

MVB FINANCIAL CORP
Form 10-Q/A
May 16, 2014

**United States
Securities and Exchange Commission**

Washington, D.C. 20549

FORM 10-Q/A

(Mark One)

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

For the quarterly period ended March 31, 2014

OR

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

For the transition period from to .

Commission File number 000-50567

MVB Financial Corp.

(Exact name of registrant as specified in its charter)

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West Virginia

(State or other jurisdiction of incorporation or organization)

20-0034461

(I.R.S. Employer Identification No.)

301 Virginia Avenue

Fairmont, West Virginia 26554-2777

(Address of principal executive offices)

304-363-4800

(Registrant's telephone number, including area code)

Not Applicable

(Former name, former address, and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant has (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes 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 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

Smaller reporting company

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

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

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As of May 15, 2014, the number of shares outstanding of the issuer's only class of outstanding common stock was 8,025,409.

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Explanatory Note

MVB Financial Corp. (the Company) is filing this Form 10-Q/A as an amendment (the Amendment) to the Company's Current Report on Form 10-Q which reported quarterly results and activities pursuant for the period ending March 31, 2014, which was filed with the Securities and Exchange Commission on May 15, 2014 (the Original 10-Q). This Amendment No. 1 to the Original 10-Q is being filed to update Part II, Item 2 (Unregistered Sales of Equity Securities and Use of Proceeds) with the information contained in the Original 10-Q in Note 7 of Part I, Item 2 (Financial Statements), as this information for Part II, Item 2, which should have been identical to Note 7 of Part I, Item 2, was inadvertently omitted in the initial filing.

Except for the foregoing, this Amendment does not amend the Original 10-Q in any way and does not modify or update any other disclosures contained in the Original 10-Q. Accordingly, this Amendment should be read in conjunction with the Original 10-Q.

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MVB Financial Corp.

Part I. Financial Information

Item 1. Financial Statements

The unaudited interim consolidated financial statements of MVB Financial Corp. (the Company or MVB) and subsidiaries (Subsidiaries) including MVB Bank, Inc. (the Bank or MVB Bank) and its wholly-owned subsidiary MVB Mortgage and MVB Insurance, LLC (MVB Insurance) listed below are included on pages 3-27 of this report.

Consolidated Balance Sheets as of March 31, 2014 and December 31, 2013

Consolidated Statements of Income for the Three Months ended March 31, 2014 and 2013

Consolidated Statements of Comprehensive Income for the Three Months ended March 31, 2014 and 2013

Consolidated Statements of Cash Flows for the Three Months ended March 31, 2014 and 2013

Notes to Consolidated Financial Statements

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

Management's Discussion and Analysis of Financial Condition and Results of Operations are included on pages 28-41 of this report.

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Part I. Financial Information

Item 1. Financial Statements

MVB Financial Corp. and Subsidiaries

Consolidated Balance Sheets

(Dollars in thousands except per share data)

	March 31 2014 (Unaudited)	December 31 2013 (Note 1)
Assets		
Cash and cash equivalents:		
Cash and due from banks	\$ 17,294	\$ 28,907
Interest bearing balances	15,318	10,936
Total cash and cash equivalents	32,612	39,843
Certificates of deposits in other banks	9,427	9,427
Investment securities:		
Securities available-for-sale	104,592	106,411
Securities held-to-maturity (fair value of \$55,741 for 2014 and \$54,118 for 2013)	56,823	56,670
Loans held for sale	50,201	89,186
Loans:	675,558	622,305
Less: Allowance for loan losses	(5,451)	(4,935)
Net loans	670,107	617,370
Bank premises, furniture and equipment	18,926	16,919
Bank owned life insurance	16,219	16,062
Accrued interest receivable and other assets	20,739	17,393
Goodwill	17,779	17,779
Total assets	\$ 997,425	\$ 987,060
Liabilities		
Deposits		
Non-interest bearing	\$ 56,834	\$ 63,336
Interest bearing	697,806	632,475
Total deposits	754,640	695,811
Accrued interest, taxes and other liabilities	7,372	6,878
Repurchase agreements	71,498	81,578
FHLB and other borrowings	60,480	104,647
Subordinated debt	4,124	4,124
Total liabilities	898,114	893,038
Stockholders equity		
Preferred stock, par value \$1,000, 20,000 shares authorized and 8,500 shares issued	8,500	8,500
Common stock, par value \$1, 10,000,000 shares authorized; 7,946,818 and 7,705,894 shares issued; and 7,844,664 and 7,603,740 shares outstanding in 2014 and 2013, respectively	7,947	7,706
Additional paid-in capital	73,190	69,601
Retained earnings	14,480	13,343

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Accumulated other comprehensive loss	(2,639)	(2,961)
Treasury stock, 102,154 shares, at cost	(2,167)	(2,167)
Total stockholders equity	99,311	94,022
Total liabilities and stockholders equity	\$ 997,425	\$ 987,060

See accompanying notes to unaudited consolidated financial statements.

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MVB Financial Corp. and Subsidiaries

Consolidated Statements of Income

(Unaudited) (Dollars in thousands except per share data)

	Three Months Ended March 31	
	2014	2013
Interest income		
Interest and fees on loans	\$ 7,039	\$ 5,370
Interest on deposits with other banks	46	45
Interest on investment securities taxable	411	279
Interest on tax exempt loans and securities	754	482
Total interest income	8,250	6,176
Interest expense		
Deposits	1,098	907
Repurchase agreements	126	123
FHLB and other borrowings	263	262
Subordinated debt	19	20
Total interest expense	1,506	1,312
Net interest income	6,744	4,864
Provision for loan losses	519	1,000
Net interest income after provision for loan losses	6,225	3,864
Noninterest income		
Service charges on deposit accounts	120	137
Gain on bank owned life insurance	128	92
Visa debit card income	152	123
Gain on loans held for sale	3,784	4,928
Capitalized servicing retained income	156	338
Insurance income	958	
Gain on sale of securities		1
Gain on derivative	335	877
Other operating income	374	488
Total noninterest income	6,007	6,984
Noninterest expense		
Salary and employee benefits	6,797	6,220
Occupancy expense	617	430
Equipment depreciation and maintenance	372	328
Data processing	380	205
Mortgage processing	546	507
Visa debit card expense	138	102
Advertising	280	236
Legal and accounting fees	220	202
Printing, stationery and supplies	115	88
Consulting fees	211	120
FDIC insurance	150	139
Travel	154	85
Other operating expenses	856	743
Total noninterest expense	10,836	9,405
Income before income taxes	1,396	1,443

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Income tax expense		238		255
Net income	\$	1,158	\$	1,188
Preferred dividends		21		21
Net income available to common shareholders	\$	1,137	\$	1,167
Earnings per share - basic	\$	0.15	\$	0.20
Earnings per share - diluted	\$	0.15	\$	0.19
Weighted average shares outstanding - basic		7,606,661		5,851,094
Weighted average shares outstanding - diluted		7,828,143		5,986,684

See accompanying notes to unaudited consolidated financial statements.

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MVB Financial Corp. and Subsidiaries

Consolidated Statements of Comprehensive Income

(Unaudited)(Dollars in thousands)

	Three Months Ended March 31	
	2014	2013
Net Income	\$ 1,158	\$ 1,188
Other comprehensive income (loss):		
Unrealized holding gains (losses) during the year	537	(33)
Income tax effect	(215)	13
Reclassification adjustment for gain recognized in income		(1)
Income tax effect		
Other comprehensive income (loss)	322	(21)
Comprehensive income	\$ 1,480	\$ 1,167

See accompanying notes to unaudited consolidated financial statements.

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MVB Financial Corp. and Subsidiaries

Consolidated Statements of Cash Flows

(Unaudited) (Dollars in thousands)

	Three Months Ended	
	March 31 2014	March 31 2013
Operating activities		
Net income	\$ 1,158	\$ 1,188
Adjustments to reconcile net income to net cash provided by operating activities:		
Net amortization and accretion of investments	224	270
Net amortization of deferred loan (fees) cost	73	(16)
Provision for loan losses	519	1,000
Depreciation and amortization	289	194
Stock based compensation	58	36
Loans originated for sale	(148,480)	(239,958)
Proceeds of loans sold	191,249	257,189
Gain on sale of loans held for resale	(3,784)	(5,097)
Gain on sale of investment securities		(1)
Income on bank owned life insurance	(128)	(92)
Deferred taxes	(645)	(188)
Other, net	(4,632)	(4,019)
Net cash provided by operating activities	35,901	10,506
Investing activities		
Purchases of investment securities available-for-sale		(3,226)
Purchases of investment securities held-to-maturity	(250)	
Maturities/paydowns of investment securities available-for-sale	2,416	2,943
Sales of investment securities available-for-sale		2,045
Purchases of premises and equipment	(2,296)	(1,665)
Net increase in loans	(53,327)	(10,560)
Purchases of restricted bank stock	(2,773)	(1,762)
Redemptions of restricted bank stock	4,710	516
Proceeds from sale of other real estate owned	57	
Net cash used in investing activities	(51,463)	(11,709)
Financing activities		
Net increase in deposits	58,828	33,744
Net decrease in repurchase agreements	(10,080)	(473)
Net change in short-term FHLB borrowings	(44,128)	(16,394)
Principal payments on FHLB borrowings	(39)	(2,801)
Proceeds from stock offering	3,723	13,419
Common stock options exercised	48	
Cash dividends paid on preferred stock	(21)	(21)
Net cash provided by financing activities	8,331	27,474
(Decrease) increase in cash and cash equivalents	(7,231)	26,271
Cash and cash equivalents at beginning of period	39,843	25,340
Cash and cash equivalents at end of period	\$ 32,612	\$ 51,611
Supplemental disclosure of cash flow information		
Loans transferred to other real estate owned	\$	\$ 472

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Cash payments for:			
Interest	\$	1,539	\$ 1,222
Income taxes	\$	465	\$

See accompanying notes to unaudited consolidated financial statements.

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MVB Financial Corp. and Subsidiaries

Notes to Unaudited Consolidated Financial Statements

Note 1 Basis of Presentation

These consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles (GAAP) for interim financial information and with instructions to Form 10-Q. Accordingly, they do not include all the information and footnotes required by GAAP for annual year-end financial statements. In the opinion of management, all adjustments considered necessary for a fair presentation, have been included and are of a normal, recurring nature. The balance sheet as of December 31, 2013 has been derived from the audited financial statements at that date, but does not include all of the information and footnotes required by GAAP. Operating results for the three months ended March 31, 2014 are not necessarily indicative of the results that may be expected for the year ending December 31, 2014.

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

The consolidated balance sheet as of December 31, 2013 has been extracted from audited financial statements included in the Company s 2013 filing on Form 10-K. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States have been omitted. These financial statements should be read in conjunction with the financial statements and notes thereto included in MVB s December 31, 2013, Form 10-K filed with the Securities and Exchange Commission.

In certain instances, amounts reported in prior periods consolidated financial statements have been reclassified to conform to the current presentation. In addition, all share amounts have been revised to reflect the two for one stock split effected as a stock dividend as disclosed in Note 12.

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

Note 2 Recent Accounting Pronouncements

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

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Amortized cost and fair values of investment securities held-to-maturity at March 31, 2014, including gross unrealized gains and losses, are summarized as follows:

(in thousands)	Amortized Cost	Unrealized Gain	Unrealized Loss	Fair Value
Municipal securities	\$ 56,823	\$ 691	\$ (1,773)	\$ 55,741
Total investment securities held to-maturity	\$ 56,823	\$ 691	\$ (1,773)	\$ 55,741

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

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

Amortized cost and fair values of investment securities available-for-sale at March 31, 2014 are summarized as follows:

(in thousands)	Amortized Cost	Unrealized Gain	Unrealized Loss	Fair Value
U.S. Agency securities	\$ 60,732	\$ 12	\$ (1,480)	\$ 59,264
U.S. Sponsored Mortgage-backed securities	44,785	165	(619)	44,331
Total debt securities	105,517	177	(2,099)	103,595
Equity and other securities	810	187		997
Total investment securities available-for-sale	\$ 106,327	\$ 364	\$ (2,099)	\$ 104,592

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

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

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

	March 31, 2014				
	Held to Maturity		Available for sale		
	Amortized Cost	Fair Value	Amortized Cost	Fair Value	
Within one year	\$	\$	\$	\$	
After one year, but within five		1,696	1,736	34,457	34,066
After five years, but within ten		14,877	14,910	37,087	36,066
After ten years		40,250	39,095	33,973	33,463
Total	\$	56,823	\$ 55,741	\$ 105,517	\$ 103,595

Investment securities with a carrying value of \$154,958 at March 31, 2014, were pledged to secure public funds, repurchase agreements and potential borrowings at the Federal Reserve discount window.

The Company's investment portfolio includes securities that are in an unrealized loss position as of March 31, 2014, the details of which are included in the following table. Although these securities, if sold at March 31, 2014 would result in a pretax loss of \$3,872, 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 March 31, 2014, the Company considers all securities with unrealized loss positions to be temporarily impaired, and consequently, does not believe the Company will sustain any material realized losses as a result of the current temporary decline in market value.

The following table discloses investments in an unrealized loss position at March 31, 2014:

(in thousands)

Description and number of positions	Less than 12 months		12 months or more	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
U.S. Agency securities (17)	\$ 51,599	\$ (1,480)	\$	\$
U.S. Sponsored Mortgage-backed securities (16)	11,095	(72)	18,799	(547)
Municipal securities (83)	24,021	(1,242)	7,544	(531)
	\$ 86,715	\$ (2,794)	\$ 26,343	\$ (1,078)

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

(in thousands)

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

There were no sales of investments available-for-sale during the three month period ended March 31, 2014. The Company sold investments available-for-sale of \$2.0 million for the three months ended March 31, 2013, resulting in a gross gain of \$1.

Note 4 Loans and Allowance for Loan Losses

The following table summarizes the primary segments of the allowance for loan losses (ALL), segregated into the amount required for loans individually evaluated for impairment and the amount required for loans collectively evaluated for impairment as of March 31, 2014. Activity in the allowance is presented for the periods indicated (in thousands):

	Commercial	Residential	Home Equity	Installment	Credit Card	Total
ALL balance December 31, 2013	\$ 3,609	\$ 519	\$ 554	\$ 239	\$ 14	\$ 4,935
Charge-offs				(9)		(9)
Recoveries	2		1	3		6
Provision	291	227			1	519
ALL balance March 31, 2014	\$ 3,902	\$ 746	\$ 555	\$ 233	\$ 15	\$ 5,451
Individually evaluated for impairment	\$ 1,358	\$ 302	\$ 29	\$ 8	\$ 2	\$ 1,699
Collectively evaluated for impairment	\$ 2,544	\$ 444	\$ 526	\$ 225	\$ 13	\$ 3,752

	Commercial	Residential	Home Equity	Installment	Credit Card	Total
ALL balance December 31, 2012	\$ 3,107	\$ 514	\$ 242	\$ 200	\$ 13	\$ 4,076
Charge-offs	(500)	(2)				(502)
Recoveries	22	36	7			65
Provision	1,016	(58)	22	16	4	1,000
ALL balance March 31, 2013	\$ 3,645	\$ 490	\$ 271	\$ 216	\$ 17	\$ 4,639
Individually evaluated for impairment	\$ 668	\$ 35	\$	\$ 1	\$	\$ 704
Collectively evaluated for impairment	\$ 2,977	\$ 455	\$ 271	\$ 215	\$ 17	\$ 3,935

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

All loan origination fees and direct loan origination costs are deferred and recognized over the life of the loan. As of March 31, 2014 and 2013, net deferred fees and costs of \$1,613 and \$974, respectively, were included in the carryings value of loans.

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

The following table summarizes the primary segments of the Company loan portfolio as of March 31, 2014:

(in thousands)	Commercial	Residential	Home Equity	Installment	Credit Cards	Total
Individually evaluated for impairment	\$ 6,739	\$ 843	\$ 29	\$ 15	\$ 2	\$ 7,628
Collectively evaluated for impairment	481,282	137,278	31,194	17,517	659	667,930
Total Loans	\$ 488,021	\$ 138,121	\$ 31,223	\$ 17,532	\$ 661	\$ 675,558

The following table summarizes the primary segments of the Company loan portfolio as of March 31, 2013 (in thousands):

(in thousands)	Commercial	Residential	Home Equity	Installment	Credit Cards	Total
Individually evaluated for impairment	\$ 52,206	\$ 1,875	\$	\$ 34	\$	\$ 54,115
Collectively evaluated for impairment	262,727	103,033	18,926	17,200	581	402,467
Total Loans	\$ 314,933	\$ 104,908	\$ 18,926	\$ 17,234	\$ 581	\$ 456,582

Of the \$7,628 in impaired loans presented above, \$3,694 were non-performing loans as of March 31, 2014. The remaining \$3,934 represents troubled debt restructured loans that are performing under modified terms.

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Bank 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 Bank 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 Bank management in evaluating impairment include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due. Bank 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 Bank 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 March 31, 2014 and December 31, 2013 (in thousands):

**Impaired
Loans with**