MVB FINANCIAL CORP
Form 10-Q
November 14, 2011

United States
Securities and Exchange Commission

Washington, D.C. 20549

FORM 10-Q

(Mark One)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended September 30, 2011

OR

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

Commission File number 333-120931

MVB Financial Corp.
(Exact name of registrant as specified in its charter)

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

301 Virginia Avenue
Fairmont, West Virginia 26554-2777
(Address of principal executive offices)

304-363-4800
(Issuer's telephone number)

Not Applicable
(Former name, address, and fiscal year, if changed since last report)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes [X]   No [ ]

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

Large accelerated filer

Accelerated filer

Non-accelerated filer   (Do not check if a smaller reporting company)

Smaller reporting company   [X]

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

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

As of November 14, 2011, the number of shares outstanding of the issuer's only class of common stock was 2,234,767.

MVB Financial Corp.

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Item 1.	Financial Statements
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	Consolidated Statements of Income for the Nine and Three Months ended September 30, 2011 and 2010
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Part I. Financial Information

Item 1. Financial Statements

MVB Financial Corp. and Subsidiaries
Consolidated Balance Sheets
(Dollars in thousands, except Share and Per Share Data)

	September 30 2011 (Unaudited)	December 31 2010 (Note 1)
Assets		
Cash and due from banks	$ 10,667	$ 3,713
Interest bearing balances	6,962	10,091
Certificates of deposits in other banks	9,918	17,734
Investment securities:		
Securities held-to-maturity, at cost	10,168	7,460
Securities available-for-sale, at approximate fair value	102,292	61,824
Loans:	357,830	294,044
Less: Allowance for loan losses	(2,676)	(2,478)
Net loans	355,154	291,566
Loans held for sale	3,352	1,839
Bank premises, furniture and equipment, net	7,673	7,579
Accrued interest receivable and other assets	13,993	12,461
Total assets	$ 520,179	$ 414,267
Liabilities		
Deposits		
Non-interest bearing	$ 42,345	$ 28,449
Interest bearing	335,540	271,985
Total deposits	377,885	300,434
Accrued interest, taxes and other liabilities	2,302	2,703
Repurchase agreements	77,826	47,623
Federal Home Loan Bank and other borrowings	9,823	28,614
Long-term debt	4,124	4,124
Total liabilities	471,960	383,498
Stockholders' equity		
Preferred stock, $1,000 par value, 8,500 shares authorized and issued	8,500	-
Common stock, $1 par value, 4,000,000 authorized, 2,234,767 and 1,802,391 issued	2,235	1,802
Additional paid-in capital	32,574	23,864
Common stock paid for but not issued, par value $1; 90,560 shares	-	1,729
Treasury stock, 51,077 and 47,218 shares, respectively	(1,084)	(1,006)
Retained earnings	5,792	4,643
Accumulated other comprehensive income/(loss)	202	(263)
Total stockholders' equity	48,219	30,769
Total liabilities and stockholders' equity	$ 520,179	$ 414,267

See accompanying notes to unaudited financial statements.

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MVB Financial Corp. and Subsidiaries
Consolidated Statements of Income
(Unaudited) (Dollars in Thousands except Share and Per Share Data)

	Nine Months Ended September 30		Three Months Ended September 30	
	2011	2010	2011	2010
Interest income				
Interest and fees on loans	$12,043	$9,795	$4,306	$3,449
Interest on deposits with other banks	60	501	11	115
Interest on investment securities – taxable	1,101	1,071	393	401
Interest on tax exempt loans and securities	625	586	211	224
Total interest income	13,829	11,953	4,921	4,189
Interest expense				
Deposits	2,909	3,379	969	1,105
Repurchase agreements	358	338	125	115
FHLB and other borrowings	349	385	114	123
Long-term debt	60	62	20	23
Total interest expense	3,676	4,164	1,228	1,366
Net interest income	10,153	7,789	3,693	2,823
Provision for loan losses	1,221	760	591	240
Net interest income after provision for loan losses	8,932	7,029	3,102	2,583
Other income				
Service charges on deposit accounts	471	498	178	143
Income on bank owned life insurance	206	193	78	64
Visa debit card income	309	263	106	93
Income on loans held for sale	591	372	318	170
Other operating income	401	311	170	95
Gain on sale of securities	485	88	129	32
Total other income	2,463	1,725	979	597
Other expense				
Salary and employee benefits	4,816	3,501	1,725	1,267
Occupancy expense	497	446	182	149
Equipment expense	439	350	152	127
Data processing	252	355	147	78
Visa debit card expense	245	218	84	79
Advertising	283	215	121	73
Legal and accounting fees	292	122	151	42
Printing, stationery and supplies	123	97	38	31
Consulting fees	291	116	92	61
FDIC insurance	322	395	79	129
Other taxes	126	140	40	47
Other operating expenses	967	709	341	252
Total other expense	8,653	6,664	3,152	2,335
Income before income taxes	2,742	2,090	929	845

Income tax expense	767	535	256	225
Net income	$1,975	$1,555	$673	$620
Basic net income per share	$0.92	$0.97	$0.31	$0.39
Diluted net income per share	$0.91	$0.96	$0.30	$0.38
Basic weighted average shares outstanding	2,135,826	1,599,382	2,185,703	1,593,629
Diluted weighted average shares outstanding	2,171,967	1,624,241	2,221,844	1,618,488

See accompanying notes to unaudited financial statements.

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

	Nine Months Ended 2011	September 30 2010
Operating activities		
Net income	$ 1,975	$ 1,555
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	1,221	760
Deferred income tax expense/(benefit)	145	(274)
Depreciation	343	338
Stock based compensation	88	27
Loans originated for sale	(31,675)	(27,717)
Proceeds of loans sold	30,162	26,957
Proceeds from sale of other real estate owned	312	866
(Gain) on sale of other real estate owned	-	(61)
(Gain) on sale of investment securities	(485)	-
Amortization, net of accretion	613	331
(Increase) in interest receivable and other assets	(198)	(4)
(Decrease)/increase in accrued interest, taxes, and other liabilities	(401)	760
Net cash provided by operating activities	2,100	3,538
Investing activities		
(Increase) in loans made to customers	(64,809)	(46,939)
Purchases of premises and equipment	(437)	(196)
Decrease/(increase) in interest bearing balances with banks, net	3,129	(17,695)
Purchases of certificates of deposit in other banks	(9,918)	(16,321)
Maturities of certificates of deposit in other banks	17,734	44,886
Purchases of investment securities available-for-sale	(215,143)	(59,976)
Proceeds from sales, maturities and calls of securities		
Available-for-sale	175,336	31,501
Proceeds from sales, maturities and calls of securities		
held to maturity	1,225	474
Purchases of investment securities held-to-maturity	(3,948)	(985)
Purchase of bank owned life insurance	(2,100)	-
Net cash (used in) investing activities	(98,931)	(65,251)
Financing activities		
Net increase in deposits	77,451	52,465
Net increase in repurchase agreements	30,203	18,942
Proceeds from Federal Home Loan Bank borrowings	63,594	92,500
Principal payments on Federal Home Loan Bank borrowings	(82,385)	(101,657)
Purchase of treasury stock	(78)	(304)
Net proceeds of stock offering	6,500	-
Common stock options exercised	-	38
Issuance of preferred stock	8,500	-
Net cash provided by financing activities	103,785	61,984
Increase in cash and cash equivalents	6,954	271

Cash and cash equivalents - beginning of period	3,713	2,321
Cash and cash equivalents - end of period	$ 10,667	$ 2,592
Cash payments for:		
Interest on deposits, repurchase agreements and borrowings	$ 3,763	$ 4,296
Income taxes	$ 686	$ 516

See accompanying notes to unaudited financial statements.

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MVB Financial Corp. and Subsidiaries

Notes to Consolidated Financial Statements

Note 1 – Basis of Presentation

These consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with instructions to Form 10-Q and Section 310(b) of Regulation SB. Accordingly, they do not include all the information and footnotes required by generally accepted accounting principles for annual year-end financial statements. In the opinion of management, all adjustments considered necessary for a fair presentation, have been included and are of a normal, recurring nature. The balance sheet as of December 31, 2010 has been derived from the audited financial statements at that date, but does not include all of the information and footnotes required by generally accepted accounting principles. Operating results for the nine and three months ended September 30, 2011 are not necessarily indicative of the results that may be expected for the year ending December 31, 2011.

The accounting and reporting policies of MVB conform to accounting principles generally accepted in the United States and practices in the banking industry. The preparation of the financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Estimates, such as the allowance for loan losses, are based upon known facts and circumstances. Estimates are revised by management in the period such facts and circumstances change. Actual results could differ from those estimates. All significant inter-company accounts and transactions have been eliminated in consolidation.

The consolidated balance sheet as of December 31, 2010 has been extracted from audited financial statements included in MVB's 2010 filing on Form 10-K. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States have been omitted. These financial statements should be read in conjunction with the financial statements and notes thereto included in MVB's December 31, 2010, Form 10-K filed with the Securities and Exchange Commission.

Management has reviewed events occurring through November 14, 2011, the date the financial statements were issued and no subsequent events transpired requiring accrual or disclosure.

Note 2. - Loans

The following table summarizes the primary segments of the ALL, segregated into the amount required for loans individually evaluated for impairment and the amount required for loans collectively evaluated for impairment as of September 30, 2011. Activity in the allowance is presented for the period ended September 30, 2011 (in thousands):

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	Commercial	Residential	Home Equity	Installment	Credit Card	Total
ALL balance 12/31/10	$ 1,517	$ 460	$ 207	$ 274	$ 20	$ 2,478
Charge-offs	(554)	(354)	(114)	(29)	(3)	(1,054)
Recoveries	4	-	10	17	-	31
Provision	849	332	68	(31)	3	1,221
ALL balance 9/30/11	$ 1,816	$ 438	$ 171	$ 231	$ 20	$ 2,676
Individually evaluated for impairment	$ 1,329	$ 95	$ 54	$ 104	$ 3	$ 1,585
Collectively evaluated for impairment	$ 487	$ 343	$ 117	$ 127	$ 17	$ 1,091

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

The following table summarizes the primary segments of the loan portfolio as of September 30, 2011 (in thousands):

	Commercial	Residential	Home Equity	Installment	Credit Cards	Total
Sept. 30, 2011						
Total Loans	$ 230,583	$ 99,578	$ 15,038	$ 12,045	$ 586	$ 357,830
Individually evaluated for impairment	$ 2,583	$ 77	$ 43	$ 8	$ -	$ 2,711
Collectively evaluated for impairment	$ 228,000	$ 99,501	$ 14,995	$ 12,037	$ 586	$ 355,119

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

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

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

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

The following table presents impaired loans by class, segregated by those for which a specific allowance was required and those for which a specific allowance was not necessary as of September 30, 2011 (in thousands):

	Impaired Loans with Specific Allowance		Impaired Loans with No Specific Allowance	Total Impaired Loans	
Sept. 30, 2011	Recorded Investment	Related Allowance	Recorded Investment	Recorded Investment	Unpaid Principal Balance
Commercial	$-	$-	$2,583	$2,583	$2,583
Residential	77	77	-	77	77
Home Equity	43	43	-	43	43
Installment	8	8	-	8	8
Credit Card	-	-	-	-	-
Total impaired loans	$128	$128	$2,583	$2,711	$2,711

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

	Impaired Loans with Specific Allowance		Impaired Loans with No Specific Allowance	Total Impaired Loans	
Dec 31, 2010	Recorded Investment	Related Allowance	Recorded Investment	Recorded Investment	Unpaid Principal Balance
Commercial	$59	$20	$334	$393	$393
Residential	165	75	32	197	197

Home Equity	262	99	0	262	262
Installment	0	0	0	0	0
Credit Card	4	4	0	4	4
Total impaired loans	$490	$198	$366	$856	$856

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

	Sept. 2011	Sept. 2010
Average investment in impaired loans	$1,144	$1,220
Interest income recognized on an accrual basis on impaired loans	$47	$49

Management uses a nine point internal risk rating system to monitor the credit quality of the overall loan portfolio. The first six categories are considered not criticized, and are aggregated as "Pass" rated. The criticized rating categories utilized by management generally follow bank regulatory definitions. The Special Mention category includes assets that are currently protected but are potentially weak, resulting in an undue and unwarranted credit risk, but not to the point of justifying a Substandard classification. Loans in the Substandard category have well-defined weaknesses that jeopardize the liquidation of the debt, and have a distinct possibility that some loss will be sustained if the weaknesses are not corrected. All loans greater than 90 days past due are considered Substandard. The portion of any loan that represents a specific allocation of the allowance for loan losses is placed in the Doubtful category. Any portion of a loan that has been charged off is placed in the Loss category.

To help ensure that risk ratings are accurate and reflect the present and future capacity of borrowers to repay a loan as agreed, the Bank has a structured loan rating process with several layers of internal and external oversight. Generally, consumer and residential mortgage loans are included in the Pass categories unless a specific action, such as bankruptcy, repossession, or death occurs to raise awareness of a possible credit event. The Bank's Chief Credit Officer is responsible for the timely and accurate risk rating of the loans in the portfolio at origination and on an ongoing basis. The Credit Department performs an annual review of all commercial relationships $500,000 or greater. Confirmation of the appropriate risk grade is included in the review on an ongoing basis. The Bank has an experienced Credit Department that continually reviews and assesses loans within the portfolio. The Bank engages an external consultant to conduct loan reviews on at least an annual basis. Generally, the external consultant reviews larger commercial relationships or criticized relationships. The Credit Department compiles detailed reviews, including plans for resolution, on loans classified as Substandard on a quarterly basis. Loans in the Special Mention and Substandard categories that are collectively evaluated for impairment are given separate consideration in the determination of the allowance.

The following table represents the classes of the loan portfolio summarized by the aggregate Pass and the criticized categories of Special Mention, Substandard and Doubtful within the internal risk rating system as of September 30, 2011 and December 31, 2010 (in thousands):

Sept. 30, 2011	Pass	Special Mention	Substandard	Doubtful	Total
Commercial	$216,852	$6,830	$4,318	$2,583	$230,583
Residential	98,040	1,286	175	77	99,578
Home Equity	14,872	97	26	43	15,038
Installment	11,657	223	157	8	12,045
Credit Card	583	-	3	-	586
Total	$342,004	$8,436	$4,679	$2,711	$357,830

December 31, 2010	Pass	Special Mention	Substandard	Doubtful	Total

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

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Management further monitors the performance and credit quality of the loan portfolio by analyzing the age of the portfolio as determined by the length of time a recorded payment is past due. The following table presents the classes of the loan portfolio summarized by the aging categories of performing loans and nonaccrual loans as of September 30, 2011and December 31, 2010 (in thousands):

	Current	30-59 Days Past Due	60-89 Days Past Due	90 Days Past Due	Total Past Due	Non-Accrual	Total Loans
Sept. 30, 2011							
Commercial	$224,036	$341	$2,935	$-	$3,276	$3,271	$230,583
Residential	98,916	58	188	76	322	340	99,578
Home Equity	14,896	75	-	-	75	67	15,038
Installment	11,756	63	28	42	133	156	12,045
Credit Card	586	-	-	-	-	-	586
Total	$350,190	$537	$3,151	$118	$3,806	$3,834	$357,830

	Current	30-59 Days Past Due	60-89 Days Past Due	90 Days Past Due	Total Past Due	Non-Accrual	Total Loans
Dec 31, 2010							
Commercial	$193,414	$241	-	$217	$458	$828	$194,700
Residential	68,529	1,761	272	143	2,176	981	71,686
Home Equity	13,979	28	18	47	93	262	14,334
Installment	12,222	141	158	155	454	154	12,830
Credit Card	490	-	-	-	-	4	494
Total	$288,634	$2,171	$448	562	$3,181	$2,229	$294,044

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

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

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

The classes described above, which are based on the Federal call code assigned to each loan, provide the starting point for the ALL analysis. Management tracks the historical net charge-off activity at the call code level. A historical charge-off factor is calculated utilizing a defined number of consecutive historical quarters. Commercial, Mortgage and Consumer pools currently utilize a rolling 12 quarters.

"Pass" rated credits are segregated from "Criticized" credits for the application of qualitative factors. Loans in the criticized pools, which possess certain qualities or characteristics that may lead to collection and loss issues, are closely monitored by management and subject to additional qualitative factors.

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Management has identified a number of additional qualitative factors which it uses to supplement the historical charge-off factor because these factors are likely to cause estimated credit losses associated with the existing loan pools to differ from historical loss experience. The additional factors that are evaluated quarterly and updated using information obtained from internal, regulatory, and governmental sources are: national and local economic trends and conditions; levels of and trends in delinquency rates and non-accrual loans; trends in volume and terms of loans; effects of changes in lending policies; experience, ability, and depth of lending staff; value of underlying collateral; and concentrations of credit from a loan type, industry and/or geographic standpoint.

Management reviews the loan portfolio on a quarterly basis using a defined, consistently applied process in order to make appropriate and timely adjustments to the ALL. When information confirms all or part of specific loans to be uncollectible, these amounts are promptly charged off against the ALL.

Historically, management has utilized an internally developed spreadsheet to track and apply the various components of the allowance.

The following table presents details related to loans identified as TDRs during the three and nine months ended September 30, 2011:

	New TDRs (1)					
	For the Three Months Ended 30-Sep-11			For the Nine Months Ended 30-Sep-11		
(Unaudited, dollars in thousands)	Number of Contracts	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment	Number of Contracts	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
Commercial real estate:	-	-	-	-		
Land and construction	1	2,745	2,250	1	2,745	2,250
Other			-	-	-	-
Total commercial real estate	1 (1)	2,745	2,250	1	2,745	2,250
Commercial and industrial	-	-	-	-	-	-
Residential real estate	1	418	418	1	418	418
Home equity	-	-	-	-	-	-
Consumer	-	-	-	-	-	-
Total	2	3,163	2,668	2	3,163	2,668

(1) Excludes loans that were either paid off or charged-off by period end. The pre-modification balance represents the balance outstanding at the beginning of the period. The post-modification balance represents the outstanding balance at period end.

Note 3. Borrowed Funds

The Company is a party to repurchase agreements with certain customers. As of September 30, 2011 and December 31, 2010, the Company had repurchase agreements of $77.8 million and $47.6 million.

The bank is a member of the Federal Home Loan Bank ("FHLB") of Pittsburgh, Pennsylvania. Borrowings from the FHLB are secured by stock in the FHLB of Pittsburgh, qualifying first mortgage loans, mortgage-backed securities and certain investment securities. The remaining maximum borrowing capacity with the FHLB at September 30, 2011 was approximately $117.1 million.

Borrowings from the FHLB were as follows: (dollars in thousands)	Sept 30 2011	Dec 31 2010
Fixed interest rate note, originating April 1999, due April 2014, interest of 5.41% is payable monthly.	$1,000	$1,000
Fixed interest rate note, originating January 2005, due January 2020, interest of 5.14% is payable in monthly installments of $11.	872	933
Fixed interest rate note, originating April 2002, due May 2017, interest of 5.90% is payable monthly.	635	647
Fixed interest rate note, originating July 2006, due July 2016, interest of 4.50% is payable in monthly installments of $8.	1,311	1,341
Fixed interest rate note, originating October 2006, due October 2021, interest of 5.20% is payable in monthly installments of $6.	1,073	1,089
Fixed interest rate note, originating February 2007, due February 2022, interest of 5.22% is payable in monthly installments of $5.	901	913
Fixed interest rate note, originating April 2007, due April 2022, interest of 5.18% is payable in monthly installments of $6.	1,019	1,034
Floating interest rate note, originating March 2003, due December 2011, interest of 0.68% payable monthly.	-	14,126
Fixed interest rate note, originating December 2007, due December 2017, interest of 5.25% is payable in monthly installments of $7.	1,012	1,031
Fixed interest rate note originating March 2008, due March 2013, interest of 2.37% payable quarterly.	2,000	2,000
	$9,823	$24,114

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In March 2007 the Company completed the private placement of $4 million Floating Rate, Trust Preferred Securities through its MVB Financial Statutory Trust I subsidiary (the "Trust"). The Company established the trust for the sole purpose of issuing the Trust Preferred Securities pursuant to an Amended and Restated Declaration of Trust. The proceeds from the sale of the Trust Preferred Securities 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 September 30, 2011 and 2010 and interest expense of $60 and $62 for the periods ended September 30, 2011 and 2010.

The bank had borrowed $4,500 in overnight funds at the Federal Reserve discount window on December 31, 2010 at a rate of 0.75%

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

(dollars in thousands)

Year	Amount
2011	$ 56
2012	232
2013	2,244
2014	1,257
2015	271
Thereafter	9,887
	$ 13,947

Note 4. - Comprehensive Income

The Company is required to present comprehensive income in a full set of general-purpose financial statements for all periods presented. The following represents comprehensive income for the nine and three month periods ended September 30, 2011 and September 30, 2010.

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

(in thousands)	For the three months ended Sept. 30, 2011	For the three months ended Sept. 30, 2010	For the nine months ended Sept. 30, 2011	For the nine months ended Sept. 30, 2010
Unrealized gain (loss) on securities available for sale	$ 156	$ 257	$ 774	$ 747
Pension liability adjustment	-	-	-	(139)
Tax effect	(62)	(103)	(310)	(243)
Net of tax effect	94	154	464	365

Net income as reported	673	620	1,975	1,555
Total comprehensive income	$ 767	$ 774	$ 2,439	$ 1,920

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Note 5 – Net Income Per Common Share

MVB determines basic earnings per share by dividing net income by the weighted average number of common shares outstanding during the period. Diluted earnings per share is determined by dividing net income by the weighted average number of shares outstanding increased by the number of shares that would be issued assuming the exercise of stock options. At September 30, 2011 and 2010, stock options to purchase 148,423 and 124,297 shares at an average price of $15.13 and $16.00, respectively, were outstanding. For the three months ended September 30, 2011 and 2010, the dilutive effect of stock options was 36,141 and 24,859 shares, respectively.

Note 6 – Recent Accounting Pronouncements

In July 2010, the Financial Accounting Standards Board ("FASB") issued ASU No. 2010-20, Receivables (Topic 310): Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses. ASU 2010-20 is intended to provide additional information to assist financial statement users in assessing an entity's credit risk exposures and evaluating the adequacy of its allowance for credit losses. The disclosures as of the end of a reporting period are effective for interim and annual reporting periods ending on or after December 15, 2010. The disclosures about activity that occurs during a reporting period are effective for interim and annual reporting periods beginning on or after December 15, 2010. The amendments in ASU 2010-20 encourage, but do not require, comparative disclosures for earlier reporting periods that ended before initial adoption. However, an entity should provide comparative disclosures for those reporting periods ending after initial adoption. The Company has provided the necessary disclosures in Note 2 herein.

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

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

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In April 2011, the FASB issued ASU 2011-02, Receivables (Topic 310): A Creditor's Determination of Whether a Restructuring Is a Troubled Debt Restructuring. The amendments in this Update provide additional guidance or clarification to help creditors in determining whether a creditor has granted a concession and whether a debtor is experiencing financial difficulties for purposes of determining whether a restructuring constitutes a troubled debt restructuring. The amendments in this Update are effective for the first interim or annual reporting period beginning on or after June 15, 2011, and should be applied retrospectively to the beginning annual period of adoption. As a result of applying these amendments, an entity may identify receivables that are newly considered impaired. For purposes of measuring impairment of those receivables, an entity should apply the amendments prospectively for the first interim or annual period beginning on or after June 15, 2011. The Company has provided the necessary disclosures in Note 2.

In April 2011, the FASB issued ASU 2011-03, Reconsideration of Effective Control for Repurchase Agreements. The main objective in developing this Update is to improve the accounting for repurchase agreements (repos) and other agreements that both entitle and obligate a transferor to repurchase or redeem financial assets before their maturity. The amendments in this Update remove from the assessment of effective control (1) the criterion requiring the transferor to have the ability to repurchase or redeem the financial assets on substantially the agreed terms, even in the event of default by the transferee, and (2) the collateral maintenance implementation guidance related to that criterion. The amendments in this Update apply to all entities, both public and nonpublic. The amendments affect all entities that enter into agreements to transfer financial assets that both entitle and obligate the transferor to repurchase or redeem the financial assets before their maturity. The guidance in this Update is effective for the first interim or annual period beginning on or after December 15, 2011 and should be applied prospectively to transactions or modifications of existing transactions that occur on or after the effective date. Early adoption is not permitted. This ASU is not expected to have a significant impact on the Company's financial statements.

In May 2011, the FASB issued ASU 2011-04, Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs. The amendments in this Update result in common fair value measurement and disclosure requirements in U.S. GAAP and IFRSs. Consequently, the amendments change the wording used to describe many of the requirements in U.S. GAAP for measuring fair value and for disclosing information about fair value measurements. The amendments in this Update are to be applied prospectively. For public entities, the amendments are effective during interim and annual periods beginning after December 15, 2011. For nonpublic entities, the amendments are effective for annual periods beginning after December 15, 2011. Early application by public entities is not permitted. This ASU is not expected to have a significant impact on the Company's financial statements.

In June 2011, the FASB issued ASU 2011-05, Presentation of Comprehensive Income. The amendments in this Update improve the comparability, clarity, consistency, and transparency of financial reporting and increase the prominence of items reported in other comprehensive income. To increase the prominence of items reported in other comprehensive income and to facilitate convergence of U.S. GAAP and IFRS, the option to present components of other comprehensive income as part of the statement of changes in stockholders' equity was eliminated. The amendments require that all non-owner changes in stockholders' equity be presented either in a single continuous statement of comprehensive income or in two separate but consecutive statements. In the two-statement approach, the first statement should present total net income and its components followed consecutively by a second statement that should present total other comprehensive income, the components of other comprehensive income, and the total of comprehensive income. All entities that report items of comprehensive income, in any period presented, will be affected by the changes in this Update. For public entities, the amendments are effective for fiscal years, and interim periods within those years, beginning after December 15, 2011. For nonpublic entities, the amendments are effective for fiscal years ending after December 15, 2012, and interim and annual periods thereafter. The amendments in this Update should be applied retrospectively, and early adoption is permitted. This ASU is not expected to have a significant impact on the Company's financial statements.

In September 2011, the FASB issued ASU 2011-08, Intangibles – Goodwill and Other Topics (Topic 350), Testing Goodwill for Impairment. The objective of this update is to simplify how entities, both public and nonpublic, test goodwill for impairment. The amendments in the Update permit an entity to first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform the two-step goodwill impairment test described in Topic 350. The more-likely-than