MVB FINANCIAL CORP
Form 10-Q
May 13, 2011

United States

Securities and Exchange Commission

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2011

OR

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

For the transition period from ______ to ______.

Commission File number 333-120931

MVB Financial Corp.

(Exact name of registrant as specified in its charter)

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

301 Virginia Avenue

Fairmont, West Virginia 26554-2777

(Address of principal executive offices)

304-363-4800

(Issuer s telephone number)

Not Applicable

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

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

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

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

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

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

As of May 13, 2011, the number of shares outstanding of the issuer s only class of common stock was 2,234,767.

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MVB Financial Corp.

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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)

	March 31 2011 (Unaudited)	December 31 2010 (Note 1)
Assets		
Cash and due from banks	$ 2,274	$ 3,713
Interest bearing balances with banks	26,084	10,091
Certificates of deposits in other banks	1,640	17,734
Investment securities:		
Securities held-to-maturity, at cost	7,231	7,460
Securities available-for-sale, at approximate fair value	87,654	61,824
Loans:	305,480	294,044
Less: Allowance for loan losses	(2,552)	(2,478)
Net loans	302,928	291,566
Loans held for sale	696	1,839
Bank premises, furniture and equipment, net	7,531	7,579
Accrued interest receivable and other assets	13,441	12,461
Total assets	$ 449,479	$ 414,267
Liabilities		
Deposits		
Non-interest bearing	$ 31,963	$ 28,449
Interest bearing	319,158	271,985
Total deposits	351,121	300,434
Accrued interest, taxes and other liabilities	2,465	2,703
Repurchase agreements	43,982	47,623
Federal Home Loan Bank borrowings	9,934	28,614
Long-term debt	4,124	4,124
Total liabilities	411,626	383,498
Stockholders equity		
Preferred stock, $1,000 par value, 5,000 shares authorized; none issued		
Common stock, $1 par value, 4,000,000 authorized, 2,234,767 and 1,802,391 issued	2,235	1,802
Additional paid-in capital	32,529	23,864
Common stock paid for but not yet issued, par value $1; 90,560 shares		1,729
Treasury Stock, 47,218 and 47,218 shares, respectively	(1,006)	(1,006)
Retained earnings	4,483	4,643
Accumulated other comprehensive income (loss)	(388)	(263)

Total stockholders equity	37,853	30,769
Total liabilities and stockholders equity	$ 449,479	$ 414,267

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)

	Three Months Ended March 31 2011	2010
Interest income		
Interest and fees on loans	$ 3,750	$ 3,092
Interest on deposits with other banks	36	208
Interest on investment securities taxable	344	303
Interest on tax exempt loans and securities	208	178
Total interest income	4,338	3,781
Interest expense		
Deposits	955	1,125
Repurchase agreements	109	101
Federal Home Loan Bank borrowings	120	131
Long-term debt	20	19
Total interest expense	1,204	1,376
Net interest income	3,134	2,405
Provision for loan losses	300	280
Net interest income after provision for loan losses	2,834	2,125
Other income		
Service charges on deposit accounts	130	172
Income on bank owned life insurance	47	64
Visa debit card income	96	79
Income on loans held for sale	92	89
Other operating income	106	117
Gain on sale of securities	149	47
Total other income	620	568
Other expense		
Salary and employee benefits	1,422	1,146
Occupancy expense	143	146
Equipment expense	126	106
Data processing	36	140
Visa debit card expense	77	65
Advertising	75	36
Legal and accounting fees	64	36
Printing, stationery and supplies	37	26
Consulting fees	92	25
FDIC insurance	119	137
Other taxes	49	45
Other operating expenses	274	224

Total other expense	2,514	2,132
Income before income taxes	940	561
Income tax expense	274	133
Net income	$ 666	$ 428
Basic net income per share	$ 0.33	$ 0.27
Diluted net income per share	$ 0.32	$ 0.26
Basic weighted average shares outstanding	2,032,542	1,604,657
Diluted weighted average shares outstanding	2,068,683	1,630,773

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)

	Three Months Ended March 31 2011	2010
Operating activities		
Net income	$ 666	$ 428
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	300	280
Deferred income tax expense/(benefit)	171	(152)
Depreciation	111	113
Stock based compensation	28	4
Loans originated for sale	(6,397)	(6,859)
Proceeds of loans sold	7,540	6,881
Proceeds from sale of other real estate owned	234	703
(Gain) on sale of other real estate owned		(40)
(Gain) on sale of investment securities	(149)	(47)
Amortization, net of accretion	168	73
(Increase)/decrease in interest receivable and other assets	(101)	103
(Decrease)/increase in accrued interest, taxes, and other liabilities	(238)	327
Net cash provided by operating activities	2,333	1,814
Investing activities		
(Increase) in loans made to customers	(11,662)	(1,686)
Purchases of premises and equipment	(63)	(48)
(Increase) in interest bearing balances with banks, net	(15,993)	(20,802)
Purchases of certificates of deposit in other banks		(15,242)
Proceeds from maturity of certificates of deposit in other banks	16,094	17,339
Purchases of investment securities available-for-sale	(33,881)	(11,293)
Proceeds from sales, maturities and calls of securities available-for-sale	8,052	4,964
Purchases of investment securities held-to-maturity		(532)
Purchases of bank owned life insurance	(1,200)	
Net cash (used in) investing activities	(38,653)	(27,300)
Financing activities		
Net increase in deposits	50,687	22,861
Net (decrease)/increase in repurchase agreements	(3,641)	2,837
Proceeds from Federal Home Loan Bank Borrowings	33,305	
Principal payments on Federal Home Loan Bank borrowings	(51,985)	(52)
Purchase of treasury stock		(100)
Net proceeds of stock offering	6,515	
Net cash provided by financing activities	34,881	25,546
(Decrease)/increase in cash and cash equivalents	(1,439)	60
Cash and cash equivalents - beginning of period	3,713	2,321
Cash and cash equivalents - end of period	$ 2,274	$ 2,381
Cash payments for:		
Interest on deposits, repurchase agreements and borrowings	$ 1,269	$ 1,462

Income taxes	$	$

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, 2010 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 three months ended March 31, 2011 are not necessarily indicative of the results that may be expected for the year ending December 31, 2011.

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, 2010 has been extracted from audited financial statements included in MVB s 2010 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, 2010, Form 10-K filed with the Securities and Exchange Commission.

Management has reviewed events occurring through May 13, 2011, the date the financial statements were issued and no subsequent events occurred requiring accrual or disclosure.

Note 2. Loans

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

(Dollars in thousands)

	2011	2010
Commercial and non-residential real estate	$ 204,053	$ 150,955
Residential real estate	87,427	70,690
Consumer and other	13,949	12,873
Net deferred fees and costs	51	59
	$ 305,480	$ 234,577

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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 March 31, 2011. Activity in the allowance is presented for the period ended March 31, 2011 (in thousands):

	Commercial	Residential	Home Equity	Installment	Credit Card	Total
ALL balance 12/31/10 December 31, 2010	$ 1,517	$ 460	$ 207	$ 274	$ 20	$ 2,478
Charge-offs	(22)	(65)	(76)	(70)	(3)	(236)
Recoveries				10		10
Provision	222	49	3	25	1	300
ALL balance 3/31/11	$ 1,717	$ 444	$ 134	$ 239	$ 18	$ 2,552
Individually evaluated for impairment	$ 1,095	$ 135	$ 51	$	$ 2	$ 1,283
Collectively evaluated for impairment	$ 622	$ 309	$ 83	$ 239	$ 16	$ 1,269

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 March 31, 2011 (in thousands):

	Commercial	Residential	Home Equity	Installment	Credit Cards	Total
March 31, 2011						
Total Loans	$ 204,104	$ 73,081	$ 14,346	$ 13,409	$ 540	$ 305,480
Individually evaluated for impairment	$ 418	$ 766	$ 205	$ 0	$ 1	$ 1,390
Collectively evaluated for impairment	$ 203,686	$ 72,315	$ 14,141	$ 13,409	$ 539	$ 304,090

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

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

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

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

The following table presents impaired loans by class, segregated by those for which a specific allowance was required and those for which a specific allowance was not necessary as of March 31, 2011 (in thousands):

	Impaired Loans with Specific Allowance		Impaired Loans with No Specific Allowance	Total Impaired Loans	
March 31, 2011	Recorded Investment	Related Allowance	Recorded Investment	Recorded Investment	Unpaid Principal Balance
Commercial	$ 84	$ 84	$ 334	$ 418	$ 418
Residential	734	135	32	766	766
Home Equity	68	23	137	205	205
Installment	0	0	0	0	0
Credit Card	1	1	0	1	1
Total impaired loans	$ 887	$ 243	$ 503	$ 1,390	$ 1,390

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

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

Total impaired loans	$ 490	$ 198	$ 366	$ 856	$ 856

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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):

	March	
	2011	2010
Average investment in impaired loans	$ 1,390	$ 2,369
Interest income recognized on an accrual basis on impaired loans	$ 58	$ 95

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 March 31, 2011 and December 31, 2010 (in thousands):

March 31, 2011	Pass	Special Mention	Substandard	Doubtful	Total
Commercial	$ 190,632	$ 6,200	$ 6,854	$ 418	$ 204,104
Residential	71,287	912	116	766	73,081
Home Equity	14,028	113		205	14,346
Installment	12,970	336	95	8	13,409
Credit Card	538		2		540
Total	$ 289,455	$ 7,561	$ 7,067	$ 1,397	$ 305,480

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

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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 March 31, 2011 and December 31, 2010 (in thousands):

	Current	30-59 Days Past Due	60-89 Days Past Due	90 Days Past Due	Total Past Due	Non-Accrual	Total Loans
March 31, 2011							
Commercial	$ 200,974	$ 742	$ 1,753	$	$ 2,495	$ 635	$ 204,104
Residential	71,560	556	7	142	705	816	73,081
Home Equity	14,123		37		37	186	14,346
Installment	12,681	483		158	641	87	13,409
Credit Card	539					1	540
Total	$ 299,877	$ 1,781	$ 1,797	$ 300	$ 3,878	$ 1,725	$ 305,480

	Current	30-59 Days Past Due	60-89 Days Past Due	90 Days Past Due	Total Past Due	Non-Accrual	Total Loans
Dec 31, 2010							
Commercial	$ 193,414	$ 241		$ 217	$ 458	$ 828	$ 194,700
Residential	68,529	1,761	272	143	2,176	981	71,686
Home Equity	13,979	28	18	47	93	262	14,334
Installment	12,222	141	158	155	454	154	12,830
Credit Card	490					4	494
Total	$ 277,331	$ 2,171	$ 448	562	$ 3,181	$ 2,229	$ 294,044

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.

Note 3. Borrowed Funds

The Company is a party to repurchase agreements with certain customers. As of March 31, 2011 and December 31, 2010, the Company had repurchase agreements of $44.0 million and $47.6 million.

The bank is a member of the Federal Home Loan Bank (FHLB) of Pittsburgh, Pennsylvania. Borrowings from the FHLB are secured by stock in the FHLB of Pittsburgh, qualifying first mortgage loans, mortgage-backed securities and certain investment securities. The remaining maximum borrowing capacity with the FHLB at March 31, 2011 was approximately $120.0 million. Borrowings from the FHLB were as follows:

	March 31 2011	December 31 2010
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.	913	933
Fixed interest rate note, originating April 2002, due May 2017, interest of 5.90% is payable monthly.	643	647
Fixed interest rate note, originating July 2006, due July 2016, interest of 4.50% is payable in monthly installments of $8.	1,331	1,341
Fixed interest rate note, originating October 2006, due October 2021, interest of 5.20% is payable in monthly installments of $6.	1,084	1,089
Fixed interest rate note, originating February 2007, due February 2022, interest of 5.22% is payable in monthly installments of $5.	909	913
Fixed interest rate note, originating April 2007, due April 2022, interest of 5.18% is payable in monthly installments of $6.	1,029	1,034
Fixed interest rate note, originating December 2007, due December 2017, interest of 5.25% is payable in monthly installments of $7.	1,025	1,031
Fixed interest rate note originating March 2008, due March 2013, interest of 0.35% payable quarterly.	2,000	2,000
Floating interest rate note originating March 2003, interest of 0.68% payable monthly.		14,126
	$ 9,934	$ 24,114

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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 were 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 March 31, 2011 and 2010 and interest expense of $20 and $19 for the periods ended March 31, 2011 and 2010.

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

Year	Amount
2011	167
2012	232
2013	2,244
2014	1,257
2015	271
Thereafter	9,887
	14,058

The bank had borrowed $4.5 million in overnight funds at the Federal Reserve discount window on December 31, 2010 at a rate of 0.75%.

Note 4. Comprehensive Income

The Company is required to present comprehensive income in a full set of general-purpose financial statements for all periods presented. The following represents comprehensive income for the three month periods ended March 31, 2011 and March 31, 2010.

The following table represents other comprehensive income before tax and net of tax (in thousands):

	For the three months ended March 31,	
	2011	**2010**
Unrealized gain (losses) on securities available for sale	$ (209)	$ 72
Pension liability adjustment		(139)
Tax effect	(84)	27
Net of tax effect	(125	(40)
Net income as reported	666	428
Total comprehensive income	$ 541	$ 388

Note 5 Net Income Per Common Share

MVB determines basic earnings per share by dividing net income by the weighted average number of common shares outstanding during the period. Diluted earnings per share is determined by dividing net income by the weighted average number of shares outstanding increased by the number of shares that would be issued assuming the exercise of stock options. At March 31, 2011 and 2010 stock options to purchase 148,423 and 124,658 shares at an average price of $15.13 and $15.81, respectively, were outstanding. For the three months ended March 31, 2011 and

2010, the dilutive effect of stock options was 36,141 and 26,116 shares, respectively.

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Note 6 Recent Accounting Pronouncements

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

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

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

In January 2010, the FASB issued ASU No. 2010-06, Fair Value Measurements and Disclosures (Topic 820): Improving Disclosures about Fair Value Measurements. ASU 2010-06 amends Subtopic 820-10 to clarify existing disclosures, require new disclosures, and includes conforming amendments to guidance on employers disclosures about postretirement benefit plan assets. ASU 2010-06 is effective for interim and annual periods beginning after December 15, 2009, except for disclosures about purchases, sales, issuances, and settlements in the roll forward of activity in Level 3 fair value measurements. Those disclosures are effective for fiscal years beginning after December 15, 2010 and for interim periods within those fiscal years. The Company has presented the necessary disclosures in the Note (7) herein.

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

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

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

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

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

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

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

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

In December, 2010, the FASB issued ASU 2010-28, When to Perform Step 2 of the Goodwill Impairment Test for Reporting Units with Zero or Negative Carrying Amounts. This ASU modifies Step 1 of the goodwill impairment test for reporting units with zero or negative carrying amounts. For those reporting units, an entity is required to perform Step 2 of the goodwill impairment test if it is more likely than not that a goodwill impairment exists. In determining whether it is more likely than not that a goodwill impairment exists, an entity should consider whether there are any adverse qualitative factors indicating an impairment may exist. The qualitative factors are consistent with the existing guidance, which requires that goodwill of a reporting unit be tested for impairment between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount. For public entities, the amendments in this Update are effective for fiscal year, and interim periods within those years, beginning after December 15, 2010. Early adoption is not permitted. For nonpublic entities, the amendments are effective for fiscal years, and interim periods within those years, beginning after December 15, 2011. Nonpublic entities may early adopt the amendments using the effective date for public entities. This ASU is not expected to have a significant impact on the Company s financial statements.

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

In January 2011, the FASB issued ASU 2011-01, Receivables (Topic 310): Deferral of the Effective Date of Disclosures about Troubled Debt Restructurings in Update No. 2010-20. The amendments in this Update temporarily delay the effective date of the disclosures about troubled debt restructurings in Update 2010-20, enabling public-entity creditors to provide those disclosures after the FASB clarifies the guidance for determining what constitutes a troubled debt restructuring. The deferral in this Update will result in more consistent disclosures about troubled debt restructurings. This amendment does not defer the effective date of the other disclosure requirements in Update 2010-20. In the proposed Update for determining what constitutes a troubled debt restructuring, the FASB proposed that the clarifications would be effective for interim and annual periods ending after June 15, 2011. For the new disclosures about troubled debt restructurings in Update 2010-20, those clarifications would be applied retrospectively to the beginning of the fiscal year in which the proposal is adopted. The adoption of this guidance in not expected to have a significant impact on the Company s financial statements.

In April 2011, the FASB issued ASU 2011-02, Receivables (Topic 310): A Creditor s Determination of Whether a Restructuring Is a Troubled Debt Restructuring. The amendments in this Update provide additional guidance or clarification to help creditors in determining whether a creditor has granted a concession and whether a debtor is experiencing financial difficulties for purposes of determining whether a restructuring constitutes a troubled debt restructuring. The amendments in this Update are effective for the first interim or annual reporting period beginning on or after June 15, 2011, and should be applied retrospectively to the beginning annual period of adoption. As a result of applying these amendments, an entity may identify receivables that are newly considered impaired. For purposes of measuring impairment of those receivables, an entity should apply the amendments prospectively for the first interim or annual period beginning on or after June 15, 2011. This ASU is not expected to have a significant impact on the Company s financial statements.

Note 7 Fair Value of Financial Instruments

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

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

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

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The following table presents the assets and liabilities reported on the consolidated statements of financial condition at their fair value as of March 31, 2011 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.

(in thousands)	March 31, 2011			
	Level 1	Level 2	Level 3	Total
Assets:				
Investment securities, available for sale		$ 87,654		$ 87,654
Other Real Estate Owned		333		333
Impaired Loans			$ 1,390	$ 1,390

(in thousands)	December 31, 2010			
	Level 1	Level 2	Level 3	Total
Assets:				
Investment securities, available for sale		$ 61,824		$ 61,824
Other Real Estate Owned		402		402
Impaired Loans			$ 856	$ 856

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

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

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

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

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

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

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

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

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

	March 31, 2011	
	Carrying Value	Estimated Fair Value
	(Dollars in thousands)	
Financial assets:		
Cash and due from banks	2,274	2,274
Interest bearing balances	27,724	27,760
Securities available-for-sale	87,654	87,654
Securities held-to-maturity	7,231	7,293
Loans	302,928	309,895
Accrued interest receivable	1,488	1,488
	$ 429,299	$ 436,364
Financial liabilities:		
Deposits	$ 351,121	$ 351,121
Repurchase agreements	43,982	43,982
Federal Home Loan Bank Borrowings	9,934	10,331
Accrued interest payable	312	312
Long-term debt	4,124	4,124
	$ 409,473	409,870

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

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

(Dollars in thousands)

	Amortized Cost	Unrealized Gain	Unrealized Loss	Approximate Fair Value
Municipal securities	$ 6,231	$ 61	$ 51	$ 6,241
U. S. Agency securities	1,000	5		1,005
	$ 7,231	$ 66	$ 51	$ 7,246

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Amortized cost and approximate fair values of investment securities held-to-maturity at December 31, 2010, including gross unrealized gains and losses, are summarized as follows:

(Dollars in thousands)

	Amortized Cost	Unrealized Gain	Unrealized Loss	Approximate Fair Value
Municipal securities	$ 6,460	$ 27	$ (62)	$ 6,425
U.S. Agency securities	1,000	17		1,017
	$ 7,460	$ 44	$ (62)	$ 7,442

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

	Amortized Cost	Unrealized Gain	Unrealized Loss	Approximate Fair Value
U. S. Agency securities	$ 60,785	$ 292	$ (74)	$ 61,003
Mortgage-backed securities	26,292	273	(38)	26,527
Other securities	124			124
	$ 87,201	$ 565	$ (112)	$ 87,654

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

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

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

	March 31, 2011			
	Held to Maturity		Available for sale	
	Amortized Cost	Approximate Fair Value	Amortized Cost	Approximate Fair Value
Within one year	$ 1,115	$ 1,120	$ 16,000	$ 16,000
After one year, but within five			42,251	42,384

After five years, but within ten	2,382	2,405	2,556	2,619
After ten Years	3,734	3,721	26,394	26,651
Total	$ 7,231	$ 7,246	$ 87,201	$ 87,654

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The Company s investment portfolio includes securities that are in an unrealized loss position as of March 31, 2011, the details of which are included in the following table. Although these securities, if sold at March 31, 2011 would result in a pretax loss of $163, the Company has no intent to sell the applicable securities at such fair values, and maintains the Company has the ability to hold these securities until all principal has been recovered. Declines in the fair 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 March 31, 2011, 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 fair value.

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 March 31, 2011 and for the Three Months Ended March 31, 2011 and 2010:

	Three Months Ended March 31	
	2011	2010
Net income to:		
Average assets	.63%	.47%
Average stockholders equity	7.62	6.32
Net interest margin	3.14	2.85

The following table discloses investments in an unrealized loss position:

At March 31, 2011, total temporary impairment totaled $163

Description and number of positions	Less than 12 months		12 months or more	
	Fair Value	Unrealized	Fair Value	Unrealized Loss
U.S. Agencies(6)	$ 9,662	$ (74)	$	$
Mortgage-backed securities(5)	6,519	(38)		
Municipal securities(9)	2,580	(51)		
	$ 18,761	$ (163)	$	$

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Average stockholders equity to average assets	8.34	7.47
Total loans to total deposits (end of period)	87.00	81.62
Allowance for loan losses to total loans (end of period)	0.84	1.09
Efficiency ratio	66.97	71.71
Capital ratios:		
Tier 1 capital ratio	14.66	12.58
Risk-based capital ratio	15.57	13.65
Leverage ratio	9.81	8.40
Cash dividends as a percentage of net income	N/A	N/A
Per share data:		
Book value per share (end of period)	$ 16.94	$ 16.84
Market value per share (end of period)*	20.00	20.00
Basic earnings per share	.33	.27
Diluted earnings per share	.32	.26

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

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 two 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 April of 2011, MVB opened a loan production office at 2400 Cranberry Square in Morgantown, WV.

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 2010 Annual Report on Form 10-K. These policies, along with the disclosures presented in the other financial statement notes and in management s discussion and analysis of operations, provide information on how significant assets and liabilities are valued in the financial statements and how those values are determined. Based on the valuation techniques used and the sensitivity of financial statement amounts to the methods, assumptions, and estimates underlying those amounts, management has identified the determination of the allowance for loan losses to be the accounting area that requires the most subjective or complex judgments, and as such could be most subject to revision as new information becomes available.

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

Results of Operations

Overview of the Statement of Income

For the quarter ended March 31, 2011, MVB earned $666 compared to $428 in the first quarter of 2010. Net interest income increased by $729, the result of increased interest income of $557 and decreased interest expense of $172. The increase in interest income of $729 was mostly the result of greater interest and fees on loans of $658. This increase in interest on loans was the result of an increase in average loan balances of $66.7 million. The other driver of increased net interest income was the 40 basis point reduction in MVB s cost of funds.

Loan loss provisions of $300 and $280 were made for the quarters ended March 31, 2011 and 2010, respectively. The provision for loan losses, which is a product of management s formal quarterly analysis, is recorded in response to inherent risks in the loan portfolio.

Non-interest income for the quarters ended March 31, 2011 and 2010 totaled $620 and $568, respectively. The most significant portions of non-interest income are service charges on deposit accounts, which totaled $130 at March 31, 2011, other operating income which totaled $106, Visa debit card income which totaled $96 and income on loans held for sale which totaled $92. Gain on sale of investments totaled $149 in the first quarter of 2011 versus $47 during the first quarter of 2010.

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Non-interest expense for the quarters ended March 31, 2011 and 2010 totaled $2.5 million and $2.1 million, respectively. The most significant differences were as follows: $276 increase in salaries and benefit expense, $67 increase in consulting fees and a $50 increase in other expense. The salaries and benefits increase is the result of the addition of new commercial lenders added at the end of the second quarter of 2010, along with the addition of a correspondent lending program and salary adjustments for existing staff. Consulting expense increased due to special projects that MVB is conducting relating to potential expansion and income diversification. The largest increases in other expenses are related to legal and audit expenses, which were up $19 and $12 respectively from the first quarter of 2010.

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 March 31, 2011 and 2010 was 3.14% and 2.85% respectively. This improvement can be traced to the increase in average total loans of $66.7 million from the first quarter of 2010 to the first quarter of 2011, as well as the decline in the certificate of deposit arbitrage program from an average investment of $49.4 million to $7.7 million. MVB s cost of funds declined by 40 basis points despite portfolio growth of $48.2 million which helped the net interest margin as well.

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 Mar. 31, 2011			Three Months Ended Mar. 31, 2010		
	Average Balance	Interest Income/ Expense	Yield/ Cost	Average Balance	Interest Income/ Expense	Yield/ Cost
Assets						
Interest-bearing deposits in banks	$ 16,875	$ 8	0.19%	$ 8,053	$ 3	0.15%
Certificates of deposit in other banks	7,726	28	1.45	49,392	204	1.65
Investment securities	73,046	405	2.22	45,114	363	3.22
Loans:						
Commercial	187,209	2,450	5.23	144,887	1,954	5.39
Tax exempt	14,167	148	4.18	11,285	119	4.22
Consumer	14,050	241	6.86	13,725	236	6.88
Real estate	85,821	1,058	4.93	64,603	902	5.58
Total loans	301,247	3,897	5.17	234,500	3,211	5.64
Total earning assets	398,894	4,338	4.35	337,059	3,781	4.49
Cash and due from banks	2,721			7,263		
Other assets	17,460			18,473		
Total assets	$ 419,075			$ 362,795		
Liabilities						
Deposits:						
Non-interest bearing demand	$ 41,880	$	%	$ 30,648	$	%
NOW	111,866	306	1.09	69,713	266	1.53
Money market checking	38,498	94	0.98	32,165	80	0.99
Savings	11,707	9	0.31	7,430	2	0.11
IRAs	10,259	73	2.85	10,624	87	3.28
CDs	105,407	473	1.79	125,243	690	2.20
Repurchase agreements & FFS	45,052	109	0.97	33,903	101	1.19
FHLB borrowings	12,916	120	3.72	19,674	131	2.66
Long-term debt	4,124	20	1.94	4,124	19	1.84
Total interest-bearing liabilities	339,829	1,204	1.42	302,876	1,376	1.82
Other liabilities	2,419			2,181		
Total liabilities	384,128			335,705		
Stockholders equity						
Common stock	2,080			1,630		
Paid-in capital	30,087			20,459		
Treasury Stock	(1,006)			(568)		
Retained earnings	4,155			5,894		
Accumulated other comprehensive income	(369)			(325)		
Total stockholders equity	34,947			27,090		

Total liabilities and stockholders equity	$ 419,075			$ 362,795		
Net interest spread			2.93			2.67
Impact of non-interest bearing funds on margin			.21			.18
Net interest income-margin		$ 3,134	3.14%		$ 2,405	2.85%

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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 $620 in the first quarter of 2011 compared to $568 in the first quarter of 2010. This increase of $52 is mainly the result of a gain on sale of securities of $149 versus last year s gain of $47 and a decline in service charge income of $42 relating to changes in laws from 2010 which limited many overdraft fees that could be charged.

Service charges on deposit accounts include mainly non-sufficient funds and returned check fees, allowable overdraft fees and service charges on commercial accounts. This is an area that remains under attack through new legislation on the horizon in 2011. MVB will be working on ways to gain back lost revenue from service charges throughout the remainder of 2011.

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, especially with significant additions to staff in this area through the opening of a loan production office in Morgantown, WV during April 2011.

Non-Interest Expense

For the first quarter of 2011, non-interest expense totaled $2.5 million compared to $2.1 million in the first quarter of 2010. MVB s efficiency ratio was 66.97% for the first quarter of 2011 compared to 71.71% for the first quarter of 2010. This ratio measures the efficiency of non-interest expenses incurred in relationship to net interest income plus non-interest income. The improvement in the efficiency ratio was mainly driven by the $686 increase in interest income on loans and the $172 decrease in interest expense due the decreased cost of funds.

Salaries and benefits totaled $1.4 million for the quarter ended March 31, 2011 compared to $1.1 million for the quarter ended March 31, 2010. This $276 increase in salaries and benefits is the result of the addition of three commercial lenders during the late second quarter of 2010 as well as a full time compliance officer in 2011, increases for existing employees, $15 relating to pension, $7 relating to commissions and $16 relating to medical insurance. MVB had 84 full-time equivalent personnel at March 31, 2011 compared to 79 full-time equivalent personnel as of March 31, 2010. 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 March 31, 2011 and 2010, Visa debit card expense totaled $77 and $65, respectively. This $12 increase was the result of increased card usage as a result of MVB s MVChecking account.

Consulting expense totaled $92 and $25 for the quarters ended March 31, 2011 and 2010, respectively. This $67 increase was the result of special projects researching future expansion and income diversification.

Other operating expense totaled $274 in the first quarter of 2011 compared to $224 in the first quarter of 2010. The most significant items relating to this increase were an increase in legal fees of $19 and an increase in audit fees of $12.

Return on Average Assets and Average Equity

Returns on average assets (ROA) and average equity (ROE) were .63% and 7.62% for the first quarter of 2011 compared to .47% and 6.32% in the first quarter of 2010.

Overview of the Statement of Condition

MVB s interest-earning assets, interest-bearing liabilities, and stockholders equity changed significantly during the first quarter of 2011 compared to 2010. The most significant areas of change between the quarters ended March 31, 2011 and March 31, 2010 were as follows: CDs with banks declined from an average balance of $49.4 million to an average of $7.7 million, loans increased to an average balance of $301.2 million from $234.5 million, investment securities increased by $27.9 million, and interest-bearing liabilities grew to an average balance of $339.8 million from $302.9 million. These trends reflect the continued growth of MVB in the loan and deposit areas. The deposit growth is largely the result of growth in the public funds arena.

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Total assets at March 31, 2011 were $449.5 million or an increase of $35.2 million since December 31, 2010. The greatest areas of increase were $16.0 million in interest bearing balances and $25.6 million in investment securities and $11.4 million in loans.

Deposits totaled $351.1 million at March 31, 2011 or an increase of $50.7 million since December 31, 2010. $25.0 million of this increase is the result of acquiring one public funds relationship that is committed to the bank for a period of one year. $16.0 million of this increase is related to existing public fund relationships with seasonal fluctuation in balances. Repurchase agreements totaled $44.0 million and have decreased $3.6 million since December 31, 2010.

Stockholders equity has increased approximately $7.1 million from December 31, 2010 due to the completion of an $8.3 million confidential stock offering to accredited investors begun in late December of 2010 and earnings for the three months ended March 31, 2011 of $666.

Cash and Cash Equivalents

Cash and cash equivalents totaled $2.3 million as of March 31, 2011 compared to $3.7 million as of December 31, 2010.

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 $94.9 million as of March 31, 2011 and $69.3 million as of December 31, 2010. Government sponsored agency securities and mortgage backed securities comprise the majority of the portfolio. This $25.6 million increase is the result of purchasing short term investments to securitize public funds deposits.

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

Loans

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

The following table details total loans outstanding as of:

(Dollars in thousands)	March 31 2011	December 31 2010
Commercial and nonresidential real estate	$ 204,053	$ 194,605
Residential real estate	87,427	86,020
Consumer and other	13,949	13,324
Net deferred fees and costs	51	95
Total loans	$ 305,480	$ 294,044

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Loan Concentration

At March 31, 2011, commercial loans comprised the largest component of the loan portfolio. The majority of commercial loans that are not secured by real estate are lines of credit secured by accounts receivable. While the loan concentration is in commercial loans, the commercial portfolio is comprised of loans to many different borrowers, in numerous different industries but primarily located in our market areas.

Allowance for Loan Losses

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

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 $351.1 million at March 31, 2011.

Non interest bearing deposits remain a core funding source for MVB. At March 31, 2011, non-interest bearing deposits totaled $32.0 million compared to $28.4 million at December 31, 2010. 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 $319.1 million at March 31, 2011 compared to $272.0 million at December 31, 2010. Average interest-bearing liabilities totaled $339.8 million during the first quarter of 2011 compared to $302.9 million for the first quarter of 2010. Average non-interest bearing demand deposits totaled $41.9 million for the first quarter of 2011 compared to $30.6 million for the first quarter of 2010. Management will continue to emphasize deposit gathering in 2011 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 March 31, 2011, repurchase agreements totaled $44.0 million compared to $47.6 million at December 31, 2010. In addition to the aforementioned funds alternatives, MVB has access to more than $120.0 million through additional advances from the Federal Home Loan Bank of Pittsburgh, $31.0 million from the Federal Reserve discount window and the ability to readily sell jumbo certificates of deposits to other banks as well as brokered deposit markets.

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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 of 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.

At March 31, 2011, accumulated other comprehensive (loss) totaled $(388) compared to $(263) at December 31, 2010.

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 2010 Form 10-K. At March 31, 2011, 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.

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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 March 31, 2011 and December 31, 2010 was $45.4 million and $34.0 million, respectively.

Market Risk

There have been no material changes in market risks faced by MVB since December 31, 2010. For information regarding MVB s market risk, refer to MVB s Annual Report to Shareholders for the year ended December 31, 2010.

Effects of Inflation on Financial Statements

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

Future Outlook

The bank s results of operations in the first quarter of 2011 are an improvement over the first quarter of 2010 mainly due to the improvement in net interest income. Net interest income increased by 30% or 729,000 from the first quarter of 2010 as a result of significant growth in the loan and investment portfolios, as well as a continued reduction in the rates paid on funding sources. 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 March 31, 2011, 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 March 31, 2011.

There have been no material changes in the Company s internal control over financial reporting during the first quarter of 2011 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. Removed and Reserved
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.

May 13, 2011	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

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