MVB FINANCIAL CORP
Form 10-Q
November 03, 2016
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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 September 30, 2016
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 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 [ ]
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 [ ]
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 [X]
Non-accelerated filer
Smaller reporting company
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act.)
Yes [ ] No [X]
Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:
As of November 3, 2016, the Registrant had 8,083,500 shares of common stock outstanding with a par value of $1.00 per share.

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Part I. Financial Information
Item 1. Financial Statements
MVB Financial Corp. and Subsidiary
Consolidated Balance Sheets
(Unaudited) (Dollars in thousands)

	September 30, 2016 (Unaudited)	December 31, 2015 (Note 1)
ASSETS		
Cash and cash equivalents:		
Cash and due from banks	$ 15,537	$ 14,302
Interest bearing balances with banks	13,267	14,831
Total cash and cash equivalents	28,804	29,133
Certificates of deposit with other banks	7,174	13,150
Investment Securities:		
Securities available-for-sale	152,171	70,256
Securities held-to-maturity (fair value of $0 for 2016 and $54,470 for 2015)	—	52,859
Loans held for sale	123,109	102,623
Loans:	1,076,073	1,032,170
Less: Allowance for loan losses	(9,150)	(8,006)
Net Loans	1,066,923	1,024,164
Premises and equipment	25,440	26,275
Bank owned life insurance	22,809	22,332
Accrued interest receivable and other assets	23,685	25,204
Goodwill	18,480	18,480
TOTAL ASSETS	$ 1,468,595	$ 1,384,476
LIABILITIES AND STOCKHOLDERS' EQUITY		
Deposits:		
Noninterest bearing	$ 105,799	$ 80,423
Interest bearing	1,020,991	931,891
Total deposits	1,126,790	1,012,314
Accrued interest payable and other liabilities	19,600	13,291
Repurchase agreements	27,192	27,437
FHLB and other borrowings	136,112	183,198
Subordinated debt	33,524	33,524
Total liabilities	1,343,218	1,269,764
STOCKHOLDERS' EQUITY		
Preferred stock, par value $1,000; 20,000 authorized and 9,283 issued in 2016 and 2015, respectively (See Footnote 7)	16,334	16,334
Common stock, par value $1; 20,000,000 shares authorized; 8,134,577 and 8,112,998 issued; and 8,083,500 and 8,061,921 outstanding in 2016 and 2015, respectively	8,135	8,113
Additional paid-in capital	74,653	74,228
Retained earnings	29,361	20,054
Accumulated other comprehensive loss	(2,022)	(2,933)
Treasury Stock, 51,077 shares, at cost	(1,084)	(1,084)
Total stockholders' equity	125,377	114,712

TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 1,468,595	$ 1,384,476

See accompanying notes to unaudited consolidated financial statements.

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MVB Financial Corp. and Subsidiary
Consolidated Statements of Income
(Unaudited) (Dollars in thousands except per share data)

	Nine Months Ended September 30,		Three Months Ended September 30,	
	2016	2015	2016	2015
INTEREST INCOME				
Interest and fees on loans	$37,502	$29,187	$12,484	$10,584
Interest on deposits with other banks	251	198	81	71
Interest on investment securities - taxable	984	674	342	213
Interest on tax exempt loans and securities	1,748	1,689	616	548
Total interest income	40,485	31,748	13,523	11,416
INTEREST EXPENSE				
Interest on deposits	5,739	4,554	1,902	1,665
Interest on repurchase agreements	55	62	17	18
Interest on FHLB and other borrowings	861	493	316	159
Interest on subordinated debt	1,664	1,648	559	556
Total interest expense	8,319	6,757	2,794	2,398
NET INTEREST INCOME	32,166	24,991	10,729	9,018
Provision for loan losses	2,975	1,856	1,075	636
Net interest income after provision for loan losses	29,191	23,135	9,654	8,382
NONINTEREST INCOME				
Service charges on deposit accounts	557	471	199	175
Income on bank owned life insurance	477	492	158	160
Visa debit card and interchange income	892	684	291	244
Mortgage fee income	26,850	23,881	10,668	8,955
Gain on sale of portfolio loans	838	1,119	238	319
Insurance and investment services income	303	276	128	98
Gain on sale of securities	1,082	130	479	4
Gain on derivatives	1,433	67	1	(2,039)
Other operating income	707	752	364	537
Total noninterest income	33,139	27,872	12,526	8,453
NONINTEREST EXPENSES				
Salary and employee benefits	34,427	27,424	12,383	9,284
Occupancy expense	2,737	2,455	898	833
Equipment depreciation and maintenance	1,781	1,482	635	543
Data processing and communications	3,815	2,866	1,434	1,047
Mortgage processing	2,456	2,310	802	774
Marketing, contributions and sponsorships	1,002	1,072	355	391
Professional fees	2,293	2,196	750	919
Printing, postage and supplies	586	552	169	205
Insurance, tax and assessment expense	1,106	1,202	374	393
Travel, entertainment, dues and subscriptions	1,212	1,147	393	451
Other operating expenses	980	477	546	(84)

Total noninterest expense	52,395	43,183	18,739	14,756
Income from continuing operations, before income taxes	9,935	7,824	3,441	2,079
Income tax expense - continuing operations	3,265	2,475	1,131	569
Net Income from continuing operations	6,670	5,349	2,310	1,510
Income from discontinued operations, before income taxes	6,346	108	—	(167)
Income tax expense - discontinued operations	2,411	43	—	(63)
Net Income from discontinued operations	3,935	65	—	(104)
Net Income	$10,605	$5,414	$2,310	$1,406
Preferred dividends	814	430	314	145
Net Income available to common shareholders	$9,791	$4,984	$1,996	$1,261
Earnings per share from continuing operations - basic	$0.73	$0.61	$0.25	$0.17
Earnings per share from discontinued operations - basic	$0.49	$0.01	$—	$(0.01)
Earnings per common shareholder - basic	$1.22	$0.62	$0.25	$0.16
Earnings per share from continuing operations - diluted	$0.68	$0.60	$0.24	$0.17
Earnings per share from discontinued operations - diluted	$0.40	$—	$—	$(0.01)
Earnings per common shareholder - diluted	$1.08	$0.60	$0.24	$0.16
Cash dividends declared	$0.06	$0.06	$0.02	$0.02
Weighted average shares outstanding - basic	8,073,644	7,998,203	8,080,690	8,023,549
Weighted average shares outstanding - diluted	9,935,209	9,961,233	10,434,348	8,176,304

See accompanying notes to unaudited consolidated financial statements.

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MVB Financial Corp. and Subsidiary
Consolidated Statements of Comprehensive Income
(Unaudited) (Dollars in thousands)

	Nine Months Ended September 30,		Three Months Ended September 30,	
	2016	2015	2016	2015
Net Income	$10,605	$5,414	$2,310	$1,406
Other comprehensive income (loss):				
Unrealized holding gains (losses) during the year	1,492	549	(728)	433
Unrealized holding gains during the year related to reclassified held-to-maturity securities	1,825	—	—	—
Income tax effect	(1,327)	(220)	291	(174)
Reclassification adjustment for gain recognized in income	(813)	(130)	(479)	(4)
Reclassification adjustment for gain recognized in income related to reclassified held-to-maturity securities	(269)	—	—	—
Income tax effect	433	52	192	2
Change in defined benefit pension plan	(717)	127	100	(400)
Income tax effect	287	(51)	(40)	160
Total other comprehensive income	911	327	(664)	17
Comprehensive income	$11,516	$5,741	$1,646	$1,423

See accompanying notes to unaudited consolidated financial statements.

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MVB Financial Corp. and Subsidiary
Consolidated Statements of Changes in Stockholders’ Equity
(Unaudited) (Dollars in thousands except per share data)

	Preferred Stock	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive (Loss)	Treasury Stock	Total Stockholders' Equity
Balance December 31, 2014	$ 16,334	$ 8,034	$ 74,342	$ 14,454	$ (2,642)	$ (1,084)	$ 109,438
Net Income	—	—	—	5,414	—	—	5,414
Other comprehensive income	—	—	—	—	327	—	327
Cash dividends paid ($0.06 per share)	—	—	—	(480)	—	—	(480)
Dividends on preferred stock (See Footnote 7)	—	—	—	(430)	—	—	(430)
Stock based compensation	—	—	308	—	—	—	308
Common stock options exercised	—	79	(527)	—	—	—	(448)
Balance September 30, 2015	$ 16,334	$ 8,113	$ 74,123	$ 18,958	$ (2,315)	$ (1,084)	$ 114,129
Balance December 31, 2015	$ 16,334	$ 8,113	$ 74,228	$ 20,054	$ (2,933)	$ (1,084)	$ 114,712
Net Income	—	—	—	10,605	—	—	10,605
Other comprehensive income	—	—	—	—	911	—	911
Cash dividends paid ($0.06 per share)	—	—	—	(484)	—	—	(484)
Dividends on preferred stock (See Footnote 7)	—	—	—	(814)	—	—	(814)
Stock based compensation	—	—	415	—	—	—	415
Common stock options exercised	—	22	10	—	—	—	32
Balance September 30, 2016	$ 16,334	$ 8,135	$ 74,653	$ 29,361	$ (2,022)	$ (1,084)	$ 125,377

See accompanying notes to unaudited consolidated financial statements.

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MVB Financial Corp. and Subsidiary
Consolidated Statements of Cash Flows
(Unaudited) (Dollars in thousands)

	Nine months ended	
	September 30, 2016	September 30, 2015
OPERATING ACTIVITIES		
Net Income	$10,605	$ 5,414
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Net amortization and accretion of investments	689	586
Net amortization of deferred loan fees	33	(110)
Provision for loan losses	2,975	1,856
Depreciation and amortization	2,547	1,437
Stock based compensation	415	308
Loans originated for sale	(1,205,986)	(1,047,432)
Proceeds of loans sold	1,212,350	1,067,793
Mortgage fee income	(26,850)	(23,881)
Gain on sale of securities	(1,084)	(130)
Loss on sale of securities	2	—
Gain on sale of portfolio loans	(838)	(1,119)
Gain on sale of subsidiary	(6,926)	—
Income on bank owned life insurance	(477)	(492)
Deferred taxes	276	118
Other, net	3,741	799
Net cash (used in) provided by operating activities	(8,528)	5,147
INVESTING ACTIVITIES		
Purchases of investment securities available-for-sale	(95,497)	(28,212)
Maturities/paydowns of investment securities available-for-sale	13,478	15,601
Maturities/paydowns of investment securities held-to-maturity	400	865
Sales of investment securities available-for-sale	55,191	12,912
Sale of investment securities held to maturity	—	421
Purchases of premises and equipment	(1,435)	(1,648)
Disposals of premises and equipment from sale of subsidiary	581	—
Net increase in loans	(44,929)	(177,798)
Purchases of restricted bank stock	(18,064)	(17,431)
Redemptions of restricted bank stock	19,489	16,977
Proceeds from sale of certificates of deposit with banks	6,472	248
Purchase of certificates of deposit with banks	(496)	(1,491)
Proceeds from sale of other real estate owned	83	1,132
Branch acquisition, net cash acquired	—	48,292
Proceeds from sale of subsidiary	7,047	—
Net cash used in investing activities	(57,680)	(130,132)
FINANCING ACTIVITIES		
Net increase in deposits	114,476	126,331
Net decrease in repurchase agreements	(245)	(6,111)
Net change in short-term FHLB borrowings	(47,016)	3,335
Principal payments on FHLB borrowings	(70)	(2,154)
Common stock options exercised	32	(448)
Cash dividends paid on common stock	(484)	(480)

Cash dividends paid on preferred stock	(814)	(430)
Net cash provided by financing activities	65,879	120,043
(Decrease) in cash and cash equivalents	(329)	(4,942)
Cash and cash equivalents at beginning of period	29,133	30,077
Cash and cash equivalents at end of period	$28,804	$ 25,135
Supplemental disclosure of cash flow information:		
Loans transferred to other real estate owned	$127	$ 174
Cashless stock options exercised	$16	$ 1,180
Cash payments for:		
Interest on deposits, repurchase agreements and borrowings	$8,084	$ 8,278
Income taxes	$4,382	$ 2,400

See accompanying notes to unaudited consolidated financial statements.

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MVB Financial Corp. and Subsidiary
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 consolidated balance sheet as of December 31, 2015 has been derived from audited financial statements included in the Company’s 2015 filing on Form 10-K. Operating results for the nine and three months ended September 30, 2016 are not necessarily indicative of the results that may be expected for the year ending December 31, 2016.
The accounting and reporting policies of MVB Financial Corp. (“the Company” or “MVB”) and its subsidiary (“Subsidiary”), MVB Bank, Inc. (the “Bank”), the Bank’s subsidiaries Potomac Mortgage Group, Inc., which does business as MVB Mortgage (“MVB Mortgage”) and MVB Insurance, LLC ("MVB Insurance"), 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.
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 consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the company’s December 31, 2015, 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.
All financial information is reported on a continuing operations basis, unless otherwise noted. See Note 12 to the consolidated financial statements for a discussion regarding discontinued operations.
Information is presented in these notes with dollars expressed in thousands, unless otherwise noted or specified.
Note 2 – Recent Accounting Pronouncements
In August 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2016-15, Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments. The ASU provides guidance on the following eight specific cash flow issues: debt prepayment or debt extinguishment costs; settlement of zero-coupon debt instruments or other debt instruments with coupon interest rates that are insignificant in relation to the effective interest rate of the borrowing; contingent consideration payments made after a business combination; proceeds from the settlement of insurance claims; proceeds from the settlement of corporate-owned life insurance policies (COLIs) (including bank-owned life insurance policies (BOLIs)); distributions received from equity method investees; beneficial interests in securitization transactions; and separately identifiable cash flows and application of the predominance principle. For public companies, this update will be effective for fiscal years beginning after December 15, 2017, including all interim periods within those fiscal years. The Company is currently assessing the impact that this guidance will have on its consolidated financial statements.
In June 2016, the FASB issued ASU 2016-13, Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments. The ASU requires that financial assets measured at amortized cost should be presented at the net amount expected to be collected, through an allowance for credit losses that is deducted from the amortized cost basis. The allowance for credit losses should reflect management’s current estimate of credit losses that are expected to occur over the remaining life of a financial asset. This is in contrast to existing guidance whereby credit losses generally are not recognized until they are incurred. For public companies, this update will be effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. The Company

is currently assessing the impact that this guidance will have on its consolidated financial statements.
In March 2016, the FASB issued ASU 2016-09, Compensation – Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting (“ASU 2016-09”), which is intended to simplify several aspects of the accounting for share-

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based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. ASU 2016-09 is effective for annual periods beginning after December 15, 2016, and interim periods within those annual periods. Early application is permitted. The Company is currently evaluating the impact of adopting the new guidance on its consolidated financial statements.

In March 2016, the FASB issued ASU 2016-08, Revenue from Contracts with Customers (Topic 606), Principal versus Agent Considerations (Reporting Revenue versus Net) ("ASU 2016-08"), which clarifies the implementation guidance on principal versus agent considerations in the new revenue recognition standard. ASU 2016-08 clarifies how an entity should identify the unit of accounting (i.e. the specified good or service) for the principal versus agent evaluation and how it should apply the control principle to certain types of arrangements. The amendments in ASU 2016-08 affect the guidance in ASU 2014-09, Revenue from Contracts with Customers (Topic 606), and have similar effective dates and transition requirements (i.e., effective for annual reporting periods beginning after December 15, 2017, including interim reporting periods therein). The Company is currently evaluating the impact of adopting the new revenue recognition guidance on its consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842) ("ASU 2016-02"). The FASB issued this ASU to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet by lessees for those leases classified as operating leases under current U.S. GAAP and disclosing key information about leasing arrangements. The amendments in this ASU are effective for public business entities for annual periods, and interim periods within those annual periods, beginning after December 15, 2018. Early application of this ASU is permitted for all entities. The Company is currently evaluating the impact of adopting the new guidance on its consolidated financial statements.

In January 2016, the FASB issued ASU 2016-01, Accounting for Financial Instruments – Overall: Classification and Measurement (Subtopic 825-10) ("ASU 2016-01"). Amendments within ASU 2016-01 that relate to non-public entities have been excluded from this presentation. The amendments in this ASU 2016-01 address the following: 1) require equity investments to be measured at fair value with changes in fair value recognized in net income; 2) simplify the impairment assessment of equity investments without readily-determinable fair values by requiring a qualitative assessment to identify impairment; 3) eliminate the requirement to disclose the method(s) and significant assumptions used to estimate the fair value that is required to be disclosed for financial instruments measured at amortized cost on the balance sheet; 4) require entities to use the exit price notion when measuring the fair value of financial instruments for disclosure purposes; 5) require separate presentation in other comprehensive income for the portion of the total change in the fair value of a liability resulting from a change in the instrument-specific credit risk when the entity has elected to measure the liability at fair value in accordance with the fair value option for financial instruments; 6) require separate presentation of financial assets and financial liabilities by measurement category and form of financial asset (that is, securities or loans and receivables) on the balance sheet or the accompanying notes to the financial statements; and 7) clarify that an entity should evaluate the need for a valuation allowance on a deferred tax asset related to available-for-sale securities in combination with the entity's other deferred tax assets. The amendments are effective for public business entities for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. The Company is currently evaluating the provisions of this amendment to determine the potential impact the new standard will have on the Company's consolidated financial statements as it relates to accounting for financial instruments.

In September 2015, the FASB issued ASU 2015-16, Business Combinations (Topic 805): Simplifying the Accounting for Measurement-Period Adjustments ("ASU 2015-16"). The amendments in ASU 2015-16 require that an acquirer recognize adjustments to estimated amounts that are identified during the measurement period in the reporting period in which the adjustment amounts are determined. The amendments require that the acquirer record, in the same period's financial statements, the effect on earnings of changes in depreciation, amortization, or other income effects, if any, as a result of the change to the estimated amounts, calculated as if the accounting had been completed at the acquisition date. The amendments also require an entity to present separately on the face of the income statement or disclose in the notes the portion of the amount recorded in current-period earnings by line item that would have been recorded in previous reporting periods if the adjustment to the estimated amounts had been recognized as of the acquisition date. The amendments in this ASU are effective for public business entities for fiscal years beginning

after December 15, 2015, including interim periods within those fiscal years. The amendments should be applied prospectively to adjustments to provisional amounts that occur after the effective date with earlier application permitted for financial statements that have not been issued. As such, the adoption of ASU 2015-15 did not have a material impact on the Company's consolidated financial statements.

In February 2015, the FASB issued ASU 2015-02, Consolidation (Topic 810): Amendments to the Consolidation Analysis ("ASU 2015-2"). The amendments modify the evaluation reporting organizations must perform to determine if certain legal entities should be consolidated as VIEs. Specifically, the amendments: (1) Modify the evaluation of whether limited partnerships and similar legal entities are variable interest entities ("VIEs") or voting interest entities; (2) Eliminate the presumption that a general partner should consolidate a limited partnership; (3) Affect the consolidation analysis of reporting entities that are involved with VIEs, particularly those that have fee arrangements and related party relationships; and (4) Provide a scope exception from consolidation guidance

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for reporting entities with interests in legal entities that are required to comply with or operate in accordance with requirements that are similar to those in Rule 2a-7 of the Investment Company Act of 1940 for registered money market funds. ASU 2015-02 is effective for interim and annual reporting periods beginning after December 15, 2015. The Company has evaluated the provisions of ASU 2015-02 and determined the new standard has no impact on the Company's consolidated financial statements.

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606) (“ASU 2014-9”). These amendments affect any entity that either enters into contracts with customers to transfer goods or services or enters into contracts for the transfer of nonfinancial assets unless those contracts are within the scope of other standards (e.g. insurance contracts or lease contracts). This ASU will supersede the revenue recognition requirements in Topic 605, Revenue Recognition, and most industry-specific guidance, and creates a Topic 606, Revenue from Contracts with Customers. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of 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 annual reporting periods beginning after December 15, 2017, including interim periods within that reporting period. 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 the ASU on our consolidated financial statements.

Note 3 – Investments

Prior to the final determination of Basel III, investments were recorded as held-to-maturity due to the uncertainty of the capital treatment of available-for-sale investments. Upon the issuance of the final ruling, the Company opted out of the Other Comprehensive Income treatment of available-for-sale investments permitted under Basel III. Due to the change in capital treatment under the final ruling of Basel III, the Company’s purpose of recording investments as held-to-maturity changed; therefore, during the period ended March 31, 2016, the Company reclassified $52.4 million, with unrealized holding gains of $1.8 million, of the remaining held-to-maturity investments into available-for-sale investments.

There were no investment securities held-to-maturity at September 30, 2016.

Amortized cost and fair values of investment securities held-to-maturity at December 31, 2015, including gross unrealized gains and losses, are summarized as follows:

(Dollars in thousands)	Amortized Cost	Unrealized Gain	Unrealized Loss	Fair Value
Municipal securities	$ 52,859	$ 1,699	$ (88)	$ 54,470
Total investment securities held–to-maturity	$ 52,859	$ 1,699	$ (88)	$ 54,470

Amortized cost and fair values of investment securities available-for-sale at September 30, 2016 are summarized as follows:

(Dollars in thousands)	Amortized Cost	Unrealized Gain	Unrealized Loss	Fair Value
U.S. Agency securities	$ 19,931	$ 5	$ (92)	$ 19,844
U.S. Sponsored Mortgage-backed securities	55,786	188	(310)	55,664
Municipal securities	67,876	1,799	(125)	69,550
Total debt securities	143,593	1,992	(527)	145,058
Equity and other securities	6,948	165	—	7,113
Total investment securities available-for-sale	$ 150,541	$ 2,157	$ (527)	$ 152,171

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Amortized cost and fair values of investment securities available-for-sale at December 31, 2015 are summarized as follows:

(Dollars in thousands)	Amortized Cost	Unrealized Gain	Unrealized Loss	Fair Value
U.S. Agency securities	$ 29,532	$ —	$ (181)	$ 29,351
U.S. Sponsored Mortgage-backed securities	34,246	1	(533)	33,714
Municipal securities	1,775	23	—	1,798
Total debt securities	65,553	24	(714)	64,863
Equity and other securities	5,309	95	(11)	5,393
Total investment securities available-for-sale	$ 70,862	$ 119	$ (725)	$ 70,256

The following tables summarize amortized cost and fair values of debt securities by maturity at September 30, 2016:

(Dollars in thousands)	Available for sale	
	Amortized Cost	Fair Value
Within one year	$ 1,287	$ 1,294
After one year, but within five	5,278	5,416
After five years, but within ten	15,473	15,754
After ten years	121,555	122,594
Total	$ 143,593	$ 145,058

Investment securities with a carrying value of $97.5 million at September 30, 2016, 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 September 30, 2016, the details of which are included in the following table. Although these securities, if sold at September 30, 2016 would result in a pretax loss of $527 thousand the Company has no intent to sell the applicable securities at such fair values, and maintains the Company has the ability to hold these securities until all principal has been recovered. It is not more likely than not the Company would sell any securities at a loss for liquidity purposes. Declines in the fair values of these securities can be traced to general market conditions which reflect the prospect for the economy as a whole. When determining other-than-temporary impairment on securities, the Company considers such factors as adverse conditions specifically related to a certain security or to specific conditions in an industry or geographic area, the time frame securities have been in an unrealized loss position, the Company’s ability to hold the security for a period of time sufficient to allow for anticipated recovery in value, whether or not the security has been downgraded by a rating agency, and whether or not the financial condition of the security issuer has severely deteriorated. As of September 30, 2016, the Company considers all securities with unrealized loss positions to be temporarily impaired, and consequently, does not believe the Company will sustain any material realized losses as a result of the current temporary decline in market value.

The following table discloses investments in an unrealized loss position at September 30, 2016:

Description and number of positions	Less than 12 months		12 months or more	
(Dollars in thousands)	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
U.S. Agency securities (9)	$ 10,990	$ (92)	$ —	$ —
U.S. Sponsored Mortgage-backed securities (17)	13,130	(62)	17,733	(248)
Municipal securities (23)	11,042	(125)	—	—
Equity and other securities (0)	—	—	—	—
	$ 35,162	$ (279)	$ 17,733	$ (248)

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The following table discloses investments in an unrealized loss position at December 31, 2015:

Description and number of positions	Less than 12 months		12 months or more	
(Dollars in thousands)	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
U.S. Agency securities (9)	$ 28,351	$ (181)	$ —	$ —
U.S. Sponsored Mortgage-backed securities (19)	20,647	(233)	11,862	(300)
Municipal securities (22)	3,827	(32)	5,559	(56)
Equity and other securities (1)	2,489	(11)	—	—
	$ 55,314	$ (457)	$ 17,421	$ (356)

For the three month period ended September 30, 2016 and 2015, the Company sold investments available-for-sale of $15.7 million and $1.4 million, respectively, resulting in gross gains of $479 thousand and $4 thousand, respectively, and gross losses of $0 and $0, respectively.

For the nine month period ended September 30, 2016 and 2015, the Company sold investments available-for-sale of $55.2 million and $12.9 million, respectively, resulting in gross gains of $1.1 million and $125 thousand, respectively, and gross losses of $2 thousand and $0, respectively.

The Company sold no held-to-maturity investments during the three month period ended September 30, 2016 and sold investments held-to maturity of $421 thousand, resulting in gross gains of $5 thousand and no gross losses, during the three month period ended September 30, 2015. The held-to-maturity investment was sold due to a credit downgrade.

Note 4 – Loans and Allowance for Loan Losses

All loan origination fees and direct loan origination costs are deferred and recognized over the life of the loan. As of September 30, 2016 and 2015, net deferred fees of $796 thousand and $1.2 million, respectively, were included in the carrying value of loans.

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

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

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

The segments as presented in this note, which are based on the Federal call code assigned to each loan, provide the starting point for the ALL analysis. Company and Bank management tracks the historical net charge-off activity at the call code level. A historical charge-off factor is calculated utilizing a defined number of consecutive historical quarters. 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. The combination of historical charge-off and qualitative factors are then weighted for each risk grade. These weightings are determined internally based upon the likelihood of loss as a loan risk grading deteriorates.

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To estimate the liability for off-balance sheet credit exposures, Bank management analyzed the portfolios of letters of credit, non-revolving lines of credit, and revolving lines of credit, and based its calculation on the expectation of future advances of each loan category. Letters of credit were determined to be highly unlikely to advance since they are generally in place only to ensure various forms of performance of the borrowers. In the Bank's history, there have been no letters of credit drawn upon. In addition, many of the letters of credit are cash secured and do not warrant an allocation. Non-revolving lines of credit were determined to be highly likely to advance as these are typically construction lines. Meanwhile, the likelihood of revolving lines of credit advancing varies with each individual borrower. Therefore, the future usage of each line was estimated based on the average line utilization of the revolving line of credit portfolio as a whole.

Once the estimated future advances were calculated, an allocation rate, which was derived from the Bank's historical losses and qualitative environmental factors, was applied in the similar manner as those used for the allowance for loan loss calculation. The resulting estimated loss allocations were totaled to determine the liability for unfunded commitments related to these loans. The liability for unfunded commitments was $224 thousand and $194 thousand respectively as of September 30, 2016 and 2015.

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.

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

The following tables summarize the primary segments of the ALL, segregated into the amount required for loans individually evaluated for impairment and the amount required for loans collectively evaluated for impairment as of September 30, 2016:

(Dollars in thousands)	Commercial	Residential	Home Equity	Consumer	Total
ALL balance June 30, 2016	$ 6,956	$ 1,011	$ 758	$ 366	$ 9,091
Charge-offs	(768)	—	—	(250)	(1,018)
Recoveries	1	1	—	—	2
Provision	967	11	2	95	1,075
ALL balance September 30, 2016	$ 7,156	$ 1,023	$ 760	$ 211	$ 9,150

(Dollars in thousands)	Commercial	Residential	Home Equity	Consumer	Total
ALL balance December 31, 2015	$ 6,066	$ 1,095	$ 715	$ 130	$ 8,006
Charge-offs	(1,448)	(124)	—	(272)	(1,844)
Recoveries	3	2	7	1	13
Provision	2,535	50	38	352	2,975
ALL balance September 30, 2016	$ 7,156	$ 1,023	$ 760	$ 211	$ 9,150
Individually evaluated for impairment	$ 1,288	$ 38	$ —	$ 20	$ 1,346
Collectively evaluated for impairment	$ 5,868	$ 985	$ 760	$ 191	$ 7,804

The following table summarizes the primary segments of the Company loan portfolio as of September 30, 2016:

(Dollars in thousands)	Commercial	Residential	Home Equity	Consumer	Total
Individually evaluated for impairment	$ 10,922	$ 673	$ 51	$ 141	$ 11,787
Collectively evaluated for impairment	739,122	242,814	67,788	14,562	1,064,286
Total Loans	$ 750,044	$ 243,487	$ 67,839	$ 14,703	$ 1,076,073

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The following tables summarize the primary segments of the ALL, segregated into the amount required for loans individually evaluated for impairment and the amount required for loans collectively evaluated for impairment as of September 30, 2015:

(Dollars in thousands)	Commercial	Residential	Home Equity	Consumer	Total
ALL balance June 30, 2015	$ 5,201	$ 1,018	$ 632	$ 196	$7,047
Charge-offs	(299)	—	—	(5)	(304)
Recoveries	—	—	—	9	9
Provision	515	101	78	(58)	636
ALL balance September 30, 2015	$ 5,417	$ 1,119	$ 710	$ 142	$7,388

(Dollars in thousands)	Commercial	Residential	Home Equity	Consumer	Total
ALL balance December 31, 2014	$ 4,363	$ 962	$ 691	$ 207	$6,223
Charge-offs	(708)	(14)	—	(5)	(727)
Recoveries	21	1	1	13	36
Provision	1,741	170	18	(73)	1,856
ALL balance September 30, 2015	$ 5,417	$ 1,119	$ 710	$ 142	$7,388
Individually evaluated for impairment	$ 595	$ 301	$ 28	$ 6	$930
Collectively evaluated for impairment	$ 4,822	$ 818	$ 682	$ 136	$6,458

The following table summarizes the primary segments of the Company loan portfolio as of September 30, 2015:

(Dollars in thousands)	Commercial	Residential	Equity	Consumer	Total
Individually evaluated for impairment	$ 12,036	$ 849	$28	$ 6	$12,919
Collectively evaluated for impairment	687,623	210,997	65,617	17,677	981,914
Total Loans	$ 699,659	$ 211,846	$65,645	$ 17,683	$994,833

Loans are considered to be impaired when, based on current information and events, it is probable that the Company will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. Factors considered by management in evaluating impairment include current risk grade payment status and the probability of collecting scheduled principal and interest payments when due. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower’s prior payment record, and the amount of the shortfall in relation to the principal and interest owed. The Company also separately evaluates individual consumer loans for impairment. The Chief Credit Officer identifies these loans individually by monitoring the delinquency status of the Bank’s portfolio. Once identified, the Bank’s ongoing communications with the borrower allow Management to evaluate the significance of the payment delays and the circumstances surrounding the loan and the borrower.

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

During December 2013, the Bank purchased $74.3 million in performing commercial real estate secured loans in the northern Virginia area. At the time of acquisition, none of these loans were considered impaired. They were acquired at a premium of roughly 1.024 or $1.8 million, which is being amortized in accordance with ASC 310-20. These loans are collectively evaluated for impairment under ASC 450. The loans continue to be individually monitored for payoff activity, and any necessary adjustments to the premium are made accordingly. As of September 30, 2016 and December 31, 2015, these balances totaled $25.8 million and $46.8 million, respectively. Of the $48.5 million decrease since originally purchased, MVB refinanced $19.6 million, sold participations totaling $7.5 million and sold

$9.7 million back to the institution from which the loans were originally purchased in December 2013. The remainder of the decrease was the result of principal paydowns. The weighted average yield on the remaining portfolio is 5.91%.

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The following table presents impaired loans by class, segregated by those for which a specific allowance was required and those for which a specific allowance was not necessary as of September 30, 2016 and December 31, 2015 (Dollars in thousands):

	Impaired Loans with Specific Allowance		Impaired Loans with No Specific Allowance	Total Impaired Loans	
September 30, 2016	Recorded Investment	Related Allowance	Recorded Investment	Recorded Investment	Unpaid Principal Balance
Commercial					
Commercial Business	$ —	$ —	$ 3,756	$ 3,756	$ 4,521
Commercial Real Estate	3,712	1,154	384	4,096	4,719
Acquisition & Development	535	134	2,535	3,070	4,547
Total Commercial	4,247	1,288	6,675	10,922	13,787
Residential	480	38	193	673	678
Home Equity	—	—	51	51	51
Consumer	20	20	121	141	388
Total impaired loans	$ 4,747	$ 1,346	$ 7,040	$ 11,787	$ 14,904
December 31, 2015					
Commercial					
Commercial Business	$ 574	$ 4	$ 3,260	$ 3,834	$ 3,834
Commercial Real Estate	7,587	513	—	7,587	7,587
Acquisition & Development	1,800	191	956	2,756	4,131
Total Commercial	9,961	708	4,216	14,177	15,552
Residential	1,045	276	22	1,067	1,067
Home Equity	28	28	—	28	28
Consumer	103	1	—	103	103
Total impaired loans	$ 11,137	$ 1,013	$ 4,238	$ 15,375	$ 16,750

Impaired loans have decreased by $3.6 million, or 23% during the first nine months of 2016, primarily the result of the net impact of four commercial loans. A $5.0 million loan to finance commercial real estate property in the Northern Virginia market, which had as primary tenants, government contractors that have vacated the premises as a result of losing significant contracts with the United States government, was purchased from another financial institution in late 2013. In the first quarter of 2016, this $5.0 million loan was repurchased by the selling financial institution thereby decreasing total impaired loans by $5.0 million. In contrast, a $1.8 million commercial real estate loan (net of a $619 thousand participation) was identified as impaired in the first quarter of 2016 as a result of an extended stabilization and interest only period, as well as a lack of project specific cash flows. A charge-off of $535 thousand was incurred on this loan in the second quarter of 2016. The remaining two loans that caused the most significant change to total impaired loans in 2016, which are related commercial loans within a single relationship, totaled $1.0 million and were identified as impaired in the second quarter of 2016 as a result of a decline in the coal industry. In the third quarter of 2016, these two loans, along with a third related loan that was previous impaired, required orderly liquidation of the related collateral, resulting in $435 thousand in principal curtailment and a total of partial charge offs in the amount of $679 thousand. The net effect of these three significant impairment items was $4.0 million. The remaining $400 thousand of the decrease in impaired loans since December 31, 2015 was the net effect of multiple other factors, including the identification of ten impaired commercial loans with a total balance of $855 thousand, the identification of two impaired installment loans with a total balance of $368 thousand, the identification of one impaired home equity line of credit with a balance of $23 thousand, a total of $630 thousand in partial charge-offs related to these

various loans, the foreclosure upon a $127 thousand impaired residential real estate loan, and normal loan amortization.

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

	Nine Months Ended September 30, 2016			Three Months Ended September 30, 2016		
	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						
Commercial Business	$4,296	$ 116	$ 104	$4,730	$ 39	$ 40
Commercial Real Estate	5,008	84	75	6,864	28	25
Acquisition & Development	1,927	7	9	2,958	2	3
Total Commercial	11,231	207	188	14,552	69	68
Residential	885	15	22	731	5	8
Home Equity	30	1	1	35	—	—
Consumer	284	—	—	286	—	—
Total	$12,430	$ 223	$ 211	$15,604	$ 74	$ 76

	Nine Months Ended September 30, 2015			Three Months Ended September 30, 2015		
	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						
Commercial Business	$3,228	$ 117	$ 114	$2,945	$ 39	$ 39
Commercial Real Estate	6,533	44	37	6,525	15	12
Acquisition & Development	3,210	7	7	2,957	2	2
Total Commercial	12,971	168	158	12,427	56	53
Residential	935	15	11	909	5	7
Home Equity	28	1	1	28	—	—
Consumer	1	—	—	1	—	—
Total	$13,935	$ 184	$ 170	$13,365	$ 61	$ 60

As of September 30, 2016, the Bank held two foreclosed residential real estate properties representing $158 thousand, or 66%, of the total balance of other real estate owned. There are five additional consumer mortgage loans collateralized by residential real estate properties in the process of foreclosure. The total recorded investment in these loans was $529 thousand as of September 30, 2016.

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 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. Any portion of a loan that has been or is expected to be charged off is placed in the Loss category.

To help ensure that risk ratings are accurate and reflect the present and future capacity of borrowers to repay a loan as agreed, the Bank has a structured loan rating process with several layers of internal and external oversight. Generally, consumer and residential mortgage loans are included in the Pass categories unless a specific action, such as past due status, bankruptcy,

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repossession, or death occurs to raise awareness of a possible credit event. The Bank's Chief Credit Officer is responsible for the timely and accurate risk rating of the loans in the portfolio at origination and on an ongoing basis. The Credit Department ensures that a review of all commercial relationships of one million dollars or greater is performed annually.

Review of the appropriate risk grade is included in both the internal and external loan review process, and 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 independent 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 September 30, 2016 and December 31, 2015 (Dollars in thousands):

September 30, 2016	Pass	Special Mention	Substandard	Doubtful	Total
Commercial					
Commercial Business	$327,404	$3,170	$ 7,242	$ 488	$338,304
Commercial Real Estate	290,791	5,014	4,809	1,447	302,061
Acquisition & Development	103,633	2,976	1,527	1,543	109,679
Total Commercial	721,828	11,160	13,578	3,478	750,044
Residential	241,028	1,476	484	499	243,487
Home Equity	67,105	650	84	—	67,839
Consumer	14,196	299	27	181	14,703
Total Loans	$1,044,157	$13,585	$ 14,173	$ 4,158	$1,076,073

December 31, 2015	Pass	Special Mention	Substandard	Doubtful	Total
Commercial					
Commercial Business	$288,549	$7,949	$ 3,411	$ 574	$300,483
Commercial Real Estate	299,560	9,761	8,436	—	317,757
Acquisition & Development	105,585	2,739	1,223	1,532	111,079
Total Commercial	693,694	20,449	13,070	2,106	729,319
Residential	214,184	1,764	1,168	250	217,366
Home Equity	67,645	416	63	—	68,124
Consumer	16,679	311	371	—	17,361
Total Loans	$992,202	$22,940	$ 14,672	$ 2,356	$1,032,170

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 Management 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 September 30, 2016 and December 31, 2015 (Dollars in thousands):

September 30, 2016	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
Commercial								
Commercial Business	$337,569	$ 142	$ 100	$ 493	$735	$338,304	$493	$ —
Commercial Real Estate	296,153	1,184	—	4,724	5,908	302,061	2,202	3,659
Acquisition & Development	106,219	655	—	2,805	3,460	109,679	2,805	—
Total Commercial	739,941	1,981	100	8,022	10,103	750,044	5,500	3,659
Residential	243,180	43	83	181	307	243,487	845	—
Home Equity	67,771	45	—	23	68	67,839	57	—
Consumer	14,461	82	19	141	242	14,703	141	—
Total	$1,065,353	$ 2,151	$ 202	$ 8,367	$10,720	$1,076,073	$6,543	$ 3,659

December 31, 2015	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
Commercial								
Commercial Business	$299,515	$ 300	$ —	$ 668	$968	$300,483	$687	$ —
Commercial Real Estate	307,029	436	4,731	5,561	10,728	317,757	5,020	541
Acquisition & Development	107,607	678	—	2,794	3,472	111,079	2,488	307
Total Commercial	714,151	1,414	4,731	9,023	15,168	729,319	8,195	848
Residential	214,326	1,838	576	626	3,040	217,366	803	—
Home Equity	67,908	23	193	—	216	68,124	36	—
Consumer	16,921	48	21	371	440	17,361	371	—
Total	$1,013,306	$ 3,323	$ 5,521	$ 10,020	$18,864	$1,032,170	$9,405	$ 848

Troubled Debt Restructurings

The restructuring of a loan is considered a troubled debt restructuring ("TDR") 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. At September 30, 2016 and December 31, 2015, the Bank had specific reserve allocations for TDR's of $292 thousand and $672 thousand, respectively.

Loans considered to be troubled debt restructured loans totaled $8.4 million and $9.3 million as of September 30, 2016 and December 31, 2015, respectively. $6.0 million and $6.0 million, respectively, represent accruing troubled debt restructured loans and represent 51% and 46%, respectively of total impaired loans, Meanwhile, $2.6 million and $2.5 million, respectively, represent three loans to two borrowers that have defaulted under the restructured terms. All three loans are commercial acquisition and development loans that were considered restructured due to extended interest only periods and/or unsatisfactory repayment structures once transitioned to principal and interest payments. These borrowers have experienced continued financial difficulty and are considered non-performing loans as of September 30, 2016 and December 31, 2015. Two additional restructured loans, a $214 thousand commercial real estate loan and a $348 thousand mortgage loan, are considered non-performing as of September 30, 2016. Both of these loans were also considered restructured due to extended interest only periods and/or unsatisfactory repayment structures.

There were no new TDR's for the three months ended September 30, 2016 and 2015.

Note 5 – Borrowed Funds

Short-term Borrowings

Along with traditional deposits, the Bank has access to short-term borrowings from FHLB to fund its operations and investments. Short-term borrowings from FHLB totaled $132.9 million at September 30, 2016, compared to $179.9 million at December 31, 2015.

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Information related to short-term borrowings is summarized as follows:

(Dollars in thousands)	September 30, 2016	December 31, 2015
Balance at end of period	$ 132,901	$ 179,917
Average balance	169,309	121,425
Maximum month-end balance	210,600	179,917
Weighted-average rate	0.47 %	0.34 %
Rate at end of period	0.46 %	0.44 %

Repurchase agreements:

Along with traditional deposits, the Bank has access to securities sold under agreements to repurchase “repurchase agreements” with customers represent funds deposited by customers, on an overnight basis, that are collateralized by investment securities owned by the Company. Repurchase agreements with customers are included in borrowings section on the consolidated balance sheets. All repurchase agreements are subject to terms and conditions of repurchase/security agreements between the Company and the client and are accounted for as secured borrowings. The Company's repurchase agreements reflected in liabilities consist of customer accounts and securities which are pledged on an individual security basis.

The Company monitors the fair value of the underlying securities on a monthly basis. Repurchase agreements are reflected at the amount of cash received in connection with the transaction and included in Securities sold under agreements to repurchase on the consolidated balance sheets. The primary risk with our repurchase agreements is market risk associated with the investments securing the transactions, as we may be required to provide additional collateral based on fair value changes of the underlying investments. Securities pledged as collateral under repurchase agreements are maintained with our safekeeping agents.

All of the Company’s repurchase agreements were overnight agreements at September 30, 2016 and December 31, 2015. These borrowings were collateralized with investment securities with a carrying value of $28.0 million and $28.3 million at September 30, 2016 and December 31, 2015, respectively, and were comprised of U.S. Government Agencies and Mortgage backed securities. Declines in the value of the collateral would require the Company to increase the amounts of securities pledged.

Repurchase agreements totaled $27.2 million at September 30, 2016, compared to $27.4 million at December 31, 2015.

Information related to repurchase agreements is summarized as follows:

(Dollars in thousands)	September 30, 2016	December 31, 2015
Balance at end of period	$ 27,192	$ 27,437
Average balance	26,238	26,884
Maximum month-end balance	29,561	32,470
Weighted-average rate	0.28 %	0.31 %
Rate at end of period	0.25 %	0.30 %

Term notes from the FHLB were as follows: (Dollars in thousands)	September 30, 2016	December 31, 2015
Fixed interest rate notes, originating between April 2002 and December 2007, due between July 2016 and April 2022, interest of between 4.50% and 5.90% payable monthly	$ 2,408	$ 2,461
Amortizing fixed interest rate note, originating February 2007, due February 2022, payable in monthly installments of $5 thousand, including interest of 5.22%	803	820
	$ 3,211	$ 3,281

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Subordinated Debt

Information related to subordinated debt is summarized as follows:

(Dollars in thousands)	September 30, 2016		December 31, 2015	
Balance at end of period	$ 33,524		$ 33,524	
Average balance	33,524		33,524	
Maximum month-end balance	33,524		33,524	
Weighted-average rate	6.59	%	6.55	%
Rate at end of period	6.61	%	6.57	%

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. 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.

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 $16 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.

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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.

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 subordinated debt in the amount of $33.5 million as of September 30, 2016 and December 31, 2015. Interest expense was $1.7 million and $1.6 million for the nine months ended September 30, 2016 and 2015.

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

(Dollars in thousands)

Year	Amount
2016	$132,924
2017	615
2018	81
2019	85
2020	90
Thereafter	35,841
	$169,636

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.

Assets Measured on a Recurring Basis

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. The following measurements are made on a recurring basis.

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• Available-for-sale investment securities – Available-for-sale investment securities are recorded at fair value on a recurring basis. Fair value measurement is based upon quoted prices, if available. If quoted prices are not available, fair values are measured using independent pricing models or other model-based valuation techniques such as the present value of future cash flows, adjusted for the security's credit rating, prepayment assumptions and other factors such as credit loss assumptions. Level 1 securities include those traded on an active exchange, such as the New York Stock Exchange, U.S. Treasury securities that are traded by dealers or brokers in active over-the-counter markets and money market funds. Level 2 securities include mortgage-backed securities issued by government sponsored entities and private label entities, municipal bonds and corporate debt securities. There have been no changes in valuation techniques for the year ended December 31, 2015 and the nine months ended September 30, 2016. Valuation techniques are consistent with techniques used in prior periods.
• Loans held for sale – Loans held for sale are carried at fair 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 committed market rates or the price secondary markets are currently offering for similar loans using observable market data.
• Interest rate lock commitment – 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 less (iii) expected costs to deliver the interest rate locks, any expected “pull through rate” is applied to this calculation to estimate the derivative value.
• Interest rate cap – The fair value of the interest rate cap is determined at the end of each quarter by using Bloomberg Finance which values the interest rate cap using observable inputs from forward and futures yield curves as well as standard market volatility.
• Interest rate swap – Interest rate swaps are recorded at fair value based on third party vendors who compile prices from various sources and may determine fair value of identical or similar instruments by using pricing models that consider observable market data.
• Forward sales commitments – Forward sales commitments 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. A majority of the interest rate locks and loans held for sale are committed on a best efforts basis.

The following tables present the assets and liabilities reported on the consolidated statements of financial condition at their fair value on a recurring basis as of September 30, 2016 and December 31, 2015 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.

	September 30, 2016			
(Dollars in thousands)	Level I	Level II	Level III	Total
Assets:				
U.S. Government Agency securities	$ —	$ 19,844	$ —	$ 19,844
U.S. Sponsored Mortgage backed securities	—	55,664	—	55,664
Municipal securities	—	69,550	—	69,550
Equity and Other securities	1,096	6,017	—	7,113
Loans held for sale	—	123,109	—	123,109
Interest rate lock commitment	—	—	3,151	3,151
Interest rate swap	—	1,320	—	1,320
Interest rate cap	—	100	—	100
Liabilities:				
Interest rate swap	—	1,320	—	1,320
Forward sales commitments	—	829	—	829

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(Dollars in thousands)	December 31, 2015 Level I	Level II	Level III	Total
Assets:				
U.S. Government Agency securities	$ —	$29,351	$ —	$29,351
U.S. Sponsored Mortgage backed securities	—	33,714	—	33,714
Municipal securities	—	1,798	—	1,798
Equity and Other securities	—	5,393	—	5,393
Loans held for sale	—	102,623	—	102,623
Interest rate lock commitment	—	—	1,583	1,583
Interest rate swap	—	405	—	405
Interest rate cap	—	437	—	437
Liabilities:				
Interest rate swap	—	405	—	405

The following table represents recurring level III assets:

Interest Rate Lock Commitments	Three Months Ended September 30, 2016	Three Months Ended September 30, 2015	Nine Months Ended September 30, 2016	Nine Months Ended September 30, 2015
(Dollars in thousands)				
Balance, beginning of period	$ 3,625	$ 1,653	$ 1,583	$ 1,020
Realized and unrealized gains (loss) included in earnings	(474)	105	1,568	738
Balance, end of period	$ 3,151	$ 1,758	$ 3,151	$ 1,758

Assets Measured on a Nonrecurring Basis

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 nonrecurring basis during 2016 and 2015 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.

• 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 September 30, 2016 and December 31, 2015 are included in the tables below:

	September 30, 2016			
(Dollars in thousands)	Level I	Level II	Level III	Total
Assets:				
Impaired loans	$—	$—	$10,441	$10,441
Other real estate owned	—	—	240	$240

	December 31, 2015			
(Dollars in thousands)	Level I	Level II	Level III	Total
Assets:				
Impaired loans	$—	$—	$14,362	$14,362
Other real estate owned	—	—	239	$239

The following tables present quantitative information about the Level 3 significant unobservable inputs for assets measured at fair value on a nonrecurring basis at September 30, 2016 and December 31, 2015.

September 30, 2016	Quantitative Information about Level 3 Fair Value Measurements			
(Dollars in thousands)	Fair Value	Valuation Technique	Unobservable Input	Range
Impaired loans	$10,441	Appraisal of collateral (1)	Appraisal adjustments (2)	20% - 62%
			Liquidation expense (2)	5% - 10%
Other real estate owned	$240	Appraisal of collateral (1)	Appraisal adjustments (2)	20% - 30%
			Liquidation expense (2)	5% - 10%

December 31, 2015	Quantitative Information about Level 3 Fair Value Measurements			
(Dollars in thousands)	Fair Value	Valuation Technique	Unobservable Input	Range
Impaired loans	$14,362	Appraisal of collateral (1)	Appraisal adjustments (2)	20% - 62%
			Liquidation expense (2)	5% - 10%
Other real estate owned	$239	Appraisal of collateral (1)	Appraisal adjustments (2)	20% - 30%
			Liquidation expense (2)	5% - 10%

(1) Fair value is generally determined through independent appraisals of the underlying collateral, which generally include various level 3 inputs which are not observable.
(2) Appraisals may be adjusted by management for qualitative factors such as economic conditions and estimated liquidation expenses. The range and weighted average of liquidation expenses and other appraisal adjustments are presented as a percent of the appraisal.

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

Cash and cash equivalents: The carrying amounts for cash and cash equivalents approximate fair value because they have original maturities of 90 days or less and do not present unanticipated credit concerns.

Certificates of deposits: The fair values for certificates of deposits are computed based on scheduled future cash flows of principal and interest, discounted at interest rates currently offered for certificates of deposits with similar terms of investors. No prepayments of principal are assumed.

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Securities: 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 held for sale: Loans held for sale are reported at fair value. These loans currently consist of one-to-four-family residential loans originated for sale in the secondary market. Fair value is based on committed market rates or the price secondary markets are currently offering for similar loans using observable market data. (Level II)
Loans: The 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.
Mortgage servicing rights: The carrying value of mortgage servicing rights approximates their fair value.
Interest rate lock commitment: 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 less (iii) expected costs to deliver the interest rate locks, any expected “pull through rate” is applied to this calculation to estimate the derivative value. The “pull through rate” range from 78% – 82% as of September 30, 2016 and December 31, 2015.
Interest rate cap: The fair value of the interest rate cap is determined at the end of each quarter by using Bloomberg Finance which values the interest rate cap using observable inputs from forward and futures yield curves as well as standard market volatility.
Interest rate swap: Interest rate swaps are recorded at fair value based on third party vendors who compile prices from various sources and may determine fair value of identical or similar instruments by using pricing models that consider observable market data.
Accrued interest receivable and payable and repurchase agreements: The carrying values of accrued interest receivable and payable and repurchase agreements approximate their fair values.
Deposits: The 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.
Forward Sales Commitments: Forward sales commitments are used to mitigate interest rate risk for residential mortgage loans held for sale and interest rate locks and manage expected funding percentages. 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.
FHLB and other borrowings: The 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.
Subordinated debt: The fair values for debt are computed based on scheduled future cash flows of principal and interest, discounted at interest rates currently offered for debt with similar terms of borrowers of similar credit quality. No prepayments of principal are assumed.
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 insignificant, and therefore, the estimated fair values and carrying values are not shown.

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The carrying values and estimated fair values of the Company's financial instruments are summarized as follows (Dollars in thousands):
Fair Value Measurements at:

	Carrying Value	Estimated Fair Value	Quoted Prices in Active Markets For Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
September 30, 2016					
Financial assets:					
Cash and cash equivalents	$28,804	$28,804	$ 28,804	$ —	$ —
Certificates of deposits with other banks	7,174	7,316	—	7,316	—
Securities available-for-sale	152,171	152,171	—	152,171	—
Loans held for sale	123,109	123,109	—	123,109	—
Loans, net	1,066,923	1,060,457	—	—	1,060,457
Mortgage servicing rights	433	433	—	—	433
Interest rate lock commitment	3,151	3,151	—	—	3,151
Interest rate swap	1,320	1,320	—	1,320	—
Interest rate cap	100	100	—	100	—
Accrued interest receivable	4,061	4,061	—	979	3,082
Financial liabilities:					
Deposits	$1,126,790	$1,148,187	$ —	$ 1,148,187	$ —
Repurchase agreements	27,192	27,192	—	27,192	—
FHLB and other borrowings	136,112	136,111	—	136,111	—
Interest rate swap	1,320	1,320	—	1,320	—
Forward sales commitments	829	829	—	829	—
Accrued interest payable	735	735	—	735	—
Subordinated debt	33,524	32,172	—	32,172	—
December 31, 2015					
Financial assets:					
Cash and cash equivalents	$29,133	$29,133	$ 29,133	$ —	$ —
Certificates of deposits with other banks	13,150	13,270	—	13,270	—
Securities available-for-sale	70,256	70,256	—	70,256	—
Securities held-to-maturity	52,859	54,470	—	54,470	—
Loans held for sale	102,623	102,623	—	102,623	—
Loans, net	1,024,164	1,034,832	—	—	1,034,832
Mortgage servicing rights	956	956	—	—	956
Interest rate lock commitment	1,583	1,583	—	—	1,583
Interest rate swap	405	405	—	405	—
Interest rate cap	437	437	—	437	—
Accrued interest receivable	3,356	3,356	—	723	2,633
Financial liabilities:					
Deposits	$1,012,314	$1,015,521	$ —	$ 1,015,521	$ —
Repurchase agreements	27,437	27,437	—	27,437	—
FHLB and other borrowings	183,198	183,211	—	183,211	—
Interest rate swap	405	405	—	405	—
Accrued interest payable	474	474	—	474	—

Subordinated debt	33,524	32,172	—	32,172	—

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

Note 7 – Stock Offerings

On June 30, 2014, the Company filed Certificates of Designations for its Convertible Noncumulative Perpetual Preferred Stock, Series B ("Class B Preferred") and its Convertible Noncumulative Perpetual Preferred Stock, Series C ("Class C Preferred"). The Class B Preferred Certificate designated 400 shares of preferred stock as Class B Preferred shares. The Class B Preferred shares carry an annual dividend rate of 6% and are convertible into shares of Company common stock within thirty days after the first, second, third, fourth and fifth anniversaries of the original issue date, based on a common stock price of $16 per share, as adjusted for future corporate activities. The Class B Preferred shares are redeemable by the Company on or after the fifth anniversary of the original issue date for Liquidation Amount, as defined therein, plus declared and unpaid dividends. Redemption is subject to any necessary regulatory approvals. In the event of liquidation of the Company, shares of Class B Preferred stock shall be junior to creditors of the Company and to the shares of Senior Noncumulative Perpetual Preferred Stock, Series A. Holders of Class B Preferred shares shall have no voting rights, except for authorization of senior shares of stock, amendment to the Class B Preferred shares, share exchanges, reclassifications or changes of control, or as required by law.

The Class C Preferred Certificate designated 383.4 shares of preferred stock as Class C Preferred shares. The Class C Preferred shares carry an annual dividend rate of 6.5% and are convertible into shares of Company common stock within thirty days after the first, second, third, fourth and fifth anniversaries of the original issue date, based on a common stock price of $16 per share, as adjusted for future corporate activities. The Class C Preferred shares are redeemable by the Company on or after the fifth anniversary of the original issue date for Liquidation Amount, as defined therein, plus declared and unpaid dividends. Redemption is subject to any necessary regulatory approvals. In the event of liquidation of the Company, shares of Class C Preferred stock shall be junior to creditors of the Company and to the shares of Senior Noncumulative Perpetual Preferred Stock, Series A and the Class B Preferred shares. Holders of Class C Preferred shares shall have no voting rights, except for authorization of senior shares of stock, amendment to the Class C Preferred shares, share exchanges, reclassifications or changes of control, or as required by law. The proceeds of these preferred stock offerings will be used to support continued growth of the Company and its Subsidiary.

On September 8, 2011, MVB received $8.5 million in Small Business Lending Fund (SBLF) capital. The Company issued 8,500 shares of $1,000 per share preferred stock with dividends payable in arrears on January 1, April 1, July 1 and October 1 each year. Through March 8, 2016, the company's loan production qualified for the lowest dividend rate possible of 1%. Beginning March 9, 2016 the dividend rate increased to 9% and will remain as such until the SBLF is retired.

Note 8 – Net Income Per Common Share

The Company determines basic earnings per share by dividing net income less preferred stock dividends by the weighted average number of common shares outstanding during the period. Diluted earnings per share is determined by dividing net income less dividends on convertible preferred stock plus interest on convertible subordinated debt by the weighted average number of shares outstanding increased by both the number of shares that would be issued assuming the exercise of stock options under the Company's 2003 and 2013 Stock Incentive Plans and the conversion of preferred stock and subordinated debt if dilutive. Earnings per share available for the common shareholder has been corrected from prior year. The prior year calculation included convertible preferred stock in the dilutive calculations instead of the convertible subordinated debt. The net effect resulted in a decrease of one penny in dilutive earnings per share for both the nine and three months ended September 30, 2015.

(Dollars in thousands except shares and per share data)	For the nine months ended September 30,		For the three months ended September 30,	
	2016	2015	2016	2015
Numerator for basic earnings per share:				
Net Income from continuing operations	$6,670	$ 5,349	$2,310	$ 1,510
Less: Dividends on preferred stock	814	430	314	145
Net income from continuing operations available to common shareholders - basic	5,856	4,919	1,996	1,365
Net Income from discontinued operations available to common shareholders - basic and diluted	3,935	65	—	(104)
Net Income available to common shareholders	$9,791	$ 4,984	$1,996	$ 1,261
Numerator for diluted earnings per share:				
Net income from continuing operations available to common shareholders - basic	$5,856	$ 4,919	$1,996	$ 1,365
Add: Dividends on convertible preferred stock	—	—	123	—
Add: Interest on convertible subordinated debt (tax effected)	924	1,042	350	—
Net income available to common shareholders from continuing operations - diluted	$6,780	$ 5,961	$2,469	$ 1,365
Denominator:				
Total average shares outstanding	8,073,644	7,998,203	8,080,690	8,023,549
Effect of dilutive convertible preferred stock	—	—	489,625	—
Effect of dilutive convertible subordinated debt	1,837,500	1,837,500	1,837,500	—
Effect of dilutive stock options	24,065	125,530	26,529	152,755
Total diluted average shares outstanding	9,935,209	9,961,233	10,434,344	8,176,304
Earnings per share from continuing operations - basic	$0.73	$ 0.61	$0.25	$ 0.17
Earnings per share from discontinued operations - basic	$0.49	$ 0.01	$—	$ (0.01)
Earnings per share common shareholder - basic	$1.22	$ 0.62	$0.25	$ 0.16