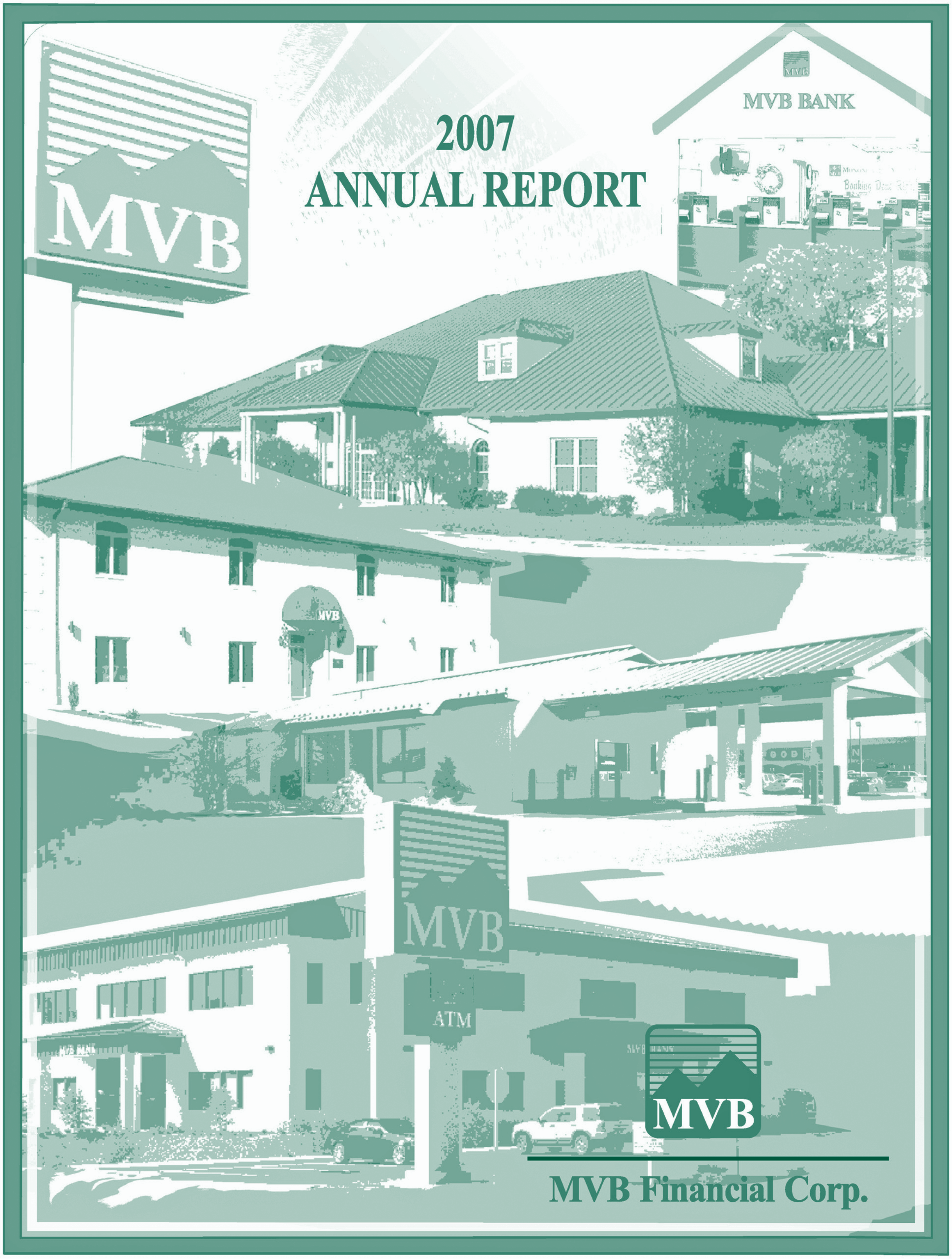
# 2007
# ANNUAL REPORT




**MVB Financial Corp.**

**MVB Financial Corp.**
**Selected Financial Data**
**Amounts in thousands,**
**except for share data**

| | | At or for the Year Ended December 31 | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | 2007 | 2006 | 2005 | 2004 | 2003 | 2002 | 2001 | 2000 | 1999 |
| **Summary of Operations** | | | | | | | | | |
| Interest Income | $ 13,274 | 10,011 | 6,651 | 5,536 | 4,852 | 4,227 | 3,893 | 2,977 | 1,188 |
| Interest Expense | 6,377 | 4,360 | 2,326 | 1,570 | 1,702 | 1,852 | 2,195 | 1,820 | 643 |
| Net Interest Income | 6,897 | 5,651 | 4,325 | 3,966 | 3,150 | 2,375 | 1,698 | 1,157 | 545 |
| Provisions for Loan Losses | 584 | 445 | 160 | 269 | 223 | 225 | 166 | 138 | 104 |
| Non-Interest Income | 1,623 | 1,240 | 876 | 677 | 598 | 458 | 391 | 207 | 127 |
| Non-Interest Expense | 6,240 | 5,132 | 4,284 | 2,689 | 2,348 | 2,033 | 1,712 | 1,397 | 944 |
| Applicable Income Tax Expenses (Benefit) | 414 | 341 | 195 | 627 | 396 | 175 | 64 | (50) | (118) |
| Net Income (Loss) | 1,282 | 973 | 562 | 1,058 | 781 | 400 | 147 | (121) | (258) |
| **Per Share Data** | | | | | | | | | |
| Basic Net Income (Loss)/Share | $ 0.87 | 0.68 | 0.57 | 1.46 | 1.10 | 0.70 | 0.28 | (0.23) | (0.57) |
| Fully Diluted Net Income/Share | 0.85 | 0.61 | 0.49 | 1.41 | 1.07 | 0.68 | 0.27 | (0.23) | (0.57) |
| Cash Dividends Declared | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a |
| Book Value | 15.60 | 14.82 | 13.52 | 11.80 | 11.04 | 10.37 | 8.75 | 8.48 | 9.14 |
| Basic weighted-average shares outstanding | 1,470 | 1,428 | 993 | 726 | 708 | 571 | 533 | 517 | 517 |
| Diluted weighted-average shares outstanding | 1,509 | 1,588 | 1,153 | 752 | 730 | 586 | 541 | 517 | 517 |
| **Average Balance Sheet Summary** | | | | | | | | | |
| Loans, Gross | $ 158,666 | 124,794 | 87,145 | 70,252 | 55,301 | 42,153 | 30,560 | 20,429 | 5,591 |
| Investment Securities | 26,564 | 27,335 | 22,466 | 23,012 | 25,219 | 18,794 | 14,773 | 8,400 | 5,553 |
| Total Assets | 205,463 | 168,950 | 123,668 | 101,887 | 91,981 | 74,597 | 59,425 | 42,764 | 19,461 |
| Deposits | 149,304 | 119,949 | 95,349 | 81,414 | 71,657 | 58,294 | 44,924 | 31,646 | 12,336 |
| Capital | 22,179 | 20,015 | 12,957 | 8,342 | 7,575 | 5,379 | 4,761 | 4,500 | 4,058 |
| **End of Period Balance Sheet Summary** | | | | | | | | | |
| Loans, Gross | $ 181,537 | 142,599 | 105,214 | 78,844 | 62,615 | 48,032 | 35,075 | 26,117 | 13,899 |
| Investment Securities | 27,843 | 28,739 | 28,534 | 20,791 | 25,073 | 22,335 | 18,121 | 10,093 | 8,139 |
| Total Assets | 230,098 | 191,233 | 151,334 | 106,206 | 94,936 | 80,977 | 65,325 | 50,358 | 34,087 |
| Deposits | 157,448 | 134,593 | 113,953 | 85,486 | 75,338 | 64,904 | 49,710 | 38,110 | 24,006 |
| Capital | 23,525 | 21,758 | 18,518 | 8,843 | 7,818 | 7,340 | 4,798 | 4,622 | 4,572 |
| **Selected Ratios** | | | | | | | | | |
| Average Equity to Average Assets | 10.79% | 11.85% | 10.48% | 8.19% | 8.24% | 7.21% | 8.01% | 10.52% | 20.85% |
| **Return on Average Assets** | | | | | | | | | |
| Net Income (Loss) | 0.62% | 0.58% | 0.45% | 1.04% | 0.85% | 0.54% | 0.25% | -0.28% | -6.36% |
| **Return on Average Equity** | | | | | | | | | |
| Net Income (Loss) | 5.78% | 4.86% | 4.34% | 12.68% | 10.31% | 7.44% | 3.09% | -2.69% | -1.33% |
| **Leverage Ratio** | 11.53% | 11.35% | 11.82% | 8.35% | 8.21% | 8.95% | 7.14% | 9.40% | 24.20% |
| **Risk-Based Capital Ratios** | | | | | | | | | |
| Tier I Capital | 13.60% | 14.37% | 15.66% | 11.27% | 11.98% | 13.98% | 12.31% | 16.20% | 27.00% |
| Total Capital | 14.52% | 15.21% | 16.45% | 12.40% | 13.03% | 14.96% | 13.25% | 17.00% | 27.60% |
| **Common Stock Price Per Share at Year End** | $ 20.00 | 16.00 | 16.00 | 14.00 | 12.38 * | 11.90 * | 10.48 * | 10.00 * | 10.00 * |

* adjusted for 5% stock dividends,
effective June 1, 2001 & August 15, 2004

MVB

MVB FINANCIAL CORP.

Banking Done Right!

301 Virginia Avenue • Fairmont, WV 26554

Dear Shareholder,

It is with a heavy heart that I begin this letter to you. Our MVB family has lost a great friend and valuable Board member. MVB-East, Inc, Board of Director member Robert R. Kessel died in an airplane accident returning home from a business trip. While Rob was a member of our family for only a few years, he quickly became an integral part of our organization. He served on the Board of Directors of MVB-East, Inc and the Loan Review Committee of MVB Bank, Inc. where his financial knowledge, his business experience and his inquisitive personality made him an extremely important contributor to our success. We will miss Rob Kessel greatly. We wish to extend our deepest condolences to his family.

The area of banking that is receiving the greatest press coverage currently is that of sub prime mortgage lending ("sub prime"). FIRST, I want to assure you that MVB was not an originator of sub prime mortgage loans. SECOND, MVB will not be an originator of sub prime mortgage loans in the future.

Community Banks, such as MVB, are not the source of the sub prime loan problems. Generally, the source of the sub prime problems were mortgage loan brokers whose only concern was to close a loan and receive the income generated when closed. This is a very different business model from that of community banks. Our approach is to build a relationship with our customers. We want our customers to continue to use MVB for all of their financial needs. We want to grow with our customers.

In spite of the bad press mortgage lending has received during 2007, MVB had a very good mortgage lending year. We added two mortgage lenders to the staff in March. They closed their first loans in April. Our mortgage originations increased 24% during 2007, from 282 to 350 loans. We expect this trend to continue in 2008 provided the WV economy remains stable. The mix of our mortgage loans originated in 2007 changed significantly, as was planned. Nearly 90% of the loans originated in 2007 were fixed-rate, fixed-term loans. This is a loan that is very good for our customer and MVB; we originate it and then sell to the secondary mortgage loan market. The interest rates on these loans are fixed for 30 years. Since no one will provide MVB a 30-year fixed rate deposit, we cannot keep the loans, but we certainly provide a great service to our customers.

In an effort to improve earnings for MVB and enhance service and pricing to our mortgage loan customers, MVB has established MVB Insurance, LLC. This is an insurance agency that may provide title insurance to real estate borrowers. As a result, this agency earns commissions for the sale of title insurance while providing such insurance at a lower cost to our borrowers who choose to use MVB Insurance. It seems to be a win for both MVB and our borrowers.

Phones: 304-363-4800; 1-888-689-1877 • Fax 304-366-8600

In early July 2007, we opened our newest office in Martinsburg, WV. It is located at 651 Foxcroft Avenue, in the very retail business area of Berkeley County. We own the bottom floor. We use about two thirds of it and lease the other third. The facility is very well done. Please stop by if you are in the area, I'm sure the staff would be happy to provide a short tour.

More important than the facility is the staff assembled to lead MVB forward in the Eastern Panhandle. Tim Procita came to us in March 2007 as MVB-East, Inc. (East) President and CEO. He has assembled a very high quality banking team. In the few months they have been opened, the staff has moved us forward quickly. We expect great progress from East in future years.

To further enhance the performance of East, we completed the expansion and remodeling of our Charles Town office. Before the expansion, there was a shortage of office, meeting and storage space. Now, we have a small conference room and two spacious offices. This greatly increases our ability to provide high quality service. We now have badly needed storage space and a workroom. The facility will permit us to continue to grow in Jefferson County.

Technological advancement is both a blessing and a curse. The curse is the need to continually enhance software and hardware. Technology is one of the most important on-going expenditures required of MVB. The technology blessings results in more efficient processes and enhanced customer services.

Recently, we needed to upgrade our data communications lines in order to improve customer service in the form of data processing response time. As a result of this enhancement, we have been able to implement video conferencing among our offices. This meeting method has improved our efficiency and reduced our highway travel exposure.

Internet banking continues to expand. Our commercial customers are great users of the service. Their use includes such areas as funds transfers, both internal and external, payroll processing, tax deposit processing, e-mail statements, current account balances and historical records research. Both commercial and personal users are aggressive in the use of our electronic bill payment feature.

Remote capture of deposits by commercial customers provides the ability for the customers to make deposits with MVB without leaving their office. The customer scans the checks and transmits an electronic file to us. We process the electronic file just like any other deposit. In addition, it provides MVB with the opportunity to provide deposit services to customers without geographical limitations.

A similar process is also being used by MVB in the majority of our offices. This allows us to capture information electronically for forwarding to our data processor. This eliminates ground or air couriers moving paper from one location to another. Courier expense continues to increase, which encourages us to convert our remaining offices to the electronic transmission of data for processing, including the clearing of our foreign checks, as soon as possible.

An area that concerns all of us at MVB is the issue of privacy and identity theft. We take our responsibility in this area very seriously. We provide training in this area frequently and constantly update our staff with new scams as they arise. There is a never ending stream of attempts to obtain personal information. Most of these attempts are designed to get the information from the individual themselves. When it comes to your banking information, remember that MVB will not call you asking for your information. When you call us, we will ask numerous questions about you or your account to establish that we are talking to you. Please do not be offended. We do this for our protection and yours.

From a financial standpoint, MVB enjoyed a very positive year. All balance sheet categories reflected increases. Earnings growth continued. Our net income exceeded $1 million for the second time in our history.

During 2007 our loan demand continued to be strong in both the commercial and mortgage loan areas. We originated $145 million in loans during 2007. The vast majority of these loans were in the commercial and mortgage loan categories. Commercial loan originations were nearly $88 million while new mortgage loans exceeded $42 million.

The commercial loan growth was originated by East and MVB-Harrison, Inc. (Harrison). Mortgage loan activity was centered in Marion and Harrison Counties. We are searching for a mortgage lender for East to improve our performance in that market. Most commercial loans are made on a floating rate basis while most mortgage loans are a fixed-rate. The commercial loans remain on our books while the fixed-rate loans are sold as previously described.

The mix of loans originated in 2007 is likely to be the mix of loans made by MVB in the future. Consumer loans, except for home equity loans, are generally provided by the seller of the product, especially new autos, where the manufacturer or retailer subsidizes the interest rate to facilitate the sale of the product.

While our loan portfolio grew over 27% in 2007 and 36% in 2006, the growth was not at the expense of loan quality. Our level of delinquency at year-end 2007 is better than at year-end 2006 and is well below the level of our peers.

While asset quality is good, MVB is in the credit business and as such, there is a risk of loss. As loans increase, it is prudent to provide for possible loan losses in advance. Providing for such losses is a subjective process. We evaluate our position quarterly and determine that our Allowance for Loan Losses is adequate to absorb future loan losses or is inadequate. Our evaluation has always been that the Allowance for Loan Losses is adequate.

With the current debate being about "will the U.S. economy sink into a recession?" historical loan losses may not be representative of future losses. This is an area where, in my opinion, we are blessed to be in West Virginia. I do not believe that the West Virginia economy ever soars like many states, nor do I believe that our economy dives like others. Accordingly, if we do experience a recession, I do not believe that West Virginia or MVB will suffer to the extent of those institutions in the volatile economy states.

The funding of asset growth is a very important process to all community banks including MVB. During 2007, many individuals looked to the stock market and other alternatives to increase their investment return which has slowed the growth of consumer deposits. We continue to fund our asset growth with deposits and borrowings. Our deposit growth of nearly $23 million primarily occurred in Harrison, Jefferson and Berkeley Counties. The Marion County MVB market is one that now grows more slowly because we have been a participant in the market for a much longer time.

Our borrowings are generally through the Federal Home Loan Bank of Pittsburgh (FHLB). The FHLB is similar to a bank for banks. In most instances, funding from the FHLB is less expensive than retail deposits, providing an increase in our net interest income versus consumer deposit funding.

Net income for MVB is a function of our net interest income, other income and other expenses. Other income in 2007 increased nearly $400,000 over that for 2006. The majority of this increase related to our mortgage loan activity during 2007.

Other expenses increased primarily in the categories of salaries and employee benefits, advertising and data processing. The increase in salaries related principally to the opening of our Martinsburg Office. Staff began to come on board in March 2007; the entire new office staff was in place by June for the July opening. Advertising increased as a result of additional emphasis in establishing the presence of East and Harrison. The data processing increase is a function of activity, new services received from the provider and expenses associated with the Martinsburg office. Nearly one-half of the increase in other operating expenses is the result of increased FDIC insurance premiums. This is an increase that is regulatorily driven and one which we cannot control.

Our goal is not to be the largest bank in any particular region, but rather to be an organization that our shareholders can be proud of and provide high quality products and great service to our customers. All banks have essentially the same products. The only thing that differentiates one from another is the staff. I am extremely proud of our staff and believe that we provide the best in banking. I believe that our growth supports my assumption.

As I close this letter, I wish to advise you that I have submitted my notice of retirement from the active management of MVB to the Board of Directors. My retirement will be as of April 30, 2009. This is the end of the month following my 62nd birthday. The reason for my retirement is very simple. My wife, Shirley, and I would like to have some time together, while our health is good, to enjoy life without being tied to a job or a schedule.

I have certainly enjoyed my time with MVB. It has been extremely rewarding seeing MVB come to life from only an idea. Our success is the result of having a great staff, an encouraging Board of Directors and wonderful support from our many shareholders.

We appreciate your support over the years. The time has gone by very quickly. Next year, we will celebrate our tenth anniversary. Please contact me or any of our staff if we can be of assistance to you. We appreciate the opportunity to serve you.

Best wishes,

Dick Martin

SNODGRASS
CERTIFIED PUBLIC ACCOUNTANTS
AND CONSULTANTS

# REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders
MVB Financial Corp.
Fairmont, West Virginia

We have audited the accompanying consolidated balance sheet of MVB Financial Corp. and subsidiaries as of December 31, 2007, and the related consolidated statements of income, changes in stockholders' equity, and cash flows for the year then ended. These consolidated financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on the consolidated financial statements based on our audit. The financial statements of MVB Financial Corp. and subsidiaries for the year ended December 31, 2006, were audited by other auditors whose report, dated February 13, 2007, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the 2007 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of MVB Financial Corp. and subsidiaries as of December 31, 2007, and the consolidated results of its operations and cash flows for the year then ended, in conformity with U.S. generally accepted accounting principles.

We were not engaged to examine management's assertion about the effectiveness of MVB Financial Corp.'s internal control over financial reporting as of December 31, 2007, which is included in Form 10-K and, accordingly, we do not express an opinion thereon.

S. R. Snodgrass, A.C.

Wheeling, West Virginia
February 22, 2008

S.R. Snodgrass, A.C. • 980 National Road • Wheeling, West Virginia 26003-6400 • Phone: (304) 233-5030 • Facsimile: (304) 233-3062

MVB Financial Corp.
Consolidated Balance Sheets
(Dollars in thousands, except number of shares)
December 31, 2007 and 2006

| | 2007 | 2006 |
|---|---|---|
| ASSETS | | |
| Cash and due from banks | $ 4,926 | $ 6,417 |
| Interest bearing balances with banks | 490 | 53 |
| Investment Securities: | | |
| Securities held-to-maturity, at cost | 1,814 | 2,326 |
| Securities available-for-sale, at approximate market value | 26,029 | 26,413 |
| Loans: | 181,537 | 142,599 |
| Less: Allowance for loan losses | (1,733) | (1,206) |
| Net Loans | 179,804 | 141,393 |
| Loans held for sale | 217 | 1,293 |
| Bank premises, furniture and equipment | 8,244 | 6,493 |
| Accrued interest receivable and other assets | 8,574 | 6,896 |
| TOTAL ASSETS | $ 230,098 | $ 191,284 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Deposits: | | |
| Non-interest bearing | $ 19,129 | $ 19,758 |
| Interest bearing | 138,319 | 114,835 |
| Total Deposits | 157,448 | 134,593 |
| Accrued interest, taxes, and other liabilities | 1,601 | 1,037 |
| Repurchase agreements | 19,817 | 20,209 |
| Federal Home Loan Bank borrowings | 23,583 | 13,790 |
| Long-term debt | 4,124 | - |
| Total Liabilities | 206,573 | 169,629 |
| STOCKHOLDERS' EQUITY | | |
| Preferred stock, par value $1,000; 5,000 shares authorized, none issued | | |
| Common stock, par value $1; 4,000,000 shares authorized; 1,508,081 and 1,467,849 shares issued and outstanding, respectively | 1,508 | 1,468 |
| Additional paid-in capital | 18,450 | 17,720 |
| Treasury Stock, 8,919 and 1,234 shares, respectively | (168) | (18) |
| Retained earnings | 4,140 | 2,858 |
| Accumulated other comprehensive loss | (405) | (373) |
| Total Stockholders' Equity | 23,525 | 21,655 |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY | $ 230,098 | $ 191,284 |

**See Notes to Consolidated Financial Statements**

MVB Financial Corp.
Consolidated Statements of Income
(Dollars in thousands except Share and Per Share Data)
Years ended December 31, 2007 and 2006

| | 2007 | 2006 |
|---|---|---|
| INTEREST INCOME | | |
| Interest and fees on loans | $ 11,631 | $ 8,500 |
| Interest on deposits with other banks | 102 | 30 |
| Interest on investment securities - taxable | 1,207 | 1,151 |
| Interest on tax exempt loans and securities | 334 | 330 |
| Total interest income | 13,274 | 10,011 |
| | | |
| INTEREST EXPENSE | | |
| Interest on deposits | 4,859 | 3,203 |
| Interest on repurchase agreements | 725 | 698 |
| Interest on Federal Home Loan Bank borrowings | 568 | 459 |
| Interest on long-term debt | 225 | - |
| Total interest expense | 6,377 | 4,360 |
| | | |
| NET INTEREST INCOME | 6,897 | 5,651 |
| Provision for loan losses | 584 | 445 |
| Net interest income after provision for loan losses | 6,313 | 5,206 |
| | | |
| OTHER INCOME | | |
| Service charges on deposit accounts | 647 | 591 |
| Income on bank owned life insurance | 167 | 149 |
| Visa debit card income | 212 | 170 |
| Income on loans held for sale | 377 | 246 |
| Other operating income | 220 | 84 |
| | 1,623 | 1,240 |
| OTHER EXPENSES | | |
| Salaries and employee benefits | 3,485 | 2,897 |
| Occupancy expense | 406 | 379 |
| Equipment depreciation and maintenance | 351 | 310 |
| Data processing | 593 | 517 |
| Visa debit card expense | 152 | 116 |
| Advertising | 266 | 112 |
| Legal and accounting fees | 85 | 88 |
| Printing, stationery and supplies | 115 | 85 |
| Other taxes | 127 | 97 |
| Other operating expenses | 660 | 531 |
| | 6,240 | 5,132 |
| | | |
| Income before income taxes | 1,696 | 1,314 |
| | | |
| Income tax expense | 414 | 341 |
| | | |
| Net Income | $ 1,282 | $ 973 |
| | | |
| Basic net income per share | $0.87 | $0.68 |
| Diluted net income per share | $0.85 | $0.67 |
| Basic weighted average shares outstanding | 1,470,167 | 1,427,985 |
| Diluted weighted average shares outstanding | 1,509,404 | 1,442,910 |

**See Notes to Consolidated Financial Statements**

MVB Financial Corp.
Consolidated Statements of Cash Flows
(Dollars in thousands)
Years ended December 31, 2007 and 2006

| | 2007 | 2006 |
|---|---|---|
| OPERATING ACTIVITIES | | |
| Net Income | $ 1,282 | $ 973 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Provision for loan losses | 584 | 445 |
| Deferred income tax (benefit)/expense | (117) | (61) |
| Depreciation | 364 | 310 |
| Stock based compensation | 13 | - |
| Loans originated for sale | (27,887) | (14,924) |
| Proceeds of loans sold | 28,963 | 13,631 |
| Amortization, net of accretion | 23 | 31 |
| (Increase) in interest receivable and other assets | (1,205) | (984) |
| Increase in accrued interest, taxes, and other liabilities | 564 | 483 |
| NET CASH PROVIDED BY/(USED IN) OPERATING ACTIVITIES | 2,584 | (96) |
| INVESTING ACTIVITIES | | |
| (Increase) in loans made to customers | (38,995) | (37,497) |
| Purchases of premises and equipment | (2,115) | (1,177) |
| Purchases of investment securities available-for-sale | (6,625) | (8,386) |
| Purchases of investment securities held-to-maturity | (1,000) | - |
| (Increase)/decrease in deposits with Federal Home Loan Bank, net | (437) | 2,670 |
| Purchases of certificates of deposit with other banks | - | (594) |
| Proceeds from maturity of certificates of deposit with other banks | - | 1,485 |
| Proceeds from sales, maturities and calls of securities available-for-sale | 7,110 | 8,251 |
| Proceeds from maturities and calls of securities held-to-maturity | 1,500 | 209 |
| Purchase of bank owned life insurance | (500) | - |
| NET CASH (USED IN) INVESTING ACTIVITIES | (41,062) | (35,039) |
| FINANCING ACTIVITIES | | |
| Net increase in deposits | 22,855 | 20,640 |
| Net (decrease)/increase in repurchase agreements | (392) | 4,900 |
| Proceeds from Federal Home Loan Bank borrowings | 100,455 | 10,880 |
| Principal payments on Federal Home Loan Bank borrowings | (90,662) | (92) |
| Proceeds from long-term borrowings | 4,124 | - |
| Purchase of treasury stock | (150) | (8) |
| Net proceeds of stock offering | 586 | 2,102 |
| Common stock options exercised | 171 | - |
| NET CASH PROVIDED BY FINANCING ACTIVITIES | 36,987 | 38,422 |
| (Decrease)/increase in cash and cash equivalents | (1,491) | 3,287 |
| Cash and cash equivalents at beginning of period | 6,417 | 3,130 |
| Cash and cash equivalents at end of period | $ 4,926 | $ 6,417 |
| Supplemental disclosure of cash flow information | | |
| Cash payments for: | | |
| Interest on deposits, repurchase agreements and FHLB borrowings | $ 6,034 | $ 4,249 |
| Income taxes | $ 500 | $ 340 |

**See Notes to Consolidated Financial Statements**

MVB Financial Corp.
Consolidated Statements of Changes in Stockholders' Equity
Years ended December 31, 2007 and 2006
(Dollars in thousands)

| | Common Stock | Additional Paid-in Capital | Retained Earnings | Accumulated Other Comprehensive Income/(loss) | Treasury Stock | Total Stockholders' Equity |
|---|---|---|---|---|---|---|
| Balance, December 31, 2005 | $ 1,336 | $ 15,750 | $ 1,885 | $ (443) | $ (10) | $ 18,518 |
| Comprehensive income: | | | | | | |
| Net Income | | | 973 | | | 973 |
| Other comprehensive income(loss) Net fair value adjustment on securities available for sale, less reclassification adjustment for realized gains - net of tax effect of $123 | | | | 185 | | 185 |
| Total Comprehensive Income | | | | | | 1,158 |
| Adjustment to initially apply FASB Statement No. 158, net of tax | | | | (115) | | (115) |
| Stock offering | 132 | 1,970 | | | | 2,102 |
| Treasury stock, acquired at cost | | | | | (8) | (8) |
| Balance, December 31, 2006 | $ 1,468 | $ 17,720 | $ 2,858 | $ (373) | $ (18) | $ 21,655 |
| Comprehensive income: | | | | | | |
| Net Income | | | 1,282 | | | 1,282 |
| Other comprehensive income(loss) Net fair value adjustment on securities available for sale, less reclassification adjustment for realized gains - net of tax effect of $45 | | | | 67 | | 67 |
| Total Comprehensive Income | | | | | | 1,349 |
| Minimum pension liability adjustment - net of tax effect | | | | (99) | | (99) |
| Stock offering | 29 | 557 | | | | 586 |
| Stock based compensation | | 13 | | | | 13 |
| Treasury stock, acquired at cost | | | | | (150) | (150) |
| Common stock options execised | 11 | 160 | | | | 171 |
| Balance, December 31, 2007 | $ 1,508 | $ 18,450 | $ 4,140 | $ (405) | $ (168) | $ 23,525 |

**See Notes to Consolidated Financial Statements**

## Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Operations

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

### Cash and Cash Equivalents

Cash and cash equivalents include cash and due from banks.

### Principles of Consolidation

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

### Management Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates, such as the allowance for loan losses, are based upon known facts and circumstances. Estimates are revised by management in the period such facts and circumstances change. Actual results could differ from these estimates.

### Investment Securities

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

### Loans Held for Sale

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

### Loans and Allowance for Loan Losses

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

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

A loan is considered impaired when, based upon current information and events, it is probable that the Company will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. Factors considered by management in determining impairment include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and shortages generally are not classified as impaired. Generally the Company considers impaired loans to include loans classified as non-accrual loans and loans past due for longer than 90 days.

### Loan Origination Fees and Costs

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

### Bank Premises, Furniture and Equipment

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

### Intangible Assets

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

### Other Investments

Federal Home Loan Bank (FHLB) stock is recorded at cost and considered to be restricted as the Company is required by the FHLB to hold this investment, and the only market for this stock is the issuing agency. FHLB stock totaled $1,181 and $851 at December 31, 2007 and 2006, respectively, and is included in other assets in the accompanying balance sheet. The Company also holds $187 in Silverton Bank, N.A. stock at December 31, 2007.

### Income Taxes

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

### Stock Based Compensation

Effective January 1, 2006, the Company adopted Statement of Financial Accounting Standards No. 123R, "Share-Based Payment," (SFAS No. 123R) which was issued by the Financial Accounting Standards Board (FASB) in December 2004. SFAS No. 123R revises SFAS 123 "Accounting for Stock Based Compensation," and supersedes APB No. 25, Accounting for Stock Issued to Employees," (APB No. 25) and its related interpretations. Under SFAS No. 123R, the Company is required to record compensation expense for all awards granted after the date of adoption and for any unvested options previously granted.

### Foreclosed Assets Held for Resale

Foreclosed assets held for resale acquired in satisfaction of mortgage obligations and in foreclosure proceedings are recorded at the lower of cost or fair value less estimated selling costs at the time of foreclosure, with any valuation adjustments charged to the allowance for loan losses. Any unrealized gains or losses on sale are then recorded in other non-interest expense. At December 31, 2007 and 2006, the Company held other real estate of $55 and $0.

### Net Income Per Common Share

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

### Comprehensive Income

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

### Reclassifications

Certain amounts in the 2006 financial statements have been reclassified to conform to the 2007 financial statement presentation.

NOTE 2. INVESTMENT SECURITIES

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

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

Amortized cost and approximate market values of investment securities held-to-maturity at December 31, 2006, including gross unrealized gains and losses, are summarized as follows:

| | Amortized Cost | Unrealized Gain | Unrealized Loss | Approximate Market Value |
|---|---|---|---|---|
| Mortgage-backed securities | $ - | $ - | $ - | $ - |
| Municipal securities | 826 | 2 | (5) | 823 |
| U. S. Agency securities | 1,500 | - | (7) | 1,493 |
| | $ 2,326 | $ 2 | $ (12) | $ 2,316 |

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

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

Amortized cost and approximate market values of investment securities available-for-sale at December 31, 2006 are summarized as follows:

| | Amortized Cost | Unrealized Gain | Unrealized Loss | Approximate Market Value |
|---|---|---|---|---|
| U. S. Agency securities | $ 20,869 | $ 34 | $ (145) | $ 20,758 |
| Mortgage-backed securities | 4,667 | - | (159) | 4,508 |
| Corporate securities | 1,255 | 2 | (110) | 1,147 |
| | $ 26,791 | $ 36 | $ (414) | $ 26,413 |

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

| | December 31, 2007 | | | |
|---|---|---|---|---|
| | Held to Maturity | | Available for sale | |
| | Amortized Cost | Approximate Market Value | Amortized Cost | Approximate Market Value |
| Within one year | $ - | $ - | $ 6,120 | $ 6,098 |
| After one year, but within five | 282 | 284 | 10,847 | 10,856 |
| After five years, but within ten | 1,430 | 1,429 | 7,684 | 7,719 |
| After ten Years | 102 | 104 | 1,644 | 1,356 |
| Total | $ 1,814 | $ 1,817 | $ 26,295 | $ 26,029 |

Investment securities with a carrying value of $20,512 and $20,904 at December 31, 2007 and 2006, respectively, were pledged to secure public funds and repurchase agreements.

The Company's investment portfolio includes securities that are in an unrealized loss position as of December 31, 2007, the details of which are included in the following table. Although these securities, if sold at December 31, 2007 would result in a pretax loss of $361, the Company has no intent to sell the applicable securities at such market values, and maintains the Company has the ability to hold these securities until all principal has been recovered. Declines in the market values of these securities can be traced to general market conditions which reflect the prospect for the economy as a whole. When determining other-than-temporary impairment on securities, the Company considers such factors as adverse conditions specifically related to a certain security or to specific conditions in an industry or geographic area, the time frame securities have been in an unrealized loss position, the Company's ability to hold the security for a period of time sufficient to allow for anticipated recovery in value, whether or not the security has been downgraded by a rating agency, and whether or not the financial condition of the security issuer has severely deteriorated. As of December 31, 2007, the Company considers all issuer has severely deteriorated. As of December 31, 2007, the Company considers all securities with unrealized loss positions to be temporarily impaired, and consequently, does not believe the Company will sustain any material realized losses as a result of the current temporary decline in market value.

The following table discloses investments in an unrealized loss position:
At December 31, 2007, total temporary impairment totaled $361.

| Description and number of positions | Less than 12 months Fair Value | Less than 12 months Unrealized Loss | 12 months or more Fair Value | 12 months or more Unrealized Loss |
|---|---|---|---|---|
| U.S. Agencies (22) | $ 8,984 | $ (13) | $ 3,231 | $ (19) |
| Mortgage-backed securities (27) | - | - | 3,622 | (56) |
| Corporate securities (2) | - | - | 430 | (271) |
| Municipal securities (1) | - | - | 228 | (2) |
| | $ 8,984 | $ (13) | $ 7,511 | $ (348) |

NOTE 3. LOANS

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

| | 2007 | 2006 |
|---|---|---|
| Commercial and non-residential real estate | $ 128,535 | $ 83,124 |
| Residential real estate | 42,030 | 48,065 |
| Consumer and other | 10,972 | 11,410 |
| | $ 181,537 | $ 142,599 |

Changes in the allowance for loan losses were as follows for the years ended December 31:
(Dollars in thousands)

| | 2007 | 2006 |
|---|---|---|
| Balance at beginning of period | $ 1,206 | $ 873 |
| Losses charged to allowance | (68) | (119) |
| Recoveries credited to allowance | 11 | 7 |
| Provision for loan losses | 584 | 445 |
| Balance at end of period | $ 1,733 | $ 1,206 |

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

As of December 31, 2007 and 2006, the Company had impaired loans totaling $470 and $5, respectively, with an allocated reserve for such loans sufficient to cover possible losses. Included in these totals were non-accrual loans totaling $469 and $5, respectively.

## NOTE 4. BANK PREMISES, FURNITURE AND EQUIPMENT

Bank premises, furniture and equipment at December 31, were as follows:
(Dollars in thousands)

| | 2007 | 2006 |
|---|---|---|
| Bank Premises | $ 7,368 | $ 5,853 |
| Equipment, furniture and fixtures | 2,391 | 1,791 |
| | 9,759 | 7,644 |
| Allowance for depreciation | (1,515) | (1,151) |
| | $ 8,244 | $ 6,493 |

## NOTE 5. DEPOSITS

Deposits at December 31, were as follows:
(Dollars in thousands)

| | 2007 | 2006 |
|---|---|---|
| Demand deposits of individuals, partnerships, and corporations | | |
| Interest bearing | $ 13,640 | $ 12,667 |
| Non-interest bearing | 18,557 | 18,783 |
| Time and savings deposits of individuals, partnerships and corporations | 120,683 | 97,624 |
| Deposits of states and political subdivisions | 3,996 | 4,544 |
| Official checks | 572 | 975 |
| Total Domestic Deposits | $ 157,448 | $ 134,593 |
| Time deposits of over $100 included above | $ 34,580 | $ 28,666 |

Maturities of certificates of deposit at December 31, 2007 were as follows:

| | |
|---|---|
| 2008 | $ 59,899 |
| 2009 | 9,212 |
| 2010 | 4,744 |
| 2011 | 2,099 |
| 2012 | 3,706 |
| Total | $ 79,660 |

## NOTE 6. BORROWED FUNDS

The Company is a party to repurchase agreements with certain customers. As of December 31, 2007 and 2006, the company held repurchase agreements of $19,817 and $20,209. Information related to repurchase agreements is summarized below:

| (Dollars in thousands) | 2007 | 2006 |
|---|---|---|
| Balance at end of year | $ 19,817 | $ 20,209 |
| Average balance during the year | 18,360 | 19,581 |
| Maximum month-end balance | 20,481 | 22,705 |
| Weighted-average rate during the year | 3.95% | 3.56% |
| Rate at December 31 | 3.41% | 3.94% |

MVB Bank, Inc. (the Bank) is a member of the Federal Home Loan Bank ("FHLB") of Pittsburgh, Pennsylvania. The remaining maximum borrowing capacity with the FHLB at December 31, 2007 was approximately $29,979. At December 31, 2007 and 2006 the Bank had borrowed $23,583 and $13,790.

Borrowings from the FHLB as of December 31 were as follows:
(Dollars in thousands)

| | 2007 | 2006 |
|---|---|---|
| Fixed interest rate note, originating April 1999, due April 2014, interest of 5.405% is payable monthly | $ 1,000 | $ 1,000 |
| Fixed interest rate note, originating January 2005, due January 2020, payable in monthly installments of $11, including interest of 5.140% | 1,158 | 1,225 |
| Fixed interest rate note, originating April 2002, due May 2017, payable in monthly installments of $4, including interest of 5.90% | 689 | 701 |
| Floating interest rate note, originating March 2003, due December 2011, interest payable monthly, including interest of 3.31% | 10,296 | 8,216 |
| Fixed interest rate note, originating July 2006, due July 2016, payable in monthly installments of $8, including interest of 4.50% | 1,452 | 1,487 |
| Fixed interest rate note, originating October 2006, due October 2021, payable in monthly installments of $6, including interest of 5.20% | 1,145 | 1,161 |
| Fixed interest rate note, originating April 2007, due April 2022, payable in monthly installments of $6, including interest of 5.18% | 1,085 | - |
| Amortizing fixed interest rate note, originating February 2007, due February 2022, payable in monthly installments of $5, including interest of 5.22% | 958 | - |
| Fixed interest rate note, originating September 2007, due September 2008, interest of 4.53% payable quarterly | 700 | - |
| Fixed interest rate note, originating November 2007, due April 2008, interest of 4.80% payable quarterly | 2,700 | - |
| Fixed interest rate note, originating November 2007, due April 2008, interest of 4.60% payable quarterly | 1,300 | - |
| Fixed interest rate note, originating December 2007, due December 2017, payable in monthly installments of $7, including interest of 5.25% | 1,100 | - |
| | $ 23,583 | $ 13,790 |

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

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

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

| Year | Amount |
|---|---|
| 2008 | $ 4,890 |
| 2009 | 199 |
| 2010 | 210 |
| 2011 | 10,517 |
| 2012 | 232 |
| Thereafter | 11,659 |
| | $ 27,707 |

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

Additionally the Bank has a line of credit of $4,500 available from Silverton Bank, N.A. There were no borrowings against this line of credit at December 31, 2007 or 2006.

## NOTE 7. FINANCIAL INSTRUMENTS

### Financial Instruments with Off-Balance-Sheet Risk

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

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

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

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

Total contractual amounts of the commitments as of December 31 were as follows:
(Dollars in thousands)

| | 2007 | 2006 |
|---|---|---|
| Available on lines of credit | $ 41,528 | $ 20,939 |
| Stand-by letters of credit | 1,000 | 400 |
| Other loan commitments | 608 | 594 |
| | $ 43,136 | $ 21,933 |

### Concentration of Credit Risk

The Company grants a majority of its commercial, financial, agricultural, real estate and installment loans to customers throughout the Marion, Harrison, Jefferson and Berkeley County areas of West Virginia and adjacent counties. Collateral for loans is primarily residential and commercial real estate, personal property, and business equipment. The Company evaluates the credit worthiness of each of its customers on a case-by-case basis, and the amount of collateral it obtains is based upon management's credit evaluation.

NOTE 8. INCOME TAXES

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

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

The provisions for income taxes for the years ended December 31, were as follows:
(Dollars in thousands)

| Current: | 2007 | 2006 |
|---|---|---|
| Federal | $ 451 | $ 342 |
| State | 80 | 60 |
| | $ 531 | $ 402 |
| Deferred expense(benefit) | | |
| Federal | $ (99) | $ (52) |
| State | (18) | (9) |
| | (117) | (61) |
| Income Tax expense | $ 414 | $ 341 |

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

| | 2007 | | 2006 | |
|---|---|---|---|---|
| | Amount | % | Amount | % |
| Tax at Federal tax rate | $ 577 | 34.0% | $ 447 | 34.0% |
| Tax effect of: | | | | |
| State income tax | 42 | 2.5% | 40 | 3.0% |
| Tax exempt earnings | (173) | -10.2% | (147) | -11.2% |
| Other | (32) | -2.0% | 1 | 0.1% |
| | $ 414 | 24.3% | $ 341 | 25.9% |

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

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

| | 2007 | 2006 |
|---|---|---|
| Depreciation | $ 279 | $ 176 |
| Pension | 19 | 18 |
| Gross deferred tax liabilities | 298 | 194 |
| Unrealized loss on securities available-for-sale | (106) | (151) |
| Allowance for loan losses | (636) | (415) |
| Minimum pension liability | (164) | (97) |
| Gross deferred tax (assets) | (906) | (663) |
| Net deferred tax (asset) | $ (608) | $ (469) |

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

## NOTE 9. RELATED PARTY TRANSACTIONS

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

| (Dollars in thousands) | Balance at Beginning of Year | Borrowings | Repayments | Balance at end of Year |
|---|---|---|---|---|
| December 31, 2007 | $ 6,882 | $ 1,013 | $ (1,832) | $ 6,063 |
| December 31, 2006 | $ 3,941 | $ 3,674 | $ (733) | $ 6,882 |

The Company held related party deposits of $7,358 and $4,483 at December 31, 2007 and December 31, 2006, respectively.

The Company held related party repurchase agreements of $5,051 and $1,890 at December 31, 2007 and December 31, 2006, respectively.

## NOTE 10. PENSION PLAN

The Company participates in a trusteed pension plan known as the Allegheny Group Retirement Plan covering virtually all full-time employees. Benefits are based on years of service and the employee's compensation. The Company's funding policy is to fund normal costs of the plan as accrued. Contributions are intended to provide not only for benefits attributed to service to date, but also for those benefits expected to be earned in the future. The Company participated in the pension plan beginning January 1, 1999. The Company has recognized estimated pension expense of $300 and $139 for the years ended December 31, 2007 and 2006.

Information pertaining to the activity in the Company's defined benefit plan, using the latest available actuarial valuations with a measurement date of December 31, 2007 and 2006 is as follows:

| (Dollars in thousands) | 2007 | 2006 |
|---|---|---|
| Change in benefit obligation | | |
| Benefit obligation at beginning of year | $ 836 | $ 661 |
| Service cost | 250 | 122 |
| Interest cost | 69 | 40 |
| Actuarial loss | 265 | 13 |
| Benefits paid | (24) | - |
| Benefit obligation at end of year | $ 1,396 | $ 836 |
| Change in plan assets: | | |
| Fair value of plan assets at beginning of year | $ 664 | $ 455 |
| Actual return on plan assets | 118 | 59 |
| Employer contribution | 300 | 150 |
| Benefits paid | (24) | - |
| Fair value of plan assets at end of year | $ 1,058 | $ 664 |
| Funded status | $ (338) | $ (172) |
| Unrecognized net actuarial loss | 395 | 226 |
| Unrecognized prior service cost | 14 | 17 |
| Prepaid pension cost recognized | $ 71 | $ 71 |
| Accumulated benefit obligation | $ 1,089 | $ 682 |

At December 31, 2007 and 2006, the weighted average assumptions used to determine the benefit obligation are as follows:

| | 2007 | 2006 |
|---|---|---|
| Discount rate | 6.25% | 6.00% |
| Rate of compensation increase | 3.00% | 3.00% |

The components of net periodic pension cost are as follows:

| | | | | |
|---|---|---|---|---|
| Service cost | $ | 250 | $ | 122 |
| Interest cost | | 69 | | 40 |
| Expected return on plan assets | | (57) | | (42) |
| Amortization of prior service costs | | 3 | | 3 |
| Amortization of loss | | 35 | | 16 |
| Net periodic pension cost | $ | 300 | $ | 139 |

At December 31, 2007 and 2006, the weighted average assumptions used to determine net periodic pension cost are as follows:

| | | |
|---|---|---|
| Discount rate | 6.00% | 5.75% |
| Expected long-term rate of return on plan assets | 8.50% | 8.50% |
| Rate of compensation increase | 3.00% | 3.00% |

The Company's pension plan asset allocations at October 31, 2007 and 2006, as well as target allocations for 2008 are as follows:

| Asset Category | 2008 Target | 10/31/07 | 10/31/06 |
|---|---|---|---|
| Equity securities | 70% | 68% | 74% |
| Balanced fund | 25% | 27% | 20% |
| Other | 5% | 5% | 6% |
| Total | 100% | 100% | 100% |

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

| | | 2008 | | 2007 |
|---|---|---|---|---|
| Expected amortization of transition obligation (asset) | $ | - | $ | - |
| Expected amortization of prior service cost (credit) | | 2 | | 2 |
| Expected amortization of net loss (gain) | | 26 | | 12 |

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

| | | Cash Flow |
|---|---|---|
| Contributions for the period of 1/1/2008 through 12/31/2008 | $ | 284,120 |
| Estimated future benefit payments reflecting expected future service | | |
| 1/1/2008 through 12/31/2008 | $ | 14,991 |
| 1/1/2009 through 12/31/2009 | | 39,665 |
| 1/1/2010 through 12/31/2010 | | 46,583 |
| 1/1/2011 through 12/31/2011 | | 52,593 |
| 1/1/2012 through 12/31/2012 | | 70,147 |
| 1/1/2013 through 12/31/2017 | | 419,328 |

## NOTE 11. INTANGIBLE ASSETS

On October 7, 2005, the Company purchased a full service office in the Charles Town area of Jefferson County West Virginia. This office held assets of $1.8 million and total deposits of $17.1 million. As a result of this transaction, the Company recorded intangible assets. As of December 31, 2007 the Company has allocated $79 to core deposit intangibles, which are being amortized using the double-declining balance method over 10 years. The remaining $896 has been recorded as goodwill, and is evaluated for impairment on October 1st each year by the Company.

## NOTE 12. STOCK OFFERING

During 2007 the Company began a public stock offering of 200,000 shares of common stock, which when completed will total slightly less than $4.0 million. The proceeds of this offering will be used to support the growth of the bank and to increase the legal lending limit to one borrower. In 2006 the Company completed a public stock offering of 725,000 shares of common stock, which increased capital by more than $11 million. This offering was done to support expansion into bordering Harrison County and the growing Jefferson County area in West Virginia's eastern panhandle. At December 31, 2006, outstanding shares totaled 1,467,849. During 2007, the Company issued 40,232 shares, concluding 2007 with outstanding shares of 1,508,081.

## NOTE 13. STOCK OPTIONS

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

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

| | 2007 | | 2006 | |
|---|---|---|---|---|
| | Number of Shares | Weighted-Average Exercise Price | Number of Shares | Weighted-Average Exercise Price |
| Outstanding at beginning of year | 176,812 | $ 14.63 | 175,312 | $ 14.63 |
| Granted | 15,000 | 16.00 | 2,500 | 16.00 |
| Adjust for 5% stock dividend | - | $ - | - | $ - |
| Exercised | (14,482) | - | - | - |
| Forfeited/expired | (10,000) | - | (1,000) | - |
| Outstanding at end of year | 167,330 | $ 14.91 | 176,812 | $ 14.64 |
| Exercisable at end of year | 150,330 | $ 14.78 | 174,312 | $ 14.63 |
| Weighted-average fair value of options granted during the year | | $ 3.52 | | $ 6.37 |

The fair value for the options was estimated at the date of grant using a Black-Scholes option-pricing model with an average risk-free interest rate of 4.65% and 4.62% for 2007 and 2006, respectively, and a weighted-average expected life of the options of 7 years for 2007 and 2006. The expected volatility of MVB's stock price used for 2007 and 2006 options was 12.5% and the expected dividend yield used was .500%.

The following summarizes information concerning MVB's stock options outstanding at December 31, 2007:

| | Options Outstanding | | | Options Exercisable | |
|---|---|---|---|---|---|
| Exercise Price | Options Outstanding | Weighted Average Remaining Contractual Life | Weighted Average Exercise Price | Number Exercisable | Weighted Average Exercise Price |
| $9.98 | 27,672 | 3.00 | $9.98 | 27,672 | $9.98 |
| $10.48 | 1,575 | 4.00 | $10.48 | 1,575 | $10.48 |
| $12.38 | 2,100 | 7.00 | $12.38 | 2,100 | $12.38 |
| $16.00 | 135,983 | 9.00 | $16.00 | 118,983 | $16.00 |

NOTE 14. REGULATORY CAPITAL REQUIREMENTS

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

Quantitative measures established by regulation to ensure capital adequacy require the Bank to maintain minimum amounts and ratios of Total and Tier I capital to risk-weighted assets, and of Tier I capital to average assets, as defined. As of December 31, 2007 and 2006, the Bank meets all capital adequacy requirements to which it is subject.

The most recent notification from the Federal Deposit Insurance Corporation categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized, the Bank must maintain minimum total risk-based, Tier I risk-based, and Tier I leverage ratios as set forth in the table below. Both the Company's and the Bank's actual capital amounts and ratios are presented in the table below.

| | ACTUAL | | MINIMUM TO BE WELL CAPITALIZED | | MINIMUM FOR CAPITAL ADEQUACY PURPOSES | |
|---|---|---|---|---|---|---|
| (Dollars in thousands) | AMOUNT | RATIO | AMOUNT | RATIO | AMOUNT | RATIO |
| As of December 31, 2007 | | | | | | |
| Total Capital (to risk-weighted assets) | | | | | | |
| Consolidated | $ 24,117 | 12.8% | N/A | N/A | $ 15,132 | 8.0% |
| Subsidiary Bank | $ 27,329 | 14.5% | $ 18,823 | 10.0% | $ 15,058 | 8.0% |
| Tier I Capital (to risk-weighted assets) | | | | | | |
| Consolidated | $ 22,384 | 11.8% | N/A | N/A | $ 7,566 | 4.0% |
| Subsidiary Bank | $ 25,596 | 13.6% | $ 11,294 | 6.0% | $ 7,529 | 4.0% |
| Tier I Capital (to average assets) | | | | | | |
| Consolidated | $ 22,384 | 10.1% | N/A | N/A | $ 8,893 | 4.0% |
| Subsidiary Bank | $ 25,596 | 11.5% | $ 11,103 | 5.0% | $ 8,882 | 4.0% |
| As of December 31, 2006 | | | | | | |
| Total Capital (to risk-weighted assets) | | | | | | |
| Consolidated | $ 22,972 | 15.9% | N/A | N/A | $ 11,545 | 8.0% |
| Subsidiary Bank | $ 21,923 | 15.2% | $ 14,419 | 10.0% | $ 11,535 | 8.0% |
| Tier I Capital (to risk-weighted assets) | | | | | | |
| Consolidated | $ 21,766 | 15.1% | N/A | N/A | $ 5,772 | 4.0% |
| Subsidiary Bank | $ 20,720 | 14.4% | $ 8,651 | 6.0% | $ 5,767 | 4.0% |
| Tier I Capital (to average assets) | | | | | | |
| Consolidated | $ 21,766 | 11.9% | N/A | N/A | $ 7,307 | 4.0% |
| Subsidiary Bank | $ 20,720 | 11.4% | $ 9,127 | 5.0% | $ 7,302 | 4.0% |

NOTE 15. REGULATORY RESTRICTION ON DIVIDEND

The approval of the regulatory agencies is required if the total of all dividends declared by the Bank in any calendar year exceeds the Bank's net profits, as defined, for that year combined with its retained net profits for the preceding two calendar years.

NOTE 16. LEASES

The Company leases land and building space for the operation of some banking offices. All such leases qualify as operating leases. Following is a schedule by year of future minimum lease payments required under operating leases that have initial or remaining non-cancelable lease terms in excess of one year as of December 31, 2007:

| | (Dollars in thousands) |
|---|---|
| Years ended December 31: | |
| 2008 | $ 54 |
| 2009 | 55 |
| 2010 | 55 |
| 2011 | 55 |
| 2012 | 55 |
| Thereafter | 430 |
| Total minimum payments required: | $ 704 |

Total lease expense for the years ended December 31, 2007 and 2006 was $54 and $54, respectively.

NOTE 17. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

**Short-term financial instruments:** The carrying values of short-term financial instruments including cash and due from banks, interest bearing balances - FHLB, and certificates of deposit in other banks approximate the fair value of these instruments.

**Securities:** Estimated fair values of securities are based on quoted market prices, where available. If quoted market prices are not available, estimated fair values are based on quoted market prices of comparable securities.

**Loans:** The estimated fair values for loans are computed based on scheduled future cash flows of principal and interest, discounted at interest rates currently offered for loans with similar terms of borrowers of similar credit quality. No prepayments of principal are assumed.

**Accrued interest receivable and payable:** The carrying values of accrued interest receivable and payable approximate their estimated fair values.

**Repurchase agreements:** The fair values of repurchase agreements approximate their estimated fair values.

**Deposits:** The estimated fair values of demand deposits (i.e., non interest bearing checking, NOW and money market), savings accounts and other variable rate deposits approximate their carrying values. Fair values of fixed maturity deposits are estimated using a discounted cash flow methodology at rates currently offered for deposits with similar remaining maturities. Any intangible value of long-term relationships with depositors is not considered in estimating the fair values disclosed.

**Off-balance sheet instruments:** The fair values of commitments to extend credit and standby letters of credit are estimated using the fees currently charged to enter into similar agreements, taking into account the remaining terms of agreements and the present credit standing of the counterparties. The amounts of fees currently charged on commitments and standby letters of credit are deemed insignificant, and therefore, the estimated fair values and carrying values are not shown.

The carrying values and estimated fair values of the Company's financial instruments are summarized as follows:

| | December 31, 2007 | |
|---|---|---|
| | Carrying Value | Estimated Fair Value |
| | (Dollars in thousands) | |
| **Financial assets:** | | |
| Cash and due from banks | $ 4,926 | $ 4,926 |
| Interest bearing balances - FHLB | 490 | 490 |
| Securities available-for-sale | 26,029 | 26,029 |
| Securities held-to-maturity | 1,814 | 1,812 |
| Loans | 181,537 | 179,903 |
| Accrued interest receivable | 1,182 | 1,182 |
| | $ 215,978 | $ 214,342 |
| **Financial liabilities:** | | |
| Deposits | $ 157,448 | $ 152,725 |
| Repurchase agreements | 19,817 | 19,777 |
| Federal Home Loan Bank Borrowings | 23,583 | 23,819 |
| Accrued interest payable | 523 | 523 |
| Long-term debt | 4,124 | 4,124 |
| | $ 205,495 | $ 200,968 |

| | December 31, 2006 | |
|---|---|---|
| | Carrying Value | Estimated Fair Value |
| **Financial assets:** | | |
| Cash and due from banks | $ 6,417 | $ 6,417 |
| Interest bearing balances - FHLB | 53 | 53 |
| Securities available-for-sale | 26,413 | 26,413 |
| Securities held-to-maturity | 2,326 | 2,316 |
| Loans | 142,599 | 139,747 |
| Accrued interest receivable | 844 | 844 |
| | $ 178,652 | $ 175,790 |

| | | |
|---|---|---|
| **Financial liabilities:** | | |
| Deposits | $ 134,593 | $ 134,272 |
| Repurchase agreements | 20,209 | 20,209 |
| Federal Home Loan Bank Borrowings | 13,790 | 13,859 |
| Accrued interest payable | 405 | 405 |
| | $ 168,997 | $ 168,745 |

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

NOTE 18. CONDENSED FINANCIAL STATEMENTS OF PARENT COMPANY

The investment of the Company in its second tier subsidiaries is presented on the equity method of accounting. Information relative to the parent company's balance sheets at December 31, 2007 and 2006, and the related statements of income and cash flows for each of those years are presented below:

(Dollars in thousands, except share data)

| Balance Sheets | December 31 | |
|---|---|---|
| Assets | 2007 | 2006 |
| Cash | $ 675 | $ 110 |
| Investment in bank subsidiary, eliminated in consolidation | 26,737 | 21,541 |
| Other assets | 248 | 4 |
| Total assets | $ 27,660 | $ 21,655 |
| Liabilities and shareholders' equity | | |
| Liabilities | | |
| Other liabilities | $ 11 | $ - |
| Long-term debt | 4,124 | - |
| Total liabilities | 4,135 | - |
| Stockholders' equity | | |
| Preferred stock, par value $1,000; 5,000 shares authorized, none issued | $ - | $ - |
| Common stock, par value $1; 4,000,000 shares authorized; 1,508,081 and 1,467,849 shares issued and outstanding, respectively | 1,508 | 1,468 |
| Additional paid in capital | 18,437 | 17,720 |
| Treasury stock | (168) | (18) |
| Retained earnings | 4,153 | 2,858 |
| Accumulated other comprehensive income | (405) | (373) |
| Total stockholders' equity | 23,525 | 21,655 |
| Total liabilities and stockholders' equity | $ 27,660 | $ 21,655 |

(Dollars in thousands)

| Statements of Income | 2007 | 2006 |
|---|---|---|
| Income - dividends from bank subsidiary | $ - | $ - |
| Expenses - operating | 232 | 50 |
| Income/(Loss) before income taxes and undistributed income | (232) | (50) |
| Income tax (benefit) | (72) | (20) |
| Income after tax | (160) | (30) |
| Equity in undistributed income of bank subsidiary | 1,442 | 1,003 |
| Net income | $ 1,282 | $ 973 |

(Dollars in thousands)

| Statements of Cash Flows | 2007 | 2006 |
|---|---|---|
| OPERATING ACTIVITIES | | |
| Net income | $ 1,282 | $ 973 |
| Equity in undistributed income of bank subsidiary | (1,442) | (1,003) |
| (Increase)/decrease in other assets | (244) | 1 |
| Increase in other liabilities | 11 | - |
| Stock option expense | 13 | - |
| Net cash (used in) operating activities | (380) | (29) |
| INVESTING ACTIVITIES | | |
| Investment in subsidiary | (3,787) | (2,400) |
| Net cash (used in) investing activities | (3,787) | (2,400) |
| FINANCING ACTIVITIES | | |
| Proceeds of stock offering | 587 | 2,102 |
| Proceeds from long-term borrowings | 4,124 | - |
| Common stock options exercised | 171 | - |
| Purchase of treasury stock | (150) | (8) |
| Net cash provided by financing activities | 4,732 | 2,094 |
| Increase/(decrease) in cash | 565 | (335) |
| Cash at beginning of period | 110 | 445 |
| Cash at end of period | $ 675 | $ 110 |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Mitchell Bland
304.367.8685

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## MVB Financial Corp.

Barbara L. Alexander
Robert L. Bell
Stephen R. Brooks
Harvey M. Havlichek
James R. Martin
Dr. Saad Mossallati
Larry F. Mazza
Dr. Kelly R. Nelson
Leonard W. Nossokoff
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Harvey M. Havlichek
James R. Martin
Dr. Saad Mossallati
Larry F. Mazza
Dr. Kelly R. Nelson
Leonard W. Nossokoff
J. Christopher Pallotta
Nitesh S. Patel
Louis W. Spatafore
Wayne H. Stanley
Richard L. Toothman
Dr. Michael F. Trent
Samuel J. Warash

# Summary of Stock Prices/ Transactions

| | | | |
|---|---|---|---|
| July 15, 1998 | Original issue | $10.00 | per share |
| October 15, 1999 | Secondary offering | 11.00 | per share |
| December 31, 1999 | Last price before end of the year | 11.00 | per share |
| December 31, 2000 | Last price before end of the year | 11.00 | per share |
| June 1, 2001 | Stock dividend | 5% | |
| December 31, 2001 | Last price before end of the year | 11.00 | per share |
| November 1, 2002 | Secondary offering | 12.50 | per share |
| December 31, 2002 | Last price before end of the year | 12.50 | per share |
| December 31, 2003 | Last price before end of the year | 13.00 | Per share |
| August 15, 2004 | Stock dividend | 5% | |
| December 31, 2004 | Last price before end of the year | 14.00 | Per share |
| July 1, 2005 | Secondary offering | 16.00 | Per share |
| December 31, 2005 | Last price before end of the year | 16.00 | Per share |
| December 31, 2006 | Last price before end of the year | 16.00 | Per share |
| July 1, 2007 | Secondary offering | 20.00 | Per share |
| December 31, 2007 | Last price before end of the year | 20.00 | Per share |

The above information is provided as a guide to your cost basis in your MVB common stock. There have been very few transactions in the MVB common stock and usually we are aware of the sales price. However, there may be other transactions in MVB common stock at prices which are not known to MVB. We believe the above information will help in future years when such information is needed for tax purposes.

Please contact Lisa Wanstreet, Corporate Secretary, if you have any questions. She may be reached at (304) 367-8697.

**MVB Financial Corp.**

**301 Virginia Avenue**
**Fairmont, West Virginia 26554**

Phones: 304-363-4800; 1-888-689-1877 • www.mvbbanking.com