MVB FINANCIAL CORP
Form 10-Q
November 01, 2012

United States
Securities and Exchange Commission

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2012

OR

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

For the transition period from _________ to _________.

Commission File number 333-120931

MVB Financial Corp.

(Exact name of registrant as specified in its charter)

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

301 Virginia Avenue

Fairmont, West Virginia 26554-2777

(Address of principal executive offices)

304-363-4800

(Registrant's telephone number, including area code)

Not Applicable

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

Indicate by check mark whether the registrant has (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 ý No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes ý No o

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 ý

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

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

As of November 1, 2012, the number of shares outstanding of the issuer’s only class of common stock was 2,246,838.

MVB Financial Corp.

Part I. Financial Information

Item 1. Financial Statements

The unaudited interim consolidated financial statements and footnotes of MVB Financial Corp. and Subsidiaries (MVB or "the Company") listed below are included on pages 2-22 of this report.

Consolidated Balance Sheets at September 30, 2012 and December 31, 2011
Consolidated Statements of Income for the Nine and Three Months ended September 30, 2012 and 2011
Consolidated Statements of Comprehensive Income for the Nine and Three Months ended September 30, 2012 and 2011
Consolidated Statements of Cash Flows for the Nine Months ended September 30, 2012 and 2011
Notes to Consolidated Financial Statements

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

Management's Discussion and Analysis of Financial Condition and Results of Operations are included on pages 23-34 of this report.

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Part II. Other Information

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Part I. Financial Information

Item 1. Financial Statements

MVB Financial Corp. and Subsidiaries

Consolidated Balance Sheets

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

	September 30 2012 (Unaudited)	December 31 2011 (Audited)
Assets		
Cash and due from banks	$ 11,132	$ 9,763
Interest bearing balances	3,774	278
Certificates of deposits with other banks	9,427	9,918
Investment securities:		
Securities held-to-maturity, at amortized cost	32,816	13,568
Securities available-for-sale, at approximate fair value	84,326	99,366
Loans:	446,215	373,822
Less: Allowance for loan losses	(3,692)	(3,045)
Net loans	442,523	370,777
Loans held for sale	4,883	7,147
Bank premises, furniture and equipment, net	8,848	7,782
Bank owned life insurance	8,307	8,076
Accrued interest receivable and other assets	7,595	6,806
Total assets	$ 613,631	$ 533,481
Liabilities		
Deposits		
Non-interest bearing	$ 49,818	$ 38,632
Interest bearing	421,413	351,913
Total deposits	471,231	390,545
Accrued interest, taxes and other liabilities	3,043	3,478
Repurchase agreements	69,264	77,835
Federal Home Loan Bank and other borrowings	15,147	9,767
Long-term debt	4,124	4,124
Total liabilities	562,809	485,749
Stockholders' equity		
Preferred stock, $1,000 par value, 8,500 shares authorized and issued	8,500	8,500
Common stock, $1 par value, 4,000,000 authorized, 2,246,838 and 2,234,767 issued, respectively	2,247	2,235
Additional paid-in capital	32,976	32,603
Treasury stock, 51,077 shares	(1,084)	(1,084)
Retained earnings	8,678	6,220

Accumulated other comprehensive (loss)	(495)	(742)
Total stockholders' equity	50,822	47,732
Total liabilities and stockholders' equity	$ 613,631	$ 533,481

See accompanying notes to unaudited financial statements

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MVB Financial Corp. and Subsidiaries

Consolidated Statements of Income

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

	Nine Months Ended September 30		Three Months Ended September 30	
	2012	2011	2012	2011
Interest income				
Interest and fees on loans	$14,078	$12,043	$4,855	$4,306
Interest on deposits with other banks	156	60	47	11
Interest on investment securities – taxable	1,168	1,101	335	393
Interest on tax exempt loans and securities	1,006	625	381	211
Total interest income	16,408	13,829	5,618	4,921
Interest expense				
Deposits	2,893	2,909	974	969
Repurchase agreements	359	358	116	125
FHLB and other borrowings	351	349	113	114
Long-term debt	66	60	22	20
Total interest expense	3,669	3,676	1,225	1,228
Net interest income	12,739	10,153	4,393	3,693
Provision for loan losses	2,125	1,221	775	591
Net interest income after provision for loan losses	10,614	8,932	3,618	3,102
Other income				
Service charges on deposit accounts	536	471	197	178
Income on bank owned life insurance	231	206	75	78
Visa debit card income	345	309	120	106
Income on loans held for sale	1,686	591	618	318
Other operating income	1,006	401	560	170
Gain on sale of securities, net	186	485	113	129
Total other income	3,990	2,463	1,683	979
Other expense				
Salary and employee benefits	6,248	4,816	2,129	1,725
Occupancy expense	620	497	207	182
Equipment expense	518	439	185	152
Data processing	390	252	173	147
Visa debit card expense	295	245	110	84
Advertising	578	283	229	121
Legal and accounting fees	269	292	85	151
Printing, stationery and supplies	141	123	50	38
Consulting fees	356	291	132	92
FDIC insurance	202	322	121	79
Other taxes	137	126	47	40

Other operating expenses	1,111	967	383	341
Total other expense	10,865	8,653	3,851	3,152
Income before income taxes	3,739	2,742	1,450	929
Income tax expense	1,013	767	402	256
Net income	$2,726	$1,975	$1,048	$673
Preferred stock dividends	115	—	21	—
Net Income available to common shareholders	2,611	1,975	1,027	673
Basic earnings per common share	$1.19	$0.92	$0.47	$0.31
Diluted earnings per common share	$1.17	$0.91	$0.46	$0.30
Basic weighted average shares Outstanding	2,188,580	2,135,826	2,195,761	2,185,703
Diluted weighted average shares Outstanding	2,238,637	2,171,967	2,245,818	2,221,844

See accompanying notes to unaudited financial statements

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MVB Financial Corp. and Subsidiaries

Consolidated Statements of Comprehensive Income

(Unaudited)(Dollars in thousands)

	Nine Months Ended		Three Months Ended	
	Sept 30 2012	Sept 30 2011	Sept 30 2012	Sept 30 2011
Net Income	$2,726	$1,975	$1,048	$673
Other comprehensive income				
Securities available for sale not other than temporarily impaired:				
Unrealized holding gains/(losses) during the year	225	289	8	236
Income tax effect	(90)	(116)	(3)	(94)
Reclassification adjustment for gain recognized in income	186	485	113	129
Income tax effect	(74)	(194)	(45)	(52)
Other comprehensive income	247	464	73	219
Comprehensive income	$2,973	$2,439	$1,121	$892

See accompanying notes to unaudited financial statements

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MVB Financial Corp. and Subsidiaries

Consolidated Statements of Cash Flows

(Unaudited) (Dollars in thousands)	Nine Months Ended September 30 2012	September 30 2011
Operating activities		
Net income	$2,726	$1,975
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	2,125	1,221
Deferred income tax expense	49	145
Depreciation	393	343
Stock based compensation	119	88
Loans originated for sale	(87,014)	(31,675)
Proceeds of loans sold	89,278	30,162
Loss on sale of other real estate owned	2	—
(Gain) on sale of investment securities	(186)	(485)
Amortization, net of accretion	890	613
(Increase) in interest receivable and other assets	(1,265)	(198)
(Decrease) in accrued interest, taxes, and other liabilities	(435)	(401)
Net cash provided by operating activities	6,682	1,788
Investing activities		
(Increase) in loans made to customers	(73,871)	(64,809)
Purchases of premises and equipment	(1,459)	(437)
(Increase)/decrease in interest bearing balances with banks, net	(3,496)	3,129
Purchases of certificates of deposit with other banks	—	(9,918)
Maturities of certificates of deposit in other banks	491	17,734
Purchases of investment securities available-for-sale	(28,022)	(215,143)
Proceeds from sales, maturities and calls of securities available-for-sale	42,842	175,336
Proceeds from sales, maturities and calls of securities held to maturity	115	1,225
Proceeds from sale of other real estate owned 30 312	30	312
Purchases of investment securities held-to-maturity	(19,436)	(3,948)
Purchase of bank owned life insurance	—	(2,100)
Net cash (used in) investing activities	(82,806)	(98,619)
Financing activities		
Net increase in deposits	80,686	77,451
Net (decrease)/increase in repurchase agreements	(8,571)	30,203
Proceeds from Federal Home Loan Bank borrowings	99,127	63,594
Principal payments on Federal Home Loan Bank borrowings	(93,747)	(82,385)
Purchase of treasury stock	—	(78)
Net proceeds of dividend reinvestment plan/stock offering	266	6,500
Cash dividend	(153)	—
Issuance of preferred stock	—	8,500
Dividends on preferred stock	(115)	—
Net cash provided by financing activities	77,493	103,785

Increase in cash and cash equivalents	1,369	6,954
Cash and cash equivalents - beginning of period	9,763	3,713
Cash and cash equivalents - end of period	$11,132	$10,667
Cash payments for: interest on deposits, repurchase agreements & borrowings	$3,651	$3,763
Income taxes	$768	$686

See accompanying notes to unaudited financial statements

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MVB Financial Corp. and Subsidiaries

Notes to Consolidated Financial Statements

Note 1 – Basis of Presentation

These consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with instructions to Form 10-Q and Section 310(b) of Regulation SB. Accordingly, they do not include all the information and footnotes required by generally accepted accounting principles for annual year-end financial statements. In the opinion of management, all adjustments considered necessary for a fair presentation, have been included and are of a normal, recurring nature. The balance sheet as of December 31, 2011 has been derived from the audited financial statements at that date, but does not include all of the information and footnotes required by generally accepted accounting principles. Operating results for the nine and three months ended September 30, 2012 are not necessarily indicative of the results that may be expected for the year ending December 31, 2012.

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

The consolidated balance sheet as of December 31, 2011 has been extracted from audited financial statements included in MVB's 2011 filing on Form 10-K. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States have been omitted. These financial statements should be read in conjunction with the financial statements and notes thereto included in MVB's December 31, 2011, Form 10-K filed with the Securities and Exchange Commission.

Note 2. - Loans

The following table summarizes the primary segments of the ALL, segregated into the amount required for loans individually evaluated for impairment and the amount required for loans collectively evaluated for impairment as of September 30, 2012. Activity in the allowance is presented for the periods ended September 30, 2012 and 2011 (in thousands):

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	Commercial	Residential	Home Equity	Installment	Credit Card	Total
ALL balance 12/31/11	$ 2,164	$ 366	$ 249	$ 255	$ 11	$3,045
Charge-offs	(1,290)	—	(84)	(123)	—	(1,497)
Recoveries	3	—	3	13	—	19
Provision	1,873	67	69	107	9	2,125
ALL balance 9/30/12	$ 2,750	$ 433	$ 237	$ 252	$ 20	$3,692
Individually evaluated for impairment	$ 503	$ 16	$ —	$ 7	$ —	$526
Collectively evaluated for impairment	$ 2,247	$ 417	$ 237	$ 245	$ 20	$3,166

	Commercial	Residential	Home Equity	Installment	Credit Card	Total
ALL balance 12/31/10	$ 1,517	$ 460	$ 207	$ 274	$ 20	$2,478
Charge-offs	(554)	(354)	(114)	(29)	(3)	(1,054)
Recoveries	4	—	10	17	—	31
Provision	849	332	68	(31)	3	1,221
ALL balance 9/30/11	$ 1,816	$ 438	$ 171	$ 231	$ 20	$2,676
Individually evaluated for impairment	$ 1,329	$ 95	$ 54	$ 104	$ 3	$1,585
Collectively evaluated for impairment	$ 487	$ 343	$ 117	$ 127	$ 17	$1,091

The allowance for loan losses is based on estimates, and actual losses will vary from current estimates. Management believes that the granularity of the homogeneous pools and the related historical loss ratios and other qualitative factors, as well as the consistency in the application of assumptions, result in an ALL that is representative of the risk found in the components of the portfolio at any given date.

The following table summarizes the primary segments of the loan portfolio as of September 30, 2012 (in thousands):

	Commercial	Residential	Home Equity	Installment	Credit Cards	Total
September 30, 2012						
Total Loans	$ 293,838	$ 119,807	$16,755	$ 15,260	$ 555	$446,215
Individually evaluated for impairment	$ 3,123	$ 76	$—	$ 21	$ —	$3,220
Collectively evaluated for impairment	$ 290,715	$ 119,731	$16,755	$ 15,239	$ 555	$442,995

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The following table summarizes the primary segments of the loan portfolio as of December 31, 2011 (in thousands):

	Commercial	Residential	Home Equity	Installment	Credit Cards	Total
December 31, 2011						
Total Loans	$ 231,357	$ 112,753	$15,930	$ 13,217	$ 565	$373,822
Individually evaluated for impairment	$ 2,597	$ 76	$9	$ 140	$ —	$2,822
Collectively evaluated for impairment	$ 228,760	$ 112,677	$15,921	$ 13,077	$ 565	$371,000

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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 September 30, 2012 (in thousands):

	Impaired Loans with Specific Allowance		Impaired Loans with No Specific Allowance	Total Impaired Loans	
Sept.30, 2012	Recorded Investment	Related Allowance	Recorded Investment	Recorded Investment	Unpaid Principal Balance
Commercial	$ 3,123	$ 503	$ —	$ 3,123	$ 3,123
Residential	76	16	—	76	76
Home Equity	—	—	—	—	—
Installment	21	7	—	21	21
Credit Card	—	—	—	—	—
Total impaired loans	$ 3,220	$ 526	$ —	$ 3,220	$ 3,220

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, 2011 (in thousands):

	Impaired Loans with Specific Allowance		Impaired Loans with No Specific Allowance	Total Impaired Loans	
Dec 31, 2011	Recorded Investment	Related Allowance	Recorded Investment	Recorded Investment	Unpaid Principal Balance
Commercial	$ 2,597	$ 758	$ —	$ 2,597	$ 2,597
Residential	76	10	—	76	76
Home Equity	9	9	—	9	9
Installment	140	100	—	140	140

Credit Card	—	—	—	—	—
Total impaired loans	$ 2,822	$ 877	$ —	$ 2,822	$ 2,822

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

	Nine Months September 30		Three Months September 30	
	2012	2011	2012	2011
Average investment in impaired loans	$3,681	$1,144	$3,397	$753
Interest income recognized on an accrual basis on impaired loans	$109	$47	$35	$8

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 September 30, 2012 and December 31, 2011 (in thousands):

September 30, 2012	Pass	Special Mention	Substandard	Doubtful	Total
Commercial	$280,430	$8,940	$ 1,426	$ 3,042	$293,838
Residential	117,321	2,160	326	—	119,807
Home Equity	16,467	288	—	—	16,755
Installment	14,852	366	23	19	15,260
Credit Card	555	—	—	—	555
Total	$429,625	$11,754	$ 1,775	$ 3,061	$446,215

Special

Dec. 31, 2011	Pass	Mention	Substandard	Doubtful	Total
Commercial	$218,353	$7,752	$ 2,655	$2,597	$231,357
Residential	111,105	1,157	491	—	112,753
Home Equity	15,750	96	75	9	15,930
Installment	12,806	242	29	140	13,217
Credit Card	565	—	—	—	565
Total	$358,579	$9,247	$ 3,250	$2,746	$373,822

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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 September 30, 2012 and December 31, 2011 (in thousands):

	Current	30-59 Days Past Due	60-89 Days Past Due	90 Days Past Due	Total Past Due	Non-Accrual	Total Loans
Sept. 30, 2012							
Commercial	$287,712	$ 1,071	$ 1,193	$ 737	$ 3,001	$ 3,125	$293,838
Residential	119,263	13	206	250	468	76	119,807
Home Equity	16,606	149	—	—	149	—	16,755
Installment	15,081	71	69	1	142	37	15,260
Credit Card	546	—	—	9	9	—	555
Total	$439,208	$ 1,304	$ 1,468	$ 997	$ 3,769	$ 3,238	$446,215

	Current	30-59 Days Past Due	60-89 Days Past Due	90 Days Past Due	Total Past Due	Non-Accrual	Total Loans
Dec 31, 2011							
Commercial	$225,618	$ 448	2,836	$ 2	$ 3,286	$ 2,453	$231,357
Residential	111,022	1,593	—	62	1,655	76	112,753
Home Equity	15,846	—	84	—	84	—	15,930
Installment	12,888	138	26	2	166	163	13,217
Credit Card	565	—	—	—	—	—	565
Total	$365,939	$ 2,179	$ 2,946	$ 66	$ 5,191	$ 2,692	$373,822

An allowance for loan losses ("ALL") is maintained to absorb losses from the loan portfolio. The ALL is based on management's continuing evaluation of the risk characteristics and credit quality of the loan portfolio, assessment of current economic conditions, diversification and size of the portfolio, adequacy of collateral, past and anticipated loss experience, and the amount of non-performing loans.

The Bank's methodology for determining the ALL is based on the requirements of ASC Section 310-10-35 for loans individually evaluated for impairment (discussed above) and ASC Subtopic 450-20 for loans collectively evaluated for impairment, as well as the Interagency Policy Statements on the Allowance for Loan and Lease Losses and other bank regulatory guidance. The total of the two components represents the Bank's ALL.

Loans that are collectively evaluated for impairment are analyzed with general allowances being made as appropriate. For general allowances, historical loss trends are used in the estimation of losses in the current portfolio. These historical loss amounts are modified by other qualified factors.

The classes described above, which are based on the Federal call code assigned to each loan, provide the starting point for the ALL analysis. Management tracks the historical net charge-off activity at the call code level. A historical charge-off factor is calculated utilizing a defined number of consecutive historical quarters. Commercial, Mortgage and Consumer pools currently utilize a rolling 12 quarters.

"Pass" rated credits are segregated from "Criticized" credits for the application of qualitative factors. Loans in the criticized pools, which possess certain qualities or characteristics that may lead to collection and loss issues, are closely monitored by management and subject to additional qualitative factors.

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Management has identified a number of additional qualitative factors which it uses to supplement the historical charge-off factor because these factors are likely to cause estimated credit losses associated with the existing loan pools to differ from historical loss experience. The additional factors that are evaluated quarterly and updated using information obtained from internal, regulatory, and governmental sources are: national and local economic trends and conditions; levels of and trends in delinquency rates and non-accrual loans; trends in volume and terms of loans; effects of changes in lending policies; experience, ability, and depth of lending staff; value of underlying collateral; and concentrations of credit from a loan type, industry and/or geographic standpoint.

Management reviews the loan portfolio on a quarterly basis using a defined, consistently applied process in order to make appropriate and timely adjustments to the ALL. When information confirms all or part of specific loans to be uncollectible, these amounts are promptly charged off against the ALL.

Historically, management has utilized an internally developed spreadsheet to track and apply the various components of the allowance.

The following table presents details related to loans identified as Troubled Debt Restructurings (TDRs) during the nine months ended September 30, 2012 and as of December 31, 2011. There were no payment defaults during either period.

	New TDRs (1) For the Nine Months Ended 30-Sept-12			For the Period Ended 31-Dec-11		
(Unaudited, dollars in thousands)	Number of Contracts	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment	Number of Contracts	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
Commercial real estate:	—	—	—	—	—	—
Land and construction	3	2,692	2,692	—	—	—
Other	1	102	102	1	103	103
Total commercial real estate	4	2,794	2,794	1	103	103
Commercial and industrial	—	—	—	—	—	—
Residential real estate	1	250	250	1	415	415
Home equity	—	—	—	—	—	—
Consumer	1	1	1	—	—	—
Total	6	3,045	3,045	2	518	518

(1) Excludes loans that were either paid off or charged-off by period end. The pre-modification balance represents the balance outstanding at the beginning of the period. The post-modification balance represents the outstanding balance at period end.

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Note 3. Borrowed Funds

The Company is a party to repurchase agreements with certain customers. As of September 30, 2012 and December 31, 2011, the Company had repurchase agreements of $69.3 million and $77.8 million.

The bank is a member of the Federal Home Loan Bank ("FHLB") of Pittsburgh, Pennsylvania. Borrowings from the FHLB are secured by stock in the FHLB of Pittsburgh, qualifying first mortgage loans, mortgage-backed securities and certain investment securities. The remaining maximum borrowing capacity with the FHLB at September 30, 2012 was approximately $189.0 million.

Borrowings from the FHLB were as follows:	Sept 30 2012	Dec 31 2011
(dollars in thousands)		
Fixed interest rate note, originating April 1999, due April 2014, interest of 5.41% is payable monthly.	$1,000	$1,000
Fixed interest rate note, originating January 2005, due January 2020, interest of 5.14% is payable in monthly installments of $11.	786	851
Fixed interest rate note, originating April 2002, due May 2017, interest of 5.90% is payable monthly.	619	631
Fixed interest rate note, originating July 2006, due July 2016, interest of 4.50% is payable in monthly installments of $8.	1,269	1,301
Fixed interest rate note, originating October 2006, due October 2021, interest of 5.20% is payable in monthly installments of $6.	1,052	1,068
Fixed interest rate note, originating February 2007, due February 2022, interest of 5.22% is payable in monthly installments of $5.	883	896
Fixed interest rate note, originating April 2007, due April 2022, interest of 5.18% is payable in monthly installments of $6.	1,000	1,015
Floating interest rate note, originating March 2003, due December 2013, interest of 0.25% payable monthly.	5,553	—
Fixed interest rate note, originating December 2007, due December 2017, interest of 5.25% is payable in monthly installments of $7.	985	1,005
Fixed interest rate note originating March 2008, due March 2013, interest of 2.37% payable quarterly.	2,000	2,000

	$15,147	$9,767

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

The Trust Preferred Securities and the Debentures mature in 30 years and are redeemable by the Company after five years. Interest payments are due in March, June, September and December and are adjusted at the interest due dates at a rate of 1.62% over the three month LIBOR Rate. The Company reflects borrowed funds in the amount of $4.1 million as of September 30, 2012 and 2011 and interest expense of $66 and $60 for the periods ended September 30, 2012 and 2011.

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

(dollars in thousands)

Year	Amount
2012	$69
2013	7,787
2014	1,257
2015	271
2016	1,353
Thereafter	8,534
	$19,271

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Note 4 – Net Earnings Per Common Share

MVB determines basic earnings per common share by dividing net income by the weighted average number of common shares outstanding during the period. Diluted earnings per common share is determined by dividing net income by the weighted average number of shares outstanding increased by the number of shares that would be issued assuming the exercise of stock options. At September 30, 2012 and 2011, stock options to purchase 172,880 and 148,423 shares at an average price of $15.63 and $15.13, respectively, were outstanding. For the nine and three months ended September 30, 2012 and 2011, the dilutive effect of stock options was 50,057 and 36,141 shares, respectively.

Note 5 – Recent Accounting Pronouncements

In May 2011, the FASB issued ASU 2011-04, *Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs.* The amendments in this Update result in common fair value measurement and disclosure requirements in U.S. GAAP and IFRSs. Consequently, the amendments change the wording used to describe many of the requirements in U.S. GAAP for measuring fair value and for disclosing information about fair value measurements. The amendments in this Update are to be applied prospectively. For public entities, the amendments are effective during interim and annual periods beginning after December 15, 2011. Early application by public entities is not permitted. The Company has provided the necessary disclosure in Note 6.

In June 2011, the FASB issued ASU 2011-05, *Comprehensive Income (Topic 220): Presentation of Comprehensive Income.* The amendments in this Update improve the comparability, clarity, consistency, and transparency of financial reporting and increase the prominence of items reported in other comprehensive income. To increase the prominence of items reported in other comprehensive income and to facilitate convergence of U.S. GAAP and IFRS, the option to present components of other comprehensive income as part of the statement of changes in stockholders' equity was eliminated. The amendments require that all non-owner changes in stockholders' equity be presented either in a single continuous statement of comprehensive income or in two separate but consecutive statements. In the two-statement approach, the first statement should present total net income and its components followed consecutively by a second statement that should present total other comprehensive income, the components of other comprehensive income, and the total of comprehensive income. All entities that report items of comprehensive income, in any period presented, will be affected by the changes in this Update. For public entities, the amendments are effective for fiscal years, and interim periods within those years, beginning after December 15, 2011. The amendments in this Update should be applied retrospectively, and early adoption is permitted. The Company has provided the necessary disclosure in the Statements of Comprehensive Income.

. In September 2011, the FASB issued ASU 2011-08, *Intangibles – Goodwill and Other Topics (Topic 350), Testing Goodwill for Impairment*. The objective of this update is to simplify how entities, both public and nonpublic, test goodwill for impairment. The amendments in the Update permit an entity to first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform the two-step goodwill impairment test described in Topic 350. The more-likely-than-not threshold is defined as having a likelihood of more than 50 percent. Under the amendments in this Update, an entity is not required to calculate the fair value of a reporting unit unless the entity determines that it is more likely than not that its fair value is less than its carrying amount. The amendments in this Update apply to all entities, both public and nonpublic, that have goodwill reported in their financial statements and are effective for interim and annual goodwill impairment tests performed for fiscal years beginning after December 15, 2011. Early adoption is permitted, including for annual and interim goodwill impairment tests performed as of a date before September 15, 2011, if an entity's financial statements for the most recent annual or interim period have not yet been

issued. This ASU is not expected to have a significant impact on the Company’s financial statements.

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In September 2011, the FASB issued ASU 2011-09, *Compensation-Retirement Benefits-Multiemployer Plans (Subtopic 715-80): Disclosures about an Employer's Participation in a Multiemployer Plan*. The amendments in this Update will require additional disclosures about an employer's participation in a multiemployer pension plan to enable users of financial statements to assess the potential cash flow implications relating to an employer's participation in multiemployer pension plans. The disclosures also will indicate the financial health of all of the significant plans in which the employer participates and assist a financial statement user to access additional information that is available outside the financial statements. For public entities, the amendments in this Updates are effective for annual periods for fiscal years ending after December 15, 2011, with early adoption permitted. The amendments should be applied retrospectively for all prior periods presented. This ASU is not expected to have a significant impact on the Company's financial statements.

In December 2011, the FASB issued ASU 2011-10, *Property, Plant, and Equipment (Topic 360): Derecognition of in Substance Real Estate-a Scope Clarification.* The amendments in this Update affect entities that cease to have a controlling financial interest in a subsidiary that is in substance real estate as a result of default on the subsidiary's nonrecourse debt. Under the amendments in this Update, when a parent (reporting entity) ceases to have a controlling financial interest in a subsidiary that is in substance real estate as a result of default on the subsidiary's nonrecourse debt, the reporting entity should apply the guidance in Subtopic 360-20 to determine whether it should derecognize the in substance real estate. Generally, a reporting entity would not satisfy the requirements to derecognize the in substance real estate before the legal transfer of the real estate to the lender and the extinguishment of the related nonrecourse indebtedness. That is, even if the reporting entity ceases to have a controlling financial interest under Subtopic 810-10, the reporting entity would continue to include the real estate, debt, and the results of the subsidiary's operations in its consolidated financial statements until legal title to the real estate is transferred to legally satisfy the debt. The amendments in this Update should be applied on a prospective basis to deconsolidation events occurring after the effective date. Prior periods should not be adjusted even if the reporting entity has continuing involvement with previously derecognized in substance real estate entities. For public entities, the amendments in this Update are effective for fiscal years, and interim periods within those years, beginning on or after June 15, 2012. Early adoption is permitted. This ASU is not expected to have a significant impact on the Company's financial statements.

In December 2011, the FASB issued ASU 2011-11, *Balance Sheet (Topic 210): Disclosures about Offsetting Assets and Liabilities*. The amendments in this Update affect all entities that have financial instruments and derivative instruments that are either (1) offset in accordance with either Section 210-20-45 or Section 815-10-45 or (2) subject to an enforceable master netting arrangement or similar agreement. The requirements amend the disclosure requirements on offsetting in Section 210-20-50. This information will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements on an entity's financial position, including the effect or potential effect of rights of setoff associated with certain financial instruments and derivative instruments in the scope of this Update. An entity is required to apply the amendments for annual reporting periods beginning on or after January 1, 2013, and interim periods within those annual periods. An entity should provide the disclosures required by those amendments retrospectively for all comparative periods presented. This ASU is not expected to have a significant impact on the Company's financial statements.

In December 2011, the FASB issued ASU 2011-12, *Comprehensive Income (Topic 220): Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income in Accounting Standards Update No. 2011-05*. In order to defer only those changes in Update 2011-05 that relate to the presentation of reclassification adjustments, the paragraphs in this Update supersede certain pending paragraphs in Update 2011-05. Entities should continue to report reclassifications out of accumulated other comprehensive income consistent with the presentation requirements in effect before Update 2011-05. All other requirements in Update 2011-05 are not affected by this Update, including the requirement to report comprehensive income either in a single continuous financial statement or in two separate but consecutive financial statements. Public entities should apply these requirements for fiscal years, and interim periods within those years, beginning after

December 15, 2011. The Company has provided the necessary disclosure in Statements of Comprehensive Income.

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Note 6 – Fair Value of Financial Instruments

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

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

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

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The following table presents the assets and liabilities reported on the consolidated balance sheets at their fair value as of September 30, 2012 by level within the fair value hierarchy. Financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. All measurements are made on a recurring basis, with the exception of other real estate and impaired loans, which are measured on a non-recurring basis.

(In Thousands)	September 30, 2012			
	Level I	Level II	Level III	Total
Assets:				
Investment securities, available for sale	—	84,326	—	84,326
Other Real Estate Owned	—	—	324	324
Impaired Loans	—	—	3,220	3,220

(In Thousands)	December 31, 2011			
	Level I	Level II	Level III	Total
Assets:				
Investment securities, available for sale	—	99,366	—	99,366
Other Real Estate Owned	—		176	176
Impaired Loans	—	—	2,822	2,822

The following table presents additional quantitative information about assets measure at fair value on a non-recurring basis and for which MVB has utilized Level 3 inputs to determine fair value:

(in thousands)	Quantitative Information about Level 3 Fair Value Measurements			
	Fair Value Estimate	Valuation Techniques	Unobservable Input	Range (Weigh Averag
September 30, 2012:				
				0% to
Impaired loans	3,220	Appraisal of collateral (1)	Appraisal adjustments (2)	(-25.2
			Liquidation expenses (2)	-1.5%
				(-5.5%
Other real estate owned and repossessed assets	324	Appraisal of collateral (1),(3)		

(1) Fair value is generally determined through independent appraisals of the underlying collateral, which generally include various level 3 inputs which are not identifiable.

(2) Appraisals may be adjusted by management for qualitative factors such as economic conditions and estimated liquidation expenses. The range and weighted average of liquidation expenses and other appraisal adjustments are presented as a percent of the appraisal.

(3) Includes qualitative adjustments by management and estimated liquidation expenses.

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

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

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

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

Loans held for sale: Estimated fair values of loans held for sale approximate their fair values.

Bank Owned Life Insurance: Estimated fair values of bank owned life insurance approximate the cash surrender value of the policies.

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

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

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

FHLB and other borrowings: The fair values of FHLB and other borrowings are based upon rates currently available for borrowings with similar terms and maturities.

Long-term debt: The fair value of long-term debt approximates its fair value.

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

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

(Dollars in thousands)	Carrying Value	Estimated Fair Value	Fair Value Measurements at September 30, 2012 Quoted Prices in Active Markets For Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Financial assets:					
Cash and due from banks	$11,132	$11,132	$11,132	$ —	$ —
Interest bearing balances and CDs	13,201	13,201	13,201	—	—
Securities available-for-sale	84,326	84,326	—	84,326	—
Securities held-to-maturity	32,816	33,481	—	33,481	—
Loans	446,215	462,278			462,278
Loans held for sale	4,883	4,883	—	—	4,883
Bank owned life insurance	8,307	8,307	8,307	—	—
Accrued interest receivable	1,971	1,971	1,971	—	—
	$602,851	$619,579	34,611	117,807	467,161
Financial liabilities:					
Deposits	$471,231	$481,315	339,556	—	141,759
Repurchase agreements	69,264	69,264	69,264	—	—
FHLB and other Borrowings	15,147	15,389	—	—	15,389
Accrued interest payable	338	338	338	—	—
Long-term debt	4,124	4,124	4,124	—	—
	$560,104	$570,430	$413,282	—	157,148

(Dollars in thousands)	December 31, 2011 Carrying Value	Fair Value
Financial assets:		
Cash and due from banks	$9,763	$9,763
Interest bearing balances	10,196	10,216
Securities available-for-sale	99,366	99,366
Securities held-to-maturity	13,568	14,144
Loans	373,822	388,027
Loans held for sale	7,147	7,147
Bank owned life insurance	8,076	8,076
Accrued interest receivable	1,582	1,582
	$523,520	$538,321
Financial liabilities:		
Deposits	$390,545	$400,894

Repurchase agreements	77,835	77,861
FHLB and other Borrowings	9,767	11,027
Accrued interest payable	341	341
Long-term debt	4,124	4,124
	$482,612	$494,247

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

Note 7 – Investments

Amortized cost and fair values of investment securities held-to-maturity at September 30, 2012, including gross unrealized gains and losses, are summarized as follows:

(Dollars in thousands)

	Amortized Cost	Unrealized Gain	Unrealized Loss	Fair Value
Municipal securities	$ 32,816	$ 857	$ (192)	$33,481
	$ 32,816	$ 857	$ (192)	$33,481

Amortized cost and fair values of investment securities held-to-maturity at December 31, 2011, including gross unrealized gains and losses, are summarized as follows:

(Dollars in thousands)

	Amortized Cost	Unrealized Gain	Unrealized Loss	Fair Value
Municipal securities	$ 13,568	$ 587	$ (11)	$14,144
U.S. Agency securities	—	—	—	—
	$ 13,568	$ 587	$ (11)	$14,144

Amortized cost and fair values of investment securities available-for-sale at September 30, 2012 are summarized as follows:

	Amortized Cost	Unrealized Gain	Unrealized Loss	Fair Value
U. S. Agency securities	$ 35,540	$ 715	$ —	$36,255
Mortgage-backed securities	46,683	554	(100)	47,137
Other securities	934	—	—	934
	$ 83,157	$ 1,269	$ (100)	$84,326

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Amortized cost and fair values of investment securities available-for-sale at December 31, 2011 are summarized as follows:

	Amortized Cost	Unrealized Gain	Unrealized Loss	Fair Value
U. S. Agency securities	$ 51,165	$ 710	$ (1)	$51,874
Mortgage-backed securities	47,319	198	(149)	47,368
Other securities	124	—	—	124
	$ 98,608	$ 908	$ (150)	$99,366

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

	September 30, 2012			
	Held to Maturity		Available for sale	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Within one year	$—	$—	$—	$—
After one year, but within five	1,245	1,246	23,268	24,641
After five years, but within ten	7,850	8,234	29,545	29,927
After ten Years	23,721	24,001	30,344	29,758
Total	$32,816	$33,481	$83,157	$84,326

The Company's investment portfolio includes securities that are in an unrealized loss position as of September 30, 2012, the details of which are included in the following table. Although these securities, if sold at September 30, 2012 would result in a pretax loss of $292 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 September 30, 2012, the Company considers all securities with unrealized loss positions to be temporarily impaired, and consequently, does not believe the Company will sustain any material realized losses as a result of the current temporary decline in market value.

The following table discloses investments in an unrealized loss position: At September 30, 2012 and December 31, 2011, total temporary impairment totaled $292 and $161, respectively.

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

U.S. Agencies(0)	$ —	$ —	$ —	$ —
Mortgage-backed securities(4) (11)	6,673	(100)	—	—
Municipal securities(27)	9,601	(192)	—	—
	$ 16,274	$ (292)	$ —	$ —

Description and number of positions	Less than 12 months		12 months or more	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
U.S. Agencies(1)	$ 4,999	$ (1)	$ —	$ —
Mortgage-backed securities (16)	31,073	(128)	3,124	(21)
Municipal securities(3)	936	(11)	—	—
	$ 37,008	$ (140)	$ 3,124	$ (21)

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

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

At September 30, 2012 and 2011 and for the Nine and Three Months Ended September 30, 2012 and 2011:

	Nine Months Ended September 30		Three Months Ended September 30	
	2012	2011	2012	2011
Net income to:				
Average assets	.63%	.58%	.70%	.55%
Average stockholders’ equity	7.40	6.94	8.34	6.63
Net interest margin	3.12	3.17	3.09	3.23
Average stockholders’ equity to average assets	8.54	8.37	8.35	8.30
Total loans to total deposits (end of period)	94.69	94.69	94.69	94.69
Allowance for loan losses to total loans (end of period)	0.83	0.75	0.83	0.75
Efficiency ratio	64.95	68.59	63.38	67.47
Capital ratios:				
Tier 1 capital ratio	13.11	15.26	13.11	15.26
Risk-based capital ratio	14.00	16.08	14.00	16.08
Leverage ratio	9.01	10.40	9.01	10.40
Cash dividends as a percentage of net income	N/A	N/A	N/A	N/A
Per share data:				
Book value per common share (end of period)	$18.84	$17.77	$18.84	$17.77
Market value per common share (end of period)*	24.00	20.00	24.00	20.00
Basic earnings per common share	1.19	.92	.47	.31
Diluted earnings per common share	1.17	.91	.46	.30

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

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Introduction

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

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

The bank began operations January 4, 1999, at 301 Virginia Avenue in Fairmont, West Virginia. MVB Bank, Inc. provides a full array of financial products and services to its customers, including traditional banking products such as deposit accounts, lending products, debit cards, automated teller machines, and safe deposit rental facilities. The bank opened a banking office in the Shop N Save supermarket in White Hall, WV during the second quarter of 2000. During August of 2005, the bank opened a full-service office at 1000 Johnson Avenue in Bridgeport, WV. In October of 2005 MVB Bank, Inc. purchased an office at 88 Somerset Boulevard in Charles Town, WV. The bank opened a full service office at 651 Foxcroft Avenue in Martinsburg, WV during August 2007. In the second quarter of 2011, MVB opened a banking office at 2400 Cranberry Square in Morgantown, WV. During October 2012 MVB opened a full service office in the downtown area of Clarksburg, WV at 406 West Main Street, in the historic Empire Building.

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

Application of Critical Accounting Policies

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

The most significant accounting policies followed by MVB are presented in Note 1 to the audited consolidated financial statements included in MVB's 2011 Annual Report on Form 10-K. These policies, along with the disclosures presented in the other financial statement notes and in management's discussion and analysis of operations, provide information on how significant assets and liabilities are valued in the financial statements and how those values are

determined. Based on the valuation techniques used and the sensitivity of financial statement amounts to the methods, assumptions, and estimates underlying those amounts, management has identified the determination of the allowance for loan losses to be the accounting area that requires the most subjective or complex judgments, and as such could be most subject to revision as new information becomes available. The allowance for loan losses represents management's estimate of probable credit losses inherent in the loan portfolio. Determining the amount of the allowance for loan losses is considered a critical accounting estimate because it requires significant judgment and the use of estimates related to the amount and timing of estimated future cash flows, estimated losses in pools of homogeneous loans based on historical loss experience of peer banks, estimated losses on specific commercial credits, and consideration of current economic trends and conditions, all of which may be susceptible to significant change. The loan portfolio also represents the largest asset in the consolidated balance sheet. Note 1 to the consolidated financial statements in MVB's 10-K describes the methodology used to determine the allowance for loan losses and a discussion of the factors driving changes in the amount of the allowance for loan losses is included in the Allowance for Loan Losses section of Management's Discussion and Analysis in this quarterly report on Form 10-Q.

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Results of Operations (dollars in thousands)

Overview of the Statement of Income

For the quarter ended September 30, 2012, MVB earned $1.0 million compared to $673 in the third quarter of 2011. Net interest income increased by $700, other income increased by $704 and other expenses increased by $699. The increase in net interest income was driven mainly by the continued growth of the MVB balance sheet, with $92.5 million in average loan growth. Also contributing to the increase in net interest income was a decrease in interest expense of $7, despite an increase in average interest bearing liabilities of $104.3 million. This represented a decreased cost of funds of 29 basis points. The increase in other income was mainly the result of an increase in income on loans held for sale of $300 as a result of additional volume that MVB was able to produce with increased staffing in this area, specifically the Morgantown, WV office opened during the second quarter of 2011, as well as $290 in income from the servicing of mortgage loans sold into the secondary market, a process that MVB began during the third quarter of 2012. The increase in other operating expenses was principally the result of increased salaries expense of $404, with additions in the areas of human resources, information technology, credit and additional staff at MVB's new Operations Center, as well as increases for existing staff. Occupancy, Equipment and depreciation costs increased $58, the result of the additions of the Morgantown office and the Operations Center. Advertising expense increased by $108 as MVB focused on the marketing of rewards checking. FDIC insurance increased by $42 as a result of MVB's deposit growth and other expense increased by $42, mostly the result of increased training, travel and entertainment.

Loan loss provisions of $775 and $591 were made for the quarters ended September 30, 2012 and 2011, respectively. The provision for loan losses, which is a product of management's formal quarterly analysis, is recorded in response to inherent risks in the loan portfolio. Continued strong loan demand was the driver of the increased provision.

Non-interest income for the quarters ended September 30, 2012 and 2011 totaled $1.7 million and $979, respectively. The most significant portions of non-interest income are service charges on deposit accounts, which totaled $197 at September 30, 2012, an increase of $19 from the prior year despite significant changes in the regulatory environment and income on loans held for sale which totaled $618, an increase of $300 over the third quarter of 2011, the result of the increased volume from existing lenders as well as the addition of the Morgantown location. As a result of the increased mortgage volume, underwriting and title income increased by $77 from the same time period in 2011. Additionally MVB began selling mortgage loans and retaining the servicing in the third quarter of 2012, resulting in $290 in revenues.

Non-interest expense for the quarters ended September 30, 2012 and 2011 totaled $3.9 million and $3.2 million, respectively. The most significant increases were as discussed above.

For the nine months ended September 30, 2011 MVB earned $2.7 million compared to $2.0 million for the same time period in 2011. This $751 increase is mainly the result of balance sheet growth in the areas of loans and investments as discussed above, resulting in an increase in net interest income after provision for loan losses of $1.7 million for the first nine months of 2012. MVB's other income increased $1.5 million, mainly the result of an increase in income on loans held for sale of $1.1 million and the addition of mortgage servicing income. Total other expenses increased by $1.5 million, mainly in the areas of salaries, other expense, advertising, occupancy and data processing. Loan loss provisions of $2.1million and $1.2 million were made for the nine months ended September 30, 2012 and 2011, respectively. This increase of $904 was due to continued strong loan demand.

Non-interest income for the nine months ended September 30, 2012 and 2011 totaled $4.0 million and $2.5 million, respectively. This $1.5 million increase was primarily the result of income from the sale of loans into the secondary market increasing by $1.1 million as well as the addition of mortgage servicing income.

Non-interest expense for the nine months ended September 30, 2012 and 2011 totaled $10.9 million and $8.7 million. The largest drivers of this $2.2 million increase were in the areas of salaries, other expenses, advertising, occupancy and data processing.

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Interest Income and Expense

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

Net interest margin is calculated by dividing net interest income by average interest-earning assets. This ratio serves as a performance measurement of the net interest revenue stream generated by the bank's balance sheet. The net interest margin for the quarters ended September 30, 2012 and 2011 was 3.09% and 3.23% respectively. Cost of funds continues to decline, especially in the time deposit area. MVB has been very successful in gathering deposits through the offering of a higher rate NOW account called the broker buster account, as well as through retail rewards checking. Loan yields dropped by 50 basis points as a result of increased competition for high quality credits.

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

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Average Balances and Interest Rates

(Unaudited)(Dollars in thousands)

	Three Months Ended Sept. 30, 2012			Three Months Ended Sept. 30, 2011		
	Average Balance	Interest Income/ Expense	Yield/ Cost	Average Balance	Interest Income/ Expense	Yield/ Cost
Assets						
Interest-bearing deposits in banks	$ 10,613	$ 3	0.11%	$ 4,959	$ 4	0.32%
Certificates of deposit in other banks	9,427	44	1.82	3,634	7	0.77
Investment securities	112,622	519	1.85	102,375	463	1.81
Loans:						
Commercial	261,818	3,178	4.86	214,511	2,834	5.28
Tax exempt	18,732	197	4.21	13,660	142	4.16
Consumer	14,244	203	5.70	13,081	211	6.45
Real estate	141,827	1,474	4.16	105,739	1,260	4.77
Total loans	436,621	5,052	4.63	346,991	4,447	5.13
Total earning assets	569,283	5,618	3.95	457,959	4,921	4.30
Cash and due from banks	11,698			12,135		
Other assets	20,979			19,088		
Total assets	$ 601,960			$ 489,182		
Liabilities						
Deposits:						
Non-interest bearing demand	$ 48,979	$ —	— %	$ 38,823	$ —	— %
NOW	221,554	483	0.88	144,253	346	0.96
Money market checking	27,468	21	0.31	35,876	70	0.78
Savings	24,112	36	0.60	14,534	17	0.47
IRAs	9,728	57	2.34	9,886	71	2.87
CDs	137,993	377	1.09	123,128	464	1.51
Repurchase agreements & FFS	61,615	116	0.75	64,342	125	0.78
FHLB and other borrowings	13,521	113	3.34	10,766	115	4.27
Long-term debt	4,124	22	2.13	4,124	20	1.94
Total interest-bearing liabilities	500,115	1,225	0.98	406,909	1,228	1.21
Other liabilities	2,608			2,866		
Total liabilities	551,702			448,598		
Stockholders' equity						
Preferred stock	8,500			1,571		
Common stock	2,247			2,234		
Paid-in capital	32,954			32,397		
Treasury Stock	(1,084)			(1,043)		
Retained earnings	8,172			5,401		

Accumulated other comprehensive income	(531)			24		
Total stockholders' equity	50,258			40,584		
Total liabilities and stockholders' equity	$ 601,960			$ 489,182		
Net interest spread			2.97			3.09
Impact of non-interest bearing funds on margin			0.13			0.14
Net interest income-margin		$ 4,393	3.09%		$ 3,693	3.23%

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Average Balances and Interest Rates

(Unaudited)(Dollars in thousands)

	Nine Months Ended Sept. 30, 2012			Nine Months Ended Sept. 30, 2011		
	Average Balance	Interest Income/ Expense	Yield/ Cost	Average Balance	Interest Income/ Expense	Yield/ Cost
Assets						
Interest-bearing deposits in banks	$ 5,912	$ 9	0.20%	$ 11,760	$ 22	0.25%
Certificates of deposit in other banks	9,611	147	2.04	4,036	38	1.26
Investment securities	113,662	1,606	1.88	89,074	1,291	1.93
Loans:						
Commercial	248,103	9,171	4.93	200,447	7,917	5.27
Tax exempt	17,706	568	4.28	13,895	435	4.17
Consumer	13,642	604	5.90	13,334	665	6.65
Real estate	135,616	4,303	4.23	94,906	3,461	4.86
Total loans	415,067	14,646	4.70	322,582	12,478	5.16
Total earning assets	544,252	16,408	4.02	427,452	13,829	4.31
Cash and due from banks	10,821			6,966		
Other assets	20,487			18,561		
Total assets	$ 575,560			$ 452,979		
Liabilities						
Deposits:						
Non-interest bearing demand	$ 44,506	$ —	— %	$ 38,258	$ —	— %
NOW	194,295	1329	0.91	130,841	983	1.00
Money market checking	31,515	106	0.45	37,586	256	0.91
Savings	22,732	99	0.58	13,126	39	0.40
IRAs	9,754	179	2.45	10,030	215	2.86
CDs	135,373	1,180	1.16	112,809	1,415	1.67
Repurchase agreements & FFS	65,687	359	0.73	54,483	358	0.88
FHLB and other borrowings	15,052	351	3.11	11,228	350	4.16
Long-term debt	4,124	66	2.13	4,124	60	1.94
Total interest-bearing liabilities	478,532	3,669	1.02	374,227	3,676	1.31
Other liabilities	3,378			2,580		
Total liabilities	526,416			415,065		
Stockholders’ equity						
Preferred stock	8,500			529		
Common stock	2,240			2,234		
Paid-in capital	32,759			31,581		
Treasury Stock	(1,084)			(1,019)		
Retained earnings	7,376			4,818		
Accumulated other comprehensive income	(647)			(229)		
Total stockholders’ equity	49,144			37,914		

Total liabilities and stockholders' equity	$575,560			$452,979		
Net interest spread			3.00			3.00
Impact of non-interest bearing funds on margin			0.12			0.17
Net interest income-margin		$12,739	3.12%		$10,153	3.17%

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Non-Interest Income

Service charges on deposit accounts generate the core of the bank's non-interest income. Non-interest income totaled $1.7 million in the third quarter of 2012 compared to $979 in the third quarter of 2011. This increase of $704 is mainly the result of an increase in income in loans held for sale of $300, as well as mortgage servicing income.

Service charges on deposit accounts continue to be part of the core of MVB's other income and include mainly non-sufficient funds and returned check fees, allowable overdraft fees and service charges on commercial accounts.

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

Non-Interest Expense

For the third quarter of 2012, non-interest expense totaled $3.9 million compared to $3.2 million in the third quarter of 2011. MVB's efficiency ratio was 63.38% for the third quarter of 2012 compared to 67.47% for the third quarter of 2011. This ratio measures the efficiency of non-interest expenses incurred in relationship to net interest income plus non-interest income. The increased efficiency ratio is the result of the increased net interest income and increased income from the sale of loans held for sale during the third quarter of 2012, along with mortgage servicing income.

Salaries and benefits totaled $2.1 million for the quarter ended September 30, 2012 compared to $1.7 million for the quarter ended September 30, 2011. This $404 increase in salaries and benefits is mainly the result of additions in the information technology, human resources, credit and secondary market areas of the bank along with increases to existing employees. MVB had 139 full-time equivalent personnel at September 30, 2012 compared to 106 full-time equivalent personnel as of September 30, 2011. Management will continue to strive to find new ways of increasing efficiencies and leveraging its resources, while effectively optimizing customer service.

For the quarters ended September 30, 2012 and 2011, occupancy expense totaled $207 and $182, respectively. This $25 increase is the result of the addition of the Morgantown office and the Operations Center.

Advertising expense increased $108 as a result of increased focus on rewards checking and other operating and FDIC insurance expense each increased by $42.

Return on Average Assets and Average Equity

Returns on average assets (ROA) and average equity (ROE) were .70% and 8.34% for the third quarter of 2012 compared to .55% and 6.63% in the third quarter of 2011.

Overview of the Statement of Condition

MVB's interest-earning assets, interest-bearing liabilities, and stockholders' equity changed significantly during the third quarter of 2012 compared to 2011. The most significant areas of change between the quarters ended September 30, 2012 and September 30, 2011 were as follows: investment securities increased from an average balance of $102.4 million to an average balance of $112.6 million, loans increased to an average balance of $436.6 million from $347.0 million, interest-bearing liabilities grew to an average balance of $500.1 million from $406.9 million and stockholders' equity grew by $9.7 million to an average of $50.3 million. These trends reflect the continued growth of MVB in the investment, loan, deposit and capital areas.

Total assets at September 30, 2012 were $613.6 million or an increase of $80.2 million since December 31, 2011. The greatest areas of increase were $72.4 million in loan growth and $80.7 million in interest bearing balances.

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Deposits totaled $471.2 million at September 30, 2012 or an increase of $80.7 million since December 31, 2011. $38.8 million of this increase is the result of increased broker buster checking accounts, $14.9 million is increased public funds deposits, $14.7 million represents increased CDARS and brokered deposits and $11.3 million relates to increased non-interest bearing commercial deposits.

Repurchase agreements totaled $69.3 million and have declined by $8.6 million since December 31, 2011.

Stockholders' equity has increased approximately $3.1 million from December 31, 2011 due to earnings for the nine months ended September 30, 2012 of $2.7 million, the implementation of a dividend reinvestment plan that provided $266 in additional capital and other comprehensive income of $247, the result of an increase in value of the investment portfolio.

Cash and Cash Equivalents

Cash and cash equivalents totaled $11.1 million as of September 30, 2012 compared to $9.8 million as of December 31, 2011.

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

Investment Securities

Investment securities totaled $117.1 million as of September 30, 2012 and $112.9 million as of December 31, 2011. Government sponsored agency securities and mortgage backed securities comprise the majority of the portfolio.

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

Loans

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

Loan Concentration

At September 30, 2012, commercial loans comprised the largest component of the loan portfolio. The majority of commercial loans that are not secured by real estate are lines of credit secured by accounts receivable and equipment and obligations of states and political subdivisions. 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.

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Allowance for Loan Losses

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

Funding Sources

MVB considers a number of alternatives, including but not limited to deposits, short-term borrowings, and long-term borrowings when evaluating funding sources. Traditional deposits continue to be the most significant source of funds for the bank, reaching $471.2 million at September 30, 2012.

Non-interest bearing deposits remain a core funding source for MVB. At September 30, 2012, non-interest bearing deposits totaled $49.8 million compared to $38.6 million at December 31, 2011. Management intends to continue to focus on finding ways to increase the bank's base of non-interest bearing funding sources.

Interest-bearing deposits totaled $421.4 million at September 30, 2012 compared to $351.9 million at December 31, 2011. Average interest-bearing liabilities totaled $473.3 million during the third quarter of 2012 compared to $406.9 million for the third quarter of 2011. Average non-interest bearing demand deposits totaled $49.0 million for the third quarter of 2012 compared to $38.8 million for the third quarter of 2011. Management will continue to emphasize deposit gathering in 2012 by offering outstanding customer service and competitively priced products. Management will also concentrate on balancing deposit growth with adequate net interest margin to meet MVB's strategic goals.

Along with traditional deposits, MVB has access to both repurchase agreements, which are corporate deposits secured by pledging securities from the investment portfolio, and Federal Home Loan Bank borrowings to fund its operations and investments. At September 30, 2012, repurchase agreements totaled $69.3 million compared to $77.8 million at December 31, 2011. In addition to the aforementioned funds alternatives, MVB has access to more than $189.0 million through additional advances from the Federal Home Loan Bank of Pittsburgh and the ability to readily sell jumbo certificates of deposits to other banks as well as brokered deposit markets.

Liquidity

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

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Current Economic Conditions

The current economic climate in West Virginia, and in particular in the five counties MVB focuses in is better than the national climate. Unemployment in the United States was 8.2% in August 2012 and 9.1% in August 2011. The unemployment levels in the five counties MVB operates in were as follows: Berkeley County unemployment was 6.9% in August 2012, compared to 7.8% in August 2011. Harrison County’s unemployment rate for August 2012 was 6.2% versus 7.1% in August 2011. Jefferson County’s unemployment rate improved from 6.0% in August 2011 to 5.1% in August 2012 and Marion County’s unemployment rate decreased from 7.0% in August of 2011 to 6.3% in August of 2012. Monongalia County’s unemployment rate decreased from 5.7% in August of 2011 to 5.2% in August of 2012. The numbers from all five counties continue to be significantly better than the national numbers.

MVB’s nonperforming loan information supports the fact that the West Virginia economy has not suffered as much as that of the nation as a whole. Nonperforming loans to total loans were 0.95% in September of 2012 versus 0.98% in September of 2011 and charge offs to total loans were 0.33% and 0.29% for each period respectively. MVB continues to closely monitor economic and delinquency trends.

Capital/Stockholders’ Equity

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

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

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

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

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

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

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

In late December 2010 MVB began a confidential offering to accredited investors that resulted in the issuance of 393,305 shares of common stock totaling $8.3 million in additional capital. This offering was completed during the first quarter of 2011.

On September 8, 2011, MVB received $8.5 million in Small Business Lending Fund (SBLF) capital. MVB issued 8,500 shares of $1,000 per share preferred stock, with dividends payable quarterly in arrears on January 1, April 1, July 1 and October 1 each year. At the time of receipt of the SBLF money, MVB’s loan production qualified it for the lowest dividend possible at 1%. MVB may continue to utilize the SBLF capital for a period of four and one half years at the 1% dividend rate so long as loan growth continues to support the reduced rate.

During the second quarter of 2012, MVB instituted a dividend reinvestment plan (DRIP) whereby current shareholders can reinvest their dividends into MVB stock, rather than receiving cash, as well as add as much as $50 to their current investment. MVB added $266 in additional capital through the DRIP in the second quarter of 2012.

At September 30, 2012, accumulated other comprehensive (loss) totaled $(495) compared to $(742) at December 31, 2011.

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Treasury stock shares totaled 51,077 shares.

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

Bank regulators have established “risk-based” capital requirements designed to measure capital adequacy. Risk-based capital ratios reflect the relative risks of various assets banks hold in their portfolios. A weight category of 0% (lowest risk assets), 20%, 50%, or 100% (highest risk assets) is assigned to each asset on the balance sheet. Detailed information concerning MVB’s risk-based capital ratios can be found in Note 14 of the Notes to the Consolidated Financial Statements of MVB’s 2011 Form 10-K. At September 30, 2012, MVB and its banking subsidiary’s risk-based capital ratios exceeded the minimum standards for a well-capitalized financial institution.

Commitments

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

Loan commitments are made to accommodate the financial needs of MVB’s customers. MVB uses the same underwriting standards in making commitments and conditional obligations as it does for on-balance sheet instruments. The amount of collateral obtained is based on management's credit evaluation of the customer. Collateral held varies, but may include accounts receivable, inventory, property, plant, and equipment, and income-producing commercial properties. The total amount of loan commitments outstanding at September 30, 2012 and December 31, 2011 was $51.2 million and $47.0 million, respectively.

Market Risk

There have been no material changes in market risks faced by MVB since December 31, 2011. For information regarding MVB’s market risk, refer to MVB’s Annual Report to Shareholders for the year ended December 31, 2011.

Effects of Inflation on Financial Statements

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

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Future Outlook

The bank’s results of operations in the third quarter of 2012 are an improvement over the third quarter of 2011 mainly due to the improvement in net interest income. MVB’s emphasis in future periods will be to do those things that have made the bank successful thus far. The critical challenge for the bank in the future is to attract core deposits to fund growth in the new markets through continued delivery of the most outstanding customer service with the highest quality products and technology.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

No response required.

Item 4. Controls and Procedures

The Company, under the supervision and with the participation of the Company’s management, including the Company’s President and Chief Executive Officer, along with the Company’s Chief Financial Officer (the Principal Financial Officer), has evaluated the effectiveness as of September 30, 2012, of the design and operation of the Company’s disclosure controls and procedures, as such term is defined under Rule 13a-15(e) promulgated under the Securities Exchange Act of 1934, as amended (the “Exchange Act”). Based upon that evaluation, the Company’s President and Chief Executive Officer, along with the Company’s Principal Accounting Officer concluded that the Company’s disclosure controls and procedures were effective as of September 30, 2012.

There have been no material changes in the Company’s internal control over financial reporting during the third quarter of 2012 that have materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.

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Part II. Other Information

Item 1. Legal Proceedings

None.

Item 1A. Risk Factors

No response required.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

None.

Item 5. Other Information

None.

Item 6. Exhibits

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

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

(b) The following exhibits are filed herewith.

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

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SIGNATURES

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

November 1, 2012 MVB Financial Corp.

By: /s/ Larry F. Mazza
Larry F. Mazza
President and Chief Executive Officer

By: /s/ Eric L. Tichenor
Eric L. Tichenor
Chief Financial Officer