MVB FINANCIAL CORP
Form 10-Q
August 13, 2010

United States

Securities and Exchange Commission

Washington, D.C. 20549

FORM 10-Q

(Mark One)

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended June 30, 2010

OR

¨ **TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from ______ to ______.

Commission File number 333-120931

MVB Financial Corp.

(Exact name of registrant as specified in its charter)

West Virginia	**20-0034461**
(State or other jurisdiction of	**(I.R.S. Employer**
incorporation or organization)	**Identification No.)**

301 Virginia Avenue

Fairmont, West Virginia 26554-2777

(Address of principal executive offices)

304-363-4800

(Issuer s telephone number)

Not Applicable

(Former name, address, and fiscal year, if changed since last report)

Indicate by check mark whether the registrant has (1) filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check One):

Large accelerated filer	¨	Accelerated filer	¨
Non-accelerated filer	¨ (Do not check if a smaller reporting company)	Smaller reporting company	x

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act.) Yes ¨ No x

State the number of shares outstanding of each of the issuer s classes of common equity, as of the latest practicable date:

As of August 13, 2010, the number of shares outstanding of the issuer s only class of common stock was 1,629,971.

Table of Contents

MVB Financial Corp.

Part I. Financial Information

Part II. Other Information

Table of Contents

Part I. Financial Information

Item 1. Financial Statements

MVB Financial Corp. and Subsidiaries

Consolidated Balance Sheets

(Dollars in thousands, except Share and Per Share Data)

	June 30 2010 (Unaudited)	December 31 2009 (Note 1)
Assets		
Cash and due from banks	$ 2,440	$ 2,321
Interest bearing balances FHLB	2,559	3,935
Certificates of deposits in other banks	37,303	49,442
Investment securities:		
Securities held-to-maturity, at cost	7,470	6,594
Securities available-for-sale, at fair market value	61,404	37,292
Loans:	264,730	232,847
Less: Allowance for loan losses	(2,747)	(2,241)
Net loans	261,983	230,606
Loans held for sale	1,439	1,764
Bank premises, furniture and equipment, net	7,611	7,757
Accrued interest receivable and other assets	12,132	13,051
Total assets	$ 394,341	$ 352,762
Liabilities		
Deposits		
Non-interest bearing	$ 30,920	$ 23,493
Interest bearing	269,541	241,038
Total deposits	300,461	264,531
Accrued interest, taxes and other liabilities	2,644	2,130
Repurchase agreements	45,107	35,641
Federal Home Loan Bank borrowings	13,991	19,198
Long-term debt	4,124	4,124
Total liabilities	366,327	325,624
Stockholders equity		
Preferred stock, $1,000 par value, 5,000 shares authorized; none issued		
Common stock, $1 par value, 4,000,000 authorized, 1,629,971 and 1,629,971 issued	1,629	1,629
Additional paid-in capital	20,464	20,457
Treasury Stock, 36,895 and 23,036 shares, respectively	(800)	(522)
Retained earnings	6,852	5,917
Accumulated other comprehensive income (loss)	(131)	(343)

Total stockholders equity	28,014	27,138
Total liabilities and stockholders equity	$ 394,341	$ 352,762

See accompanying notes to unaudited financial statements.

2

Table of Contents

MVB Financial Corp. and Subsidiaries

Consolidated Statements of Income

(Unaudited) (Dollars in Thousands except Share and Per Share Data)

	Six Months Ended June 30 2010	Six Months Ended June 30 2009	Three Months Ended June 30 2010	Three Months Ended June 30 2009
Interest income				
Interest and fees on loans	$ 6,346	$ 5,817	$ 3,254	$ 2,952
Interest on deposits with other banks	386	294	178	174
Interest on investment securities taxable	670	568	367	273
Interest on tax exempt loans and securities	362	262	184	137
Total interest income	7,764	6,941	3,983	3,536
Interest expense				
Deposits	2,274	2,197	1,149	1,145
Repurchase agreements	223	77	122	38
Federal Home Loan Bank borrowings	262	275	131	129
Long-term debt	39	65	20	29
Total interest expense	2,798	2,614	1,422	1,341
Net interest income	4,966	4,327	2,561	2,195
Provision for loan losses	520	303	240	152
Net interest income after provision for loan losses	4,446	4,024	2,321	2,043
Other income				
Service charges on deposit accounts	355	372	183	218
Income on bank owned life insurance	129	83	65	40
Visa debit card income	170	129	91	66
Income on loans held for sale	202	334	113	232
Other operating income	216	211	99	155
Gain on sale of securities	56		9	
Total other income	1,128	1,129	560	711
Other expense				
Salary and employee benefits	2,234	2,083	1,088	1,028
Occupancy expense	297	286	151	144
Equipment expense	223	191	117	92
Data processing	277	258	137	117
Visa debit card expense	139	108	74	54
Advertising	142	134	106	86
Legal and accounting fees	80	69	44	36
Printing, stationery and supplies	66	50	40	27
FDIC insurance	266	229	129	184
Other taxes	93	89	48	45
Loss on Silverton Bank Stock		186		186
Other operating expenses	512	421	263	237
Total other expense	4,329	4,104	2,197	2,236

Income before income taxes	1,245	1,049	684	518
Income tax expense	310	287	177	135
Net income	$ 935	$ 762	$ 507	$ 383
Basic net income per share	$ 0.58	$ 0.47	$ 0.32	$ 0.24
Diluted net income per share	$ 0.57	$ 0.46	$ 0.31	$ 0.23
Basic weighted average shares outstanding	1,602,307	1,618,224	1,599,982	1,621,861
Diluted weighted average shares outstanding	1,628,988	1,644,173	1,626,663	1,647,810

See accompanying notes to unaudited financial statements.

MVB Financial Corp. and Subsidiaries

Consolidated Statements of Cash Flows

(Unaudited) (Dollars in thousands)

	Six Months Ended June 30 2010	Six Months Ended June 30 2009
Operating activities		
Net income	$ 935	$ 761
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	520	303
Deferred income tax (benefit)	(253)	(95)
Depreciation	225	221
Stock based compensation	7	7
Loans originated for sale	(14,840)	(31,913)
Proceeds of loans sold	15,165	29,561
Proceeds from sale of other real estate owned	866	
(Gain) on sale of other real estate owned	(61)	
Amortization, net of accretion	207	5
Decrease in interest receivable and other assets	88	265
Increase in accrued interest, taxes, and other liabilities	514	397
Net cash provided by/(used in) operating activities	3,373	(488)
Investing activities		
(Increase) in loans made to customers	(31,897)	(15,100)
Purchases of premises and equipment	(79)	(77)
Decrease/(increase) in interest bearing balances with banks, net	1,376	(8,527)
Purchases of certificates of deposit in other banks	(16,321)	(29,698)
Maturities of certificates of deposit in other banks	28,460	4,693
Purchases of investment securities available-for-sale	(34,741)	(7,162)
Proceeds from sales, maturities and calls of securities Available-for-sale	10,548	8,683
Proceeds from sales, maturities and calls of securities held to maturity	474	5,500
Purchases of investment securities held-to-maturity	(985)	(500)
Purchase of bank owned life insurance		(1,000)
Net cash (used in) investing activities	(43,165)	(43,188)
Financing activities		
Net increase in deposits	35,930	67,853
Net increase/(decrease) in repurchase agreements	9,466	(5,306)
Proceeds from Federal Home Loan Bank borrowings	50,328	85,179
Principal payments on Federal Home Loan Bank borrowings	(55,535)	(101,822)
Purchase of treasury stock	(278)	(223)
Common stock options exercised		293
Net cash provided by financing activities	39,911	45,974
Increase in cash and cash equivalents	119	2,298
Cash and cash equivalents - beginning of period	2,321	$ 4,710
Cash and cash equivalents - end of period	$ 2,440	$ 7,008
Cash payments for:		

Interest on deposits, repurchase agreements and borrowings	$ 2,884	$ 2,624
Income taxes	$ 302	$ 241

See accompanying notes to unaudited financial statements.

Table of Contents

MVB Financial Corp. and Subsidiaries

Notes to Consolidated Financial Statements

Note 1 Basis of Presentation

These consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with instructions to Form 10-Q and Section 310(b) of Regulation SB. Accordingly, they do not include all the information and footnotes required by generally accepted accounting principles for annual year-end financial statements. In the opinion of management, all adjustments considered necessary for a fair presentation, have been included and are of a normal, recurring nature. The balance sheet as of December 31, 2009 has been derived from the audited financial statements at that date, but does not include all of the information and footnotes required by generally accepted accounting principles. Operating results for the six and three months ended June 30, 2010 are not necessarily indicative of the results that may be expected for the year ending December 31, 2010.

The accounting and reporting policies of MVB conform to accounting principles generally accepted in the United States and practices in the banking industry. The preparation of the financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Estimates, such as the allowance for loan losses, are based upon known facts and circumstances. Estimates are revised by management in the period such facts and circumstances change. Actual results could differ from those estimates. All significant inter-company accounts and transactions have been eliminated in consolidation.

The consolidated balance sheet as of December 31, 2009 has been extracted from audited financial statements included in MVB s 2009 filing on Form 10-K. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States have been omitted. These financial statements should be read in conjunction with the financial statements and notes thereto included in MVB s December 31, 2009, Form 10-K filed with the Securities and Exchange Commission.

Management has reviewed events occurring through August 13, 2010, the date the financial statements were issued and no subsequent events occurred requiring accrual or disclosure.

Note 2. Allowance for Loan Losses

The provision for loan losses for the six months ended June 30, 2010 and 2009 was $520 and $303, respectively. Management bases the provision for loan losses upon its continuing evaluation of the adequacy of the allowance for loan losses and the overall management of inherent credit risk.

Management continually monitors the risk in the loan portfolio through review of the monthly delinquency reports and the Loan Review Committee, which is responsible for the determination of the adequacy of the allowance for loan losses. This analysis involves both experience of the portfolio to date and the makeup of the overall portfolio. The allocation among the various components of the loan portfolio and its adequacy is somewhat difficult considering the limited operating history in newer markets. Specific loss estimates are derived for individual loans based on specific criteria such as current delinquency status, related deposit account activity, estimates of cash flow and underlying collateral value.

The results of this analysis at June 30, 2010, indicate that the allowance for loan losses is considered adequate to absorb losses inherent in the portfolio.

See accompanying notes to unaudited financial statements.

Table of Contents

MVB Financial Corp. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars in thousands)	June 30 2010	June 30 2009
Allowance for loan losses		
Balance, beginning of period	$ 2,241	$ 1,860
Loan charge-offs	(60)	(52)
Loan recoveries	46	50
Net charge-offs	(14)	(2)
Loan loss provision	520	303
Balance, end of period	$ 2,747	$ 2,161

Total non-performing assets and accruing loans past due 90 days are summarized as follows:

(Dollars in thousands)	June 30 2010	June 30 2009
Non-accrual loans:		
Commercial	$ 729	$ 1,182
Real Estate	471	221
Consumer	11	
Total non-accrual loans	1,211	1,403
Renegotiated loans		
Total non-performing loans	1,211	1,403
Other real estate, net	333	328
Total non-performing assets	$ 1,544	$ 1,731
Accruing loans past due 90 days or more	$ 1,198	$ 2,156
Non-performing loans as a % of total loans	.46%	.64%
Allowance for loan losses as a % of non-performing loans	226.84%	153.96%

Note 3. Borrowed Funds

The Company is a party to repurchase agreements with certain customers. As of June 30, 2010 and December 31, 2009, the Company had repurchase agreements of $45.1 million and $35.6 million.

The bank is a member of the Federal Home Loan Bank (FHLB) of Pittsburgh, Pennsylvania. Borrowings from the FHLB are secured by stock in the FHLB of Pittsburgh, qualifying first mortgage loans, mortgage-backed securities and certain investment securities. The remaining maximum borrowing capacity with the FHLB at June 30, 2010 was approximately $91.8 million.

Table of Contents

MVB Financial Corp. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

Borrowings from the FHLB were as follows:

	June 30 2010	December 31 2009
Fixed interest rate note, originating April 1999, due April 2014, interest of 5.41% is payable monthly.	$ 1,000	$ 1,000
Fixed interest rate note, originating January 2005, due January 2020, interest of 5.14% is payable in monthly installments of $11.	973	1,012
Fixed interest rate note, originating April 2002, due May 2017, interest of 5.90% is payable monthly.	654	662
Fixed interest rate note, originating July 2006, due July 2016, interest of 4.50% is payable in monthly installments of $8.	1,361	1,380
Fixed interest rate note, originating October 2006, due October 2021, interest of 5.20% is payable in monthly installments of $6.	1,099	1,109
Fixed interest rate note, originating February 2007, due February 2022, interest of 5.22% is payable in monthly installments of $5.	921	929
Fixed interest rate note, originating April 2007, due April 2022, interest of 5.18% is payable in monthly installments of $6.	1,043	1,051
Floating interest rate note, originating March 2003, due December 2011, interest of 0.70% payable monthly.	3,897	
Fixed interest rate note, originating December 2007, due December 2017, interest of 5.25% is payable in monthly installments of $7.	1,043	1,055
Fixed interest rate note originating November 2009, due May 2010, interest of 0.35% payable quarterly.		4,000
Fixed interest rate note originating March 2008, due March 2013, interest of 2.37% payable quarterly.	2,000	2,000
Fixed interest rate note originating May 2009, due May 2010, interest of .72% payable quarterly.		5,000
	$ 13,991	$ 19,198

In March 2007 the Company completed the private placement of $4 million Floating Rate, Trust Preferred Securities through its MVB Financial Statutory Trust I subsidiary (the Trust). The Company established the trust for the sole purpose of issuing the Trust Preferred Securities pursuant to an Amended and Restated Declaration of Trust. The proceeds from the sale of the Trust Preferred Securities will be loaned to the Company under subordinated Debentures (the Debentures) issued to the Trust pursuant to an Indenture. The Debentures are the only asset of the Trust. The Trust Preferred Securities have been issued to a pooling vehicle that will use the distributions on the Trust Preferred Securities to securitize note obligations. The securities issued by the Trust are includable for regulatory purposes as a component of the Company s Tier I capital.

The Trust Preferred Securities and the Debentures mature in 30 years and are redeemable by the Company after five years. Interest payments are due in March, June, September and December and are adjusted at the interest due dates at a rate of 1.62% over the three month LIBOR Rate. The Company reflects borrowed funds in the amount of $4.1 million as of June 30, 2010 and 2009 and interest expense of $39 and $65 for the periods ended June 30, 2010 and 2009.

Table of Contents

MVB Financial Corp. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

The bank had borrowed $1,000 at the Federal Reserve discount window for 90 days beginning December 2008, maturing March 2009 at a rate of 1.25%

A summary of maturities of these borrowings over the next five years is as follows:

Year	Amount
2010	106
2011	4,118
2012	232
2013	2,244
2014	1,257
Thereafter	10,158
	18,115

Note 4. Comprehensive Income

The Company is required to present comprehensive income in a full set of general-purpose financial statements for all periods presented. The following represents comprehensive income for the six and three month periods ended June 30, 2010 and June 30, 2009.

The following table represents other comprehensive income before tax and net of tax:

(in thousands)	For the three months ended June 30,		For the six months ended June 30,	
	2010	2009	2010	2009
Unrealized gain (losses) on securities available for sale	$ 418	$ (133)	$ 490	$ (91)
Pension liability adjustment			(139)	
Tax effect	(167)	52	(140)	36
Net of tax effect	251	(81)	211	(55)
Net income as reported	507	383	935	761
Total comprehensive income	$ 758	$ 302	$ 1,146	$ 706

Note 5 Net Income Per Common Share

MVB determines basic earnings per share by dividing net income by the weighted average number of common shares outstanding during the period. Diluted earnings per share is determined by dividing net income by the weighted average number of shares outstanding increased by the number of shares that would be issued assuming the exercise of stock options. At June 30, 2010 and 2009, stock options to purchase 127,658 and 134,658 shares at an average price of $15.82 and $15.82, respectively, were outstanding. For the three months ended June 30, 2010 and 2009, the dilutive effect of stock options was 26,681 and 25,949 shares, respectively.

Note 6 Recent Accounting Pronouncements

In December 2009, the FASB issued ASU 2009-16, *Accounting for Transfer of Financial Assets*. ASU 2009-16 provides guidance to improve the relevance, representational faithfulness, and comparability of the information that an entity provides in its financial statements about a transfer of financial assets; the effects of a transfer on its financial position, financial performance, and cash flows; and a transferor s continuing involvement, if any, in transferred financial assets. ASU 2009-16 is effective for annual periods beginning after November 15, 2009 and for interim periods within those fiscal years. The adoption of this guidance did not have a material impact on the Company s financial position or results of operation.

MVB Financial Corp. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

In January 2010, the FASB issued ASU 2010-01, *Equity (Topic 505): Accounting for Distributions to Shareholders with Components of Stock and Cash a consensus of the FASB Emerging Issues Task Force*. ASU 2010-01 clarifies that the stock portion of a distribution to shareholders that allows them to elect to receive cash or stock with a potential limitation on the total amount of cash that all shareholders can elect to receive in the aggregate is considered a share issuance that is reflected in EPS prospectively and is not a stock dividend. ASU 2010-01 is effective for interim and annual periods ending on or after December 15, 2009 and should be applied on a retrospective basis. The adoption of this guidance did not have a material impact on the Company s financial position or results of operation.

In January 2010, the FASB issued ASU 2010-05, *Compensation Stock Compensation (Topic 718): Escrowed Share Arrangements and the Presumption of Compensation*. ASU 2010-05 updates existing guidance to address the SEC staff s views on overcoming the presumption that for certain shareholders escrowed share arrangements represent compensation. ASU 2010-05 is effective January 15, 2010. The adoption of this guidance did not have a material impact on the Company s financial position or results of operation.

In January 2010, the FASB issued ASU No. 2010-06, *Fair Value Measurements and Disclosures (Topic 820): Improving Disclosures about Fair Value Measurements*. ASU 2010-06 amends Subtopic 820-10 to clarify existing disclosures, require new disclosures, and includes conforming amendments to guidance on employers disclosures about postretirement benefit plan assets. ASU 2010-06 is effective for interim and annual periods beginning after December 15, 2009, except for disclosures about purchases, sales, issuances, and settlements in the roll forward of activity in Level 3 fair value measurements. Those disclosures are effective for fiscal years beginning after December 15, 2010 and for interim periods within those fiscal years. The adoption of this guidance is not expected to have a significant impact on the Company s financial statements.

In February 2010, the FASB issued ASU 2010-08, *Technical Corrections to Various Topics*. ASU 2010-08 clarifies guidance on embedded derivatives and hedging. ASU 2010-08 is effective for interim and annual periods beginning after December 15, 2009. The adoption of this guidance did not have a material impact on the Company s financial position or results of operation.

In March 2010, the FASB issued ASU 2010-11, *Derivatives and Hedging*. ASU 2010-11 provides clarification and related additional examples to improve financial reporting by resolving potential ambiguity about the breadth of the embedded credit derivative scope exception in ASC 815-15-15-8. ASU 2010-11 is effective at the beginning of the first fiscal quarter beginning after June 15, 2010. The adoption of this guidance is not expected to have a significant impact on the Company s financial statements.

In April 2010, the FASB issued ASU 2010-18, *Receivables (Topic 310): Effect of a Loan Modification When the Loan is a Part of a Pool That is Accounted for as a Single Asset a consensus of the FASB Emerging Issues Task Force*. ASU 2010-18 clarifies the treatment for a modified loan that was acquired as part of a pool of assets. Refinancing or restructuring the loan does not make it eligible for removal from the pool, the FASB said. The amendment will be effective for loans that are part of an asset pool and are modified during financial reporting periods that end July 15, 2010 or later and is not expected to have a significant impact on the Company s financial statements.

In July 2010, FASB issued ASU No. 2010-20, *Receivables (Topic 310): Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses.* ASU 2010-20 is intended to provide additional information to assist financial statement users in assessing an entity s credit risk exposures and evaluating the adequacy of its allowance for credit losses. The disclosures as of the end of a reporting period are effective for interim and annual reporting periods ending on or after December 15, 2010. The disclosures about activity that occurs during a reporting period are effective for interim and annual reporting periods beginning on or after December 15, 2010. The amendments in ASU 2010-20 encourage, but do not require, comparative disclosures for earlier reporting periods that ended before initial adoption. However, an entity should provide comparative disclosures for those reporting periods ending after initial adoption. The Company is currently evaluating the impact the adoption of this guidance will have on the Company s financial position.

Table of Contents

MVB Financial Corp. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

Note 7 Fair Value of Financial Instruments

Level I: Quoted prices are available in active markets for identical assets or liabilities as of the reported date.

Level II: Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reported date. The nature of these assets and liabilities include items for which quoted prices are available but traded less frequently, and items that are fair valued using other financial instruments, the parameters of which can be directly observed.

Level III: Assets and liabilities that have little to no pricing observability as of the reported date. These items do not have two-way markets and are measured using management s best estimate of fair value, where the inputs into the determination of fair value require significant management judgment or estimation.

The following table presents the assets and liabilities reported on the consolidated statements of financial condition at their fair value as of June 30, 2010 by level within the fair value hierarchy. As required by FAS 157, financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

	June 30, 2010			
(In Thousands)	**Level I**	**Level II**	**Level III**	**Total**
Assets measured on a recurring basis:				
Investment securities, available for sale				
U.S. Agency Securities		30,294		30,294
Mortgage Backed Securities		30,986		30,986
Other Securities		124		124

	December 31, 2009			
(In Thousands)	**Level I**	**Level II**	**Level III**	**Total**
Assets measured on a recurring basis:				
Investment securities, available for sale				
U.S. Agency Securities		16,300		16,300
Mortgage Backed Securities		20,868		20,868
Other Securities		124		124

The following summarizes the methods and significant assumptions used by the Company in estimating its fair value disclosures for financial instruments.

Short-term financial instruments: The carrying values of short-term financial instruments including cash and due from banks, interest bearing balances FHLB, and certificates of deposit in other banks approximate the fair value of these instruments.

Securities: Estimated fair values of securities are based on quoted market prices, where available. If quoted market prices are not available, estimated fair values are based on quoted market prices of comparable securities.

Loans: The estimated fair values for loans are computed based on scheduled future cash flows of principal and interest, discounted at interest rates currently offered for loans with similar terms of borrowers of similar credit quality. No prepayments of principal are assumed.

Accrued interest receivable and payable: The carrying values of accrued interest receivable and payable approximate their estimated fair values.

Repurchase Agreements: The fair values of repurchase agreements approximate their estimated fair values.

Table of Contents

MVB Financial Corp. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

Deposits: The estimated fair values of demand deposits (i.e., non interest bearing checking, NOW and money market), savings accounts and other variable rate deposits approximate their carrying values. Fair values of fixed maturity deposits are estimated using a discounted cash flow methodology at rates currently offered for deposits with similar remaining maturities. Any intangible value of long-term relationships with depositors is not considered in estimating the fair values disclosed.

Off-balance sheet instruments: The fair values of commitments to extend credit and standby letters of credit are estimated using the fees currently charged to enter into similar agreements, taking into account the remaining terms of agreements and the present credit standing of the counterparties. The amounts of fees currently charged on commitments and standby letters of credit are deemed significant, and therefore, the estimated fair values and carrying values are not shown.

Table of Contents

MVB Financial Corp. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

The carrying values and estimated fair values of the Company s financial instruments are summarized as follows:

	June 30, 2010	
	Carrying Value	Estimated Fair Value
	(Dollars in thousands)	
Financial assets:		
Cash and due from banks	2,440	2,440
Interest bearing balances	39,862	39,862
Securities available-for-sale	61,404	61,404
Securities held-to-maturity	7,470	7,477
Loans	264,730	271,613
Accrued interest receivable	1,249	1,249
	$ 377,155	$ 384,045
Financial liabilities:		
Deposits	$ 300,461	$ 297,426
Repurchase agreements	45,107	45,107
Federal Home Loan Bank Borrowings	13,991	14,621
Accrued interest payable	470	470
Long-term debt	4,124	4,124
	$ 364,153	361,748

Fair value estimates are made at a specific point in time, based on relevant market information about the financial instrument. These estimates do not reflect any premium or discount that could result from offering for sale at one time the Company s entire holdings of a particular financial instrument. Because no market exists for a significant portion of the Company s financial instruments, fair value estimates are based on judgments regarding future expected loss experience, current economic conditions, risk characteristics of various financial instruments and other factors. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore, cannot be determined with precision. Changes in assumptions could significantly affect the estimates. Fair value estimates are based on existing on-and-off balance sheet financial instruments without attempting to estimate the value of anticipated future business and the value of assets and liabilities that are not considered financial instruments.

Amortized cost and approximate fair values of investment securities held-to-maturity at June 30, 2010, including gross unrealized gains and losses, are summarized as follows:

(Dollars in thousands)	Amortized Cost	Unrealized Gain	Unrealized Loss	Approximate Fair Value
Municipal securities	$ 6,470	$ 70	$ (14)	$ 6,526
U. S. Agency securities	1,000	43		1,043
	$ 7,470	$ 113	$ (14)	$ 7,569

Table of Contents

MVB Financial Corp. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

Amortized cost and approximate fair values of investment securities available-for-sale at June 30, 2010 are summarized as follows:

	Amortized Cost	Unrealized Gain	Unrealized Loss	Approximate Fair Value
U. S. Agency securities	$ 29,809	$ 486	$	$ 30,295
Mortgage-backed securities	30,737	343	(95)	30,985
Other securities	124			124
	$ 60,670	$ 829	$ (95)	$ 61,404

The following tables summarize amortized cost and approximate fair values of securities by maturity:

	June 30, 2010			
	Held to Maturity		Available for sale	
	Amortized Cost	Approximate Fair Value	Amortized Cost	Approximate Fair Value
Within one year	$	$	$ 36	$ 36
After one year, but within five	176	117	25,888	26,126
After five years, but within ten	1,551	1,564	1,204	1,279
After ten Years	5,803	5,888	33,542	33,963
Total	$ 7,470	$ 7,569	$ 60,670	$ 61,404

The Company s investment portfolio includes securities that are in an unrealized loss position as of June 30, 2010, the details of which are included in the following table. Although these securities, if sold at June 30, 2010 would result in a pretax loss of $32, the Company has no intent to sell the applicable securities at such market values, and maintains the Company has the ability to hold these securities until all principal has been recovered. Declines in the market values of these securities can be traced to general market conditions which reflect the prospect for the economy as a whole. When determining other-than-temporary impairment on securities, the Company considers such factors as adverse conditions specifically related to a certain security or to specific conditions in an industry or geographic area, the time frame securities have been in an unrealized loss position, the Company s ability to hold the security for a period of time sufficient to allow for anticipated recovery in value, whether or not the security has been downgraded by a rating agency, and whether or not the financial condition of the security issuer has severely deteriorated. As of June 30, 2010, the Company considers all securities with unrealized loss positions to be temporarily impaired, and consequently, does not believe the Company will sustain any material realized losses as a result of the current temporary decline in market value.

The following table discloses investments in an unrealized loss position:

At June 30, 2010, total temporary impairment totaled $109.

	Less than 12 months		12 months or more	
Description and number of positions	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss

U.S. Agencies(-)	$	$	$	$
Mortgage-backed securities(9) (11)	13,434	(95)		
Municipal securities(8)		(14)		
	$ 13,434	$ (109)	$	$

Table of Contents

Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations

The Private Securities Litigation Reform Act of 1995 indicates that the disclosure of forward-looking information is desirable for investors and encourages such disclosure by providing a safe harbor for forward-looking statements that involve risk and uncertainty. All statements other than statements of historical fact included in this Form 10-Q including statements in Management s Discussion and Analysis of Financial Condition and Results of Operations are, or may be deemed to be, forward looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Exchange Act of 1934. In order to comply with the terms of the safe harbor, the corporation notes that a variety of factors, (e.g., changes in the national and local economies, changes in the interest rate environment, competition, etc.) could cause MVB s actual results and experience to differ materially from the anticipated results or other expectations expressed in those forward-looking statements.

At June 30, 2010 and for the Six and Three Months Ended June 30, 2010 and 2009:

	Six Months Ended June 30		Three Months Ended June 30	
	2010	2009	2010	2009
Net income to:				
Average assets	.50%	.54%	.52%	.52%
Average stockholders equity	6.85	5.78	7.37	5.76
Net interest margin	2.81	3.32	2.80	3.25
Average stockholders equity to average assets	7.28	9.31	7.10	9.13
Total loans to total deposits (end of period)	88.11	90.63	88.11	90.63
Allowance for loan losses to total loans (end of period)	1.04	.99	1.04	.99
Efficiency ratio	71.04	75.22	70.39	76.94
Capital ratios:				
Tier 1 capital ratio	12.18	12.32	12.18	12.32
Risk-based capital ratio	13.26	13.24	13.26	13.24
Leverage ratio	8.00	10.00	8.00	10.00
Cash dividends as a percentage of net income	N/A	N/A	N/A	N/A
Per share data:				
Book value per share (end of period)	$ 17.20	$ 16.34	$ 17.20	$ 16.34
Market value per share (end of period)*	20.00	20.00	20.00	20.00
Basic earnings per share	.58	.47	.32	.24
Diluted earnings per share	.57	.46	.31	.23

* Market value per share is based on MVB s knowledge of certain arms-length transactions in the stock as MVB s common stock is not traded on any market. There may be other transactions involving either higher or lower prices of which MVB is unaware.

Table of Contents

Introduction

The following discussion and analysis of the consolidated financial statements of MVB Financial Corp. is presented to provide insight into management s assessment of the financial results. MVB has three wholly-owned second tier holding companies which own 100 percent of MVB Bank, Inc.(the bank). The bank is the primary financial entity in this discussion. Unless otherwise noted, this discussion will be in reference to the bank.

MVB Bank, Inc. was chartered by the State of West Virginia and is subject to regulation, supervision, and examination by the Federal Deposit Insurance Corporation and the West Virginia Department of Banking. The bank is not a member of the Federal Reserve System. The bank is a member of the Federal Home Loan Bank of Pittsburgh.

The bank began operations January 4, 1999, at 301 Virginia Avenue in Fairmont, West Virginia. MVB Bank, Inc. provides a full array of financial products and services to its customers, including traditional banking products such as deposit accounts, lending products, debit cards, automated teller machines, and safe deposit rental facilities. The bank opened a banking office in the Shop N Save supermarket in White Hall, WV during the second quarter of 2000. During August of 2005, the bank opened a full-service office at 1000 Johnson Avenue in Bridgeport, WV. In October of 2005 MVB Bank, Inc. purchased an office at 88 Somerset Boulevard in Charles Town, WV. Additionally, the bank opened a full service office at 651 Foxcroft Avenue in Martinsburg, WV during August 2007.

This discussion and analysis should be read in conjunction with the prior year-end audited financial statements and footnotes thereto included in the Company s filing on Form 10-K and the unaudited financial statements, ratios, statistics, and discussions contained elsewhere in this Form 10-Q.

Application of Critical Accounting Policies

MVB s consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States and follow general practices within the banking industry. Application of these principles requires management to make estimates, assumptions, and judgments that affect the amounts reported in the financial statements; accordingly, as this information changes, the financial statements could reflect different estimates, assumptions, and judgments. Application of certain accounting policies inherently requires a greater reliance on the use of estimates, assumptions and judgments and as such, the probability of actual results being materially different from reported estimates is increased. Estimates, assumptions, and judgments are necessary when assets and liabilities are required to be recorded at fair value, when a decline in the value of an asset not carried on the financial statements at fair value warrants an impairment write-down or valuation reserve to be established, or when an asset or liability needs to be recorded contingent upon a future event. Carrying assets and liabilities at fair value inherently results in more financial statement volatility. The fair values and the information used to record valuation adjustments for certain assets and liabilities are based either on quoted market prices or are provided by other third-party sources, when available. When third-party information is not available, valuation adjustments are estimated in good faith by management primarily through the use of internal forecasting techniques.

The most significant accounting policies followed by MVB are presented in Note 1 to the audited consolidated financial statements included in MVB s 2009 Annual Report on Form 10-K. These policies, along with the disclosures presented in the other financial statement notes and in management s discussion and analysis of operations, provide information on how significant assets and liabilities are valued in the financial statements and how those values are determined. Based on the valuation techniques used and the sensitivity of financial statement amounts to the methods, assumptions, and estimates underlying those amounts, management has identified the determination of the allowance for loan losses to be the accounting area that requires the most subjective or complex judgments, and as such could be most subject to revision as new information becomes available.

The allowance for loan losses represents management s estimate of probable credit losses inherent in the loan portfolio. Determining the amount of the allowance for loan losses is considered a critical accounting estimate because it requires significant judgment and the use of estimates related to the amount and timing of estimated future cash flows, estimated losses in pools of homogeneous loans based on historical loss experience of peer banks, estimated losses on specific commercial credits, and consideration of current economic trends and conditions, all of which may be susceptible to significant change. The loan portfolio also represents the largest asset in the consolidated balance sheet. Note 1 to the consolidated financial statements in MVB s 10-K describes the methodology used to determine the allowance for loan losses and a discussion of the factors driving changes in the amount of the allowance for loan losses is included in the Allowance for Loan Losses section of Management s Discussion and Analysis in this quarterly report on Form 10-Q.

Results of Operations

Overview of the Statement of Income

For the quarter ended June 30, 2010, MVB earned $507 compared to $383 in the second quarter of 2009. Net interest income increased by $366, other income decreased by $151 and other expenses decreased by $39. The increase in net interest income was driven in part by a rate decrease on interest bearing liabilities throughout 2009 and 2010 which resulted in a 50 basis point reduction in average interest rates paid during the second quarter of 2010 compared to the same period in 2009. The biggest influence upon interest income was the continued growth of the MVB balance sheet, with $30.6 million in average loan growth, $44.8 million in investment portfolio growth and $12.3 million in CDs with other banks growth. The decrease in other operating expenses was principally the result of the 2009 loss of $186 on Silverton Bank stock and FDIC and special assessment costs from 2009. Salaries expense did increase by $60, mainly the result of increases for existing staff and the addition of a correspondent mortgage lending program. Equipment and depreciation costs increased $25, the result of updating fully depreciated computer equipment as well as the start up expenses of the correspondent mortgage lending program. Data processing and Visa debit card costs increased $20 due to volume and advertising costs were up $20 as well due to continued advertising of competitive loan and deposit products such as MVChecking and Freedom mortgage loans.

Loan loss provisions of $240 and $152 were made for the quarters ended June 30, 2010 and 2009, respectively. The provision for loan losses, which is a product of management s formal quarterly analysis, is recorded in response to inherent risks in the loan portfolio.

Non-interest income for the quarters ended June 30, 2010 and 2009 totaled $560 and $711, respectively. The most significant portions of non-interest income are service charges on deposit accounts, which totaled $183 at June 30, 2010 and income on loans held for sale which totaled $113, a decrease of $119 over the second quarter of 2009. Other operating income decreased by $56, $53 of which was the result of the sale of OREO properties.

Non-interest expense for the quarters ended June 30, 2010 and 2009 totaled $2.2 million and $2.2 million, respectively. The most significant increases were as discussed above.

For the six months ended June 30, 2010 MVB earned $935 compared to $762 for the same time period in 2009. This $173 increase is mainly the result of balance sheet growth in the areas of loans and investments as discussed above, resulting in an increase in net interest income after provision for loan losses of $422 for the first six months of 2010.

Loan loss provisions of $520 and $303 were made for the six months ended June 30, 2010 and 2009, respectively.

Non-interest income for the six months ended June 30, 2010 and 2009 totaled $1.1 million and $1.1 million, respectively. Income from the sale of loans into the secondary market decreased by $132 but was offset by gains on sale of securities of $56, increased BOLI income of $46 and increased debit card income of $41.

Non-interest expense for the six months ended June 30, 2010 and 2009 totaled $4.3 million and $4.1 million. This $225 increase was mainly the result of the following: an increase in salaries expense of $151, increased other operating expenses of $91, increased FDIC insurance costs of $37, increased equipment costs of $32 and increased debit card expense of $31. The salaries increase relates to the addition of correspondent mortgage lending and increases for existing staff. Other operating expense increases were in the areas of consulting, legal, postage and director fees.

Interest Income and Expense

Net interest income is the amount by which interest income on earning assets exceeds interest expense on interest-bearing liabilities. Interest-earning assets include loans and investment securities. Interest-bearing liabilities include interest-bearing deposits and repurchase agreements and Federal Home Loan Bank advances. Net interest income is the primary source of revenue for the bank. Changes in market interest rates, as well as changes in the mix and volume of interest-earning assets and interest-bearing liabilities impact net interest income.

Net interest margin is calculated by dividing net interest income by average interest-earning assets. This ratio serves as a performance measurement of the net interest revenue stream generated by the bank s balance sheet. The net interest margin for the quarters ended June 30, 2010 and 2009 was 2.80% and 3.25% respectively. During 2008 the Federal Reserve began a series of rate cuts resulting in a total rate decrease of 4.25%. This rate decrease had the greatest impact on MVB in the yield on commercial loans, which decreased from 5.49% at June 30, 2009 to 5.29% at June 30, 2010. MVB s yield on mortgage loans has also decreased from 5.98% at June 30, 2009 to 5.63% at June 30, 2010. This decrease is mainly the result of the addition of Freedom mortgage loans, a 10 year fixed rate product offering a 4.66% rate. The decline in the yield on earning assets for MVB is also the result of $42.6 million of CDs with other banks yielding 1.61%, funded with brokered deposits or borrowings to provide around a 1% return. While these transactions hurt the net interest margin and return on assets, they provided more dollars of net income.

Management continuously monitors the effects of net interest margin on the performance of the bank. Growth and mix of the balance sheet will continue to impact net interest margin in future periods.

Table of Contents

Average Balances and Interest Rates

(Unaudited)(Dollars in thousands)

	Three Months Ended June 30, 2010			Three Months Ended June 30, 2009		
	Average Balance	Interest Income/ Expense	Yield/ Cost	Average Balance	Interest Income/ Expense	Yield/ Cost
Assets						
Interest-bearing deposits in banks	$ 9,081	$ 7	0.31%	$ 464	$	%
Certificates of deposit in other banks	42,693	172	1.61	30,432	174	2.29
Investment securities	66,259	430	2.60	21,451	286	5.33
Loans:						
Commercial	152,937	2,023	5.29	141,361	1,940	5.49
Tax exempt	11,225	120	4.28	11,536	124	4.30
Consumer	13,916	241	6.93	13,679	245	7.16
Real estate	70,365	990	5.63	51,305	767	5.98
Total loans	248,443	3,374	5.43	217,881	3,076	5.65
Total earning assets	366,476	3,983	4.35	270,228	3,536	5.23
Cash and due from banks	2,309			4,696		
Other assets	18,798			16,169		
Total assets	$ 387,583			$ 291,093		
Liabilities						
Deposits:						
Non-interest bearing demand	$ 29,103	$	%	$ 22,248	$	%
NOW	89,133	315	1.41	31,945	101	1.26
Money market checking	29,991	71	0.95	27,955	73	1.04
Savings	7,698	2	0.10	7,166	2	0.11
IRAs	11,013	88	3.20	8,675	83	3.83
CDs	122,960	673	2.19	127,895	886	2.77
Repurchase agreements & FFS	44,322	122	1.10	16,761	38	0.91
FHLB borrowings	19,129	131	2.74	15,542	129	3.32
Long-term debt	4,124	20	1.94	4,124	29	2.81
Total interest-bearing liabilities	328,370	1,422	1.73	240,063	1,341	2.23
Other liabilities	2,603			2,195		
Total liabilities	360,076			264,506		
Stockholders equity						
Common stock	1,630			1,622		
Paid-in capital	20,462			20,370		
Treasury Stock	(667)			(511)		
Retained earnings	6,383			5,391		
Accumulated other comprehensive income	(301)			(285)		
Total stockholders equity	27,507			26,587		

Total liabilities and stockholders equity	$ 387,583			$ 291,093		
Net interest spread			2.62			3.00
Impact of non-interest bearing funds on margin			.18			.25
Net interest income-margin		$ 2,561	2.80%		$ 2,195	3.25

18

Table of Contents

Average Balances and Interest Rates

(Unaudited)(Dollars in thousands)

	Six Months Ended June 30, 2010			Six Months Ended June 30, 2009		
	Average Balance	Interest Income/ Expense	Yield/ Cost	Average Balance	Interest Income/ Expense	Yield/ Cost
Assets						
Interest-bearing deposits in banks	$ 11,056	$ 10	0.18%	$ 395	$	%
Certificates of deposit in other banks	46,024	376	1.63	24,344	294	2.42
Investment securities	55,745	793	2.85	23,020	589	5.12
Loans:						
Commercial	148,934	3,977	5.34	138,960	3,808	5.48
Tax exempt	11,255	239	4.25	11,099	241	4.34
Consumer	13,821	477	6.90	13,613	489	7.18
Real estate	66,930	1,892	5.65	49,949	1,520	6.09
Total loans	240,940	6,585	5.47	213,621	6,058	5.67
Total earning assets	353,765	7,764	4.39	261,380	6,941	5.31
Cash and due from banks	2,286			5,191		
Other assets	19,207			16,357		
Total assets	$ 375,258			$ 282,928		
Liabilities						
Deposits:						
Non-interest bearing demand	$ 29,868	$	%	$ 22,736	$	%
NOW	79,477	581	1.46	27,502	141	1.03
Money market checking	31,072	151	0.97	26,847	138	1.03
Savings	7,511	4	0.11	7,287	4	0.11
IRAs	10,872	175	3.22	8,273	161	3.89
CDs	124,097	1,363	2.20	121,019	1,753	2.90
Repurchase agreements & FFS	39,142	223	1.14	18,026	77	0.85
FHLB borrowings	19,400	262	2.70	18,717	275	2.94
Long-term debt	4,124	39	1.89	4,124	65	3.15
Total interest-bearing liabilities	315,695	2,798	1.77	231,795	2,614	2.26
Other liabilities	2,393			2,054		
Total liabilities	347,956			256,585		
Stockholders equity						
Common stock	1,630			1,618		
Paid-in capital	20,460			20,329		
Treasury Stock	(618)			(487)		
Retained earnings	6,143			5,188		
Accumulated other comprehensive income	(313)			(305)		
Total stockholders equity	27,302			26,343		

Total liabilities and stockholders equity	$ 375,258			$ 282,928		
Net interest spread			2.62			3.06
Impact of non-interest bearing funds on margin			.19			.26
Net interest income-margin		$ 4,966	2.81%		$ 4,327	3.32%

19

Table of Contents

Non-Interest Income

Service charges on deposit accounts generate the core of the bank s non-interest income. Non-interest income totaled $560 in the second quarter of 2010 compared to $711 in the second quarter of 2009. This decrease of $151 is the result of a decrease of $119 in income on loans held for sale and a decrease of $56 in other operating income, mostly the result of gains on sale of OREO properties.

Service charges on deposit accounts include mainly non-sufficient funds and returned check fees, allowable overdraft fees and service charges on commercial accounts.

The bank is continually searching for ways to increase non-interest income. Income from loans sold in the secondary market continues to be a major area of focus for MVB.

Non-Interest Expense

For the second quarter of 2010, non-interest expense totaled $2.2 million compared to $2.2 million in the second quarter of 2009. MVB s efficiency ratio was 70.39% for the second quarter of 2010 compared to 76.94% for the second quarter of 2009. This ratio measures the efficiency of non-interest expenses incurred in relationship to net interest income plus non-interest income.

Salaries and benefits totaled $1.1 million for the quarter ended June 30, 2010 compared to $1.0 million for the quarter ended June 30, 2009. This $60 increase in salaries and benefits is mainly the result of the addition of correspondent lending staff and increases to existing employees. MVB had 81 full-time equivalent personnel at June 30, 2010 compared to 78 full-time equivalent personnel as of June 30, 2009. Management will continue to strive to find new ways of increasing efficiencies and leveraging its resources, while effectively optimizing customer service.

For the quarters ended June 30, 2010 and 2009, occupancy expense totaled $151 and $144, respectively.

Other operating expense totaled $263 in the second quarter of 2010 compared to $237 in the second quarter of 2009. The largest items relating to this increase were in the areas of consulting, legal, postage and director fees.

Return on Average Assets and Average Equity

Returns on average assets (ROA) and average equity (ROE) were .52% and 7.37% for the second quarter of 2010 compared to .52% and 5.76% in the second quarter of 2009.

Overview of the Statement of Condition

MVB s interest-earning assets, interest-bearing liabilities, and stockholders equity changed significantly during the second quarter of 2010 compared to 2009. The most significant areas of change between the quarters ended June 30, 2010 and June 30, 2009 were as follows: investment securities increased from an average balance of $21.5 million to an average balance of $66.3 million, CDs with banks grew to an average balance of $42.7 million from an average of $30.4, loans increased to an average balance of $248.4 million from $217.9 million and interest-bearing liabilities grew to an average balance of $328.4 million from $240.1 million. These trends reflect the continued growth of MVB in the investment, loan and deposit areas.

Total assets at June 30, 2010 were $394.3 million or an increase of $41.6 million since December 31, 2009. The greatest areas of increase were $25.0 million in investment securities and $31.9 million in loan growth, principally in the USDA secured arena.

Deposits totaled $300.5 million at June 30, 2010 or an increase of $35.9 million since December 31, 2009. $25 million of this increase is the result of the brokerage buster product, MVChecking and governmental deposits. The brokerage buster product was introduced in early 2009 and has been a huge success in attracting large demand deposits at an attractive rate. MVChecking is a rewards checking account also began in early 2009 which through June 30, 2010 had added $18.5 million in demand deposits. The

Table of Contents

governmental deposits are the result of winning a 5 year county deposit bid in early 2010. Repurchase agreements totaled $45.1 million and have increased $9.5 million since December 31, 2009.

Federal Home Loan Bank borrowings decreased by $5.2 million from December 31, 2009, mostly the result of CDs with other banks rolling off late in the second quarter.

Stockholders equity has increased approximately $876 from December 31, 2009 due to earnings for the six months ended June 30, 2010 of $935.

Cash and Cash Equivalents

Cash and cash equivalents totaled $2.4 million as of June 30, 2010 compared to $2.3 million as of December 31, 2009.

Total cash and cash equivalents fluctuate on a daily basis due to transactions in process and other liquidity and performance demands. Management believes the liquidity needs of MVB are satisfied by the current balance of cash and cash equivalents, readily available access to traditional and non-traditional funding sources, and the portions of the investment and loan portfolios that mature within one year. These sources of funds should enable MVB to meet cash obligations as they come due.

Investment Securities

Investment securities totaled $68.9 million as of June 30, 2010 and $43.9 million as of December 31, 2009. Government sponsored agency securities comprise the majority of the portfolio. This $25.0 million increase is the result of putting excess deposit funds to work in building bullet agency ladders that roll down the yield curve, as well as adding investments to secure the governmental deposits.

Management monitors the earnings performance and liquidity of the investment portfolio on a regular basis through Asset/Liability Committee meetings. The group also monitors net interest income, sets pricing guidelines, and manages interest rate risk for the bank. Through active balance sheet management and analysis of the investment securities portfolio, the bank maintains sufficient liquidity to satisfy depositor requirements and the various credit needs of its customers. Management believes the risk characteristics inherent in the investment portfolio are acceptable based on these parameters.

Loans

The bank s lending is primarily focused in the Marion, Harrison, Jefferson and Berkeley County areas of West Virginia, and consists primarily of commercial lending, retail lending, which includes single-family residential mortgages, and consumer lending.

The following table details total loans outstanding as of:

(Dollars in thousands)	**June 30 2010**	**December 31 2009**
Commercial and nonresidential real estate	$ 172,119	$ 152,426
Residential real estate	79,129	67,507
Consumer and other	13,482	12,914
Total loans	$ 264,730	$ 232,847

Loan Concentration

At June 30, 2010, commercial loans comprised the largest component of the loan portfolio. The majority of commercial loans that are not secured by real estate are lines of credit secured by accounts receivable. While the loan concentration is in commercial loans, the commercial portfolio is comprised of loans to many different borrowers, in numerous different industries but primarily located in our market areas.

Allowance for Loan Losses

Management continually monitors the loan portfolio through review of the monthly delinquency reports and through the Loan Review Committee. The Loan Review Committee is responsible for the determination of the adequacy of the allowance for loan losses. Their analysis involves both experience of the portfolio to date and the makeup of the overall portfolio. Specific loss estimates are derived for individual loans based on specific criteria such as current delinquency status, related deposit account activity, where applicable, local market rumors, which are generally based on some factual information, and changes in the local and national economy. While local market rumors are not measurable or perhaps not readily supportable, historically, this form of information can be an indication of a potential problem. The allowance for loan losses is further based upon the internal risk rating assigned to the various loan types within the portfolio. The Bank recognizes that a significant part of the loan review process and the evaluation of the Allowance for Loan Losses is the initial identification of emerging problem loans and the appropriate Risk Grade classification and loss allocations.

The banks loans are reviewed and graded on a basis that is consistent with the system used by state and federal bank examiners. The bank has four (4) grades for passing (1, 2, 3, 4) three (3) grades of other loans specially mentioned (5, 6 and 0), and one grade each for substandard (7), doubtful (8), and loss (9).

In determining the allowance for loan losses, MVB segregates the loan portfolio by loan type, risk grades and by region for certain loan types. The loan types are Commercial, Real Estate, Home Equity, Consumer Loans and Credit Cards. The loan types are further segregated by specific loan categories within each Loan type based upon risk and trends. Commercial is segregated into Government guaranteed, tax exempt, cash secured and all other commercial loans by region. Consumer loans are segregated by all direct consumer loans and indirect auto and recreational loans.

The entire bank Commercial Loan portfolio has been Risk Graded utilizing the above Risk Grading system and evaluated accordingly in determining the allowance for loan losses. Residential, Home Equity, Consumer loans and Credit Cards are Risk Graded for 5 and above and evaluated accordingly in determining the allowance for loan losses. Specific loss estimates based upon current data available are determined for any loans determined a Risk grade 7 or above. Historical loss ratios are applied to all other loans with similar risk characteristics. The bank is using a 3 year historical loss ratio due to trends in charge-offs, delinquency, non-performing and the economy locally and nationally. The bank previously used a 5 year historical loss ratio.

Funding Sources

MVB considers a number of alternatives, including but not limited to deposits, short-term borrowings, and long-term borrowings when evaluating funding sources. Traditional deposits continue to be the most significant source of funds for the bank, reaching $300.5 million at June 30, 2010.

Non interest bearing deposits remain a core funding source for MVB. At June 30, 2010, non-interest bearing deposits totaled $30.9 million compared to $23.5 million at December 31, 2009. Management intends to continue to focus on finding ways to increase the bank s base of non-interest bearing funding sources.

Interest-bearing deposits totaled $269.5 million at June 30, 2010 compared to $241.0 million at December 31, 2009. Average interest-bearing liabilities totaled $328.4 million during the second quarter of 2010 compared to $240.1 million for the second quarter of 2009. Average non-interest bearing demand deposits totaled $29.1 million for the second quarter of 2010 compared to $22.2 million for the second quarter of 2009. Management will continue to emphasize deposit gathering in 2010 by offering outstanding customer service and competitively priced products. Management will also concentrate on balancing deposit growth with adequate net interest margin to meet MVB s strategic goals.

Along with traditional deposits, MVB has access to both repurchase agreements, which are corporate deposits secured by pledging securities from the investment portfolio, and Federal Home Loan Bank borrowings to fund its operations and investments. At June 30, 2010, repurchase agreements totaled $45.1 million compared to $35.6 million at December 31, 2009. In addition to the aforementioned funds alternatives, MVB has access to more than $91.8 million through additional advances from the Federal Home Loan Bank of Pittsburgh and the ability to readily sell jumbo certificates of deposits to other banks as well as brokered deposit markets.

Liquidity

MVB recognizes the importance of liquidity in the day-to-day operations of the bank, and believes it is critical to have a plan for addressing liquidity in times of crisis, as well as prudently managing levels to maximize earnings. The bank has historically recognized the need for funding sources that go beyond the most important source which is retail deposit business. MVB has created a funding program that identifies various wholesale funding sources that may be used whenever appropriate. These sources include the following: FHLB advances, brokered deposits, CDARS, repurchase agreements, internet CDs through Qwickrate, the Federal Reserve discount window, State of West Virginia CD auctions, and fed funds purchased. Limits have been set as to how much MVB will utilize each identified source. MVB currently is taking advantage of all of the above, with the exception of fed funds purchased and the discount window. This allows the bank to lower funding costs slightly while documenting the availability of each.

Current Economic Conditions

The current economic climate in West Virginia, and in particular in the four counties MVB focuses in is better than the national climate. Unemployment in the United States was 9.5% in both June 2009 and June 2010. The unemployment levels in the four counties MVB operates in were as follows: Berkeley County unemployment was 8.7% in June 2010, compared to 9.0% in June 2009. Harrison County s unemployment rate for June 2010 was 7.3% versus 7.2% in June 2009. Jefferson County s unemployment rate improved from 7.5% in June 2009 to 6.8% in June 2010 and Marion County s unemployment rate increased from 7.0% in June of 2009 to 7.6% in June of 2010. The numbers from all four counties continue to be significantly better than the national numbers.

MVB s nonperforming loan information supports the fact that the West Virginia economy has not suffered as much as that of the nation as a whole. Nonperforming loans to total loans were .90% in June of 2010 versus 1.60% in June of 2009 and charge offs to total loans were .02% for both periods. MVB continues to closely monitor economic and delinquency trends.

Capital/Stockholders Equity

The bank was initially capitalized when it sold 452,000 shares of stock at $10 per share or a total of $4.5 million in an offering during 1998.

In October of 1999 the bank completed a secondary offering of 66,000 shares of stock at $11 per share or a total of $726,000. This offering was used to purchase MVB s main office at 301 Virginia Avenue.

During November of 2002 the bank completed another secondary offering of 164,000 shares of stock at $12.50 per share or a total of $2.0 million. This offering was needed to continue funding the bank s growth.

In 2004, the bank formed a one-bank holding company. In that transaction, MVB Financial Corp. issued shares of common stock in exchange for shares of the bank s common stock.

In 2006, MVB completed a public offering of 725,000 shares totaling $11.6 million.

In March 2007, MVB formed a statutory business trust for the purpose of issuing $4 million in trust preferred capital securities with the proceeds invested in MVB Bank, Inc. This was done primarily to increase the lending limit of the bank. The securities mature in 30 years and are redeemable by the Company after five years. The securities are at an interest cost of 1.62% over the three month LIBOR rate which is reset quarterly.

In April 2008, MVB completed a public offering of more than 100,000 shares which provided 2.4 million in additional capital.

At June 31, 2010, accumulated other comprehensive (loss) totaled $(131) compared to $(343) at December 31, 2009. This change is mainly related to increased gains in the investment portfolio.

Treasury stock shares increased by $278 as MVB repurchased 13,859 shares.

The primary source of funds for dividends to be paid by MVB Financial Corp. is dividends received from its subsidiary bank, MVB Bank, Inc. Dividends paid by the subsidiary bank are subject to restrictions by banking regulations. The most restrictive provision requires regulatory approval if dividends declared in any year exceed that year s retained net profits, as defined, plus the retained net profits, as defined, of the two preceding years.

Bank regulators have established risk-based capital requirements designed to measure capital adequacy. Risk-based capital ratios reflect the relative risks of various assets banks hold in their portfolios. A weight category of 0% (lowest risk assets), 20%, 50%, or 100% (highest risk assets) is assigned to each asset on the balance sheet. Detailed information concerning MVB s risk-based capital ratios can be found in Note 14 of the Notes to the Consolidated Financial Statements of MVB s 2009 Form 10-K. At June 30, 2010, MVB and its banking subsidiary s risk-based capital ratios exceeded the minimum standards for a well capitalized financial institution.

Commitments

In the normal course of business, the bank is party to financial instruments with off-balance sheet risk necessary to meet the financing needs of customers and to manage its own exposure to fluctuations in interest rates. These financial instruments include commitments to extend credit. The instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the balance sheets. The contract or notional amounts of these instruments express the extent of involvement the bank has in these financial instruments.

Loan commitments are made to accommodate the financial needs of MVB s customers. MVB uses the same underwriting standards in making commitments and conditional obligations as it does for on-balance sheet instruments. The amount of collateral obtained is based on management s credit evaluation of the customer. Collateral held varies, but may include accounts receivable, inventory, property, plant, and equipment, and income-producing commercial properties. The total amount of loan commitments outstanding at June 30, 2010 and December 31, 2009 was $36.2 million and $33.0 million, respectively.

Market Risk

There have been no material changes in market risks faced by MVB since December 31, 2009. For information regarding MVB s market risk, refer to MVB s Annual Report to Shareholders for the year ended December 31, 2009.

Effects of Inflation on Financial Statements

Substantially all of the bank s assets relate to banking and are monetary in nature. Therefore they are not impacted by inflation to the same degree as companies in capital-intensive industries in a replacement cost environment. During a period of rising prices, a net monetary asset position results in loss in purchasing power and conversely a net monetary liability position results in an increase in purchasing power. In the banking industry, typically monetary assets exceed monetary liabilities. Therefore as prices increase, financial institutions experience a decline in the purchasing power of their net assets.

Future Outlook

The bank s results of operations in the second quarter of 2010 are an improvement over the second quarter of 2009 mainly due to the improvement in net interest income. MVB s emphasis in future periods will be to do those things that have made the bank successful thus far. The critical challenge for the bank in the future is to attract core deposits to fund growth in the new markets through continued delivery of the most outstanding customer service with the highest quality products and technology

Table of Contents

Item 3. Quantitative and Qualitative Disclosures About Market Risk
No response required.

Item 4. Controls and Procedures
No response required.

Item 4(T). Controls and Procedures
The Company, under the supervision and with the participation of the Company s management, including the Company s President and Chief Executive Officer, along with the Company s Chief Financial Officer (the Principal Financial Officer), has evaluated the effectiveness as of June 30, 2010, of the design and operation of the Company s disclosure controls and procedures, as such term is defined under Rule 13a-15(e) promulgated under the Securities Exchange Act of 1934, as amended (the Exchange Act). Based upon that evaluation, the Company s President and Chief Executive Officer, along with the Company s Principal Accounting Officer concluded that the Company s disclosure controls and procedures were effective as of June 30, 2010.

There have been no material changes in the Company s internal control over financial reporting during the second quarter of 2010 that have materially affected, or are reasonably likely to materially affect, the Company s internal control over financial reporting.

Part II. Other Information

Item 1. Legal Proceedings
None.

Item 1A. Risk Factors
No response required.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.
None.

Item 3. Defaults Upon Senior Securities
None.

Item 5. Other Information
None.

Item 6. Exhibits

(a) The following exhibits were filed with Form SB-2 Registration Statement, Registration No. 333-120931, filed December 1, 2004, and are incorporated by reference herein.

Exhibit 3.1	Articles of Incorporation
Exhibit 3.1-1	Articles of Incorporation Amendment
Exhibit 3.2	Bylaws

Table of Contents

(b) The following exhibits are filed herewith.

Exhibit 31.1	Certificate of principal executive officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
Exhibit 31.2	Certificate of principal financial officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
Exhibit 32.1	Certificate of principal executive officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
Exhibit 32.2	Certificate of principal financial officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Table of Contents

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.

August 13, 2010	MVB Financial Corp.	
	By:	/s/ LARRY F. MAZZA **Larry F. Mazza** **President and Chief Executive Officer**
	By:	/s/ ERIC L. TICHENOR **Eric L. Tichenor** **Chief Financial Officer**

27