MVB FINANCIAL CORP
Form 10-K
March 26, 2009
Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)

x **ANNUAL REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended December 31, 2008

¨ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from ______ To ______

Commission file Number 34603-9

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, WV	**26554**
(Address of principal executive offices)	**(Zip Code)**

Registrant s telephone number (304) 363-4800

(Former name, former address and former fiscal year, if changed since last report) [None]

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, $1.00 Par	**None**

Securities registered pursuant to Section 12(g) of the Act:

Common Stock, $1.00 Par

(Title of Class)

Preferred Stock $1,000.00 Par

(Title of Class)

Table of Contents

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ¨ No x.

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) Act. Yes ¨ No x

Indicate by check mark whether the registrant (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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K**.**

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

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

Large accelerated filer ¨ Accelerated filer ¨ Non-accelerated filer ¨ Smaller reporting company x

Based upon the average selling price of sales known to the Registrant of the common shares of the Registrant during the period through March 18, 2009, the aggregate market value of the common shares of the Registrant held by non affiliates during that time was $20,166,960. For this purpose certain executive officers and directors are considered affiliates.

Portions of the registrant s definitive proxy statement relating to the Annual Meeting to be held May 19, 2009, are incorporated by reference into Part III of this Annual Report on Form 10-K.

As of March 24, 2008, the Registrant had 1,560,771 shares of common stock outstanding with a par value of $1.

Table of Contents

TABLE OF CONTENTS

		Page
PART I		
Item 1.	Business	4
Item 1A.	Risk Factors	10
Item 1B.	Unresolved Staff Comments	10
Item 2.	Properties	10
Item 3.	Legal Proceedings	10
Item 4.	Submission of Matters to a Vote of Security Holders	10
PART II		
Item 5.	Market for Registrant s Common Equity, Related Stockholder Matters and Issuers Purchases of Equity Securities	10
Item 6.	Selected Financial Data	11
Item 7.	Management s discussion and analysis of financial condition and results of operations	11
Item 7A.	Quantitative and Qualitative Disclosures About Market Risk	28
Item 8.	Financial Statements and Supplementary Data	29
Item 9.	Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	52
Item 9A.	Controls and Procedures	52
Item 9A(T).	Controls and Procedures	53
Item 9B.	Other Information	53
PART III		
Item 10.	Directors, Executive Officers and Corporate Governance	54
Item 11.	Executive Compensation	54
Item 12.	Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	54
Item 13.	Certain Relationships and Related transactions, and Director Independence	54
Item 14.	Principal Accountant Fees and Services	54
Part IV		
Item 15.	Exhibits and Financial Statement Schedules	54

PART I

ITEM 1. BUSINESS

MVB Financial Corp., or MVB, was formed on January 1, 2004 as a bank holding company. MVB Bank, Inc., or the Bank, was formed on October 30, 1997 and chartered under the laws of the state of West Virginia. The Bank commenced operations on January 4, 1999. During the fourth quarter of 2004, MVB formed two second-tier holding companies MVB Marion, Inc. and MVB Harrison, Inc. to manage the banking operations of MVB, the sole bank subsidiary, in those markets. In August of 2005, MVB opened a full service office in neighboring Harrison County. During October of 2005 MVB purchased a branch office in Jefferson County, situated in West Virginia s eastern panhandle. In 2006 MVB formed another second-tier holding company, MVB East, Inc. to manage the banking operations of MVB in the Jefferson and Berkeley county markets.

MVB operates five offices, two of which are located in Marion County, the main office located at 301 Virginia Avenue in Fairmont and a branch office at 2500 Fairmont Avenue inside the Shop N Save Supermarket in White Hall, WV. The remaining offices are located at 1000 Johnson Avenue in Bridgeport, Harrison County, 88 Somerset Boulevard in Charles Town, Jefferson County and 651 Foxcroft Avenue in Martinsburg, Berkeley County. At December 31, 2008, MVB had total assets of $258.7 million, total loans of $203.2 million, total deposits of $173.1 million and total stockholders equity of $25.8 million.

MVB s business activities are currently confined to a single segment which is community banking. As a community banking entity, MVB offers its customers a full range of products through various delivery channels. Such products and services include checking accounts, NOW accounts, money market and savings accounts, time certificates of deposit, commercial, installment, commercial real estate and residential real estate mortgage loans, debit cards, and safe deposit rental facilities. MVB also offers travelers checks and official checks. Services are provided through our walk-in offices, automated teller machines (ATMs), drive-in facilities, and internet and telephone banking. Additionally, MVB offers non-deposit investment products through an association with a broker-dealer.

At December 31, 2007, MVB had 72 full-time and 7 part-time employees. MVB s principal office is located at 301 Virginia Avenue, Fairmont, West Virginia 26554, and its telephone number is (304) 363-4800. MVB s Internet web site is www.mvbbanking.com.

Since the opening date of January 4, 1999, MVB has experienced significant growth in assets, loans, and deposits due to overwhelming community and customer support in the Marion and Harrison county markets, and expansion into West Virginia s eastern panhandle.

During 2007, MVB continued to focus on growth in the Harrison and Jefferson County areas along with the addition of the Berkeley County market, as the primary method for reaching performance goals. MVB continuously reviews key performance indicators to measure our success.

Market Area

MVB s primary market areas are the Marion, Harrison, Jefferson and Berkeley Counties of West Virginia, which includes a total of 97 banking facilities. Its extended market is in the adjacent counties.

United States Census Bureau data indicates that the Fairmont and Marion County, West Virginia populations have had somewhat different trends from 1980 to 2000. The population of Fairmont has fluctuated from 23,863 in 1980; 20,210 in 1990 and 19,097 in 2000, or a net decline of 4,766 or 20.0%. Marion County increased its population from 1980 to 1990, 55,789 to 57,249, and decreased to 56,598 in 2000. These changes resulted in a net increase of 1.45%. The Marion County population includes that of Fairmont. The result is that over the last 20 years, there has not been any significant change in population. Harrison County s population has decreased from 69,371 in 1990 to 68,652 in 2000, while Bridgeport s population has increased from 7,306 in 2000 to an estimated 7,598 in 2006, indicating that while population change in Harrison County has been

relatively flat, the Bridgeport area is growing. The population in Jefferson County has been on the rise in recent years, increasing from 42,190 in 2000 to 49,206 in 2005. During this period, Charles Town has seen an increase in population of 16.6%. Berkeley County s population has grown from 75,905 in 2000 to an estimated 101,763 in 2007, making it the second-most populous county in West Virginia.

Unemployment in Marion County has improved compared to that of the State of West Virginia from November 1995 through December 2008. As of December 2008, the overall state rate was 4.4% compared to 3.1% for Marion County. During this same period of time, the Marion County Unemployment Rate has decreased from 8.9% to 3.1%, while the West Virginia rate declined from 7.5% to 4.4%. At December 31, 2008, Harrison, Jefferson and Berkeley counties showed unemployment rates of 3.8%, 4.4% and 5.7%, respectively. Jefferson County s unemployment rate is the same as the state average, Marion and Harrison County s rates are better than the state average, and Berkeley County s rate is worse than the state average. The future direction of unemployment will probably be driven by what occurs economically on a national level.

MVB originates various types of loans, including commercial and commercial real estate loans, residential real estate loans, home equity lines of credit, real estate construction loans, and consumer loans (loans to individuals). In general, MVB retains most of its originated loans (exclusive of certain long-term, fixed rate residential mortgages that are sold servicing released). However, loans originated in excess of MVB s legal lending limit are participated to other banking institutions and the servicing of those loans is retained by MVB. MVB has no loans to foreign entities. MVB s lending market area is primarily concentrated in the Marion, Harrison and Jefferson Counties of West Virginia.

Commercial Loans

At December 31, 2008, MVB had outstanding approximately $137.9 million in commercial loans, including commercial, commercial real estate, financial and agricultural loans. These loans represented approximately 67.8% of the total aggregate loan portfolio as of that date.

Lending Practices. Commercial lending entails significant additional risks as compared with consumer lending (i.e., single-family residential mortgage lending, and installment lending). In addition, the payment experience on commercial loans typically depends on adequate cash flow of a business and thus may be subject, to a greater extent, to adverse conditions in the general economy or in a specific industry. Loan terms include amortization schedules commensurate with the purpose of each loan, the source of repayment and the risk involved. The primary analysis technique used in determining whether to grant a commercial loan is the review of a schedule of estimated cash flows to evaluate whether anticipated future cash flows will be adequate to service both interest and principal due. In addition, MVB reviews collateral to determine its value in relation to the loan in the event of a foreclosure.

MVB evaluates all new commercial loans, and on an annual basis mortgage loans in excess of $300,000, as well as customers that have total outstanding loans that aggregate more than $500,000. If deterioration in credit worthiness has occurred, MVB takes effective and prompt action designed to assure repayment of the loan. Upon detection of the reduced ability of a borrower to meet original cash flow obligations, the loan is considered a classified loan and reviewed for possible downgrading or placement on non-accrual status.

Consumer Loans

At December 31, 2008, MVB had outstanding consumer loans in an aggregate amount of approximately $13.1 million or approximately 6.4% of the aggregate total loan portfolio.

Lending Practices. Consumer loans generally involve more risk as to collectibility than mortgage loans because of the type and nature of the collateral and, in certain instances, the absence of collateral. As a result, consumer lending collections are dependent upon the borrower s continued financial stability, and thus are more likely to

be adversely affected by employment loss, personal bankruptcy, or adverse economic conditions. Credit approval for consumer loans requires demonstration of sufficiency of income to repay principal and interest due, stability of employment, a positive credit record and sufficient collateral for secured loans. It is the policy of MVB to review its consumer loan portfolio monthly and to charge off loans that do not meet its standards and to adhere strictly to all laws and regulations governing consumer lending.

Real Estate Loans

At December 31, 2008, MVB had approximately $52.3 million of residential real estate loans, home equity lines of credit, and construction mortgages outstanding, representing 25.8% of total loans outstanding.

Lending Practices. MVB generally requires that the residential real estate loan amount be no more than 80% of the purchase price or the appraised value of the real estate securing the loan, unless the borrower obtains private mortgage insurance for the percentage exceeding 80%. Occasionally, MVB may lend up to 100% of the appraised value of the real estate. The risk conditions of these loans are considered during underwriting for the purposes of establishing an interest rate compatible with the risks inherent in mortgage lending and based on the equity of the home. Loans made in this lending category are generally one to five year adjustable rate, fully amortizing to maturity mortgages. MVB also originates fixed rate real estate loans and generally sells these loans in the secondary market, servicing released. All real estate loans are secured by first mortgages with evidence of title in favor of MVB in the form of an attorney s opinion of the title or a title insurance policy. MVB also requires proof of hazard insurance with MVB named as the mortgagee and as the loss payee. Generally, full appraisals are obtained from licensed appraisers for all loans secured by real estate.

Home Equity Loans. Home equity lines of credit are generally made as second mortgages by MVB. The maximum amount of a home equity line of credit is generally limited to 80% of the appraised value of the property less the balance of the first mortgage. MVB will lend up to 100% of the appraised value of the property at higher interest rates which are considered compatible with the additional risk assumed in these types of loans. The home equity lines of credit are written with 10 year terms, but are subject to review upon request for renewal.

Construction Loans. Construction financing is generally considered to involve a higher degree of risk of loss than long-term financing on improved, occupied real estate. Risk of loss on a construction loan is dependent largely upon the accuracy of the initial estimate of the property s value at completion of construction and the estimated cost (including interest) of construction. If the estimate of construction cost proves to be inaccurate, MVB may advance funds beyond the amount originally committed to permit completion of the project.

Competition

MVB experiences significant competition in attracting depositors and borrowers. Competition in lending activities comes principally from other commercial banks, savings associations, insurance companies, governmental agencies, credit unions, brokerage firms and pension funds. The primary factors in competing for loans are interest rate and overall lending services. Competition for deposits comes from other commercial banks, savings associations, money market funds and credit unions as well as from insurance companies and brokerage firms. The primary factors in competing for deposits are interest rates paid on deposits, account liquidity, convenience of office location, and overall financial condition. MVB believes that its community approach provides flexibility, which enables the bank to offer an array of banking products and services.

MVB primarily focuses on the Marion, Harrison, Jefferson and Berkeley County markets for its products and services. Management believes MVB has developed a niche and a level of expertise in serving this area.

Table of Contents

MVB operates under a needs-based selling approach that management believes has proven successful in serving the financial needs of most customers. It is not MVB s strategy to compete solely on the basis of interest rates. Management believes that a focus on customer relationships and service will promote our customers continued use of MVB s financial products and services and will lead to enhanced revenue opportunities.

Supervision and Regulation

The following is a summary of certain statutes and regulations affecting MVB and its subsidiaries and is qualified in its entirety by reference to such statutes and regulations:

Bank Holding Company Regulation. MVB is a bank holding company under the Bank Holding Company Act of 1956, which restricts the activities of MVB and any acquisition by MVB of voting stock or assets of any bank, savings association or other company. MVB is also subject to the reporting requirements of, and examination and regulation by, the Federal Reserve Board. MVB s subsidiary bank, MVB Bank, Inc., is subject to restrictions imposed by the Federal Reserve Act on transactions with affiliates, including any loans or extensions of credit to MVB or its subsidiaries, investments in the stock or other securities thereof and the taking of such stock or securities as collateral for loans to any borrower; the issuance of guarantees, acceptances or letters of credit on behalf of MVB and its subsidiaries; purchases or sales of securities or other assets; and the payment of money or furnishing of services to MVB and other subsidiaries. MVB is prohibited from acquiring direct or indirect control of more than 5% of any class of voting stock or substantially all of the assets of any bank holding company without the prior approval of the Federal Reserve Board. MVB and its subsidiaries are prohibited from engaging in certain tying arrangements in connection with extensions of credit and/or the provision of other property or services to a customer by MVB or its subsidiaries.

On July 30, 2002, the Senate and the House of Representatives of the United States (Congress) enacted the Sarbanes-Oxley Act of 2002, a law that addresses, among other issues, corporate governance, auditing and accounting, executive compensation, and enhanced and timely disclosure of corporate information. The New York Stock Exchange proposed corporate governance rules that were enacted by the Securities and Exchange Commission. The changes are intended to allow stockholders to more easily and efficiently monitor the performance of companies and directors and should not significantly impact MVB.

Effective August 29, 2002, as directed by Section 302(a) of Sarbanes-Oxley, MVB s chief executive officer and chief financial officer are each required to certify that MVB s Quarterly and Annual Reports do not contain any untrue statement of a material fact. The rules have several requirements, including having these officers certify that: they are responsible for establishing, maintaining and regularly evaluating the effectiveness of MVB s internal controls; they have made certain disclosures to MVB s auditors and the audit committee of the Board of Directors about MVB s internal controls; and they have included information in MVB s Quarterly and Annual Reports about their evaluation and whether there have been significant changes in MVB s internal controls or in other factors that could significantly affect internal controls subsequent to the evaluation.

The Gramm-Leach-Bliley Act (also known as the Financial Services Modernization Act of 1999) permits bank holding companies to become financial holding companies. This allows them to affiliate with securities firms and insurance companies and to engage in other activities that are financial in nature. A bank holding company may become a financial holding company if each of its subsidiary banks is well capitalized, is well managed and has at least a satisfactory rating under the Community Reinvestment Act. No regulatory approval will be required for a financial holding company to acquire a company, other than a bank or savings association, engaged in activities that are financial in nature or incidental to activities that are financial in nature, as determined by the Federal Reserve Board.

The Financial Services Modernization Act defines financial in nature to include: securities underwriting, dealing and market making; sponsoring mutual funds and

Table of Contents

investment companies; insurance underwriting and agency; merchant banking activities; and activities that the Federal Reserve Board has determined to be closely related to banking. A bank also may engage, subject to limitations on investment, in activities that are financial in nature, other than insurance underwriting, insurance company portfolio investment, real estate development and real estate investment, through a financial subsidiary of the bank, if the bank is well capitalized, well managed and has at least a satisfactory Community Reinvestment Act rating.

Banking Subsidiary Regulation. MVB Bank, Inc. was chartered as a state bank and is regulated by the West Virginia Division of Banking and the Federal Deposit Insurance Corporation. The Bank provides FDIC insurance on its deposits and is a member of the Federal Home Loan Bank of Pittsburgh.

International Money Laundering Abatement and Anti-Terrorist Financing Act of 2001 (USA Patriot Act)

The International Money Laundering Abatement and Anti-Terrorist Financing Act of 2001 (the Patriot Act) was adopted in response to the September 11, 2001 terrorist attacks. The Patriot Act provides law enforcement with greater powers to investigate terrorism and prevent future terrorist acts. Among the broad-reaching provisions contained in the Patriot Act are several designed to deter terrorists ability to launder money in the United States and provide law enforcement with additional powers to investigate how terrorists and terrorist organizations are financed. The Patriot Act creates additional requirements for banks, which were already subject to similar regulations. The Patriot Act authorizes the Secretary of the Treasury to require financial institutions to take certain special measures when the Secretary suspects that certain transactions or accounts are related to money laundering. These special measures may be ordered when the Secretary suspects that a jurisdiction outside of the United States, a financial institution operating outside of the United States, a class of transactions involving a jurisdiction outside of the United States or certain types of accounts are of primary money laundering concern. The special measures include the following: (a) require financial institutions to keep records and report on the transactions or accounts at issue; (b) require financial institutions to obtain and retain information related to the beneficial ownership of any account opened or maintained by foreign persons; (c) require financial institutions to identify each customer who is permitted to use a payable-through or correspondent account and obtain certain information from each customer permitted to use the account; and (d) prohibit or impose conditions on the opening or maintaining of correspondent or payable-through accounts.

Federal Deposit Insurance Corporation

The FDIC insures the deposits of the Bank which is subject to the applicable provisions of the Federal Deposit Insurance Act. The FDIC may terminate a bank s deposit insurance upon finding that the institution has engaged in unsafe or unsound practices, is in an unsafe or unsound condition to continue operations, or has violated any applicable law, regulation, rule, order or condition enacted or imposed by the bank s regulatory agency.

Federal Home Loan Bank

The FHLB provides credit to its members in the form of advances. As a member of the FHLB of Pittsburgh, the Bank must maintain an investment in the capital stock of that FHLB in an amount equal to the greater of 1.0% of the aggregate outstanding principal amount of its respective residential mortgage loans, home purchase contracts and similar obligations at the beginning of each year, or 5% of its advances from the FHLB.

Capital Requirements

Federal Reserve Board. The Federal Reserve Board has adopted risk-based capital guidelines for bank holding companies. The risk-based capital guidelines include both a definition of capital and a framework for calculating risk-weighted assets by assigning assets and off-balance sheet items to broad risk categories. For further discussion regarding the Bank s risk-based capital requirements, see Note 14 of the Notes to the Financial Statements included in Item 7 of this Form 10-KSB.

West Virginia Division of Banking. State banks, such as MVB Bank, Inc. are subject to similar capital requirements adopted by the West Virginia Division of Banking.

Limits on Dividends

MVB s ability to obtain funds for the payment of dividends and for other cash requirements largely depends on the amount of dividends the Bank declares. However, the Federal Reserve Board expects MVB to serve as a source of strength to the Bank. The Federal Reserve Board may require MVB to retain capital for further investment in the Bank, rather than pay dividends to its shareholders. MVB Bank, Inc. may not pay dividends to MVB if, after paying those dividends, the Bank would fail to meet the required minimum levels under the risk-based capital guidelines and the minimum leverage ratio requirements. The Bank must have the approval from the West Virginia Department of Banking if a dividend in any year would cause the total dividends for that year to exceed the sum of the current year s net earnings as defined and the retained earnings for the preceding two years as defined, less required transfers to surplus. These provisions could limit MVB s ability to pay dividends on its outstanding common shares.

Federal and State Consumer Laws

MVB Bank, Inc. is subject to regulatory oversight under various consumer protection and fair lending laws. These laws govern, among other things, truth-in-lending disclosure, equal credit opportunity, fair credit reporting and community reinvestment. Failure to abide by federal laws and regulations governing community reinvestment could limit the ability of a bank to open a new branch or engage in a merger transaction. Community reinvestment regulations evaluate how well and to what extent a bank lends and invests in its designated service area, with particular emphasis on low-to-moderate income communities and borrowers in such areas.

Monetary Policy and Economic Conditions

The business of financial institutions is affected not only by general economic conditions, but also by the policies of various governmental regulatory agencies, including the Federal Reserve Board. The Federal Reserve Board regulates money and credit conditions and interest rates to influence general economic conditions primarily through open market operations in U.S. government securities, changes in the discount rate on bank borrowings and changes in the reserve requirements against depository institutions deposits. These policies and regulations significantly affect the overall growth and distribution of loans, investments and deposits, and the interest rates charged on loans, as well as the interest rates paid on deposit accounts.

The monetary policies of the Federal Reserve Board have had a significant effect on the operating results of financial institutions in the past and are expected to continue to have significant effects in the future. In view of the changing conditions in the economy and the money markets and the activities of monetary and fiscal authorities, MVB cannot predict future changes in interest rates, credit availability or deposit levels.

Effect of Environmental Regulation

MVB s primary exposure to environmental risk is through its lending activities. In cases when management believes environmental risk potentially exists, MVB mitigates its environmental risk exposures by requiring environmental site assessments at the time of loan origination to confirm collateral quality as to commercial real estate parcels posing higher than normal potential for environmental impact, as determined by reference to present and past uses of the subject property and adjacent sites. Environmental assessments are typically required prior to any foreclosure activity involving non-residential real estate collateral.

Table of Contents

With regard to residential real estate lending, management reviews those loans with inherent environmental risk on an individual basis and makes decisions based on the dollar amount of the loan and the materiality of the specific credit.

MVB anticipates no material effect on anticipated capital expenditures, earnings or competitive position as a result of compliance with federal, state or local environmental protection laws or regulations.

ITEM 1A. RISK FACTORS

No response required.

ITEM 1B. UNRESOLVED STAFF COMMENTS

No response required.

ITEM 2. PROPERTIES

MVB Bank, Inc. owns its main office located at 301 Virginia Avenue in Fairmont, along with its offices at 1000 Johnson Avenue in Bridgeport, 88 Somerset Boulevard in Charles Town and 651 Foxcroft Avenue in Martinsburg. The Bank leases its office at 2500 Fairmont Avenue inside the Shop N Save supermarket in White Hall, in addition to the land at the Bridgeport location.

Additional information concerning the property and equipment owned or leased by MVB and its subsidiaries is incorporated herein by reference from Note 4, Bank Premises and Equipment and Note 16, Leases of the Notes to the Financial Statements included in Item 7 of this Form 10-KSB.

ITEM 3. LEGAL PROCEEDINGS

There are no pending legal proceedings to which MVB or its subsidiaries are a party or to which any of their property is subject.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No response required.

PART II

ITEM 5. MARKET FOR REGISTRANT S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUERS PURCHASES OF EQUITY SECURITIES

MVB s common shares are not traded on any national exchange.

The table presented below sets forth the estimated market value for the indicated periods based upon sales known to management with respect to MVB s common shares. The information set forth in the table is based on MVB s knowledge of certain arms-length transactions in the stock. In addition, dividends are subject to the restrictions described in Note 15 to the financial statements.

Quarterly Market and Dividend Information:

	2008		2007	
	Estimated Market Value Per Share	**Dividend**	**Estimated Market Value Per Share**	**Dividend**
Fourth Quarter	$ 20.00	$ 0.10	$ 20.00	$ 0.00
Third Quarter	20.00	0.00	20.00	0.00

Second Quarter	20.00	0.00	20.00	0.00
First Quarter	20.00	0.00	16.00	0.00

Table of Contents

MVB had 988 stockholders of record at December 31, 2008. MVB began paying an annual dividend of $.10 per share beginning in December 2008. No dividends were paid prior to 2008.

Equity Compensation Plan Information

Plan Category	Number of securities to be issued upon exercise of outstanding options (a)	Weighted-average exercise price of outstanding options (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders	147,507	$ 15.00	118,190
Equity compensation plans not approved by security holders	n/a	n/a	n/a
Total	147,507	$ 15.00	118,190

During the fourth quarter of 2008, 5,000 stock options under MVB s equity compensation plan were exercised at an average price of $11.35 per share and repurchased by MVB at $20.00 per share.

ITEM 6. SELECTED FINANCIAL DATA

No response required.

ITEM 7. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Forward-looking Statements:

The following discussion contains statements that refer to future expectations, contain projections of the results of operations or of financial condition, or state other information that is forward-looking. Forward-looking statements are easily identified by the use of words such as could, anticipate, estimate, believe, and similar words that refer to a future outlook. There is always a degree of uncertainty associated with forward-looking statements. MVB s management believes that the expectations reflected in such statements are based upon reasonable assumptions and on the facts and circumstances existing at the time of these disclosures. Actual results could differ significantly from those anticipated.

Many factors could cause MVB s actual results to differ materially from the results contemplated by the forward-looking statements. Some factors, which could negatively affect the results, include:

General economic conditions, either nationally or within MVB s market, could be less favorable than expected;

Changes in market interest rates could affect interest margins and profitability;

Table of Contents

Competitive pressures could be greater than anticipated;

Legal or accounting changes could affect MVB s results; and

Adverse changes could occur in the securities and investments markets.

In Management s Discussion and Analysis we review and explain the general financial condition and the results of operations for MVB Financial Corp. and its subsidiaries. We have designed this discussion to assist you in understanding the significant changes in MVB s financial condition and results of operations. We have used accounting principles generally accepted in the United States to prepare the accompanying consolidated financial statements. We engaged S.R. Snodgrass, A.C. to audit the consolidated financial statements and their independent audit report is included herein.

Table of Contents

Introduction

The following discussion and analysis of the Consolidated Financial Statements of MVB is presented to provide insight into management s assessment of the financial results and operations of MVB. MVB Bank, Inc. is the sole operating subsidiary of MVB and all comments, unless otherwise noted, are related to the Bank. You should read this discussion and analysis in conjunction with the audited Consolidated Financial Statements and footnotes and the ratios and statistics contained elsewhere in this Form 10-KSB.

Application of Critical Accounting Policies

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

The most significant accounting policies followed by the Bank are presented in Note 1 to the consolidated financial statements. These policies, along with the disclosures presented in the other financial statement notes and in management s discussion and analysis of operations, provide information on how significant assets and liabilities are valued in the financial statements and how those values are determined. Based on the valuation techniques used and the sensitivity of financial statement amounts to the methods, assumptions, and estimates underlying those amounts, management has identified the determination of the allowance for loan losses to be the accounting area that requires the most subjective or complex judgments, and as such could be most subject to revision as new information becomes available.

The allowance for loan losses represents management s estimate of probable credit losses inherent in the loan portfolio. Determining the amount of the allowance for loan losses is considered a critical accounting estimate because it requires significant judgment and the use of estimates related to the amount and timing of losses inherent in classifications of homogeneous loans based on historical loss experience of peer banks, and consideration of current economic trends and conditions, all of which may be susceptible to significant change. Non-homogeneous loans are specifically evaluated due to the increased risks inherent in those loans. The loan portfolio also represents the largest asset type in the consolidated balance sheet. Note 1 to the consolidated financial statements describes the methodology used to determine the allowance for loan losses and a discussion of the factors driving changes in the amount of the allowance for loan losses is included in the Allowance for Loan Losses section of this financial review.

See Note 2 to the consolidated financial statements for MVB s policy regarding the other than temporary impairment of investment securities.

Table of Contents

Recent Accounting Pronouncements and Developments

Fair Value Measurements

In September 2006, the FASB issued FAS No.157, *Fair Value Measurements,* which provides enhanced guidance for using fair value to measure assets and liabilities. The standard applies whenever other standards require or permit assets or liabilities to be measured at fair value. The Standard does not expand the use of fair value in any new circumstances. FAS No. 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007 and interim periods within those fiscal years. In February 2008, the FASB issued Staff Position No. 157-1, *Application of FASB Statement No. 157 to FASB Statement No. 13 and Other Accounting Pronouncements That Address Fair Value Measurements for Purposes of Lease Classification or Measurement under Statement 13,* which removed leasing transactions accounted for under FAS No. 13 and related guidance from the scope of FAS No. 157. Also in February 2008, the FASB issued Staff Position No. 157-2, *Partial Deferral of the Effective Date of Statement 157*, which deferred the effective date of FAS No. 157 for all nonfinancial assets and nonfinancial liabilities to fiscal years beginning after November 15, 2008. The adoption of this standard on January 1, 2008 had no material impact on the Company s results of operations or financial position.

Employers Accounting for Defined Benefit Pension and Other Postretirement Plans

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

In February 2007, the FASB issued FSP No. FAS 158-1, *Conforming Amendments to the Illustrations in FASB Statements No. 87, No. 88, and No. 106 and to the Related Staff Implementation Guides.* This FSP provides conforming amendments to the illustrations in FAS Statements No. 87. 88, and 106 and to related staff implementation guides as a result of the issuance of FAS Statement No. 158. The conforming amendments made by this FSP are effective as of the effective dates of Statement No. 158. The unaffected guidance that this FSP codifies into Statements No. 87, 88, and 106 does not contain new requirements and therefore does not require a separate effective date or transition method. The adoption of this FSP is not expected to have a material effect on the Company s results of operation or financial position.

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

In April 2008, the FASB issued FASB Staff Position No. 142-3, *Determination of the Useful Life of Intangible Assets* (FSP 142-3). FSP 142-3 amends the factors that should be considered in developing assumptions about renewal or extension used in estimating the useful life of a recognized intangible asset under FAS No. 142, *Goodwill and Other Intangible Assets*. This standard is intended to improve the consistency between the useful life of a recognized intangible asset under FAS No. 142 and the period of expected cash flows used to measure the fair value of the asset under FAS No. 141R and other GAAP. FSP 142-3 is effective for financial statements issued for fiscal years beginning after December 15, 2008. The measurement provisions of this standard will apply only to intangible assets of the Company acquired after the effective date.

Table of Contents

In December 2008, the FASB issued FASB Staff Position (FSP) No. FAS 132(R)-1, *Employers Disclosures about Postretirement Benefit Plan Assets.* This FSP amend FASB Statement No. 132 (revised 2003), *Employers Disclosures about Pensions and Other Postretirement Benefits,* to improve an employer s disclosures about plan assets of a defined benefit pension or other postretirement plan. The disclosures about plan assets required by the FSP are to be provided for fiscal years ending after December 15, 2009. The adoption of this FSP is not expected to have a material effect on the Company s results of operations or financial position.

Several other new accounting standards became effective during the periods presented or will be effective subsequent to December 31, 2008. None of these new standards had or is expected to have a significant impact on the Company s consolidated financial statements.

Summary Financial Results

MVB earned $828,000 in 2008 compared to $1.3 million in 2007. The earnings equated to a 2008 return on average assets of .35% and a return on average equity of 3.22%, compared to prior year results of .62% and 5.76%, respectively. Basic earnings per share was $.52 in 2008 compared to $.85 in 2007. Diluted earnings per share was $.51 in 2008 compared to $.85 in 2007. The most significant factor in the decrease in 2008 profitability was the loss on impairment of FHLMC preferred stock of 700,000. Salaries expense increased by $537,000, mostly relating to staffing of the additional office for an entire year, as well as increases for existing staff and the addition of mortgage lending staff. Other areas of increase were as follows: FDIC insurance increased $31,000, loan related expenses increased $25,000, travel and entertainment expense increased $24,000, franchise tax increased 22,000 and directors fees increased 22,000. Interest income increased by $413,000 to $13.7 million and interest expense decreased by $428,000 to $5.9 million, resulting in an increase in net interest income of $841,000. Other income increased by $165,000, $34,000 of which related to income on loans held for sale and $34,000 in additional service charges on deposit accounts and 37,000 in Visa debit card income. In addition other income increased by 47,000, the largest item of which was title insurance income.

While operating in a challenging interest rate environment, the Bank achieved a 6.33% yield on earning assets in 2008 compared to 7.15% in 2007. Despite extensive competition, total loans increased to $203.2 million at December 31, 2008, from $181.5 million at December 31, 2007. The Bank s ability to originate quality loans is supported by a minimal delinquency rate.

Deposits increased to $173.1 million at December 31, 2008, from $157.4 million at December 31, 2007, due to MVB s growth in the Harrison County market and the addition of $7.0 million in brokered certificates of deposits used to fund the purchase of certificates of deposits in other banks. MVB offers an uncomplicated product design accompanied by a simple fee structure that is attractive to customers. The overall cost of funds for the bank was 3.13% in 2008 compared to 3.94% in 2007. This cost of funds, combined with the earning asset yield, resulted in a net interest margin of 3.58% in 2008 compared to 3.71% in 2007.

The Bank maintained a high-quality, short-term investment portfolio during 2008 to provide liquidity in the balance sheet, to fund loan growth, for repurchase agreements and to provide security for state and municipal deposits.

Interest Income and Expense

Net interest income is the amount by which interest income on earning assets exceeds interest expense incurred on interest-bearing liabilities. Interest-earning assets

include loans and investment securities. Interest-bearing liabilities include interest-bearing deposits, borrowed funds such as sweep accounts, and repurchase agreements. Net interest income remains the primary source of revenue for MVB. Net interest income is also impacted by changes in market interest rates, as well as the mix of interest-earning assets and interest-bearing liabilities. Net interest income is also impacted favorably by increases in non-interest bearing demand deposits and equity.

Net interest margin is calculated by dividing net interest income by average interest-earning assets and serves as a measurement of the net revenue stream generated by MVB s balance sheet. As noted above, the net interest margin was 3.58% in 2008 compared to 3.71% in 2007. The net interest margin continues to face considerable pressure due to competitive pricing of loans and deposits in MVB s markets. During 2008, the Federal Reserve decreased interest rates eight times for a total decrease of 4.25% which had a thirteen basis point net impact on MVB s interest margin. Management s estimate of the impact of future changes in market interest rates is shown in the section captioned Interest Rate Risk.

Management continues to analyze methods to deploy MVB s assets into an earning asset mix which will result in a stronger net interest margin. Loan growth continues to be strong and management anticipates that loan activity will remain strong in the near term future.

During 2008, net interest income increased by $841,000 or 12.2% to $7.7 million in 2008 from $6.9 million in 2007. This increase is largely due to the growth in average earning assets, primarily $30.1 million in loans. Average total earning assets were $216.3 million in 2008 compared to $185.7 million in 2007. Average total loans grew to $189.1 million in 2008 from $158.5 million in 2007. Primarily as a result of this growth, total interest income increased by $413,000, or 3.1%, to $13.7 million in 2008 from $13.3 million in 2007. Average interest-bearing liabilities, mainly deposits, likewise increased in 2008 by $28.0 million. Average interest-bearing deposits grew to $148.2 million in 2008 from $129.1 million in 2007. Total interest expense decreased by $428,000 or 6.7%, to $5.9 million in 2008 from $6.4 million in 2007. This decrease in interest expense was the result of an 81 basis point decrease in interest cost from 2007 to 2008.

MVB s yield on earning assets changed during 2008 as follows: The loan portfolio yield decreased by 104 basis points, due mainly to the volume of adjustable rate commercial loans repricing as interest rates decreased throughout 2008, while MVB s investment portfolio yield increased by 31 basis points and funding yields decreased by 81 basis points.

The cost of interest-bearing liabilities decreased to 3.13% in 2008 from 3.94% in 2007. This decrease is primarily the result of the changing rate environment which impacted the cost of funds as follows: Repurchase agreement costs decreased 239 basis points, FHLB borrowing costs decreased 129 basis points and MMDA costs decreased 118 basis points.

Table of Contents

Statistical Financial Information Regarding MVB Financial Corp.

The following tables provide further information about MVB s interest income and expense:

Average Balances and Analysis of Net Interest Income:

	2008			2007		
(Dollars in thousands)	**Average Balance**	**Interest Income/ Expense**	**Yield/ Cost**	**Average Balance**	**Interest Income/ Expense**	**Yield/ Cost**
Interest-bearing deposits in banks	$ 1,177	$ 26	2.21%	$ 1,981	$ 102	5.15%
CDs with other banks	235	8	3.40			
Investment securities	27,568	1,365	4.95	26,658	1,237	4.64
Loans						
Commercial	119,700	7,712	6.44	89,597	7,337	8.19
Tax exempt	8,272	386	4.67	6,374	304	4.77
Real estate	47,156	3,170	6.72	48,406	3,234	6.68
Consumer	13,942	1,020	7.32	14,118	1,060	7.51
Allowance for loan losses	(1,778)			(1,430)		
Net loans	187,292	12,288	6.56	157,065	11,935	7.60
Total earning assets	216,272	13,687	6.33	185,704	13,274	7.15
Cash and due from banks	5,514			4,589		
Other assets	16,999			15,251		
Total assets	$ 238,785			$ 205,544		
Liabilities						
Deposits:						
Non-interest bearing demand	$ 21,778	$		$ 20,211	$	
NOW	16,141	76	0.47	13,583	104	0.77
Money market checking	29,948	508	1.70	28,896	831	2.88
Savings	6,804	21	0.31	5,952	35	0.59
IRAs	7,185	327	4.55	6,559	293	4.47
CDs	88,090	3,833	4.35	74,104	3,595	4.85
Repurchase agreements and federal funds						
Sold	19,420	303	1.56	18,360	726	3.95
Federal Home Loan Bank borrowings	18,173	678	3.73	11,309	568	5.02
Long-term debt	4,124	203	4.92	3,141	225	7.16
Total interest-bearing liabilities	189,885	5,949	3.13	161,904	6,377	3.94
Other liabilities	1,427			1,170		
Total liabilities	213,090			183,285		
Stockholders equity						
Common stock	1,584			1,431		
Paid-in capital	19,842			17,701		
Treasury stock	(219)			(36)		
Retained earnings	4,865			3,515		
Accumulated other comprehensive income	(377)			(352)		

Total stockholders equity	25,695			22,259		
Total liabilities and stockholders equity	$ 238,785			$ 205,544		
Net interest spread			3.20			3.21
Impact of non-interest bearing funds on margin			0.38			0.50
Net interest income-margin		$ 7,738	3.58%		$ 6,897	3.71%

17

Table of Contents

Provision for Loan Losses

MVB s provision for loan losses for 2008 and 2007 were approximately $595,000 and $584,000, respectively. This increase principally relates to the increase in loans outstanding.

Determining the appropriate level of the Allowance for Loan Losses (ALL) requires considerable management judgment. In exercising this judgment, management considers numerous internal and external factors including, but not limited to, portfolio growth, national and local economic conditions, trends in the markets served and guidance from the Bank s primary regulators. Management seeks to maintain an ALL that is appropriate in the circumstances and that complies with applicable accounting and regulatory standards. Further discussion can be found later in this discussion under Allowance for Loan Losses.

Non-Interest Income

Fees related to deposit accounts and cash management accounts and income on loans held for sale represent the significant portion of the Bank s primary non-interest income. The total of non-interest income for 2008 was $1.8 million versus $1.6 million in 2007.

The most significant increase in non-interest income from 2008 to 2007 was $47,000 in other income. This increase is primarily the result of title insurance income. Other areas of significant increase in non-interest income were income on loans held for sale, which increased by $34,000 to $411,000, service charges on deposit accounts which increased by $34,000 to $681,000 and visa debit card income which increased by $37,000 to $249,000.

The Bank is constantly searching for new non-interest income opportunities that enhance income and provide customer benefits.

Non-Interest Expense

Non-interest Expense was $7.8 million in 2008 versus $6.2 in 2007. Approximately 51% and 56% of non-interest expense for 2008 and 2007, respectively, related to personnel costs. Personnel are the lifeblood of every service organization, which is why personnel cost, is such a significant part of the expenditure mix. The increase in personnel cost from $3.5 million to $4.0 million represents staffing for the Berkeley office for an entire year as well as salary adjustments for existing staff, and additional staff in the mortgage loan area.

On September 7' 2008 the Federal Housing Finance Agency (FHFA) placed Freddie Mac in conservatorship. Dividends to preferred shareholders like MVB were suspended, which necessitated the mark to market of the stock, which in MVB s case resulted in a pretax loss of $700,000.

Data processing comprised approximately 7.0% and 9.5% of total non-interest expense during 2008 and 2007, respectively. This decrease in data processing expense is mainly the result of a refund received from MVB s internet banking provider of $32,000 and increased efficiencies from the use of branch capture technology.

In 2008 other expense increased by 23.0% to $812,000. This was largely the result of increased FDIC insurance costs of $31,000, along with increased loan related expenses of $25,000, travel and entertainment costs of $24,000, franchise tax of $22,000 and directors fees of $22,000.

Table of Contents

2007 compared to 2006

Net interest income increased by $1.2 million when comparing 2007 with 2006 results. This increase is largely due to growth in average earning assets, primarily loans, of $33.3 million in 2007. Average interest-bearing liabilities, mainly deposits, increased by $30.5 million in 2007. This increase was due to an increase in average interest-bearing deposits of $25.9 million.

Non-interest income is comprised of fees related to deposit accounts and cash management accounts. Non-interest income was $1.6 million in 2007 compared to $1.2 million in 2006. This increase was due primarily to increased focus on secondary market loans, along with continued increases in service charges on deposit accounts, Visa debit card income, title insurance income, investment commissions and Visa credit card income.

Non-interest expense reached $6.2 million in 2007 compared to $5.1 million in 2006. This increase is representative of the expansion into Berkeley County and increased FDIC insurance costs.

Income Taxes

MVB incurred income tax expense of $263,000 in 2008 and $414,000 in 2007.

The effective tax rate was 24% in 2008 and 24% 2007. This decrease was due to lower pretax income in 2008, mostly relating to the $700,000 loss on impairment of FHLMC stock.

Return on Assets

MVB s return on average assets was .35% in 2008, .62% in 2007 and .58% in 2006. The decreased return in 2008 is a direct result of the FHLMC stock impairment and the decrease in net interest margin.

Return on Equity

MVB s return on average stockholders equity (ROE) was 3.22% in 2008, compared to 5.76% in 2007 and 4.86% in 2006. The decreased return in 2008 is a direct result of the FHLMC stock impairment and the decrease in net interest margin.

Overview of the Statement of Condition

The MVB balance sheet changed significantly from 2007 to 2008. Loans increased by $21.7 million to $203.2 million at December 31, 2008. Loans held for sale decreased by $898,000 and other assets increased by $1.2 million, $763,000 of which was other real estate owned and $300,000 of which was FHLB stock. Deposits increased by $15.6 million, $9.0 million relating to Harrison County and $6.6 million relating to brokered deposits used to purchase certificates of deposit with other banks. FHLB and Federal Reserve discount window borrowings increased by $8.4 million, much of which was used to fund loan growth. Finally, stockholders equity increased by $2.3 million, $1.7 million of which represents the completion of a $4.0 million public offering began in 2007 and $828,000 in 2008 earnings.

Table of Contents

Cash and Cash Equivalents

MVB s cash and cash equivalents totaled $4.7 million at December 31, 2008, compared to $4.9 million at December 31, 2007, a decrease of $216,000.

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

Investment Securities

Investment securities totaled $26.6 million at December 31, 2008, compared to $27.8 million at December 31, 2007.

MVB s investment securities are primarily classified as available-for-sale. Management believes the available-for-sale classification provides flexibility for MVB in terms of managing the portfolio for liquidity, yield enhancement and interest rate risk management opportunities. At December 31, 2008, the amortized cost of MVB s investment securities totaled $26.3 million, resulting in unrealized depreciation in the investment portfolio of $321,000.

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

Loans

MVB s lending is primarily focused in Marion, Harrison, Berkeley and Jefferson County, West Virginia with a secondary focus on the adjacent counties in West Virginia. The portfolio consists principally of commercial lending, retail lending, which includes single-family residential mortgages and consumer lending. Loans totaled $203.2 million as of December 31, 2008, compared to $181.5 million at December 31, 2007.

During 2008, MVB experienced loan growth of $21.7 million, $9.0 million in Harrison County, $8.3 million in Jefferson and Berkeley counties combined and $4.4 million in Marion County. The most significant portion of the growth came in the residential real estate and commercial and non-residential real estate area. Residential real estate loans grew $10.2 million and commercial and non-residential real estate loans grew approximately $9.3 million.

At December 31, 2008, commercial loans represented the largest portion of the portfolio approximating 68.0% of the total loan portfolio. Commercial loans totaled $137.9 million at December 31, 2008, compared to $128.5 million at December 31, 2007. Management will continue to focus on the enhancement and growth of the commercial loan portfolio while maintaining appropriate underwriting standards and risk/price balance.

Table of Contents

Residential real estate loans to MVB s retail customers (including home equity lines of credit) account for the second largest portion of the loan portfolio, comprising 26.0% of MVB s total loan portfolio. Residential real estate loans totaled $52.3 million at December 31, 2008, compared to $42.0 million at December 31, 2007. Included in residential real estate loans are home equity credit lines totaling $13.5 million at December 31, 2008, compared to $12.4 million at December 31, 2007. Management believes the home equity loans are competitive products with an acceptable return on investment after risk considerations. Residential real estate lending continues to represent a primary focus of MVB s lending due to the lower risk factors associated with this type of loan and the opportunity to provide service to those in the Marion, Harrison and Jefferson County markets. Residential real estate portfolio loans were down due to MVB s increased focus on secondary market lending, to better serve customers by offering attractive long-term rates.

Consumer lending continues to be a part of MVB s core lending. At December 31, 2008, consumer loan balances totaled $13.1 million compared to $11.0 million at December 31, 2007. The majority of MVB s consumer loans are in the direct lending area. Management is pleased with the performance and quality of the consumer loan portfolio, which can be attributed to the many years of experience of its consumer lenders. This is another important product necessary to serve MVB s market areas.

The following table provides additional information about MVB s loans:

Loan maturities at December 31, 2008:

(Dollars in Thousands)

	One Year or Less	Thru Five Years	Due After Five Years	Total
Commercial and nonresidential real estate	$ 51,019	$ 41,698	$ 45,155	$ 137,872
Residential real estate	5,804	17,266	29,233	52,303
Consumer and other	3,138	6,314	3,614	13,066
Total	$ 59,961	$ 65,278	$ 78,002	$ 203,241

The preceding data has been compiled based upon the earlier of either contractual maturity or next repricing date

Loan Portfolio Analysis:

(Dollars in Thousands)	2008	2007
Year-end balances:		
Commercial, financial and agricultural	137,872	128,535
Real estate	52,303	42,030
Consumer	13,066	10,972
Total	203,241	181,537

Loan Concentration

At December 31, 2008, commercial loans comprised the largest component of the loan portfolio. There are very few commercial loans that are not secured by real estate. Such non-real estate secured loans generally are lines of credit secured by accounts receivable. While the loan concentration is in commercial loans, the commercial portfolio is comprised of loans to many different borrowers, in numerous different industries but primarily located in our market areas.

Allowance for Loan Losses

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

The result of the evaluation of the adequacy at each period presented herein indicated that the allowance for loan losses was considered adequate to absorb losses inherent in the loan portfolio.

At December 31, 2008 and 2007 MVB had impaired loans totaling $1.3 million and $470,000 respectively. Included in these totals were non-accrual loans totaling $1.1 million and $469,000 respectively. A portion of the Allowance for Loan Losses was allocated to cover any loss in these loans. Loans past due more than 30 days were $2.7 million and $2.2 million, respectively at December 31, 2008 and 2007.

	December 31	
	2008	2007
Loans past due more than 30 days to gross loans	1.34%	1.18%
Loans past due more than 90 days to gross loans	.54%	.18%

MVB incurred net charge-offs of $468,000 in 2008 and $57,000 in 2007. MVB s provision for loan losses was $595,000 in 2008 and $584,000 in 2007. Net charge-offs represented .25% and .04% in 2008 and 2007, respectively, compared to average outstanding loans for the indicated period.

	2008	2007
Balance, January 1	$ 1,733	$ 1,206
Provision	595	584
Charge-offs	483	68
Recoveries	(15)	(11)
Net charge-offs	468	57
Balance, December 31	$ 1,860	$ 1,733

The following table reflects the allocation of the allowance for loan losses as of December 31:

(Dollars in Thousands)	2008	2007
Allocation of allowance for loan losses at December 31:		
Commercial	$ 1,268	$ 1,167
Real estate	258	303
Consumer	334	263
Total	$ 1,860	$ 1,733
Percent of loans to total loans at December 31:		
Commercial	68%	71%
Real estate	26	23
Consumer	6	6
Total	100%	100%

Non-performing assets consist of loans that are no longer accruing interest, loans that have been renegotiated to below market rates based upon financial difficulties of the borrower, and real estate acquired through foreclosure. When interest accruals are suspended, accrued interest income is reversed with current year accruals charged to earnings and prior year amounts generally charged off as a credit loss. When, in management s judgment, the borrower s ability to make periodic interest and principal payments resumes and collectability is no longer in doubt, the loan is returned to accrual status.

Non-performing assets and past due loans:

(Dollars in Thousands)	2008	2007
Non-accrual loans		
Commercial	$ 1,063	$
Real estate	18	364
Consumer	15	105
Total non-accrual loans	1,096	469
Renegotiated loans		
Total non-performing loans	1,293	470
Other real estate, net		
Total non-performing assets	$ 1,293	$ 470
Accruing loans past due 90 days or more		
Non-performing loans as a % of total loans	.64%	.26%
Allowance for loan losses as a % of non-performing loans	144%	369%

Funding Sources

MVB considers a number of alternatives, including but not limited to deposits, short-term borrowings, and long-term borrowings when evaluating funding sources. Traditional deposits continue to be the most significant source of funds for MVB, totaling $173.1 million, or 76.3% of MVB s funding sources at December 31, 2008. This same information at December 31, 2007 reflected $157.4 million in deposits representing 78.4% of such funding sources. Cash management accounts, which are available to large corporate customers, represented 9.6% and 9.9% of MVB s funding sources at December 31, 2008 and 2007, respectively. Borrowings from the Federal Home Loan Bank of Pittsburgh for specific purposes represented the remainder of such funding sources.

Management continues to emphasize the development of additional non-interest-bearing deposits as a core funding source for MVB. At December 31, 2008, non-interest-bearing balances totaled $22.5 million compared to $19.1 million at December 31, 2007 or 13.0% and 12.1% of total deposits respectively.

Interest-bearing deposits totaled $150.6 million at December 31, 2008, compared to $138.3 million at December 31, 2007. On a percentage basis, Certificates of Deposits compose the largest component of MVB s deposits. Average interest-bearing liabilities totaled $189.9 million during 2008 compared to $161.9 million during 2007. Average non-interest bearing liabilities totaled $23.2 million during 2008 compared to $21.4 million during 2007. Management will continue to emphasize deposit gathering in 2009 by offering outstanding customer service and competitively priced products.

Table of Contents

Maturities of Certificates of Deposit $100,000 or more:

(Dollars in Thousands)	2008
Under 3 months	$ 10,938
Over 3-6 months	6,034
Over 6 to 12 months	7,218
Over 12 months	12,535
Total	$ 36,725

There are no other time deposits of $100,000 or more.

Federal Home Loan Bank borrowings and repurchase agreements:

(Dollars in Thousands)	2008	2007
Ending balance	$ 53,846	$ 43,400
Average balance	37,592	29,669
Highest month-end balance	53,846	44,064
Interest expense	981	1,294
Weighted average interest rate:		
End of Year	1.59%	4.09%
During the Year	2.61%	4.36%

Along with traditional deposits, MVB has access to both overnight repurchase agreements and Federal Home Loan Bank borrowings to fund its operations and investments. MVB s repurchase agreements totaled $21.9 million at December 31, 2008, compared to $19.8 million in 2007. Federal Home Loan Bank borrowings totaled $31.0 million at December 31, 2008, compared to $23.6 million at year-end 2007.

Capital/Stockholders Equity

During the year ended December 31, 2008, stockholders equity increased approximately $2.3 million to $25.8 million. This increase consists of $1.7 million raised through the completion of a public stock offering begun in 2007 and MVB s net income for the year of $828,000. MVB paid no dividends during 2007 and paid dividends of $159,000 in 2008.

At December 31, 2008, accumulated other comprehensive income (loss) totaled ($315,000), a decrease in the loss of $90,000 from December 31, 2007. This principally represents net unrealized loss on available-for-sale securities, net of income taxes, and the adjustment to apply FASB statement No. 158, net of income taxes, at December 31, 2008. Because the vast majority of all the investment securities in MVB s portfolio are classified as available-for-sale, both the investment and equity sections of MVB s balance sheet are more sensitive to the changing market values of investments than those institutions that classify more of their investment portfolio as held to maturity . Interest rate fluctuations between year-end 2008 and 2007 resulted in the change in market value of the portfolio.

MVB has also complied with the standards of capital adequacy mandated by the banking industry. Bank regulators have established risk-based capital requirements designed to measure capital adequacy. Risk-based capital ratios reflect the relative risks of various assets banks hold in their portfolios. A weight category of either 0% (lowest risk assets), 20%, 50%, or 100% (highest risk assets) is assigned to each asset on the balance sheet. Detailed information concerning MVB s risk-based capital ratios can be found in Note 14 of the Notes to the Audited Financial Statements. At December 31, 2008, MVB s risk-based capital ratios were above the minimum standards for a well-capitalized institution. MVB s risk-based capital ratio of 14.3% at December 31, 2008, is above the well-capitalized standard of 10%. MVB s Tier 1 capital ratio of 13.4% also exceeded the

well-capitalized minimum of 6%. The leverage ratio at December 31, 2008, was 11.5% and was also above the well-capitalized standard of 5%. Management believes MVB s capital continues to provide a strong base for profitable growth.

Liquidity and Interest Rate Sensitivity

The objective of MVB s asset/liability management function is to maintain consistent growth in net interest income within its policy guidelines. This objective is accomplished through management of MVB s balance sheet liquidity and interest rate risk exposure based on changes in economic conditions, interest rate levels, and customer preferences.

Interest Rate Risk

The most significant market risk resulting from MVB s normal course of business, extending loans and accepting deposits, is interest rate risk. Interest rate risk is the potential for economic loss due to future interest rate changes which can impact both the earnings stream as well as market values of financial assets and liabilities. MVB s Investment/ Asset/ Liability Committee (IALC) is responsible for the overall review and management of the Bank s balance sheets related to the management of interest rate risk. The IALC strives to keep MVB focused on the future, anticipating and exploring alternatives, rather than simply reacting to change after the fact.

To this end, the IALC has established an interest risk management policy that sets the minimum requirements and guidelines for monitoring and controlling the level and amount of interest rate risk. The objective of the interest rate risk policy is to encourage management to adhere to sound fundamentals of banking while allowing sufficient flexibility to exercise the creativity and innovations necessary to meet the challenges of changing markets. The ultimate goal of these policies is to optimize net interest income within the constraints of prudent capital adequacy, liquidity, and safety.

The IALC relies on different methods of assessing interest rate risk including simulating net interest income, monitoring the sensitivity of the net present market value of equity or economic value of equity, and monitoring the difference or gap between maturing or rate-sensitive assets and liabilities over various time periods. The IALC places emphasis on simulation modeling as the most beneficial measurement of interest rate risk due to its dynamic measure. By employing a simulation process that measures the impact of potential changes in interest rates and balance sheet structures, and by establishing limits on changes in net income and net market value, the IALC is better able to evaluate the possible risks associated with alternative strategies.

The simulation process starts with a base case simulation which represents projections of current balance sheet growth trends. Base case simulation results are prepared under a flat interest rate forecast and what is perceived to be the most likely alternative interest rate forecast. Comparisons showing the earnings variance from the flat rate forecast illustrate the risks associated with the current balance sheet strategy. If necessary, additional balance sheet strategies are developed and simulations prepared. The results from model simulations are reviewed for indications of whether current interest rate risk strategies are accomplishing their goal and, if not, what alternative strategies should be considered. The policy calls for periodic review by the IALC of assumptions used in the modeling.

The IALC believes that it is beneficial to monitor interest rate risk for both the short-and long-term. Therefore, to effectively evaluate results from model simulations, limits on changes in net interest income and the value of the balance sheet have been established. The IALC has determined that the earnings at risk of the Bank shall not change more than 10 % from the base case for a 1% shift in interest rates, nor more than 15 % from the base case for a 2% shift in interest rates. MVB is in compliance with this policy as of December 31, 2008.

Table of Contents

The following table is provided to show the earnings at risk of MVB as of December 31, 2008.

(Dollars in Thousands)

	Estimated Increase (Decrease) in Net Interest Income December 31, 2007	
Immediate Interest Rate Change (one year time frame) (in Basis Points)	Amount	Percent
+200	$ 10,210	5.3%
+100	9,974	2.8%
Base rate	9,700	
-100	9,381	-3.3%
-200	$ 9,094	-6.3%

Liquidity

Maintenance of a sufficient level of liquidity is a primary objective of the IALC. Liquidity, as defined by the IALC, is the ability to meet anticipated operating cash needs, loan demand, and deposit withdrawals, without incurring a sustained negative impact on net interest income. It is MVB s policy to manage liquidity so that there is no need to make unplanned sales of assets or to borrow funds under emergency conditions.

The main source of liquidity for MVB comes through deposit growth. Liquidity is also provided from cash generated from investment maturities, principal payments from loans, and income from loans and investment securities. During the year ended December 31, 2008, cash provided by financing activities totaled $27.6 million, while outflows from investing activity totaled $27.9 million. When appropriate, MVB has the ability to take advantage of external sources of funds such as advances from the Federal Home Loan Bank (FHLB), national market certificate of deposit issuance programs, the Federal Reserve discount window, brokered deposits and a line of credit with Silverton Bank, N.A. These external sources often provide attractive interest rates and flexible maturity dates that enable MVB to match funding with contractual maturity dates of assets. Securities in the investment portfolio are primarily classified as available-for-sale and can be utilized as an additional source of liquidity.

Off-Balance Sheet Commitments

MVB has entered into certain agreements that represent off-balance sheet arrangements that could have a significant impact on MVB s financial statements and could have a significant impact in future periods. Specifically, MVB has entered into agreements to extend credit or provide conditional payments pursuant to standby and commercial letters of credit. Further discussion of these agreements, including the amounts outstanding at December 31, 2008, is included in Note 7 to the financial statements.

Commitments to extend credit, including loan commitments, standby letters of credit, and commercial letters of credit do not necessarily represent future cash requirements, in that these commitments often expire without being drawn upon.

Table of Contents

Fourth Quarter

MVB s fourth quarter net income was $557,000 in 2008, including a $210,000 tax benefit from the write down of FHLMC preferred stock recognized during the third quarter, compared to $328,000 in the fourth quarter of 2007. Without this tax benefit fourth quarter 2008 earnings would have been $347,000. This equated to basic earnings per share, on a quarterly basis, of $.22 in 2008 and $.22 in 2007. Diluted earnings per share for the fourth quarter of 2008 and 2007 was $.22 and $.21, respectively. Net interest income increased during the fourth quarter and was $2.10 million in the fourth quarter of 2008 compared to $1.87 million in 2007. Non-interest income was $417,000 in the fourth quarter of 2008 compared to $455,000 in 2007. Non-interest expense increased to $1.85 million for the fourth quarter of 2008 from $1.65 million in 2007.

Future Outlook

The Bank s net income in 2008 would have been at the same level as 2007 without the FHLMC preferred stock impairment. MVB believes it is well positioned in some of the finest markets in the state of West Virginia. We believe with continued customer acceptance in our markets and our commitment to customer service, we will continue to capture market share with our emphasis on the highest quality products and technology.

Future plans for the Bank involve the Bank taking advantage of both technology and personal customer contact. The Bank continues to expand delivery channels to better serve both retail and business banking customers. In addition to top of the line technology, the Bank is committed to providing individual and personal banking services. MVB will continue to search for quality banking locations as well as exploring alternative delivery systems.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

No response required.

Table of Contents

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

MVB Financial Corp.

Consolidated Balance Sheets

(Dollars in thousands, except number of shares)

December 31, 2008 and 2007

	2008	2007
ASSETS		
Cash and due from banks	$ 4,710	$ 4,926
Interest bearing balances with banks	40	490
Certificates of deposit with other banks	7,000	
Investment Securities:		
Securities held-to-maturity, at cost	8,796	1,814
Securities available-for-sale, at approximate market value	17,795	26,029
Loans:	203,241	181,537
Less: Allowance for loan losses	(1,860)	(1,733)
Net Loans	201,381	179,804
Loans held for sale	1,115	217
Bank premises, furniture and equipment	8,060	8,244
Accrued interest receivable and other assets	9,809	8,574
TOTAL ASSETS	$ 258,706	$ 230,098
LIABILITIES AND STOCKHOLDERS EQUITY		
Deposits:		
Non-interest bearing	$ 22,495	$ 19,129
Interest bearing	150,570	138,319
Total Deposits	173,065	157,448
Accrued interest, taxes, and other liabilities	1,835	1,601
Repurchase agreements	21,904	19,817
Federal Home Loan Bank borrowings and discount window borrowings	31,942	23,583
Long-term debt	4,124	4,124
Total Liabilities	232,870	206,573
STOCKHOLDERS EQUITY		
Preferred stock, par value $1,000; 5,000 shares authorized, none issued		
Common stock, par value $1; 4,000,000 shares authorized; 1,603,622 and 1,508,081 shares issued respectively	1,604	1,508
Additional paid-in capital	20,175	18,450
Treasury Stock, 15,469 and 8,919 shares, respectively	(299)	(168)
Retained earnings	4,671	4,140
Accumulated other comprehensive loss	(315)	(405)
Total Stockholders Equity	25,836	23,525

TOTAL LIABILITIES AND STOCKHOLDERS EQUITY	$ 258,706	$ 230,098

See Notes to Consolidated Financial Statements

Table of Contents

MVB Financial Corp.

Consolidated Statements of Income

(Dollars in thousands except Share and Per Share Data)

Years ended December 31, 2008 and 2007

	2008	2007
INTEREST INCOME		
Interest and fees on loans	$ 11,902	$ 11,631
Interest on deposits with other banks	34	102
Interest on investment securities taxable	1,334	1,207
Interest on tax exempt loans and securities	417	334
Total interest income	13,687	13,274
INTEREST EXPENSE		
Interest on deposits	4,765	4,859
Interest on repurchase agreements	303	725
Interest on Federal Home Loan Bank borrowings	678	568
Interest on long-term debt	203	225
Total interest expense	5,949	6,377
NET INTEREST INCOME	7,738	6,897
Provision for loan losses	595	584
Net interest income after provision for loan losses	7,143	6,313
OTHER INCOME		
Service charges on deposit accounts	681	647
Income on bank owned life insurance	180	167
Visa debit card income	249	212
Income on loans held for sale	411	377
Other operating income	267	220
	1,788	1,623
OTHER EXPENSES		
Salaries and employee benefits	4,022	3,485
Occupancy expense	528	406
Equipment depreciation and maintenance	399	351
Data processing	547	593
Visa debit card expense	212	152
Advertising	235	266
Legal and accounting fees	113	85
Printing, stationery and supplies	110	115
Other taxes	162	127
Other operating expenses	812	660
Loss on impairment of FHLMC preferred stock	700	
	7,840	6,240

Income before income taxes		1,091		1,696
Income tax expense		263		414
Net Income	$	828	$	1,282
Basic net income per share	$	0.52	$	0.87
Diluted net income per share	$	0.51	$	0.85
Basic weighted average shares outstanding		1,584,295		1,470,167
Diluted weighted average shares outstanding		1,621,172		1,509,404

See Notes to Consolidated Financial Statements

Table of Contents

MVB Financial Corp.

Consolidated Statements of Cash Flows

(Dollars in thousands)

Years ended December 31, 2008 and 2007

	2008	2007
OPERATING ACTIVITIES		
Net Income	$ 828	$ 1,282
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	595	584
Deferred income tax (benefit)	(24)	(117)
Depreciation	441	364
Stock based compensation	15	13
Loans originated for sale	(34,570)	(27,887)
Proceeds of loans sold	33,672	28,963
Amortization, net of accretion	16	23
Loss on impairment of FHLMC preferred stock	700	
(Increase) in interest receivable and other assets	(1,845)	(1,205)
Increase in accrued interest, taxes, and other liabilities	234	564
NET CASH (USED IN)/PROVIDED BY OPERATING ACTIVITIES	62	2,584
INVESTING ACTIVITIES		
(Increase) in loans made to customers	(22,172)	(38,995)
Purchases of premises and equipment	(257)	(2,115)
Purchases of investment securities available-for-sale	(14,229)	(6,625)
Purchases of investment securities held-to-maturity	(7,000)	(1,000)
Decrease/(increase) in deposits with Federal Home Loan Bank, net	450	(437)
Purchases of certificates of deposit with other banks	(7,000)	
Proceeds from maturity of certificates of deposit with other banks		
Proceeds from sales, maturities and calls of securities available-for-sale	22,351	7,110
Proceeds from maturities and calls of securities held-to-maturity		1,500
Purchase of bank owned life insurance		(500)
NET CASH (USED IN) INVESTING ACTIVITIES	(27,857)	(41,062)
FINANCING ACTIVITIES		
Net increase in deposits	15,617	22,855
Net increase/(decrease) in repurchase agreements	2,087	(392)
Proceeds from Federal Home Loan Bank borrowings	176,550	100,455
Principal payments on Federal Home Loan Bank borrowings	(168,191)	(90,662)
Proceeds from long-term borrowings		4,124
Purchase of treasury stock	(131)	(150)
Net proceeds of stock offering	1,735	586
Cash dividend	(159)	
Common stock options exercised	71	171
NET CASH PROVIDED BY FINANCING ACTIVITIES	27,579	36,987
(Decrease) in cash and cash equivalents	(216)	(1,491)

Cash and cash equivalents at beginning of period		4,926		6,417
Cash and cash equivalents at end of period	$	4,710	$	4,926
Supplemental disclosure of cash flow information				
Cash payments for:				
Interest on deposits, repurchase agreements and FHLB borrowings	$	5,790	$	6,034
Income taxes	$	644	$	500

See Notes to Consolidated Financial Statements

Table of Contents

MVB Financial Corp.

Consolidated Statements of Changes in Stockholders Equity

Years ended December 31, 2008 and 2007

(Dollars in thousands)

	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income/(loss)	Treasury Stock	Total Stockholders Equity
Balance, December 31, 2006	$ 1,468	$ 17,720	$ 2,858	$ (373)	$ (18)	$ 21,655
Comprehensive income:						
Net Income			1,282			1,282
Other comprehensive income(loss)						
Net fair value adjustment on securities available for sale, less reclassification adjustment for realized gains - net of tax effect of $45				67		67
Total Comprehensive Income						1,349
Minimum pension liability adjustment net of tax effect				(99)		(99)
Stock offering	29	557				586
Stock based compensation		13				13
Treasury stock, acquired at cost						(150)
Common stock options exercised	11	160				171
Balance, December 31, 2007	$ 1,508	$ 18,450	$ 4,140	$ (405)	$ (168)	$ 23,525
Comprehensive income:						
Cumulative effect of change in accounting for split-dollar life insurance arrangements			(138)			(138)
Net Income			828			828
Other comprehensive income(loss)						
Net fair value adjustment on securities available for sale, less reclassification adjustment for realized gains - net of tax effect of $235				352		352
Total Comprehensive Income						1,180
Minimum pension liability adjustment - net of tax effect				(262)		(262)
Stock offering	89	1,646				1,735
Cash dividends paid ($0.10 per share)			(159)			(159)
Stock based compensation		15				15
Treasury stock, acquired at cost					(131)	(131)
Common stock options exercised	7	64				71
Balance, December 31, 2008	$ 1,604	$ 20,175	$ 4,671	$ (315)	$ (299)	$ 25,836

See Notes to Consolidated Financial Statements

Table of Contents

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Operations

MVB Financial Corp., the Company , provides banking services to the domestic market with the primary market areas being the Marion, Harrison, Jefferson and Berkeley counties of West Virginia. To a large extent, the operations of the Company, such as loan portfolio management and deposit growth, are directly affected by the market area economies.

Cash and Cash Equivalents

Cash and cash equivalents include cash and due from banks.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of MVB Financial Corp. Inc., and its wholly owned subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation.

Management Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. 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 these estimates.

Investment Securities

Debt securities that management has the ability and intent to hold to maturity are classified as held-to-maturity and carried at cost, adjusted for amortization of premium and accretion of discounts computed by the interest method from purchase date to maturity. Other marketable securities are classified as available-for-sale and are carried at fair value. Unrealized gains and losses on securities available-for-sale, net of the deferred income tax effect, are recognized as direct increases or decreases in stockholders equity. Cost of securities sold is recognized using the specific identification method.

Loans Held for Sale

Through Taylor, Bean and Whitaker, MVB Bank, Inc. has the ability to offer customers long-term fixed rate mortgage products without holding these instruments in the bank s loan portfolio. After thorough review of the contract with Taylor, Bean and Whitaker, the Company has concluded that no material derivative instruments exist.

Loans and Allowance for Loan Losses

Loans are stated at the amount of unpaid principal reduced by an allowance for loan losses. Loans are considered delinquent when scheduled principal or interest payments are 31 days past due. Interest income on loans is recognized on an accrual basis. The allowance for loan losses is maintained at a level deemed adequate to absorb probable losses inherent in the loan portfolio. The Company consistently applies a quarterly loan review process to continually evaluate loans for changes in credit risk. This process serves as the primary means by which the Company evaluates the adequacy of the allowance for loan losses, and is based upon periodic review of the collectability of loans in light of historical experience, the nature and volume of the loan portfolio, adverse situations that may affect the borrower s ability to repay, estimated value of any underlying collateral and prevailing economic conditions. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available.

The allowance consists of specific and general components. The specific component relates to loans that are impaired. The general component covers non-classified loans and is based upon historical loss experience adjusted for qualitative factors.

A loan is considered impaired when, based upon 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 determining impairment include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and shortages generally are not classified as impaired. Generally the Company considers impaired loans to include loans classified as non-accrual loans and loans past due for longer than 90 days.

Loan Origination Fees and Costs

Loan origination fees and costs are accounted for according to Statement of Financial Accounting Standards No. 91, which requires that loan origination and commitment fees and direct loan origination costs be deferred and the net amount amortized as an adjustment of the related loan s yield.

Bank Premises, Furniture and Equipment

Bank premises, furniture and equipment are carried at cost less accumulated depreciation. The provision for depreciation is computed for financial reporting by the straight-line-method based on the estimated useful lives of assets, which range from 7 to 40 years on buildings and leasehold improvements and 3 to 10 years on furniture, fixtures and equipment.

Intangible Assets

The excess of the cost of an acquired company over the fair value of the net assets and identified intangibles acquired is recorded as goodwill. The net carrying amount of intangible assets was $956 and $975 at December 31, 2008 and 2007, respectively.

Other Investments

Federal Home Loan Bank (FHLB) stock is recorded at cost and considered to be restricted as the Company is required by the FHLB to hold this investment, and the only market for this stock is the issuing agency. FHLB stock totaled $1,479 and $1,181 at December 31, 2008 and 2007, respectively, and is included in other assets in the accompanying balance sheet. The Company also held $187 in Silverton Bank, N.A. stock at December 31, 2008 and 2007.

Income Taxes

Deferred income taxes are reported for timing differences between items of income or expense reported in the financial statements and those reported for income tax purposes. The differences relate principally to accretion of discounts on investment securities, provision for loan losses, minimum pension liability, and differences between book and tax methods of depreciation.

Stock Based Compensation

The Company accounts for stock-based compensation in accordance with Statement of Financial Accounting Standards No. 123R, Share-Based Payment, (SFAS No. 123R) which was issued by the Financial Accounting Standards Board (FASB) in December 2004. SFAS No. 123R revises SFAS 123 Accounting for Stock Based Compensation, and supersedes APB No. 25, Accounting for Stock Issued to Employees, (APB No. 25) and its related interpretations. Under SFAS No. 123R, the Company is required to record compensation expense for all awards granted after the date of adoption and for any unvested options previously granted.

Foreclosed Assets Held for Resale

Foreclosed assets held for resale acquired in satisfaction of mortgage obligations and in foreclosure proceedings are recorded at the lower of cost or fair value less estimated selling costs at the time of foreclosure, with any valuation adjustments charged to the allowance for loan losses. Any unrealized gains or losses on sale are then recorded in other non-interest expense. At December 31, 2008 and 2007, the Company held other real estate of $818 and $55.

Net Income Per Common Share

Diluted net income per common share includes any dilutive effects of stock options, and is computed by dividing net income by the average number of common shares outstanding during the period, adjusted for the dilutive effect of options under The Company s 2003 Stock Incentive

Plan.

Table of Contents

Comprehensive Income

Accounting principles generally require that recognized revenue, expenses, gains and losses be included in net income. Although certain changes in assets and liabilities, such as unrealized gains and losses on available-for-sale securities and minimum pension liability, are reported as a separate component of the equity section of the balance sheet, such items, along with net income, are components of comprehensive income.

Endorsement Split-Dollar Life Insurance Arrangements

On January 1, 2008, the Company changed its accounting policy and recognized a cumulative-effect adjustment to retained earnings totaling $138 related to accounting for certain endorsement split-dollar life insurance arrangements in connection with the adoption of Emerging Issues Task Force Issue No. 06-4, *Accounting for Deferred Compensation and Postretirement Benefit Aspects of Endorsement Split Dollar Life Insurance Arrangements*.

Reclassifications

Certain amounts in the 2007 financial statements have been reclassified to conform to the 2008 financial statement presentation.

NOTE 2. INVESTMENT SECURITIES

Amortized cost and approximate market values of investment securities held-to-maturity at December 31, 2008, including gross unrealized gains and losses, are summarized as follows:

(Dollars in thousands)

	Amortized Cost	Unrealized Gain	Unrealized Loss	Approximate Market Value
Municipal securities	807	7	(1)	813
U. S. Agency securities	7,989	131		8,120
	$ 8,796	$ 138	$ (1)	$ 8,933

Amortized cost and approximate market values of investment securities held-to-maturity at December 31, 2007, including gross unrealized gains and losses, are summarized as follows:

	Amortized Cost	Unrealized Gain	Unrealized Loss	Approximate Market Value
Municipal securities	816	5	(2)	819
U. S. Agency securities	998			998
	$ 1,814	$ 5	$ (2)	$ 1,817

Amortized cost and approximate market values of investment securities available-for-sale at December 31, 2008 are summarized as follows:

	Amortized Cost	Unrealized Gain	Unrealized Loss	Approximate Market

				Value
U. S. Agency securities	$ 15,025	$ 327	$	$ 15,352
Mortgage-backed securities	2,325	5	(11)	2,319
Other securities	124			124
	$ 17,474	$ 332	$ (11)	$ 17,795

Table of Contents

Amortized cost and approximate market values of investment securities available-for-sale at December 31, 2007 are summarized as follows:

	Amortized Cost	Unrealized Gain	Unrealized Loss	Approximate Market Value
U. S. Agency securities	$ 21,793	$ 93	$ (32)	$ 21,854
Mortgage-backed securities	3,678		(56)	3,622
Corporate securities	700		(271)	429
Other securities	124			124
	$ 26,295	$ 93	$ (359)	$ 26,029

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

	December 31, 2008			
	Held to Maturity		Available for sale	
	Amortized Cost	Approximate Market Value	Amortized Cost	Approximate Market Value
Within one year	$	$	$ 103	$ 103
After one year, but within five	278	284	4,991	5,139
After five years, but within ten	5,416	5,481	7,556	7,608
After ten Years	3,102	3,168	4,824	4,945
Total	$ 8,796	$ 8,933	$ 17,474	$ 17,795

Investment securities with a carrying value of $21,904 and $20,512 at December 31, 2008 and 2007, respectively, were pledged to secure public funds and repurchase agreements.

The Company s investment portfolio includes securities that are in an unrealized loss position as of December 31, 2008, the details of which are included in the following table. Although these securities, if sold at December 31, 2008 would result in a pretax loss of $12, the Company has no intent to sell the applicable securities at such market values, and maintains the Company has the ability to hold these securities until all principal has been recovered. Declines in the market values of these securities can be traced to general market conditions which reflect the prospect for the economy as a whole. When determining other-than-temporary impairment on securities, the Company considers such factors as adverse conditions specifically related to a certain security or to specific conditions in an industry or geographic area, the time frame securities have been in an unrealized loss position, the Company s ability to hold the security for a period of time sufficient to allow for anticipated recovery in value, whether or not the security has been downgraded by a rating agency, and whether or not the financial condition of the security issuer has severely deteriorated.

As of December 31, 2008, 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 December 31, 2008, total temporary impairment totaled $12.

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

		Unrealized Loss		Unrealized Loss
U.S. Agencies (0)	$	$	$	$
Mortgage-backed securities (11)	1,343	(5)	133	(6)
Municipal securities (1)			226	(1)
	$ 1,343	$ (5)	$ 359	$ (7)

36

Table of Contents

NOTE 3. LOANS

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

(Dollars in thousands)

	2008	2007
Commercial and non-residential real estate	$ 137,872	$ 128,535
Residential real estate	52,303	42,030
Consumer and other	13,066	10,972
	$ 203,241	$ 181,537

Changes in the allowance for loan losses were as follows for the years ended December 31:

(Dollars in thousands)

	2008	2007
Balance at beginning of period	$ 1,733	$ 1,206
Losses charged to allowance	(483)	(68)
Recoveries credited to allowance	14	11
Provision for loan losses	596	584
Balance at end of period	$ 1,860	$ 1,733

Impaired loans are accounted for in accordance with Statement of Financial Accounting Standards No. 114, Accounting by Creditors for Impairment of Loans, as amended by Statement of Financial Accounting Standards No. 118. The Company considers a loan impaired when, based on current information and events, it is probable that a creditor will be unable to collect all amounts due according to the contractual terms of the loan agreement.

Impaired loan information for the years ended December 31:

	2008	2007
Impaired loans with an allocated allowance	$ 876	$
Impaired loans without an allocated allowance	417	470
Total impaired loans	$ 1,293	$ 470
Allocated allowance on impaired loans	162	
Average impaired loans	725	590
Income recognized on impaired loans	$ 44	$ 38

NOTE 4. BANK PREMISES, FURNITURE AND EQUIPMENT

Bank premises, furniture and equipment at December 31, were as follows:

(Dollars in thousands)

	2008	2007
Bank Premises	$ 7,509	$ 7,368
Equipment, furniture and fixtures	2,506	2,391
	10,015	9,759
Allowance for depreciation	(1,955)	(1,515)
	$ 8,060	$ 8,244

Table of Contents

NOTE 5. DEPOSITS

Deposits at December 31, were as follows:

(Dollars in thousands)

	2008	2007
Demand deposits of individuals, partnerships, and corporations		
Interest bearing	$ 17,317	$ 13,640
Non-interest bearing	20,304	18,557
Time and savings deposits of individuals, partnerships and corporations	132,924	120,683
Deposits of states and political subdivisions	898	3,996
Official checks	1,622	572
Total Domestic Deposits	$ 173,065	$ 157,448
Time deposits of over $100 included above	$ 36,725	$ 34,580

Maturities of certificates of deposit at December 31, 2008 were as follows:

2009	$ 53,824
2010	14,053
2011	3,538
2012	4,662
2013	6,144
Total	$ 82,221

NOTE 6. BORROWED FUNDS

The Company is a party to repurchase agreements with certain customers. As of December 31, 2008 and 2007, the company held repurchase agreements of $21,904 and $19,817. Information related to repurchase agreements is summarized below:

(Dollars in thousands)	2008	2007
Balance at end of year	$ 21,904	$ 19,817
Average balance during the year	19,420	18,360
Maximum month-end balance	23,783	20,481
Weighted-average rate during the year	1.56%	3.95%
Rate at December 31	0.69%	3.41%

MVB Bank, Inc. (the Bank) is a member of the Federal Home Loan Bank (FHLB) of Pittsburgh, Pennsylvania. The remaining maximum borrowing capacity with the FHLB at December 31, 2008 was approximately $22,806. At December 31, 2008 and 2007 the Bank had borrowed $30,942 and $23,583.

Table of Contents

Borrowings from the FHLB as of December 31 were as follows:

(Dollars in thousands)

	2008	2007
Fixed interest rate note, originating April 1999, due April 2014, interest of 5.405% is payable monthly	$ 1,000	$ 1,000
Fixed interest rate note, originating January 2005, due January 2020, payable in monthly installments of $11, including interest of 5.140%	1,087	1,158
Fixed interest rate note, originating April 2002, due May 2017, payable in monthly installments of $4, including interest of 5.90%	676	689
Floating interest rate note, originating March 2003, due December 2011, interest payable monthly, including interest of 0.59%	18,545	10,296
Fixed interest rate note, originating July 2006, due July 2016, payable in monthly installments of $8, including interest of 4.50%	1,417	1,452
Fixed interest rate note, originating October 2006, due October 2021, payable in monthly installments of $6, including interest of 5.20%	1,127	1,145
Fixed interest rate note, originating April 2007, due April 2022, payable in monthly installments of $6, including interest of 5.18%	1,068	1,085
Amortizing fixed interest rate note, originating February 2007, due February 2022, payable in monthly installments of $5, including interest of 5.22%	944	958
Fixed interest rate note, originating September 2007, due September 2008, interest of 4.53% payable quarterly		700
Fixed interest rate note, originating November 2007, due April 2008, interest of 4.80% payable quarterly		2,700
Fixed interest rate note, originating November 2007, due April 2008, interest of 4.60% payable quarterly		1,300
Fixed interest rate note, originating December 2007, due December 2017, payable in monthly installments of $7, including interest of 5.25%	1,078	1,100
Fixed interest rate note, originating March 2008. due March 2013, interest of 2.37% payable quarterly	2,000	
Fixed interest rate note, originating March 2008. due March 2009, interest of 2.26% payable quarterly	2,000	
	$ 30,942	$ 23,583

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

The Trust Preferred Securities and the Debentures mature in 30 years and are redeemable by the Company after five years. Interest payments are due in March, June, September and December and are adjusted at the interest due dates at a rate of 1.62% over the three month LIBOR Rate. The Company reflects borrowed funds in the amount of $4.1 million as of December 31, 2008 and 2007 and interest expense of $203 and $225 for the years ended December 31, 2008 and 2007.

Borrowings from the FHLB are secured by stock in the FHLB of Pittsburgh, qualifying first mortgage loans, mortgage-backed securities and certain investment securities.

Additionally the Bank has a line of credit of $3,000 available from Silverton Bank, N.A. There were no borrowings against this line of credit at December 31, 2008 or 2007.

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

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

Year	Amount
2009	$ 3,199
2010	210
2011	18,766
2012	232
2013	2,244
Thereafter	11,415
	$ 36,066

NOTE 7. COMMITMENTS AND CONTINGENT LIABILITIES

Financial Instruments with Off-Balance-Sheet Risk

The Company is a party to financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit and standby letters of credit. These instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amounts recognized in the statements of financial condition.

The Company s exposure to credit loss in the event of nonperformance by the other party to the financial instruments for commitments to extend credit and standby letters of credit is represented by the contractual amount of those instruments. The Company uses the same credit policies in making commitments and conditional obligations as it does for on-balance-sheet instruments.

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The Company evaluates each customers credit worthiness on a case-by-case basis. The amount and type of collateral obtained, if deemed necessary by the Company upon extension of credit, varies and is based on management s credit evaluation of the customer.

Standby letters of credit are conditional commitments issued by the Company to guarantee the performance of a customer to a third party. Standby letters of credit generally have fixed expiration dates or other termination clauses and may require payment of a fee. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loans to customers. The Company s policy for obtaining collateral, and the nature of such collateral, is essentially the same as that involved in making commitments to extend credit.

Total contractual amounts of the commitments as of December 31 were as follows:

(Dollars in thousands)

	2008	2007
Available on lines of credit	$ 44,165	$ 41,528
Stand-by letters of credit	1,814	1,000
Other loan commitments	563	608
	$ 46,542	$ 43,136

Concentration of Credit Risk

The Company grants a majority of its commercial, financial, agricultural, real estate and installment loans to customers throughout the Marion, Harrison, Jefferson and Berkeley County areas of West Virginia and adjacent counties. Collateral for loans is primarily residential and commercial real estate, personal property, and business equipment. The Company evaluates the credit worthiness of each of its customers on a

case-by-case basis, and the amount of collateral it obtains is based upon management s credit evaluation.

Litigation

The subsidiary bank is involved in various legal actions arising in the ordinary course of business. In the opinion of management and counsel, the outcome of these matters will not have a significant adverse effect on the consolidated financial statements.

Table of Contents

NOTE 8. INCOME TAXES

The Company records income taxes in accordance with Statement of Financial Accounting Standards No. 109 (FAS 109), Accounting for Income Taxes. FASB 109 is an asset and liability approach that requires the recognition of deferred income tax liabilities and assets for the expected future tax consequences of temporary differences between the carrying amounts and the tax basis of other assets and liabilities.

The amount reflected as income taxes represents federal and state income taxes on financial statement income. Certain items of income and expense, primarily the provision for possible loan losses, allowance for losses on foreclosed assets held for resale, depreciation, and accretion of discounts on investment securities are reported in different accounting periods for income tax purposes.

The provisions for income taxes for the years ended December 31, were as follows:

(Dollars in thousands)

Current:	**2008**	**2007**
Federal	$ 244	$ 451
State	43	80
	$ 287	$ 531
Deferred expense (benefit)		
Federal	$ (20)	$ (99)
State	(4)	(18)
	(24)	(117)
Income Tax expense	$ 263	$ 414

Following is a reconciliation of income taxes at federal statutory rates to recorded income taxes for the year ended December 31:

	2008		**2007**	
	Amount	**%**	**Amount**	**%**
Tax at Federal tax rate	$ 371	34.0%	$ 577	34.0%
Tax effect of:				
State income tax	27	2.5%	42	2.5%
Tax exempt earnings	(136)	-12.5%	(173)	-10.2%
Other	1	0.0%	(32)	-2.0%
	$ 263	24.0%	$ 414	24.3%

Deferred tax assets and liabilities are the result of timing differences in recognition of revenue and expense for income tax and financial statement purposes.

Deferred income tax liabilities and (assets) were comprised of the following at December 31:

	2008	**2007**
Depreciation	$ 255	$ 279
Pension	26	19

Gross deferred tax liabilities	281	298
Unrealized loss on securities available-for-sale	128	(106)
Allowance for loan losses	(643)	(636)
Minimum pension liability	(338)	(164)
Gross deferred tax (assets)	(853)	(906)
Net deferred tax (asset)	$ (572)	$ (608)

No deferred income tax valuation allowance is provided since it is more likely than not that realization of the deferred income tax asset will occur in future years.

Table of Contents

NOTE 9. RELATED PARTY TRANSACTIONS

The Company has granted loans to officers and directors of the Company and to their associates. Related party loans are made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with unrelated parties and do not involve more than normal risk of collectibility. Set forth below is a summary of the related loan activity.

(Dollars in thousands)	Balance at Beginning of Year	Borrowings	Repayments	Balance at end of Year
December 31, 2008	$ 6,213	$ 8,832	$ (1,528)	$ 13,517
December 31, 2007	$ 6,882	$ 1,038	$ (1,707)	$ 6,213

The Company held related party deposits of $5,981 and $7,358 at December 31, 2008 and December 31, 2007, respectively.

The Company held related party repurchase agreements of $1,867 and $5,051 at December 31, 2008 and December 31, 2007, respectively.

NOTE 10. PENSION PLAN

The Company participates in a trusteed pension plan known as the Allegheny Group Retirement Plan covering virtually all full-time employees. Benefits are based on years of service and the employee s compensation. The Company s funding policy is to fund normal costs of the plan as accrued. Contributions are intended to provide not only for benefits attributed to service to date, but also for those benefits expected to be earned in the future. The Company participated in the pension plan beginning January 1, 1999. The Company has recognized estimated pension expense of $301 and $300 for the years ended December 31, 2008 and 2007.

Information pertaining to the activity in the Company s defined benefit plan, using the latest available actuarial valuations with a measurement date of December 31, 2008 and 2007 is as follows:

(Dollars in thousands)	2008	2007
Change in benefit obligation		
Benefit obligation at beginning of year	$ 1,396	$ 836
Service cost	271	250
Interest cost	100	69
Actuarial loss	70	265
Benefits paid	(25)	(24)
Benefit obligation at end of year	$ 1,812	$ 1,396
Change in plan assets:		
Fair value of plan assets at beginning of year	$ 1,058	$ 664
Actual return on plan assets	(386)	118
Employer contribution	320	300
Benefits paid	(25)	(24)
Fair value of plan assets at end of year	$ 967	$ 1,058
Funded status	$ (845)	$ (338)
Unrecognized net actuarial loss	924	395
Unrecognized prior service cost	12	14

Prepaid pension cost recognized	$ 91	$ 71
Accumulated benefit obligation	$ 1,471	$ 1,089

Table of Contents

At December 31, 2008 and 2007, the weighted average assumptions used to determine the benefit obligation are as follows:

Discount rate	6.25%	6.25%
Rate of compensation increase	3.00%	3.00%

The components of net periodic pension cost are as follows:

Service cost	$ 232	$ 250
Interest cost	86	69
Expected return on plan assets	(87)	(57)
Amortization of prior service costs	2	3
Amortization of loss	25	35
Net periodic pension cost	$ 258	$ 300

At December 31, 2008 and 2007, the weighted average assumptions used to determine net periodic pension cost are as follows:

Discount rate	6.25%	6.00%
Expected long-term rate of return on plan assets	8.00%	8.50%
Rate of compensation increase	3.00%	3.00%

The Company s pension plan asset allocations at December 31, 2008 and 2007, as well as target allocations for 2009 are as follows:

Asset Category	**2009 Target**	**12/31/2008**	**12/31/2007**
Equity securities	70%	64%	67%
Balanced fund	25%	30%	28%
Other	5%	6%	5%
Total	100%	100%	100%

The net transition obligation (asset), prior service cost (credit), and estimated net loss (gain) for the plan that are expected to be amortized from accumulated other comprehensive income into net periodic benefit cost over the next fiscal year are shown in the table below.

	2009	**2008**
Expected amortization of transition obligation (asset)	$	$
Expected amortization of prior service cost (credit)	2	2
Expected amortization of net loss (gain)	33	26

Below we show the best estimate of the plan contribution for next fiscal year. We also show the benefits expected to be paid in each of the next five fiscal years, and in the aggregate for the five fiscal years thereafter.

	Cash Flow
Contributions for the period of 1/1/2009 through 12/31/2009	$ 338,751
Estimated future benefit payments reflecting expected future service	

1/1/2009 through 12/31/2009	$ 41,576
1/1/2010 through 12/31/2010	46,760
1/1/2011 through 12/31/2011	56,802
1/1/2012 through 12/31/2012	85,286
1/1/2013 through 12/31/2013	97,032
1/1/2014 through 12/31/2018	574,533

Table of Contents

NOTE 11. INTANGIBLE ASSETS

On October 7, 2005, the Company purchased a full service office in the Charles Town area of Jefferson County West Virginia. This office held assets of $1.8 million and total deposits of $17.1 million. As a result of this transaction, the Company recorded intangible assets. As of December 31, 2008 the Company has allocated $60 to core deposit intangibles, which are being amortized using the double-declining balance method over 10 years. The remaining $896 has been recorded as goodwill, and is evaluated for impairment on October 1st each year by the Company.

NOTE 12. STOCK OFFERING

During 2008 the Company closed a public stock offering of 200,000 shares of common stock by issuing 89,208 shares, in addition to 29,350 shares issued in 2007. This offering when completed totaled $2.3 million. The proceeds of this offering were used to support the growth of the bank and to increase the legal lending limit to one borrower. At December 31, 2007, outstanding shares totaled 1,508,081. During 2008, the Company issued 95,541 shares, concluding 2008 with outstanding shares of 1,603,622.

NOTE 13. STOCK OPTIONS

The MVB Financial Corp. Incentive Stock Plan provides for the issuance of stock options to selected employees. Under the provisions of the plan, the option price per share shall not be less than the fair market value of the common stock on the date of the grant. All options granted prior to 2004 vest in 4 years, and expire 10 years from the date of grant. For options granted in 2004 and 2005 the vesting period has been accelerated to fully vest at December 31, 2005. These options also expire 10 years from the date of the grant. Options granted in 2006 and 2007 vest in 5 years and expire 10 years from the date of the grant.

The following summarizes MVB s stock options as of December 31, and the changes for the year then ended:

	2008		2007	
	Number of Shares	**Weighted-Average Exercise Price**	**Number of Shares**	**Weighted-Average Exercise Price**
Outstanding at beginning of year	167,330	$ 14.91	176,812	$ 14.63
Granted			15,000	16.00
Adjust for 5% stock dividend		$		$
Exercised	(6,323)		(14,482)	
Forfeited/expired			(10,000)	
Outstanding at end of year	161,007	$ 15.05	167,330	$ 14.91
Exercisable at end of year	147,507	$ 15.00	150,330	$ 14.78
Weighted-average fair value of options granted during the year		N/A		$ 3.52

The fair value for the options was estimated at the date of grant using a Black-Scholes option-pricing model with an average risk-free interest rate of 4.65% for 2007, and a weighted-average expected life of the options of 7 years for 2007. The expected volatility of MVB s stock price used for 2007 options was 12.5% and the expected dividend yield used was .500%.

The following summarizes information concerning MVB s stock options outstanding at December 31, 2008:

	Options Outstanding			Options Exercisable	
Exercise Price	Options Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
$ 9.98	22,490	2.00	$ 9.98	22,490	$ 9.98
$ 10.48	1,575	3.00	$ 10.48	1,575	$ 10.48
$ 12.38	2,100	6.00	$ 12.38	2,100	$ 12.38
$ 16.00	134,842	8.00	$ 16.00	121,342	$ 16.00

NOTE 14. REGULATORY CAPITAL REQUIREMENTS

The Bank is subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory, and possibly additional discretionary, actions by regulators that, if undertaken, could have a direct material effect on the Company s financial statements. Under capital adequacy guidelines the Bank must meet specific capital guidelines that involve quantitative measures of the Bank s assets, liabilities, and certain off-balance sheet items as calculated under regulatory accounting practices. The Bank s capital amounts and classifications are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.