Internal Audit, representatives of our independent registered certified public accounting firm, and our Chief Financial Officer, at the end of every regularly-scheduled Audit Committee meeting (other than telephonic meetings).

The specific powers and responsibilities of the Audit Committee are set forth in more detail in the Audit Committee s Charter, which is available on the Corporate Governance page of our website at *www.ryder.com*. The Charter is

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reviewed annually by the Audit Committee and our Governance Committee. Any changes to the Charter are approved by the full Board.

Independence and Financial Expertise

In addition to the independence standards applicable to all Board members, rules promulgated by the SEC in response to Sarbanes-Oxley require that all members of our Audit Committee meet additional independence standards. Under NYSE rules, each member of the Audit Committee must be financially literate and at least one member must have accounting or related financial management expertise. The SEC requires that at least one Audit Committee member be an audit committee financial expert .

The Board reviewed the background, experience and independence of Audit Committee members based in large part on the directors responses to questions relating to their relationships, background and experience. Based on this review, the Board determined that each member of the Audit Committee meets the independence requirements of the NYSE s corporate governance listing standards and our categorical director independence standards; meets the enhanced independence standards for audit committee members required by the SEC; is financially literate, knowledgeable and qualified to review financial statements; and qualifies as an audit committee financial expert under SEC rules.

COMPENSATION COMMITTEE

Members:	John M. Berra (Chair) James S. Beard David I. Fuente L. Patrick Hassey Lynn M. Martin Christine A. Varney	***Number of Meetings in 2008:***	8

Responsibilities

The Compensation Committee of our Board of Directors oversees, reviews and approves our executive and director compensation policies and programs and regularly reports to the Board of Directors on these matters. The Compensation Committee is also responsible for approving compensation actions for direct reports to the CEO, and recommending compensation actions for the CEO for consideration by the independent directors. The Compensation Committee approves and recommends the appointment of new officers, and reviews and discusses the Compensation Discussion and Analysis included in this proxy statement to determine whether to recommend it for inclusion in our proxy statement.

The specific powers and responsibilities of the Compensation Committee are set forth in more detail in the Compensation Committee s Charter, which is available on the Corporate Governance page of our website at *www.ryder.com.* The Charter is reviewed annually by the Compensation Committee and our Governance Committee. Any changes to the Charter are approved by the full Board.

Compensation Committee Processes and Procedures

Meetings. The Compensation Committee meets at least five times each year in February, May, July, October and December. Each year in December, the Compensation Committee reviews and approves an agenda schedule for the following year. The agenda schedule outlines the various topics the Compensation Committee will consider during the year to ensure that the Compensation Committee adequately fulfills its responsibilities under its Committee Charter. The Compensation Committee considers other topics during the year as needed to fulfill its responsibilities.

Our Chief Human Resources Officer (CHRO) works closely with the Chair of the Compensation Committee prior to each Committee meeting to ensure that the information presented to the Committee in connection with the items to be discussed and/or approved is clear and comprehensive. The information is then provided to the Compensation Committee for its review and consideration typically one week prior to the meeting.

The CHRO, CEO, Vice President of Compensation and Benefits and a representative from our legal department attend all regularly-scheduled Compensation Committee meetings to assist the Committee in its discussion and analysis of the various agenda items. These individuals are generally excused from the meetings as appropriate, including for discussions regarding their own compensation. The Compensation Committee meets in executive session, consisting exclusively of independent directors, at the end of every regularly-scheduled meeting.

Authority, Role of Management and Delegation. The Compensation Committee is responsible for reviewing and approving all of the components of our executive compensation program as well as the compensation program for our Board of Directors. New executive compensation plans and programs must be approved by the full Board based on recommendations made by the Compensation Committee. The Compensation Committee, with input from the CEO, is responsible for setting the compensation of all of our other named executive officers. Our independent directors, acting as a group, are responsible for setting CEO compensation based on recommendations from the Compensation Committee. The Compensation Committee has not delegated any of its responsibilities to management.

At the Board s annual succession planning meeting in October of each year, each named executive officer s performance and succession opportunities are evaluated by the full Board. In February of each year and at other times during the year as needed, our CEO gives the Compensation Committee a performance assessment and compensation recommendation for each named executive officer. Our CEO also reviews each executive s three-year compensation history, and current compensation data provided by our compensation group and outside consultants.

Beginning at the end of each fiscal year, the Compensation Committee and the independent directors conduct a performance review of the CEO. The evaluation questionnaire is prepared by the Governance Committee, which is responsible for determining the process by which the CEO will be evaluated. In February, the Compensation Committee discusses the CEO s performance review in executive session and formulates its recommendation. At the February Board meeting, in executive session without the CEO present, the independent directors finalize the CEO s performance evaluation and determine the CEO s compensation based on the recommendation of the Compensation Committee.

Use of Compensation Consultants. The Compensation Committee has authority to retain compensation consultants, outside legal counsel and other advisors to assist it in fulfilling its responsibilities. Although we do not have a written policy regarding which members of management may engage compensation consultants to assist in the evaluation of executive compensation, historically, in addition to the Compensation Committee, only our CHRO and Vice President of Compensation and Benefits have engaged compensation consultants to assist in the evaluation of executive compensation.

In January 2008, the Compensation Committee engaged Cook to assist in an independent review and competitive analysis of Mr. Swienton s compensation package. Cook was engaged to review competitive market data, and to work directly with the Chair of the Compensation Committee to prepare a proposal for 2008 CEO compensation to be considered by the Compensation Committee and the independent directors. Based upon Cook s review of relevant compensation data, and their own internal analysis, Cook provided recommendations to the Compensation Committee for a competitive total compensation package for Mr. Swienton. The Compensation Committee considered Cook s recommendation as one factor in approving Mr. Swienton s 2008 compensation. Management did not engage Cook or any other compensation consultant during 2008 for any matter related to executive compensation.

Compensation Committee Interlocks and Insider Participation. In 2008, none of our executive officers or directors was a member of the board of directors of any other company where the relationship would be considered a committee interlock under SEC rules.

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CORPORATE GOVERNANCE AND NOMINATING COMMITTEE

Members:	Christine A. Varney (Chair) L. Patrick Hassey Lynn M. Martin Luis P. Nieto, Jr. E. Follin Smith	***Number of Meetings in 2008:***	5

Responsibilities

The Governance Committee is responsible for recommending criteria for Board membership, identifying qualified individuals to serve as directors, reviewing the qualifications of director candidates, including those recommended by our shareholders pursuant to our By-Laws, and recommending to the Board the nominees to be proposed by the Board for election as directors at our Annual Meeting of Shareholders. The Governance Committee recommends the size, structure, composition and functions of Board Committees and reviews and recommends changes to the Charters of each Committee of the Board of Directors. The Governance Committee oversees the Board evaluation process as well as the annual CEO evaluation process. The Governance Committee reviews and recommends changes to our Corporate Governance Guidelines and Principles of Business Conduct. The Governance Committee is also responsible for identifying and analyzing trends in public policy, public affairs and corporate responsibility.

Our Chief Legal Officer attends all regularly-scheduled Governance Committee meetings to assist the Governance Committee in its discussion and analysis of the various agenda items. Members of management are generally excused from the Governance Committee meetings as appropriate.

The specific powers and responsibilities of the Governance Committee are set forth in more detail in the Governance Committee s Charter, which is available on the Corporate Governance page of our website at *www.ryder.com*. The Charter is reviewed annually by the Governance Committee. Any changes to the Charter are approved by the full Board.

Process for Nominating Directors

In identifying individuals to nominate for election to our Board, the Governance Committee seeks candidates that:

- have a high level of personal integrity and exercise sound business judgment;
- are highly accomplished in their fields, with superior credentials and recognition and have a reputation, both personal and professional, consistent with our image and reputation;
- have relevant expertise and experience, and are able to offer advice and guidance to our senior management;
- have an understanding of, and concern for, the interests of our shareholders; and
- have sufficient time to devote to fulfilling their obligations as directors.

The Governance Committee will seek to identify individuals who would qualify as independent under applicable NYSE listing standards and our categorical director independence standards, and who are independent of any particular constituency. The Governance Committee may, based on the composition of the Board, seek individuals that have specialized skills or expertise, experience as a leader of another public company or major complex organization, or relevant industry experience. In addition, the Governance Committee will attempt to select candidates who will assist in making the Board a diverse body in terms of age, gender, ethnic background and professional experience.

Generally, the Governance Committee identifies individuals for service on our Board through the Committee s retention of experienced director search firms that are paid to use their extensive resources and networks to find qualified individuals who meet the qualifications established by the Board. These search firms create a comprehensive record of a candidate s background, business and professional experience and other information that would be relevant to the Governance Committee in determining a candidate s capabilities and suitability. The Governance Committee will also consider qualified candidates who are proposed by other members of the Board, our senior management and, to the extent submitted in accordance with the procedures described below, our shareholders. The Governance Committee will not consider a director candidate unless the candidate has expressed his or her

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willingness to serve on the Board if elected and the Governance Committee has received sufficient information relating to the candidate to determine whether he or she meets the qualifications established by the Board.

If a shareholder would like to recommend a director candidate to the Governance Committee, he or she must deliver to the Governance Committee the same information and statement of willingness to serve described above. In addition, the recommending shareholder must deliver to the Governance Committee a representation that the shareholder owns shares of our common stock and intends to continue holding those shares until the relevant Annual Meeting of Shareholders as well as a representation regarding the shareholder s direct and indirect relationship to the suggested candidate. This information should be delivered to us at 11690 N.W. 105^{th} Street, Miami, Florida 33178, Attention: Corporate Secretary, for delivery to the Governance Committee no earlier than 120 and no later than 90 days prior to the one-year anniversary of the date of the prior year s annual meeting of shareholders. Any candidates properly recommended by a shareholder will be considered and evaluated in the same way as any other candidate submitted to the Governance Committee.

Upon receipt of this information, the Governance Committee will evaluate and discuss the candidate s qualifications, skills and characteristics in light of the current composition of the Board. The Governance Committee may request additional information from the recommending party or the candidate in order to complete its initial evaluation. If the Governance Committee determines that the individual would be a suitable candidate to serve as one of our directors, the candidate will be asked to meet with members of the Governance Committee, members of the Board and/or members of senior management, including in each case, our CEO, to discuss the candidate s qualifications and ability to serve on the Board. Based on the Governance Committee s discussions and the results of these meetings, the Governance Committee will recommend a nominee or nominees for election to the Board either by our shareholders at our Annual Meeting of Shareholders or by the Board to fill vacancies on the Board between Annual Meetings. The Board will, after consideration of the Governance Committee s recommendations, nominate a slate of directors for election by our shareholders, or with regards to filling vacancies, elect a nominee to the Board.

If a shareholder would like to nominate one or more directors for election at the annual meeting of shareholders without involving the Governance Committee, it must comply with all of the requirements set forth in our By-laws.

FINANCE COMMITTEE

Members:	Hansel E. Tookes, II (Chair)	***Number of Meetings in 2008:***	6
	James S. Beard		
	John M. Berra		
	David I. Fuente		
	Eugene A. Renna		
	Abbie J. Smith		

Responsibilities

The Finance Committee is responsible for reviewing our overall financial goals, liquidity position, arrangements and requirements. The Committee reviews, approves and recommends certain capital expenditures, issuances of debt and equity securities, dividend policy and pension contributions. The Committee is also responsible for reviewing our relationships with rating agencies, banks and analysts, and reviewing and managing our economic and insurance risk program and tax planning strategies.

Our Chief Financial Officer and Treasurer attend all regularly-scheduled Finance Committee meetings to assist the Finance Committee in its discussion and analysis of the various agenda items. Members of management are generally excused from the Finance Committee meetings as appropriate.

The specific powers and responsibilities of the Finance Committee are set forth in more detail in the Finance Committee s Charter which is available on the Corporate Governance page of our website at *www.ryder.com*. The Charter is reviewed annually by the Finance Committee and our Governance Committee. Any changes to the Charter are approved by the full Board.

RELATED PERSON TRANSACTIONS

We recognize that related person transactions can present potential or actual conflicts of interest and create the appearance that our decisions are based on considerations other than in our best interests and that of our shareholders. Accordingly, as a general matter, it is our preference to avoid related person transactions. Nevertheless, we recognize that there are situations where related person transactions may be in, or may not be inconsistent with, our and our shareholders best interests. For example, there may be times where we can obtain products or services from related persons that are of a nature, quantity or quality, or on terms, that are not readily available from alternative sources.

In accordance with our written Policies and Procedures Relating to Related Person Transactions, all related person transactions are subject to review, approval or ratification by the Governance Committee. For purposes of the Policy, and consistent with Item 404 of Regulation S-K, a related person transaction is (i) any transaction in which we or a subsidiary of ours is a participant, the amount involved exceeds $120,000 and a related person has a direct or indirect material interest, or (ii) any material amendment to an existing related person transaction. Related persons are our executive officers, directors, nominees for director, any person who is known to be the beneficial owner of more than 5% of any class of our voting securities, and any immediate family member of any of the foregoing persons.

Our legal department is primarily responsible for the development and implementation of procedures and controls to obtain information from our directors and executive officers relating to related person transactions and then determining, based on the facts and circumstances, and in consultation with management and outside counsel, whether the related person has a direct or indirect material interest in the transaction. The Governance Committee is responsible for reviewing and determining whether to approve related person transactions.

In considering whether to approve a related person transaction, the Governance Committee considers the following factors, to the extent relevant: (i) whether the terms of the related person transaction are fair to us and on the same basis as would apply if the transaction did not involve a related person; (ii) whether there are business reasons for us to enter into the related person transaction; (iii) whether the related person transaction would impair the independence of an outside director; and (iv) whether the related person transaction would present an improper conflict of interest for any of our directors or executive officers, taking into account the size of the transaction, the overall financial position of the director, executive officer or related person, the direct or indirect nature of the director s, executive officer s or related person s interest in the transaction and the ongoing nature of any proposed relationship, and any other factors the Governance Committee deems relevant. Any member of the Governance Committee who has an interest in the transaction under discussion will abstain from voting on the approval of the related person transaction. There were no related person transactions during 2008.

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RATIFICATION OF INDEPENDENT REGISTERED CERTIFIED PUBLIC ACCOUNTING FIRM

(Proposal 2)

Our Audit Committee appointed PricewaterhouseCoopers LLP as our independent registered certified public accounting firm for the 2009 fiscal year. Although shareholder ratification of the appointment of PricewaterhouseCoopers LLP is not required, the Board of Directors believes that submitting the appointment to the shareholders for ratification is a matter of good corporate governance. The Audit Committee will consider the outcome of this vote in future deliberations regarding the appointment of our independent registered certified public accounting firm. Representatives of PricewaterhouseCoopers LLP will be present at the 2009 Annual Meeting of Shareholders to respond to questions and to make a statement if they desire to do so.

Fees and Services of Independent Registered Certified Public Accounting Firm

Fees billed for services by PricewaterhouseCoopers LLP for the 2008 and 2007 fiscal years were as follows ($ in millions):

	2008	2007
Audit Fees	$ 3.7	$ 3.5
Audit-Related Fees	1.1	0.6
Tax Fees[1]	0.1	0.2
All Other Fees	*	*
Total Fees	$ 4.9	$ 4.3

[1] *All of the tax fees paid in 2008 and 2007 relate to tax compliance services.*
* *All Other Fees for each of 2008 and 2007 consist of $1,500 for research tools provided on a subscription basis.*

Audit Fees primarily represent amounts for services related to the audit of our consolidated financial statements and internal control over financial reporting, a review of financial statements included in our Forms 10-Q (or other periodic reports or documents filed with the SEC), statutory or financial audits for our subsidiaries or affiliates, and consultations relating to financial accounting or reporting standards.

Audit-Related Fees represent amounts for assurance and related services that are reasonably related to the performance of the audit or review of our financial statements. These services include audits of employee benefit plans, consultations concerning matters relating to Section 404 of Sarbanes-Oxley and due diligence.

Tax Fees represent amounts for U.S. and international tax compliance services (including review of our federal, state, local and international tax returns), tax advice and tax planning, in accordance with our approval policies described below.

Approval Policy

All services rendered by our independent registered certified public accounting firm are either specifically approved (including the annual financial statement audit) or are pre-approved by the Audit Committee in each instance in accordance with our Approval Policy for Independent Auditor Services (Approval Policy), and are monitored both as to spending level and work content by the Audit Committee to maintain the appropriate objectivity and independence of the independent registered certified public accounting firm s core service, which is the audit of our consolidated financial statements and internal control over financial reporting. Under the Approval Policy, the terms and fees of annual audit services, and any changes thereto, must be approved by the Audit Committee. The Approval Policy also sets forth detailed pre-approved categories of other audit, audit-related, tax and other non-audit services that may be performed by our independent registered certified public accounting firm during the fiscal year, subject to the dollar limitations set by the Audit Committee. The Audit Committee may, in accordance with the Approval Policy, delegate to any member of the Audit Committee the authority to approve audit and non-audit services to be performed by the independent registered certified public accounting firm. The Audit Committee has delegated to the Chair of the Audit Committee the authority to approve audit and non-audit services if it is not practical to bring the matter before the full Audit Committee and the estimated fee does not exceed $100,000. Any Audit Committee member who exercises his or her delegated authority, including the Chair, must report any approval decisions to the Audit Committee at its next scheduled meeting. All of the services provided in 2008 were approved by the Audit Committee in accordance with the Approval Policy.

The Board of Directors recommends a vote FOR ratification of the appointment of PricewaterhouseCoopers LLP as our independent registered certified public accounting firm for the 2009 fiscal year.

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AUDIT COMMITTEE REPORT

The following report of the Audit Committee shall not be deemed to be soliciting material or to be filed with the SEC nor shall this information be incorporated by reference into any future filing under the Securities Act of 1933 or the Securities Exchange Act of 1934, each as amended, except to the extent that the Company specifically incorporates it by reference into a filing.

The Audit Committee of the Board of Directors of the Company is comprised of five outside directors, all of whom are independent under the rules of the NYSE, our categorical director independence standards and applicable rules of the SEC. The Committee operates under a written Charter that specifies the Committee s responsibilities. The full text of the Committee s Charter is available on the Corporate Governance page of the Company s website (*www.ryder.com*). The Audit Committee members are not auditors and their functions are not intended to duplicate or to certify the activities of management and the independent registered certified public accounting firm.

The Audit Committee oversees the Company s financial reporting process on behalf of the Board of Directors. The Company s management has the responsibility for preparing the consolidated financial statements, for maintaining effective internal control over financial reporting, and for assessing the effectiveness of internal control over financial reporting. The Company s independent registered certified public accounting firm is responsible for performing an integrated audit of the Company s year-end consolidated financial statements and internal control over financial reporting as of the end of the year in accordance with the standards of the Public Company Accounting Oversight Board (PCAOB), and expressing opinions on (i) whether the financial statements present fairly, in all material respects, the financial condition and results of operations and cash flows of the Company in conformity with accounting principles generally accepted in the United States, and (ii) whether the Company maintained effective internal control over financial reporting based on criteria established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In fulfilling its oversight responsibilities, the Committee reviewed and discussed the audited consolidated financial statements in the Annual Report on Form 10-K for the fiscal year ended December 31, 2008 and management s assessment of the effectiveness of internal control over financial reporting with Company management, including a discussion of the quality of the accounting principles, the reasonableness of significant judgments, and the clarity of disclosures in the financial statements.

The Committee reviewed with the independent registered certified public accounting firm its judgments as to the quality of the Company s accounting principles and such other matters as are required to be discussed with the Committee by Statement on Auditing Standards No. 61, Communications with Audit Committees, adopted by the PCAOB, as amended, and the rules of the SEC. In addition, the Committee has discussed with the independent registered certified public accounting firm the firm s independence from Company management and the Company, reviewed the written disclosures and letter from the independent registered certified public accounting firm required by applicable requirements of the Public Company Accounting Oversight Board regarding the independent registered certified public accounting firm s communications with the audit committee concerning independence and considered the compatibility of non-audit services with the independent registered certified public accounting firm s independence.

The Committee discussed with the Company s internal auditor and representatives of the independent registered certified public accounting firm the overall scope and plans for their respective audits. The Committee met with the internal auditor and representatives of the independent registered certified public accounting firm, with and without management present, to discuss the results of their audits; their evaluations of the Company s internal control, including internal control over financial reporting; and the overall quality of the Company s financial reporting.

In reliance on the reviews and discussions referred to above, the Committee recommended to the Board of Directors, and the Board has approved, that the audited consolidated financial statements and management s assessment of the effectiveness of the Company s internal control over financial reporting be included in the Annual Report on Form 10-K for the year ended December 31, 2008 filed by the Company with the SEC. The Committee has also approved, subject to shareholder ratification, the selection of PricewaterhouseCoopers LLP as the Company s independent registered certified public accounting firm for the 2009 fiscal year.

Submitted by the Audit Committee of the Board of Directors.

Abbie J. Smith (Chair)
Luis P. Nieto, Jr.
Eugene A. Renna
E. Follin Smith
Hansel E. Tookes, II

SECURITY OWNERSHIP OF OFFICERS AND DIRECTORS

The following table shows the number of shares of common stock beneficially owned as of January 14, 2009, by each director and each executive officer named in the Summary Compensation Table herein, individually, and all directors and executive officers as a group. No family relationships exist among our directors and executive officers.

Name of Beneficial Owner	Shares Beneficially Owned or Subject to Currently Exercisable Options	Shares Which May be Acquired Within 60 Days[1]	Total Shares Beneficially Owned[2]	Percent of Class[3]
Gregory T. Swienton[4,5]	709,200	152,224	861,424	1.540%
James S. Beard	92	637	729	*
John M. Berra[6]	5,000	9,226	14,226	*
Robert D. Fatovic[5]	53,620	21,890	75,510	*
David I. Fuente[5,6]	1,523	13,613	15,136	*
L. Patrick Hassey	0	4,410	4,410	*
Lynn M. Martin	10,881	14,760	25,641	*
Luis P. Nieto, Jr.	0	2,852	2,852	*
Thomas S. Renehan[5]	9,702	22,346	32,048	*
Eugene A. Renna	11,500	8,365	19,865	*
Robert E. Sanchez[4,5]	46,009	25,127	71,136	*
Abbie J. Smith[5,6]	11,800	9,658	21,458	*
E. Follin Smith[6]	0	5,978	5,978	*
Anthony G. Tegnelia[5]	27,136	33,680	60,816	*
Hansel E. Tookes, II[4,6]	6,000	9,484	15,484	*
Christine A. Varney[6]	107	14,115	14,222	*
Directors and Executive Officers as a Group (18 persons)[4,5]	903,029	371,840	1,274,869	2.279%

* *Represents less than 1% of our outstanding common stock.*

1 *Represents options to purchase shares which became exercisable between January 14, 2009 and March 14, 2009, performance-based restricted stock rights that vested on February 6, 2009, and restricted stock units held in the accounts of directors that vest upon the director s departure from the Board, which shares had the potential of vesting before March 14, 2009 if a director departed from the Board prior to that date.*

2 *Unless otherwise noted, all shares included in this table are owned directly, with sole voting and dispositive power. Listing shares in this table shall not be construed as an admission that such shares are beneficially owned for purposes of Section 16 of the Securities Exchange Act of 1934, as amended (Exchange Act).*

3 *Percent of class has been computed in accordance with Rule 13d-3(d)(1) of the Exchange Act.*

4

Includes shares held through a trust, jointly with their spouses or other family members or held solely by their spouses, as follows: Mr. Swienton, 14,500 shares; Mr. Sanchez, 2,152 shares; Mr. Tookes, 1,000 shares; and all directors and executive officers as a group, 17,652 shares.

[5] *Includes shares held in the accounts of executive officers pursuant to our 401(k) Plan and Deferred Compensation Plan and shares held in the accounts of directors pursuant to our Deferred Compensation Plan as follows: Mr. Swienton, 3,798 shares; Mr. Fuente, 1,523 shares; Mr. Renehan, 6,585 shares; Mr. Sanchez, 3,478 shares; Ms. A. Smith, 6,800 shares; Mr. Tegnelia, 1,807 shares; and Mr. Fatovic, 15,349 shares; and all directors and executive officers as a group, 43,094 shares.*

[6] *Includes stock granted to the director in lieu of his or her annual cash retainer which stock has vested but will not be delivered to the director until his or her departure from the Board.*

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SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934 requires our directors and executive officers, and persons who beneficially own more than 10% of a registered class of our equity securities, to file reports with the SEC relating to their common stock ownership and changes in such ownership. To our knowledge, based solely on our records and certain written representations received from our executive officers and directors, during the year ended December 31, 2008, all Section 16(a) filing requirements applicable to directors, executive officers and greater than 10% shareholders were complied with on a timely basis.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS

The following table shows the number of shares of common stock held by all persons who are known by us to beneficially own or exercise voting or dispositive control over more than five percent of our outstanding common stock.

Name and Address	Number of Shares Beneficially Owned	Percent of Class
UBS AG Bahnhofstrasse 45 PO Box CH-8021 Zurich, Switzerland	5,924,011[1]	10.7%
Bank of America Corporation 100 North Tryon Street, Floor 25 Bank of America Corporate Center Charlotte, NC 28255	3,916,260[2]	7.0%
The Vanguard Group, Inc. 100 Vanguard Boulevard Malvern, PA 19355	3,287,471[3]	5.91%

[1] *Based upon the most recent SEC filing by UBS AG on Form 13G dated February 7, 2009. Of the total shares shown, the nature of beneficial ownership is as follows: sole voting power 4,921,244; shared voting power 0; sole dispositive power 0; and shared dispositive power 5,924,011.*

[2] *Based upon the most recent SEC filing by Bank of America Corporation on Form 13G dated February 12, 2009. Of the total shares shown, the nature of beneficial ownership is as follows: sole voting power 0; shared voting power 2,980,781; sole dispositive power 0; and shared dispositive power 3,916,260.*

[3] *Based upon the most recent SEC filing by The Vanguard Group, Inc. on Form 13G dated February 13, 2009. Of the total shares shown, the nature of beneficial ownership is as follows: sole voting power 64,825; shared voting power 0; sole dispositive power 3,287,471; and shared dispositive power 0.*

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COMPENSATION DISCUSSION AND ANALYSIS

This Compensation Discussion and Analysis is designed to provide our shareholders with a clear understanding of our compensation philosophy and objectives, compensation-setting process, and 2008 compensation programs and actions for our named executive officers. Our named executive officers are those executive officers listed below whose compensation is disclosed in the Summary Compensation Table on page 39 of this proxy statement (named executive officers or NEOs):

Gregory T. Swienton	Chairman and Chief Executive Officer (CEO)
Robert E. Sanchez	Executive Vice President and Chief Financial Officer (CFO)
Anthony G. Tegnelia	President Global Fleet Management Solutions
Thomas S. Renehan	Executive Vice President Sales and Marketing, Fleet Management Solutions, North America
Robert D. Fatovic	Executive Vice President, Chief Legal Officer and Corporate Secretary

Mr. John H. Williford, President Global Supply Chain Solutions was hired in June 2008. Based on Mr. Williford s compensation for the second half of 2008, he is not considered a named executive officer for 2008.

Executive Summary

The following provides a brief overview of the more detailed disclosure set forth in this Compensation Discussion and Analysis.

The Compensation Committee of our Board of Directors is responsible for reviewing and approving all of the components of our executive compensation program, approving all compensation actions for NEOs other than our CEO, assisting the Board in evaluating the CEO s performance and making recommendations to the full Board regarding CEO compensation. Our independent directors acting as a group are responsible for determining and setting CEO compensation. For 2008, Frederic W. Cook & Co. (Cook) assisted the Compensation Committee in compiling market data and reviewing and making a recommendation to the Board regarding Mr. Swienton s compensation package.

The objective of our executive compensation program is to recruit, retain and motivate high-quality executives who possess diverse skills and talents that can help us achieve our short-term goals and long-term strategies.

The Compensation Committee s goal is to design an executive compensation program and set compensation levels to provide median levels of compensation if we achieve target financial results, and below-market compensation when Company and/or individual performance fail to meet expectations.

While compensation levels may differ among NEOs based on competitive factors and the role, responsibilities and performance of each specific NEO, in order to encourage our NEOs to compete collectively and manage collaboratively, there are no material differences in the compensation philosophies, objectives or policies for our NEOs. The Compensation Committee considers all executives relative pay when making practical decisions regarding hiring, promoting and retaining our executives but does not have a formal policy regarding internal pay equity.

We provide our named executive officers with the following types of compensation: salary, annual cash incentive awards (annual bonus), long-term incentive (LTI) compensation and limited perquisites. We also provide our NEOs with welfare and post-termination benefits such as retirement, severance and change of control benefits. A significant portion of NEO compensation (approximately 73% in 2008) is variable, at-risk or performance-based compensation.

In evaluating each element of our executive compensation program, the Compensation Committee considers data from published market surveys and databases. In evaluating CEO compensation, the Board considered the compensation levels and financial performance of two peer groups of companies compiled by Cook, but did not attempt to maintain a certain target percentile within these peer groups.

In April 2008, all NEOs, including Mr. Swienton, received approximately 2.5% increase in base salary which was the annual merit increase given to most Company employees. In July 2008, Mr. Tegnelia s base salary increased 12% to $525,000 to compensate him for additional responsibilities given to him to oversee our Global Fleet Management Solutions (FMS) operations and in consideration of all executives relative pay.

In February 2008, the target payout amount for Mr. Swienton under the annual bonus plan was increased from 100% of base salary to 120% of base salary in order to increase Mr. Swienton s at-risk compensation consistent with market compensation data and Cook s recommendation. The target payout amount for the other NEOs did not change in 2008.

In February 2008, Mr. Tegnelia and Mr. Fatovic each received a grant of time-based restricted stock rights which cliff vest on the third anniversary of the grant date. These grants were made to reward Messrs. Tegnelia and Fatovic for their continued leadership and to assure continued retention of these long-tenured employees during challenging economic conditions.

Although the Company s comparable earnings and operating revenue grew in 2008 despite a significant economic slowdown in the fourth quarter, financial results for 2008 were below our planned targets. As a result, the payout under the annual bonus plan was 52.85% of target.

Our 2008 LTI program consisted of a combination of stock options (45%), performance-based restricted stock rights (PBRSRs) (35%) and performance-based cash awards (PBCA) (20%). The LTI program was designed to deliver an aggregate target opportunity equal to 175% of the midpoint of the relevant salary range for the NEO s management level and 350% in the case of our CEO. The PBRSRs delivered as part of the 2008 LTI Program will vest if Ryder s Total Shareholder Return meets or exceeds the Total Return of the S&P 500 for a three-year period beginning on January 1, 2008. The PBCA delivered as part of the 2008 LTI program will vest if Ryder s Total Shareholder Return meets or exceeds the Total Return of the 33rd percentile of the S&P 500 for a three-year period beginning on January 1, 2008.

The Company s Total Shareholder Return for the three-year period ended December 31, 2008 was 22% greater than the Total Return for the S&P 500 over the same period. As a result, the PBRSRs and tandem cash awards granted to the NEOs as part of the 2006-2008 performance cycle of the LTI program were earned as of December 31, 2008. The cash was paid and the underlying shares were issued upon Board approval in February 2009.

As a result of the Company s below-target performance under the annual bonus plan and the Compensation Committee s decision in prior years to shift more of Mr. Swienton s compensation to long-term equity-based awards, the total cash compensation paid to Mr. Swienton in 2008 decreased by $264,357, or 12% from 2007 levels. Total direct compensation (total cash compensation plus the grant date fair value of long-term equity awards) increased by $140,622, or 3% from 2007 levels.

In June 2008, we hired John H. Williford as President of our Global Supply Chain Solutions business. Revenue and earnings for that business segment totaled $1.643 billion and $42.7 million, respectively, in 2008. Mr. Williford s base salary was set at $525,000. His annual bonus and LTI payout opportunities were the same as Mr. Sanchez and Mr. Tegnelia, with a guaranteed pro-rata target bonus payout for 2008. Mr. Williford also received a grant of time-based restricted stock rights with a grant date fair value of $800,000. He is also entitled to the Company s standard relocation benefits.

Our NEOs do not have employment agreements, but do have agreements which entitle them to severance under certain limited circumstances including if their employment is terminated upon a change of control of the Company.

Oversight and Authority over Executive Officer Compensation

Compensation Setting Process

The Compensation Committee is responsible for determining the compensation philosophy and objectives for our named executive officers, and for reviewing, approving and, in some cases, recommending to the Board of Directors the approval of, all components of our executive compensation program. Our independent directors, acting as a group, are responsible for setting CEO compensation based on recommendations from the Compensation Committee. The Compensation Committee, with input from the CEO, is responsible for setting the compensation of all of our other named executive officers.

With respect to compensation decisions for named executive officers (other than our CEO), in February of each year and at other times during the year as needed, our CEO gives the Compensation Committee a performance assessment and compensation recommendation for each named executive officer. The performance assessment includes strengths, weaknesses and succession potential and is based on individual performance evaluations conducted by the CEO and the executive officer s direct supervisor (if different from the CEO). Our CEO also reviews each executive s three-year compensation history, and current compensation data provided by our compensation group and outside consultants. At the Board s annual succession planning meeting in October, each NEO is also evaluated by the full Board as part of Ryder s succession planning process.

Beginning at the end of each fiscal year, the Compensation Committee and the independent directors conduct a performance review of the CEO. For the review, the CEO and each independent director completes a comprehensive CEO evaluation questionnaire relating to the CEO s performance. This questionnaire is prepared by the Governance Committee, which is responsible for determining the process by which the CEO will be evaluated. At the Compensation Committee s February meeting, the CEO presents his personal performance results for the prior fiscal year and responds to any questions that the Compensation Committee may have. The Compensation Committee also reviews the CEO s three-year compensation history, and current compensation data provided by our compensation group and outside consultants. At the completion of this review, the Compensation Committee discusses the CEO s performance review in executive session and formulates its recommendation. At the February Board meeting, in executive session without the CEO present, the independent directors finalize the CEO s performance evaluation and determine the CEO s compensation based on the recommendations of the Compensation Committee.

In February of each year (in connection with the NEO s performance evaluation and the conclusion of our business planning process), the Compensation Committee conducts its annual review of the executive compensation packages. Based on this review, the Compensation Committee approves (a) base salary changes, (b) any amounts earned under the previous year s annual bonus and LTI programs, (c) performance targets and target payout opportunity under the annual bonus program for the current year and (d) LTI awards for the next three-year cycle. The Compensation Committee may approve other individual compensation actions during the year as needed. While the Compensation Committee considers competitive market compensation data, it does not attempt to maintain a certain target percentile within a comparative group. Rather, the Compensation Committee s objective is to target executive pay at levels that are market competitive based on Company and individual performance. Specifically, the Compensation Committee s goal is to design a compensation program and set compensation levels to provide median levels of compensation for achieving target financial results, and below-market compensation when Company and/or individual performance fail to meet expectations. While compensation levels may differ among NEOs based on competitive factors and the role, responsibilities and performance of each specific NEO, there are no material differences in the compensation philosophies, objectives or policies for our NEOs. The Compensation Committee considers all executives relative pay when making decisions regarding hiring, promoting and retaining our executives but does not have a formal policy regarding internal pay equity.

Use of Compensation Consultants

The Compensation Committee has authority to retain compensation consultants, outside legal counsel and other advisors to assist in fulfilling its responsibilities. Historically, in addition to the Compensation Committee, our Chief Human Resources Officer (CHRO) and Vice President of Compensation and Benefits have from time-to-time engaged compensation consultants to assist in the evaluation of executive compensation.

In January 2008, the Compensation Committee engaged Cook, to assist in an independent review and competitive analysis of Mr. Swienton s compensation package. Cook was engaged to review competitive market data, and to work directly with the Chair of the Compensation Committee to prepare a proposal for 2008 CEO compensation to be considered by the Compensation Committee and the independent directors. Based upon Cook s review of relevant compensation data, and their own internal analysis, Cook provided recommendations to the Compensation Committee for a competitive total compensation package for Mr. Swienton. The Compensation Committee considered Cook s recommendation as one factor in approving Mr. Swienton s 2008 compensation. Management did not engage Cook or any other compensation consultant during 2008 for any matter related to executive compensation.

Compensation Philosophy and Objectives

The most important objective of our executive compensation program is to recruit, retain and motivate high-quality executives who possess diverse skills and talents that can help us achieve our short-term goals and long-term strategies. In addition, we strive to design, implement and maintain an executive compensation program that accomplishes the following four key goals:

Aligns the short and long-term interests of our named executive officers and our shareholders so that our named executive officers are motivated to take actions that are in the best interests of our shareholders when carrying out their duties as executives of our Company.

Emphasizes and rewards overall Company performance through clear and simple incentive compensation programs that provide market compensation for achieving target financial results and below-average compensation when Company and/or individual performance fail to meet expectations.

Promotes growth without sacrificing quality of earnings or providing incentives to executives to engage in risky business activity.

Rewards each named executive officer s performance, contribution and value to the Company.

The Compensation Committee regularly evaluates the effectiveness of our executive compensation programs, considering the cost to us and the value to the executive of each element of compensation, in light of the above stated compensation objectives.

Company and Individual Performance in 2008 and 2007

Company Performance

In 2008, we faced significant economic challenges in the latter part of the year. As a result, Company performance was below planned levels. Despite these difficult conditions, we had full-year earnings growth of 7%, on a comparable basis (as described in our Annual Report on Form 10-K for the year ended December 31, 2008), and FMS contractual revenue growth of 5% excluding foreign exchange impact. Our access to capital was stable throughout 2008 and we continued to maintain positive operating cash flow and free cash flow during a period of significant credit market instability. We completed four acquisitions in 2008 including one strategic acquisition in our Supply Chain Solutions business segment.

In 2007, we realized record earnings for the fourth consecutive year despite weakening economic conditions in the U.S. Operating revenue grew 4% and comparable net earnings per share (as described in our Annual Report on Form 10-K for the year ended December 31, 2007) grew 6% from 2006 levels, although performance was below our planned targets. We grew our contractual revenue base in 2007 which is a critical component of our long-term strategy. In addition, both operating cash flow and free cash flow grew in 2007 reflecting our financial discipline and focus on maintaining a strong balance sheet. We completed one acquisition in our FMS business segment in 2007 and planned to continue our focus on completing additional accretive acquisitions in 2008.

Executive Performance

In determining the compensation package for our NEOs, including Mr. Swienton, the Compensation Committee and the independent directors consider the results of the NEO s annual performance evaluation, comparative compensation data and information on our competitive position and operating/financial performance.

For each of his direct reports, Mr. Swienton provided input to the Compensation Committee as to the executive s performance and made a recommendation to the Compensation Committee as to the executive s compensation. In setting compensation for these executives, the Compensation Committee also took into account the executive s responsibilities and tenure as well as their challenges and initiatives for 2008. In determining the compensation for Mr. Sanchez who was appointed as our Chief Financial Officer in October 2007, the Compensation Committee considered Mr. Sanchez s significant responsibilities including for the Company s information technology, corporate development and strategy, and risk management functions. The Compensation Committee also considered Mr. Sanchez s successful transition into the CFO role and his strong leadership in dealing with regulatory and operating issues in Brazil and difficult credit market conditions. With respect to determining Mr. Tegnelia s 2008 compensation, the Compensation Committee considered Mr. Tegnelia s success in restructuring the FMS sales organization and implementing positive business process changes, as well as the positive impact of FMS acquisitions that had been and were expected to be completed in 2007 and 2008. In addition, during 2008, Mr. Tegnelia took responsibility for our FMS operations in Canada and Europe. In reviewing the compensation of Mr. Fatovic, the Compensation Committee took into account Mr. Fatovic s additional responsibilities to oversee Ryder s environmental, safety, corporate compliance and governmental affairs functions. Under Mr. Fatovic, we showed strong environmental leadership, significantly improved safety performance and a strong commitment to corporate compliance. Mr. Renehan oversees the sales and marketing function for our FMS business segment and reports directly to Mr. Tegnelia. Both Mr. Tegnelia and Mr. Swienton provided input to the Compensation Committee as to Mr. Renehan s performance and compensation. In setting Mr. Renehan s compensation, the Compensation Committee considered his responsibility as the head of sales for our largest business segment, our FMS lease and rental sales performance, as well as individual performance relative to targeted initiatives.

In setting Mr. Swienton s compensation for 2008, the Compensation Committee considered our financial results for 2007 outlined above. The Compensation Committee also considered (a) Mr. Swienton s strong leadership and focus during increasingly difficult economic conditions, (b) his ability to hire strong industry leaders and retain long-tenured, well-rounded executives to fill key positions in the Company, (c) his commitment to return value to the shareholders through measured increases in the dividend and stock repurchase programs, (d) his continued emphasis on growth through accretive acquisitions and (e) his continued ability to maintain financial discipline and deliver cost savings.

Benchmarking

In evaluating each element of our executive compensation program, the Compensation Committee considers the executive compensation program and practices, as well as the financial performance, of comparative groups of companies. Management and the Compensation Committee view this data as one factor in making compensation decisions, but do not rely solely on this information.

In 2008, our compensation group and the Compensation Committee utilized broad-based published surveys, specifically the Mercer Benchmark Database Executive, which is comprised of 2,579 U.S.-based companies across all industries to provide relevant comparative compensation data. This Database does not provide company specific data. The Mercer Benchmark Database is a position-specific database which is searchable based on a variety of factors. For any specific position, narrowed by revenue and scope, the Database provides detailed aggregate compensation data with respect to base salary, short-term incentives and LTIs. The Compensation Committee uses the data from these published market surveys and databases to ensure that it is acting responsibly and to establish points of reference to determine whether and to what extent it is establishing competitive levels of compensation for our executives. The Compensation Committee does not target a specific percentile of any survey or peer group. Rather, the Compensation Committee compares numerous elements of executive compensation, including base salaries, annual incentive compensation, long-term cash and equity-based incentives and retirement benefits, to assist in determining whether proposed compensation programs are competitive and then uses its experience and judgment to make final compensation decisions.

As discussed above, Cook was retained by the Compensation Committee to compare Mr. Swienton s compensation to external market data to determine whether his compensation package was at competitive levels, and to recommend any changes based on their competitive assessment. Cook utilized two peer groups against which they analyzed Mr. Swienton s compensation. The first group (Peer Group) was comprised of 18 companies that are in a related industry and are of comparable size based on revenue and market capitalization. This was the same Peer Group that was used in evaluating Mr. Swienton s compensation in 2007. The Peer Group is comprised of:

Avis Budget Group, Inc.	Hertz Global Holdings, Inc.
C. H. Robinson Worldwide, Inc.	Hub Group, Inc.
Celadon Group, Inc.	Landstar System, Inc.
CIT Group Inc.	Old Dominion Freight Line, Inc.
Con-way Inc.	PHH Corporation
CSX Corporation	Trinity Industries, Inc.
Expeditors International of Washington, Inc.	United Parcel Service, Inc.
FEDEX Corporation	Werner Enterprises, Inc.
GATX Corporation	YRC Worldwide Inc.

Our business is comprised of three distinct, complex business segments: Fleet Management Solutions (FMS), Supply Chain Solutions and Dedicated Contract Carriage. Although there are other public companies that operate in one or more of our business segments, we do not believe there are any public companies that provide similar fleet management services (which represents nearly 65% of our consolidated revenues) or that provide the same mix of services, and that publicly disclose financial performance and compensation data relating to that business. As a result, we do not have access to relevant compensation data for our direct competitors. However, management and the Compensation Committee believe the Peer Group provides a useful basis of comparison for our CEO compensation because, similar to Ryder, many of these companies are asset-based providers of transportation or transportation-related services or otherwise provide leasing or rental services. Furthermore, many are impacted by similar economic factors affecting our Company including freight demand and fuel prices.

Cook also compiled a second comparator group (Market Group) of 13 service-based companies with market capitalizations ranging from $1 to $7 billion. This group was used to provide more general industry data outside of transportation/logistics. The Market Group was comprised of:

AECOM Technology	Exterran Holdings
Barnes & Noble	Grainger (W.W.)
Brink s	Republic Services
CGI Group	Services Corp. International
Convergys	Unisys
DST Systems	United Rentals
	UTi Worldwide

The Compensation Committee uses benchmark comparisons to peer groups or published surveys, as applicable, to ensure that it is acting responsibly and to establish points of reference to determine whether and to what extent it is establishing competitive levels of compensation for our executives. The Compensation Committee compares numerous elements of executive compensation, including base salaries, annual incentive compensation, long-term cash and equity-based incentives and retirement benefits, to assist in determining whether proposed compensation programs are competitive. The Compensation Committee then uses its experience and judgment to make final compensation decisions.

Elements of our 2008 Executive Compensation Program

Our executive officers do not have employment agreements. This gives the Compensation Committee flexibility to change the executive compensation program with respect to components, pay mix and amounts. Our NEOs do, however, have individual severance agreements which are described in more detail under the heading Severance and Change of Control Benefits .

In 2008, our executive compensation program consisted of base salary, annual bonus, LTIs, and benefits and perquisites. We do not have a formal policy relating to the allocation of total compensation among the various components. However, both management and the Compensation Committee believe that the more senior the position an executive holds, the more influence they have over our financial performance. As such, a greater amount of NEO

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compensation should be at-risk based on Company performance. The compensation mix for our CEO for 2008 was targeted as set forth in the following chart.

Pay Mix for Chief Executive Officer (at target)

The chart below is representative of the overall target pay mix for our other named executive officers.

Pay Mix for Other Named Executive Officers (at target)

The actual compensation mix for each named executive officer may vary based on job responsibilities, Company performance, individual performance, isolated compensation actions and contributions to the organization.

Following is a description of each component of executive compensation for 2008:

ANNUAL COMPENSATION

Base Salary

Objective: The Compensation Committee sets an executive s base salary with the objective of hiring and retaining highly qualified executives and rewarding individual performance.

Design: Base salary is designed to adequately compensate and reward the executive on a day-to-day basis for the time spent and the services the executive performs. When setting and adjusting individual executive salary levels, the Compensation Committee considers the executive officer s responsibilities, experience, potential, individual performance, internal pay equity and contribution, competitive market position determined from market surveys and comparative data provided by outside compensation consultants. The Compensation Committee also considers other factors such as the annual merit increase paid to all other Company employees, demand in the labor market for the particular executive and succession planning. These factors are not weighted. The Compensation Committee bases salary adjustments on the overall assessment of all of these factors. The Compensation Committee does not target base pay at any particular level versus a peer group, but instead, the Compensation Committee considers certain market and survey data, as previously described, and uses its judgment to set a base salary that, when combined with all other compensation elements, results in a competitive pay package.

2008 Salary Actions: In February 2008, Mr. Swienton received a 2.3% salary increase and the other named executive officers received 2.4% to 2.6% salary increases. These increases were effective in April 2008 and were consistent with the budgeted annual merit increase for all eligible employees, which was 2.5%. In July 2008, in connection with Mr. Tegnelia s additional responsibilities to oversee our Global FMS operations and recognizing the need for appropriate internal pay equity, Mr. Tegnelia received a 12% salary increase bringing his annual base salary to $525,000.

2009 Salary Actions: Given current economic conditions, in February 2009, the Compensation Committee determined to freeze salaries for all officers including Mr. Swienton and all other NEOs.

Annual Bonus

Objective: Our annual bonus program is designed to reward executives (through additional cash compensation) when the Company meets certain annual performance targets. The Compensation Committee believes the annual bonus motivates executives to focus their efforts on implementing the Company s near-term strategies and achieving the fiscal-year financial goals established by management and approved by the Board.

2008 Annual Bonus Program Design: The performance metrics and performance targets for our 2008 annual bonus program were based on our 2008 internal business plan. The 2008 annual bonus program for our named executive officers was driven by a combination of the following three Company performance metrics. There were no individual performance metrics for our named executive officers.

Operating revenue (40% weighting) is our total revenue less fuel services revenue (net of inter-segment billings) in our FMS business segment and subcontracted transportation revenue in our supply chain solutions and dedicated contract carriage business segments. We believe operating revenue (a non-GAAP financial measure) is an appropriate measure of our operating performance and sales activity because both fuel and subcontracted transportation are largely pass-throughs to customers and therefore have minimal impact on our profitability.

Earning per share (EPS) (30% weighting) is an effective measure commonly used by shareholders to assess a company s annual financial performance, and therefore, we think it is an appropriate measure on which to compensate our named executive officers.

Return on capital (30% weighting) is our tax adjusted earnings excluding interest, as a percentage of (i) total debt, (ii) on and off-balance sheet debt obligations and (iii) shareholders equity. We believe return on capital measures capital efficiency across all business segments, which is critical to the success of capital-intensive businesses like ours.

We believe that these three performance metrics taken together are useful in measuring our success in meeting our strategic objective of growing our revenue in a way that creates solid earnings leverage and earns an appropriate return on invested capital.

The target payout amounts under our annual bonus program are designed to motivate our executive officers to act in a way that will result in the Company achieving improved year over year financial performance without taking excessive risk. Under the 2008 annual bonus program, the target payout opportunity for all executive officers (other than our CEO) was 75% of base salary and is subject to a maximum. As reported in last year s proxy statement, for 2008, the target payout opportunity for Mr. Swienton was increased from 100% to 120% of base salary in order to increase the at-risk portion of Mr. Swienton s compensation and further motivate Mr. Swienton to drive strong sustainable performance during a challenging economic environment. Each year, the Compensation Committee considers the appropriateness of the target payout amounts as well as the market data and recommendations provided by management and Cook. Mr. Swienton is eligible to receive a higher target payout amount than our other executive officers to reflect the increased responsibility that accompanies the role of a CEO.

2008 Payout: The following chart sets forth the performance measures, weights and targets under our 2008 annual bonus program as well as actual 2008 results. Financial targets disclosed in this section are done so in the limited context of our annual bonus plan and are not statements of management s expectations or estimates of results or other guidance. We specifically caution investors not to apply these statements to other contexts.

Performance Measure	**Threshold (25% Payout)**	**Target (100% Payout)**	**Maximum (200% Payout)**	**Adjusted 2008 Results**	**Calculated Payout as a Percent of Target Opportunity**	**Weighted Payout**
Operating Revenue (in thousands)	$4,500-$4,650	$4,885	$5,100	$4,704.5	42.4%	16.96%
Earnings Per Share	$3.95-$4.20	$4.48	$4.98	$4.46	94.64%	28.39%

Return on Capital	7.0-7.4%	7.7%	8.0%	7.39%	25%	7.5%

Actual performance relative to the target is calculated in accordance with GAAP and adjusted for non-recurring and non-operational items. The Compensation Committee retains the right to adjust reported results in order to ensure that actual payouts properly reflect the performance of our core business and are not impacted positively or negatively by non-recurring or non-operational items.

Specifically, in 2008, the Compensation Committee adjusted 2008 reported EPS to exclude the $0.08 per share positive impact of our $300 million share repurchase program, consistent with past practice. The Compensation Committee also adjusted 2008 reported EPS and Return on Capital to exclude $58 million (or $1.02 per share) of restructuring and other charges taken in the fourth quarter, substantially all of which relates to our exiting certain international supply chain operations, headcount reduction and goodwill impairment. The Compensation Committee excluded these items so as to not penalize employees for taking restructuring actions that are in the long-term best interests of the Company and our shareholders. Each of these excluded items are discussed at length in our 2008 financial statements and periodic SEC filings.

As previously described, for 2008, the actual payout for each NEO was 52.85% of his target payout opportunity. The actual payout amounts under the annual bonus program were as follows:

Named Executive Officer	2008 Payout ($)
Gregory T. Swienton	567,648
Robert E. Sanchez	161,534
Anthony G. Tegnelia	195,437
Thomas S. Renehan	126,691
Robert D. Fatovic	132,795

2009 Annual Bonus Program: In February 2009, the Compensation Committee approved the performance metrics, performance targets and target payout opportunity for the 2009 annual bonus awards. Given the Company s increased focus in 2009 on meeting its targeted earning objectives and to enhance earnings transparency in difficult economic conditions, the Compensation Committee determined that the 2009 annual bonus awards would be based solely on EPS performance. The target payout opportunity of 120% of base salary for the CEO and 75% of base salary for the other NEOs is unchanged from 2008.

LONG-TERM INCENTIVE PROGRAM

Objective: Our 2008 LTI program for our NEOs was comprised of non-qualified stock options, PBRSRs and PBCA. The Compensation Committee believes granting stock options, PBRSRs and PBCA to our named executive officers aligns their financial interests with that of our shareholders and motivates them to create long-term value for our shareholders. These equity awards also promote employee retention as the equity awards do not fully vest until at least three years after the grant date.

Design: The combination of stock options, PBRSRs and PBCA granted in February 2008 to named executive officers was expected to deliver an aggregate target LTI value equal to 175% of the midpoint of the relevant salary range for the named executive officer s management level and 350% of the midpoint in the case of Mr. Swienton. Of the total target LTI value, 45% of the value was allocated to the stock options, 35% was allocated to the PBRSRs and 20% was allocated to the PBCA. This allocation is similar to the allocation used for the 2007 LTI program. The equity values were converted into an equivalent number of shares based on the fair value of the stock options (using a Black-Scholes pricing model) and on the intrinsic value of the PBRSRs. Following is a description of the terms and conditions of each component of the 2008 LTI award:

Stock Options	The stock options were issued at the average of the high and low sales price of our common stock as reported by the NYSE on February 8, 2008, the day the Compensation Committee (or the Board in the case of the CEO grant) approved the grant. The stock options vest in three equal annual installments and expire seven years from the grant date. The executive only realizes benefits from the stock options to the extent our stock price increases over the term of the option.

PBRSRs The PBRSRs granted in 2008 will vest and pay out upon approval of the Compensation Committee only if Ryder s Total Shareholder Return (generally the change in Ryder s stock price over the performance period assuming reinvestment of dividends paid) (TSR) meets or exceeds the Total Return of the S&P 500 Composite Index over the three-year performance period from January 1, 2008 to December 31, 2010. The PBRSRs entitle the named executive officer to receive dividend equivalents during the performance period. The Compensation Committee believes TSR is an appropriate performance metric because it assesses whether management is focusing its efforts on the fundamental drivers of shareholder value. Given the difficulty in identifying a suitable peer group, the Compensation Committee selected the S&P 500 as the comparable group because it is a broad-based, widely-used index.

PBCA The PBCA granted in 2008 will vest and pay out upon approval of the Compensation Committee only if Ryder s TSR meets or exceeds the Total Return of the 33rd percentile of the S&P 500 Composite Index over the three-year performance period from January 1, 2008 to December 31, 2010. Beginning in 2008, the PBCA were not awarded in tandem with the PBRSRs as was historically the case. The Compensation Committee believes that setting a lower TSR target for the PBCA provides executives with an opportunity to receive a minimum payout in the case of extreme market volatility.

2008 Awards: In February 2008, our independent directors approved an LTI award with a value of $3,355,000 to Mr. Swienton, which converted to 109,290 stock options, 20,080 PBRSRs and a $670,925 PBCA. The LTI value awarded to Mr. Swienton equaled 383% of the midpoint of the relevant salary range, exceeding the 350% target value. The Compensation Committee exceeded the target value for Mr. Swienton to reward him for the Company s strong performance in 2007 and his continued strong leadership and success as the Company s CEO as well as to motivate him to deliver strong performance relative to the market particularly in light of the expected economic downturn. In addition, in light of market data provided by Cook indicating that Mr. Swienton s compensation was slightly below that of the Peer Group and Market Group, the Compensation Committee determined that any increase in Mr. Swienton s compensation should be made to the variable, at-risk component of his compensation. Mr. Swienton s target value was set higher than the other NEOs to reflect Mr. Swienton s scope of responsibilities as our CEO.

With respect to awards to our other executive officers, the target LTI values for all executive officers were aggregated into one LTI pool. In determining the target LTI value to grant to executive officers, the Compensation Committee considered Company performance, competitive practices, the cost to us (particularly in light of the new stock option expensing rules) and share dilution. The LTI pool was then allocated and awarded to the executive officers (including NEOs) by the Compensation Committee (based on recommendations made by Mr. Swienton). The Compensation Committee also considered each executive s individual responsibilities, performance evaluation and long-term initiatives. The number and grant date fair value of the stock options and PBRSRs and the value of the PBCA granted to the named executive officers in 2008 are set forth in the 2008 Grants of Plan-Based Awards Table on page 41.

2006 Awards: In 2006, we issued PBRSRs and tandem cash awards to our NEOs for the 2006-2008 performance period. Similar to the PBRSRs issued in 2008, vesting of the PBRSRs and tandem cash awards issued in 2006 was based on Ryder s TSR for the three-year period ended December 31, 2008 meeting or exceeding Total Return for the S&P 500 Composite Index for the same period. As of December 31, 2008, Ryder s three-year TSR was 22% greater than the Total Return for the S&P 500 Composite Index. As a result, the PBRSRs and tandem cash awards for the 2006-2008 performance period were earned and vested upon Board approval in February 2009. The number of PBRSRs and the amount of the tandem cash for each of the NEOs was as follows:

Named Executive Officer	PBRSRs Vested (#)	Tandem Cash Award ($)
Gregory T. Swienton	20,000	500,000
Robert E. Sanchez	3,900	97,143
Anthony G. Tegnelia	5,900	148,572
Thomas S. Renehan	3,900	97,143
Robert D. Fatovic	3,500	88,572

2009 Design Change: In February 2009, the Compensation Committee maintained the same LTI program design as was utilized in 2008, including using TSR as the performance metric for the PBRSRs and PBCA. However, for the 2009-2011 performance cycle, TSR will be calculated by measuring the absolute difference in cumulative TSR for each month of the 36-month performance period and averaging this over the number of periods measured. This change was made to normalize temporary aberrations that can be caused by extreme market conditions and to prevent large late market cycle moves from distorting overall performance.

OTHER BENEFITS AND PERQUISITES

Perquisites and Benefits

Objective: The Compensation Committee prefers to compensate our named executive officers in cash and equity rather than with perquisites. However, we do provide a limited number of perquisites to our named executive officers that we believe are related to the performance of their responsibilities. In addition, we believe our named executive officers should be eligible to participate in the standard benefits package available to all U.S. salaried employees as well as a few additional benefits that are customary for other executives in their positions.

2008 Perquisites: During 2008, each named executive officer received the following perquisites:

An annual car allowance equal to $9,600 per year;

An annual executive perquisite of $5,000 for all executive officers and $7,500 for our CEO (plus a tax gross-up). Although designed to provide the executive with an amount of money that can be used by him to pay for community, business or social activities that may be indirectly related to the performance of the executive s duties but are not otherwise eligible for reimbursement as direct business expenses, there is no requirement that the executive use the perquisite for these purposes;

Given the complex structure of certain elements of our compensation, we pay on behalf of our executives, up to $15,000 per year (an increase from $6,000 in previous years) for amounts incurred by the executive for financial planning and tax preparation services; and

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For security reasons, we provide up to $5,000 for the installation of a new or upgraded security system in the executive s home and pay any related monthly monitoring fees.

2008 Benefits: During 2008, our named executive officers were eligible to participate in the following standard welfare benefit plans: medical, dental and prescription coverage, Company-paid short- and long-term disability insurance, and paid vacation and holidays. In addition, the named executive officers received the following additional welfare benefits which are not available to all salaried employees: executive term life insurance coverage equal to three times the executive s current base salary in lieu of the standard Company-paid term life insurance (limited to an aggregate of $3 million in life insurance coverage under the policy) and individual supplemental long-term disability insurance which provides up to $15,000 per month in additional coverage over the $8,000 per month maximum provided under our group long-term disability plan. We believe that these additional benefits are reasonable and are in line with enhanced benefits provided to similarly-situated executives.

Retirement Benefits

The NEOs are eligible to participate in one or more of the following Company-wide retirement plans: qualified pension plan, pension benefit restoration plan (pension restoration plan), 401(k) savings plan (which may include Company contributions) and deferred compensation plan. The retirement and deferred compensation plans are described under the headings Pension Benefits and 2008 Nonqualified Deferred Compensation beginning on page 43 of this proxy statement.

Other Compensation

Time-Based Restricted Stock Rights

In the past, we made annual grants of time-based restricted stock rights to our named executive officers. Generally, the restricted stock rights vested in three equal annual installments regardless of Company performance. Beginning in 2006, the Compensation Committee granted PBRSRs and cash awards in lieu of the time-based restricted stock rights as the Compensation Committee believes that PBRSRs are more consistent with its compensation objectives. Time-based restricted stock rights continue to be used for retention purposes and to encourage potential new hires to leave their current employment. The time-based restricted stock rights include a right to receive dividend equivalents during the vesting period.

In February 2008, the Compensation Committee granted time-based restricted stock rights to certain Company officers. Mr. Tegnelia received 12,000 time-based restricted stock rights and Mr. Fatovic received 10,000 time-based restricted stock rights. These grants cliff vest on the third anniversary of the grant date. These grants were made to reward Messrs. Tegnelia and Fatovic for their continued leadership and to assure continued retention of these long-tenured employees during challenging economic conditions.

Clawback Policy

If an executive is terminated for Cause (as defined in the severance agreements described on page 46 under NEO Severance Agreements) or if he violates certain noncompete and nonsolicitation provisions of his severance agreement, our annual bonus program and LTI awards include clawback provisions that allow us to (i) cancel vested and unvested stock options and unvested restricted stock awards, (ii) recoup cash paid to the executive under the annual bonus program within one year prior to the termination, and (iii) recoup proceeds received by the executive within one year prior to the termination upon the exercise of stock options or the sale of stock underlying vested restricted stock rights.

Severance and Change of Control Benefits

U.S. Treasury securities
---- $10,557 ----
U.S. Government sponsored entity securities
---- 34,122 ----
Agency mortgage-backed securities, residential
---- 39,189 ----

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

	Fair Value Measurements at June 30, 2010, Using		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:			
Impaired Loans	----	----	$ 10,817

	Fair Value Measurements at December 31, 2009, Using		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:			
Impaired Loans	----	----	$ 12,141

Impaired loans, which are measured for impairment using the fair value of the collateral or present value of estimated future cash flows, had a principal balance of $17,867 at June 30, 2010. The portion of this impaired loan balance for which a specific allowance for credit losses was allocated totaled $15,192, resulting in a specific valuation allowance of $4,375. This led to an additional provision for loan loss expense of $447 in 2010. At December 31, 2009, impaired loans had a principal balance of $27,644. The portion of this impaired loan balance for which a specific allowance for credit losses was allocated totaled $16,069, resulting in a specific valuation allowance of $3,928. The specific valuation allowance for those loans has increased from $3,928 at December 31, 2009 to $4,375 at June 30, 2010. This is compared to the specific valuation allowance for impaired loans decreasing from $3,854 at December 31, 2008 to $3,733 at June 30, 2009, which led to a $121 decrease in provision for loan loss expense in 2009.

The following table presents the fair values of financial assets and liabilities carried on the Company's consolidated balance sheet at June 30, 2010 and December 31, 2009, including those financial assets and financial liabilities that are not measured and reported at fair value on a recurring or non-recurring basis:

	June 30, 2010		December 31, 2009	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial Assets:				
Cash and cash equivalents	$30,082	$30,082	$15,670	$15,670
Securities	95,650	95,867	100,457	100,702
Federal Home Loan Bank stock	6,281	N/A	6,281	N/A
Loans	645,063	666,438	643,158	661,005
Accrued interest receivable	2,951	2,951	2,896	2,896
Financial liabilities:				
Deposits	672,522	673,202	647,644	649,530
Securities sold under agreements to repurchase	29,087	29,087	31,641	31,641
Other borrowed funds	30,129	30,795	42,709	43,276
Subordinated debentures	13,500	11,490	13,500	11,474
Accrued interest payable	2,897	2,897	4,075	4,075

Carrying amount is the estimated fair value for cash and cash equivalents, accrued interest receivable and payable, demand deposits, short-term debt, and variable rate loans or deposits that reprice frequently and fully. Held to maturity securities are reported at their amortized cost. The method for determining the fair values for available for sale securities was described previously. For fixed rate loans or deposits and for variable rate loans or deposits with infrequent repricing or repricing limits, fair value is based on discounted cash flows using current market rates applied to the estimated life and credit risk (including consideration of widening credit spreads). Fair value of debt is based on current rates for similar financing. It was not practicable to determine the fair value of FHLB stock due to restrictions placed on its transferability. The fair value of off-balance sheet items is not consider material (or is based on the current fees or cost that would be charged to enter into or terminate such arrangements).

NOTE 3 – SECURITIES

The following table summarizes the amortized cost and estimated fair value of the available for sale and held to maturity investment securities portfolio at June 30, 2010 and December 31, 2009 and the corresponding amounts of unrealized gains and losses therein:

June 30, 2010	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Securities Available for Sale				
U.S. Treasury securities	$8,011	$3	$----	$8,014
U.S. Government sponsored entity securities	11,027	378	----	11,405
Agency mortgage-backed securities, residential	56,884	815	(1)	57,698
Total securities	$75,922	$1,196	$(1)	$77,117
Securities Held to Maturity				

Obligations of states and political subdivisions	$18,501	$260	$(43)	$18,718
Agency mortgage-backed securities, residential	32	----	----	32
Total securities	$18,533	$260	$(43)	$18,750

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December 31, 2009	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Securities Available for Sale				
U.S. Treasury securities	$10,548	$10	$(1)	$10,557
U.S. Government sponsored entity securities	33,561	561	----	34,122
Agency mortgage-backed securities, residential	38,737	560	(108)	39,189
Total securities	$82,846	$1,131	$(109)	$83,868
Securities Held to Maturity				
Obligations of states and political subdivisions	$16,553	$287	$(41)	$16,799
Agency mortgage-backed securities, residential	36	----	(1)	35
Total securities	$16,589	$287	$(42)	$16,834

The amortized cost and estimated fair value of the investment securities portfolio at June 30, 2010, by contractual maturity, are shown below. Actual maturities may differ from contractual maturities because certain issuers may have the right to call or prepay the debt obligations prior to their contractual maturities.

	Available for Sale		Held to Maturity	
	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
Maturity:				
Due in one year or less	$11,020	$11,040	$1,229	$1,243
Due in one to five years	8,018	8,379	1,959	2,037
Due in five to ten years	----	----	4,876	4,994
Due after ten years	----	----	10,437	10,444
Agency mortgage-backed securities, residential	56,884	57,698	32	32
Total securities	$75,922	$77,117	$18,533	$18,750

There were no sales of debt or equity securities during 2010 and 2009.

The following table summarizes the investment securities with unrealized losses at June 30, 2010 and December 31, 2009 by aggregated major security type and length of time in a continuous unrealized loss position:

	Less Than 12 Months		12 Months or More		Total	
June 30, 2010	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
Securities Available for Sale						
Agency mortgage-backed securities, residential	$ 300	$ (1)	$ ----	$ ----	$ 300	$ (1)
Total available for sale	$ 300	$ (1)	$ ----	$ ----	$ 300	$ (1)
Securities Held to Maturity						
Obligations of states and political subdivisions	$ 1,696	$ (15)	$ 1,389	$ (28)	$ 3,085	$ (43)

Total held to maturity	$	1,696	$	(15	)	$	1,389	$	(28	)	$	3,085	$	(43)

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	Less Than 12 Months		12 Months or More		Total	
December 31, 2009	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
Securities Available for Sale						
U.S. Treasury securities	$ 3,028	$ (1)	$ ----	$ ----	$ 3,028	$ (1)
Agency mortgage-backed securities, residential	9,054	(108)	----	----	9,054	(108)
Total available for sale	$ 12,082	$ (109)	$ ----	$ ----	$ 12,082	$ (109)
Securities Held to Maturity						
Agency mortgage-backed securities, residential	$ ----	$ ----	$ 25	$ (1)	$ 25	$ (1)
Obligations of states and political subdivisions	767	(13)	1,389	(28)	2,156	(41)
Total held to maturity	$ 767	$ (13)	$ 1,414	$ (29)	$ 2,181	$ (42)

Unrealized losses on the Company's debt securities have not been recognized into income because: 1) the issuers' securities are of high credit quality, 2) management does not intend to sell and does not believe it is more likely than not the Company will be required to sell the securities, and 3) the decline in fair value is largely due to increases in market interest rates and other market conditions. The fair value is expected to recover as the bonds approach their maturity date or reset date. Management does not believe any individual unrealized loss at June 30, 2010 represents an other-than-temporary impairment.

NOTE 4 - LOANS

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

	June 30, 2010	December 31, 2009
Residential real estate	$236,733	$238,761
Commercial real estate	225,362	209,300
Commercial and industrial	50,799	58,818
Consumer	131,727	136,229
All other	8,265	8,248
	$652,886	$651,356

The Bank originated refund anticipation loans that contributed fee income of $655 during the six months ended June 30, 2010 and $397 during the same period in 2009.

At June 30, 2010 and December 31, 2009, loans on nonaccrual status were approximately $4,828 and $3,619, respectively. Loans past due more than 90 days and still accruing at June 30, 2010 and December 31, 2009 were $2,246 and $1,639, respectively.

NOTE 5 - ALLOWANCE FOR LOAN LOSSES AND IMPAIRED LOANS

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

	2010	2009
Balance - January 1,	$8,198	$7,799
Loans charged off:		
Commercial 1	1,221	232
Residential real estate	524	605
Consumer	1,046	1,038
Total loans charged off	2,791	1,875
Recoveries of loans:		
Commercial 1	95	722
Residential real estate	9	6
Consumer	670	421
Total recoveries of loans	774	1,149
Net loan charge-offs	(2,017)	(726)
Provision charged to operations	1,642	1,144
Balance – June 30,	$7,823	$8,217

Information regarding impaired loans is as follows:

	June 30, 2010	December 31, 2009
Balance of impaired loans	$17,867	$27,644
Less portion for which no specific allowance is allocated	2,675	11,575
Portion of impaired loan balance for which an allowance for credit losses is allocated	$15,192	$16,069
Portion of allowance for loan losses allocated to the impaired loan balance	$4,375	$3,928
Average investment in impaired loans year-to-date	$18,346	$27,927

Interest recognized on impaired loans was $168 and $777 for the six-month periods ended June 30, 2010 and 2009, respectively. Accrual basis income was not materially different from cash basis income for the periods presented.

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

The Company, through its subsidiaries, grants residential, consumer, and commercial loans to customers located primarily in the central and southeastern areas of Ohio as well as the western counties of West Virginia. Approximately 3.71% of total loans were unsecured at June 30, 2010, down from 3.76% at December 31, 2009.

The Bank is a party to financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit, standby letters of credit and financial guarantees. The Bank's exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to extend credit and standby letters of credit, and financial guarantees written, is represented by the contractual amount of those instruments. The contract amounts of these instruments are not included in the consolidated financial statements. At June 30, 2010, the contract amounts of these instruments totaled approximately $52,831,

1 Includes commercial and industrial and commercial real estate loans.

compared to $70,403 at December 31, 2009. The Bank uses the same credit policies in making commitments and conditional obligations as it does for instruments recorded on the balance sheet. Since many of these instruments are expected to expire without being drawn upon, the total contract amounts do not necessarily represent future cash requirements.

NOTE 7 - OTHER BORROWED FUNDS

Other borrowed funds at June 30, 2010 and December 31, 2009 are comprised of advances from the Federal Home Loan Bank (“FHLB”) of Cincinnati, promissory notes and Federal Reserve Bank (“FRB") Notes.

	FHLB Borrowings	Promissory Notes	FRB Notes	Totals
June 30, 2010	$ 25,671	$4,253	$205	$30,129
December 31, 2009	$ 38,209	$4,247	$253	$42,709

Pursuant to collateral agreements with the FHLB, advances are secured by $207,776 in qualifying mortgage loans and $6,281 in FHLB stock at June 30, 2010. Fixed-rate FHLB advances of $25,671 mature through 2033 and have interest rates ranging from 2.13% to 5.46% and a year-to-date weighted average cost of 4.15%. There were no variable-rate FHLB borrowings at June 30, 2010.

At June 30, 2010, the Company had a cash management line of credit enabling it to borrow up to $75,000 from the FHLB. All cash management advances have an original maturity of 90 days. The line of credit must be renewed on an annual basis. There was $75,000 available on this line of credit at June 30, 2010.

Based on the Company's current FHLB stock ownership, total assets and pledgeable residential first mortgage loans, the Company had the ability to obtain borrowings from the FHLB up to a maximum of $153,908 at June 30, 2010. Of this maximum borrowing capacity of $153,908, the Company had $95,912 available to use as additional borrowings, of which $75,000 could be used for short-term, cash management advances as mentioned above.

Promissory notes, issued primarily by Ohio Valley, have fixed rates of 2.00% to 5.00% and are due at various dates through a final maturity date of December 8, 2014. A total of $400 represented promissory notes payable by Ohio Valley to related parties.

FRB notes consist of the collection of tax payments from Bank customers under the Treasury Tax and Loan program. These funds have a variable interest rate and are callable on demand by the U.S. Treasury. The interest rate for the Company's FRB notes was zero percent at June 30, 2010 and December 31, 2009. Various investment securities from the Bank used to collateralize FRB notes totaled $1,995 at June 30, 2010 and $3,290 at December 31, 2009.

Letters of credit issued on the Bank's behalf by the FHLB to collateralize certain public unit deposits as required by law totaled $32,325 at June 30, 2010 and $25,200 at December 31, 2009.

Scheduled principal payments over the next five years:

	FHLB Borrowings	Promissory Notes	FRB Notes	Totals
2010 ………	$13,051…..	$1,775	$205	$15,031
2011 ………	6,089……	137	----	6,226

2012 …………	92	1,196	----	1,288
2013 …………	2,595	----	----	2,595
2014 …………	2,599	1,145	----	3,744
Thereafter…………	1,245	----	----	1,245
	$25,671	$4,253	$205	$30,129

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NOTE 8 – SEGMENT INFORMATION

The reportable segments are determined by the products and services offered, primarily distinguished between banking and consumer finance. They are also distinguished by the level of information provided to the chief operating decision maker, who uses such information to review performance of various components of the business which are then aggregated if operating performance, products/services, and customers are similar. Loans, investments, and deposits provide the majority of the net revenues from the banking operation, while loans provide the majority of the net revenues for the consumer finance segment. All Company segments are domestic.

Total revenues from the banking segment, which accounted for the majority of the Company's total revenues, totaled 91.8% and 92.9% of total consolidated revenues for the years ending June 30, 2010 and 2009, respectively.

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

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

	Six Months Ended June 30, 2010		
	Banking	Consumer Finance	Total Company
Net interest income	$15,126	$1,661	$16,787
Provision expense	$1,520	$122	$1,642
Tax expense	$972	$328	$1,300
Net income	$2,734	$643	$3,377
Assets	$809,493	$14,201	$823,694

	Six Months Ended June 30, 2009		
	Banking	Consumer Finance	Total Company
Net interest income	$14,036	$1,547	$15,583
Provision expense	$1,016	$128	$1,144
Tax expense	$1,096	$264	$1,360
Net income	$2,935	$512	$3,447
Assets	$811,742	$13,225	$824,967

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

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

Forward Looking Statements

Except for the historical statements and discussions contained herein, statements contained in this report constitute "forward looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Act of 1934 and as defined in the Private Securities Litigation Reform Act of 1995. Such statements are often, but not always, identified by the use of such words as "believes," "anticipates," "expects," and similar expressions. Such statements involve various important assumptions, risks, uncertainties, and other factors, many of which are beyond our control, which could cause actual results to differ materially from those expressed in such forward looking statements. These factors include, but are not limited to, the risk factors discussed in Part I, Item 1A of Ohio Valley's Annual Report on Form 10-K for the fiscal year ended December 31, 2009 and Ohio Valley's other securities filings. Readers are cautioned not to place undue reliance on such forward looking statements, which speak only as of the date hereof. The Company undertakes no obligation and disclaims any intention to publish revised information or updates to any forward looking statements made in this document or elsewhere.

Financial Overview

The Company is primarily engaged in commercial and retail banking, offering a blend of commercial and consumer banking services within central and southeastern Ohio as well as western West Virginia. The banking services offered by the Bank include the acceptance of deposits in checking, savings, time and money market accounts; the making and servicing of personal, commercial, floor plan and student loans; and the making of construction and real estate loans. The Bank also offers individual retirement accounts, safe deposit boxes, wire transfers and other standard banking products and services. As part of its lending function, the Bank also offers credit card services. Loan Central engages in consumer finance, offering smaller balance personal and mortgage loans to individuals with higher credit risk history. Loan Central's line of business also includes seasonal tax refund loan services during the first quarter of 2010. Ohio Valley Financial Services is an insurance agency that facilitates the receipts of insurance commissions.

For the three months ended June 30, 2010, net income increased by $75, or 5.4%, compared to the same quarterly period in 2009, to finish at $1,471. Earnings per share for the second quarter of 2010 also increased $.02, or 5.7%, compared to the same quarterly period in 2009, to finish at $.37 per share. For the six months ended June 30, 2010, net income decreased by $70, or 2.0%, to finish at $3,377 compared to the same period in 2009. Earnings per share for the first six months of 2010 finished at $.85, a decrease of $.01, or 1.2% from the same period in 2009. The annualized net income to average asset ratio, or return on assets (ROA), and net income to average equity ratio, or return on equity (ROE), both decreased to 0.80% and 10.15% at June 30, 2010, as compared to 0.85% and 10.86%, respectively, at June 30, 2009.

The Company's net income results were largely affected by continued growth in net interest income, increasing $875, or 12.0%, during the second quarter of 2010 and $1,204, or 7.7%, during the six months ended June 30, 2010 as compared to the same periods in 2009. The higher net interest income was the result of an increase in the Company's average earning assets and net interest margin improvement. Average earning asset growth was mostly affected by commercial loans while the net interest margin improvement was mostly affected by a shift from short-term, lower yielding assets being re-invested into higher yielding, longer-term assets combined with a continued decline in the Company's interest expense in both deposits and borrowings due to lower market rates from a year ago.

Net interest income growth was partially offset by increases in provision expense, up $425 and $498 during the three months and six months ending June 30, 2010, respectively, as compared to the same periods in 2009. The provision expense increase was largely due to the partial charge-off of one commercial balance in the second quarter of 2010 and a large commercial loan recovery of $648 during the previous year's second quarter of 2009. Also having a negative impact on earnings was the Company's personnel costs increasing $335 and $569 during the three months and six months ending June 30, 2010, respectively, as compared to the same periods in 2009. This change was largely due to various annual merit and cost of living adjustments, higher employee health insurance costs and a larger employee base from 2009. Further reducing earnings during 2010 was lower mortgage banking income, which decreased $306 and $489 during the three months and six months ending June 30, 2010, respectively, as compared to the same periods in 2009, due to lower mortgage refinancing volume. Other factors that limited earnings growth during 2010 included various capital planning costs and additional losses on the sale of other real estate owned ("OREO").

The consolidated total assets of the Company increased $11,706, or 1.4%, during the first six months of 2010 as compared to year-end 2009, to finish at $823,694. This change in assets was led by an increase in the Company's interest-bearing deposits with banks, which increased $14,670 from year-end 2009, largely from the deployment of interest- and non-interest bearing deposit liability growth. Maturities of U.S. Government sponsored entity securities led the decrease in the Company's total investment securities, which were down 4.8% from year-end 2009. The Company's loan portfolio remained relatively stable

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during the first half of 2010, growing just 0.2% from year-end 2009. This minimal increase came primarily from the commercial loan portfolio, which includes commercial real estate and commercial and industrial loans. Historical low interest rates in early 2009 created an increasing demand from consumers to refinance their existing mortgage loans. This led to a significant increase in the volume of real estate loans sold to the secondary market during the first half of 2009, which caused a corresponding decrease to the Company's residential real estate loan portfolio, which was down 0.8% from year-end 2009. While the demand for loans was limited during the first six months of 2010, the Company was able to benefit from growth in its total deposit liabilities of $24,878 from year-end 2009. Interest-bearing deposit liability growth was led by surges in the Company's Market Watch balances of $10,097 and public fund NOW balances of $6,873, as well as additional noninterest-bearing demand deposits of $3,423, all up from year-end 2009. The total deposits retained from year-end 2009 were partially used to fund the repayments of other borrowed funds, which decreased $12,580 from year-end 2009. The excess liquidity created by the growth in total deposits will be available to fund potential earning asset growth during the second half of 2010.

Comparison of
Financial Condition
at June 30, 2010 and December 31, 2009

The following discussion focuses, in more detail, on the consolidated financial condition of the Company at June 30, 2010 compared to December 31, 2009. This discussion should be read in conjunction with the interim consolidated financial statements and the footnotes included in this Form 10-Q.

Cash and Cash Equivalents

The Company's cash and cash equivalents consist of cash, interest- and non-interest bearing balances due from banks and federal funds sold. The amounts of cash and cash equivalents fluctuate on a daily basis due to customer activity and liquidity needs. At June 30, 2010, cash and cash equivalents had increased $14,412, or 92.0%, to $30,082 as compared to $15,670 at December 31, 2009. The increase in cash and cash equivalents was largely affected by the Company's increased liquidity position due to deposit liability growth in excess of the minimal change in loan balances. The Company continues to utilize its interest-bearing Federal Reserve Bank clearing account to maintain these excess funds while loan demand remains challenged. The interest rate paid on both the required and excess reserve balances is based on the targeted federal funds rate established by the Federal Open Market Committee. As of the filing date of this report, the interest rate calculated by the Federal Reserve continues to be 0.25%. This interest rate is similar to what the Company would have received from its investments in federal funds sold, currently in a range of less than 0.25%. Furthermore, Federal Reserve Bank balances are 100% secured.

As liquidity levels vary continuously based on consumer activities, amounts of cash and cash equivalents can vary widely at any given point in time. Management believes that the current balance of cash and cash equivalents remains at a level that will meet cash obligations and provide adequate liquidity. The Company will attempt to re-invest these liquid funds back into longer-term, higher yielding assets, such as loans and investment securities during the remainder of 2010 when the opportunities arise. Further information regarding the Company's liquidity can be found under the caption "Liquidity" in this Management's Discussion and Analysis.

Securities

During the first six months of 2010, investment securities decreased $4,807 to finish at $95,650, a decrease of 4.8% as compared to year-end 2009. The Company's investment securities portfolio consists of U.S. Treasury securities, U.S. Government sponsored entity ("GSE") securities, Agency mortgage-backed securities and obligations of states and political subdivisions. U.S. Treasury and GSE securities decreased $25,260, or 56.5%, as a result of various maturities during the first and second quarters of 2010, mostly from short-term, lower yielding instruments that were purchased during the first and second quarters of 2009. During this period in 2009, the Company experienced a significant increase in total deposit balances while loan balances remained at a relatively stable level. As a result, the Company invested the excess funds into new short-term U.S. Treasury and GSE securities with maturities less than one year and interest

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rate yields less than 1.0%. While loan growth continues to remain flat during 2010 from year-end 2009, the Company has re-invested a portion of these matured security proceeds back into longer-term investment securities with higher interest rate yields. As a result, the Company's Agency mortgage-backed security portfolio increased $18,505, or 47.2%, and its state and municipal security portfolio increased $1,948, or 11.8%, as compared to December 31, 2009. Typically, the primary advantage of Agency mortgage-backed securities has been the increased cash flows due to the more rapid (monthly) repayment of principal as compared to other types of investment securities, which deliver proceeds upon maturity or call date. However, with the current low interest rate environment and loan balances being relatively stable, the cash flow that is being collected is being reinvested at lower rates. Principal repayments from Agency mortgage-backed securities totaled $9,246 from January 1, 2010 through June 30, 2010.

In addition to helping achieve diversification within the Company's securities portfolio, U.S. Treasury and GSE securities have also been used to satisfy pledging requirements for repurchase agreements. At June 30, 2010, the Company's repurchase agreements decreased 8.1%, lowering the need to secure these balances. For the remainder of 2010, the Company's focus will be to generate interest revenue primarily through loan growth, as loans generate the highest yields of total earning assets.

Loans

The loan portfolio represents the Company's largest asset category and is its most significant source of interest income. During the first six months of 2010, total loans remained relatively stable from year-end 2009, increasing $1,530, or 0.2%. Higher loan balances were mostly influenced by total commercial loans, which were up $8,043, or 3.0%, from year-end 2009. The Company's commercial loans include both commercial real estate and commercial and industrial loans. Management continues to place emphasis on its commercial lending, which generally yields a higher return on investment as compared to other types of loans. Commercial real estate, the Company's largest segment of commercial loans, increased $16,062, or 7.7%, from year-end 2009. This segment of loans is mostly secured by commercial real estate and rental property. Commercial real estate includes loan participations with other banks outside the Company's primary market area. Although the Company is not actively seeking to participate in loans originated outside its primary market area, it is taking advantage of the relationships it has with certain lenders in those areas where the Company believes it can profitably participate with an acceptable level of risk. Partially offsetting commercial real estate growth was a decrease in the Company's commercial and industrial loan portfolio, which was down $8,019, or 13.6%, from year-end 2009. Commercial and industrial loans consist of loans to corporate borrowers primarily in small to mid-sized industrial and commercial companies that include service, retail and wholesale merchants. Collateral securing these loans includes equipment, inventory, and stock. The commercial loan portfolio, including participation loans, consists primarily of rental property loans (22.2% of portfolio), medical industry loans (10.7% of portfolio), hotel and motel loans (7.6% of portfolio) and land development loans (7.3% of portfolio). During 2010, the primary market areas for the Company's commercial loan originations, excluding loan participations, were in the areas of Gallia, Jackson, Pike and Franklin counties of Ohio, which accounted for 50.9% of total originations. The growing West Virginia markets also accounted for 19.2% of total originations for the same time period. While management believes lending opportunities exist in the Company's markets, future commercial lending activities will depend upon economic and related conditions, such as general demand for loans in the Company's primary markets, interest rates offered by the Company and normal underwriting considerations. Additionally, the potential for larger than normal commercial loan payoffs may limit loan growth during the remainder of 2010.

Partially offsetting the contributions from commercial loans were consumer loans, which were down $4,502, or 3.3%, from year-end 2009. The Company's consumer loans are primarily secured by automobiles, mobile homes, recreational vehicles and other personal property. Personal loans and unsecured credit card receivables are also included as consumer loans. The decrease in consumer loans came mostly from the Company's automobile lending portfolio, which decreased $1,816, or 3.1%, from year-end 2009. The "indirect" automobile lending component contributed most to this decrease and represents the largest portion of the Company's consumer loan portfolio, representing 23.9% of total consumer loans at June 30, 2010. Prior to 2010, indirect automobile loan balances were on an increasing pace as the Company was able to compete for a larger portion of the indirect business within its local markets. Historically, the Company's loan underwriting process and interest rates offered on indirect automobile opportunities struggled to compete with the more aggressive lending practices of local banks and alternative methods of financing, such as captive finance companies offering loans at below-market interest rates related to this segment. However, in the last two years, growing economic factors have weakened the economy and consumer spending. During this time of economic challenge, these banks and captive finance companies that once were successful in getting the majority of the indirect automobile opportunities were struggling because of the losses they had to absorb as well as the overall decrease in demand for auto loans. As a result, these businesses had to tighten their underwriting processes, which allowed the Company to experience a 21.2% increase in its auto indirect lending balances during 2009. This volume of new indirect lending opportunities has continued to stabilize in 2010 and opportunities for significant growth during the remaining two quarters of 2010 is not likely as the larger institutions and captive finance companies are again competing for a larger share of the market.

The remaining consumer loan products not discussed above were collectively down $2,686, or 3.4%, which included general decreases in loan balances from recreational vehicles and mobile homes. Management will continue to place more emphasis on other loan portfolios (i.e. residential real estate and commercial) that will promote increased profitable loan growth and higher returns. Indirect automobile loans bear additional costs from dealers that partially offset interest revenue and lower the rate of return.

Generating residential real estate loans remains a key focus of the Company's lending efforts. Residential real estate loan balances comprise the largest portion of the Company's loan portfolio and consist primarily of one- to four-family residential mortgages and carry many of the same customer and industry risks as the commercial loan portfolio. During the first six months of 2010, total residential real estate loan balances decreased $2,028, or 0.8%, from year-end 2009 to total $236,733. During the end of 2008 and first quarter of 2009, long-term interest rates decreased to historic low levels that prompted a significant surge of demand for these types of long-term fixed-rate real estate loans. At March 31, 2009 and December 31, 2008, the 30-year treasury rate was 3.56% and 2.69%, respectively, as compared to 4.31% at September 30, 2008. During this time, consumers were able to take advantage of these low rates and reduce their monthly costs. To help manage interest rate risk and satisfy this significant demand for longer-termed, fixed-rate real estate loans, the Company took advantage of the opportunities during 2009 to originate and sell fixed-rate mortgages to the secondary market. As a result, during the year ended December 31, 2009, the Company sold 432 loans totaling $57,815 to the secondary market, which represented almost four times the amount of loans sold during the previous year of 2008. The increased volume of loans sold to the secondary market in 2009 contributed to the growth in real estate origination fees and higher gains on sale revenue in 2009. Since the first half of 2009, refinancing activity has subsided while the long-term, 30-year treasury rate has trended upward, finishing at 3.91% at June 30, 2010, exceeding the below 3% levels from year-end 2008. This has led to a decrease in the Company's longer-termed, fixed-rate real estate loans, which were down $885, or 0.5%, from year-end 2009. Terms of these fixed-rate loans include 15-, 20- and 30-year periods. This trend also contributed to a lower balance of one-year adjustable-rate mortgages, which were down $1,333, or 5.0%, from year-end 2009. The remaining real estate loan portfolio balances increased $190 primarily from the Company's other variable-rate products. The Company believes it has limited its interest rate risk exposure due to its practice of promoting and selling residential mortgage loans to the secondary market.

The Company continues to monitor the pace of its loan volume. The well-documented housing market crisis and other disruptions within the economy have negatively impacted consumer spending, which has limited the lending opportunities within the Company's market locations. Dramatic declines in the housing market during the past year of 2009, with falling home prices and increasing foreclosures and unemployment, have resulted in significant write-downs of asset values by financial institutions. To combat this ongoing potential for loan loss, the Company will continue to remain consistent in its approach to sound underwriting practices and a focus on asset quality. The Company has already seen the volume of secondary market loan sales stabilize during the second half of 2009 and first half of 2010 and anticipates that trend to continue into the second half of 2010 as long-term interest rates have increased from the significantly low levels of 2008. At December 31, 2008, the 30-year treasury rate was 2.69% as compared to 3.91% at June 30, 2010. The Company anticipates its overall loan growth in 2010 to be challenged, with volume to continue at a stable pace throughout the rest of the year.

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Allowance for Loan Losses

Management continually monitors the loan portfolio to identify potential portfolio risks and to detect potential credit deterioration in the early stages, and then establishes reserves based upon its evaluation of these inherent risks. During the first six months of 2010, the Company's allowance for loan losses decreased $375 to finish June 30, 2010 at $7,823, as compared to $8,198 at year-end 2009. This decrease in reserves was, in large part due to the charge-off of one multi-family residential property during the second quarter of 2010. In June 2010, the Company recorded a partial charge-off of $1,000 related to this commercial loan, of which approximately $820 had already been specifically allocated as reserve prior to year-end 2009. The specific allocation that was recorded on this commercial loan prior to year-end 2009 was necessary due to the continued concerns over the Company's ability to collect all amounts due according to the impaired loans' existing contractual terms. The remaining balance of this nonaccruing commercial loan is classified as part of the Company's impaired loan totals at June 30, 2010.

Further contributing to a lower allowance for loan losses at June 30, 2010 are changes in the Company's general allocations and economic risk factors. General allocations based on historical loan losses over the past 36 months have decreased from year-end 2009. This was largely due to three large commercial loan relationships that were charged-off during the first half of 2007 that are no longer a part of the 3-year historical loan loss factor that determines the general allocation component. Furthermore, lower economic risk factor allocations have mostly been impacted by improved local economic conditions since year-end 2009.

Partially offsetting the contributing factors mentioned above that lowered the allowance was an increase in the Company's specific allocation component related to impaired loans, which increased $447, or 11.4%, from year-end 2009. These specific allocations were mostly related to commercial loans that were identified as impaired during the first half of 2010 that required specific reserves due to continued concerns over the Company's ability to collect all amounts due according to the loans' existing contractual terms. At June 30, 2010, there was $17,867 of loans held by the Company classified as impaired, or for which management had concerns regarding the ability of the borrowers to meet existing repayment terms. This represents a 35.4% decrease to the impaired loan balances at December 31, 2009. The balance of impaired loans decreased from 2009 due to a limited number of large loans no longer being deemed impaired. However, the increase in specific allocations from 2009 was associated with newly identified impaired loans which required a higher relative allocation as a percentage of the loan balance. In addition, due to further credit deterioration on existing impaired loans, management increased the specific allocation on select loans. The portion of impaired loans that are specifically allocated for in the allowance for loan losses reflect probable losses that the Company expects to incur, as they will not likely be able to collect all amounts due according to the contractual terms of the loan. Although impaired loans have been identified as potential problem loans, they may never become delinquent or classified as non-performing.

The Company continues to experience increases in its nonperforming loan balances from year-end 2009. Nonperforming loans at June 30, 2010 totaled 1.08% of total loans, an increase from the December 31, 2009 ratio of 0.81%. During this time, nonperforming loans increased $1,816, or 34.5%, over year-end 2009 to finish at $7,074 at June 30, 2010. The increase in nonperforming loans was mostly related to the commercial account previously mentioned totaling $2,511 with payment performance difficulties that was placed on nonaccrual status during the first quarter ended March 31, 2010. The commercial loan had previously been evaluated as impaired prior to year-end 2009, and, as a result, there was no additional allocation for loan losses required at the time the loan was placed on nonaccrual. During the second quarter of 2010, a partial charge-off of $1,000 was recorded to this commercial loan, leaving a net loan balance of $1,511 still classified as nonperforming. This troubled credit also impacted the Company's nonperforming assets, which increased $1,239, or 11.6%, over year-end 2009 to finish at $11,889 at June 30, 2010. As a result, the Company's ratio of nonperforming assets to total assets grew to 1.44% at June 30, 2010 from 1.31% at year-end 2009. Approximately 48.2% of nonperforming assets are related to two large commercial relationships. The first relationship, already mentioned, consists of one loan totaling $1,511 that was placed into nonaccrual status during the first quarter of 2010 and partially charged off during the second quarter of 2010. The second commercial relationship consists of two loans totaling $4,214 that were transferred into other real estate owned ("OREO") during the second quarter of 2008.

Both nonperforming loans and nonperforming assets at June 30, 2010 continue to be in various stages of resolution for which management believes such loans are adequately collateralized or otherwise appropriately considered in its determination of the adequacy of the allowance for loan losses.

During the first six months of 2010, net charge-offs totaled $2,017, an increase of $1,291 from the same period in 2009. This net charge-off increase was mostly due to the $1,000 partial charge-off of the previously mentioned multi-family commercial property during the second quarter of 2010. Also contributing to increasing net charge-offs were higher commercial loan recoveries during 2009. Management believes that the allowance for loan losses is adequate and reflects probable incurred losses in the loan portfolio. Asset quality remains a key focus, as management continues to stress not just loan growth, but quality in loan underwriting as well.

Deposits

Deposits are used as part of the Company's liquidity management strategy to meet obligations for depositor withdrawals, fund the borrowing needs of loan customers, and to fund ongoing operations. Deposits, both interest- and noninterest-bearing, continue to be the most significant source of funds used by the Company to support earning assets. The Company seeks to maintain a proper balance of core deposit relationships on hand while also utilizing various wholesale deposit sources, such as brokered and internet certificate of deposit ("CD") balances, as an alternative funding source to efficiently manage the net interest margin. Deposits are influenced by changes in interest rates, economic conditions and competition from other banks. Total deposits increased $24,878, or 3.8%, to finish at $672,522 at June 30, 2010, resulting mostly from an increase in the Company's "core" deposit balances that included noninterest-bearing and interest-bearing demand deposits. Core relationship deposits are considered by management as a primary source of the Bank's liquidity. The Bank focuses on these kinds of deposit relationships with consumers from local markets who can maintain multiple accounts and services at the Bank. The Company views core deposits as the foundation of its long-term funding sources because it believes such core deposits are more stable and less sensitive to changing interest rates and other economic factors. As a result, the Bank's core customer relationship strategy has resulted in a higher percentage of its deposits being held in money market accounts and NOW accounts at June 30, 2010, which increased 7.5% from December 31, 2009, while a lesser percentage has resulted in retail time deposits at June 30, 2010.

Deposit growth came mostly from interest-bearing money market deposit balances, increasing $9,363, or 9.0%, during the first six months of 2010 as compared to year-end 2009. This increase was primarily driven by the Company's Market Watch money market account product. The Market Watch product is a limited transaction investment account with tiered rates that competes with current market rate offerings and serves as an alternative to certificates of deposit for some customers. With an added emphasis on further building and maintaining core deposit relationships, the Company has marketed several attractive incentive offerings in the past several years to draw customers to this particular product, most recently a special six-month introductory rate offer of 3.00% APY during 2009's first quarter for new Market Watch accounts. This special offer was well received by the Bank's customers and contributed to elevating money market balances during 2009 that have carried over into 2010. As of June 30, 2010, the Market Watch program totaled $109,798 in deposits, a $10,097, or 10.1%, increase from the balances at year-end 2009.

Further enhancing deposit growth were interest-bearing NOW account balances, which increased $5,274, or 5.7%, during the first six months of 2010 as compared to year-end 2009. This growth was largely driven by increased balances related to local school construction projects within Gallia County, Ohio. These balances will continue to normalize as the contsruction processes reach their final stages of completion and allocated funds are disbursed.

Growth in total deposits was positively impacted by increases in time deposits from year-end 2009. Time deposits, particularly CD's, remain the most significant source of funding for the Company's earning assets, making up 49.2% of total deposits. During the first six months of 2010, time deposits increased $4,591, or 1.4%, from year-end

2009. With loan balances up just 0.2% from year-end 2009, the Company has not needed to employ aggressive measures, such as offering higher rates, to attract customer investments in CD's. Furthermore, as market rates remain at low levels from 2009, the Company has seen

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the cost of its retail CD balances continue to reprice downward (as a lagging effect to the actions by the Federal Reserve) to reflect current deposit rates. As the Company's CD rate offerings have fallen considerably from a year ago, the Bank's CD customers have been more likely to consider re-investing their matured CD balances with other institutions offering the most attractive rates. This has led to an increased maturity runoff within its "customer relation" retail CD portfolio. Furthermore, with the significant downturn in economic conditions, the Bank's CD customers in general have experienced reduced funds available to deposit with structured terms, choosing to remain more liquid. As a result, the Company has experienced a shift within its time deposit portfolio, with retail CD balances decreasing $6,589 from year-end 2009, while utilizing more wholesale funding deposits (i.e., brokered and internet CD issuances), which increased $11,180 from year-end 2009. The Bank began increasing its use of brokered deposits during the first quarter of 2009 with laddered maturities into the future. This trend of utilizing brokered CD's selectively based on maturity and interest rate opportunities fits well with management's strategy of funding the balance sheet with low-costing wholesale funds. The use of brokered CD's also has allowed the Company to manage the interest rate risks associated with the limited loan originations of longer-term fixed rate mortgages experienced during the heavy refinacing period of 2009. Although brokered and internet CD's may exhibit more price volatility than core deposits, management is comfortable with these sources of funds based on the maturity distribution and overall policy limits established for these deposit types.

The Company's statement savings products also increased $2,442, or 8.8%, from year-end 2009, reflecting the customer's preference to remain liquid while the opportunity for market rates to rise in the near future still exists.

The Company's interest-free funding source, noninterest-bearing demand deposits, also contributed to growth in total deposits, increasing $3,423, or 3.9%, from year-end 2009. This increase was largely from growth in the Company's business checking accounts. At the end of March 31, 2010, these business checking account balances were up $14,100, or 16.3%. from year-end 2009, largely from two accounts used in the facilitation of electronic tax refund checks and deposits discussed later within the caption titled "Noninterest Income". These tax clearing balances, which are seasonal in nature, have decreased during the second quarter of 2010, and most of the funds will have been disbursed by the end of 2010.

The Company will continue to experience increased competition for deposits in its market areas, which should challenge its net growth. The Company will continue to emphasize growth in its core deposit relationships as well as to utilize its wholesale CD funding sources during the remainder of 2010, reflecting the Company's efforts to reduce its reliance on higher cost funding and improving net interest income.

Securities Sold Under Agreements to Repurchase

Repurchase agreements, which are financing arrangements that have overnight maturity terms, were down $2,554, or 8.1%, from year-end 2009. This decrease was mostly due to seasonal fluctuations of one commercial account during the first six months of 2010.

Other Borrowed Funds

The Company also accesses other funding sources, including short-term and long-term borrowings, to fund asset growth and satisfy short-term liquidity needs. Other borrowed funds consist primarily of FHLB advances and promissory notes. During the first six months of 2010, other borrowed funds were down $12,580, or 29.5%, from year-end 2009. While net loan demand continues to be stable during the first half of 2010, management has used the growth in deposit proceeds to repay FHLB borrowings. While deposits continue to be the primary source of funding for growth in earning assets, management will continue to utilize various wholesale borrowings to help manage interest rate sensitivity and liquidity.

Shareholders’ Equity

The Company maintains a capital level that exceeds regulatory requirements as a margin of safety for its depositors. Total shareholders' equity at June 30, 2010 of $68,339 was up $1,818, or 2.7%, as compared to the balance of $66,521 at December 31, 2009. Contributing most to this increase was year-to-date net

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income of $3,377, partially offset by cash dividends paid of $1,673, or $.42 per share, year-to-date. The Company had treasury stock totaling $15,712 at June 30, 2010, unchanged from year-end 2009.

Comparison of Results of Operations
for the Quarter and Year-To-Date Periods
Ended June 30, 2010 and 2009

The following discussion focuses, in more detail, on the consolidated results of operations of the Company for the quarterly and year-to-date periods ended June 30, 2010 compared to the same periods in 2009. This discussion should be read in conjunction with the interim consolidated financial statements and the footnotes included in this Form 10-Q.

Net Interest Income

The most significant portion of the Company's revenue, net interest income, results from properly managing the spread between interest income on earning assets and interest expense incurred on interest-bearing liabilities. The Company earns interest and dividend income from loans, investment securities and short-term investments while incurring interest expense on interest-bearing deposits, repurchase agreements and short- and long-term borrowings. Net interest income is affected by changes in both the average volume and mix of assets and liabilities and the level of interest rates for financial instruments. For the second quarter of 2010, net interest income increased $875, or 12.0%, as compared to the second quarter in 2009. This quarterly increase brings year-to-date net interest income to $16,787 at June 30, 2010, an increase of $1,204, or 7.7%, over the first six months of 2009. The quarterly and year over year improvement was largely due to lower funding costs impacted by a low interest rate environment combined with higher average earning asset growth of 2.8% as compared to 2009.

Total interest and dividend income decreased $111, or 0.9%, during the second quarter of 2010 and decreased $494, or 2.0%, during the first six months of 2010 as compared to the same periods in 2009. This drop in interest earnings was largely due to a decrease in mortgage loan volume as a result of management's decision to sell most of the long-term fixed-rate real estate loan demand to the secondary market. As previously discussed within the caption "Loans" of this Management's Discussion and Analysis of Financial Condition and Results of Operations, historic low interest rates had contributed to a period of significant mortgage refinancing volume during the first half of 2009. The interest rate risks associated with satisfying such a high demand for long-term fixed-rate mortgages prompted management to sell the majority of these real estate loans to the secondary market, while retaining the serving rights to these loans. This action resulted in a $316, or 7.5%, decrease in real estate interest and fee income during the three months ended June 30, 2010, and a $693, or 8.1%, decrease in real estate interest and fee income during the six months ended June 30, 2020, as compared to the same periods in 2009.

Further contributing to a lower interest and dividend income was a decrease in the yields earned on average earning assets during both the quarterly and year-to-date periods of 2010 as compared to the same periods in 2009. The average yield on earning assets for the three months ended June 30, 2010 decreased 5 basis points to 5.98% as compared to 6.03% during the same period in 2009. The average yield on earning assets for the six months ended June 30, 2010 decreased 30 basis points to 6.06% as compared to 6.36% during the same period in 2009. This negative effect reflects the Company's focus on liquidity, which contributed to an increase in lower-yielding, short-term assets. Throughout the first half of 2009, loans grew at a mild pace due to the declines in real estate volume while excess funds increased from core deposit growth. As a result, the Company invested the majority of these excess funds into its interest-bearing Federal Reserve Bank clearing account, yielding 0.25%, and investment securities balances with yields of less than one percent. This has contributed to the decrease in asset yields from 2009 to 2010. The intention of these short-term investment security purchases and higher Federal Reserve Bank balances is to re-invest these shorter-term liquid assets into future loan growth or longer-term securities if interest rates are increased in the near future. During the first half of 2010, with loan growth continuing at a flat pace and no short-term rate increases evident, the Company began re-investing a portion of these matured security proceeds back into longer-term investment securities with higher interest rate yields to improve the net interest margin.

Partially offsetting the effect of lower mortgage loan volume and asset yields was growth in the Company's average earning assets, which increased $21,450, or 2.8%, during the first half of 2010 as compared to the same period in 2009. This growth in average earning assets was largely comprised of loans, which increased $20,245, or 3.2%, primarily from growth in the commercial loan portfolio that completely offset a lower average of real estate loans due to the significant volume of secondary market real estate loan sales during the first half of 2009. Average earning asset growth was also impacted by higher average interest-bearing deposits with banks, which increased $4,699, or 14.2%, due to the increased liquidity position from deposit funds. A portion of these funds not used to fund loans were specifically invested in the Company's interest-bearing Federal Reserve Bank clearing account.

Also partially offsetting the effect of lower mortgage loan volume and asset yields were increases in the Company's refund anticipation loan ("RAL") fees during the first half of 2010. The Company's participation with a third party tax software provider has given the Bank the opportunity to make RAL loans during the tax refund loan season, typically from January through March. RAL loans are short-term cash advances against a customer's anticipated income tax refund. Through the first half of 2010, the Company had recognized $655 in RAL fees as compared to $397 during the same period in 2009, an increase of $258, or 65.1%.

In relation to lower earning asset yields, the Company's total interest expense completely offset the decrease in interest and dividend income, decreasing $986, or 22.4%, for the second quarter of 2010 and decreasing $1,698, or 19.4%, for the six months ended June 30, 2010, as compared to the same periods in 2009. The benefits of lower interest expense is the result of lower rates paid on interest-bearing liabilities. Since the beginning of 2008, the Federal Reserve Board has reduced the prime and federal funds interest rates by 400 basis points. The prime interest rate is currently at 3.25%, and the target federal funds rate has decreased to a range that remains between 0.0% to 0.25%. The short-term rate decreases have impacted the repricings of various Bank deposit products, including public fund NOW accounts, Gold Club and Market Watch accounts. Interest rates on CD balances have also repriced to lower rates (as a lagging effect to the Federal Reserve's action to drop short-term interest rates), which have lowered funding costs during 2010. The Bank has also experienced a deposit composition shift from a higher level of CD balances of a year ago with weighted average costs of 2.61% to a higher deposit composition of NOW and money market balances with weighted average costs of 1.39% and 1.12%, respectively, at June 30, 2010. As a result of decreases in the average market interest rates mentioned above and the deposit composition shift to lower costing deposit balances, the Bank's total weighted average funding costs have decreased 53 basis points from 2.25% at June 30, 2009 to 1.72% at June 30, 2010.

During the three and six months ended June 30, 2010, the declines in asset yields have been completely offset by the larger declines in funding costs, as well as the benefits of RAL fees. As a result, the Company's net interest margin has increased 45 basis points from 3.78% to 4.23% during the second quarter of 2010 and increased 20 basis points from 4.09% to 4.29% during the six months ending June 30, 2010 as compared to the same periods in 2009. The Company attributes this margin enhancement effect to higher RAL fees and a higher deposit mix of lower costing NOW and money market balances. Further affecting margin improvement is the continued re-investment of lower yielding assets such as investment securities and deposits with banks earning 0.25% or less to higher yielding assets such as loans and short-term investment securities since the first half of 2009. Net interest margin will continue to benefit if continued maturities of short-term investment securities can be re-invested in loans and other longer-term, higher yielding investments.

Although improving, the Company does not expect the net interest margin to increase at the same pace for the remainder of 2010, as it expects loan demand to remain relatively stable, with no significant growth. The outlook for further market rate adjustment decreases to the Company's deposit liabilities appear to be not as significant during the second half of 2010, but given the market rate environment, management does expect the cost of CD's to continue to decline. It is difficult to speculate on future changes in net interest margin and the frequency and size of changes in market interest rates. The past year has seen the banking industry under significant stress due to declining real estate values and asset impairments. The Federal Reserve Board's continued actions of decreasing short-tem interest rates in 2008 were necessary to take steps in repairing the recessionary problems and promote economic stability. The Company believes it is

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reasonably possible the prime interest rate and the federal funds rate will remain at the historically low levels for the majority of 2010. However, there can be no assurance to that effect or as to the magnitude of any change in market interest rates should a change be prompted by the Federal Reserve Board, as such changes are dependent upon a variety of factors that are beyond the Company's control. For additional discussion on the Company's rate sensitive assets and liabilities, please see Item 3, Quantitative and Qualitative Disclosure About Market Risk, of this Form 10-Q.

Provision for Loan Losses

Credit risk is inherent in the business of originating loans. The Company sets aside an allowance for loan losses through charges to income, which are reflected in the consolidated statement of income as the provision for loan losses. This provision charge is recorded to achieve an allowance for loan losses that is adequate to absorb losses in the Company's loan portfolio. Management performs, on a quarterly basis, a detailed analysis of the allowance for loan losses that encompasses loan portfolio composition, loan quality, loan loss experience and other relevant economic factors.

Provision expense largely impacted the Company's earnings during the second quarter of 2010, increasing $425, or 143.6%, as compared to the same quarterly period in 2009. This quarterly increase caused a year-to-date increase of $498, or 43.5%, for the six months ended June 30, 2010 as compared to the same period in 2009. The increase in provision expense was impacted by a $1,291 increase in net charge-offs during the first half of 2010 as compared to the same period in 2009. A portion of the increase in net charge-offs was due to a large recovery from a previously charged off commercial loan during June 2009 that totaled $648. Another contributing factor to higher net charge-offs was a $1,000 partial charge-off performed on one multi-family residential property during the second quarter of 2010, previously mentioned within the caption "Allowance for Loan Losses" of this Management's Discussion and Analysis of Financial Condition and Results of Operations. Prior to year-end 2009, this impaired commercial loan had a specific allocation to the allowance for loan losses of $820. Also contributing to higher provision expense was an 11.4% increase in specific allocations related to impaired loans since year-end 2009. The specific allocation increase was related to various commercial loans that had continued payment performance difficulties requiring additional reserves.

Management believes that the allowance for loan losses was adequate at June 30, 2010 to absorb probable losses in the portfolio. The allowance for loan losses was 1.20% of total loans at June 30, 2010, as compared to 1.26% at December 31, 2009 and 1.30% at June 30, 2009. Future provisions to the allowance for loan losses will continue to be based on management's quarterly in-depth evaluation that is discussed in further detail under the caption "Critical Accounting Policies - Allowance for Loan Losses" of this Form 10-Q.

Noninterest Income

Noninterest income for the three months ended June 30, 2010 was $1,524, a decrease of $294, or 16.2%, over the same quarterly period in 2009. Noninterest income for the six months ended June 30, 2010 was $3,389, a decrease of $450, or 11.7%, over the same year-to-date period in 2009. This result was mostly due to lower mortgage banking income, lower service charges on deposit accounts and higher OREO losses, partially offset by increased seasonal tax refund processing fees.

The decrease in noninterest revenue was mostly led by a reduction in the volume of real estate loans sold to the secondary market. To help manage consumer demand for longer-termed, fixed-rate real estate mortgages during the first half of 2009, the Company sold most real estate loans it originated during that period. Historic low interest rates on long-term fixed-rate mortgage loans had caused consumers to refinance existing mortgages. Despite the low level of home sales, consumers were selectively purchasing real estate while locking in low long-term rates. The decision to sell long-term fixed-rate mortgages at lower rates was also effective in minimizing the interest rate risk exposure to rising rates. During the first half of 2009, the Company sold 346 loans totaling $47,970 to the secondary market, which contributed $618 in mortgage banking income, of which $360 came in the second quarter of 2009. Since the first half of 2009, consumer refinancings have decreased. As a result, during the first half of 2010, the Company has sold only 36 loans totaling $4,275, which generated $129 in mortgage banking income, $54 coming from the second quarter of 2010. This decrease in loan sales has contributed to lower mortgage banking income on the sale of loans, decreasing $306, or 85.0%, during the three months ended June 30, 2010, and decreasing $489, or 79.1%, during the six months ended June 30, 2010, as compared to the same periods in 2009. The Company anticipates this decline in secondary market loan sales to continue during the remainder of 2010.

Decreases in noninterest income also came from lower service charge fees on the Bank's deposit accounts, which declined by $134, or 19.0%, during the three months ended June 30, 2010, and $203, or 15.2%, during the first half of 2010, as compared to the same periods in 2009. The decrease was in large part due to a lower volume of overdraft balances.

Further lowering noninterest income were higher net losses on the sales of OREO assets during 2010. This was largely due to the sale of one real estate property during the second quarter of 2010. A valuation adjustment of $126 was recognized on this piece of real estate in March 2010. As a result, net losses from OREO sales increased $104, or 385.2%, during the first half of 2010, while OREO losses decreased $7, or 25.9%, during the second quarter of 2010, as compared to the same periods in 2009.

Partially offsetting the decreases in noninterest income were increased revenues from the Company's tax refund processing fees classified as electronic refund check/deposit ("ERC/ERD") fees. The Company began its participation in a tax refund loan service in 2006 where it serves as a facilitator for the clearing of tax refunds for a tax software provider. During the three months ended June 30, 2010, the Company's ERC/ERD fees increased by $67, or 111.7%, as compared to the same period in 2009. During the first half of 2010, the Company's ERC/ERD fees increased by $250, or 48.0%, as compared to the same period in 2009. As a result of ERC/ERD fee activity being mostly seasonal, the Company expects the income to be minimal during the second half of of 2010.

Also making positive contributions to noninterest income was the Company's income from tax-free bank owned life insurance ("BOLI") investments. BOLI investments are maintained by the Company to fund various benefit plans, including deferred compensation plans, director retirement plans and supplemental retirement plans. During the three months ended June 30, 2010, the Company's BOLI earnings increased $28, or 17.8%, while BOLI earnings increased $49, or 15.6%, during the first half of 2010, as compared to the same periods of 2009. BOLI activity was impacted by additional investments in life insurance contracts purchased and a higher earnings rate tied to such policies. The Company's average investment balance in BOLI through June 30, 2010 was $18,981, an increase of $693, or 3.8%, as compared to the same period in 2009.

Noninterest Expense

Noninterest expense during the second quarter of 2010 increased $61, or 0.9%, as compared to the same period in 2009. Noninterest expense during the first half of 2010 increased $386, or 2.9%, as compared to the same period in 2009. Contributing most to the growth in net overhead expense were higher salaries and employee benefits partially offset by decreases in FDIC assessment expense.

The Company's largest noninterest expense item, salaries and employee benefits, increased $335, or 9.2%, during the second quarter of 2010, and increased $569, or 7.78%, during the first half of 2010, as compared to the same periods in 2009. The increase was largely due to annual merit and cost of living salary increases, increased health insurance benefit costs, and higher payroll taxes related to a higher full-time equivalent ("FTE") employee base. The Company's FTE employees increased to 282 employees on staff at June 30, 2010, as compared to 270 employees at June 30, 2009.

The Company also realized increases to various expense categories that are included in other noninterest expense. Total legal, accounting and consulting fees were collectively up $108, or 72.2%, during the second quarter of 2010, and up $276, or 92.9%, during the first half of 2010, as compared to the same periods in 2009. This growth was primarily due to various capital planning costs incurred by Ohio Valley, the parent company. Partially offsetting legal, accounting and consulting fee expense increases were lower telecommunications costs, which decreased $5, or 2.5%, during the second quarter of 2010, and decreased $66, or 15.5%, during the first half of 2010, as compared to the same periods in 2009. In 2008, the

Company improved the communication lines between all of its branches to achieve faster relay of information and increase work efficiency. This investment upgrade of communication lines created a higher monthly cost. The transition resulted in some billings in 2009 that were not repeated in 2010.

Partially offsetting the increases to noninterest expense were decreases in FDIC premium expense. As has been well documented, the FDIC's decisions to increase deposit premium rates beginning in the fourth quarter of 2008 and levy a special assessment in the second quarter of 2009 has left a significant impact on all financial institution earnings in 2009. This special assessment in June 2009 totaled $373 and was based on the Company's total assets less Tier 1 Capital at that time. While these special assessments levied on all institutions were proven to be vital in maintaining adequate insurance levels, the Deposit Insurance Fund remained extremely low due to the continued high rate of bank failures during 2009. As a result, during the fourth quarter of 2009, the FDIC approved an alternative to future special assessments, which would negatively impact the Company's earnings going forward into 2010. The alternative was to have all banks prepay twelve quarters worth of FDIC assessments on December 30, 2009. The prepayment, which includes assumptions about future deposit and assessment rate growth, was based on third quarter 2009 deposits. The prepaid amount is amortized over the entire prepayment period. On December 30, 2009, the Company prepaid its assessment in the amount of $3,567. As a result of the large prepayment of future assessments and the special assessment of $373 that was levied on the Bank during the second quarter of 2009, the Company has experienced lower levels of FDIC insurance during 2010. FDIC insurance expense has decreased $434, or 62.4%, during the three months ended June 30, 2010, while also decreasing $460, or 46.9%, during the first half of 2010, as compared to the same periods in 2009. While the Company has incurred reduced FDIC insurance expense during 2010, continued declines in the Deposit Insurance Fund could result in the FDIC imposing additional assessments in the future, which could adversely affect the Company's capital levels and earnings.

The Company's efficiency ratio is defined as noninterest expense as a percentage of fully tax-equivalent net interest income plus noninterest income. Management continues to place emphasis on managing its balance sheet mix and interest rate sensitivity to help expand the net interest margin as well as developing more innovative ways to generate noninterest revenue. While increasing personnel expenses combined with lower mortgage banking income has negatively affected efficiency, these factors have been completely offset by the benefits of an improving net interest income due to lower funding costs combined with lower FDIC expenses. As a result, revenue levels have outpaced overhead expense and have caused both the second quarter and year-to-date efficiency ratios to decrease (improve) from prior periods. The efficiency ratio during the second quarter of 2010 decreased to 71.1% from the 75.0% experienced during the second quarter of 2009. The efficiency ratio during the first half of 2010 decreased to 68.0% from the 68.7% experienced during the first half of 2009.

Capital Resources

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

	Company Ratios		
	6/30/10	12/31/09	Regulatory Minimum
Tier 1 risk-based capital	12.8%	12.3%	4.00%
Total risk-based capital ratio	14.0%	13.6%	8.00%
Leverage ratio	9.6%	9.6%	4.00%

Cash dividends paid of $1,673 during the first six months of 2010 represent a 5.0% increase over the cash dividends paid during the same period in 2009. The quarterly dividend rate increased from $0.20 per share in 2009 to $0.21 per share in 2010. The dividend rate has increased in proportion to the consistent growth in retained earnings.

Liquidity

Liquidity relates to the Company's ability to meet the cash demands and credit needs of its customers and is provided by the ability to readily convert assets to cash and raise funds in the market place. Total cash and cash equivalents, held to maturity securities maturing within one year and available for sale securities, totaling $108,428, represented 13.2% of total assets at June 30, 2010. In addition, the FHLB offers advances to the Bank, which further enhances the Bank's ability to meet liquidity demands. At June 30, 2010, the Bank could borrow an additional $95,912 from the FHLB, of which $75,000 could be used for short-term, cash management advances. Furthermore, the Bank has established a borrowing line with the Federal Reserve. At June 30, 2010, this line had total availability of $96,000. Lastly, the Bank also has the ability to purchase federal funds from a correspondent bank. For further cash flow information, see the condensed consolidated statement of cash flows contained in this Form 10-Q. Management does not rely on any single source of liquidity and monitors the level of liquidity based on many factors affecting the Company's financial condition.

Off-Balance Sheet Arrangements

As discussed in Note 6 – Concentrations of Credit Risk and Financial Instruments with Off-Balance Sheet Risk, the Company engages in certain off-balance sheet credit-related activities, including commitments to extend credit and standby letters of credit, which could require the Company to make cash payments in the event that specified future events occur. Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Standby letters of credit are conditional commitments to guarantee the performance of a customer to a third party. While these commitments are necessary to meet the financing needs of the Company's customers, many of these commitments are expected to expire without being drawn upon. Therefore, the total amount of commitments does not necessarily represent future cash requirements.

Critical Accounting Policies

The most significant accounting policies followed by the Company are presented in Note 1 to the consolidated financial statements. These policies, along with the disclosures presented in the other financial statement notes, provide information on how significant assets and liabilities are valued in the financial statements and how those values are determined. Management views critical accounting policies to be those which are highly dependent on subjective or complex judgments, estimates and assumptions, and where changes in those estimates and assumptions could have a significant impact on the financial statements. Management currently views the adequacy of the allowance for loan losses to be a critical accounting policy.

Allowance for loan losses: To arrive at the total dollars necessary to maintain an allowance level sufficient to absorb probable losses incurred at a specific financial statement date, management has developed procedures to establish and then evaluate the allowance once determined. The allowance consists of the following components: specific allocations, general allocations and other estimated general allocations.

To arrive at the amount required for the specific allocation component, the Company evaluates loans for which a loss may be incurred either in part or whole. To achieve this task, the Company has created a quarterly report ("Watch List"), which lists the loans from each loan portfolio that management deems to be potential credit risks. A loan will automatically be added to the Watch List if the loan balance is over $200 and the loan is either delinquent 60 days or more or nonaccrual. In addition, management may decide to add loans to the Watch List that do not meet the above-mentioned criteria. These loans are reviewed and analyzed for potential loss by the Large Loan Review Committee, which consists of the President of the Company and members of senior management. The function of the Committee is to review and analyze large borrowers for credit risk, scrutinize the Watch List and evaluate the adequacy of the allowance for loan losses and other credit related issues. The Committee has established a grading system to evaluate the credit risk of each commercial borrower on a scale of 1 (least risk) to 10 (greatest risk). After the Committee evaluates each relationship listed in the report, a specific loss allocation may be assessed.

Included in the specific allocation analysis are impaired loans, which generally consist of loans with balances of $200 or more on nonaccrual status or non-performing in nature. Each loan is individually analyzed to determine if a specific allocation is necessary based on expected potential credit loss. Collateral dependent loans will be evaluated to determine a fair value of the collateral securing the loan. Any changes in the impaired allocation will be reflected in the total specific allocation.

The second component (general allowance) is based upon total loan portfolio balances minus loan balances already reviewed (specific allocation). The Large Loan Review Committee evaluates credit analysis reports that provide management with a “snapshot” of information on borrowers with larger-balance loans (aggregate balances of $1 million or greater), including loan grades, collateral values, and other factors. A list is prepared and updated quarterly that allows management to monitor this group of borrowers. Therefore, only small balance commercial loans and homogeneous loans (consumer and real estate loans) are not specifically reviewed to determine minor delinquencies, current collateral values and present credit risk. The Company utilizes actual historic loss experience as a factor to calculate the probable losses for this component of the allowance for loan losses. This risk factor reflects a three-year performance evaluation of credit losses per loan portfolio. The risk factor is achieved by taking the average net charge-off per loan portfolio for the last 36 consecutive months and dividing it by the average loan balance for each loan portfolio over the same time period. The Company believes that by using the 36 month average loss risk factor, the estimated allowance will more accurately reflect current probable losses.

The final component used to evaluate the adequacy of the allowance includes five additional areas that management believes can have an impact on collecting all principal due. These areas are: 1) delinquency trends, 2) current local economic conditions, 3) non-performing loan trends, 4) recovery vs. charge-off, and 5) personnel changes. Each of these areas is given a percentage factor, from a low of 2% to a high of 8%, determined by the degree of impact it may have on the allowance. To calculate the impact of other economic conditions on the allowance, the total general allowance is multiplied by this factor. These dollars are then added to the other two components to provide for economic conditions in the Company's assessment area. The Company's assessment area takes in a total of ten counties in Ohio and West Virginia. Each assessment area has its individual economic conditions; however, the Company has chosen to average the risk factors for compiling the economic risk factor.

The adequacy of the allowance may be determined by certain specific and nonspecific allocations; however, the total allocation is available for any credit losses that may impact the loan portfolios.

Concentration of Credit Risk

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

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

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

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

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

Change in Interest Rates in Basis Points	June 30, 2010 Percentage Change in Net Interest Income	December 31, 2009 Percentage Change in Net Interest Income
+300	(2.07%)	(.26%)
+200	(1.41%)	(.58%)
+100	(1.04%)	(.58%)
-100	1.33%	.68%

The estimated percentage change in net interest income due to a change in interest rates was within the policy guidelines established by the Board. During the first half of 2010, the interest rate risk profile became slightly more exposed to rising interest rates due to a continued reduction in cash flows from the loan portfolio. With the sustained low interest rate environment, the volume of refinancings continue to slow leading to the duration of the loan portfolio extending. As a result, the potential increase in interest income from a rising interest rate environment has been reduced. On the liability side of the balance sheet, management continues to emphasize longer maturity terms for CD specials and wholesale funding issuances. In addition, management remains focused on nonmaturity deposits which generally exhibit a low correlation to changes in interest rates. Overall, management is comfortable with the current interest rate risk profile which reflects minimal exposure to interest rate changes.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

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

Changes in Internal Control over Financial Reporting

There was no change in Ohio Valley's internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) that occurred during Ohio Valley's fiscal quarter ended June 30, 2010, that has materially affected, or is reasonably likely to materially affect, Ohio Valley's internal control over financial reporting.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

There are no material pending legal proceedings to which Ohio Valley or any of its subsidiaries is a party, other than ordinary, routine litigation incidental to their respective businesses. In the opinion of Ohio Valley's management, these proceedings should not, individually or in the aggregate, have a material effect on Ohio Valley's results of operations or financial condition.

ITEM 1A. RISK FACTORS

The recently enacted Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 may adversely affect our business, financial condition and results of operations.

On July 21, 2010, President Obama signed into law the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the "Dodd-Frank Act"). This new law will significantly change the regulation of financial institutions and the financial services industry. Because the Dodd-Frank Act requires various federal agencies to adopt a broad range of regulations with significant discretion, many of the details of the new law and the effects they will have on our company will not be known for months and even years.

Many of the provisions of the Dodd-Frank Act apply directly only to institutions much larger than ours, and some will affect only institutions with different charters than ours or institutions that engage in activities in which we do not engage. Among the changes to occur pursuant to the Dodd-Frank Act that can be expected to have an effect on our business are the following:

- the Dodd-Frank Act creates a Consumer Financial Protection Bureau with broad powers to adopt and enforce consumer protection regulations;

    - new capital regulations for bank holding companies will be adopted, which may impose stricter requirements, and any new trust preferred securities will no longer count toward Tier I capital;

- the federal law prohibition on the payment of interest on commercial demand deposit accounts will be eliminated effective in July 2011;

- the standard maximum amount of deposit insurance per customer is permanently increased to $250,000, and non-interest bearing transaction accounts will have unlimited insurance through December 31, 2012;

- the assessment base for determining deposit insurance premiums will be expanded to include liabilities other than just deposits; and

- new corporate governance requirements applicable generally to all public companies in all industries will require new compensation practices, including requiring companies to "claw back" incentive compensation under certain circumstances, to provide shareholders the opportunity to cast a non-binding vote on executive compensation, and to consider the independence of compensation advisers, and new executive compensation disclosure requirements.

Although it is impossible for us to predict at this time all the effects the Dodd-Frank Act will have on us and the rest of our industry, it is possible that our interest expense could increase and deposit insurance premiums could change, and steps may need to be taken to increase qualifying capital. We expect that our operating and compliance costs will increase and could adversely affect our financial condition and results of operations.

In addition to the above risk factor, you should carefully consider the risk factors discussed in Part I, “Item 1A. Risk Factors” in Ohio Valley’s Annual Report on Form 10-K for the year ended December 31, 2009, as filed with the SEC on March 16, 2010 and available at www.sec.gov. These risk factors could materially affect the Company's business, financial condition or future results. The risk factors described in the Annual Report on Form 10-K are not the only risks facing the Company. Additional risks and uncertainties not currently known to the Company or that management currently deems to be immaterial also may materially adversely affect the Company's business, financial condition and/or operating results. Moreover, the Company undertakes no obligation and disclaims any intention to publish revised information or updates to forward looking statements contained in such risk factors or in any other statement made at any time by any director, officer, employee or other representative of the Company unless and until any such revisions or updates are expressly required to be disclosed by applicable securities laws or regulations.

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

Ohio Valley did not purchase any of its shares during the three months ended June 30, 2010.

Ohio Valley did not sell any unregistered equity securities during the three months ended June 30, 2010.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not Applicable.

ITEM 4. RESERVED

ITEM 5. OTHER INFORMATION

Not Applicable.

ITEM 6. EXHIBITS

(a) Exhibits:

Reference is made to the Exhibit Index set forth immediately following the signature page of this Form 10-Q.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

		OHIO VALLEY BANC CORP.
Date: August 9, 2010	By:	/s/ Jeffrey E. Smith Jeffrey E. Smith Chairman and Chief Executive Officer
Date: August 9, 2010	By:	/s/ Scott W. Shockey Scott W. Shockey Vice President and Chief Financial Officer

EXHIBIT INDEX

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

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