MVB FINANCIAL CORP
Form 10-K
March 16, 2015
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2014

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 (State or other jurisdiction of incorporation or organization)	20-0034461 (I.R.S. Employer Identification No.)
301 Virginia Avenue, Fairmont, WV (Address of principal executive offices)	26554 (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)

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

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

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 No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T 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 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. 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 if the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No .

Based upon the average selling price of sales known to the Registrant of the common shares of the Registrant during the period through June 30, 2014, the aggregate market value of the common shares of the Registrant held by non affiliates during that time was $105,974,912. 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, 2015, are incorporated by reference into Part III of this Annual Report on Form 10-K.

As of March 16, 2015, the Registrant had 7,983,285 shares of common stock outstanding with a par value of $1.

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PART I

ITEM 1.BUSINESS

MVB Financial Corp. ("the Company") was formed on January 1, 2004, as a bank holding company and, effective December 19, 2012, became a financial holding company. The Company features multiple subsidiaries and affiliated businesses, including MVB Bank, Inc. (the "Bank" or "MVB Bank") and its wholly-owned subsidiary MVB Mortgage and MVB Insurance, LLC ("MVB Insurance"). On December 31, 2013, three Company subsidiaries, MVB-Central, Inc. (a second-tier level holding company), MVB-East, Inc. (a second tier holding company) and Bank Compliance Solutions, Inc. (an inactive subsidiary) were merged into the Company.

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. In August of 2005, the Bank opened a full service office in neighboring Harrison County, West Virginia. During October of 2005, the Bank purchased a branch office in Jefferson County, West Virginia, situated in West Virginia's eastern panhandle. During the third quarter of 2007, the Bank opened a full service office in the Martinsburg area of Berkeley County, West Virginia. In the second quarter of 2011, the Bank opened a banking facility in the Cheat Lake area of Monongalia County, West Virginia. The Bank opened its second Harrison County, West Virginia location, the downtown Clarksburg office in the historic Empire Building during the fourth quarter of 2012.

Also during the fourth quarter of 2012, the Bank acquired Potomac Mortgage Group, Inc. ("PMG" which, following July 15, 2013, began doing business under the registered trade name "MVB Mortgage"), a mortgage company in the northern Virginia area, and fifty percent (50%) interest in a mortgage services company, Lender Service Provider, LLC ("LSP"). In the third quarter of 2013, this fifty percent (50%) interest in LSP was reduced to a twenty-five percent (25%) interest through a sale of a partial interest. This PMG acquisition provided the Company and the Bank the opportunity to make the mortgage banking operation a much more significant line of business to further diversify its net income stream. MVB Mortgage has eleven mortgage only offices, located in Virginia, within the Washington, District of Columbia / Baltimore, Maryland metropolitan area as well as North Carolina and South Carolina, and, in addition, has mortgage loan originators located at select Bank locations throughout West Virginia.

In the first quarter of 2013, the Bank opened its second Monongalia County location in the Sabraton area of Morgantown, West Virginia. In the second quarter of 2013, the Bank opened its second full service office in Berkeley County, West Virginia, at Edwin Miller Boulevard. In addition, the Bank opened a loan production office at 184 Summers Street, Charleston, Kanawha County, West Virginia, which was subsequently moved to 400 Washington Street East, Charleston, West Virginia and later replaced during March 2015 by a full service branch at the same location. During the first quarter of 2014, the Company continued to focus on growth in the Harrison, Berkeley, Jefferson and Monongalia County areas, as well as the Kanawha county area, as the primary method for reaching performance goals. In addition, the Bank opened a loan production office in Reston, Fairfax County, Virginia, from which the Bank operates as MVB Commercial Lending Company. The Company continuously reviews key

performance indicators to measure our success.

Currently, the Bank operates eleven full-service banking branches in West Virginia, which are located at: 301 Virginia Avenue in Fairmont, Marion County; 9789 Mall Loop (inside the Shop N Save Supermarket) in White Hall, Marion County; 1000 Johnson Avenue in Bridgeport, Harrison County; 406 West Main St. in Clarksburg, Harrison County; 88 Somerset Boulevard in Charles Town, Jefferson County; 651 Foxcroft Avenue in Martinsburg, Berkeley County; 2400 Cranberry Square in Cheat Lake, Monongalia County; 10 Sterling Drive in Morgantown, Monongalia County; and 231 Aikens Center in Martinsburg, Berkeley County. During February 2015, the Bank opened a location at 100 NASA Boulevard, Fairmont, Marion County, West Virginia, which will ultimately replace the 9789 Mall Loop, White Hall, Marion County, West Virginia location as the Technology Park location offers a drive-thru facility to better serve customers. During March 2015, the location at 9789 Mall Loop will be closed. Additionally during March 2015, the Bank opened a new full service location at 400 Washington Street East, Charleston, Kanawha County, West Virginia, replacing its loan production office at the same address. In addition, as noted, the Bank operates a loan production office as MVB Commercial Lending Company, at 1801 Reston Parkway, Suite 103, Reston, Fairfax County, Virginia.

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In addition to MVB Mortgage, the Company has a wholly-owned subsidiary, MVB Insurance, LLC. MVB Insurance was originally formed in 2000 and reinstated in 2005, as a Bank subsidiary. Effective June 1, 2013, MVB Insurance became a direct subsidiary of the Company. MVB Insurance offers select insurance products such as title insurance, individual insurance, commercial insurance, employee benefits insurance, and professional liability insurance. MVB Insurance maintains its headquarters at 301 Virginia Avenue, Fairmont, West Virginia, and operates offices at: 48 Donley Street, Suite 703, Morgantown, West Virginia, 400 Washington Street East, Charleston, West Virginia,; and 355 Wharton Circle, Suite 123, Triadelphia, West Virginia.

At December 31, 2014, the Company had total assets of $1,110.5 million, total loans of $798.3 million, total deposits of $823.2 million and total stockholders' equity of $109.4 million.

The Company's primary business activities, through its Subsidiaries, are currently community banking, mortgage banking, insurance services, and wealth management. As a community banking entity, the Bank 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. Services are provided through our walk-in offices, automated teller machines ("ATMs"), drive-in facilities, and internet and telephone banking. Additionally, the Bank offers non-deposit investment products through an association with a broker-dealer. Since the opening date of January 4, 1999, the Bank, has experienced significant growth in assets, loans, and deposits due to overwhelming community and customer support in the Marion County, West Virginia and Harrison County, West Virginia markets, expansion into West Virginia's eastern panhandle counties and, most recently, into Monongalia County, West Virginia. With the acquisition of PMG, mortgage banking is now a much more significant focus, which has opened up increased market opportunities in the Washington, District of Columbia metropolitan region and added enough volume to better diversify the Company's earnings stream.

At December 31, 2014, the Company had 324 full-time equivalent employees. The Company's principal office is located at 301 Virginia Avenue, Fairmont, West Virginia 26554, and its telephone number is (304) 363-4800. The Company's Internet web site is www.mvbbanking.com.

Segment Reporting

Beginning in 2013, the Company began to operate in a decentralized fashion in three principal business activities: commercial and retail banking services; mortgage banking services; and insurance services. Revenue from commercial and retail banking activities consists primarily of interest earned on loans and investment securities and service charges on deposit accounts.

Revenue from the mortgage banking activities is comprised of interest earned on loans and fees received as a result of the mortgage origination process. The mortgage banking services are conducted by MVB Mortgage.

Revenue from insurance services is comprised mainly of commissions on the sale of insurance products.

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Information about the reportable segments and reconciliation to the consolidated financial statements for the years ended December 31, 2014 and 2013 are as follows:

(in thousands)	Commercial & Retail Banking	Mortgage Banking	Insurance	Intercompany Eliminations	Consolidated
Revenues:					
Interest income	$ 32,258	$ 2,891	$ —	$ 1,265	$ 36,414
Gain on loans held for sale	900	18,691	—	(1,199)	18,392
Insurance income	—	—	3,523	—	3,523
Other income	4,930	325	—	(1,239)	4,016
Total operating income	38,088	21,907	3,523	(1,173)	62,345
Expenses:					
Interest expense	7,366	1,635	—	(918)	8,083
Salaries and employee benefits	13,287	14,487	3,417	—	31,191
Provision for loan losses	2,582	—	—	—	2,582
Other expense	12,094	5,640	1,027	(255)	18,506
Total operating expenses	35,329	21,762	4,444	(1,173)	60,362
Income (loss) before income taxes	2,759	145	(921)	—	1,983
Income tax expense (benefit)	208	40	(344)	—	(96)
Net income (loss)	2,551	105	(577)	—	2,079
Preferred stock dividends	332	—	—	—	332
Net income (loss) available to common shareholders	$ 2,219	$ 105	$ (577)	$ —	$ 1,747
Capital expenditures for the year ended December 31, 2014	$ 9,112	$ 333	$ 353	$ —	$ 9,798
Total assets as of December 31, 2014	1,189,746	101,791	4,031	(185,109)	1,110,459
Goodwill as of December 31, 2014	897	16,882	—	—	17,779

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(in thousands)	Commercial & Retail Banking	Mortgage Banking	Insurance	Intercompany Eliminations	Consolidated
Revenues:					
Interest income	$ 25,088	$ 2,103	$ —	$ (231)	$ 26,960
Gain on loans held for sale	2,853	19,042	—	(415)	21,480
Insurance income	—	—	1,722	—	1,722
Other income	3,843	1,400	—	—	5,243
Total operating income	31,784	22,545	1,722	(646)	55,405
Expenses:					
Interest expense	5,014	1,181	—	(646)	5,549
Salaries and employee benefits	12,441	13,017	1,609	—	27,067
Provision for loan losses	2,260	—	—	—	2,260
Other expense	9,811	5,081	634	—	15,526
Total operating expenses	29,526	19,279	2,243	(646)	50,402
Income (loss) before income taxes	2,258	3,266	(521)	—	5,003
Income tax expense (benefit)	5	1,240	(262)	—	983
Net income (loss)	2,253	2,026	(259)	—	4,020
Preferred stock dividends	85	—	—	—	85
Net income (loss) available to common shareholders	$ 2,168	$ 2,026	$ (259)	$ —	$ 3,935
Capital expenditures for the year ended December 31, 2013	$ 5,613	$ 489	$ 399	$ —	$ 6,501
Total assets as of December 31, 2013	1,021,097	92,290	3,012	(129,339)	987,060
Goodwill as of December 31, 2013	897	16,882	—	—	17,779

Commercial & Retail Banking

For the year ended December 31, 2014, the Commercial & Retail Banking segment earned $2.2 million compared to $2.2 million in 2013. Net interest income increased by $4.8 million, mostly the result of average loan balances increasing by $219.7 million. Noninterest income decreased by $866, largely the result of decreased income from portfolio loans held for sale of $1.9 million. This was the result of integrating the mortgage company in mid-2013, as the bank mortgage volume was transferred to the mortgage company. Noninterest expense increased by $3.1 million, mainly the result of the following: $846 increase in salaries expense, $733 increase in occupancy and equipment expense, $340 increase in data processing expense, $330 increase in FDIC expense, $274 increase in consulting expense and $230 increase in legal expense. Loan loss provision also increased by $322 as a result of loan growth.

Mortgage Banking

For the year ended December 31, 2014, the Mortgage Banking segment earned $105 compared to earning $2.0 million in 2013. Net interest income increased $334, noninterest income decreased by $1.4 million and noninterest expense increased by $2.0 million. The $1.8 million earnings decrease is mainly due to a 17.1% decrease in origination volume, an increase in personnel expense of $1.5 million due to the addition of seven additional offices and employees to expand

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the base of operations as the mortgage business becomes more focused on purchase loans and less on the refinance business and the impact of a refinement in accounting estimate of $706 related to interest rate lock commitments.

Insurance

For the year ended December 31, 2014, the Insurance segment lost $577 compared to $259 in 2013. Noninterest income increased by $1.8 million and noninterest expense increased by $2.2 million. Income tax benefit for 2014 increased by $82.

Market Area

The Company's primary market areas are the Marion, Harrison, Jefferson, Berkeley, Monongalia, and Kanawha counties of West Virginia, as well as the northern Virginia area for the mortgage and commercial lending business. 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 2010. The population of Fairmont has fluctuated from 23,863 in 1980; 20,210 in 1990; 19,097 in 2000 and 18,704 in 2010, or a net decline of 5,159 or 21.6%. Marion County increased its population from 1980 to 1990, 55,789 to 57,249, decreased to 56,598 in 2000 and decreased to 56,418 in 2010. These changes resulted in a net increase of 1.1%. The Marion County population includes that of Fairmont. The result is that over the last 30 years, there has not been any significant change in population. Harrison County's population decreased from 69,371 in 1990 to 68,652 in 2000, increased to 69,099 in 2010 while Bridgeport's population has increased from 7,306 in 2000 to 7,896 in 2010, 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 53,498 in 2010. During this period, Charles Town has seen an increase in population of 80.9% to 5,259 in 2010. Berkeley County's population has grown from 75,905 in 2000 to 104,169 in 2010, making it the second-most populous county in West Virginia. Martinsburg's population has increased 15.1% since 2000 to 17,227 in 2010. Monongalia County's population has increased from 81,866 in 2000 to 96,189 in 2010, an increase of 17.5%. Morgantown's population in 2010 was 29,660, an increase of 2,851 or 10.6% since 2000. Kanawha County's population decreased slightly from 200,073 in 2000 to 193,063 in 2010, a decrease of 3.5%. Charleston's population in 2010 was 51,400, a decrease of 2,021 or 3.93% since 2000. Based upon this data, the company's offices are in some of the most desirable locations in the state of West Virginia.

The current economic climate in West Virginia, and, in particular, in the six counties in which the Company and the Bank focuses possess better economic climates than the general national climate. Unemployment in the United States was 5.4% and 6.5% in December 2014 and 2013, respectively. The unemployment levels in the six West Virginia counties where MVB operates in were as follows for the periods indicated:

	December 2014		December 2013	
Berkeley County	4.9	%	4.7	%
Harrison County	4.3	%	4.5	%
Jefferson County	3.7	%	4.1	%
Marion County	4.6	%	4.8	%
Monongalia County	3.1	%	3.4	%
Kanawha County	4.9	%	5.0	%

The numbers from all six counties continue to be significantly better than the national numbers. The Company and the Bank nonperforming loan information supports the fact that the West Virginia economy has not suffered as much as that

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of the nation as a whole. Nonperforming loans to total loans were 1.16% in December of 2014 versus 0.14% in December of 2013 and charge offs to total loans were 0.16% and 0.25% for each period respectively. The Company and the Bank continue to closely monitor economic and delinquency trends.

The Company 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, the Company retains most of its originated loans (exclusive of certain long-term, fixed rate residential mortgages that are sold.) However, loans originated in excess of the Bank’s legal lending limit are participated to other banking institutions and the servicing of those loans is retained by the bank. The Company has no loans to foreign entities. The Company’s lending market area is primarily concentrated in the Marion, Harrison, Berkeley, Jefferson, Kanawha and Monongalia Counties of West Virginia, as well as the northern Virginia area for mortgage and commercial lending.

Commercial Loans

At December 31, 2014, the Bank had outstanding approximately $560.8 million in commercial loans, including commercial, commercial real estate, financial and agricultural loans. These loans represented approximately 70.3% 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, the Bank reviews collateral to determine its value in relation to the loan in the event of a foreclosure.

The Bank evaluates all new commercial loans, as well as customers that have total outstanding loans that aggregate more than $1,000. If deterioration in credit worthiness has occurred, the Bank 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, 2014, the Bank had outstanding consumer loans in an aggregate amount of approximately $17.1 million or approximately 2.1% of the aggregate total loan portfolio.

Lending Practices. Consumer loans generally involve more risk as to collectability 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 the Bank 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, 2014, the Bank had approximately $220.4 million of residential real estate loans, home equity lines of credit, and construction mortgages outstanding, representing 27.6% of total loans outstanding.

Lending Practices. The Bank 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, the Bank may lend up to 100% of the appraised value of the

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real estate. Loans made in this lending category are generally one to ten year adjustable rate, fully amortizing to maturity mortgages. MVB Bank also originates fixed rate real estate loans and generally sells these loans in the secondary market. Most real estate loans are secured by first mortgages with evidence of title in favor of the Bank in the form of an attorney's opinion of the title or a title insurance policy. MVB Bank also requires proof of hazard insurance with the Bank named as the mortgagee and as the loss payee. Full appraisals are obtained from licensed appraisers for the majority of loans secured by real estate.

Home Equity Loans. Home equity lines of credit are generally made as second mortgages by MVB Bank. 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. The Bank 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

The Company 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. The Company believes that its community approach provides flexibility, which enables the bank to offer an array of banking products and services.

The Company primarily focuses on the Marion, Harrison, Jefferson, Berkeley, Monongalia and Kanawha County markets in West Virginia and the northern Virginia area for its products and services. Management believes it has developed a niche and a level of expertise in serving this area.

The Company operates under a "needs-based" selling approach that management believes has proven successful in serving the financial needs of most customers. It is not the Company'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 our 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 the Company and its subsidiaries and is qualified in its entirety by reference to such statutes and regulations:

Financial Holding Company Regulation — MVB Financial Corp. is a financial holding company under the Bank Holding Company Act of 1956, as amended, or BHCA, and is subject to the reporting requirements of, and examination and regulation by, the Federal Reserve Board. In general, the BHCA limits the business of bank holding companies to banking, managing or controlling banks and other activities that the Federal Reserve Board has determined to be so closely related to banking as to be a proper incident thereto. Under the BHCA, bank holding companies that qualify and elect to be financial holding companies, such as MVB Financial Corp., may engage in any activity, or acquire and retain the shares of a company engaged in any activity, that is either(i)financial in nature or incidental to such financial activity (as determined by the Federal Reserve Board in consultation with the Office of the Comptroller of the Currency) or (ii) complementary to a financial activity and does not pose a substantial risk to the safety and soundness of depository institutions or the financial system generally (as solely determined by the Federal Reserve Board). MVB Financial

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Corp.'s subsidiary bank, MVB Bank, Inc., is subject to restrictions imposed by the Federal Reserve Act on transactions with affiliates. The Company 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 Financial Corp. 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 the Company.

Effective August 29, 2002, as directed by Section 302(a) of Sarbanes-Oxley, MVB Financial Corp.'s chief executive officer and chief financial officer are each required to certify that the company'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 Financial Corp.'s internal controls; they have made certain disclosures to the Company's auditors and the audit committee of the Board of Directors about the company's internal controls; and they have included information in MVB Financial Corp.'s Quarterly and Annual Reports about their evaluation and whether there have been significant changes in the Company'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 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 Financial Institutions 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 ("FHLB").

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

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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 0.35% of the calculated Member Asset Value (MAV) plus 4.60% of outstanding advances. The MAV is determined by taking line item values for various investment and loan classes and applying an FHLB haircut to each item.

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 Consolidated Financial Statements included in Item 8 of this Form 10-K.

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

Limits on Dividends

The Company's ability to obtain funds for the payment of dividends and for other cash requirements largely depends on the amount of dividends the Company declares. However, the Federal Reserve Board expects MVB Financial Corp. to serve as a source of strength to the Bank. The Federal Reserve Board may require the Company 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 Division of Financial Institutions 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 the Company'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.

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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, the Company cannot predict future changes in interest rates, credit availability or deposit levels.

Effect of Environmental Regulation

The Company's primary exposure to environmental risk is through its lending activities. In cases when management believes environmental risk potentially exists, the Company 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.

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.

The Company 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

The Company, through its Bank subsidiary, owns its main office located at 301 Virginia Avenue in Fairmont, West Virginia, along with its offices at 1000 Johnson Avenue in Bridgeport, West Virginia; 88 Somerset Boulevard in Charles Town, West Virginia; 651 Foxcroft Avenue in Martinsburg, West Virginia; 10 Sterling Drive in Morgantown, West Virginia; 100 NASA Boulevard in Fairmont, West Virginia; and 400 Washington Street East in Charleston, West Virginia..

The Company, through its Bank subsidiary, leases its office at 9789 Mall Loop inside the Shop N Save supermarket in White Hall, West Virginia;, the 2400 Cranberry Square office in Morgantown, West Virginia; the 406 West Main Street office in Clarksburg, West Virginia; the operations center space in Bridgeport, West Virginia; and the 231 Aikens Center office in Martinsburg, West Virginia. The Company, through its MVB Insurance subsidiary, leases the 300 Wharton Circle office space in Triadelphia, West Virginia; and the 48 Donley Street office space in Morgantown, West Virginia. The Company also leases additional space at 48 Donley Street in Morgantown, West Virginia. Office space is also leased at the following locations by the Company’s MVB Mortgage subsidiary: 4035 Ridgetop Road in Fairfax, Virginia;, 20130 Lakeview Center Plaza in Ashburn, Virginia;, 11325 Random Hills Road in Fairfax, Virginia; 1311-A

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Dolley Madison Boulevard in McLean, Virginia; 1206 Laskin Road in Virginia Beach, Virginia;, 1400 K Street NW in Washington, District of Columbia; 824 Meeting Street in West Columbia, South Carolina; 2508 Raeford Road in Fayetteville, North Carolina; 706 Green Valley Road in Greensboro, North Carolina; 4020 Wake Forest Road in Raleigh, North Carolina; 2011-1 Elk Road SW in Supply, North Carolina; and 1838 Sir Tyler Drive in Wilmington, North Carolina.

Additional information concerning the property and equipment owned or leased by the Company and its subsidiaries is incorporated herein by reference from “Note 4, Premises and Equipment” and “Note 16, Leases” of the Notes to the Financial Statements included in Item 8 of this Form 10-K.

ITEM 3. LEGAL PROCEEDINGS

From time to time in the ordinary course of business, the Company and its subsidiaries are subject to claims, asserted or unasserted, or named as a party to lawsuits or investigations. Litigation, in general, and intellectual property and securities litigation in particular, can be expensive and disruptive to normal business operations. Moreover, the results of legal proceedings cannot be predicted with any certainty and in the case of more complex legal proceedings, the results are difficult to predict at all. The Company is not aware of any asserted or unasserted legal proceedings or claims that the Company believes would have a material adverse effect on the Company’s financial condition or results of the Company’s operations.

ITEM 4.MINE SAFETY DISCLOSURES

No response required.

PART II

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

MVB Financial Corp.’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 the Company's common shares. The information set forth in the table is based on 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:

	2014 Estimated Market Value Per Share	2014 Dividend	2013 Estimated Market Value Per Share	2013 Dividend
Fourth Quarter	$ 14.99	$ 0.04	$ 16.60	$ 0.04
Third Quarter	15.70	—	19.25	—
Second Quarter	16.00	0.04	14.13	0.035
First Quarter	16.50	—	12.25	—

MVB Financial Corp. had 1,197 stockholders of record at December 31, 2014. The Company began paying an annual dividend of $.05 per share beginning in December 2008 through December 2011. Beginning in 2012, the Company began paying a semi-annual dividend of $.04 per share in June and December. In 2013 and 2014, MVB Financial Corp. paid a semi-annual dividend of $.04 per share in June and $.04 per share in December. No dividends were paid prior to 2008.

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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	543,870	$ 9.60	887,895
Equity compensation plans not approved by security holders	n/a	n/a	n/a
Total	543,870	$ 9.60	887,895

During 2014, 6,400 stock options under the Company's equity compensation plan were exercised.

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:

Statements in this Annual Report on Form 10-K that are based on other than historical data are forward-looking within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements provide current

expectations or forecasts of future events and include, among others:

- statements with respect to the beliefs, plans, objectives, goals, guidelines, expectations, anticipations, and future financial condition, results of operations and performance of MVB Financial Corp. (the "Company") and its subsidiaries (collectively "we," "our," or "us), including MVB Bank, Inc. (the "Bank");

- statements preceded by, followed by or that include the words "may," "could," "should," "would," "believe," "anticipate," "estimate," "expect," "intend," "plan," "projects," or similar expressions.

These forward-looking statements are not guarantees of future performance, nor should they be relied upon as representing the Company's or the Bank management's views as of any subsequent date. Forward-looking statements involve significant risks and uncertainties and actual results may differ materially from those presented, either expressed or implied, including, but not limited to, those presented in this Management's Discussion and Analysis section. Factors that might cause such differences include, but are not limited to:

- the ability of the Company, the Bank, MVB Mortgage, and MVB Insurance to successfully execute business plans, manage risks, and achieve objectives;

- changes in local, national and international political and economic conditions, including without limitation the political and economic effects of the recent economic crisis, delay of recovery from that crisis, economic conditions and fiscal imbalances in the United States and other countries, potential or actual downgrades in rating of sovereign debt issued by the United States and other countries, and other major developments, including wars, military actions, and terrorist attacks;

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- changes in financial market conditions, either internationally, nationally or locally in areas in which the Company, the Bank, MVB Mortgage, and MVB Insurance conduct operations, including without limitation, reduced rates of business formation and growth, commercial and residential real estate development and real estate prices;

- fluctuations in markets for equity, fixed-income, commercial paper and other securities, including availability, market liquidity levels, and pricing; changes in interest rates, the quality and composition of the loan and securities portfolios, demand for loan products, deposit flows and competition;

- the ability of the Company, the Bank, MVB Mortgage, and MVB Insurance to successfully conduct acquisitions and integrate acquired businesses;

- potential difficulties in expanding the businesses of the Company, the Bank, MVB Mortgage, and MVB Insurance in existing and new markets;

- increases in the levels of losses, customer bankruptcies, bank failures, claims, and assessments;
- changes in fiscal, monetary, regulatory, trade and tax policies and laws, and regulatory assessments and fees, including policies of the U.S. Department of Treasury, the Board of Governors of the Federal Reserve Board System, and the FDIC;

- the impact of executive compensation rules under the Dodd-Frank Act and banking regulations which may impact the ability of the Company, the Bank, MVB Mortgage, MVB Insurance, and other American financial institutions to retain and recruit executives and other personnel necessary for their businesses and competitiveness;

- the impact of the Dodd-Frank Act and of new international standards known as Basel III, and rules and regulations thereunder, many of which have not yet been promulgated, on our required regulatory capital and liquidity levels, governmental assessments on us, the scope of business activities in which we may engage, the manner in which the Company, the Bank, MVB Mortgage, and MVB Insurance engage in such activities, the fees that the Bank, MVB Mortgage, and MVB Insurance may charge for certain products and services, and other matters affected by the Dodd-Frank Act and these international standards;

- continuing consolidation in the financial services industry; new legal claims against the Company, the Bank, MVB Mortgage, and MVB Insurance, including litigation, arbitration and proceedings brought by governmental or self-regulatory agencies, or changes in existing legal matters;

- success in gaining regulatory approvals, when required, including for proposed mergers or acquisitions;

- changes in consumer spending and savings habits;

- increased competitive challenges and expanding product and pricing pressures among financial institutions;

- inflation and deflation;

- technological changes and the implementation of new technologies by the Company, the Bank, MVB Mortgage, and MVB Insurance;

- the ability of the Company, the Bank, MVB Mortgage, and MVB Insurance to develop and maintain secure and reliable information technology systems;

- legislation or regulatory changes which adversely affect the operations or business of the Company, the Bank, MVB Mortgage, or MVB Insurance;

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- the ability of the Company, the Bank, MVB Mortgage, and MVB Insurance to comply with applicable laws and regulations; changes in accounting policies or procedures as may be required by the Financial Accounting Standards Board or regulatory agencies; and,

- costs of deposit insurance and changes with respect to FDIC insurance coverage levels.

Except to the extent required by law, the Company specifically disclaims any obligation to update any factors or to publicly announce the result of revisions to any of the forward-looking statements included herein to reflect future events or developments.

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 the Company'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 Dixon Hughes Goodman, LLP. to audit the consolidated financial statements and their independent audit report is included herein.

Introduction

The following discussion and analysis of the Consolidated Financial Statements is presented to provide insight into management's assessment of the financial results and operations of the Company. 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-K.

Application of Critical Accounting Policies

The Company'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 Company 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.

Allowance for Loan Losses

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

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significant judgment and the use of estimates related to the amount and timing of losses inherent in classifications of homogeneous loans based on the Bank's historical loss experience 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.

Investment Securities

Investment securities at the time of purchase are classified as one of the following:

Held-to-Maturity Securities - Includes securities that the Company has the positive intent and ability to hold to maturity. These securities are reported at amortized cost. The Company had $54.5 million and $56.7 million as of December 31, 2014 and 2013.

Available-for-Sale Securities - Includes debt and equity securities not classified as held-to-maturity that will be held for indefinite periods of time. These securities may be sold in response to changes in market interest or prepayment rates, needs for liquidity and changes in the availability of and yield of alternative investments. Such securities are reported at fair value, with unrealized holding gains and losses excluded from earnings and reported as a separate component of stockholders' equity, net of estimated income tax effect.

The amortized cost of investment in debt securities is adjusted for amortization of premiums and accretion of discounts, computed by a method that results in a level yield. Gains and losses on the sale of investment securities are computed on the basis of specific identification of the adjusted cost of each security.

Securities are periodically reviewed for other-than-temporary impairment. For debt securities, management considers whether the present value of future cash flows expected to be collected are less than the security's amortized cost basis (the difference defined as the credit loss), the magnitude and duration of the decline, the reasons underlying the decline and the Company's intent to sell the security or whether it is more likely than not that the Company would be required to sell the security before its anticipated recovery in market value, to determine whether the loss in value is other than temporary. Once a decline in value is determined to be other than temporary, if the Company does not intend to sell the security, and it is more-likely-than-not that it will not be required to sell the security, before recovery of the security's amortized cost basis, the charge to earnings is limited to the amount of credit loss. Any remaining difference between fair value and amortized cost (the difference defined as the non-credit portion) is recognized in other comprehensive income, net of applicable taxes. For equity securities where the fair value has been significantly below cost for one year, the Company's policy is to recognize an impairment loss unless sufficient evidence is

available that the decline is not other than temporary and a recovery period can be predicted. A decline in value that is considered to be other-than-temporary is recorded as a loss within non-interest income in the consolidated statement of income.

Common stock of the Federal Home Loan Bank represents ownership in an institution which is wholly owned by other financial institutions. These equity securities are accounted for at cost and are classified as other assets.

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

Goodwill and Other Intangible Assets

As discussed in Note 1 of the consolidated financial statements, the Company must assess goodwill and other intangible assets each year for impairment. This assessment involves estimating the fair value of the Company's reporting units. If the fair value of the reporting unit is less than its carrying value including goodwill, we would be required to take a charge against earnings to write down the assets to the lower value.

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Deferred Tax Assets

We use an estimate of future earnings to support our position that the benefit of our deferred tax assets will be realized. If future income should prove non-existent or less than the amount of the deferred tax assets within the tax years to which they may be applied, the asset may not be realized and our net income will be reduced. Management also evaluates deferred tax assets to determine if it is more likely than not that the deferred tax benefit will be utilized in future periods. If not, a valuation allowance is recorded. Our deferred tax assets are described further in Note 8 of the consolidated financial statements.

Recent Accounting Pronouncements and Developments

In January 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standard Update ("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.

In May 2014, the FASB issued ASU 2014-09, “Revenue from Contracts with Customers,” which will supersede nearly all existing revenue recognition guidance under U.S. GAAP. The core principal of this ASU is that an entity should recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This ASU also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. This ASU will be effective for us in our first quarter of 2018. Early adoption is not permitted. The ASU allows for either full retrospective or modified retrospective adoption. We are evaluating the transition method that will be elected and the potential effects of the adoption of this ASU on our financial statements.

In June 2014, the FASB issued ASU 2014-12 – Compensation – Stock Compensation (Topic 718): “Accounting for share-based payments when the terms of an award provide that a performance target could be achieved after the requisite service period,” an update to the accounting standards related to stock compensation and accounting for share-based payments when the terms of an award provide that a performance target could be achieved after the requisite service period. The amendments clarify the proper method of accounting for share-based payments when the terms of an award provide that a performance target could as a performance condition. The performance target should not be reflected in estimating the grant-date fair value of the award. Compensation cost should be recognized be achieved after the requisite service period. This update requires that a performance target that affects vesting and that could be achieved after the requisite service period be treated in the period in which it becomes probable that the performance target will be achieved and should represent the compensation cost attributable to the period(s) for which the requisite service has already been rendered. The amendments in this update are effective for annual periods and interim periods within those annual periods beginning after December 15, 2015. Earlier adoption is permitted. Management is currently evaluating the impact of adoption on the consolidated financial statements, but does not believe that adoption will have a material impact.

In August 2014, the FASB issued ASU No. 2014-14 – Receivables – Troubled Debt Restructurings by Creditors (Subtopic 310-40): “Classification of Certain Government-Guaranteed Mortgage Loans upon Foreclosure,” to address

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the diversity in practice regarding the classification and measurement of foreclosed loans which were part of a government-sponsored loan guarantee program (e.g. HUD, FHA, VA). The ASU outlines certain criteria that, if met, the loan (residential or commercial) should be derecognized and a separate other receivable should be recorded upon foreclosure at the amount of the loan balance (principal and interest) expected to be recovered from the guarantor. This ASU will be effective for annual reporting periods beginning after December 15, 2014, including interim periods within that reporting period. Early adoption is permitted, provided the entity has adopted ASU 2014-04. The ASU should be adopted either prospectively or on a modified retrospective basis. Management is currently evaluating the impact of adoption on the consolidated financial statements, but does not believe that adoption will have a material impact.

In August 2014, the FASB issued ASU No. 2014-15 - Presentation of Financial Statements – Going Concern (Subtopic 205-40): "Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern," to reduce diversity in the timing and content of going concern disclosures. This ASU clarifies management's responsibility to evaluate and provide related disclosures if there are any conditions or events, as a whole, that raise substantial doubt about the entity's ability to continue as a going concern for one year after the date the financial statements are issued (or, if applicable, available to be issued). The amendments in this ASU are effective for the annual period ending after December 15, 2016, and for annual and interim periods thereafter. Early application is permitted. Management is currently evaluating the impact of adoption on the consolidated financial statements, but does not believe that adoption will have a material impact.

Summary Financial Results

The Company earned $2.1 million in 2014 compared to $4.0 million in 2013, a decrease of $1.9 million. The earnings equated to a 2014 return on average assets of .20% and a return on average equity of 2.01%, compared to prior year results of .51% and 5.11%, respectively. Basic earnings per share were $0.22 in 2014 compared to $0.59 in 2013.

Diluted earnings per share were $0.22 in 2014 compared to $0.57 in 2013.

Net interest income increased $6.9 million, noninterest income decreased $2.5 million and noninterest expenses increased by $7.1 million. The Bank's yield on earning assets in 2014 was 3.85% compared to 3.77% in 2013. Despite extensive competition, total loans increased to $798.3 million at December 31, 2014, from $622.3 million at December 31, 2013. The Bank's ability to originate quality loans is supported by a minimal delinquency rate.

Deposits increased $127.4 million to $823.2 million at December 31, 2014, from $695.8 million at December 31, 2013. The Bank 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 0.93% in 2014 compared to 0.85% in 2013. This cost of funds, combined with the earning asset yield, resulted in a net interest margin of 2.99% in 2014 compared to 2.99% in 2013.

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, investment securities and certificates of deposit in other banks. Interest-bearing liabilities include interest-bearing deposits and borrowed funds such as sweep accounts and repurchase agreements. Net interest income remains the primary source of revenue for the Bank. 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 the Bank's balance sheet. As noted above, the net interest margin was 2.99% in 2014 compared to 2.99% in 2013. The net interest margin continues to face considerable pressure due to competitive pricing of loans and deposits in the Bank's markets. During 2014, the Federal Reserve did not change rates and in fact committed to keep rates low through mid-2015. Management's estimate of the impact of future changes in market interest rates is shown in the section captioned "Interest Rate Risk."

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Company management continues to analyze methods to deploy 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 2014, net interest income increased by $6.9 million or 32.3% to $28.3 million from $21.4 million in 2013. This increase is largely due to the growth in average earning assets, primarily $219.7 million in loans and loans held for sale. Average total earning assets were $946.5 million in 2014 compared to $715.0 million in 2013. Average total loans and loans held for sale grew to $779.8 million in 2014 from $560.1 million in 2013. Primarily as a result of this growth, total interest income increased by $9.4 million, or 35.1%, to $36.4 million in 2014 from $27.0 million in 2013. Average investment securities increased $5.1 million, mainly the result of a $10.6 million average increase in municipal investments offset by a $5.5 million decrease in available-for-sale investments. The increased yield on the municipal securities of 13 basis points helped to increase the total investment portfolio yield. Average interest-bearing liabilities, mainly deposits, likewise increased in 2014 by $210.2 million. Average interest-bearing deposits grew to $710.4 million in 2014 from $507.7 million in 2013. Total interest expense increased by $2.5 million, caused by a $1.6 million increase in deposit interest and a $1.1 million increase in subordinated debt interest. The result was an 8 basis point increase in interest cost from 2013 to 2014.

The Company's earning assets increased $231.4 million and net interest income increased by $6.9 million. The net interest margin continues to be pressured by increased competition for high quality loan growth and the deposit volume required to fund the growth.

The Bank's yield on earning assets changed during 2014 as follows: The loan portfolio yield decreased by 5 basis points and the investment portfolio yield increased by 13 basis points while funding costs increased by 8 basis points.

The cost of interest-bearing liabilities increased to 0.93% in 2014 from 0.85% in 2013. This increase is primarily the result of a 409 basis point increase in the cost of subordinated debt. Further discussion on subordinated debt is included in Note 6 to the consolidated financial statements.

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Statistical Financial

Information Regarding MVB Financial Corp.

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

Average Balances and Analysis of Net Interest Income:

rs in thousands)	2014 Average Balance	Interest Income/ Expense	Yield/ Cost	2013 Average Balance	Interest Income/ Expense	Yield/ Cost	2012 Average Balance	Interest Income/ Expense	Yiel Cos
st-bearing ts in banks	$ 20,123	$ 45	0.22 %	$ 12,530	$ 32	0.26 %	$ 6,695	$ 15	0.22
vith other banks	9,826	178	1.81	9,427	168	1.78	9,565	189	1.98
ment securities:									
le	86,868	1,272	1.46	92,371	1,348	1.46	91,703	1,457	1.59
xempt	55,972	1,646	2.94	45,407	1,281	2.82	22,466	679	3.02
and loans held e: (1)									
nercial	489,382	21,344	4.36	317,934	14,681	4.62	255,641	12,511	4.89
xempt	29,682	1,078	3.63	24,863	959	3.86	18,980	809	4.26
state	242,526	10,078	4.16	198,620	7,645	3.85	138,034	5,770	4.18
mer	18,228	773	4.24	18,714	846	4.52	14,812	824	5.56
ance for loan	(6,135)			(4,827)			(3,436)		
ans	773,683	33,273	4.30	555,304	24,131	4.35	424,031	19,914	4.70
earning assets	946,472	36,414	3.85	715,039	26,960	3.77	554,460	22,254	4.01
nd due from	15,173			18,402			11,163		
assets	75,309			61,854			24,101		
assets	$ 1,036,954			$ 795,295			$ 589,724		
ties its:									
	$ 402,273	$ 3,157	0.78	$ 291,969	$ 2,208	0.76	$ 202,850	$ 1,832	0.90
/ market ng	38,332	191	0.50	23,715	72	0.30	29,683	125	0.42
gs	37,576	126	0.34	31,039	196	0.63	23,461	137	0.58
	9,627	113	1.17	9,495	152	1.60	9,771	232	2.37
	222,609	1,976	0.89	151,522	1,349	0.89	136,571	1,540	1.13
	55,731	291	0.52	80,166	567	0.71	67,709	511	0.75

chase nents and federal sold and other vings	80,855	1,087	1.34		63,763	926	1.45		15,468	466	3.01
dinated debt	19,011	1,142	6.01		4,124	79	1.92		4,124	87	2.11
nterest-bearing ies	866,014	8,083	0.93		655,793	5,549	0.85		489,637	4,930	1.01
nterest bearing d deposits	60,587				52,002				46,748		
liabilities	6,699				8,786				3,315		
iabilities	933,300				716,581				539,700		
holders' equity											
red stock	12,471				8,500				8,500		
non stock	7,958				3,373				2,243		
n capital	72,308				58,217				32,605		
ry stock	(1,084)				(1,084)				(1,083)		
ed earnings	14,554				11,387				8,401		
nulated other ehensive income	(2,553)				(1,679)				(642)		
stockholders'	103,654				78,714				50,024		
iabilities and olders' equity	$ 1,036,954				$ 795,295				$ 589,724		
terest spread			2.91				2.91				3.00
terest e-margin		$ 28,331	2.99	%		$ 21,411	2.99	%		$ 17,324	3.12

n-accrual loans are included in total loan balances, lowering the effective yield for the portfolio in the aggregate.

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Rate Volume Calculation

2014 vs 2013

(in thousands)	Change in Volume	Change in Rate	Change in both Rate & Volume	Total Change
Earning Assets				
Loans				
Commercial	7,917	(815)	(439)	6,663
Tax exempt	186	(56)	(11)	119
Real estate	1,598	1,024	226	2,848
Consumer	(22)	(52)	1	(73)
Investment securities:				—
Taxable	(80)	5	—	(75)
Tax-exempt	298	54	13	365
Interest-bearing deposits in banks	19	(4)	(2)	13
CDs with other banks	7	3	—	10
Total earning assets	9,923	159	(212)	9,870
Interest bearing liabilities				
NOW	834	83	31	948
Money market checking	44	46	28	118
Savings	41	(92)	(19)	(70)
IRAs	2	(41)	(1)	(40)
CDs	633	(4)	(2)	627
Repurchase agreements and federal funds sold	(173)	(148)	45	(276)
FHLB and other borrowings	248	(69)	(18)	161
Subordinated debt	285	169	609	1,063
Total interest bearing liabilities	1,914	(56)	673	2,531
Total	8,009	215	(885)	7,339

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Rate Volume Calculation

2013 vs 2012

(in thousands)	Change in Volume	Change in Rate	Change in both Rate & Volume	Total Change
Earning Assets				
Loans				
Commercial	3,048	(706)	(172)	2,170
Tax exempt	251	(77)	(24)	150
Real estate	2,532	(745)	(327)	1,460
Consumer	217	(154)	(41)	22
Investment securities:				—
Taxable	11	(119)	(1)	(109)
Tax-exempt	693	(45)	(46)	602
Interest-bearing deposits in banks	13	2	2	17
CDs with other banks	(3)	(18)	—	(21)
Total earning assets	6,762	(1,862)	(609)	4,291
Interest bearing liabilities				
NOW	805	(298)	(131)	376
Money market checking	(25)	(35)	7	(53)
Savings	44	11	4	59
IRAs	(7)	(76)	2	(81)
CDs	169	(324)	(35)	(190)
Repurchase agreements and federal funds sold	94	(32)	(6)	56
FHLB and other borrowings	1,455	(241)	(754)	460
Subordinated debt	—	(8)	—	(8)
Total interest bearing liabilities	2,535	(1,003)	(913)	619
Total	4,227	(859)	304	3,672

Provision for Loan Losses

The Company’s provision for loan losses for 2014 and 2013 were approximately $2.6 million and $2.3 million, respectively.

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

Gain on loans held for sale and insurance income generate the core of the Bank's noninterest income. Also, service charges on deposit accounts continue to be part of the core of the Bank's noninterest income and include mainly non-sufficient funds and returned check fees, allowable overdraft fees and service charges on commercial accounts.

The total of non-interest income for 2014 was $25.9 million versus $28.4 million in 2013.

In 2014, gain on loans held for sale declined by $3.1 million due to lower loan production as a result of decreased refinance volume as well as the impact of a refinement in accounting estimate related to interest rate lock commitments.

MVB Mortgage sold a 25% share in a mortgage services company joint venture, Lender Services Provider, LLC ("LSP"), during the third quarter of 2013. A gain of $626 was recognized on this one-time event that occurred in 2013.

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During the ordinary course of business in 2014, the Bank sold several investment securities at a gain of $413. All investments that were sold were classified as available-for-sale. MVB is always looking at ways to improve yield while maintaining a high quality short-term investment portfolio.

The Bank recognized income from the retention of servicing on mortgage loans sold of $6 in 2014 versus $826 in 2013. This $820 decrease relates to increased amortization expense and decreased income due to a decrease in new serviced loans in 2014 versus 2013. This was a specifically planned strategy to reduce this area as the mortgage company sells loans on a servicing released basis. The Bank's mortgage service asset at $1.4 million remains a very insignificant piece of the balance sheet.

The Company is continually searching for ways to increase non-interest income. Gains from loans sold in the secondary market continues to be a major area of focus for the Bank and the Company, as well as insurance income. Insurance income increased by $1.8 million during 2014. This significant increase was the result of MVB Insurance becoming a direct subsidiary of the Company on June 1, 2013, at which point the insurance company increased both staffing and the number of insurance products offered and was able to record a full year of revenue in 2014 versus seven months in 2013.

Non-Interest Expense

Non-interest expense was $49.7 million in 2014 versus $42.6 million in 2013. Approximately 63% and 64% of non-interest expense for 2014 and 2013, respectively, related to personnel costs. Personnel are the lifeblood of every service organization, which is why personnel costs are such a significant part of the expenditure mix. Salaries and benefits increased by $4.1 million in 2014, this increase related to the following: the addition of new bank and mortgage offices, additional staffing related to organic growth and increases for existing staff.

Equipment and occupancy expense increased by $1.4 million in 2014. This increase was mainly the result of the opening of multiple new bank and mortgage office locations, the completion of a new facility in Kanawha County, West Virginia and construction of a new facility in the West Virginia High Technology Park in Fairmont, Marion County, West Virginia.

Consulting expense increased by $274 in 2014. This increase related mainly to merger and acquisition activity that took place throughout most of 2014.

Data processing increased by $448 in 2014. The increase was largely driven by overall growth in terms in personnel and office space company wide and the usage of additional products, services and providers to better serve the client base.

FDIC insurance increased from $489 in 2013 to $819 in 2014, the direct result of continued deposit growth.

Income Taxes

The Company incurred an income tax benefit of $96 in 2014 and income tax expense of $1.0 million in 2013.

The Company's effective tax rate decreased from 20% in 2013 to negative 5% in 2014. This decrease was largely driven by the increase in tax-free income on loans and securities, which increased by $484 in 2014, and the decline in pre-tax earnings.

Return on Assets

The Company's return on average assets was .20% in 2014, compared to .51% in 2013. The decreased return in 2014 is a direct result of a $1.9 million decrease in earnings, while average total assets increased by $241.7 million, mainly the result of a $219.7 million increase in average total gross loans.

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Return on Equity

MVB Financial Corp.'s return on average stockholders' equity ("ROE") was 2.01% in 2014, compared to 5.11% in 2013. The decreased return in 2014 is a direct result of a $1.9 million decrease in earnings, while average equity increased by $24.9 million as a result of the completion of a $15.6 million private common stock offering to accredited investors and a $7.8 million preferred stock offering.

Overview of the Statement of Condition

The balance sheet changed significantly from 2013 to 2014. Loans increased by $176.0 million to $798.3 million at December 31, 2014. Investment securities decreased by $40.3 million, deposits increased by $127.4 million, repurchase agreements decreased by $48.9 million, subordinated debt increased by $29.4 million and stockholders' equity increased by $15.4 million.

Cash and Cash Equivalents

Cash and cash equivalents totaled $30.1 million at December 31, 2014, compared to $39.8 million at December 31, 2013. This increase was due to a $15.5 million decrease in balances in the cash and due from bank accounts and a $5.7 million increase in interest bearing balances at year end.

Management believes the current balance of cash and cash equivalents adequately serves the Company'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 liquidity needs 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 the Company to meet cash obligations as they come due.

Investment Securities

Investment securities totaled $122.8 million at December 31, 2014, compared to $163.1 million at December 31, 2013.

The following table sets forth a summary of the investment securities portfolio as of the dates indicated. Available for sale securities are reported at estimated fair value (in thousands):

December 31,	2014	2013	2012
Available-for-sale securities:			
U. S. Agency securities	$ 37,534	$ 58,822	$ 22,192
U.S. Sponsored Mortgage-backed securities	29,932	46,592	56,376
Equity and other securities	747	997	810
Total investment securities available-for-sale	$ 68,213	$ 106,411	$ 79,378
Held-to-maturity securities:			
Municipal securities	$ 54,538	$ 56,670	$ 35,370

Investment securities are a fairly even mix of available-for-sale and held-to-maturity. Management believes the available-for-sale classification provides flexibility in terms of managing the portfolio for liquidity, yield enhancement and interest rate risk management opportunities. At December 31, 2014, the amortized cost of investment securities totaled $123.4 million, resulting in unrealized gain in the investment portfolio of $657. The Company decreased

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available-for-sale securities during 2014 in order to take advantage of rate opportunities yielding gains and to free up room for increased loan growth. The entire municipal portfolio is currently classified as held to maturity. The municipal portfolio continues to give the company the ability to pledge and to better the effective tax rate.

The following table shows the maturities for the investment securities portfolio at December 31, 2014 (in thousands):

	Within one year		After one year, but within five		After five years, but within ten		After ten years		Total investment securities	
	Amortized Cost	Weighted Avg. Yield	Amortized Cost	Weighted Avg. Yield	Amortized Cost	Weighted Avg. Yield	Amortized Cost	Weighted Avg. Yield	Amortized Cost	Fair Va
. Agency urities	$ ——	%	$ 20,186	1.30 %	$ 17,740	1.51 %	$ —	— %	$ 37,926	$ 37,5
. Sponsored rtgage-backed urities	——		—	—	5,092	1.52	25,201	1.29	30,293	29,9
ity and other urities	——		670	10.00	—	—	—	—	670	747
nicipal urities	——		2,411	1.85	16,564	2.77	35,563	2.93	54,538	55,8
	$ ——	%	$ 23,267	1.61 %	$ 39,396	2.04 %	$ 60,764	2.25 %	$ 123,427	$ 124,

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

Loans

The Company's lending is primarily focused in Marion, Harrison, Berkeley, Jefferson, Kanawha and Monongalia County, West Virginia with a secondary focus on the adjacent counties in West Virginia. Northern Virginia is also a key area of focus for the Bank in the commercial and secondary market lending arena. The portfolio consists principally of commercial lending, retail lending, which includes single-family residential mortgages and consumer

lending. Loans totaled $798.3 million as of December 31, 2014, compared to $622.3 million at December 31, 2013.

During 2014, the Bank experienced loan growth of $176.0 million. The most significant portion of the growth came in the residential real estate and commercial and non-residential real estate area. Residential real estate and home equity loans grew $74.4 million and commercial and non-residential real estate loans grew approximately $103.4 million.

Major classification of loans held for investment at December 31, are as follows:

(in thousands)	2014	2013	2012	2011	2010
Commercial and non-residential real estate	$ 560,752	$ 457,388	$ 299,639	$ 238,504	$ 194,700
Residential real estate and home equity	220,442	146,001	130,012	121,536	86,020
Consumer	17,103	18,916	16,792	13,782	13,324
Total	$ 798,297	$ 622,305	$ 446,443	$ 373,822	$ 294,044

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At December 31, 2014, commercial loans represented the largest portion of the portfolio approximating 70.3% of the total loan portfolio. Commercial loans totaled $560.8 million at December 31, 2014, compared to $457.4 million at December 31, 2013. Management will continue to focus on the enhancement and growth of the commercial loan portfolio while maintaining appropriate underwriting standards and risk/price balance.

Residential real estate loans to retail customers (including home equity lines of credit) account for the second largest portion of the loan portfolio, comprising 27.6% of the total loan portfolio. Residential real estate and home equity loans totaled $220.4 million at December 31, 2014, compared to $146.0 million at December 31, 2013. Included in residential real estate loans are home equity credit lines totaling $45.9 million at December 31, 2014, compared to $27.8 million at December 31, 2013. 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 due to the lower risk factors associated with this type of loan and the opportunity to provide service to those in the Marion, Harrison, Berkeley, Jefferson, Kanawha and Monongalia County markets, as well as Northern Virginia.

Consumer lending continues to be a part of core lending. At December 31, 2014, consumer loan balances totaled $17.1 million compared to $18.9 million at December 31, 2013. The majority of 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 our market areas.

The following table provides additional information about loans:

Loan maturities at December 31, 2014:

(in thousands)	One Year or Less	One Thru Five Years	Due After Five Years	Total
Commercial and nonresidential real estate	$ 120,718	$ 222,442	$ 217,592	$ 560,752
Residential real estate and home equity	59,067	8,034	153,341	220,442
Consumer and other	4,588	7,671	4,844	17,103
Total	$ 184,373	$ 238,147	$ 375,777	$ 798,297

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

The following table reflects the sensitivity of loans to changes in interest rates as of December 31, 2014 that mature after one year:

(in thousands)	Commercial and nonresidential real estate	Residential Real estate and home equity	Consumer and other	Total
Predetermined fixed interest rate	$ 223,683	$ 103,946	$ 6,483	$ 334,112
Floating or adjustable interest rate	216,351	57,429	6,032	279,812
Total as of December 31, 2014	$ 440,034	$ 161,375	$ 12,515	$ 613,924

Loan Concentration

At December 31, 2014, 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.

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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, 2014 and 2013 impaired loans totaled $14.8 million and $6.6 million respectively. A portion of the Allowance for Loan Losses of $690 and $1,458 was allocated to cover any loss in these loans at December 31, 2014 and 2013, respectively. Loans past due more than 30 days were $26.6 million and $2.8 million, respectively, at December 31, 2014 and 2013.

	December 31	
	2014	2013
Loans past due more than 30 days to gross loans	3.33 %	0.45 %
Loans past due more than 90 days to gross loans	1.14 %	0.14 %

Net charge-offs of $1.3 million in 2014 and $1.5 million in 2013 were incurred. The provision for loan losses was $2.6 million in 2014 and $2.3 million in 2013. Net charge-offs represented .17% and .25% in 2014 and 2013, respectively, compared to average outstanding loans for the indicated period.

The following tables reflect the allocation of the allowance for loan losses as of December 31, 2014, 2013, 2012, 2011 and 2010:

Residential

(in thousands)	Commercial and nonresidential real estate	Real estate and home equity	Consumer and other	Total
ALL balance at December 31, 2013	$ 3,609	$ 1,073	$ 253	$ 4,935
Charge-offs	(1,110)	(130)	(68)	(1,308)
Recoveries	7	3	4	14
Provision	1,857	707	18	2,582
ALL balance at December 31, 2014	$ 4,363	$ 1,653	$ 207	$ 6,223

(in thousands)	Commercial and nonresidential real estate	Residential Real estate and home equity	Consumer and other	Total
ALL balance at December 31, 2012	$ 3,107	$ 756	$ 213	$ 4,076
Charge-offs	(1,458)	(38)	(33)	(1,529)
Recoveries	57	70	1	128
Provision	1,903	285	72	2,260
ALL balance at December 31, 2013	$ 3,609	$ 1,073	$ 253	$ 4,935

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(in thousands)	Commercial and nonresidential real estate	Residential Real estate and home equity	Consumer and other	Total
ALL balance at December 31, 2011	$ 2,164	$ 615	$ 266	$ 3,045
Charge-offs	(1,731)	(9)	(51)	(1,791)
Recoveries	5	5	12	22
Provision	2,669	145	(14)	2,800
ALL balance at December 31, 2012	$ 3,107	$ 756	$ 213	$ 4,076

(in thousands)	Commercial and nonresidential real estate	Residential Real estate and home equity	Consumer and other	Total
ALL balance at December 31, 2010	$ 1,517	$ 667	$ 294	$ 2,478
Charge-offs	(552)	(526)	(111)	(1,189)
Recoveries	4	10	19	33
Provision	1,195	464	64	1,723
ALL balance at December 31, 2011	$ 2,164	$ 615	$ 266	$ 3,045

(in thousands)	Commercial and nonresidential real estate	Residential Real estate and home equity	Consumer and other	Total
ALL balance at December 31, 2009	$ 1,717	$ 288	$ 236	$ 2,241
Charge-offs	(547)	(124)	(241)	(912)
Recoveries	—	45	4	49
Provision	347	458	295	1,100
ALL balance at December 31, 2010	$ 1,517	$ 667	$ 294	$ 2,478

ecember 31,	2014		2013		2012		2011		2010	
	Amount	% of loans in each category to total	Amount	% of loans in each category to total	Amount	% of loans in each category to total	Amount	% of loans in each category to total	Amount	% of loans in each category to total

		loans			loans			loans			loans			loans	
ommercial d nresidential l estate	$ 4,363	70	%	$ 3,609	73	%	$ 3,107	67	%	$ 2,164	64	%	$ 1,517	66	
sidential l estate and me equity	1,653	28		1,073	23		756	29		615	33		667	29	
nsumer and her	207	2		253	3		213	4		266	4		294	5	
tal	$ 6,223	100	%	$ 4,935	100	%	$ 4,076	100	%	$ 3,045	100	%	$ 2,478	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

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accrual status. Interest income on loans would have increased by approximately $221 if loans had performed in accordance with their terms.

Non-performing assets and past due loans:

(Dollars in Thousands)	2014	2013	2012	2011	2010
Non-accrual loans					
Commercial	$ 3,462	$ 284	$ 3,081	$ 2,453	$ 828
Real estate and home equity	487	29	43	76	1,243
Consumer and other	—	76	1	163	158
Total non-accrual loans	3,949	389	3,125	2,692	2,229
Accruing loan past due 90 days or more	5,306	460	329	584	562
Total non-performing loans	9,255	849	3,454	3,276	2,791
Other real estate, net	575	375	207	176	402
Total non-performing assets	$ 9,830	$ 1,224	$ 3,661	$ 3,452	$ 3,193
Non-performing loans as a % of total loans	1.16 %	0.14 %	0.77 %	0.88 %	0.95 %
Allowance for loan losses as a % of non-performing loans	67.24 %	581.27 %	118.01 %	92.95 %	88.79 %

Funding Sources

The Bank 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, totaling $823.2 million, or 83.1% of funding sources at December 31, 2014. This same information at December 31, 2013 reflected $695.8 million in deposits representing 78.5% of such funding sources. Cash management accounts, which are available to large corporate customers, represented 3.3% and 9.2% of funding sources at December 31, 2014 and 2013, respectively. Borrowings 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, 2014, non-interest-bearing balances totaled $67.1 million compared to $63.3 million at December 31, 2013 or 8.2% and 9.1% of total deposits respectively.

(in thousands)	2014	2013	2012
Demand deposits of individuals, partnerships, and corporations			
Non-interest bearing demand	$ 67,066	$ 63,336	$ 54,619
Interest bearing demand	431,896	320,420	225,369
Savings and money markets	87,715	70,902	48,789
Time deposits including CDs and IRAs	236,550	241,153	157,742
Total deposits	$ 823,227	$ 695,811	$ 486,519
Time deposits that meet or exceed the FDIC insurance limit	$ 23,257	$ 22,358	$ 6,934

Interest-bearing deposits totaled $756.2 million at December 31, 2014, compared to $632.5 million at December 31, 2013. On a percentage basis, interest bearing checking accounts compose the largest component of deposits. Average interest-bearing liabilities totaled $866.0 million during 2014 compared to $655.8 million during 2013. Average non-interest bearing liabilities totaled $67.3 million during 2014 compared to $60.8 million during 2013. Management will continue to emphasize deposit gathering in 2015 by offering outstanding customer service and competitively priced products.

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Maturities of time deposits that meet or exceed the FDIC insurance limit:

(Dollars in Thousands)	2014
Under 3 months	$ 46,804
Over 3-12 months	39,784
Over 1 to 3 years	29,666
Over 3 years	19,855
Total	$ 136,109

Short-term borrowings:

(Dollars in Thousands)	2014	2013	2012
Ending balance	$ 95,829	$ 98,028	$ 23,065
Average balance	76,185	55,686	6,331
Highest month-end balance	120,229	98,028	23,065
Weighted average rate during the year	0.27 %	0.25 %	0.25 %
Rate at December 31	0.32 %	0.25 %	0.25 %

Repurchase agreements:

(Dollars in Thousands)	2014	2013	2012
Ending balance	$ 32,673	$ 81,578	$ 70,234
Average balance	55,731	80,166	67,709
Highest month-end balance	83,781	81,578	70,234
Weighted average rate during the year	0.52 %	0.71 %	0.80 %
Rate at December 31	0.35 %	0.65 %	0.76 %

Along with traditional deposits, the Bank has access to both overnight repurchase agreements and short-term borrowings from FHLB to fund its operations and investments. Repurchase agreements totaled $32.7 million at December 31, 2014, compared to $81.6 million in 2013. Short-term borrowings from FHLB totaled $95.8 million at December 31, 2014, compared to $98.0 million at year-end 2013.

Capital/Stockholders' Equity

During the year ended December 31, 2014, stockholders' equity increased approximately $15.4 million to $109.4 million. This increase consists of net income for the year of $2.1 million, along with capital raises of $5.8 million to accredited investors and $7.8 million in newly issued preferred stock. Although stockholders' equity increased as noted above, the equity to assets ratio only increased 0.33% to 9.86% due to the increase in total assets during 2014. The Company paid dividends to common shareholders of $636 in 2014 and $537 in 2013 which increased the dividend payout ratio from 13.36% in 2013 to 30.59% in 2014.

At December 31, 2014, accumulated other comprehensive loss totaled $2.6 million, a decrease in the loss of $319 from December 31, 2013. This principally represents net unrealized loss on available-for-sale securities, net of income taxes, and the adjustment to pension liability, net of income taxes, at December 31, 2014. Because the majority of all the investment securities in the portfolio are classified as available-for-sale, both the investment and equity sections of the balance sheet are more sensitive to the changing market values of investments than those institutions that classify more

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of their investment portfolio as "held to maturity". Interest rate fluctuations between year-end 2014 and 2013 resulted in the change in market value of the portfolio.

The Bank 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 0% (lowest risk assets), 20%, 50%, or 100% (highest risk assets) is assigned to each asset on the balance sheet. Detailed information concerning the Company's risk-based capital ratios can be found in Note 14 of the Notes to the Audited Financial Statements. At December 31, 2014, the Company's risk-based capital ratios were above the minimum standards for a well-capitalized institution. The total risk-based capital ratio of 16.4% at December 31, 2014, is above the well-capitalized standard of 10%. The Tier 1 risk-based capital ratio of 12.0% also exceeded the well-capitalized minimum of 6%. The leverage ratio at December 31, 2014, was 9.0% and was also above the well-capitalized standard of 5%. Management believes our capital continues to provide a strong base for profitable growth.

Liquidity and Interest Rate Sensitivity

The objective of the asset/liability management function is to maintain consistent growth in net interest income within its policy guidelines. This objective is accomplished through management of 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 the 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. The Asset/Liability Committee (ALCO) is responsible for the overall review and management of the Bank's balance sheets related to the management of interest rate risk. The ALCO strives to stay focused on the future, anticipating and exploring alternatives, rather than simply reacting to change after the fact.

To this end, the ALCO 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 ALCO 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 ALCO 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 ALCO 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 ALCO of assumptions used in the modeling.

The ALCO 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 ALCO has determined that the earnings at risk shall not change more than 10 % from

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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, 2014.

The following table is provided to show the earnings at risk as of December 31, 2014.

(Dollars in Thousands)		
Immediate Interest Rate Change (one year time frame)	Estimated Increase (Decrease) in Net Interest Income December 31, 2014	
(in Basis Points)	Amount	Percent
+200	$ 35,129	(0.41) %
+100	35,171	(0.29) %
Base rate	35,274	
-100	35,075	(0.57) %
-200	$ 34,728	(1.55) %

Liquidity

Maintenance of a sufficient level of liquidity is a primary objective of the ALCO. Liquidity, as defined by the ALCO, 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 the Bank 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, 2014, cash provided by financing activities totaled $117.2 million, while outflows from investing activity totaled $151.9 million. When appropriate, the Bank 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 CDARS. These external sources often provide attractive interest rates and flexible maturity dates that enable the Bank 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

The Bank has entered into certain agreements that represent off-balance sheet arrangements that could have a significant impact on the financial statements and could have a significant impact in future periods. Specifically, the Bank 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, 2014, is included in Note 7 to the consolidated 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.

Fourth Quarter

Fourth quarter net loss was $585 in 2014 compared to $591 net income in the fourth quarter of 2013. This equated to basic earnings per share, on a quarterly basis, of $.09 loss in 2014 and $.16 in 2013. Diluted earnings per share for the fourth quarter of 2014 and 2013 were $.09 loss and $.16, respectively. Net interest income increased during the fourth quarter and was $7.3 million in the fourth quarter of 2014 compared to $6.2 million in 2013. Non-interest income was $6.3 million in the fourth quarter of 2014 compared to $5.4 million in 2013. Non-interest expense increased to $14.4 million for the fourth quarter of 2014 from $10.6 million in 2013. Loan loss provision was $390 for the fourth quarter of 2014, an increase of $123 over the fourth quarter of 2013.

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Earnings in the fourth quarter of 2014 for MVB were down $1.2 million from the fourth quarter 2013. This decrease in earnings was seen in all three segments of operations.

The commercial and retail banking segment of MVB showed a decrease in earnings from the fourth quarter of 2014 by $444 from the same period one year prior due mainly to the following items. Net interest margin increased $774 due to the Company's strong balance sheet growth, namely loan growth of $220 million and deposit growth of $203 million. Even so, the growth in margin included the negative impact of interest expense of $533 related to the addition of $29.4 million of subordinated debt which was not present in the prior year period. Salaries and benefits increased by $928 as a result of the staff additions related to the opening of loan production offices in Northern Virginia and Charleston, WV, and the addition of key staff members in both the commercial lending area and to the executive management team. Finally, other expenses