MVB FINANCIAL CORP
Form 10-Q
August 14, 2009
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# 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, 2009**

**OR**

¨ **TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
**For the transition period from to .**

**Commission File number 333-120931**

# MVB Financial Corp.

**(Exact name of registrant as specified in its charter)**

**West Virginia 20-0034461**

**(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)**

**301 Virginia Avenue**

**Fairmont, West Virginia 26554-2777**

**(Address of principal executive offices)**

**304-363-4800**

**(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, 2009, the number of shares outstanding of the issuer s only class of common stock was 1,618,466.

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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)

| | June 30 2009 (Unaudited) | December 31 2008 (Note 1) |
|---|---|---|
| **Assets** | | |
| Cash and due from banks | $ 7,008 | $ 4,710 |
| Interest bearing balances FHLB | 8,567 | 40 |
| Certificates of deposits in other banks | 32,005 | 7,000 |
| Investment securities: | | |
| Securities held-to-maturity, at cost | 3,826 | 8,796 |
| Securities available-for-sale, at approximate market value | 16,149 | 17,795 |
| Loans: | 218,339 | 203,241 |
| Less: Allowance for loan losses | (2,161) | (1,860) |
| **Net loans** | 216,178 | 201,381 |
| Loans held for sale | 3,467 | 1,115 |
| Bank premises, furniture and equipment, net | 7,916 | 8,060 |
| Accrued interest receivable and other assets | 10,675 | 9,809 |
| **Total assets** | $ 305,791 | $ 258,706 |
| **Liabilities** | | |
| Deposits | | |
| Non-interest bearing | $ 33,095 | $ 22,495 |
| Interest bearing | 207,823 | 150,570 |
| **Total deposits** | 240,918 | 173,065 |
| Accrued interest, taxes and other liabilities | 2,232 | 1,835 |
| Repurchase agreements | 16,598 | 21,904 |
| Federal Home Loan Bank borrowings | 15,299 | 31,942 |
| Long-term debt | 4,124 | 4,124 |
| **Total liabilities** | 279,171 | 232,870 |
| **Stockholders equity** | | |
| Preferred stock, $1,000 par value, 5,000 shares authorized; none issued | | |
| Common stock, $1 par value, 4,000,000 authorized, 1,629,971 and 1,603,622 issued | 1,629 | 1,604 |
| Additional paid-in capital | 20,449 | 20,175 |
| Treasury Stock, 26,636 and 15,469 shares, respectively | (523) | (299) |
| Retained earnings | 5,433 | 4,671 |
| Accumulated other comprehensive income (loss) | (368) | (315) |

| | | |
|---|---|---|
| **Total stockholders equity** | 26,620 | 25,836 |
| **Total liabilities and stockholders equity** | $ 305,791 | $ 258,706 |

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)

| | Six Months Ended June 30 | | Three Months Ended June 30 | |
|---|---|---|---|---|
| | 2009 | 2008 | 2009 | 2008 |
| **Interest income** | | | | |
| Interest and fees on loans | $ 5,817 | $ 6,043 | $ 2,952 | $ 2,900 |
| Interest on deposits with other banks | 294 | 24 | 174 | 13 |
| Interest on investment securities taxable | 568 | 673 | 273 | 327 |
| Interest on tax exempt loans and securities | 262 | 193 | 137 | 100 |
| **Total interest income** | 6,941 | 6,933 | 3,536 | 3,340 |
| **Interest expense** | | | | |
| Deposits | 2,197 | 2,570 | 1,145 | 1,204 |
| Repurchase agreements | 77 | 182 | 38 | 69 |
| Federal Home Loan Bank borrowings | 275 | 359 | 129 | 165 |
| Long-term debt | 65 | 111 | 29 | 46 |
| **Total interest expense** | 2,614 | 3,222 | 1,341 | 1,484 |
| **Net interest income** | 4,327 | 3,711 | 2,195 | 1,856 |
| Provision for loan losses | 303 | 301 | 152 | 153 |
| **Net interest income after provision for loan losses** | 4,024 | 3,410 | 2,043 | 1,703 |
| **Other income** | | | | |
| Service charges on deposit accounts | 372 | 329 | 218 | 168 |
| Income on bank owned life insurance | 83 | 90 | 40 | 45 |
| Visa debit card income | 129 | 122 | 66 | 65 |
| Income on loans held for sale | 334 | 196 | 232 | 128 |
| Other operating income | 211 | 139 | 155 | 65 |
| Gain on sale of securities | | 16 | | |
| **Total other income** | 1,128 | 892 | 710 | 471 |
| **Other expense** | | | | |
| Salary and employee benefits | 2,083 | 1,994 | 1,028 | 995 |
| Occupancy expense | 286 | 255 | 144 | 126 |
| Equipment expense | 191 | 196 | 92 | 99 |
| Data processing | 258 | 257 | 117 | 112 |
| Visa debit card expense | 108 | 104 | 54 | 56 |
| Advertising | 134 | 128 | 86 | 56 |
| Legal and accounting fees | 69 | 49 | 36 | 22 |
| Printing, stationery and supplies | 50 | 53 | 27 | 29 |
| Other taxes | 89 | 73 | 45 | 38 |
| Loss on Silverton Bank Stock | 186 | | 186 | |
| Other operating expenses | 650 | 384 | 421 | 197 |
| **Total other expense** | 4,104 | 3,493 | 2,236 | 1,730 |

| | | | | |
|---|---|---|---|---|
| Income before income taxes | 1,048 | 809 | 517 | 444 |
| Income tax expense | 287 | 232 | 135 | 130 |
| **Net income** | $ 761 | $ 577 | $ 382 | $ 314 |
| Basic net income per share | $ 0.47 | $ 0.37 | $ 0.24 | $ 0.20 |
| Diluted net income per share | $ 0.46 | $ 0.36 | $ 0.23 | $ 0.19 |
| Basic weighted average shares outstanding | 1,618,224 | 1,567,314 | 1,621,861 | 1,595,460 |
| Diluted weighted average shares outstanding | 1,644,173 | 1,606,987 | 1,647,810 | 1,634,481 |

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 | |
|---|---|---|
| | **2009** | **2008** |
| **Operating activities** | | |
| Net income | $ 761 | $ 577 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Provision for loan losses | 303 | 301 |
| Deferred income tax (benefit) | (95) | |
| Depreciation | 221 | 217 |
| Stock option expense | 7 | 7 |
| Loans originated for sale | (31,913) | (19,997) |
| Proceeds of loans sold | 29,561 | 17,702 |
| Amortization, net of accretion | 5 | (8) |
| Increase/(decrease) in interest receivable and other assets | 265 | (461) |
| Increase/(decrease) in accrued interest, taxes, and other liabilities | 397 | (325) |
| **Net cash (used in) operating activities** | (488) | (1,987) |
| **Investing activities** | | |
| (Increase) in loans made to customers | (15,100) | (3,116) |
| Purchases of premises and equipment | (77) | (192) |
| (Increase)/decrease in deposits with Federal Home Loan Bank, net | (8,527) | 358 |
| Purchases of certificates of deposit in other banks | (29,698) | |
| Maturities of certificates of deposit in other banks | 4,693 | |
| Purchases of investment securities available-for-sale | (7,162) | (7,476) |
| Proceeds from sales, maturities and calls of securities available-for-sale | 8,683 | 12,138 |
| Proceeds from sales, maturities and calls of securities held to maturity | 5,500 | |
| Purchases of investment securities held-to-maturity | (500) | (4,000) |
| Purchase of bank owned life insurance | (1,000) | |
| **Net cash (used in) investing activities** | (43,188) | (2,288) |
| **Financing activities** | | |
| Net increase in deposits | 67,853 | 9,933 |
| Net (decrease) in repurchase agreements | (5,306) | (3,048) |
| Net (decrease) in Federal Home Loan Bank Borrowings | (16,643) | (4,340) |
| Purchase of treasury stock | (223) | (31) |
| Proceeds of stock offering | | 1,725 |
| Common stock options exercised | 293 | 13 |
| **Net cash provided by financing activities** | 45,974 | 4,252 |
| **Increase/(decrease) in cash and cash equivalents** | 2,298 | (23) |
| Cash and cash equivalents - beginning of period | 4,710 | $ 4,926 |
| **Cash and cash equivalents - end of period** | $ 7,008 | $ 4,903 |
| Cash payments for: | | |
| Interest on deposits, repurchase agreements and borrowings | $ 2,624 | $ 3,265 |
| Income taxes | $ 241 | $ 524 |

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, 2008 has been derived from the audited financial statements at that date, but does not include all of the information and footnotes required by generally accepted accounting principles. Operating results for the six and three months ended June 30, 2009 are not necessarily indicative of the results that may be expected for the year ending December 31, 2009.

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, 2008 has been extracted from audited financial statements included in MVB s 2008 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, 2008, Form 10-K filed with the Securities and Exchange Commission.

Management has reviewed events occurring through August 13, 2009, the date the financial statements were issued and no subsequent events occurred requiring accrual or disclosure.

**Note 2. Allowance for Loan Losses**

The provision for loan losses for the six months ended June 30, 2009 and 2008 was $303 and $301, respectively. Management bases the provision for loan losses upon its continuing evaluation of the adequacy of the allowance for loan losses and the overall management of inherent credit risk.

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

The results of this analysis at June 30, 2009, indicate that the allowance for loan losses is considered adequate to absorb losses inherent in the portfolio.

See accompanying notes to unaudited financial statements.

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| (Dollars in thousands) | June 30 2009 | 2008 |
|---|---|---|
| **Allowance for loan losses** | | |
| Balance, beginning of period | $ 1,860 | $ 1,733 |
| Loan charge-offs | (52) | (191) |
| Loan recoveries | 50 | 4 |
| **Net charge-offs** | (2) | (187) |
| Loan loss provision | 303 | 301 |
| **Balance, end of period** | $ 2,161 | $ 1,847 |

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

| (Dollars in thousands) | June 30 2009 | 2008 |
|---|---|---|
| Non-accrual loans: | | |
| Commercial | $ 1,182 | $ 675 |
| Real Estate | 221 | |
| Consumer | | 15 |
| Total non-accrual loans | 1,403 | 690 |
| Renegotiated loans | | |
| Total non-performing loans | 1,403 | 690 |
| Other real estate, net | 328 | 376 |
| **Total non-performing assets** | $ 1,731 | $ 1,066 |
| Accruing loans past due 90 days or more | $ 2,156 | $ |
| Non-performing loans as a % of total loans | .64% | .37% |
| Allowance for loan losses as a % of non-performing loans | 153.96% | 267.68% |

**Note 3. Borrowed Funds**

The Company is a party to repurchase agreements with certain customers. As of June 30, 2009 and December 31, 2008, the Company had repurchase agreements of $16.6 million and $21.9 million.

The bank is a member of the Federal Home Loan Bank ( FHLB ) of Pittsburgh, Pennsylvania. Borrowings from the FHLB are secured by stock in the FHLB of Pittsburgh, qualifying first mortgage loans, mortgage-backed securities and certain investment securities. The remaining maximum borrowing capacity with the FHLB at June 30, 2009 was approximately $42.6 million.

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Borrowings from the FHLB were as follows:

| | June 30 2009 | December 31 2008 |
|---|---|---|
| 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. | 1,050 | 1,087 |
| Fixed interest rate note, originating April 2002, due May 2017, interest of 5.90% is payable monthly. | 669 | 676 |
| Fixed interest rate note, originating July 2006, due July 2016, interest of 4.50% is payable in monthly installments of $8. | 1,399 | 1,417 |
| Fixed interest rate note, originating October 2006, due October 2021, interest of 5.20% is payable in monthly installments of $6. | 1,118 | 1,127 |
| Fixed interest rate note, originating February 2007, due February 2022, interest of 5.22% is payable in monthly installments of $5. | 937 | 944 |
| Fixed interest rate note, originating April 2007, due April 2022, interest of 5.18% is payable in monthly installments of $6. | 1,060 | 1,068 |
| Floating interest rate note, originating March 2003, due December 2011, interest of 0.66% payable monthly. | | 18,545 |
| Fixed interest rate note, originating December 2007, due December 2017, interest of 5.25% is payable in monthly installments of $7. | 1,066 | 1,078 |
| Fixed interest rate note originating March 2008, due March 2009, interest of 2.26% payable quarterly. | | 2,000 |
| Fixed interest rate note originating March 2008, due March 2013, interest of 2.37% payable quarterly. | 2,000 | 2,000 |
| Fixed interest rate note originating May 2009, due May 2010, interest of .72% payable quarterly. | 5,000 | |
| | $ 15,299 | $ 30,942 |

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

The Trust Preferred Securities and the Debentures mature in 30 years and are redeemable by the Company after five years. Interest payments are due in March, June, September and December and are adjusted at the interest due dates at a rate of 1.62% over the three month LIBOR Rate. The Company reflects borrowed funds in the amount of $4.1 million as of June 30, 2009 and 2008 and interest expense of $65 and $111 for the periods ended June 30, 2009 and 2008.

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

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

| Year | Amount |
|---|---|
| 2009 | 101 |
| 2010 | 5,210 |
| 2011 | 221 |
| 2012 | 232 |
| 2013 | 2,000 |
| Thereafter | 11,659 |
| | 19,423 |

**Note 4. Comprehensive Income**

The Company is required to present comprehensive income in a full set of general-purpose financial statements for all periods presented. The following represents comprehensive income for the six and three month periods ended June 30, 2009 and June 30, 2008.

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

| | For the three months ended June 30, | | For the six months ended June 30, | |
|---|---|---|---|---|
| (in thousands) | 2009 | 2008 | 2009 | 2008 |
| Unrealized gain (losses) on securities available for sale | $ (133) | $ (428) | $ (91) | $ (103) |
| Pension liability adjustment | | | | |
| Tax effect | 52 | 171 | 36 | 41 |
| Net of tax effect | (81) | (257) | (55) | (62) |
| Net income as reported | 382 | 314 | 761 | 577 |
| Total comprehensive income | $ 301 | $ 57 | $ 706 | $ 515 |

**Note 5 Net Income Per Common Share**

MVB determines basic earnings per share by dividing net income by the weighted average number of common shares outstanding during the period. Diluted earnings per share is determined by dividing net income by the weighted average number of shares outstanding increased by the number of shares that would be issued assuming the exercise of stock options. At June 30, 2009 and 2008, stock options to purchase 134,658 and 149,507 shares at an average price of $15.82 and $14.78, respectively, were outstanding. For the three months ended June 30, 2009 and 2008, the dilutive effect of stock options was 25,149 and 39,673 shares, respectively.

**Note 6 Recent Accounting Pronouncements**

In December 2007, the FASB issued FAS No. 141 (revised 2007), *Business Combinations* ( FAS 141(R)), which establishes principles and requirements for how an acquirer recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any noncontrolling interest in an acquiree, including the recognition and measurement of goodwill acquired in a business combination. FAS No. 141(R) is effective for fiscal years beginning on or after December 15, 2008. Earlier adoption is prohibited. The adoption of this standard is not expected to have a material effect on the Company s results of operations or financial position.

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In February 2008, the FASB issued Staff Position No.157-2, *Partial Deferral of the Effective Date of Statement 157*, which deferred the effective date of FAS No. 157, *Fair Value Measurements,* for all nonfinancial assets and nonfinancial liabilities to fiscal years beginning after November 15, 2008. The adoption of this standard is not expected to have a material effect on the Company s results of operations or financial position.

In September 2006, the FASB issued FAS No. 158, *Employers Accounting for Defined Benefit Pension and Other Post Retirement Plans, an amendment of FASB Statements No. 87, 88, 106 and 132(R)*. This Statement requires that employers measure plan assets and obligations as of the balance sheet date. This requirement is effective for fiscal years ending after December 15, 2008. The other provisions of the Statement were effective as of the end of the fiscal year ending after December 15, 2006, for public companies. The adoption of this standard is not expected to have a material effect on the Company s results of operations or financial position.

In December 2007, the FASB issued FAS No. 160, *Noncontrolling Interests in Consolidated Financial Statements an amendment of ARB No. 51*. FAS No. 160 amends ARB No. 51 to establish accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. It clarifies that a noncontrolling interest in a subsidiary, which is sometimes referred to as minority interest, is an ownership interest in the consolidated entity that should be reported as equity in the consolidated financial statements. Among other requirements, this statement requires consolidated net income to be reported at amounts that include the amounts attributable to both the parent and the noncontrolling interest. It also requires disclosure, on the face of the consolidated income statement, of the amounts of consolidated net income attributable to the parent and to the noncontrolling interest. FAS No. 160 is effective for fiscal years beginning on or after December 15, 2008. Earlier adoption is prohibited. The adoption of this standard is not expected to have a material effect on the Company s results of operations or financial position.

In March 2008, the FASB issued FAS No. 161, *Disclosures about Derivative Instruments and Hedging Activities*, to require enhanced disclosures about derivative instruments and hedging activities. The new standard has revised financial reporting for derivative instruments and hedging activities by requiring more transparency about how and why an entity uses derivative instruments, how derivative instruments and related hedged items are accounted for under FAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*; and how derivative instruments and related hedged items affect an entity s financial position, financial performance, and cash flows. FAS No. 161 requires disclosure of the fair values of derivative instruments and their gains and losses in a tabular format. It also requires entities to provide more information about their liquidity by requiring disclosure of derivative features that are credit risk-related. Further, it requires cross-referencing within footnotes to enable financial statement users to locate important information about derivative instruments. FAS No. 161 is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008, with early application encourage. The adoption of this standard is not expected to have a material effect on the Company s results of operations or financial position.

In May 2009, the FASB issued FAS No. 165, *Subsequent Events*, which requires companies to evaluate events and transactions that occur after the balance sheet date but before the date the financial statements are issued, or available to be issued in the case of non-public entities. FAS No. 165 requires entities to recognize in the financial statements the effect of all events or transactions that provide additional evidence of conditions that existed at the balance sheet date, including the estimates inherent in the financial preparation process. Entities shall not recognize the impact of events or transactions that provide evidence about conditions that did not exist at the balance sheet date but arose after that date. FAS No. 165 also requires entities to disclose the date through which

subsequent events have been evaluated. FAS No. 165 was effective for interim and annual reporting periods ending after June 15, 2009. The Company adopted the provisions of FAS No. 165 for the quarter ended June 30, 2009, as required, and adoption did not have a material impact on Company s results of operations or financial position.

In June 2009, the FASB issued FAS No. 166, *Accounting for Transfers of Financial Assets*. FAS 166 removes the concept of a qualifying special-purpose entity (QSPE) from FAS No. 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishment of Liabilities*, and removes the exception from applying FIN 46(R). This statement also clarifies the requirements for isolation and limitations on portions of financial assets that are eligible for sale accounting. This statement is effective for fiscal years beginning after November 15, 2009. As such, the Company plans to adopt FAS No. 166 effective January 1, 2010. The adoption of this standard is not expected to have a material effect on the Company s results of operations or financial position.

In June 2009, the FASB issued FAS No. 167, *Amendments to FASB Interpretation No. 46(R)*. FAS 167, which amends FASB Interpretation No. 46 (revised December 2003), *Consolidation of Variable Interest Entities*, (FIN 46(R)), prescribes a qualitative model for identifying whether a company has a controlling financial interest in a variable interest entity (VIE) and eliminates the quantitative model prescribed by FIN 46(R). The new model identifies two primary characteristics of a controlling financial interest: (1) provides a company with the power to direct significant activities of the VIE, and (2) obligates a company to absorb losses of and/or provides rights to receive benefits from the VIE. FAS No. 167 requires a company to reassess on an ongoing basis whether it holds a controlling financial interest in a VIE. A company that holds a controlling financial interest is deemed to be the primary beneficiary of the VIE and is required to consolidate the VIE. This statement is effective for fiscal years beginning after November 15, 2009. The adoption of this standard is not expected to have a material effect on the Company s results of operations or financial position.

In June 2009, the FASB issued FAS No. 168, *The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles*. FAS No. 168 establishes the *FASB Accounting Standards Codification* (Codification), which was officially launched on July 1, 2009, and became the primary source of authoritative U.S. GAAP recognized by the FASB to be applied by nongovernmental entities. Rules and interpretive releases of the Securities and Exchange Commission (SEC) under the authority of Federal securities laws are also sources of authoritative GAAP for SEC registrants. The subsequent issuances of new standards will be in the form of Accounting Standards Updates that will be included in the Codification. FAS No. 168 is effective for financial statements issued for interim and annual periods ending after September 15, 2009. As such, the Company plans to adopt FAS No.168 in connection with its third quarter 2009 reporting. As the Codification is neither expected nor intended to change GAAP, the adoption of FAS No.168 will not have a material impact on its results of operations or financial position.

In June 2008, the FASB ratified EITF Issue No. 08-4, *Accounting for Convertible Securities with Beneficial Conversion Features or Contingently Adjusted Conversion Ratios*. This Issue provides transition guidance for conforming changes made to EITF Issue No. 98-5, *Accounting for Convertible Securities with Beneficial Conversion Features or Contingently Adjusted Conversion Ratios*, that resulted from EITF Issue No. 00-27, *Application of Issue No. 98-5 to Certain Convertible Instruments,* and FAS No. 150, *Accounting for Certain Financial Instruments with Characteristics of both Liability and Equity*. The conforming changes are effective for financial statements issued for fiscal years ending after December 15, 2008, with earlier application permitted. The adoption of this FSP is not expected to have a material effect on the Company s results of operations or financial position.

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In May 2008, the FASB issued FASB Staff Position ( FSP ) No. APB 14-1, *Accounting for Convertible Debt Instruments That May Be Settled in Cash upon Conversion (Including Partial Cash Settlement*. This FSP provides guidance on the accounting for certain types of convertible debt instruments that may be settled in cash upon conversion. Additionally, this FSP specifies that issuers of such instruments should separately account for the liability and equity components in a manner that will reflect the entity s nonconvertible debt borrowing rate when interest cost is recognized in subsequent periods. The FSP is effective for financial statements issued for fiscal years beginning after December 15, 2008, and interim periods within those fiscal years. The adoption of this FSP is not expected to have a material effect on the Company s results of operations or financial position

In February 2008, the FASB issued FSP No. FAS 140-3, *Accounting for Transfers of Financial Assets and Repurchase Financing Transactions*. This FSP concludes that a transferor and transferee should not separately account for a transfer of a financial asset and a related repurchase financing unless (a) the two transactions have a valid and distinct business or economic purpose for being entered into separately and (b) the repurchase financing does not result in the initial transferor regaining control over the financial asset. The FSP is effective for financial statements issued for fiscal years beginning on or after November 15, 2008, and interim periods within those fiscal years. The adoption of this FSP is not expected to have a material effect on the Company s results of operations or financial position.

In April 2008, the FASB issued FSP No. 142-3, *Determination of the Useful Life of Intangible Assets* ( FSP 142-3 ). FSP 142-3 amends the factors that should be considered in developing assumptions about renewal or extension used in estimating the useful life of a recognized intangible asset under FAS No. 142*, Goodwill and Other Intangible Assets*. This standard is intended to improve the consistency between the useful life of a recognized intangible asset under FAS No. 142 and the period of expected cash flows used to measure the fair value of the asset under FAS No. 141R and other GAAP. FSP 142-3 is effective for financial statements issued for fiscal years beginning after December 15, 2008. The measurement provisions of this standard will apply only to intangible assets of the Company acquired after the effective date. The adoption of this FSP is not expected to have a material effect on the Company s results of operations or financial position.

In June 2008, the FASB issued FSP No. EITF 03-6-1, *Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities*, to clarify that instruments granted in share-based payment transactions can be participating securities prior to the requisite service having been rendered. A basic principle of the FSP is that unvested share-based payment awards that contain nonforfeitable rights to dividends or dividend equivalents (whether paid or unpaid) are participating securities and are to be included in the computation of EPS pursuant to the two-class method. The provisions of this FSP are effective for financial statements issued for fiscal years beginning after December 15, 2008, and interim periods within those years. All prior-period EPS data presented (including interim financial statements, summaries of earnings, and selected financial data) are required to be adjusted retrospectively to conform with the provisions of the FSP. The adoption of this FSP is not expected to have a material effect on the Company s results of operations or financial position.

In April 2009, the FASB issued FSP No. FAS 141(R)-1, *Accounting for Assets Acquired and Liabilities Assumed in a Business Combination That Arise from Contingencies*. This FSP requires companies acquiring contingent assets or assuming contingent liabilities in business combination to either (a) if the assets or liabilities fair value can be determined, recognize them at fair value, at the acquisition date, or (b) if the assets or liabilities fair value cannot be determined, but (i) it is probable that an asset existed or that a liability had been incurred at the acquisition date and (ii) the amount of the asset or liability can be reasonably estimated, recognize them at their estimated amount, at the acquisition date. If the fair value of these contingencies cannot be determined and they are not

probable or cannot be reasonably estimated, then companies should not recognize these contingencies as of the acquisition date and instead should account for them in subsequent periods by following other applicable GAAP. This FSP also eliminates the FAS 141R requirement of disclosing in the footnotes to the financial statements the range of expected outcomes for a recognized contingency. This FSP shall be effective for assets or liabilities arising from contingencies in 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, 2008. The adoption of this FSP is not expected to have a material effect on the Company s results of operations or financial position.

In April 2009, the FASB issued FSP No. FAS 157-4, *Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly*. This FSP relates to determining fair values when there is no active market or where the price inputs being used represent distressed sales. It reaffirms the need to use judgment to ascertain if a formerly active market has become inactive and in determining fair values when markets have become inactive. FSP No. FAS 157-4 is effective for interim and annual periods ending after June 15, 2009. The adoption of this FSP did not have a material effect on the Company s results of operations or financial position.

In April 2009, the FASB issued FSP No. FAS 107-1 and APB 28-1, *Interim Disclosures about Fair Value of Financial Instruments*, which relates to fair value disclosures for any financial instruments that are not currently reflected on the balance sheet of companies at fair value. Prior to issuing this FSP, fair values for these assets and liabilities were only disclosed once a year. The FSP now requires these disclosures on a quarterly basis, providing qualitative and quantitative information about fair value estimates for all those financial instruments not measured on the balance sheet at fair value. FSP No. FAS 107-1 and APB 28-1 is effective for interim and annual periods ending after June 15, 2009. The Company has presented the necessary disclosures in Note 7 herein.

In April 2009, the FASB issued FSP No. FAS 115-2 and FAS 124-2, *Recognition and Presentation of Other-Than-Temporary Impairments*, which provides additional guidance designed to create greater clarity and consistency in accounting for and presenting impairment losses on securities. FSP No. FAS 115-2 and FAS 124-2 is effective for interim and annual periods ending after June 15, 2009. The adoption of FSP No. FAS 115-2 and FAS 124-2 did not have a material impact on the Company s financial position. Effective January 1, 2008, the Company adopted FAS 157, which, among other things, requires enhanced disclosures about assets and liabilities carried at fair value. FAS 157 establishes a hierarchal disclosure framework associated with the level of pricing observability utilized in measuring assets and liabilities at fair value. The three broad levels defined by FAS 157 hierarchy are as follows:

**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.

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

The following table presents the assets and liabilities reported on the consolidated statements of financial condition at their fair value as of June 30, 2009 by level within the fair value hierarchy. As required by FAS 157, financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

| | June 30, 2009 | | | |
|---|---|---|---|---|
| **(In Thousands)** | **Level I** | **Level II** | **Level III** | **Total** |
| Assets: | | | | |
| Investment securities, available for sale | | 16,149 | | 16,149 |

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:

| | June 30, 2009 | |
|---|---|---|
| | Carrying Value | Estimated Fair Value |
| | (Dollars in thousands) | |
| **Financial assets:** | | |
| Cash and due from banks | 7,008 | 7,008 |
| Interest bearing balances | 40,572 | 40,572 |
| Securities available-for-sale | 16,149 | 16,149 |
| Securities held-to-maturity | 3,826 | 3,937 |
| Loans | 218,339 | 224,889 |
| Accrued interest receivable | 999 | 999 |
| | $ 286,893 | $ 293,554 |
| **Financial liabilities:** | | |
| Deposits | $ 240,918 | $ 240,918 |
| Repurchase agreements | 16,598 | 16,598 |
| Federal Home Loan Bank Borrowings | 15,299 | 16,599 |
| Accrued interest payable | 476 | 476 |
| Long-term debt | 4,124 | 4,124 |
| | $ 277,415 | 278,715 |

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 market values of investment securities held-to-maturity at June 30, 2009, including gross unrealized gains and losses, are summarized as follows:

| (Dollars in thousands) | Amortized Cost | Unrealized Gain | Unrealized Loss | Approximate Market Value |
|---|---|---|---|---|
| Municipal securities | $ 1,317 | $ 8 | $ (15) | $ 1,310 |
| U. S. Agency securities | 2,509 | 82 | | 2,591 |
| | $ 3,826 | $ 90 | $ (15) | $ 3,901 |

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Amortized cost and approximate market values of investment securities available-for-sale at June 30, 2009 are summarized as follows:

| | Amortized Cost | Unrealized Gain | Unrealized Loss | Approximate Market Value |
|---|---|---|---|---|
| U. S. Agency securities | $ 8,163 | $ 206 | $ (9) | $ 8,360 |
| Mortgage-backed securities | 7,631 | 42 | (8) | 7,665 |
| Other securities | 124 | | | 124 |
| | $ 15,918 | $ 248 | $ (17) | $ 16,149 |

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

| | June 30, 2009 | | | |
|---|---|---|---|---|
| | Held to Maturity | | Available for sale | |
| | Amortized Cost | Approximate Market Value | Amortized Cost | Approximate Market Value |
| Within one year | $ | $ | $ 982 | $ 992 |
| After one year, but within five | 277 | 283 | 3,358 | 3,458 |
| After five years, but within ten | 1,933 | 1,954 | 1,760 | 1,767 |
| After ten Years | 1,616 | 1,664 | 9,818 | 9,932 |
| Total | $ 3,826 | $ 3,901 | $ 15,918 | $ 16,149 |

The Company s investment portfolio includes securities that are in an unrealized loss position as of June 30, 2009, the details of which are included in the following table. Although these securities, if sold at June 30, 2009 would result in a pretax loss of $32, the Company has no intent to sell the applicable securities at such market values, and maintains the Company has the ability to hold these securities until all principal has been recovered. Declines in the market values of these securities can be traced to general market conditions which reflect the prospect for the economy as a whole. When determining other-than-temporary impairment on securities, the Company considers such factors as adverse conditions specifically related to a certain security or to specific conditions in an industry or geographic area, the time frame securities have been in an unrealized loss position, the Company s ability to hold the security for a period of time sufficient to allow for anticipated recovery in value, whether or not the security has been downgraded by a rating agency, and whether or not the financial condition of the security issuer has severely deteriorated. As of June 30, 2009, the Company considers all securities with unrealized loss positions to be temporarily impaired, and consequently, does not believe the Company will sustain any material realized losses as a result of the current temporary decline in market value.

The following table discloses investments in an unrealized loss position:

At June 30, 2009, total temporary impairment totaled $32.

| | Less than 12 months | | 12 months or more | |
|---|---|---|---|---|
| Description and number of positions | Fair Value | Unrealized | Fair Value | Unrealized Loss |
| U.S. Agencies(1) | $ | $ (9) | $ | $ |
| Mortgage-backed securities(11) | 2,566 | (8) | | |
| Municipal securities(1) | | (15) | | |
| | $ 2,566 | $ (32) | $ | $ |

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

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

At June 30, 2009 and for the Six and Three Months Ended June 30, 2009 and 2008:

| | Six Months Ended June 30 | | Three Months Ended June 30 | |
|---|---|---|---|---|
| | 2009 | 2008 | 2009 | 2008 |
| Net income to: | | | | |
| Average assets | .54% | .50% | .52% | .54% |
| Average stockholders equity | 5.78 | 4.58 | 5.75 | 4.79 |
| Net interest margin | 3.31 | 3.48 | 3.25 | 3.45 |
| Average stockholders equity to average assets | 9.31 | 10.83 | 9.13 | 11.17 |
| Total loans to total deposits (end of period) | 90.63 | 110.21 | 90.63 | 110.21 |
| Allowance for loan losses to total loans (end of period) | .99 | 1.00 | .99 | 1.00 |
| Efficiency ratio | 75.23 | 75.88 | 76.97 | 74.34 |
| Capital ratios: | | | | |
| Tier 1 capital ratio | 12.32 | 14.67 | 12.32 | 14.67 |
| Risk-based capital ratio | 13.24 | 15.64 | 13.24 | 15.64 |
| Leverage ratio | 10.00 | 11.95 | 10.00 | 11.95 |
| Cash dividends as a percentage of net income | N/A | N/A | N/A | N/A |
| Per share data: | | | | |
| Book value per share (end of period) | $ 16.34 | $ 16.03 | $ 16.34 | $ 16.03 |
| Market value per share (end of period)* | 20.00 | 20.00 | 20.00 | 20.00 |
| Basic earnings per share | .47 | .37 | .24 | .20 |
| Diluted earnings per share | .46 | .36 | .23 | .19 |

* 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.

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**Introduction**

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

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

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

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

**Application of Critical Accounting Policies**

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

The most significant accounting policies followed by MVB are presented in Note 1 to the audited consolidated financial statements included in MVB s 2008 Annual Report on Form 10-K. These policies, along with the disclosures presented in the other financial statement notes and in management s discussion and analysis of operations, provide information on how significant assets and liabilities are valued in the financial statements and how those values are determined. Based on the valuation techniques used and the

sensitivity of financial statement amounts to the methods, assumptions, and estimates underlying those amounts, management has identified the determination of the allowance for loan losses to be the accounting area that requires the most subjective or complex judgments, and as such could be most subject to revision as new information becomes available.

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

**Results of Operations**

*Overview of the Statement of Income*

For the quarter ended June 30, 2009, MVB earned $382 compared to $314 in the second quarter of 2008. Net interest income increased by $339 and other expenses increased by $506. The increase in net interest income was driven in part by a rate decrease on interest bearing liabilities throughout 2008 and 2009 which resulted in a decrease in interest expense of $143 from the same quarter in 2008 and an increase in interest income of $196, mostly the result of a CD program in which MVB purchased CDs in other banks and funded those investments with lower cost funding sources to earn $174 during the second quarter of 2009. The increase in other operating expenses was principally the result of a loss of $186 on Silverton Bank stock and FDIC and special assessment cost increases of $184.

Loan loss provisions of $152 and $153 were made for the quarters ended June 30, 2009 and 2008, respectively. The provision for loan losses, which is a product of management s formal quarterly analysis, is recorded in response to inherent risks in the loan portfolio.

Non-interest income for the quarters ended June 30, 2009 and 2008 totaled $710 and $471, respectively. The most significant portions of non-interest income are service charges on deposit accounts, which totaled $218 at June 30, 2009 and income on loans held for sale which totaled $232, an increase of $104 over the second quarter of 2008. Other operating income increased by $90, $75 of which related to the sale of two OREO properties.

Non-interest expense for the quarters ended June 30, 2009 and 2008 totaled $2.2 million and $1.7 million, respectively. The most significant increases were as follows: loss on Silverton Bank stock of $186 and FDIC insurance increases and special assessments of $184.

For the six months ended June 30, 2009 MVB earned $761 compared to $577 for the same time period in 2008.

Loan loss provisions of $303 and $301 were made for the six months ended June 30, 2009 and 2008, respectively.

Non-interest income for the six months ended June 30, 2009 and 2008 totaled $1.1 million and $892, respectively. This increase of $236 relates mainly to increases in income on loans held for sale of $138 and other operating income of $72 which was primarily the result of the sale of two OREO properties.

Non-interest expense for the six months ended June 30, 2009 and 2008 totaled $4.1 million and $3.5 million. This $611 increase was mainly the result of the Silverton Bank stock loss, the increased FDIC insurance costs and special assessment and an increase in salaries expense of $89.

**Interest Income and Expense**

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

Net interest margin is calculated by dividing net interest income by average interest-earning assets. This ratio serves as a performance measurement of the net interest revenue stream generated by the bank s balance sheet. The net interest margin for the quarters ended June 30, 2009 and 2008 was 3.25% and 3.45% respectively. During 2008 the Federal Reserve began a series of rate cuts resulting in a total rate decrease of 4.25%. This rate decrease had the greatest impact on MVB in the yield on commercial loans, which decreased from 6.41% at June 30, 2008 to 5.49% at June 30, 2009.

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. With the recent rate cuts, management has begun to focus on adding more commercial loans that annually adjust the rate, as opposed to loans with rates that float daily. This setup more closely matches the maturities of the deposit base.

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**Average Balances and Interest Rates**

**(Unaudited)(Dollars in thousands)**

| | Three Months Ended June 30, 2009 | | | Three Months Ended June 30, 2008 | | |
|---|---|---|---|---|---|---|
| | Average Balance | Interest Income/ Expense | Yield/ Cost | Average Balance | Interest Income/ Expense | Yield/ Cost |
| **Assets** | | | | | | |
| Interest-bearing deposits in banks | $ 464 | $ | % | $ 2,752 | $ 13 | 1.89% |
| Certificates of deposit in other banks | 30,432 | 174 | 2.29 | | | |
| Investment securities | 21,451 | 286 | 5.33 | 27,221 | 335 | 4.92 |
| Loans: | | | | | | |
| Commercial | 141,361 | 1,940 | 5.49 | 116,520 | 1,868 | 6.41 |
| Tax exempt | 11,536 | 124 | 4.30 | 7,888 | 91 | 4.61 |
| Consumer | 13,679 | 245 | 7.16 | 13,875 | 250 | 7.21 |
| Real estate | 51,305 | 767 | 5.98 | 46,943 | 783 | 6.67 |
| **Total loans** | 217,881 | 3,076 | 5.65 | 185,226 | 2,992 | 6.46 |
| Total earning assets | 270,228 | 3,536 | 5.23 | 215,199 | 3,340 | 6.21 |
| Cash and due from banks | 4,696 | | | 4,460 | | |
| Other assets | 16,169 | | | 14,807 | | |
| **Total assets** | $ 291,093 | | | $ 234,466 | | |
| **Liabilities** | | | | | | |
| Deposits: | | | | | | |
| Non-interest bearing demand | $ 22,248 | $ | % | $ 19,266 | $ | % |
| NOW | 31,945 | 101 | 1.26 | 17,437 | 17 | 0.39 |
| Money market checking | 27,955 | 73 | 1.04 | 31,645 | 125 | 1.58 |
| Savings | 7,166 | 2 | 0.11 | 6,877 | 5 | 0.29 |
| IRAs | 8,675 | 83 | 3.83 | 7,235 | 83 | 4.59 |
| CDs | 127,895 | 886 | 2.77 | 86,715 | 975 | 4.50 |
| Repurchase agreements & FFS | 16,761 | 38 | 0.91 | 16,791 | 68 | 1.62 |
| FHLB borrowings | 15,542 | 129 | 3.32 | 16,657 | 165 | 3.96 |
| Long-term debt | 4,124 | 29 | 2.81 | 4,124 | 46 | 4.46 |
| **Total interest-bearing liabilities** | 240,063 | 1,341 | 2.23 | 187,481 | 1,484 | 3.17 |
| Other liabilities | 2,195 | | | 1,525 | | |
| **Total liabilities** | 264,506 | | | 208,272 | | |
| **Stockholders equity** | | | | | | |
| Common stock | 1,622 | | | 1,595 | | |
| Paid-in capital | 20,370 | | | 20,084 | | |
| Treasury Stock | (511) | | | (199) | | |
| Retained earnings | 5,391 | | | 4,955 | | |
| Accumulated other comprehensive income | (285) | | | (241) | | |
| **Total stockholders equity** | 26,587 | | | 26,194 | | |

| | | | | | | |
|---|---|---|---|---|---|---|
| **Total liabilities and stockholders equity** | $ 291,093 | | | $ 234,466 | | |
| Net interest spread | | | 3.00 | | | 3.04 |
| Impact of non-interest bearing funds on margin | | | .25 | | | .41 |
| Net interest income-margin | | $ 2,195 | 3.25% | | $ 1,856 | 3.45% |

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**Average Balances and Interest Rates**

**(Unaudited)(Dollars in thousands)**

| | Six Months Ended June 30, 2009 | | | Six Months Ended June 30, 2008 | | |
|---|---|---|---|---|---|---|
| | Average Balance | Interest Income/ Expense | Yield/ Cost | Average Balance | Interest Income/ Expense | Yield/ Cost |
| **Assets** | | | | | | |
| Interest-bearing deposits in banks | $ 395 | $ | % | $ 2,199 | $ 24 | 2.18% |
| Certificates of deposit in other banks | 24,344 | 294 | 2.42 | | | |
| Investment securities | 23,020 | 589 | 5.12 | 27,459 | 689 | 5.02 |
| Loans: | | | | | | |
| Commercial | 138,960 | 3,808 | 5.48 | 115,222 | 3,938 | 6.84 |
| Tax exempt | 11,099 | 241 | 4.34 | 7,431 | 177 | 4.76 |
| Consumer | 13,613 | 489 | 7.18 | 13,959 | 509 | 7.29 |
| Real estate | 49,949 | 1,520 | 6.09 | 47,106 | 1,596 | 6.78 |
| **Total loans** | 213,621 | 6,058 | 5.67 | 183,718 | 6,220 | 6.77 |
| Total earning assets | 261,380 | 6,941 | 5.31 | 213,376 | 6,933 | 6.50 |
| Cash and due from banks | 5,191 | | | 4,446 | | |
| Other assets | 16,357 | | | 14,701 | | |
| **Total assets** | $ 282,928 | | | $ 232,523 | | |
| **Liabilities** | | | | | | |
| Deposits: | | | | | | |
| Non-interest bearing demand | $ 22,736 | $ | % | $ 19,642 | $ | % |
| NOW | 27,502 | 141 | 1.03 | 15,952 | 46 | 0.58 |
| Money market checking | 26,847 | 138 | 1.03 | 30,628 | 317 | 2.07 |
| Savings | 7,287 | 4 | 0.11 | 6,543 | 13 | 0.40 |
| IRAs | 8,273 | 161 | 3.89 | 7,154 | 166 | 4.64 |
| CDs | 121,019 | 1,753 | 2.90 | 87,258 | 2,029 | 4.65 |
| Repurchase agreements & FFS | 18,026 | 77 | 0.85 | 18,071 | 181 | 2.00 |
| FHLB borrowings | 18,717 | 275 | 2.94 | 16,400 | 359 | 4.38 |
| Long-term debt | 4,124 | 65 | 3.15 | 4,124 | 111 | 5.38 |
| **Total interest-bearing liabilities** | 231,795 | 2,614 | 2.26 | 186,130 | 3,222 | 3.46 |
| Other liabilities | 2,054 | | | 1,573 | | |
| **Total liabilities** | 256,585 | | | 207,345 | | |
| **Stockholders equity** | | | | | | |
| Common stock | 1,618 | | | 1,567 | | |
| Paid-in capital | 20,329 | | | 19,560 | | |
| Treasury Stock | (487) | | | | | |
| Retained earnings | 5,188 | | | 4,373 | | |
| Accumulated other comprehensive income | (305) | | | (322) | | |
| **Total stockholders equity** | 26,343 | | | 25,178 | | |

| | | | | |
|---|---|---|---|---|
| **Total liabilities and stockholders equity** | $ 282,928 | | $ 232,523 | |
| Net interest spread | | 3.06 | | 3.04 |
| Impact of non-interest bearing funds on margin | | .26 | | .44 |
| Net interest income-margin | $ 4,327 | 3.32% | $ 3,711 | 3.48% |

**Non-Interest Income**

Service charges on deposit accounts generate the core of the bank s non-interest income. Non-interest income totaled $710 in the second quarter of 2009 compared to $471 in the second quarter of 2008. This increase of $239 is the result of an increase of $104 in income on loans held for sale, and increase of $90 in other operating income, mostly the result of gains on sale of two OREO properties and an increase of $50 in service charge income.

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

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

**Non-Interest Expense**

For the second quarter of 2009, non-interest expense totaled $2.2 million compared to $1.7 million in the second quarter of 2008. MVB s efficiency ratio was 76.97% for the second quarter of 2009 compared to 74.34% for the second quarter of 2008. This ratio measures the efficiency of non-interest expenses incurred in relationship to net interest income plus non-interest income.

Salaries and benefits totaled $1.0 million for the quarter ended June 30, 2009 compared to $995 for the quarter ended June 30, 2008. This $33 increase in salaries and benefits is mainly the result of $26 less in deferred direct loan costs. MVB had 73 full-time equivalent personnel at June 30, 2009 compared to 78 full-time equivalent personnel as of June 30, 2008. Management will continue to strive to find new ways of increasing efficiencies and leveraging its resources, while effectively optimizing customer service.

For the quarters ended June 30, 2009 and 2008, occupancy expense totaled $144 and $126, respectively. This $18 increase was the result of increased utility costs of $5 and repairs and maintenance of $7.

Other operating expense totaled $421 in the second quarter of 2009 compared to $197 in the second quarter of 2008. The largest items relating to this increase of $224 were a $184 increase in FDIC insurance and increased loan costs of $16.

**Return on Average Assets and Average Equity**

Returns on average assets (ROA) and average equity (ROE) were .52% and 5.75% for the second quarter of 2009 compared to .54% and 4.79% in the second quarter of 2008.

**Overview of the Statement of Condition**

MVB s interest-earning assets, interest-bearing liabilities, and stockholders equity changed significantly during the second quarter of 2009 compared to 2008. The most significant areas of change between the quarters ended June 30, 2009 and June 30, 2008 were as follows: CDs with banks grew to an average balance of $30.4 million from an average of $0, loans increased to an average balance of $217.9 million from $185.2 million and interest-bearing liabilities grew to an average balance of $240.1 million from $187.5 million. These trends reflect the continued growth of MVB in the loan and deposit areas.

Total assets at June 30, 2009 were $305.8 million or an increase of $47.1 million since December 31, 2008. The greatest areas of increase were $25.0 million in certificates of deposits with other banks and $15.1 million in loan growth, principally in the commercial loan area in the Harrison County region.

Deposits totaled $240.9 million at June 30, 2009 or an increase of $67.9 million since December 31, 2008. $28 of this increase is the result of acquiring brokered deposits of 6 month and 12 month terms and matching them with certificates of deposits with other banks for those same terms to gain spreads of at least 75 basis points to enhance revenue as well as the offering of a new brokerage buster product which produced $13.8 million in new deposits and normal growth. Repurchase agreements totaled $16.6 million and have decreased $5.3 million since December 31, 2008. This is partially the result of normal business fluctuations, along with commercial customers moving money to non-interest bearing accounts because of the lack of rate in the market.

Federal Home Loan Bank borrowings decreased by $16.6 million from December 31, 2008, the result of increased funding levels from the brokerage buster account and other deposit growth.

Stockholders equity has increased approximately $784 from December 31, 2008 due to earnings for the six months ended June 30, 2009 of $761.

**Cash and Cash Equivalents**

Cash and cash equivalents totaled $7.0 million as of June 30, 2009 compared to $4.7 million as of December 31, 2008.

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 $20.0 million as of June 30, 2009 and $26.6 million as of December 31, 2008. Government sponsored agency securities comprise the majority of the portfolio. This $6.6 million decrease is the result of high yielding investments being called from the portfolio and not being replaced with similar items, due to loan demand and the lesser need for investments to pledge to secure repurchase agreements.

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

**Loans**

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

The following table details total loans outstanding as of:

| (Dollars in thousands) | June 30 2009 | December 31 2008 |
|---|---|---|
| Commercial and nonresidential real estate | $ 151,384 | $ 137,872 |
| Residential real estate | 53,992 | 52,303 |
| Consumer and other | 12,963 | 13,066 |
| **Total loans** | $ 218,339 | $ 203,241 |

**Loan Concentration**

At June 30, 2009, 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 $240.9 million at June 30, 2009.

Non interest bearing deposits remain a core funding source for MVB. At June 30, 2009, non-interest bearing deposits totaled $33.1 million compared to $22.5 million at December 31, 2008. $12.6 million of this total relates to a deposit received on June 30, 2009 which when collected will move to repurchase agreements. 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 $207.8 million at June 30, 2009 compared to $150.6 million at December 31, 2008. Average interest-bearing liabilities totaled $240.1 million during the second quarter of 2009 compared to $187.5 million for the second quarter of 2008. Average non-interest bearing demand deposits totaled $22.2 million for the second quarter of 2009 compared to $19.3 million for the second quarter of 2008. Management will continue to emphasize deposit gathering in 2009 by offering outstanding customer service and competitively priced products. Management will also concentrate on balancing deposit growth with adequate net interest margin to meet MVB s strategic goals.

Along with traditional deposits, MVB has access to both repurchase agreements, which are corporate deposits secured by pledging securities from the investment portfolio, and Federal Home Loan Bank borrowings to fund its operations and investments. At June 30, 2009, repurchase agreements totaled $16.6 million compared to $21.9 million at December 31, 2008. In addition to the aforementioned funds alternatives, MVB has access to more than $42.6 million through additional advances from the Federal Home Loan Bank of Pittsburgh and the ability to readily sell jumbo certificates of deposits to other banks as well as brokered deposit markets.

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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.

At June 31, 2009, accumulated other comprehensive (loss) totaled $(368) compared to $(315) at December 31, 2008.

Capital stock shares increased by $25, the result of the exercise of stock options granted under MVB s incentive stock plan.

Treasury stock shares increased by $224 as MVB repurchased 11,167 shares.

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

Bank regulators have established risk-based capital requirements designed to measure capital adequacy. Risk-based capital ratios reflect the relative risks of various assets banks hold in their portfolios. A weight category of 0% (lowest risk assets), 20%, 50%, or 100% (highest risk assets) is assigned to each asset on the balance sheet. Detailed information concerning MVB s risk-based capital ratios can be found in Note 14 of the Notes to the Consolidated Financial Statements of MVB s 2008 Form 10-K. At June 30, 2009, 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 June 30, 2009 and December 31, 2008 was $35.5 million and $46.5 million, respectively Market Risk.

There have been no material changes in market risks faced by MVB since December 31, 2008. For information regarding MVB s market risk, refer to MVB s Annual Report to Shareholders for the year ended December 31, 2008.

**Effects of Inflation on Financial Statements**

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

**Future Outlook**

The bank s results of operations in the second quarter of 2009 are an improvement over the second quarter of 2008 mainly due to the improvement in net interest income. At this time in 2008 rates had decreased dramatically in a short period of time, decreasing yields on the loan portfolio while deposit rates remained high. Over the course of 2008 and early 2009 MVB has reduced the cost of funds to offset the reduction in interest income. MVB s emphasis in future periods will be to do those things that have made the bank successful thus far. The critical challenge for the bank in the future is to attract core deposits to fund growth in the new markets through continued delivery of the most outstanding customer service with the highest quality products and technology.

**Item 3. Quantitative and Qualitative Disclosures About Market Risk**

No response required.

**Item 4. Controls and Procedures**

No response required.

**Item 4(T). Controls and Procedures**

The Company, under the supervision and with the participation of the Company s management, including the Company s President and Chief Executive Officer, along with the Company s Chief Financial Officer (the Principal Financial Officer), has evaluated the effectiveness as of June 30, 2009, of the design and operation of the Company s disclosure controls and procedures, as such term is defined under Rule 13a-15(e) promulgated under the Securities Exchange Act of 1934, as amended (the Exchange Act ). Based upon that evaluation, the Company s President and Chief Executive Officer, along with the Company s Principal Accounting Officer concluded that the Company s disclosure controls and procedures were effective as of June 30, 2009.

There have been no material changes in the Company s internal control over financial reporting during the second quarter of 2009 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. Submission of Matters to a Vote of Security Holders**
MVB s Annual Shareholder s Meeting was held on May 19, 2009. Two items were submitted to the Shareholders for consideration. The items and vote are noted below:

Item 1. To elect six directors for a three-year term:

| For | Against | Abstain |
|---|---|---|
| 1,124,296 | 4,761 | 0 |

Item 2. To ratify the appointment of S.R. Snodgrass, A.C., as Independent Certified Public Accountants for the year 2008.

| For | Against | Abstain |
|---|---|---|
| 1,125,788 | 835 | 2,434 |

**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

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(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

## SIGNATURES

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

August 13, 2009

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