MVB FINANCIAL CORP
Form 10-K
March 11, 2011
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)

x **ANNUAL REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended December 31, 2010

¨ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from To

Commission file Number 34603-9

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, WV	26554
(Address of principal executive offices)	(Zip Code)

Registrant s telephone number (304) 363-4800

(Former name, former address and former fiscal year, if changed since last report) [None]

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, $1.00 Par	None

Securities registered pursuant to Section 12(g) of the Act:

Common Stock, $1.00 Par

(Title of Class)

Preferred Stock $1,000.00 Par

(Title of Class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ¨ No x.

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) Act. Yes ¨ No x.

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

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	¨	Smaller reporting company	x

Based upon the average selling price of sales known to the Registrant of the common shares of the Registrant during the period through March 11, 2011, the aggregate market value of the common shares of the Registrant held by non affiliates during that time was $21,840,000. For this purpose certain executive officers and directors are considered affiliates.

Portions of the registrant s definitive proxy statement relating to the Annual Meeting to be held May 17, 2011, are incorporated by reference into Part III of this Annual Report on Form 10-K.

As of March 11, 2011, the Registrant had 2,235,026 shares of common stock outstanding with a par value of $1.

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PART I

ITEM 1. BUSINESS

MVB Financial Corp., or MVB, was formed on January 1, 2004 as a bank holding company. MVB Bank, Inc., or the Bank, was formed on October 30, 1997 and chartered under the laws of the state of West Virginia. The Bank commenced operations on January 4, 1999. During the fourth quarter of 2004, MVB formed two second-tier holding companies MVB Marion, Inc. and MVB Harrison, Inc., which have since been merged to form MVB Central, Inc. to manage the banking operations of MVB, the sole bank subsidiary, in those markets. In August of 2005, MVB opened a full service office in neighboring Harrison County. During October of 2005 MVB purchased a branch office in Jefferson County, situated in West Virginia s eastern panhandle. In 2006 MVB formed another second-tier holding company, MVB East, Inc. to manage the banking operations of MVB in the Jefferson and Berkeley county markets.

MVB operates five offices, two of which are located in Marion County, the main office located at 301 Virginia Avenue in Fairmont and a branch office at 2500 Fairmont Avenue inside the Shop N Save Supermarket in White Hall, WV. The remaining offices are located at 1000 Johnson Avenue in Bridgeport, Harrison County, 88 Somerset Boulevard in Charles Town, Jefferson County and 651 Foxcroft Avenue in Martinsburg, Berkeley County. At December 31, 2010, MVB had total assets of $414.3 million, total loans of $294.0 million, total deposits of $300.4 million and total stockholders equity of $30.8 million.

MVB s business activities are currently confined to a single segment which is community banking. As a community banking entity, MVB offers its customers a full range of products through various delivery channels. Such products and services include checking accounts, NOW accounts, money market and savings accounts, time certificates of deposit, commercial, installment, commercial real estate and residential real estate mortgage loans, debit cards, and safe deposit rental facilities. Services are provided through our walk-in offices, automated teller machines (ATMs), drive-in facilities, and internet and telephone banking. Additionally, MVB offers non-deposit investment products through an association with a broker-dealer, and also offers correspondent lending services to assist other community banks in offering longer term fixed rate loan products that may be sold into the secondary market.

At December 31, 2010, MVB had 84 full-time and 15 part-time employees. MVB s principal office is located at 301 Virginia Avenue, Fairmont, West Virginia 26554, and its telephone number is (304) 363-4800. MVB s Internet web site is www.mvbbanking.com.

Since the opening date of January 4, 1999, MVB has experienced significant growth in assets, loans, and deposits due to overwhelming community and customer support in the Marion and Harrison county markets, and expansion into West Virginia s eastern panhandle.

During 2010, MVB continued to focus on growth in the Harrison, Berkeley and Jefferson County areas as the primary method for reaching performance goals. MVB continuously reviews key performance indicators to measure our success.

Market Area

MVB s primary market areas are the Marion, Harrison, Jefferson and Berkeley Counties of West Virginia, which includes a total of 97 banking facilities. Its extended market is in the adjacent counties.

United States Census Bureau data indicates that the Fairmont and Marion County, West Virginia populations have had somewhat different trends from 1980 to 2000. The population of Fairmont has fluctuated from 23,863 in 1980; 20,210 in 1990; 19,097 in 2000 and 19,031 in 2009, or a net decline of 4,832 or 20.2%. Marion County increased its population from 1980 to 1990, 55,789 to 57,249, decreased to 56,598 in 2000 and increased to 56,706 in 2009. These changes resulted in a net increase of 1.64%. The Marion County population includes that of Fairmont. The result is that over the last 30 years, there has not been any significant change in population. Harrison County s population

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decreased from 69,371 in 1990 to 68,652 in 2000, then increased to 68,911 in 2009 while Bridgeport s population has increased from 7,306 in 2000 to an estimated 7,935 in 2009, indicating that while population change in Harrison County has been relatively flat, the Bridgeport area is growing. The population in Jefferson County has been on the rise in recent years, increasing from 42,190 in 2000 to 52,750 in 2009. During this period, Charles Town has seen an increase in population of 67.4% to 4,865 in 2009. Berkeley County s population has grown from 75,905 in 2000 to an estimated 103,854 in 2009, making it the second-most populous county in West Virginia. Martinsburg s population has increased 14.3% since 2000 to 17,112 in 2009.

Unemployment in Marion County has improved compared to that of the State of West Virginia from November 1995 through December 2010. As of December 2010, the overall state rate was 9.5% compared to 7.9% for Marion County. During this same period of time, the Marion County Unemployment Rate has decreased from 8.9% to 7.9%, while the West Virginia rate increased from 7.5% to 9.5%. At December 31, 2010, Harrison, Jefferson and Berkeley counties showed unemployment rates of 8.3%, 7.2% and 9.7%, respectively. Marion, Harrison and Jefferson County s rates are better than the state average, and Berkeley County s rate is slightly worse than the state average. The future direction of unemployment will probably be driven by what occurs economically on a national level.

MVB originates various types of loans, including commercial and commercial real estate loans, residential real estate loans, home equity lines of credit, real estate construction loans, and consumer loans (loans to individuals). In general, MVB retains most of its originated loans (exclusive of certain long-term, fixed rate residential mortgages that are sold servicing released). However, loans originated in excess of MVB s legal lending limit are participated to other banking institutions and the servicing of those loans is retained by MVB. MVB has no loans to foreign entities. MVB s lending market area is primarily concentrated in the Marion, Harrison, Berkeley and Jefferson Counties of West Virginia.

Commercial Loans

At December 31, 2010, MVB had outstanding approximately $194.6 million in commercial loans, including commercial, commercial real estate, financial and agricultural loans. These loans represented approximately 66.2% of the total aggregate loan portfolio as of that date.

Lending Practices. Commercial lending entails significant additional risks as compared with consumer lending (i.e., single-family residential mortgage lending, and installment lending). In addition, the payment experience on commercial loans typically depends on adequate cash flow of a business and thus may be subject, to a greater extent, to adverse conditions in the general economy or in a specific industry. Loan terms include amortization schedules commensurate with the purpose of each loan, the source of repayment and the risk involved. The primary analysis technique used in determining whether to grant a commercial loan is the review of a schedule of estimated cash flows to evaluate whether anticipated future cash flows will be adequate to service both interest and principal due. In addition, MVB reviews collateral to determine its value in relation to the loan in the event of a foreclosure.

MVB evaluates all new commercial loans, and on an annual basis mortgage loans in excess of $300,000, as well as customers that have total outstanding loans that aggregate more than $500,000. If deterioration in credit worthiness has occurred, MVB takes effective and prompt action designed to assure repayment of the loan. Upon detection of the reduced ability of a borrower to meet original cash flow obligations, the loan is considered a classified loan and reviewed for possible downgrading or placement on non-accrual status.

Consumer Loans

At December 31, 2010, MVB had outstanding consumer loans in an aggregate amount of approximately $13.3 million or approximately 4.5% of the aggregate total loan portfolio.

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Lending Practices. Consumer loans generally involve more risk as to collectibility than mortgage loans because of the type and nature of the collateral and, in certain instances, the absence of collateral. As a result, consumer lending collections are dependent upon the borrower s continued financial stability, and thus are more likely to be adversely affected by employment loss, personal bankruptcy, or adverse economic conditions. Credit approval for consumer loans requires demonstration of sufficiency of income to repay principal and interest due, stability of employment, a positive credit record and sufficient collateral for secured loans. It is the policy of MVB to review its consumer loan portfolio monthly and to charge off loans that do not meet its standards and to adhere strictly to all laws and regulations governing consumer lending.

Real Estate Loans

At December 31, 2010, MVB had approximately $86.0 million of residential real estate loans, home equity lines of credit, and construction mortgages outstanding, representing 29.3% of total loans outstanding.

Lending Practices. MVB generally requires that the residential real estate loan amount be no more than 80% of the purchase price or the appraised value of the real estate securing the loan, unless the borrower obtains private mortgage insurance for the percentage exceeding 80%. Occasionally, MVB may lend up to 100% of the appraised value of the real estate. The risk conditions of these loans are considered during underwriting for the purposes of establishing an interest rate compatible with the risks inherent in mortgage lending and based on the equity of the home. Loans made in this lending category are generally one to five year adjustable rate, fully amortizing to maturity mortgages. MVB also originates fixed rate real estate loans and generally sells these loans in the secondary market, servicing released. Most real estate loans are secured by first mortgages with evidence of title in favor of MVB in the form of an attorney s opinion of the title or a title insurance policy. MVB also requires proof of hazard insurance with MVB named as the mortgagee and as the loss payee. Full appraisals are obtained from licensed appraisers for all loans secured by real estate.

Home Equity Loans. Home equity lines of credit are generally made as second mortgages by MVB. The maximum amount of a home equity line of credit is generally limited to 80% of the appraised value of the property less the balance of the first mortgage. MVB will lend up to 100% of the appraised value of the property at higher interest rates which are considered compatible with the additional risk assumed in these types of loans. The home equity lines of credit are written with 10 year terms, but are subject to review upon request for renewal.

Construction Loans. Construction financing is generally considered to involve a higher degree of risk of loss than long-term financing on improved, occupied real estate. Risk of loss on a construction loan is dependent largely upon the accuracy of the initial estimate of the property s value at completion of construction and the estimated cost (including interest) of construction. If the estimate of construction cost proves to be inaccurate, MVB may advance funds beyond the amount originally committed to permit completion of the project.

Competition

MVB experiences significant competition in attracting depositors and borrowers. Competition in lending activities comes principally from other commercial banks, savings associations, insurance companies, governmental agencies, credit unions, brokerage firms and pension funds. The primary factors in competing for loans are interest rate and overall lending services. Competition for deposits comes from other commercial banks, savings associations, money market funds and credit unions as well as from insurance companies and brokerage firms. The primary factors in competing for deposits are interest rates paid on deposits, account liquidity, convenience of office location, and overall financial condition. MVB believes that its community approach provides flexibility, which enables the bank to offer an array of banking products and services.

MVB primarily focuses on the Marion, Harrison, Jefferson and Berkeley County markets for its products and services. Management believes MVB has developed a niche and a level of expertise in serving this area.

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MVB operates under a needs-based selling approach that management believes has proven successful in serving the financial needs of most customers. It is not MVB s strategy to compete solely on the basis of interest rates. Management believes that a focus on customer relationships and service will promote our customers continued use of MVB s financial products and services and will lead to enhanced revenue opportunities.

Supervision and Regulation

The following is a summary of certain statutes and regulations affecting MVB and its subsidiaries and is qualified in its entirety by reference to such statutes and regulations:

Bank Holding Company Regulation. MVB is a bank holding company under the Bank Holding Company Act of 1956, which restricts the activities of MVB and any acquisition by MVB of voting stock or assets of any bank, savings association or other company. MVB is also subject to the reporting requirements of, and examination and regulation by, the Federal Reserve Board. MVB s subsidiary bank, MVB Bank, Inc., is subject to restrictions imposed by the Federal Reserve Act on transactions with affiliates, including any loans or extensions of credit to MVB or its subsidiaries, investments in the stock or other securities thereof and the taking of such stock or securities as collateral for loans to any borrower; the issuance of guarantees, acceptances or letters of credit on behalf of MVB and its subsidiaries; purchases or sales of securities or other assets; and the payment of money or furnishing of services to MVB and other subsidiaries. MVB is prohibited from acquiring direct or indirect control of more than 5% of any class of voting stock or substantially all of the assets of any bank holding company without the prior approval of the Federal Reserve Board. MVB and its subsidiaries are prohibited from engaging in certain tying arrangements in connection with extensions of credit and/or the provision of other property or services to a customer by MVB or its subsidiaries.

On July 30, 2002, the Senate and the House of Representatives of the United States (Congress) enacted the Sarbanes-Oxley Act of 2002, a law that addresses, among other issues, corporate governance, auditing and accounting, executive compensation, and enhanced and timely disclosure of corporate information. The New York Stock Exchange proposed corporate governance rules that were enacted by the Securities and Exchange Commission. The changes are intended to allow stockholders to more easily and efficiently monitor the performance of companies and directors and should not significantly impact MVB.

Effective August 29, 2002, as directed by Section 302(a) of Sarbanes-Oxley, MVB s chief executive officer and chief financial officer are each required to certify that MVB s Quarterly and Annual Reports do not contain any untrue statement of a material fact. The rules have several requirements, including having these officers certify that: they are responsible for establishing, maintaining and regularly evaluating the effectiveness of MVB s internal controls; they have made certain disclosures to MVB s auditors and the audit committee of the Board of Directors about MVB s internal controls; and they have included information in MVB s Quarterly and Annual Reports about their evaluation and whether there have been significant changes in MVB s internal controls or in other factors that could significantly affect internal controls subsequent to the evaluation.

The Gramm-Leach-Bliley Act (also known as the Financial Services Modernization Act of 1999) permits bank holding companies to become financial holding companies. This allows them to affiliate with securities firms and insurance companies and to engage in other activities that are financial in nature. A bank holding company may become a financial holding company if each of its subsidiary banks is well capitalized, is well managed and has at least a satisfactory rating under the Community Reinvestment Act. No regulatory approval will be required for a financial holding company to acquire a company, other than a bank or savings association, engaged in activities that are financial in nature or incidental to activities that are financial in nature, as determined by the Federal Reserve Board.

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The Financial Services Modernization Act defines financial in nature to include: securities underwriting, dealing and market making; sponsoring mutual funds and investment companies; insurance underwriting and agency; merchant banking activities; and activities that the Federal Reserve Board has determined to be closely related to banking. A bank also may engage, subject to limitations on investment, in activities that are financial in nature, other than insurance underwriting, insurance company portfolio investment, real estate development and real estate investment, through a financial subsidiary of the bank, if the bank is well capitalized, well managed and has at least a satisfactory Community Reinvestment Act rating.

Banking Subsidiary Regulation. MVB Bank, Inc. was chartered as a state bank and is regulated by the West Virginia Division of Banking and the Federal Deposit Insurance Corporation. The Bank provides FDIC insurance on its deposits and is a member of the Federal Home Loan Bank of Pittsburgh.

International Money Laundering Abatement and Anti-Terrorist Financing Act of 2001 (USA Patriot Act)

The International Money Laundering Abatement and Anti-Terrorist Financing Act of 2001 (the Patriot Act) was adopted in response to the September 11, 2001 terrorist attacks. The Patriot Act provides law enforcement with greater powers to investigate terrorism and prevent future terrorist acts. Among the broad-reaching provisions contained in the Patriot Act are several designed to deter terrorists ability to launder money in the United States and provide law enforcement with additional powers to investigate how terrorists and terrorist organizations are financed. The Patriot Act creates additional requirements for banks, which were already subject to similar regulations. The Patriot Act authorizes the Secretary of the Treasury to require financial institutions to take certain special measures when the Secretary suspects that certain transactions or accounts are related to money laundering. These special measures may be ordered when the Secretary suspects that a jurisdiction outside of the United States, a financial institution operating outside of the United States, a class of transactions involving a jurisdiction outside of the United States or certain types of accounts are of primary money laundering concern. The special measures include the following: (a) require financial institutions to keep records and report on the transactions or accounts at issue; (b) require financial institutions to obtain and retain information related to the beneficial ownership of any account opened or maintained by foreign persons; (c)require financial institutions to identify each customer who is permitted to use a payable-through or correspondent account and obtain certain information from each customer permitted to use the account; and (d) prohibit or impose conditions on the opening or maintaining of correspondent or payable-through accounts.

Federal Deposit Insurance Corporation

The FDIC insures the deposits of the Bank which is subject to the applicable provisions of the Federal Deposit Insurance Act. The FDIC may terminate a bank s deposit insurance upon finding that the institution has engaged in unsafe or unsound practices, is in an unsafe or unsound condition to continue operations, or has violated any applicable law, regulation, rule, order or condition enacted or imposed by the bank s regulatory agency.

Federal Home Loan Bank

The FHLB provides credit to its members in the form of advances. As a member of the FHLB of Pittsburgh, the Bank must maintain an investment in the capital stock of that FHLB in an amount equal to 0.35% of the calculated Member Asset Value (MAV) plus 4.60% of outstanding advances. The MAV is determined by taking line item values for various investment and loan classes and applying an FHLB haircut to each item.

Capital Requirements

Federal Reserve Board. The Federal Reserve Board has adopted risk-based capital guidelines for bank holding companies. The risk-based capital guidelines include both a definition of capital and a framework for calculating risk-weighted assets by assigning assets and off-balance sheet items to broad risk categories. For further discussion regarding the Bank s risk-based capital requirements, see Note 14 of the Notes to the Financial Statements included in Item 8 of this Form 10-K.

West Virginia Division of Banking. State banks, such as MVB Bank, Inc. are subject to similar capital requirements adopted by the West Virginia Division of Banking.

Limits on Dividends

MVB s ability to obtain funds for the payment of dividends and for other cash requirements largely depends on the amount of dividends the Bank declares. However, the Federal Reserve Board expects MVB to serve as a source of strength to the Bank. The Federal Reserve Board may require MVB to retain capital for further investment in the Bank, rather than pay dividends to its shareholders. MVB Bank, Inc. may not pay dividends to MVB if, after paying those dividends, the Bank would fail to meet the required minimum levels under the risk-based capital guidelines and the minimum leverage ratio requirements. The Bank must have the approval from the West Virginia Division of Banking if a dividend in any year would cause the total dividends for that year to exceed the sum of the current year s net earnings as defined and the retained earnings for the preceding two years as defined, less required transfers to surplus. These provisions could limit MVB s ability to pay dividends on its outstanding common shares.

Federal and State Consumer Laws

MVB Bank, Inc. is subject to regulatory oversight under various consumer protection and fair lending laws. These laws govern, among other things, truth-in-lending disclosure, equal credit opportunity, fair credit reporting and community reinvestment. Failure to abide by federal laws and regulations governing community reinvestment could limit the ability of a bank to open a new branch or engage in a merger transaction. Community reinvestment regulations evaluate how well and to what extent a bank lends and invests in its designated service area, with particular emphasis on low-to-moderate income communities and borrowers in such areas.

Monetary Policy and Economic Conditions

The business of financial institutions is affected not only by general economic conditions, but also by the policies of various governmental regulatory agencies, including the Federal Reserve Board. The Federal Reserve Board regulates money and credit conditions and interest rates to influence general economic conditions primarily through open market operations in U.S. government securities, changes in the discount rate on bank borrowings and changes in the reserve requirements against depository institutions deposits. These policies and regulations significantly affect the overall growth and distribution of loans, investments and deposits, and the interest rates charged on loans, as well as the interest rates paid on deposit accounts.

The monetary policies of the Federal Reserve Board have had a significant effect on the operating results of financial institutions in the past and are expected to continue to have significant effects in the future. In view of the changing conditions in the economy and the money markets and the activities of monetary and fiscal authorities, MVB cannot predict future changes in interest rates, credit availability or deposit levels.

Effect of Environmental Regulation

MVB s primary exposure to environmental risk is through its lending activities. In cases when management believes environmental risk potentially exists, MVB mitigates its environmental risk exposures by requiring environmental site assessments at the time of loan origination to confirm collateral quality as to commercial real estate parcels

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posing higher than normal potential for environmental impact, as determined by reference to present and past uses of the subject property and adjacent sites. Environmental assessments are typically required prior to any foreclosure activity involving non-residential real estate collateral.

With regard to residential real estate lending, management reviews those loans with inherent environmental risk on an individual basis and makes decisions based on the dollar amount of the loan and the materiality of the specific credit.

MVB anticipates no material effect on anticipated capital expenditures, earnings or competitive position as a result of compliance with federal, state or local environmental protection laws or regulations.

ITEM 1A. RISK FACTORS

No response required.

ITEM 1B. UNRESOLVED STAFF COMMENTS

No response required.

ITEM 2. PROPERTIES

MVB Bank, Inc. owns its main office located at 301 Virginia Avenue in Fairmont, along with its offices at 1000 Johnson Avenue in Bridgeport, 88 Somerset Boulevard in Charles Town and 651 Foxcroft Avenue in Martinsburg. The Bank leases its office at 2500 Fairmont Avenue inside the Shop N Save supermarket in White Hall, in addition to the land at the Bridgeport location.

Additional information concerning the property and equipment owned or leased by MVB and its subsidiaries is incorporated herein by reference from Note 4, Bank Premises and Equipment and Note 16, Leases of the Notes to the Financial Statements included in Item 8 of this Form 10-K.

ITEM 3. LEGAL PROCEEDINGS

There are no pending legal proceedings to which MVB or its subsidiaries are a party or to which any of their property is subject.

ITEM 4. REMOVED AND RESERVED

No response required.

PART II

ITEM 5. MARKET FOR REGISTRANT S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUERS PURCHASES OF EQUITY SECURITIES

MVB s common shares are not traded on any national exchange.

The table presented below sets forth the estimated market value for the indicated periods based upon sales known to management with respect to MVB s common shares. The information set forth in the table is based on MVB s knowledge of certain arms-length transactions in the stock. In addition, dividends are subject to the restrictions described in Note 15 to the financial statements.

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Quarterly Market and Dividend Information:

	2010		2009	
	Estimated Market Value Per Share	Dividend	Estimated Market Value Per Share	Dividend
Fourth Quarter	$ 21.00	$ 0.10	$ 20.00	$ 0.10
Third Quarter	20.00	0.00	20.00	0.00
Second Quarter	20.00	0.00	20.00	0.00
First Quarter	20.00	0.00	20.00	0.00

MVB had 1,010 stockholders of record at December 31, 2010. MVB began paying an annual dividend of $.10 per share beginning in December 2008. No dividends were paid prior to 2008.

Equity Compensation Plan Information

Plan Category	Number of securities to be issued upon exercise of outstanding options (a)	Weighted-average exercise price of outstanding options (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders	115,297	$ 16.00	23,190
Equity compensation plans not approved by security holders	n/a	n/a	n/a
Total	115,297	$ 16.00	23,190

During the fourth quarter of 2010, 9,000 stock options under MVB s equity compensation plan were exercised.

ITEM 6. SELECTED FINANCIAL DATA

No response required.

ITEM 7. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Forward-looking Statements:

The following discussion contains statements that refer to future expectations, contain projections of the results of operations or of financial condition, or state other information that is forward-looking. Forward-looking statements are easily identified by the use of words such as could, anticipate, estimate, believe, and similar words that refer to a future outlook. There is always a degree of uncertainty associated with forward-looking statements. MVB s management believes that the expectations reflected in such statements are based upon reasonable assumptions and on the facts and circumstances existing at the time of these disclosures. Actual results could differ significantly from those anticipated.

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Many factors could cause MVB s actual results to differ materially from the results contemplated by the forward-looking statements. Some factors, which could negatively affect the results, include:

- General economic conditions, either nationally or within MVB s market, could be less favorable than expected;
- Changes in market interest rates could affect interest margins and profitability;
- Competitive pressures could be greater than anticipated;
- Legal or accounting changes could affect MVB s results; and
- Adverse changes could occur in the securities and investments markets.

In Management s Discussion and Analysis we review and explain the general financial condition and the results of operations for MVB Financial Corp. and its subsidiaries. We have designed this discussion to assist you in understanding the significant changes in MVB s financial condition and results of operations. We have used accounting principles generally accepted in the United States to prepare the accompanying consolidated financial statements. We engaged S.R. Snodgrass, A.C. to audit the consolidated financial statements and their independent audit report is included herein.

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Introduction

The following discussion and analysis of the Consolidated Financial Statements of MVB is presented to provide insight into management s assessment of the financial results and operations of MVB. MVB Bank, Inc. is the sole operating subsidiary of MVB and all comments, unless otherwise noted, are related to the Bank. You should read this discussion and analysis in conjunction with the audited Consolidated Financial Statements and footnotes and the ratios and statistics contained elsewhere in this Form 10-K.

Application of Critical Accounting Policies

MVB s consolidated financial statements are prepared in accordance with U. S. generally accepted accounting principles 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. Certain policies inherently have a greater reliance on the use of estimates, assumptions and judgments and as such have a greater possibility of producing results that could be materially different than originally reported. 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 the Bank are presented in Note 1 to the consolidated financial statements. 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 losses inherent in classifications of homogeneous loans based on historical loss experience of peer banks, and consideration of current economic trends and conditions, all of which may be susceptible to significant change. Non-homogeneous loans are specifically evaluated due to the increased risks inherent in those loans. The loan portfolio also represents the largest asset type in the consolidated balance sheet. Note 1 to the consolidated financial statements 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 this financial review.

See Note 2 to the consolidated financial statements for MVB s policy regarding the other than temporary impairment of investment securities.

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Recent Accounting Pronouncements and Developments

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.

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.

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.

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.

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 or results of operations.

In August, 2010, the FASB issued ASU 2010-21, *Accounting for Technical Amendments to Various SEC Rules and Schedules*. This ASU amends various SEC paragraphs pursuant to the issuance of Release No. 33-9026: Technical Amendments to Rules, Forms, Schedules, and Codification of Financial Reporting Policies and is not expected to have a significant impact on the Company s financial statements.

In August, 2010, the FASB issued ASU 2010-22, *Technical Corrections to SEC Paragraphs An announcement made by the staff of the U.S. Securities and Exchange Commission*. This ASU amends various SEC paragraphs based on external comments received and the issuance of SAB 112, which amends or rescinds portions of certain SAB topics and is not expected to have a significant impact on the Company s financial statements.

In September, 2010, the FASB issued ASU 2010-25, Plan Accounting Defined Contribution Pension Plans. The amendments in this ASU require that participant loans be classified as notes receivable from participants, which are segregated from plan investments and measured at their unpaid principal balance plus any accrued but unpaid interest. The amendments in this update are effective for fiscal years ending after December 15, 2010 and are not expected to have a significant impact on the Company s financial statements.

In October, 2010, the FASB issued ASU 2010-26, *Accounting for Costs Associated with Acquiring or Renewing Insurance Contracts*. This ASU addresses the diversity in practice regarding the interpretation of which costs relating to the acquisition of new or renewal insurance contracts qualify for deferral, The amendments are effective for fiscal years and interim periods within those fiscal years, beginning after December 15, 2011 and are not expected to have a significant impact on the Company s financial statements.

In December, 2010, the FASB issued ASU 2010-28, *When to Perform Step 2 of the Goodwill Impairment Test for Reporting Units with Zero or Negative Carrying Amounts*. This ASU modifies Step 1 of the goodwill impairment test for reporting units with zero or negative carrying amounts. For those reporting units, an entity is required to perform Step 2 of the goodwill impairment test if it is more likely than not that a goodwill impairment exists. In determining whether it is more likely than not that a goodwill impairment exists, an entity should consider whether there are any adverse qualitative factors indicating an impairment may exist. The qualitative factors are consistent with the existing guidance, which requires that goodwill of a reporting unit be tested for impairment between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount. For public entities, the amendments in this Update are effective for fiscal year, and interim periods within those years, beginning after December 15, 2010. Early adoption is not permitted. This ASU is not expected to have a significant impact on the Company s financial statements.

In December 2010, the FASB issued ASU 2010-29, *Disclosure of Supplementary Pro Forma Information for Business Combinations*. The amendments in this update specify that if a public entity presents comparative financial statements, the entity should disclose revenue and earnings of the combined entity as though the business combination(s) that occurred during the current year had occurred as of the beginning of the comparable prior annual reporting period only. The amendments also expand the supplemental pro forma disclosures under Topic 805 to include a description of the nature and amount of material, nonrecurring pro forma adjustments directly attributable to the business combination included in the reported pro forma revenue and earnings. The amendments in this Update are effective prospectively for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2010. Early adoption is permitted. This ASU is not expected to have a significant impact on the Company s financial statements.

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Several other new accounting standards became effective during the periods presented or will be effective subsequent to December 31, 2009. None of these new standards had or is expected to have a significant impact on the Company s consolidated financial statements.

Summary Financial Results

MVB earned $2.2 million in 2010 compared to $1.4 million in 2009, an increase of $831,000. The earnings equated to a 2010 return on average assets of .57% and a return on average equity of 7.98%, compared to prior year results of .45% and 5.26%, respectively. Basic earnings per share were $1.40 in 2010 compared to $.88 in 2009. Diluted earnings per share were $1.38 in 2010 compared to $.86 in 2009. The most significant factor in the increase in 2010 profitability was a 2.0 million increase in net interest income. This increase was largely the result of the following: continuing to deploy excess capital by investing in bank certificates of deposit funded by wholesale deposits to earn a spread of around 1%, which resulted in additional income of $351,000; a reduction in net interest expense of $63,000 despite deposit growth of $35.9 million, the result of a decrease in interest rates on interest-bearing liabilities; the increase in net interest and fees on loans of $1.6 million which was the result of loan growth of $61.2 million in 2010 and an increase in interest on investment securities of $230,000, the result of the investment portfolio increasing by $25.4 million in 2010. Other income increased $264,000, the result of the following: a $109,000 increase in other operating income which was driven by a $61,000 gain on OREO sale and a $45,000 increase in mortgage loan underwriting income; an $88,000 increase in gain on sale of investment securities sold and a $74,000 increase in debit card income, the result of increased debit card activity relating to MVChecking. Another major increase in net income from 2009 was the reduction in investment impairment losses of $186,000. On the expense side salaries and employee benefits saw the largest increase in 2010, an increase of $555,000 from 2009, the result of the addition of four new commercial lenders, correspondent lending, the first employee incentive payout under MVB s revised plan which paid a bonus of 2.5% of each eligible employees salary at year end based upon net income, deposit and loan goals achieved, and normal annual salary adjustments for existing staff. The next largest area of increase in expenses in 2010 was consulting expense which increased $136,000 from 2009, the result of additional use of the BankVue MVChecking product along with the addition of the use of outside consultants in the areas of strategic planning and interest rate risk analysis. FDIC insurance increased by $79,000, the result of deposit growth and Visa debit card expense increased $57,000 the result of expanded usage through the MVChecking product.

MVB s yield on earning assets in 2010 was 4.42% compared to 5.07% in 2009. This decrease in yield is attributable to the following: a 25 basis point decline in the yield on loans, a 164 basis point decline in the investment portfolio yield and a 51 basis point decline on other bank certificates of deposit. Despite extensive competition, total loans increased to $294.0 million at December 31, 2010, from $232.8 million at December 31, 2009. The Bank s ability to originate quality loans is supported by a minimal delinquency rate. The decrease in yield on the investment portfolio is attributable to increasing the portfolio s size by $33.6 million or 110% from 2009, all of which was done at rates significantly lower than the existing portfolio.

Deposits increased $35.9 million to $300.4 million at December 31, 2010, from $264.5 million at December 31, 2009, due to the following: $24 million in growth from public funds deposits in Harrison and Berkeley counties, $11 million in additional broker buster money, $4.1 million in non interest-bearing deposit growth, $3.8 million in MVChecking and $3.6 million in savings account balances, $2.6 million of which is our newest product, MVSavings. Certificate of deposit balances declined by $7.6 million and brokered money decreased by $10.7 million, the result of the decrease in the CD arbitrage built during 2008 and 2009. MVB offers an uncomplicated product design accompanied by a simple fee structure that is attractive to customers. The overall cost of funds for the bank was 1.66% in 2010 compared to 2.14% in 2009. This cost of funds, combined with the earning asset yield, resulted in a net interest margin of 2.94% in 2010 compared to 3.11% in 2009.

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The Bank maintained a high-quality, short-term investment portfolio during 2009 to provide liquidity in the balance sheet, to fund loan growth, for repurchase agreements and to provide security for state and municipal deposits.

Interest Income and Expense

Net interest income is the amount by which interest income on earning assets exceeds interest expense incurred on interest-bearing liabilities. Interest-earning assets include loans, investment securities and certificates of deposit in other banks. Interest-bearing liabilities include interest-bearing deposits and borrowed funds such as sweep accounts and repurchase agreements. Net interest income remains the primary source of revenue for MVB. Net interest income is also impacted by changes in market interest rates, as well as the mix of interest-earning assets and interest-bearing liabilities. Net interest income is also impacted favorably by increases in non-interest bearing demand deposits and equity.

Net interest margin is calculated by dividing net interest income by average interest-earning assets and serves as a measurement of the net revenue stream generated by MVB s balance sheet. As noted above, the net interest margin was 2.94% in 2010 compared to 3.11% in 2009. The net interest margin continues to face considerable pressure due to competitive pricing of loans and deposits in MVB s markets. During 2010, the Federal Reserve did not change rates. Management s estimate of the impact of future changes in market interest rates is shown in the section captioned Interest Rate Risk.

Management continues to analyze methods to deploy MVB s assets into an earning asset mix which will result in a stronger net interest margin. Loan growth continues to be strong and management anticipates that loan activity will remain strong in the near term future.

During 2010, net interest income increased by $2.0 million or 22.9% to $10.8 million from $8.8 million in 2009. This increase is largely due to the growth in average earning assets, primarily $61.2 million in loans and $25.4 million in investments. Average total earning assets were $368.1 million in 2010 compared to $282.7 million in 2009. Average total loans grew to $261.1 million in 2010 from $219.4 million in 2009. Primarily as a result of this growth, total interest income increased by $2.0 million, or 13.6%, to $16.3 million in 2010 from $14.3 million in 2009. Average interest-bearing liabilities, mainly deposits, likewise increased in 2010 by $70.9 million. Average interest-bearing deposits grew to $263.6 million in 2010 from $209.3 million in 2009. Total interest expense decreased by $63,000 despite the $70.9 million in average interest bearing liabilities growth. This decrease in interest expense was the result of a 48 basis point decrease in interest cost from 2009 to 2010.

MVB s yield on earning assets changed during 2010 as follows: The loan portfolio yield decreased by 25 basis points and MVB s investment portfolio yield decreased by 164 basis points while funding yields decreased by 48 basis points.

The cost of interest-bearing liabilities decreased to 1.66% in 2010 from 2.14% in 2009. This decrease is primarily the result of reduced cost of funds as follows: Certificates of deposit costs decreased 63 basis points, IRA costs decreased 67 basis points, MMDA costs decreased 15 basis points and NOW accounts costs decreased 13 basis points.

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Statistical Financial Information Regarding MVB Financial Corp.

The following tables provide further information about MVB s interest income and expense:

Average Balances and Analysis of Net Interest Income:

(Dollars in thousands)	2010 Average Balance	2010 Interest Income/ Expense	2010 Yield/ Cost	2009 Average Balance	2009 Interest Income/ Expense	2009 Yield/ Cost
Interest-bearing deposits in banks	$ 10,501	$ 19	0.18 %	$ 2,784	$ 14	0.50 %
CDs with other banks	35,061	568	1.62	32,189	685	2.13
Investment securities	64,104	1,677	2.62	30,456	1,298	4.26
Loans						
Commercial	159,887	8,518	5.33	141,275	7,723	5.47
Tax exempt	13,000	555	4.27	11,497	496	4.31
Real estate	73,862	3,994	5.41	52,838	3,126	5.92
Consumer	14,367	956	6.65	13,746	995	7.24
Allowance for loan losses	(2,647)			(2,088)		
Net loans	258,469	14,023	5.43	217,268	12,340	5.68
Total earning assets	368,135	16,287	4.42	282,697	14,337	5.07
Cash and due from banks	2,271			8,254		
Other assets	19,944			19,236		
Total assets	$ 390,350			$ 310,187		
Liabilities						
Deposits:						
Non-interest bearing demand	$ 30,295	$		$ 22,764	$	
NOW	90,801	1,172	1.29	40,308	572	1.42
Money market checking	32,215	310	0.96	28,862	319	1.11
Savings	8,160	11	0.13	7,190	7	0.10
IRAs	10,816	337	3.12	8,805	334	3.79
CDs	121,626	2,571	2.11	124,094	3,398	2.74
Repurchase agreements and federal funds						
Sold	44,238	474	1.07	27,800	262	0.94
Federal Home Loan Bank borrowings	17,445	513	2.94	17,387	532	3.06
Long-term debt	4,124	82	1.99	4,124	109	2.64
Total interest-bearing liabilities	329,425	5,470	1.66	258,570	5,533	2.14
Other liabilities	2,593			2,107		
Total liabilities	362,313			283,441		
Stockholders equity						
Common stock	1,633			1,624		
Paid-in capital	20,457			20,392		
Treasury stock	(745)			(505)		
Retained earnings	6,848			5,540		
Accumulated other comprehensive income	(156)			(305)		

Total stockholders equity	28,037			26,746		
Total liabilities and stockholders equity	$ 390,350			$ 310,187		
Net interest spread			2.76			2.93
Impact of non-interest bearing funds on margin			0.17			0.18
Net interest income-margin		$ 10,817	2.94 %		$ 8,804	3.11 %

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Provision for Loan Losses

MVB s provision for loan losses for 2010 and 2009 were approximately $1.1 million and $785,000, respectively. This increase principally relates to the increase in loans outstanding.

Determining the appropriate level of the Allowance for Loan Losses (ALL) requires considerable management judgment. In exercising this judgment, management considers numerous internal and external factors including, but not limited to, portfolio growth, national and local economic conditions, trends in the markets served and guidance from the Bank s primary regulators. Management seeks to maintain an ALL that is appropriate in the circumstances and that complies with applicable accounting and regulatory standards. Further discussion can be found later in this discussion under Allowance for Loan Losses.

Non-Interest Income

Fees related to deposit accounts and cash management accounts and income on loans held for sale represent the significant portion of the Bank s primary non-interest income. The total of non-interest income for 2010 was $2.5 million versus $2.2 million in 2009.

The most significant increase in non-interest income from 2010 to 2009 was $109,000 in other operating income. This increase is primarily the result of increased Visa debit card income of $74,000 and $64,000 in gains on the sale of other real estate owned. Additionally MVB recognized $88,000 in gains on sale of investment securities during 2010.

The Bank is constantly searching for new non-interest income opportunities that enhance income and provide customer benefits.

Non-Interest Expense

Non-interest Expense was $9.1 million in 2010 versus $8.3 million in 2009. Approximately 52% and 51% of non-interest expense for 2010 and 2009, respectively, related to personnel costs. Personnel are the lifeblood of every service organization, which is why personnel cost, is such a significant part of the expenditure mix. Salaries and benefits increased by $555,000 in 2010, the result of the addition of four new commercial lenders, a correspondent mortgage lending program and increases for existing staff.

In the second quarter of 2009, Silverton Bank, N.A., a correspondent bank in which MVB held stock failed. This resulted in an $186,000 pretax loss to MVB in 2009.

Data processing expense declined by $139,000 during 2010, the result of the renegotiation of MVB s data processing contract.

Consulting expense increased by $136,000 in 2010. This increase related to the implementation of a new interest rate risk consulting relationship, the increased usage of consultants in the area of strategic planning and the continued development of our MVChecking and MVSavings products through BankVue.

FDIC insurance premiums increased by $79,000, the result of continued significant deposit growth.

Visa debit card expense increased by $57,000, the result of increased card usage through the MVChecking product which increased income by $74,000.

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2009 compared to 2008

Net interest income increased by $1.1 million when comparing 2009 with 2008 results. This increase is largely due to growth in average earning assets, primarily loans, of $30.3 million in 2009. Average interest-bearing liabilities, mainly deposits, increased by $68.7 million in 2009. This increase was due mainly to the addition of two new products, the broker buster account designed to take back money lost to brokerage firms and MVChecking, a higher rate checking account designed to reward customer behaviors that increase the bank s revenue stream.

A large portion of non-interest income is comprised of fees related to deposit accounts and cash management accounts. Non-interest income was $2.2 million in 2009 compared to $1.8 million in 2008. This increase was due primarily to increased focus on secondary market loans, along with continued increases in service charges on deposit accounts, Visa debit card income, title insurance income, investment commissions and Visa credit card income.

Non-interest expense reached $8.3 million in 2009 compared to $7.8 million in 2008. This increase was the result of the following: $336,000 increase in FDIC insurance costs, $255,000 in increased other operating expenses, $219,000 in increased salaries expense and $74,000 in increased advertising expense.

Income Taxes

MVB incurred income tax expense of $795,000 in 2010 and $454,000 in 2009.

The effective tax rate was 26% in 2010 and 24% 2009.

Return on Assets

MVB s return on average assets was .57% in 2010, .45% in 2009 and .35% in 2008. The increased return in 2010 is a direct result of the following: an increase in interest income of $2.0 million, $186,000 reduction in investment impairment losses and $139,000 reduction in data processing expense.

Return on Equity

MVB s return on average stockholders equity (ROE) was 7.98% in 2010, compared to 5.26% in 2009 and 3.22% in 2008. The increased return in 2010 is a direct result of the following: an increase in interest income of $2.0 million, $186,000 reduction in investment impairment losses and $139,000 reduction in data processing expense.

Overview of the Statement of Condition

The MVB balance sheet changed significantly from 2009 to 2010. Certificates of deposit with banks decreased $31.7 million. Loans increased by $61.2 million to $294.0 million at December 31, 2010. Investments increased by 25.4 million, deposits increased by $35.9 million, repurchase agreements increased by $12.0 million, FHLB borrowings increased by $9.4 million and stockholders equity increased by $3.6 million.

Cash and Cash Equivalents

MVB s cash and cash equivalents totaled $3.7 million at December 31, 2010, compared to $2.3 million at December 31, 2009.

Management believes the current balance of cash and cash equivalents adequately serves MVB s liquidity and performance needs. Total cash and cash equivalents fluctuate on a daily basis due to transactions in process and other liquidity 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 $69.3 million at December 31, 2010, compared to $43.9 million at December 31, 2009. This $25.4 million increase is mainly the result of the acquisition of public fund deposits that require collateralization.

MVB s investment securities are primarily classified as available-for-sale. Management believes the available-for-sale classification provides flexibility for MVB in terms of managing the portfolio for liquidity, yield enhancement and interest rate risk management opportunities. At December 31, 2010, the amortized cost of MVB s investment securities totaled $68.6 million, resulting in unrealized gain in the investment portfolio of $662,000.

Management monitors the earnings performance and liquidity of the investment portfolio on a regular basis through Asset and Liability Committee (ALCO) meetings. The ALCO also monitors net interest income and manages interest rate risk for MVB. Through active balance sheet management and analysis of the investment securities portfolio, MVB 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.

The Company evaluated its holding of Federal Home Loan Bank of Pittsburgh (FHLB) stock for impairment and deemed the stock to not be impaired due to the expected recoverability of the par value, which equals the value reflected within the Company s financial statements. The decision was based on several items ranging from the estimated true economic losses embedded within the FHLB s mortgage portfolio to the FHLB s liquidity position and credit rating. The Company utilizes the impairment framework outlined in paragraph 8(i) of SOP 01-06 and paragraphs 12.21 12.25 of the AICPA Audit Guide for Depository and Lending Institutions to evaluate FHLB stock for impairment. The following factors were evaluated to determine the ultimate recoverability of the par value of the FHLB stock holding.

a. The significance of the decline in net assets of the FHLB as compared to the capital stock amount for the FHLB and the length of time this situation has persisted.

The suspension of stock redemptions and dividend payments will provide the FHLB with the means to build capital. This will reduce the likelihood that any owner of FHLB stock will ultimately incur a loss in the future. In addition, the FHLB s historical ability and commitment to holding investments until maturity is projected to reduce the unrealized loss within the mortgage portfolio from $13.5 billion to an estimated embedded economic loss of less than $1 billion, which will further enhance capital and the ultimate recoverability of the par value of stock.

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b. Commitments by the FHLB to make payments required by law or regulation and the level of such payments in relation to the operating performance of the FHLB.

The Company is not aware of any significant/unusual commitments made by the FHLB that would impact future financial performance, dividend rates, or the ultimate recoverability of the stock holding at par value.

c. The impact of legislative and regulatory changes on the institutions and, accordingly, on the customer base of the FHLB.

The level of government support received by the FHLB ensures its ability to meet its obligations and therefore provide for the ultimate recoverability of the stock at par value. The level of government support includes access to the U.S. Government-Sponsored Enterprise Credit Facility as a liquidity backstop, which will allow the FHLB to continue serving its customer base. The Company believes that the level of government support provides further evidence as to the recoverability of the stock holding at par value.

d. The liquidity position of the FHLB.

The FHLB maintains contingency liquidity in accordance with Finance Agency and Board of Director policy in addition to access to the U.S. Government-Sponsored Enterprise Credit Facility. Contingency liquidity includes: marketable assets with a maturity of one year or less, self-liquidating assets with a maturity of one year or less, collateral generally accepted in the repurchase market, and lines of credit with financial institutions receiving no less than the second highest credit rating from a nationally recognized rating organization. The level of liquidity will ensure the FHLB continues to service its customers and serves as the base for the ultimate recoverability of the stock holding at par value.

e. Whether a decline is temporary or whether it affects the ultimate recoverability of the FHLB stock based on (a) the materiality of the carrying amount to the member institution and (b) whether an assessment of the institution s operational needs for the foreseeable future allow management to dispose of the stock.

The Company does not deem the holding of FHLB stock to be material in terms of financial performance or liquidity position. The Company does not rely on the payment of dividends from the FHLB as a source of income, but rather the Company considers the stock part of conducting business. While the FHLB is utilized as a source of funding, the Company has other avenues to obtain funding ranging from customer deposits, other financial institutions, CDARS deposits, brokered money and other wholesale sources. The Company s current liquidity plan does not contemplate any cash generated from the sale of its FHLB capital stock. The ability to reduce FHLB funding reliance through other sources illustrates that the importance of liquidating FHLB stock is not essential to the overall liquidity position of the Company.

Late in 2010 the FHLB redeemed capital stock held by MVB in the amount of $96,000, as their earnings improved and they liquidated some of their private label mortgage back portfolio.

Loans

MVB s lending is primarily focused in Marion, Harrison, Berkeley and Jefferson County, West Virginia with a secondary focus on the adjacent counties in West Virginia. The portfolio consists principally of commercial lending, retail lending, which includes single-family residential mortgages and consumer lending. Loans totaled $294.0 million as of December 31, 2010, compared to $232.8 million at December 31, 2009.

During 2010, MVB experienced loan growth of $61.2 million, $41.9 million in Harrison County, $15.8 million in Jefferson and Berkeley counties combined and $3.5 million in Marion County. The most significant portion of the growth came in the residential real estate and commercial and non-residential real estate area. Residential real estate loans grew $18.5 million and commercial and non-residential real estate loans grew approximately $42.1 million.

At December 31, 2010, commercial loans represented the largest portion of the portfolio approximating 66.2% of the total loan portfolio. Commercial loans totaled $194.7 million at December 31, 2010, compared to $152.4 million at December 31, 2009. Management will continue to focus on the enhancement and growth of the commercial loan portfolio while maintaining appropriate underwriting standards and risk/price balance.

Residential real estate loans to MVB s retail customers (including home equity lines of credit) account for the second largest portion of the loan portfolio, comprising 29.3% of MVB s total loan portfolio. Residential real estate loans totaled $86.0 million at December 31, 2010, compared to $67.5 million at December 31, 2009. Included in residential real estate loans are home equity credit lines totaling $14.3 million at December 31, 2010, compared to $14.6 million at December 31, 2009. Management believes the home equity loans are competitive products with an acceptable return on investment after risk considerations. Residential real estate lending continues to represent a primary focus of MVB s lending due to the lower risk factors associated with this type of loan and the opportunity to provide service to those in the Marion, Harrison, Berkeley and Jefferson County markets. Consumer lending continues to be a part of MVB s core lending. At December 31, 2010, consumer loan balances totaled $13.3 million compared to $12.9 million at December 31, 2009. The majority of MVB s consumer loans are in the direct lending area. Management is pleased with the performance and quality of the consumer loan portfolio, which can be attributed to the many years of experience of its consumer lenders. This is another important product necessary to serve MVB s market areas.

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The following table provides additional information about MVB s loans:

Loan maturities at December 31, 2010:

(Dollars in Thousands)	One Year or Less	One Thru Five Years	Due After Five Years	Total
Commercial and nonresidential real estate	$ 48,026	$ 55,841	$ 90,833	$ 194,700
Residential real estate	8,634	14,360	63,026	86,020
Consumer and other	3,695	7,201	2,428	13,324
Total	$ 60,355	$ 77,402	$ 156,287	$ 294,044

The preceding data has been compiled based upon the earlier of either contractual maturity or next repricing date

Loan Portfolio Analysis:

(Dollars in Thousands)	2010	2009
Year-end balances:		
Commercial, financial and agricultural	194,700	152,426
Real estate	86,020	67,507
Consumer	13,324	12,914
Total	294,044	232,847

Loan Concentration

At December 31, 2010, commercial loans comprised the largest component of the loan portfolio. There are very few commercial loans that are not secured by real estate. Such non-real estate secured loans generally 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 risk in the loan portfolio through review of the monthly delinquency reports and the Loan Review Committee. The Loan Review Committee 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. Specific loss estimates are derived for individual loans based on specific criteria such as current delinquent 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 has been a valuable indication of a potential problem.

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The result of the evaluation of the adequacy at each period presented herein indicated that the allowance for loan losses was considered adequate to absorb losses inherent in the loan portfolio.

At December 31, 2010 and 2009 MVB had impaired loans totaling $856,000 and $461,000 respectively. Included in these totals were non-accrual loans totaling $519,000 and $0 respectively. A portion of the Allowance for Loan Losses was allocated to cover any loss in these loans. Loans past due more than 30 days were $2.6 million and $2.2 million, respectively, at December 31, 2010 and 2009.

	December 31	
	2010	**2009**
Loans past due more than 30 days to gross loans	0.89%	0.95%
Loans past due more than 90 days to gross loans	0.19%	0.42%

MVB incurred net charge-offs of $863,000 in 2010 and $404,000 in 2009. MVB s provision for loan losses was $1.1 million in 2010 and $785,000 in 2009. Net charge-offs represented .33% and .18% in 2010 and 2009, respectively, compared to average outstanding loans for the indicated period.

	2010	2009
Balance, January 1	$ 2,241	$ 1,860
Provision	1,100	785
Charge-offs	912	453
Recoveries	(49)	(49)
Less: Net charge-offs	863	404
Balance, December 31	$ 2,478	$ 2,241

The following table reflects the allocation of the allowance for loan losses as of December 31:

(Dollars in Thousands)	2010	2009
Allocation of allowance for loan losses at December 31:		
Commercial	$ 1,517	$ 2,107
Real estate	667	51
Consumer	294	83
Total	$ 2,478	$ 2,241
Percent of loans to total loans at December 31:		
Commercial	66%	66%
Real estate	29	29
Consumer	5	5
Total	100%	100%

Non-performing assets consist of loans that are no longer accruing interest, loans that have been renegotiated to below market rates based upon financial difficulties of the borrower, and real estate acquired through foreclosure. When interest accruals are suspended, accrued interest income is reversed with current year accruals charged to earnings and prior year amounts generally charged off as a credit loss. When, in management s judgment, the borrower s ability to make periodic interest and principal payments resumes and collectability is no longer in doubt, the loan is returned to accrual status.

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Non-performing assets and past due loans:

(Dollars in Thousands)	2010	2009
Non-accrual loans		
Commercial	$ 828	$
Real estate	1,243	
Consumer	158	
Total non-accrual loans	2,229	
Renegotiated loans		
Total non-performing loans	2,229	
Other real estate, net	402	1,171
Total non-performing assets	$ 2,631	$ 1,171
Accruing loans past due 90 days or more	562	979
Non-performing loans as a % of total loans	0.76%	
Allowance for loan losses as a % of non-performing loans	111.17%	

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 MVB, totaling $300.4 million, or 79.8% of MVB s funding sources at December 31, 2010. This same information at December 31, 2009 reflected $264.5 million in deposits representing 82.8% of such funding sources. Cash management accounts, which are available to large corporate customers, represented 12.6% and 11.2% of MVB s funding sources at December 31, 2010 and 2009, respectively. Borrowings from the Federal Home Loan Bank of Pittsburgh for specific purposes represented the remainder of such funding sources.

Management continues to emphasize the development of additional non-interest-bearing deposits as a core funding source for MVB. At December 31, 2010, non-interest-bearing balances totaled $28.4 million compared to $23.5 million at December 31, 2009 or 9.5% and 8.9% of total deposits respectively.

Interest-bearing deposits totaled $272.0 million at December 31, 2010, compared to $241.0 million at December 31, 2009. On a percentage basis, Certificates of Deposits compose the largest component of MVB s deposits. Average interest-bearing liabilities totaled $329.4 million during 2010 compared to $258.6 million during 2009. Average non-interest bearing liabilities totaled $32.9 million during 2010 compared to $24.9 million during 2009. Management will continue to emphasize deposit gathering in 2011 by offering outstanding customer service and competitively priced products.

Maturities of Certificates of Deposit $100,000 or more:

(Dollars in Thousands)	2010
Under 3 months	$ 17,574
Over 3-6 months	10,368
Over 6 to 12 months	12,674
Over 12 months	18,045
Total	$ 58,661

There are no other time deposits of $100,000 or more.

Federal Home Loan Bank borrowings and repurchase agreements:

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(Dollars in Thousands)	2010	2009
Ending balance	$ 76,237	$ 54,839
Average balance	65,807	45,187
Highest month-end balance	80,361	63,309
Interest expense	987	795
Weighted average interest rate:		
End of Year	1.34%	1.53%
During the Year	1.62%	1.76%

Along with traditional deposits, MVB has access to both overnight repurchase agreements and Federal Home Loan Bank borrowings to fund its operations and investments. MVB s repurchase agreements totaled $47.6 million at December 31, 2010, compared to $35.6 million in 2009. Federal Home Loan Bank borrowings totaled $28.6 million at December 31, 2010, compared to $19.2 million at year-end 2009.

Capital/Stockholders Equity

During the year ended December 31, 2010, stockholders equity increased approximately $3.6 million to $30.8 million. This increase consists of MVB s net income for the year of $2.2 million, along with a capital raise of $8.3 million to accredited investors during December 2010 and January 2011, $1.7 million of which had been received as of year end. MVB paid dividends of $160,000 in 2010 and $160,000 in 2009.

At December 31, 2010, accumulated other comprehensive income (loss) totaled ($263,000), a decrease in the loss of $80,000 from December 31, 2009. This principally represents net unrealized loss on available-for-sale securities, net of income taxes, and the adjustment to pension liability, net of income taxes, at December 31, 2010. Because the vast majority of all the investment securities in MVB s portfolio are classified as available-for-sale, both the investment and equity sections of MVB s balance sheet are more sensitive to the changing market values of investments than those institutions that classify more of their investment portfolio as held to maturity . Interest rate fluctuations between year-end 2010 and 2009 resulted in the change in market value of the portfolio.

MVB has also complied with the standards of capital adequacy mandated by the banking industry. 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 either 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 Audited Financial Statements. At December 31, 2010, MVB s risk-based capital ratios were above the minimum standards for a well-capitalized institution. MVB s risk-based capital ratio of 13.3% at December 31, 2010, is above the well-capitalized standard of 10%. MVB s Tier 1 capital ratio of 12.4% also exceeded the well-capitalized minimum of 6%. The leverage ratio at December 31, 2010, was 8.2% and was also above the well-capitalized standard of 5%. Management believes MVB s capital continues to provide a strong base for profitable growth.

Liquidity and Interest Rate Sensitivity

The objective of MVB s asset/liability management function is to maintain consistent growth in net interest income within its policy guidelines. This objective is accomplished through management of MVB s balance sheet liquidity and interest rate risk exposure based on changes in economic conditions, interest rate levels, and customer preferences.

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Interest Rate Risk

The most significant market risk resulting from MVB s normal course of business, extending loans and accepting deposits, is interest rate risk. Interest rate risk is the potential for economic loss due to future interest rate changes which can impact both the earnings stream as well as market values of financial assets and liabilities. MVB s Asset/ Liability Committee (ALCO) is responsible for the overall review and management of the Bank s balance sheets related to the management of interest rate risk. The ALCO strives to keep MVB focused on the future, anticipating and exploring alternatives, rather than simply reacting to change after the fact.

To this end, the ALCO has established an interest risk management policy that sets the minimum requirements and guidelines for monitoring and controlling the level and amount of interest rate risk. The objective of the interest rate risk policy is to encourage management to adhere to sound fundamentals of banking while allowing sufficient flexibility to exercise the creativity and innovations necessary to meet the challenges of changing markets. The ultimate goal of these policies is to optimize net interest income within the constraints of prudent capital adequacy, liquidity, and safety.

The ALCO relies on different methods of assessing interest rate risk including simulating net interest income, monitoring the sensitivity of the net present market value of equity or economic value of equity, and monitoring the difference or gap between maturing or rate-sensitive assets and liabilities over various time periods. The ALCO places emphasis on simulation modeling as the most beneficial measurement of interest rate risk due to its dynamic measure. By employing a simulation process that measures the impact of potential changes in interest rates and balance sheet structures, and by establishing limits on changes in net income and net market value, the ALCO is better able to evaluate the possible risks associated with alternative strategies.

The simulation process starts with a base case simulation which represents projections of current balance sheet growth trends. Base case simulation results are prepared under a flat interest rate forecast and what is perceived to be the most likely alternative interest rate forecast. Comparisons showing the earnings variance from the flat rate forecast illustrate the risks associated with the current balance sheet strategy. If necessary, additional balance sheet strategies are developed and simulations prepared. The results from model simulations are reviewed for indications of whether current interest rate risk strategies are accomplishing their goal and, if not, what alternative strategies should be considered. The policy calls for periodic review by the ALCO of assumptions used in the modeling.

The ALCO believes that it is beneficial to monitor interest rate risk for both the short-and long-term. Therefore, to effectively evaluate results from model simulations, limits on changes in net interest income and the value of the balance sheet have been established. The ALCO has determined that the earnings at risk of the Bank shall not change more than 10 % from the base case for a 1% shift in interest rates, nor more than 15 % from the base case for a 2% shift in interest rates. MVB is in compliance with this policy as of December 31, 2010.

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The following table is provided to show the earnings at risk of MVB as of December 31, 2010.

(Dollars in Thousands) Immediate Interest Rate Change (one year time frame) (in Basis Points)	Estimated Increase (Decrease) in Net Interest Income December 31, 2010	
	Amount	Percent
+200	$ 13,790	-0.1%
+100	13,787	-0.1%
Base rate	13,789	
-100	13,693	-0.70%
-200	$ 13,617	-1.25%

Liquidity

Maintenance of a sufficient level of liquidity is a primary objective of the ALCO. Liquidity, as defined by the ALCO, is the ability to meet anticipated operating cash needs, loan demand, and deposit withdrawals, without incurring a sustained negative impact on net interest income. It is MVB s policy to manage liquidity so that there is no need to make unplanned sales of assets or to borrow funds under emergency conditions.

The main source of liquidity for MVB comes through deposit growth. Liquidity is also provided from cash generated from investment maturities, principal payments from loans, and income from loans and investment securities. During the year ended December 31, 2010, cash provided by financing activities totaled $58.6 million, while outflows from investing activity totaled $62.2 million. When appropriate, MVB has the ability to take advantage of external sources of funds such as advances from the Federal Home Loan Bank (FHLB), national market certificate of deposit issuance programs, the Federal Reserve discount window, brokered deposits and CDARS. These external sources often provide attractive interest rates and flexible maturity dates that enable MVB to match funding with contractual maturity dates of assets. Securities in the investment portfolio are primarily classified as available-for-sale and can be utilized as an additional source of liquidity.

Off-Balance Sheet Commitments

MVB has entered into certain agreements that represent off-balance sheet arrangements that could have a significant impact on MVB s financial statements and could have a significant impact in future periods. Specifically, MVB has entered into agreements to extend credit or provide conditional payments pursuant to standby and commercial letters of credit. Further discussion of these agreements, including the amounts outstanding at December 31, 2010, is included in Note 7 to the financial statements.

Commitments to extend credit, including loan commitments, standby letters of credit, and commercial letters of credit do not necessarily represent future cash requirements, in that these commitments often expire without being drawn upon.

Fourth Quarter

MVB s fourth quarter net income was $682,000 in 2010 compared to $256,000 in the fourth quarter of 2009. This equated to basic earnings per share, on a quarterly basis, of $.43 in 2010 and $.16 in 2009. Diluted earnings per share for the fourth quarter of 2010 and 2009 were $.42 and $.15, respectively. Net interest income increased during the fourth quarter and was $3.0 million in the fourth quarter of

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2010 compared to $2.3 million in 2009. Non-interest income was $729,000 in the fourth quarter of 2010 compared to $546,000 in 2009. Non-interest expense increased to $2.6 million for the fourth quarter of 2010 from $2.2 million in 2009. Loan loss provision was $340,000 for the fourth quarter of 2010, an increase of $29,000 over the fourth quarter of 2009.

Future Outlook

The Bank s net income in 2010 was better than in any prior year, despite the challenges of a continued poor economic climate. MVB believes it is well positioned in some of the finest markets in the state of West Virginia. We believe with continued customer acceptance in our markets and our commitment to customer service, we will continue to capture market share with our emphasis on the highest quality products and technology.

Future plans for the Bank involve the Bank taking advantage of both technology and personal customer contact. The Bank continues to expand delivery channels to better serve both retail and business banking customers. In addition to top of the line technology, the Bank is committed to providing individual and personal banking services. MVB will continue to search for quality banking locations as well as exploring alternative delivery systems.

ITEM 7A.QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

No response required.

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ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

MVB Financial Corp.

Consolidated Balance Sheets

(Dollars in thousands, except number of shares)

December 31, 2010 and 2009

	2010	2009
ASSETS		
Cash and due from banks	$ 3,713	$ 2,321
Interest bearing balances with banks	10,091	3,935
Certificates of deposit with other banks	17,734	49,442
Investment Securities:		
Securities held-to-maturity, at cost	7,460	6,594
Securities available-for-sale, at approximate fair value	61,824	37,292
Loans:	294,044	232,847
Less: Allowance for loan losses	(2,478)	(2,241)
Net Loans	291,566	230,606
Loans held for sale	1,839	1,764
Bank premises, furniture and equipment	7,579	7,757
Accrued interest receivable and other assets	12,461	13,051
TOTAL ASSETS	$ 414,267	$ 352,762
LIABILITIES AND STOCKHOLDERS EQUITY		
Deposits:		
Non-interest bearing	$ 28,449	$ 23,493
Interest bearing	271,985	241,038
Total Deposits	300,434	264,531
Accrued interest, taxes, and other liabilities	2,703	2,130
Repurchase agreements	47,623	35,641
FHLB and other borrowings	28,614	19,198
Long-term debt	4,124	4,124
Total Liabilities	383,498	325,624
STOCKHOLDERS EQUITY		
Preferred stock, par value $1,000; 5,000 shares authorized, none issued		
Common stock, par value $1; 4,000,000 shares authorized; 1,802,391 and 1,629,971 shares issued respectively	1,802	1,629
Additional paid-in capital	23,864	20,457
Common stock paid for but not issued, par value $1; 90,560 shares	1,729	
Treasury Stock, 47,218 and 23,036 shares, respectively	(1,006)	(522)
Retained earnings	4,643	5,917
Accumulated other comprehensive loss	(263)	(343)
Total Stockholders Equity	30,769	27,138

TOTAL LIABILITIES AND STOCKHOLDERS EQUITY	$ 414,267	$ 352,762

See Notes to Consolidated Financial Statements

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MVB Financial Corp.

Consolidated Statements of Income

(Dollars in thousands except Share and Per Share Data)

Years ended December 31, 2010 and 2009

	2010	2009
INTEREST INCOME		
Interest and fees on loans	$ 13,468	$ 11,844
Interest on deposits with other banks	587	699
Interest on investment securities - taxable	1,427	1,197
Interest on tax exempt loans and securities	805	597
Total interest income	16,287	14,337
INTEREST EXPENSE		
Interest on deposits	4,401	4,630
Interest on repurchase agreements	474	262
Interest on FHLB and other borrowings	513	533
Interest on long-term debt	82	108
Total interest expense	5,470	5,533
NET INTEREST INCOME	10,817	8,804
Provision for loan losses	1,100	785
Net interest income after provision for loan losses	9,717	8,019
OTHER INCOME		
Service charges on deposit accounts	658	770
Income on bank owned life insurance	265	178
Visa debit card income	361	287
Income on loans held for sale	634	616
Gain on sale of securities	88	
Other operating income	448	339
	2,454	2,190
OTHER EXPENSES		
Salaries and employee benefits	4,796	4,241
Occupancy expense	590	569
Equipment depreciation and maintenance	472	423
Data processing	392	531
Visa debit card expense	295	238
Advertising	338	309
Legal and accounting fees	167	174
Printing, stationery and supplies	130	98
Consulting fees	211	75
FDIC insurance	523	444
Other taxes	190	177
Other operating expenses	1,035	884
Loss on investment impairment		186

		9,139		8,349
Income before income taxes		3,032		1,860
Income tax expense		795		454
Net Income	$	2,237	$	1,406
Basic net income per share	$	1.40	$	0.88
Diluted net income per share	$	1.38	$	0.86
Basic weighted average shares outstanding		1,598,432		1,601,986
Diluted weighted average shares outstanding		1,625,884		1,628,102

See Notes to Consolidated Financial Statements

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MVB Financial Corp.

Consolidated Statements of Cash Flows

(Dollars in thousands)

Years ended December 31, 2010 and 2009

	2010	2009
OPERATING ACTIVITIES		
Net Income	$ 2,237	$ 1,406
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	1,100	785
Deferred income tax (benefit)	(144)	(39)
Depreciation	447	445
Stock based compensation	46	15
Loans originated for sale	(46,657)	(53,353)
Proceeds of loans sold	46,582	52,704
Proceeds from sale of other real estate owned	866	252
(Gain)/loss on sale of other real estate owned	(61)	27
(Gain) on sale of investment securities	(88)	
Amortization, net of accretion	513	117
Loss on investment impairment		186
(Increase) in interest receivable and other assets	(409)	(3,029)
Increase in accrued interest, taxes, and other liabilities	573	295
NET CASH PROVIDED BY/(USED IN) OPERATING ACTIVITIES	5,005	(189)
INVESTING ACTIVITIES		
(Increase) in loans made to customers	(62,060)	(29,600)
Purchases of premises and equipment	(269)	(142)
Purchases of investment securities available-for-sale	(69,602)	(32,542)
Purchases of investment securities held-to-maturity	(1,359)	(4,899)
(Increase) in deposits with FHLB and Fed, net	(6,156)	(3,895)
Purchases of certificates of deposit with other banks	(16,321)	(61,489)
Proceeds from maturity of certificates of deposit with other banks	48,029	19,047
Proceeds from sales, maturities and calls of securities available-for-sale	45,082	12,851
Proceeds from maturities and calls of securities held-to-maturity	474	7,101
Purchase of bank owned life insurance		(1,000)
NET CASH (USED IN) INVESTING ACTIVITIES	(62,182)	(94,568)
FINANCING ACTIVITIES		
Net increase in deposits	35,903	91,466
Net increase in repurchase agreements	11,982	13,737
Proceeds from FHLB and other borrowings	205,716	9,000
Principal payments on FHLB and other borrowings	(196,300)	(21,744)
Purchase of treasury stock	(484)	(223)
Net proceeds of stock offering	1,729	
Cash dividend	(160)	(160)
Common stock options exercised	183	292
NET CASH PROVIDED BY FINANCING ACTIVITIES	58,569	92,368

Increase/(decrease) in cash and cash equivalents	1,392	(2,389)
Cash and cash equivalents at beginning of period	2,321	4,710
Cash and cash equivalents at end of period	$ 3,713	$ 2,321
Supplemental disclosure of cash flow information		
Cash payments for:		
Interest on deposits, repurchase agreements and FHLB borrowings	$ 5,623	$ 5,488
Income taxes	$ 811	$ 607

See Notes to Consolidated Financial Statements

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MVB Financial Corp.

Consolidated Statements of Changes in Stockholders Equity

Years ended December 31, 2010 and 2009

(Dollars in thousands)

	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income/(loss)	Treasury Stock	Total Stockholders Equity
Balance, December 31, 2008	$ 1,604	$ 20,175	$ 4,671	$ (315)	$ (299)	$ 25,836
Comprehensive income:						
Net Income			1,406			1,406
Other comprehensive income(loss)						
Net fair value adjustment on securities available for sale, less reclassification adjustment for realized losses - net of tax effect of $(31)				(46)		(46)
Total Comprehensive Income						1,360
Minimum pension liability adjustment - net of tax effect				18		18
Cash dividends paid ($0.10 per share)			(160)			(160)
Stock based compensation		15				15
Treasury stock, acquired at cost					(223)	(223)
Common stock options execised	25	267				292
Balance, December 31, 2009	$ 1,629	$ 20,457	$ 5,917	$ (343)	$ (522)	$ 27,138
Comprehensive income:						
Net Income			2,237			2,237
Other comprehensive income(loss)						
Net fair value adjustment on securities available for sale, less reclassification adjustment for realized gains - net of tax effect of $(167)				251		251
Total Comprehensive Income						2,488
Minimum pension liability adjustment - net of tax effect				(171)		(171)
Cash dividends paid ($0.10 per share)			(160)			(160)
Stock offering in process		1,729				1,729
Stock based compensation		46				46
Stock dividend - 10% stock dividend	160	3,191	(3,351)			
Treasury stock, acquired at cost					(484)	(484)
Common stock options exercised	13	170				183
Balance, December 31, 2010	$ 1,802	$ 25,593	$ 4,643	$ (263)	$ (1,006)	$ 30,769

See Notes to Consolidated Financial Statements

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NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Operations

MVB Financial Corp., the Company , provides banking services to the domestic market with the primary market areas being the Marion, Harrison, Jefferson and Berkeley counties of West Virginia. To a large extent, the operations of the Company, such as loan portfolio management and deposit growth, are directly affected by the market area economies.

Cash and Cash Equivalents

Cash and cash equivalents include cash and due from banks with original maturities of ninety days or less.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of MVB Financial Corp. Inc., and its wholly owned subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation.

Management Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. 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 these estimates.

Investment Securities

Debt securities that management has the ability and intent to hold to maturity are classified as held-to-maturity and carried at cost, adjusted for amortization of premium and accretion of discounts computed by the interest method from purchase date to maturity. Other marketable securities are classified as available-for-sale and are carried at fair value. Unrealized gains and losses on securities available-for-sale, net of the deferred income tax effect, are recognized as direct increases or decreases in stockholders equity. Cost of securities sold is recognized using the specific identification method.

Loans Held for Sale

Through Crescent Mortgage Company, Franklin American Mortgage and Freddie MAC, MVB Bank, Inc. has the ability to offer customers long-term fixed rate mortgage products without holding these instruments in the bank s loan portfolio. MVB values loans held for sale at the lower of cost or market. After thorough review of the process the Company has concluded that no material derivative instruments exist, as the bank obtains pricing information directly from the websites of the secondary mortgage providers and locks in pricing based upon pre-established margins set by management.

Loans and Allowance for Loan Losses

Loans are stated at the amount of unpaid principal reduced by an allowance for loan losses. Loans are considered delinquent when scheduled principal or interest payments are 31 days past due. Interest income on loans is recognized on an accrual basis. The allowance for loan losses is maintained at a level deemed adequate to absorb probable losses inherent in the loan portfolio. The Company consistently applies a quarterly loan review process to continually evaluate loans for changes in credit risk. This process serves as the primary means by which the Company evaluates the adequacy of the allowance for loan losses, and is based upon periodic review of the collectability of loans in light of historical experience, the nature and volume of the loan portfolio, adverse situations that may affect the borrower s ability to repay, estimated value of any underlying collateral and prevailing economic conditions. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available.

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The allowance consists of specific and general components. The specific component relates to loans that are impaired. The general component covers non-classified loans and is based upon historical loss experience adjusted for qualitative factors.

A loan is considered impaired when, based upon current information and events, it is probable that the Company will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. Factors considered by management in determining impairment include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and shortages generally are not classified as impaired. Generally the Company considers impaired loans to include loans classified as non-accrual loans and loans past due for longer than 90 days.

Loan Origination Fees and Costs

Accounting standards require that loan origination and commitment fees and direct loan origination costs be deferred and the net amount amortized as an adjustment of the related loan s yield.

Bank Premises, Furniture and Equipment

Bank premises, furniture and equipment are carried at cost less accumulated depreciation. The provision for depreciation is computed for financial reporting by the straight-line-method based on the estimated useful lives of assets, which range from 7 to 40 years on buildings and leasehold improvements and 3 to 10 years on furniture, fixtures and equipment.

Intangible Assets

The excess of the cost of an acquired company over the fair value of the net assets and identified intangibles acquired is recorded as goodwill. The net carrying amount of intangible assets was $927 and $941 at December 31, 2010 and 2009, respectively.

Other Investments

Federal Home Loan Bank (FHLB) stock is recorded at cost and considered to be restricted as the Company is required by the FHLB to hold this investment, and the only market for this stock is the issuing agency. FHLB stock totaled $1,816 and $1,911 at December 31, 2010 and 2009, respectively, and is included in other assets in the accompanying balance sheet.

Income Taxes

Deferred income taxes are reported for timing differences between items of income or expense reported in the financial statements and those reported for income tax purposes. The differences relate principally to accretion of discounts on investment securities, provision for loan losses, minimum pension liability, and differences between book and tax methods of depreciation.

Stock Based Compensation

The Company accounts for stock-based compensation in accordance with generally accepted accounting standards. Under these standards the Company is required to record compensation expense for all awards granted after the date of adoption and for any unvested options previously granted.

Foreclosed Assets Held for Resale

Foreclosed assets held for resale acquired in satisfaction of mortgage obligations and in foreclosure proceedings are recorded at the lower of cost or fair value less estimated selling costs at the time of foreclosure, with any valuation adjustments charged to the allowance for loan losses. Any unrealized gains or losses on sale are then recorded in other non-interest expense. At December 31, 2010 and 2009, the Company held other real estate of $402 and $1,171.

Net Income Per Common Share

Diluted net income per common share includes any dilutive effects of stock options, and is computed by dividing net income by the average number of common shares outstanding during the period, adjusted for the dilutive effect of options under the Company s 2003 Stock Incentive Plan.

Comprehensive Income

Accounting principles generally require that recognized revenue, expenses, gains and losses be included in net income. Although certain changes in assets and liabilities, such as unrealized gains and losses on available-for-sale securities and minimum pension liability, are reported as a separate component of the equity section of the balance sheet, such items, along with net income, are components of comprehensive income.

Endorsement Split-Dollar Life Insurance Arrangements

The Company accounts for certain endorsement split-dollar life insurance arrangements by recognizing both the cash surrender value of the insurance asset as well as the liability for the death benefit provided to the employee.

Reclassifications

Certain amounts in the 2009 financial statements have been reclassified to conform to the 2010 financial statement presentation.

NOTE 2. INVESTMENT SECURITIES

Amortized cost and approximate fair values of investment securities held-to-maturity at December 31, 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	6,460	27	(62)	6,425
U. S. Agency securities	1,000	17		1,017
	$ 7,460	$ 44	$ (62)	$ 7,442

Amortized cost and approximate fair values of investment securities held-to-maturity at December 31, 2009, including gross unrealized gains and losses, are summarized as follows:

	Amortized Cost	Unrealized Gain	Unrealized Loss	Approximate Fair Value
Municipal securities	5,594	16	(59)	5,551
U. S. Agency securities	1,000	59		1,059
	$ 6,594	$ 75	$ (59)	$ 6,610

Amortized cost and approximate fair values of investment securities available-for-sale at December 31, 2010 are summarized as follows:

	Amortized Cost	Unrealized Gain	Unrealized Loss	Approximate Fair Value
U. S. Agency securities	$ 34,903	$ 453	$ (76)	$ 35,280
Mortgage-backed securities	26,135	306	(21)	26,420
Other securities	124			124
	$ 61,162	$ 759	$ (97)	$ 61,824

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Amortized cost and approximate fair values of investment securities available-for-sale at December 31, 2009 are summarized as follows:

	Amortized Cost	Unrealized Gain	Unrealized Loss	Approximate Fair Value
U. S. Agency securities	$ 16,122	$ 196	$ (18)	$ 16,300
Mortgage-backed securities	20,802	111	(45)	20,868
Other securities	124			124
	$ 37,048	$ 307	$ (63)	$ 37,292

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

	December 31, 2010			
	Held to Maturity		Available for sale	
	Amortized Cost	Approximate Fair Value	Amortized Cost	Approximate Fair Value
Within one year	$	$	$	$
After one year, but within five	115	115	29,324	29,515
After five years, but within ten	2,609	2,618	2,852	2,922
After ten Years	4,736	4,709	28,986	29,387
Total	$ 7,460	$ 7,442	$ 61,162	$ 61,824

Investment securities with a carrying value of $66,426 and $24,724 at December 31, 2010 and 2009, respectively, were pledged to secure public funds, repurchase agreements and potential borrowings at the Federal Reserve discount window.

The Company s investment portfolio includes securities that are in an unrealized loss position as of December 31, 2010, the details of which are included in the following table. Although these securities, if sold at December 31, 2010 would result in a pretax loss of $159, 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 December 31, 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.

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The following table discloses investments in an unrealized loss position:

At December 31, 2010, total temporary impairment totaled $159.

Description and number of positions	Less than 12 months Fair Value	Unrealized Loss	12 months or more Fair Value	Unrealized Loss
U.S. Agencies (6)	$ 8,966	$ (76)	$	$
Mortgage-backed securities (6)	8,533	(21)		
Municipal securities (14)	3,782	(62)		
	$ 21,281	$ (159)	$	$

NOTE 3. LOANS

The components of loans in the balance sheet at December 31, were as follows:

(Dollars in thousands)	2010	2009
Commercial and non-residential real estate	$ 194,605	$ 152,463
Residential real estate	86,020	67,507
Consumer and other	13,324	12,914
Net deferred fees and costs	95	(37)
	$ 294,044	$ 232,847

Changes in the allowance for loan losses were as follows for the years ended December 31:

(Dollars in thousands)	2010	2009
Balance at beginning of period	$ 2,241	$ 1,860
Losses charged to allowance	(912)	(453)
Recoveries credited to allowance	49	49
Provision for loan losses	1,100	785
Balance at end of period	$ 2,478	$ 2,241

The following table summarizes the primary segments of the loan portfolio as of December 31, 2010 (in thousands):

	Commercial	Residential	Home Equity	Installment	Credit Cards	Total
December 31, 2010						
Total Loans	$ 194,700	$ 71,686	$ 14,334	$ 12,830	$ 494	$ 294,044
Individually evaluated for impairment	$ 393	$ 197	$ 262	$ 0	$ 4	$ 856
Collectively evaluated for impairment	$ 194,307	$ 71,489	$ 14,072	$ 12,830	$ 490	$ 293,188

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Management evaluates individual loans in all of the commercial segments for possible impairment. Loans are considered to be impaired when, based on current information and events, it is probable that the Corporation will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. Factors considered by management in evaluating impairment include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower s prior payment record, and the amount of the shortfall in relation to the principal and interest owed. The Corporation also separately evaluates individual consumer and residential mortgage loans for impairment.

Once the determination has been made that a loan is impaired, the determination of whether a specific allocation of the allowance is necessary is measured by comparing the recorded investment in the loan to the fair value of the loan using one of three methods: (a) the present value of expected future cash flows discounted at the loan s effective interest rate; (b) the loan s observable market price; or (c) the fair value of the collateral less selling costs. The method is selected on a loan-by-loan basis, with management primarily utilizing the fair value of collateral method. The evaluation of the need and amount of a specific allocation of the allowance and whether a loan can be removed from impairment status is made on a quarterly basis.

The following table presents impaired loans by class, segregated by those for which a specific allowance was required and those for which a specific allowance was not necessary as of December 31, 2010 (in thousands):

	Impaired Loans with Specific Allowance		Impaired Loans with No Specific Allowance	Total Impaired Loans	
	Recorded Investment	Related Allowance	Recorded Investment	Recorded Investment	Unpaid Principal Balance
December 31, 2010					
Commercial	$ 59	$ 20	$ 334	$ 393	$ 393
Residential	165	75	32	197	197
Home Equity	262	99	0	262	262
Installment	0	0	0	0	0
Credit Card	4	4	0	4	4
Total impaired loans	$ 490	$ 198	$ 366	$ 856	$ 856

The following table presents the average recorded investment in impaired loans and related interest income recognized for the periods indicated (in thousands):

	December 2010	2009
Average investment in impaired loans	$ 1,901	$ 2,369
Interest income recognized on an accrual basis on impaired loans	$ 76	$ 95

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Management uses a nine point internal risk rating system to monitor the credit quality of the overall loan portfolio. The first six categories are considered not criticized, and are aggregated as Pass rated. The criticized rating categories utilized by management generally follow bank regulatory definitions. The Special Mention category includes assets that are currently protected but are potentially weak, resulting in an undue and unwarranted credit risk, but not to the point of justifying a Substandard classification. Loans in the Substandard category have well-defined weaknesses that jeopardize the liquidation of the debt, and have a distinct possibility that some loss will be sustained if the weaknesses are not corrected. All loans greater than 90 days past due are considered Substandard. The portion of any loan that represents a specific allocation of the allowance for loan losses is placed in the Doubtful category. Any portion of a loan that has been charged off is placed in the Loss category.

To help ensure that risk ratings are accurate and reflect the present and future capacity of borrowers to repay a loan as agreed, the Bank has a structured loan rating process with several layers of internal and external oversight. Generally, consumer and residential mortgage loans are included in the Pass categories unless a specific action, such as bankruptcy, repossession, or death occurs to raise awareness of a possible credit event. The Bank s Chief Credit Officer is responsible for the timely and accurate risk rating of the loans in the portfolio at origination and on an ongoing basis. The Credit Department performs an annual review of all commercial relationships $500,000 or greater. Confirmation of the appropriate risk grade is included in the review on an ongoing basis. The Bank has an experienced Credit Department that continually reviews and assesses loans within the portfolio. The Bank engages an external consultant to conduct loan reviews on at least an annual basis. Generally, the external consultant reviews larger commercial relationships or criticized relationships. The Credit Department compiles detailed reviews, including plans for resolution, on loans classified as Substandard on a quarterly basis. Loans in the Special Mention and Substandard categories that are collectively evaluated for impairment are given separate consideration in the determination of the allowance

The following table represents the classes of the loan portfolio summarized by the aggregate Pass and the criticized categories of Special Mention, Substandard and Doubtful within the internal risk rating system as of December 31, 2010 (in thousands):

	Pass	Special Mention	Substandard	Doubtful	Total
December 31, 2010					
Commercial	$ 180,568	$ 8,294	$ 5,446	$ 392	$ 194,700
Residential	69,906	613	1,002	165	71,686
Home Equity	13,945	99	262	28	14,334
Installment	12,424	233	173		12,830
Credit Card	488		6		494
Total	$ 277,331	$ 9,239	$ 6,889	$ 585	$ 294,044

Management further monitors the performance and credit quality of the loan portfolio by analyzing the age of the portfolio as determined by the length of time a recorded payment is past due. The following table presents the classes of the loan portfolio summarized by the aging categories of performing loans and nonaccrual loans as of December 31, 2010 (in thousands):

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	Current	30-59 Days Past Due	60-89 Days Past Due	90 Days Past Due	Total Past Due	Non-Accrual	Total Loans
December 31, 2010							
Commercial	$ 193,414	241		$ 217	$ 458	$ 828	$ 194,700
Residential	68,529	1,761	272	143	2,176	981	71,686
Home Equity	13,979	28	18	47	93	262	14,334
Installment	12,222	141	158				