United States
Securities and Exchange Commission

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2014

OR

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

For the transition period from to .

Commission File number 000-50567

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 x 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 x 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 o	Accelerated filer o
Non-accelerated filer x	Smaller reporting company o

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

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

As of August 11, 2014, the number of shares outstanding of the issuer s only class of common stock was 8,083,439.

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MVB Financial Corp.

Part I. Financial Information

Item 1. Financial Statements

The unaudited interim consolidated financial statements of MVB Financial Corp. (the Company or MVB) and subsidiaries (Subsidiaries) including MVB Bank, Inc. (the Bank or MVB Bank) and its wholly-owned subsidiary Potomac Mortgage Group, Inc., which does business as MVB Mortgage (MVB Mortgage) and MVB Insurance, LLC (MVB Insurance) listed below are included on pages 3-30 of this report.

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 31-43 of this report.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

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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 per share data)

	June 30 2014 (Unaudited)	December 31 2013 (Note 1)
Assets		
Cash and cash equivalents:		
Cash and due from banks	$ 18,093	$ 28,907
Interest bearing balances	10,026	10,936
Total cash and cash equivalents	28,119	39,843
Certificates of deposits in other banks	9,427	9,427
Investment securities:		
Securities available-for-sale	90,146	106,411
Securities held-to-maturity (fair value of $55,931 for 2014 and $54,118 for 2013)	55,978	56,670
Loans held for sale	69,209	89,186
Loans:	734,254	622,305
Less: Allowance for loan losses	(6,241)	(4,935)
Net loans	728,013	617,370
Bank premises, furniture and equipment	21,294	16,919
Bank owned life insurance	21,346	16,062
Accrued interest receivable and other assets	21,310	17,393
Goodwill	17,779	17,779
Total assets	$ 1,062,621	$ 987,060
Liabilities		
Deposits		
Non-interest bearing	$ 62,510	$ 63,336
Interest bearing	684,534	632,475
Total deposits	747,044	695,811
Accrued interest, taxes and other liabilities	9,483	6,878
Repurchase agreements	36,521	81,578
FHLB and other borrowings	125,769	104,647
Subordinated debt	33,437	4,124
Total liabilities	952,254	893,038
Stockholders equity		
Preferred stock, par value $1,000; 20,783 and 20,000 shares authorized and 9,283 and 8,500 shares issued in 2014 and 2013, respectively	16,334	8,500
Common stock, par value $1; 10,000,000 shares authorized; 8,083,439 and 7,705,894 shares issued; and 8,032,362 and 7,654,817 shares outstanding in 2014 and 2013, respectively	8,083	7,706
Additional paid-in capital	74,161	68,518

Retained earnings		15,110		13,343
Accumulated other comprehensive loss		(2,237)		(2,961)
Treasury stock, 51,077 shares, at cost		(1,084)		(1,084)
Total stockholders equity		110,367		94,022
Total liabilities and stockholders equity	$	1,062,621	$	987,060

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 per share data)

	Six Months Ended June 30		Three Months Ended June 30	
	2014	2013	2014	2013
Interest income				
Interest and fees on loans	$ 14,870	$ 10,898	$ 7,831	$ 5,528
Interest on deposits with other banks	97	97	51	52
Interest on investment securities taxable	769	554	358	275
Interest on tax exempt loans and securities	1,511	971	757	489
Total interest income	17,247	12,520	8,997	6,344
Interest expense				
Deposits	2,779	1,856	1,681	949
Repurchase agreements	233	271	107	148
FHLB and other borrowings	559	491	296	229
Subordinated debt	45	39	26	19
Total interest expense	3,616	2,657	2,110	1,345
Net interest income	13,631	9,863	6,887	4,999
Provision for loan losses	1,408	1,667	889	667
Net interest income after provision for loan losses	12,223	8,196	5,998	4,332
Noninterest income				
Service charges on deposit accounts	259	306	139	169
Income on bank owned life insurance	255	224	127	132
Visa debit card income	325	262	173	139
Gain on loans held for sale	8,776	12,358	4,992	7,430
Capitalized servicing retained income	241	656	85	318
Insurance income	1,707	211	749	122
Gain on sale of securities	125	82	125	81
Gain (loss) on derivatives	939	699	604	(178)
Other operating income	754	809	380	410
Total noninterest income	13,381	15,607	7,374	8,623
Noninterest expense				
Salary and employee benefits	14,729	13,657	7,932	7,437
Occupancy expense	1,280	910	663	480
Equipment depreciation and maintenance	735	575	363	247
Data processing	765	451	385	246
Mortgage processing	1,115	1,185	569	678
Visa debit card expense	277	213	139	111
Advertising	627	569	347	333
Legal and accounting fees	364	385	144	183
Printing, stationery and supplies	231	250	116	162
Consulting fees	390	225	179	105
FDIC insurance	339	274	189	135
Travel	322	212	168	127
Other operating expenses	1,850	1,482	994	739
Total noninterest expense	23,024	20,388	12,188	10,983

Income before income taxes		2,580		3,415		1,184		1,972
Income tax expense		453		743		215		488
Net income	$	2,127	$	2,672	$	969	$	1,484
Preferred dividends		43		43		22		22
Net income available to common shareholders	$	2,084	$	2,629	$	947	$	1,462
Earnings per share basic	$	0.27	$	0.41	$	0.12	$	0.21
Earnings per share diluted	$	0.26	$	0.40	$	0.12	$	0.21
Weighted average shares outstanding - basic		7,778,152		6,370,912		7,897,242		6,885,018
Weighted average shares outstanding - diluted		7,991,701		6,540,444		8,110,791		7,054,548

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)

	Six Months Ended June 30		Three Months Ended June 30	
	2014	2013	2014	2013
Net Income	$ 2,127	$ 2,672	$ 969	$ 1,484
Other comprehensive income (loss):				
Unrealized holding gains (losses) during the year	1,646	(1,573)	1,109	(1,539)
Income tax effect	(658)	629	(443)	615
Reclassification adjustment for gain recognized in income	(125)	(82)	(125)	(81)
Income tax effect	50	33	50	33
Change in defined benefit pension plan	(315)		(315)	
Income tax effect	126		126	
Other comprehensive income (loss)	724	(993)	402	(972)
Comprehensive income	$ 2,851	$ 1,679	$ 1,371	$ 512

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)

	Six Months Ended	
	June 30 2014	June 30 2013
Operating activities		
Net income	$ 2,127	$ 2,672
Adjustments to reconcile net income to net cash provided by operating activities:		
Net amortization and accretion of investments	434	540
Net amortization of deferred loan cost	27	19
Provision for loan losses	1,408	1,667
Depreciation and amortization	587	417
Stock based compensation	129	77
Loans originated for sale	(381,190)	(374,920)
Proceeds of loans sold	409,942	396,111
Gain on sale of loans held for resale	(8,776)	(12,358)
Gain on sale of investment securities	(215)	(82)
Loss on sale of investment securities	90	
Income on bank owned life insurance	(255)	(224)
Deferred taxes	(936)	(87)
Other, net	150	(2,395)
Net cash provided by operating activities	23,522	11,437
Investing activities		
Purchases of investment securities available-for-sale	(24,268)	(17,769)
Purchases of investment securities held-to-maturity	(250)	(12,075)
Maturities/paydowns of investment securities held-to-maturity	750	
Maturities/paydowns of investment securities available-for-sale	4,759	8,089
Sales of investment securities available-for-sale	37,177	3,637
Purchases of premises and equipment	(4,962)	(2,840)
Net increase in loans	(112,078)	(29,345)
Purchases of restricted bank stock	(7,361)	(3,869)
Redemptions of restricted bank stock	5,937	1,062
Proceeds from sale of other real estate owned	76	
Purchase of bank owned life insurance	(5,000)	(5,078)
Net cash used in investing activities	(105,220)	(58,188)
Financing activities		
Net increase in deposits	51,232	44,819
Net (decrease) increase in repurchase agreements	(45,057)	12,722
Net change in short-term FHLB borrowings	22,202	(17,915)
Principal payments on FHLB borrowings	(1,080)	(839)
Proceeds from subordinated debt	29,313	
Proceeds from stock offering	5,662	13,347
Preferred stock issuance	7,834	
Dividend reinvestment plan proceeds	180	310
Common stock options exercised	48	
Cash dividends paid on common stock	(317)	(241)
Cash dividends paid on preferred stock	(43)	(43)
Net cash provided by financing activities	69,974	52,160
(Decrease) increase in cash and cash equivalents	(11,724)	5,409
Cash and cash equivalents at beginning of period	39,843	25,340

Cash and cash equivalents at end of period	$	28,119	$	30,749
Supplemental disclosure of cash flow information				
Loans transferred to other real estate owned	$	146	$	
Cash payments for:				
Interest on deposits, repurchase agreements and borrowings	$	3,632	$	2,387
Income taxes	$	845	$	776

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 U.S. generally accepted accounting principles (GAAP) for interim financial information and with instructions to Form 10-Q. Accordingly, they do not include all the information and footnotes required by GAAP 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, 2013 has been derived from the audited financial statements at that date, but does not include all of the information and footnotes required by GAAP. Operating results for the six and three months ended June 30, 2014 are not necessarily indicative of the results that may be expected for the year ending December 31, 2014.

The accounting and reporting policies of MVB Financial Corp. (the Company or MVB) and its subsidiaries (Subsidiaries), including MVB Bank, Inc. (the Bank), the Bank s subsidiary Potomac Mortgage Group, Inc., which does business as MVB Mortgage (MVB Mortgage) and MVB Insurance, LLC, 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, 2013 has been extracted from audited financial statements included in the Company s 2013 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, 2013, Form 10-K filed with the Securities and Exchange Commission.

In certain instances, amounts reported in prior periods consolidated financial statements have been reclassified to conform to the current presentation. Specifically, a portion of the prior periods interest income and interest expense was classified as gain on loans held for sale and has been reclassified in the current presentation. In addition, all share amounts have been revised to reflect the two for one stock split effected as a stock dividend as disclosed in Note 12.

Information is presented in these notes with dollars expressed in thousands, unless otherwise noted or specified.

Note 2 Recent Accounting Pronouncements

In January 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standard Update (ASU) No. 2014-04, Reclassification of Residential Real Estate Collateralized Consumer Mortgage Loans upon Foreclosure. The objective of this guidance is to clarify when an in substance repossession or foreclosure occurs, that is, when a creditor should be considered to have received physical possession of residential real estate property collateralizing a consumer mortgage loan such that the loan receivable should be derecognized and the real estate property recognized. ASU No. 2014-04 states that an in substance repossession or foreclosure occurs, and a creditor is considered to have received physical possession of residential real estate property collateralizing a consumer mortgage loan, upon either (1) the creditor obtaining legal title to the residential real estate property upon completion of a foreclosure or (2) the borrower conveying all interest in the residential real estate property to the creditor to satisfy that loan through completion of a deed in lieu of foreclosure or through a similar legal agreement. Additionally, ASU No. 2014-04 requires interim and annual disclosure of both (1) the amount of foreclosed residential real estate property held by the creditor and (2) the recorded investment in consumer mortgage loans collateralized by residential real estate property that are in the process of foreclosure according to local requirements of the applicable jurisdiction. ASU No. 2014-04 is effective for interim and annual reporting periods beginning after December 15, 2014. The adoption of ASU No. 2014-04 is not expected to have a material impact on MVB Financials Corp s Consolidated Financial Statements.

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In May 2014, the FASB issued ASU 2014-09 Revenue from Contracts with Customers, which will supersede nearly all existing revenue recognition guidance under U.S. GAAP. The core principal of this ASU is that an entity should recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This ASU also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. This ASU will be effective for us in our first quarter of 2018. Early adoption is not permitted. The ASU allows for either full retrospective or modified retrospective adoption. We are evaluating the transition method that will be elected and the potential effects of the adoption of this ASU on our financial statements.

In June 2014, the FASB issued an update to the accounting standards related to stock compensation and accounting for share-based payments when the terms of an award provide that a performance target could be achieved after the requisite service period. The amendments clarify the proper method of accounting for share-based payments when the terms of an award provide that a performance target could as a performance condition. The performance target should not be reflected in estimating the grant-date fair value of the award. Compensation cost should be recognized be achieved after the requisite service period. This update requires that a performance target that affects vesting and that could be achieved after the requisite service period be treated in the period in which it becomes probable that the performance target will be achieved and should represent the compensation cost attributable to the period(s) for which the requisite service has already been rendered. The amendments in this update are effective for annual periods and interim periods within those annual periods beginning after December 15, 2015. Earlier adoption is permitted. Management is currently evaluating the impact of adoption on the consolidated financial statements, but does not believe that adoption will have a material impact.

Note 3 Investments

Amortized cost and fair values of investment securities held-to-maturity at June 30, 2014, including gross unrealized gains and losses, are summarized as follows:

(in thousands)	**Amortized Cost**	**Unrealized Gain**	**Unrealized Loss**	**Fair Value**
Municipal securities	$ 55,978	$ 1,006	$ (1,053)	$ 55,931
Total investment securities held to-maturity	$ 55,978	$ 1,006	$ (1,053)	$ 55,931

Amortized cost and fair values of investment securities held-to-maturity at December 31, 2013, including gross unrealized gains and losses, are summarized as follows:

(in thousands)	**Amortized Cost**	**Unrealized Gain**	**Unrealized Loss**	**Fair Value**
Municipal securities	$ 56,670	$ 367	$ (2,919)	$ 54,118
Total investment securities held to-maturity	$ 56,670	$ 367	$ (2,919)	$ 54,118

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Amortized cost and fair values of investment securities available-for-sale at June 30, 2014 are summarized as follows:

(in thousands)	Amortized Cost	Unrealized Gain	Unrealized Loss	Fair Value
U.S. Agency securities	$ 44,818	$ 32	$ (958)	$ 43,892
U.S. Sponsored Mortgage-backed securities	29,986	48	(539)	29,495
Municipal securities	15,470	315	(68)	15,717
Total debt securities	90,274	395	(1,565)	89,104
Equity and other securities	810	232		1,042
Total investment securities available-for-sale	$ 91,084	$ 627	$ (1,565)	$ 90,146

Amortized cost and fair values of investment securities available-for-sale at December 31, 2013 are summarized as follows:

(in thousands)	Amortized Cost	Unrealized Gain	Unrealized Loss	Fair Value
U.S. Agency securities	$ 60,744	$	$ (1,922)	$ 58,822
U.S. Sponsored Mortgage-backed securities	47,317	118	(843)	46,592
Total debt securities	108,061	118	(2,765)	105,414
Equity and other securities	810	187		997
Total investment securities available-for-sale	$ 108,871	$ 305	$ (2,765)	$ 106,411

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

	June 30, 2014			
	Held to Maturity		Available for sale	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Within one year	$	$	$	$
After one year, but within five	2,432	2,484	29,704	29,520
After five years, but within ten	14,806	15,003	27,668	27,015
After ten years	38,740	38,444	32,902	32,569
Total	$ 55,978	$ 55,931	$ 90,274	$ 89,104

Investment securities with a carrying value of $102,778 at June 30, 2014, were pledged to secure public funds, repurchase agreements and potential borrowings at the Federal Reserve discount window.

The Company s investment portfolio includes securities that are in an unrealized loss position as of June 30, 2014, the details of which are included in the following table. Although these securities, if sold at June 30, 2014 would result in a pretax loss of $2,618, the Company has no intent to sell the applicable securities at such market values, and maintains the Company has the ability to hold these securities until all principal has been recovered. Declines in the market values of these securities can be traced to general market conditions which reflect the prospect for the economy as a whole. When determining other-than-temporary impairment on securities, the Company considers such factors as adverse conditions specifically related to a certain security or to specific conditions in an industry or geographic area, the time frame securities have been in an unrealized loss position, the Company s ability to hold the security for a period of time sufficient to allow for anticipated recovery in value, whether or not the security has been downgraded by a rating agency, and whether or not the financial condition of the security issuer has severely deteriorated. As of June 30, 2014, the Company considers all securities with unrealized loss positions to be temporarily impaired, and consequently, does not believe the Company will sustain any material realized losses as a result of the current temporary decline in market value.

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The following table discloses investments in an unrealized loss position at June 30, 2014:

Description and number of positions (in thousands)	Less than 12 months Fair Value	Less than 12 months Unrealized Loss	12 months or more Fair Value	12 months or more Unrealized Loss
U.S. Agency securities (14)	$ 6,888	$ (10)	$ 27,438	$ (948)
U.S. Sponsored Mortgage-backed securities (18)	6,034	(25)	16,648	(514)
Municipal securities (183)	4,508	(93)	25,165	(1,028)
	$ 17,430	$ (128)	$ 69,251	$ (2,490)

The following table discloses investments in an unrealized loss position at December 31, 2013:

Description and number of positions (in thousands)	Less than 12 months Fair Value	Less than 12 months Unrealized Loss	12 months or more Fair Value	12 months or more Unrealized Loss
U.S. Agency securities (19)	$ 58,822	$ (1,922)	$	$
U.S. Sponsored Mortgage-backed securities (18)	14,969	(113)	19,781	(730)
Municipal securities (103)	35,502	(2,535)	4,471	(384)
	$ 109,293	$ (4,570)	$ 24,252	$ (1,114)

For the six month period ended June 30, 2014 and 2013, the Company sold investments available-for-sale of $37.2 million and $3.7 million, respectively, resulting in a net gains of $125 and $82.

For the three month period ended June 30, 2014 and 2013, the Company sold investments available-for-sale of $37.2 million and $1.7 million, respectively, resulting in a net gains of $125 and $81.

Note 4 Loans and Allowance for Loan Losses

The following table summarizes the primary segments of the allowance for loan losses (ALL), segregated into the amount required for loans individually evaluated for impairment and the amount required for loans collectively evaluated for impairment as of June 30, 2014. Activity in the allowance is presented for the periods indicated (in thousands):

	Commercial	Residential	Home Equity	Installment	Credit Card	Total
ALL balance March 31, 2014	$ 3,902	$ 746	$ 555	$ 233	$ 15	$ 5,451
Charge-offs		(103)			(1)	(104)
Recoveries	4		1			5
Provision	579	42	269	(1)		889

ALL balance June 30, 2014	$	4,485	$	685	$	825	$	232	$	14	$	6,241

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	Commercial	Residential	Home Equity	Installment	Credit Card	Total
ALL balance December 31, 2013	$ 3,609	$ 519	$ 554	$ 239	$ 14	$ 4,935
Charge-offs		(103)		(7)	(1)	(111)
Recoveries	4		2	3		9
Provision	872	269	269	(3)	1	1,408
ALL balance June 30, 2014	$ 4,485	$ 685	$ 825	$ 232	$ 14	$ 6,241
Individually evaluated for impairment	$ 1,507	$ 322	$ 29	$ 7	$	$ 1,866
Collectively evaluated for impairment	$ 2,978	$ 363	$ 796	$ 225	$ 14	$ 4,375

	Commercial	Residential	Home Equity	Installment	Credit Card	Total
ALL balance March 31, 2013	$ 3,645	$ 490	$ 271	$ 216	$ 17	$ 4,639
Charge-offs	(472)				(11)	(483)
Recoveries	3		1	1		5
Provision	564		79	14	10	667
ALL balance June 30, 2013	$ 3,740	$ 490	$ 351	$ 231	$ 16	$ 4,828

	Commercial	Residential	Home Equity	Installment	Credit Card	Total
ALL balance December 31, 2012	$ 3,107	$ 514	$ 242	$ 200	$ 13	$ 4,076
Charge-offs	(972)	(2)			(11)	(985)
Recoveries	25	36	8	1		70
Provision	1,580	(58)	101	30	14	1,667
ALL balance June 30, 2013	$ 3,740	$ 490	$ 351	$ 231	$ 16	$ 4,828
Individually evaluated for impairment	$ 1,094	$ 195	$	$ 12	$	$ 1,301
Collectively evaluated for impairment	$ 2,646	$ 295	$ 351	$ 219	$ 16	$ 3,527

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.

All loan origination fees and direct loan origination costs are deferred and recognized over the life of the loan. As of June 30, 2014 and 2013, net deferred fees and costs of $1,596 and $1,171, respectively, were included in the carryings value of loans.

During late 2013, the Bank purchased $74.3 million in commercial loans in the northern Virginia area that were marked to fair value at the time they were recorded on the balance sheet.

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The following table summarizes the primary segments of the Company loan portfolio as of June 30, 2014:

(in thousands)	Commercial	Residential	Home Equity	Installment	Credit Cards	Total
Individually evaluated for impairment	$ 6,726	$ 873	$ 29	$ 14	$	$ 7,642
Collectively evaluated for impairment	526,776	142,754	39,060	17,339	683	726,612
Total Loans	$ 533,502	$ 143,627	$ 39,089	$ 17,353	$ 683	$ 734,254

The following table summarizes the primary segments of the Company loan portfolio as of June 30, 2013:

(in thousands)	Commercial	Residential	Home Equity	Installment	Credit Cards	Total
Individually evaluated for impairment	$ 4,063	$ 472	$	$ 20	$	$ 4,555
Collectively evaluated for impairment	329,624	100,446	21,547	18,063	619	470,299
Total Loans	$ 333,687	$ 100,918	$ 21,547	$ 18,083	$ 619	$ 474,854

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 June 30, 2014 and December 31, 2013 (in thousands):

	Impaired Loans with Specific Allowance		Impaired Loans with No Specific Allowance	Total Impaired Loans	
	Recorded Investment	Related Allowance	Recorded Investment	Recorded Investment	Unpaid Principal Balance
June 30, 2014					
Commercial	$ 6,603	$ 1,507	$ 123	$ 6,726	$ 6,726
Residential	873	322		873	873
Home Equity	29	29		29	29
Installment	14	7		14	14
Total impaired loans	$ 7,519	$ 1,865	$ 123	$ 7,642	$ 7,642
December 31, 2013					
Commercial	$ 6,134	$ 1,243	$ 120	$ 6,254	$ 6,254
Residential	261	175		261	261
Home Equity	28	28		28	28
Installment	24	11	68	92	92
Credit Cards	1	1		1	1
Total impaired loans	$ 6,448	$ 1,458	$ 188	$ 6,636	$ 6,636

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

	Six months ended June 30, 2014			Three months ended June 30, 2014		
	Average Investment in Impaired Loans	Interest Income Recognized on Accrual Basis	Interest Income Recognized on Cash Basis	Average Investment in Impaired Loans	Interest Income Recognized on Accrual Basis	Interest Income Recognized on Cash Basis
Commercial	$ 6,556	$ 142	$ 116	$ 6,697	$ 73	$ 84
Residential	734	8	8	884	5	5
Home Equity	28	1		29		
Consumer	29	1	1	14		
Credit Cards	1			1		
Total	$ 7,348	$ 152	$ 125	$ 7,625	$ 78	$ 89

	Six months ended June 30, 2013			Three months ended June 30, 2013		
	Average Investment in Impaired Loans	Interest Income Recognized on Accrual Basis	Interest Income Recognized on Cash Basis	Average Investment in Impaired Loans	Interest Income Recognized on Accrual Basis	Interest Income Recognized on Cash Basis
Commercial	$ 4,283	$ 56	$ 60	$ 3,990	$ 33	$ 31
Residential	528	2	4	474	2	2
Consumer	21	1	1	20	1	
Total	$ 4,832	$ 59	$ 65	$ 4,484	$ 36	$ 33

Bank 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 Bank 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.

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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 Bank s Credit Department performs an annual review of all commercial relationships $1,000,000 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 Bank s 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 June 30, 2014 and December 31, 2013 (in thousands):

	Pass	Special Mention	Substandard	Doubtful	Total
June 30, 2014					
Commercial	$ 514,673	$ 10,985	$ 7,610	$ 234	$ 533,502
Residential	141,043	1,696	888		143,627
Home Equity	38,809	251	29		39,089
Installment	16,729	608	16		17,353
Credit Cards	683				683
Total Loans	$ 711,937	$ 13,540	$ 8,543	$ 234	$ 734,254

	Pass	Special Mention	Substandard	Doubtful	Total
December 31, 2013					
Commercial	$ 437,474	$ 11,566	$ 8,348	$	$ 457,388
Residential	115,283	2,660	261		118,204
Home Equity	27,662	107	28		27,797
Installment	17,560	633	92		18,285
Credit Cards	628	2	1		631
Total Loans	$ 598,607	$ 14,968	$ 8,730	$	$ 622,305

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.

A loan that has deteriorated and is in a collection process could warrant non-accrual status. A thorough review is to be presented to the Chief Credit Officer and or the Mortgage Loan Committee (MLC), as required with respect to any loan which is in a collection process and to make a determination as to whether the loan should be placed on non-accrual status. The placement of loans on non-accrual status will be subject to applicable regulatory restrictions and guidelines. Generally, loans should be placed in non-accrual status when the loan approaches 90 days past due, when it becomes likely the borrower cannot or will not make scheduled principal or interest payments, when full repayment of principal and interest is not expected, or when the loan displays potential loss characteristics. Normally, all accrued interest should be charged off when a loan is placed in non-accrual status. Any payments subsequently received should be applied to principal. To remove a loan from non-accrual status, all principal and interest due must be paid up to date and the bank is reasonably sure of future satisfactory payment performance. Usually, this requires a six-month recent history of payments due. Removal of a loan from non-accrual status will require the approval of the Chief Credit Officer and or MLC.

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The following table presents the classes of the loan portfolio summarized by the aging categories of performing loans and nonaccrual loans as of June 30, 2014 and December 31, 2013 (in thousands):

	Current	30-59 Days Past Due	60-89 Days Past Due	90 Days + Past Due	Total Past Due	Total Loans	Non-Accrual	90+ Days Still Accruing
June 30, 2014								
Commercial	$ 511,615	$ 8,607	$ 11,582	$ 1,698	$ 21,887	$ 533,502	$ 356	$ 1,342
Residential	142,723	35	56	813	904	143,627	263	550
Home Equity	39,089					39,089		
Consumer	17,112	208	5	28	241	17,353		28
Credit Cards	683					683		
Total	$ 711,222	$ 8,850	$ 11,643	$ 2,539	$ 23,032	$ 734,254	$ 619	$ 1,920

	Current	30-59 Days Past Due	60-89 Days Past Due	90 Days + Past Due	Total Past Due	Total Loans	Non-Accrual	90+ Days Still Accruing
December 31, 2013								
Commercial	$ 456,864	$ 216	$ 24	$ 284	$ 524	$ 457,388	$ 284	$
Residential	116,150	1,401	193	460	2,054	118,204	30	430
Home Equity	27,741	28		28	56	27,797		28
Installment	18,119	90		76	166	18,285	76	
Credit Cards	628	2		1	3	631		1
Total	$ 619,502	$ 1,737	$ 217	$ 849	$ 2,803	$ 622,305	$ 390	$ 459

The ALL is maintained to absorb losses from the loan portfolio. The ALL is based on the Bank 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.

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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 segments described above, which are based on the Federal call code assigned to each loan, provide the starting point for the ALL analysis. Company and Bank management track 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. All 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.

Company and Bank management have 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.

Bank 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.

Troubled Debt Restructurings

The restructuring of a loan is considered a troubled debt restructuring if both (i) the borrower is experiencing financial difficulties and (ii) the creditor has granted a concession. Concessions may include interest rate reductions or below market interest rates, principal forgiveness, restructuring amortization schedules and other actions intended to minimize potential losses. Troubled debt restructurings during 2014 and 2013 are set forth in the following table. No TDR s have defaulted.

At June 30, 2014 and December 31, 2013, the Bank had specific reserve allocations for TDR s of $1.9 million and $1.4 million, respectively.

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The following tables present details related to loans identified as Troubled Debt Restructurings (TDRs) for the six and three months ended June 30, 2014 and 2013 (in thousands):

	New TDRs (1)					
	For the Six Months Ended June 30, 2014			For the Three Months Ended June 30, 2014		
	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	1	$ 496	$ 492		$	$
Residential real estate	1	389	388			
Total	2	$ 885	$ 880		$	$

(1) The pre-modification and post-modification balances represent the balances outstanding immediately before and after modification of the loan.

	New TDRs (1)					
	For the Six Months Ended June 30, 2013			For the Three Months Ended June 30, 2013		
	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	3	$ 1,814	$ 1,808	2	$ 119	$ 119
Consumer	3	8	8			
Total	6	$ 1,822	$ 1,816	2	$ 119	$ 119

(1) The pre-modification and post-modification balances represent the balances outstanding immediately before and after modification of the loan.

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NOTE 5 - BORROWED FUNDS

Short-term Borrowings and Repurchase Agreements

Along with traditional deposits, the Bank has access to both overnight repurchase agreements and short-term borrowings from FHLB to fund its operations and investments. As of June 30, 2014 and December 31, 2013, the Bank had repurchase agreements of $36.5 million and $81.6 million, respectively. Short-term borrowings from FHLB totaled $120.2 million at June 30, 2014, compared to $98.0 million at December 31, 2013.

Information related to short-term borrowings and repurchase agreements is summarized below:

(Dollars in thousands)	June 30, 2014	December 31, 2013
Balance at end of period	$ 156,750	$ 179,606
Average balance during the three and twelve months ended	172,930	135,852
Maximum month-end balance during the three and twelve months ended	204,010	179,606
Weighted-average rate during the three and twelve months ended	0.49%	0.52%
Rate at end of period	0.30%	0.43%

Average balances in the table above were calculated using daily averages for the related accounts.

Term notes from the FHLB were as follows:

(Dollars in thousands)	June 30 2014	Dec 31 2013
Fixed interest rate notes, originating between April 1999 and December 2007, due between April 2014 and April 2022, interest of between 4.50% and 5.90% payable monthly	$ 4,689	$ 5,759
Amortizing fixed interest rate note, originating February 2007, due February 2022, payable in monthly installments of $5, including interest of 5.22%	850	860
	$ 5,539	$ 6,619

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Subordinated Debt

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 obligations of the Company with respect to the issuance of the trust preferred securities constitute a full and unconditional guarantee by the Company of the Trust s obligations with respect to the trust preferred securities to the extent set forth in the related guarantees. 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 2037 and have been redeemable by the Company since 2012. 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.

On June 30, 2014, MVB Financial Corp. (the Company) issued its Convertible Subordinated Promissory Notes Due 2024 (the Notes) to various investors in the aggregate principal amount of $29,400,000. The Notes were issued in $100,000 increments per Note subject to a minimum investment of $1,000,000. The Notes expire 10 years after the initial issuance date of the Notes (the Maturity Date).

Interest on the Notes accrues on the unpaid principal amount of each Note (paid quarterly in arrears on January 1, April 1, July 1 and October 1 of each year) which rate shall be dependent upon the principal invested in the Notes and the holder s ownership of common stock in the Company. For investments of less than $3,000,000 in Notes, an ownership of Company common stock representing at least 30% of the principal of the Notes acquired, the interest rate on the Notes is 7% per annum. For investments of $3,000,000 or greater in Notes and ownership of the Company s common stock representing at least 30% of the principal of the Notes acquired, the interest rate on the Notes is 7.5% per annum. For investments of $10,000,000 or greater, the interest rate on the Notes is 7% per annum, regardless of whether the holder owns or acquires MVB common stock. The principal on the Notes shall be paid in full at the Maturity Date. On the fifth anniversary of the issuance of the Notes, a holder may elect to continue to receive the stated fixed rate on the Notes or a floating rate determined by LIBOR plus 5% up to a maximum rate of 9%, adjusted quarterly.

The Notes are unsecured and subject to the terms and conditions of any senior debt and after consultation with the Board of Governors of the Federal Reserve System, the Company may, after the Notes have been outstanding for five years, and without premium or penalty, prepay all or a portion of the unpaid principal amount of any Note together with the unpaid interest accrued on such portion of the principal amount of such Note. All such prepayments shall be made pro rata among the holders of all outstanding Notes.

At the election of a holder, any or all of the Notes may be converted into shares of common stock during the 30-day period after the first, second, third, fourth, and fifth anniversaries of the issuance of the Notes or upon a notice to prepay by the Company. The Notes will convert into common stock based on $32 per share of the Company s common stock. The conversion price will be subject to anti-dilution adjustments for certain events such as stock splits, reclassifications, non-cash distributions, extraordinary cash dividends, pro rata repurchases of common stock, and business combination transactions. The Company must give 20 days notice to the holders of the Company s intent to prepay the Notes, so that holders may execute the conversion right set forth above if a holder so desires.

Repayment of the Notes is subordinated to the Company s outstanding senior debt including (if any) without limitation, senior secured loans. No payment will be made by the Company, directly or indirectly, on the Notes, unless and until all of the senior debt then due has been paid in full. Notwithstanding the foregoing, so long as there exists no event of default under any senior debt, the Company would make, and a holder would receive and retain for the holder s account, regularly scheduled payments of accrued interest and principal pursuant to the terms of the Notes.

The Company must obtain a consent of the holders of the Notes prior to issuing any new senior debt in excess of $15,000,000 after the date of issuance of the Notes and prior to the Maturity Date.

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An event of default will occur upon the Company s bankruptcy or any failure to pay interest, principal, or other amounts owing on the Notes when due. Upon the occurrence and during the continuance of an event of default (but subject to the subordination provisions of the Notes) the holders of a majority of the outstanding principal amount of the Notes may declare all or any portion of the outstanding principal amount of the Notes due and payable and demand immediate payment of such amount.

The Notes are redeemable, in whole or in part, at a redemption price equal to 100% of the principal amount of the Notes to be redeemed on any interest payment date after a date five years from the original issue date.

The Company reflects borrowed funds in the amount of $33.4 million and $4.1 million as of June 30, 2014 and December 31, 2013 and interest expense of $45 and $39 for the six months ended June 30, 2014 and 2013.

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

(dollars in thousands)

Year		**Amount**
2014	$	120,311
2015		169
2016		1,246
2017		1,470
2018		81
Thereafter		35,929
	$	159,206

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Note 6 Fair Value of Financial Instruments

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

As required by accounting standards, financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Company classified investments in government securities as Level 2 instruments and valued them using the market approach. All measurements are made on a recurring basis, with the exception of loans held for sale, derivative on loans held for sale, other real estate and impaired loans, which are measured on a non-recurring basis.

The following tables present the assets reported on the consolidated statements of financial condition at their fair value on a recurring basis as of June 30, 2014 and December 31, 2013 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.

		June 30, 2014		
(in thousands)	**Level I**	**Level II**	**Level III**	**Total**
Assets:				
U.S. Government Agency Securities	$	$ 43,892	$	$ 43,892
U.S. Sponsored Mortgage backed securities		29,495		29,495
Municipal securities		15,717		15,717
Equity and Other Securities	232	810		1,042

		December 31, 2013		
(in thousands)	**Level I**	**Level II**	**Level III**	**Total**
Assets:				
U.S. Government Agency Securities	$	$ 58,822	$	$ 58,822
U.S. Sponsored Mortgage backed securities		46,592		46,592
Equity and Other Securities	187	810		997

The Company may be required, from time to time, to measure certain financial assets, financial liabilities, non-financial assets and non-financial liabilities at fair value on a nonrecurring basis in accordance with U.S. generally accepted accounting principles. These include assets that are measured at the lower of cost or market value that were recognized at fair value below cost at the end of the period. Certain non-financial assets measured at fair value on a non-recurring basis include foreclosed assets (upon initial recognition or subsequent impairment), non-financial assets and non-financial liabilities measured at fair value in the second step of a goodwill impairment test, and intangible assets and other non-financial long-lived assets measured at fair value for impairment assessment. Non-financial assets measured at fair value on a non-recurring basis during 2014

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and 2013 include certain foreclosed assets which, upon initial recognition, were remeasured and reported at fair value through a charge-off to the allowance for possible loan losses and certain foreclosed assets which, subsequent to their initial recognition, were remeasured at fair value through a write-down included in other non-interest expense.

- ***Loans held for sale*** Loans held for sale are carried at the lower of cost or market value. These loans currently consist of one-to-four-family residential loans originated for sale in the secondary market. Fair value is based on the price secondary markets are currently offering for similar loans using observable market data which is not materially different than cost due to the short duration between origination and sale (Level II).

- ***Derivative on loans held for sale*** - Derivatives on loans held for sale are used to mitigate interest rate risk for residential mortgage loans held for sale and interest rate locks. These instruments are considered derivatives and are recorded at fair value, based on (i) committed sales prices from investors for commitments to sell mortgage loans or (ii) observable market data inputs for commitments to sell mortgage backed securities. The Company s mortgage banking hedge instruments are classified as Level II. For mortgage interest rate locks, the fair value is based on either (i) the price of the underlying loans obtained from an investor for loans that will be delivered on a best efforts basis or (ii) the observable price for individual loans traded in the secondary market for loans that will be delivered on a mandatory basis. All of the Company s mortgage interest rate locks are classified as Level II.

- ***Impaired Loans -*** Loans for which it is probable that payment of interest and principal will not be made in accordance with the contractual terms of the loan agreement are considered impaired. Once a loan is identified as individually impaired, management measures impairment using one of several methods, including collateral value, liquidation value and discounted cash flows. Those impaired loans not requiring an allowance represent loans for which the fair value of the expected repayments or collateral exceed the recorded investments in such loans. Collateral values are estimated using Level 2 inputs based on observable market data or Level 3 inputs based on customized discounting criteria. For a majority of impaired real estate related loans, the Company obtains a current external appraisal. Other valuation techniques are used as well, including internal valuations, comparable property analysis and contractual sales information.

- ***Other Real Estate owned*** Other real estate owned, which is obtained through the Bank s foreclosure process is valued utilizing the appraised collateral value. Collateral values are estimated using Level 2 inputs based on observable market data or Level 3 inputs based on customized discounting criteria. At the time, the foreclosure is completed, the Company obtains a current external appraisal.

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Assets measured at fair value on a nonrecurring basis as of June 30, 2014 and December 31, 2013 are included in the table below:

	June 30, 2014			
(in thousands)	Level I	Level II	Level III	Total
Assets:				
Derivative on loans held for sale	$	$	$ 3,210	$ 3,210
Impaired loans			5,777	5,777
Other real estate owned			502	502

	December 31, 2013			
(in thousands)	Level I	Level II	Level III	Total
Assets:				
Derivative on loans held for sale	$	$	$ 2,271	$ 2,271
Impaired loans			5,178	5,178
Other real estate owned				