

2012 Annual Report



Charles Town, WV

Setting the Pace



MVB Financial Corp.

Welcome to MVB

MVB Financial Corp. is the financial holding company for MVB Bank, Inc. We provide community banking services in the Berkeley, Harrison, Jefferson, Marion and Monongalia Counties of West Virginia. With our 2012 acquisition of Potomac Mortgage Group, MVB has expanded into the Northern Virginia/Washington, D.C. region as well.

We offer a wide range of deposit products including checking, money market, savings accounts, our enhanced Most Valuable Checking and Savings accounts, and certificates of deposit. In addition, our new Wealth Management Solutions provides clients with an added level of service for their money management needs.

MVB is an active business partner when it comes to commercial and consumer loans, offering an array of loan products for commercial development and real estate, capital needs, as well as personal loans, residential real estate loans, home equity lines of credit, and construction mortgages. We offer many other personalized and automated services in our branch locations, online and by phone.

MVB commenced operations in 1999 and is based in Fairmont, West Virginia. Most importantly, we consider the communities we serve and our relationships with all of our clients to be our most valuable assets.

Visit us at mvbbanking.com.

Vision, Mission & Values

VISION

A valued partner in growing strong communities

MISSION

A proactive community partner providing quality financial products and services that go beyond a typical bank through recognized extraordinary service and valued relationships

VALUES

Extraordinary Service

Integrity

Accountability

Teamwork

Respect

Honesty

Community

On the Cover

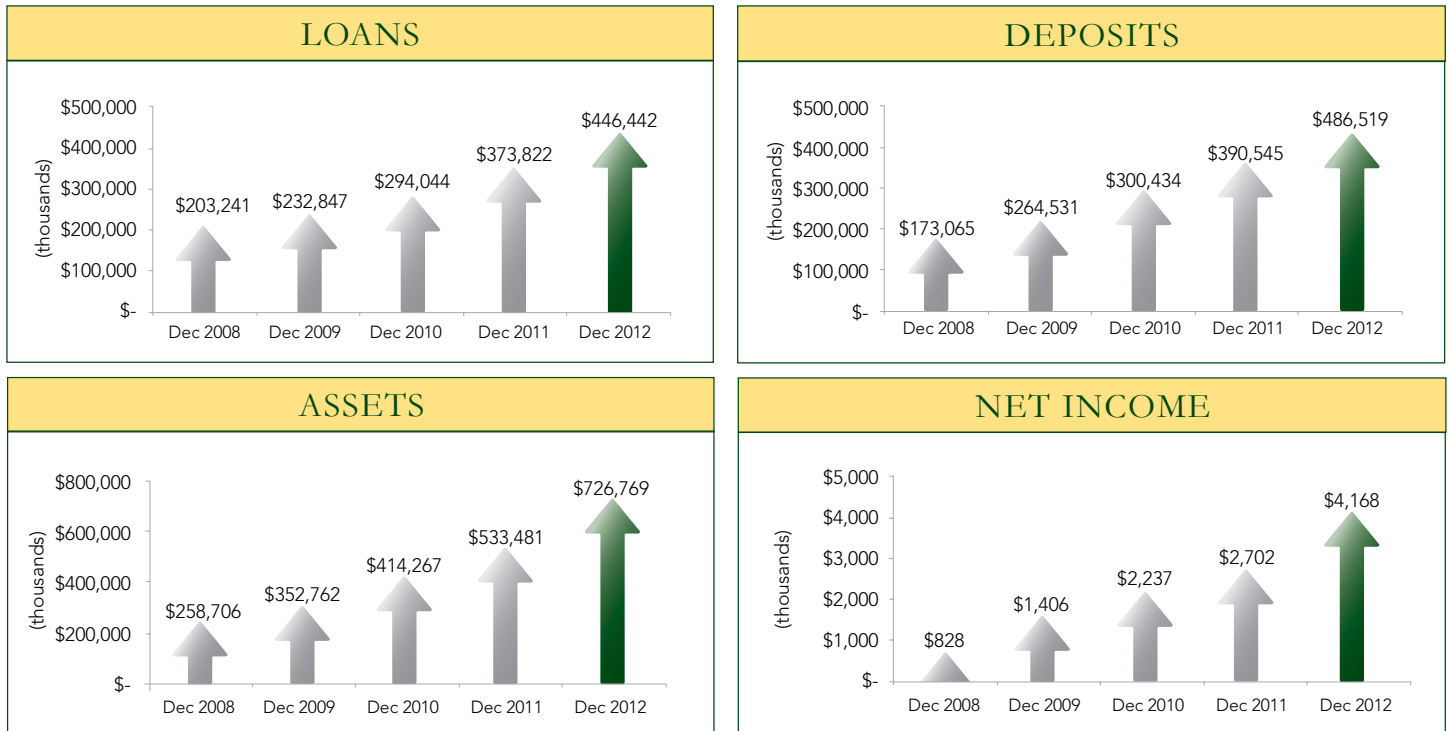


Our expansion in West Virginia's Eastern Panhandle as well as into the Northern Virginia market is symbolized on our cover with an image of the rich thoroughbred breeding and racing tradition. The spirited competitiveness, mighty strength, high quality and hard work exhibited in thoroughbred breeding and racing, is emblematic of MVB's focus on profitable quality growth and forward progress.

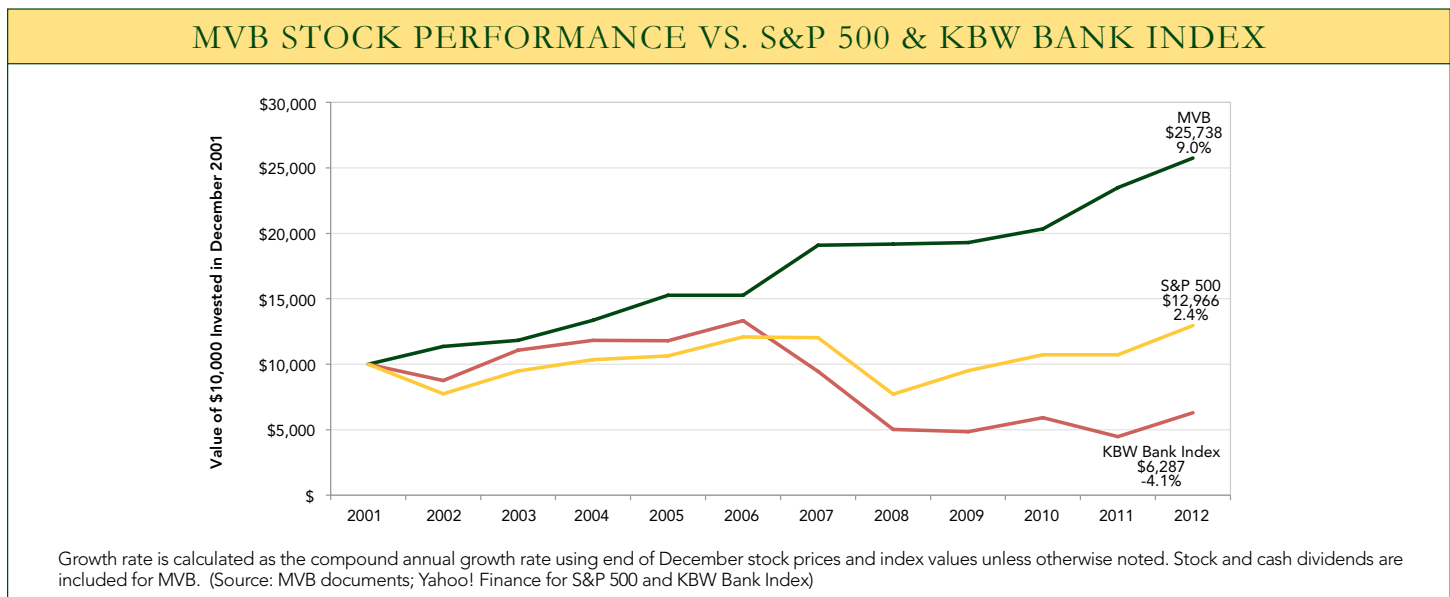
'Aaron's Way,' ridden by Mathew McGowan, Winner of the Coin Collector Handicap at Charles Town Races and Slots in Charles Town, West Virginia on June 18, 2011. Trained by Chris Keller (Ryan Lasek / Eclipse Sportwire)

Selected Financial Highlights

In each of the past five years, MVB has posted progressive increases in these selected indicators of growth and development. The graphs below depict the strength of MVB's performance in the communities we serve. MVB's total deposits increased by 25 percent compared to 2011. Total assets grew by 36 percent, on a 19 percent increase in total loans during 2012. Net income increased by 54 percent from the previous year. Overall performance in 2012 includes results for Potomac Mortgage Group acquired in the fourth quarter.



Following a record high stock price at the end of 2012, MVB's stock has outperformed the S&P 500 and the major bank index KBW with a compounded annual growth rate of 9.0%.



Setting the Pace

Dear Shareholders, Teammates & Friends:

Everywhere we look, it is clear 2012 was another great year for MVB, *Your Most Valuable Bank*. We achieved significant milestones for the fourth consecutive year of record-setting financial performances. We greatly enhanced the value of our products, services, delivery channels and technology. We continued to strengthen MVB's brand and position in our existing and new markets for long-term success. And we remained committed to supporting the financial needs and opportunities for our clients and their communities.



Larry F. Mazza, CEO

A WINNING PERFORMANCE

Our values, strategy, commitment and execution are best shown by the bottom line performance we delivered for fiscal year 2012. As outlined in the full financials section of this report, and separately shown graphically, MVB had a strong and highly productive year.

Summary highlights include:

- Net income increased \$1.5 million, or by 54.3%, compared to 2011.
- Loans increased \$72.6 million, 19.4% more than the previous year.
- Total assets increased \$193.3 million, up 36.2% from the year ago period, mainly as a result of the increased loan and investment portfolios.
- Total deposits increased \$96 million, a 24.6% increase over last year.
- Stockholders' equity increased \$19.8 million, 41.5% higher compared to a year ago.

“At every level, 2012 was another **remarkable year of excellent results** for MVB, a testament to our business model, **client satisfaction** and our talented team.”

Our strong pace of growth and development continues, especially with regard to the quality of our growth. While our growth initiatives are being recognized by clients, news media and others, we remain focused on the tasks ahead for further development and expansion of MVB's brand of community banking in 2013 and beyond.

MVB's record stock price at year-end showed continued positive momentum with an average of approximately nine percent annual return over the past decade. Further evidence of our progress is the success of MVB's Dividend Reinvestment Program (DRIP) launched this past year, which had a 30 percent participation rate compared to the U.S. average of 10 percent.

ADDING CAPITAL

The private stock offering, initiated during the fourth quarter of 2012, has been well-received and successful to date in meeting our funding objectives. Both new and existing shareholders have invested in MVB at significant levels, which further builds our capital position. We truly appreciate the overwhelming acceptance of our capital program and the confidence placed in MVB's future. Our plan calls for raising additional capital needed to support ongoing growth plans.

STRONG, SUSTAINABLE GROWTH

A truly game-changing event for MVB took place in the final quarter of 2012 – the acquisition of Potomac Mortgage Group (PMG). This is an excellent strategic partnership that is immediately accretive to our earnings in addition to expanding our footprint into the prosperous, strong economy of the Northern Virginia/Washington, D.C. market.

Under the leadership of CEO Ed Dean, PMG has been recognized as one of the top mortgage lending companies in the country. It brings a wealth of best practices, especially in sales and loan operations, to MVB that will further enhance our recent record-breaking mortgage lending performance.

I am pleased that Ed Dean and his team are bringing their expertise and client relationships to MVB and are fully committed to further growing MVB's mortgage production and expansion of our banking operations into PMG's markets.

MVB's organic growth continues to advance, with the new Clarksburg branch setting internal growth records of branch opening performance. Morgantown's Sabraton branch opened this March, with Martinsburg's new Edwin Miller Boulevard location's refurbishing on schedule for opening later in 2013.

We also took another significant growth step with our plan to enter the Greater Kanawha Valley market to our south. The design for this new facility is well under way on MVB's property in Charleston's downtown district. I'm pleased to welcome to the MVB Family those new shareholders from the south to lead our presence in the Capital City.

LEADING WITH SKILLED TALENT

Looking back, a year of notable achievements was made possible by the extraordinary efforts of our talented, hard-working team which is focused daily on making banking with MVB easier, more convenient, and more rewarding than ever for our clients. We are motivated by being one of the few truly local, community-centered banks, and we are receiving a positive response from clients and prospective clients who believe that their connection with a local bank is important. We are confident that combining modern banking convenience in a hometown fashion with high-quality personal service will serve our clients and shareholders very well in the years to come.

UNPARALLELED SERVICE TO CLIENTS & COMMUNITIES

As the old adage goes, "...a satisfied client is the best form of advertising." Feedback from our clients tells us that MVB Team members at all levels are working hard to achieve an extraordinary level of client satisfaction. Thanks to our entire team for representing MVB's special brand of community banking by maintaining superior client ratings and remaining the bank of choice in our markets. A focus on nurturing client relationships will continue to be a top priority in the years to come as we know we cannot rest when it comes to continuous improvement of our service quality in all aspects of client satisfaction and operations.

On the community front, in addition to our mission of hometown local banking, our commitment to community service remains deeply embedded in our culture. We encourage and appreciate the volunteerism of so many of our team members. In addition, we continue to support charitable causes important to the communities we serve.

(See more about our community commitment inside this report.)

“We are confident that combining modern banking convenience in a hometown fashion with **high-quality personal service** will serve our clients and shareholders very well in the **years to come.**”

GOING FROM GOOD TO GREAT

As we summarize the past year and take measured pride in our achievements, we are also taking aim at bigger and bolder goals for future years. We must keep pace with competition, regulation and an entrepreneurial attitude in order to sustain what has been a very healthy growth trend for MVB.

Our priorities for 2013 include:

1. Overall Growth with Quality

Our growth path will continue to be a top priority, from continuing organic expansion to seeking additional acquisitions. This will include continued development of our processes for identifying, seeking and integrating new branches and right fit acquisitions into the MVB business model. We also must take advantage of opportunities that allow us ways to leverage what we already have.

“As we enter 2013, we **remain fully focused** on delivering **strong results**, while investing to ensure that our **long-term performance** is sustainable.”

Quality growth is more than mere words; it is a non-negotiable goal for our team. We will never compromise on quality when considering expansion—organically or through acquisition. We firmly believe we can hold to a high quality standard for client service and value while meeting our profitability goals. When all is said and done, we see many excellent opportunities to advance our brand of community banking in all of our regions, including the Eastern Panhandle and Northern Virginia.

2. Deposit Growth

Growing deposits is a staple of our business and remains absolutely critical to our success. With a major demand for deposit growth, we are focused on acquiring the type of core deposits that bring value to our clients and that are manageable. This is an area which requires vigilant leadership and constant identification of specific deposit growth strategies that lead to success. Some of these programs we seek to improve include: MVB@Work, increasing sales in Treasury Services and strongly promoting MVB's Most Valuable Checking and Most Valuable Savings accounts.

3. Loan Growth

Loan growth, along with deposit growth, represents the heart of our business. Although retail mortgage lending has increased significantly for MVB, commercial lending remains clearly in our focus as we grow. We're set on sustaining our high credit quality standards and expanding our reach into the small business loan segment. Along with retail banking, commercial and mortgage lending will be important contributors to future revenue.

We have continued to do well in loan growth, and with the added lenders from PMG, especially in mortgage, we should continue to see increases in the number of loans we process and service. What is important in this regard is for us to ensure that we have quality loans and with clients who will establish a relationship with MVB that allows us to offer them our core products and services. Connected to our strength in lending is the opportunity to cross-sell, grow and leverage our existing strong referral networks.

4. Non-Interest Income Growth

Community banks that successfully diversify their revenue streams are most often able to achieve their ambitious growth goals. I am committed to increasing MVB's non-interest income in 2013. To do so, areas that we need to execute with precision include mortgage loan servicing and a broader offering of all types of insurance including title insurance. Along with these products and services, we must continue to aggressively grow our personal approach to Wealth Management Solutions, especially in the trust services area. I believe it is vital to our overall performance that we increase the percentage of revenues gained from these types of non-interest income sources.

5. Capabilities Excellence

Key to our growth in 2013 is the ability to further build and strengthen our internal business operations, including a stronger compliance effort and more effective project management. MVB's internal capabilities are important to building and opening new branches, especially regarding day-to-day execution of client services. I am committed to retaining and attracting the best talent to help every operational area of our organization to enhance internal capacity and achieve their goals with quality and a sense of urgency.

6. Internal Efficiency

As MVB grows so does the cost of operations; however, with size comes the opportunity for efficiencies. Historically, my efforts have leaned more toward building revenue. We will balance this approach in 2013 as our focus will be equally on revenue growth and cost savings. This will include looking at ways to improve overall quality and processes that will enhance the client experience and relationships while driving down costs of operations.

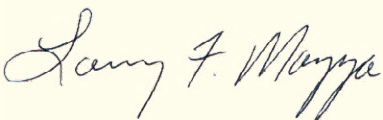
STAYING ON TRACK

In 2012, we showed resolve and discipline, like an athlete or jockey that successfully maneuvers to maintain the lead. We will not let up in 2013. We are committed to optimizing long-term return to our shareholders while providing a safe and sound investment. This commitment extends to supporting the causes and programs important to the communities we serve.

I am appreciative for the support and expertise of our past and present members of MVB's Board of Directors who, on behalf of all our shareholders, have entrusted me and our excellent management team to drive MVB's growth as a successful leading community bank.

We are focused, first and foremost, on developing great client relationships, and increasing shareholder value through quality growth and improved operational processes. We are on track to achieve our 2013 goals, and I look forward to sharing this progress along the way. On behalf of all of MVB, I extend heartfelt thanks for your continued business, loyalty and support.

With Gratitude,



Larry F. Mazza, Chief Executive Officer
MVB Financial Corp.

“ We remain fully committed to our **growth with quality** strategy and we are confident that it is on target to deliver **progressive, profitable growth** for MVB.”

2012 Milestones

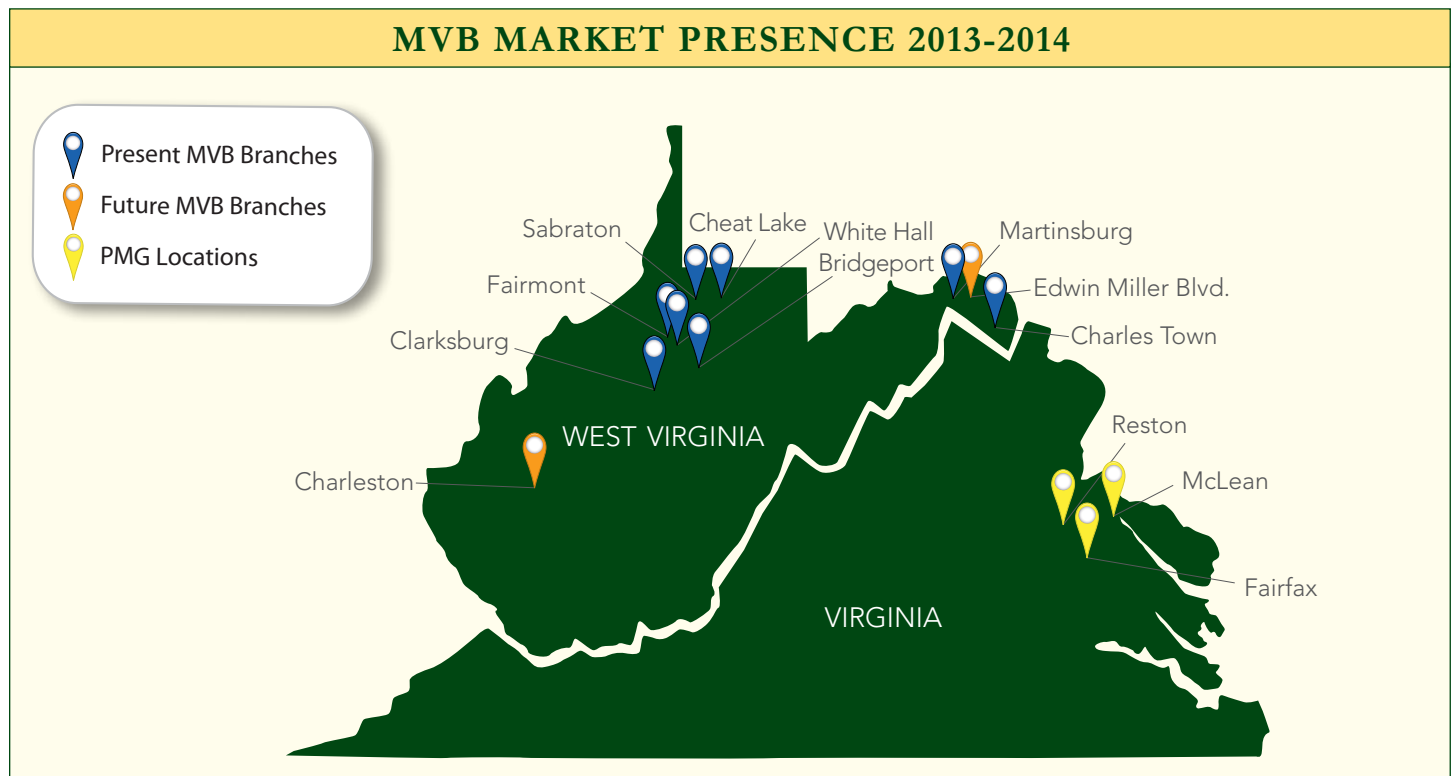
- At the end of 2012, MVB reached total assets of \$726.7 million and a record profit of approximately \$4.2 million, both highest in MVB's history.
- MVB's acquisition of Potomac Mortgage Group, recognized as one of the top mortgage lending companies in the country, will greatly enhance MVB's existing mortgage lending, which saw strong growth unto itself in 2012. The acquisition was immediately accretive, thus adding to MVB's earnings.
- The year finished with a record high \$24 per share value for MVB stock.
- A new branch opened in November in Clarksburg, W. Va., at the site of the legendary Empire Bank building, the first bank to open in the city in more than 15 years. Clarksburg was also a record opening for deposits for any MVB branch to date.
- Bank capital was significantly increased by an additional \$13.7 million from a highly successful private stock offering in which existing and new shareholders invested in MVB's growth plan.
- MVB successfully implemented a major transition to a more robust online banking capability during 2012.
- A new MVB location was selected in Martinsburg on Edwin Miller Boulevard, while construction at Morgantown's Sabraton location was completed and opened in March 2013.
- MVB announced plans to enter the Charleston, W. Va., market through land purchase and initial design work on a new four-story downtown facility. In addition, MVB gained new shareholders in Charleston to help prioritize the bank's presence in West Virginia's Capital City.
- A stockholder Dividend Reinvestment Program (DRIP) initiated in early 2012 resulted in more than 30 percent of current investors participating in generating new capital for the bank.
- Semi-annual cash dividends were initiated during 2012 for a total of .14 cents, representing a 40 percent increase over the 2011 dividend payout.
- MVB continued to earn the 5-Star Superior rating from Bauer Financial, Inc., the nation's leading bank rating and research firm. This third party recognition is an industry-wide acknowledgment placing MVB in a special group of banks that qualify because of their safety, soundness and financial strength.
- Deposit growth continues through core checking and savings products, as well as a new MVB@Work program and expanded Treasury Services to businesses.
- Wealth Management Solutions, MVB's financial and investment advisory service, completed its first year by successfully building a strong asset base and solid deposit referrals.
- An additional 150 people joined MVB during the past year through organic growth and the PMG acquisition.



Dominance in the Virginias: Welcome New Branches & Potomac Mortgage Group

MVB's organic growth continues to advance across West Virginia, and now into the lucrative northern Virginia/Washington, D.C. region.

In West Virginia, our new Downtown Clarksburg branch opened in November 2012, setting internal records for branch performance. In 2013, the growth continues with the opening of Morgantown's Sabraton branch in the spring, and a new branch set to open in Charleston's downtown district, giving MVB a presence in the Greater Kanawha Valley. In addition, Martinsburg's new Edwin Miller Boulevard location is undergoing refurbishment for opening later in 2013.



In December 2012, MVB enhanced its already record-breaking mortgage division with the acquisition of the Potomac Mortgage Group (PMG). Combined with MVB's mortgage business, the bank's total mortgage production rose to \$1 billion.

The PMG team of 68 employees, including an outstanding group of professional mortgage lenders, a state-of-the-art technology platform and an additional 30 employees through PMG's joint venture operations center, became part of one of West Virginia's fastest growing banks and a key complement to our already strong mortgage business. In 2012, the PMG service region included offices in the northern Virginia communities of Fairfax, McLean and Reston, an affluent area of high opportunity for growth for MVB.

PMG is ranked among the prestigious 'Top 100' Mortgage Companies in America by *Mortgage Executive Magazine*.



Potomac Mortgage Group, Inc.
A wholly owned subsidiary
of MVB Bank, Inc.

MVB Cares About Our Communities

Being a truly local bank doesn't just mean we're doing business in the communities we serve. It means we're involved. Whether it's little league baseball, high school sports, helping to teach financial literacy to young people or cheering on the Mountaineers, MVB strives to be an engaged partner in helping communities to become better places to live, work and play.

We appreciate the people and businesses we serve and the causes that are important to them. Whether it is one of our managers or tellers volunteering for a local charity, organizing a fundraising event or the bank's financial contributions to support local organizations, we see ourselves as a valued partner in growing strong communities.

MVB is locally-owned. Members of our Board of Directors live in the communities we serve. They are essential partners in many of our relationships throughout the state of West Virginia and beyond. Our MVB teammates play an active role in the community. We understand the responsibility that comes with being a good neighbor.

Community development is important to our collective future. We make decisions locally that are based on the needs and knowledge of each local market area. As a true community bank, MVB believes in supporting our communities in every way possible – through local job creation, supporting local organizations, paying local taxes, promoting the growth of small business through low interest loans and investing our assets in the local homes and businesses in these same communities.

We are extremely proud of our community bank heritage and the vital role we play in our markets. We consider the communities we serve and our relationships with all of our clients to be our most valuable asset.



REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Shareholders
MVB Financial Corp.

We have audited the accompanying consolidated balance sheets of MVB Financial Corp. and subsidiaries (the "Company") as of December 31, 2012 and 2011, and the related consolidated statements of income, comprehensive income, changes in stockholders' equity, and cash flows for each of the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with 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 financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of MVB Financial Corp. and subsidiaries as of December 31, 2012 and 2011, and the results of operations and cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

S. R. Snodgrass, A.C.

Wheeling, West Virginia
March 15, 2013

MVB Financial Corp. & Subsidiaries

Consolidated Balance Sheets

(Dollars in thousands, except number of shares)
December 31, 2012 and 2011

	2012	2011
ASSETS		
Cash and due from banks	\$ 21,637	\$ 9,763
Interest bearing balances with banks	3,703	278
Certificates of deposit with other banks	9,427	9,918
Investment Securities:		
Securities held-to-maturity, at cost	35,370	13,568
Securities available-for-sale, at approximate fair value	79,502	99,366
Loans:	446,443	373,822
Less: Allowance for loan losses	(4,076)	(3,045)
Net Loans	<u>442,367</u>	<u>370,777</u>
Loans held for sale	85,529	7,147
Bank premises, furniture and equipment	11,354	7,782
Bank owned life insurance	10,524	8,076
Accrued interest receivable and other assets	9,734	5,909
Goodwill	<u>17,622</u>	<u>897</u>
TOTAL ASSETS	<u>\$ 726,769</u>	<u>\$ 533,481</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Deposits:		
Non-interest bearing	\$ 54,620	\$ 38,632
Interest bearing	431,899	351,913
Total Deposits	<u>486,519</u>	<u>390,545</u>
Accrued interest, taxes, and other liabilities	6,726	3,478
Repurchase agreements	70,234	77,835
FHLB and other borrowings	91,617	9,767
Subordinated debt	4,124	4,124
Total Liabilities	<u>659,220</u>	<u>485,749</u>
STOCKHOLDERS' EQUITY		
Preferred stock, par value \$1,000; 8,500 and 8,500 shares authorized; 8,500 and 8,500 shares issued	8,500	8,500
Common stock, par value \$1; 4,000,000 shares authorized; 2,932,901 and 2,234,767 shares issued respectively	2,933	2,235
Additional paid-in capital	48,750	32,603
Treasury Stock, 51,077 and 51,077 shares, respectively	(1,084)	(1,084)
Retained earnings	9,945	6,220
Accumulated other comprehensive loss	(1,495)	(742)
Total Stockholders' Equity	<u>67,549</u>	<u>47,732</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$ 726,769</u>	<u>\$ 533,481</u>

See Notes to Consolidated Financial Statements

MVB Financial Corp. & Subsidiaries

Consolidated Statements of Income

(Dollars in thousands, except Share and Per Share Data)
Years ended December 31, 2012 and 2011

	2012	2011
INTEREST INCOME		
Interest and fees on loans	\$ 19,105	\$ 16,446
Interest on deposits with other banks	204	103
Interest on investment securities - taxable	1,457	1,539
Interest on tax exempt loans and securities	1,488	920
Total interest income	<u>22,254</u>	<u>19,008</u>
INTEREST EXPENSE		
Interest on deposits	3,866	3,852
Interest on repurchase agreements	511	503
Interest on FHLB and other borrowings	466	464
Interest on subordinated debt	87	81
Total interest expense	<u>4,930</u>	<u>4,900</u>
NET INTEREST INCOME		
	17,324	14,108
Provision for loan losses	2,800	1,723
Net interest income after provision for loan losses	<u>14,524</u>	<u>12,385</u>
OTHER INCOME		
Service charges on deposit accounts	730	660
Income on bank owned life insurance	343	287
Visa debit card income	471	414
Income on loans held for sale	3,850	957
Gain on sale of securities	638	833
Gain on derivative	72	-
Other operating income	1,645	537
	<u>7,749</u>	<u>3,688</u>
OTHER EXPENSES		
Salaries and employee benefits	9,266	6,717
Occupancy expense	852	697
Equipment depreciation and maintenance	717	594
Data processing	612	412
Visa debit card expense	387	332
Advertising	647	482
Legal and accounting fees	396	632
Printing, stationery and supplies	200	172
Consulting fees	1,022	408
FDIC insurance	302	368
Other taxes	183	175
Other operating expenses	1,855	1,370
	<u>16,439</u>	<u>12,359</u>
Income before income taxes	5,834	3,714
Income tax expense	1,666	1,012
Net Income	<u>\$ 4,168</u>	<u>\$ 2,702</u>
Preferred dividends	136	44
Net Income available to common shareholders	<u>\$ 4,032</u>	<u>\$ 2,658</u>
Basic net income per share after preferred dividends	\$1.84	\$1.24
Diluted net income per share after preferred dividends	\$1.79	\$1.21
Basic weighted average shares outstanding	2,194,325	2,147,890
Diluted weighted average shares outstanding	2,254,617	2,194,410

See Notes to Consolidated Financial Statements

MVB Financial Corp. & Subsidiaries

Consolidated Statements of Comprehensive Income

(Dollars in thousands)

Years ended December 31, 2012 and 2011

	December 31	
	2012	2011
Net Income	4,168	2,702
Other comprehensive income		
Securities available for sale not other than temporarily impaired:		
Unrealized holding gains/(losses) during the year	(996)	(737)
Income tax effect	398	295
Reclassification adjustment for gain recognized in income	638	833
Income tax effect	(255)	(333)
Minimum pension liability adjustment	(898)	(895)
Income tax effect	360	358
Other comprehensive income	(753)	(479)
Comprehensive income	3,415	2,223

See Notes to Consolidated Financial Statements

MVB Financial Corp. & Subsidiaries

Consolidated Statements of Changes in Stockholders' Equity

(Dollars in thousands)

Years ended December 31, 2012 and 2011

	Preferred Stock	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income/(loss)	Treasury Stock	Total Stockholders' Equity
Balance, December 31, 2010	\$ -	\$ 1,802	\$ 25,593	\$ 4,643	\$ (263)	\$ (1,006)	\$ 30,769
Comprehensive income:							
Net Income				2,702			2,702
Other comprehensive income(loss)							
Net fair value adjustment on securities available for sale, less reclassification adjustment for realized gains - net of tax effect of \$(38)					58		58
Minimum pension liability adjustment - net of tax effect of \$358					(537)		(537)
Total other comprehensive (loss)							(479)
Cash dividends paid (\$0.10 per share)				(218)			(218)
Dividends on preferred stock				(44)			(44)
Stock offering		394	6,112	(6)			6,500
Preferred stock issued	8,500			(37)			8,463
Stock based compensation			117				117
Stock dividend - 10% stock dividend		39	781	(820)			-
Treasury stock acquired at cost						(78)	(78)
Balance, December 31, 2011	\$ 8,500	\$ 2,235	32,603	\$ 6,220	\$ (742)	\$ (1,084)	\$ 47,732
Comprehensive income:							
Net Income				4,168			4,168
Other comprehensive income(loss)							
Net fair value adjustment on securities available for sale, less reclassification adjustment for realized gains - net of tax effect of \$143					(215)		(215)
Minimum pension liability adjustment - net of tax effect of \$360					(538)		(538)
Total other comprehensive (loss)							(753)
Cash dividends paid (\$0.14 per share)				(307)			(307)
Dividends on preferred stock				(136)			(136)
Stock offering in process		573	13,161				13,734
Dividend reinvestment plan proceeds		42	931	-			973
Stock based compensation			138				138
Stock issuance from acquisition		83	1,917				2,000
Treasury stock, acquired at cost						-	-
Balance, December 31, 2012	\$ 8,500	\$ 2,933	\$ 48,750	9,945	\$ (1,495)	\$ (1,084)	\$ 67,549

See Notes to Consolidated Financial Statements

MVB Financial Corp. & Subsidiaries

Consolidated Statements of Cash Flows

(Dollars in thousands)

Years ended December 31, 2012 and 2011

	2012	2011
OPERATING ACTIVITIES		
Net Income	\$ 4,168	\$ 2,702
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	2,800	1,723
Deferred income tax (benefit)/expense	(144)	147
Depreciation	533	466
Stock based compensation	138	117
Loans originated for sale	(160,367)	(62,647)
Proceeds of loans sold	145,633	58,236
(Gain) on sale of loans held for resale	(3,415)	(897)
Loss on sale of other real estate owned	10	73
(Gain) on sale of investment securities	(638)	(833)
Amortization, net of accretion	1,240	886
(Gain) on derivatives	(72)	-
(Increase) in interest receivable and other assets	(1,911)	(1,489)
Increase in accrued interest, taxes, and other liabilities	1,384	775
NET CASH (USED IN) OPERATING ACTIVITIES	<u>(10,641)</u>	<u>(741)</u>
INVESTING ACTIVITIES		
(Increase) in loans made to customers	(74,390)	(80,934)
Purchases of premises and equipment	(3,859)	(669)
Purchases of investment securities available-for-sale	(61,207)	(249,771)
Purchases of investment securities held-to-maturity	(22,046)	(7,361)
(Increase)/decrease in deposits with FHLB and Fed, net	(3,425)	9,813
Purchases of certificates of deposit with other banks	-	(9,918)
Proceeds from maturity of certificates of deposit with other banks	491	17,734
Proceeds from sales, maturities and calls of securities available-for-sale	80,240	212,300
Proceeds from maturities and calls of securities held-to-maturity	115	1,225
Proceeds from sale of other real estate owned	215	373
Branch acquisition, net of cash acquired	(15,646)	-
Purchase of bank owned life insurance	(2,105)	(2,100)
NET CASH (USED IN) INVESTING ACTIVITIES	<u>(101,617)</u>	<u>(109,308)</u>
FINANCING ACTIVITIES		
Net increase in deposits	95,974	90,111
Net (decrease)/increase in repurchase agreements	(7,601)	30,212
Proceeds from FHLB and other borrowings	159,984	80,104
Principal payments on FHLB and other borrowings	(138,489)	(98,951)
Purchase of treasury stock	-	(78)
Net proceeds of stock offering	13,734	6,500
Cash dividend	(307)	(218)
Dividend reinvestment plan proceeds	973	-
Issuance of preferred stock	-	8,463
Dividends on preferred stock	(136)	(44)
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>124,132</u>	<u>116,099</u>
Increase in cash and cash equivalents	11,874	6,050
Cash and cash equivalents at beginning of period	<u>9,763</u>	<u>3,713</u>
Cash and cash equivalents at end of period	<u>\$ 21,637</u>	<u>\$ 9,763</u>
Supplemental disclosure of cash flow information		
Loans transferred to other real estate owned	\$ 284	\$ 284
Cash payments for:		
Interest on deposits, repurchase agreements and FHLB borrowings	\$ 4,922	\$ 4,958
Income taxes	\$ 1,184	\$ 1,101
Non-cash investing activity		
Issuance of stock in acquisition	\$ 2,000	\$ -

See Notes to Consolidated Financial Statements

Notes to Consolidated Financial Statements

MVB Financial Corp. & Subsidiaries

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Operations

MVB Financial Corp., with its subsidiaries (the Company), provides banking and financial services to the domestic market with the primary market areas being the Marion, Harrison, Monongalia, 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 with original maturities of ninety days or less.

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 Crescent Mortgage Company, Franklin American Mortgage and Freddie MAC, the Company's subsidiary, MVB Bank, Inc., (the Bank), has the ability to offer customers long-term fixed rate mortgage products without holding these instruments in the bank's loan portfolio. MVB values the loans held for sale at fair value.

Derivative Financial Instruments

The Company enters into commitments to originate mortgage loans whereby the interest rate on the loan is determined prior to funding (rate lock commitments). Rate lock commitments on mortgage loans that are intended to be sold are considered to be derivatives. The period of time between issuance of a loan commitment and closing and sale of the loan generally ranges from 30 to 120 days. The Company protects itself from changes in interest rates through the use of best efforts forward delivery commitments, whereby the Company commits to sell a loan at the time the borrower commits to an interest rate with the intent that the buyer has assumed interest rate risk on the loan. As a result, the Company is not exposed to losses and will not realize significant gains related to its rate lock commitments due to changes in interest rates. The correlation between the rate lock commitments and the best efforts contracts is very high due to their similarity.

The market value of rate lock commitments and best efforts contracts is not readily ascertainable with precision because rate lock commitments and best efforts contracts are not actively traded in stand-alone-markets. The Company determines the fair value of rate lock commitments and best efforts contracts by measuring the change in the value of the underlying asset while taking into consideration the probability that the rate lock commitments will close. Because of the high correlation between rate lock commitments and best efforts contracts, no gain or loss occurs on the rate lock commitments.

The Company utilizes interest rate swaps to manage interest rate risk. Interest rate swaps are recognized on the balance sheet at fair value. On the date the derivative contract is entered into, the Company designates the derivatives as either a fair value hedge or a cash flow hedge according to current accounting guidance. The Company documents all relationships between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. This process includes linking all derivatives that are designated as fair value hedges or cash flow hedges to specific assets or liabilities on the balance sheet. The Company also formally assesses, both at the hedge's inception and on an ongoing basis, whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The Company has not designated any derivatives as fair value hedges as of December 31, 2011. For designated cash flow hedges, the effective portions of changes in the fair value of the derivative are recorded in other comprehensive income and are recognized in the income statement when the hedged item affects earnings. Ineffective portions of changes in the fair value of cash flow hedges are recognized in earnings.

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.

Notes to Consolidated Financial Statements

MVB Financial Corp. & Subsidiaries

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

Accounting standards require 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.

Troubled Debt Restructurings (TDRs)

A restructuring of debt constitutes a TDR if the creditor for economic or legal reasons related to the debtor's financial difficulties grants a concession to the debtor that it would not otherwise consider. The determination of whether a concession has been granted includes an evaluation of the debtor's ability to access funds at a market rate for debt with similar risk characteristics and among other things, the significance of the modification relative to unpaid principal or collateral value of the debt, and/or the significance of a delay in the timing of payments relative to the frequency of payments, original maturity date or the expected duration of the loan. The most common concessions granted generally include one or more modifications to the terms of the debt such as a reduction in the interest rate for the remaining life of the debt, an extension of the maturity date at an interest rate lower than the current market rate for new debt with similar risk, or reduction of the unpaid principal or interest. All TDRs are considered impaired loans.

Mortgage Servicing Assets

Mortgage servicing assets (MSAs) are recorded when MVB sells mortgage loans and retains the servicing on those loans. On a monthly basis, MVB tracks the amount of mortgage loans that are sold with servicing retained. A valuation is done to determine the MSA's value, which is then recorded as an asset and amortized over the period of estimated net servicing revenues. Servicing loans for others generally consists of collecting mortgage payments from borrowers, maintaining escrow accounts, remitting payments to third party investors and when necessary, foreclosure processing. Serviced loans are not included in the Consolidated Balance Sheets. The amortization taken on the servicing asset for the year-ended December 31, 2012 was \$47. At December 31, 2012, MVB had total loans serviced for others of \$89,295.

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 \$17.6 million and \$917 at December 31, 2012 and 2011, respectively.

Other Investments

Federal Home Loan Bank (FHLB) stock is recorded at cost and considered to be restricted as the Company is required by the FHLB to hold this investment, and the only market for this stock is the issuing agency. FHLB stock totaled \$2,798 and \$1,973 at December 31, 2012 and 2011, respectively, and is included in accrued interest receivable and other assets in the accompanying Consolidated Balance Sheets.

Income Taxes

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

Stock Based Compensation

The Company accounts for stock-based compensation in accordance with generally accepted accounting principals. Under these standards 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 gains or losses on sale are then recorded in other non-interest expense. At December 31, 2012 and 2011, the Company held other real estate of \$207 and \$176.

Net Operating 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 less the preferred stock dividend, adjusted for the dilutive effect of options under the Company's 2003 Stock Incentive Plan.

Notes to Consolidated Financial Statements

MVB Financial Corp. & Subsidiaries

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.

Bank-owned life insurance

Bank-owned life insurance ("BOLI") represents life insurance on the lives of certain Company employees who have provided positive consent allowing the Company to be the beneficiary of such policies. These policies are recorded at their cash surrender value, or the amount that can be realized upon surrender of the policy. Income from these policies is not subject to income taxes and is recorded as other income.

Advertising Costs

Advertising costs are expensed as incurred.

Transfers of Financial Assets

Transfers of financial assets are accounted for as sales when control over the assets has been surrendered. Control over transferred assets is deemed to be surrendered when (i) the assets have been isolated from the company, (ii) the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets, and (iii) the Company does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity.

Reclassifications

Certain amounts in the 2011 financial statements have been reclassified to conform to the 2012 financial statement presentation.

Notes to Consolidated Financial Statements

MVB Financial Corp. & Subsidiaries

NOTE 2. INVESTMENT SECURITIES

Amortized cost and approximate fair values of investment securities held-to-maturity at December 31, 2012, including gross unrealized gains and losses, are summarized as follows:
(Dollars in thousands)

	Amortized Cost	Unrealized Gain	Unrealized Loss	Approximate Fair Value
Municipal securities	35,370	988	(140)	36,218
	<u>\$ 35,370</u>	<u>\$ 988</u>	<u>\$ (140)</u>	<u>\$ 36,218</u>

Amortized cost and approximate fair values of investment securities held-to-maturity at December 31, 2011, including gross unrealized gains and losses, are summarized as follows:

	Amortized Cost	Unrealized Gain	Unrealized Loss	Approximate Fair Value
Municipal securities	13,568	587	(11)	14,144
	<u>\$ 13,568</u>	<u>\$ 587</u>	<u>\$ (11)</u>	<u>\$ 14,144</u>

Amortized cost and approximate fair values of investment securities available-for-sale at December 31, 2012 are summarized as follows:

	Amortized Cost	Unrealized Gain	Unrealized Loss	Approximate Fair Value
U. S. Agency securities	\$ 21,951	\$ 247	\$ (6)	\$ 22,192
U.S. Sponsored Mortgage-backed securities	56,217	328	(169)	56,376
Other securities	934	-	-	934
	<u>\$ 79,102</u>	<u>\$ 575</u>	<u>\$ (175)</u>	<u>\$ 79,502</u>

Amortized cost and approximate fair values of investment securities available-for-sale at December 31, 2011 are summarized as follows:

	Amortized Cost	Unrealized Gain	Unrealized Loss	Approximate Fair Value
U. S. Agency securities	\$ 51,165	\$ 710	\$ (1)	\$ 51,874
U.S. Sponsored Mortgage-backed securities	47,319	198	(149)	47,368
Other securities	124	-	-	124
	<u>\$ 98,608</u>	<u>\$ 908</u>	<u>\$ (150)</u>	<u>\$ 99,366</u>

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

	December 31, 2012			
	Held to Maturity		Available for sale	
	Amortized Cost	Approximate Fair Value	Amortized Cost	Approximate Fair Value
Within one year	\$ -	\$ -	\$ -	\$ -
After one year, but within five	1,746	1,761	9,962	10,118
After five years, but within ten	9,311	9,757	23,886	24,069
After ten Years	24,313	24,700	45,254	45,315
Total	<u>\$ 35,370</u>	<u>\$ 36,218</u>	<u>\$ 79,102</u>	<u>\$ 79,502</u>

Notes to Consolidated Financial Statements

MVB Financial Corp. & Subsidiaries

Investment securities with a carrying value of \$98,209 and \$94,866 at December 31, 2012 and 2011, respectively, were pledged to secure public funds, repurchase agreements and potential borrowings at the Federal Reserve discount window.

The Company's investment portfolio includes securities that are in an unrealized loss position as of December 31, 2012, the details of which are included in the following table. Although these securities, if sold at December 31, 2012 would result in a pretax loss of \$315, 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, 2012 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, 2011, total temporary impairment totaled \$161.

Description and number of positions	Less than 12 months		12 months or more	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
U.S. Agencies (1)	\$ 4,999	\$ (1)	\$ -	\$ -
U.S. Sponsored Mortgage-backed securities (16)	31,073	(128)	3,124	(21)
Municipal securities (3)	936	(11)	-	-
	<u>\$ 37,008</u>	<u>\$ (140)</u>	<u>\$ 3,124</u>	<u>\$ (21)</u>

At December 31, 2012, total temporary impairment totaled \$315.

Description and number of positions	Less than 12 months		12 months or more	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
U.S. Agencies (3)	\$ 9,676	\$ (6)	\$ -	\$ -
U.S. Sponsored Mortgage-backed securities (11)	28,688	(169)	-	-
Municipal securities (28)	11,216	(140)	-	-
	<u>\$ 49,580</u>	<u>\$ (315)</u>	<u>\$ -</u>	<u>\$ -</u>

NOTE 3. LOANS

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

	2012	2011
Commercial and non-residential real estate	\$ 298,854	\$ 238,177
Residential real estate	130,012	121,536
Consumer and other	16,792	13,782
Net deferred fees and costs	785	327
	<u>\$ 446,443</u>	<u>\$ 373,822</u>

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

(Dollars in thousands)

	2012	2011
Balance at beginning of period	\$ 3,045	\$ 2,478
Losses charged to allowance	(1,791)	(1,189)
Recoveries credited to allowance	22	33
Provision for loan losses	2,800	1,723
Balance at end of period	<u>\$ 4,076</u>	<u>\$ 3,045</u>

Notes to Consolidated Financial Statements

MVB Financial Corp. & Subsidiaries

The following table summarizes the primary segments of the loan portfolio as of December 31, 2012 and 2011 (in thousands):

	Commercial	Residential	Home Equity	Installment	Credit Cards	Total
December 31, 2011						
Total Loans	<u>\$238,504</u>	<u>\$105,606</u>	<u>\$15,930</u>	<u>\$13,217</u>	<u>\$565</u>	<u>\$373,822</u>
Individually evaluated for impairment	\$96,152	\$6,870	\$1,665	\$193	\$0	\$104,880
Collectively evaluated for impairment	\$142,352	\$98,736	\$14,265	\$13,024	\$565	\$268,942
December 31, 2012						
Total Loans	<u>\$299,639</u>	<u>\$113,212</u>	<u>\$16,800</u>	<u>\$16,174</u>	<u>\$618</u>	<u>\$446,443</u>
Individually evaluated for impairment	\$203,060	\$16,407	\$1,824	\$101	\$0	\$221,392
Collectively evaluated for impairment	\$96,579	\$96,805	\$14,976	\$16,073	\$618	\$225,051

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

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

The following table presents impaired loans by class, segregated by those for which a specific allowance was required and those for which a specific allowance was not necessary as of December 31, 2012 and 2011 (in thousands):

	Impaired Loans with Specific Allowance		Impaired Loans with No Specific Allowance	Total Impaired Loans	
	Recorded Investment	Related Allowance	Recorded Investment	Recorded Investment	Unpaid Principal Balance
December 31, 2011					
Commercial	\$2,597	\$758	\$0	\$2,597	\$2,597
Residential	76	10	0	76	76
Home Equity	9	9	0	9	9
Installment	140	100	0	140	140
Credit Card	0	0	0	0	0
Total impaired loans	<u>\$2,822</u>	<u>\$877</u>	<u>\$0</u>	<u>\$2,822</u>	<u>\$2,822</u>
December 31, 2012					
Commercial	\$3,074	\$684	\$0	\$3,074	\$3,074
Residential	43	35	0	43	43
Home Equity	0	0	0	0	0
Installment	1	1	0	1	1
Credit Card	0	0	0	0	0
Total impaired loans	<u>\$3,118</u>	<u>\$720</u>	<u>\$0</u>	<u>\$3,118</u>	<u>\$3,118</u>

Notes to Consolidated Financial Statements

MVB Financial Corp. & Subsidiaries

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

	December	
	2012	2011
Average investment in impaired loans	\$2,970	\$2,091
Interest income recognized on an accrual basis on impaired loans	\$112	\$84

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

To help ensure that risk ratings are accurate and reflect the present and future capacity of borrowers to repay a loan as agreed, the Bank has a structured loan rating process with several layers of internal and external oversight. Generally, consumer and residential mortgage loans are included in the Pass categories unless a specific action, such as bankruptcy, repossession, or death occurs to raise awareness of a possible credit event. The Bank's Chief Credit Officer is responsible for the timely and accurate risk rating of the loans in the portfolio at origination and on an ongoing basis. The Credit Department performs an annual review of all commercial relationships \$750,000 or greater. Confirmation of the appropriate risk grade is included in the review on an ongoing basis. The Bank has an experienced Credit Department that continually reviews and assesses loans within the portfolio. The Bank engages an external consultant to conduct loan reviews on at least an annual basis. Generally, the external consultant reviews larger commercial relationships or criticized relationships. The Credit Department compiles detailed reviews, including plans for resolution, on loans classified as Substandard on a quarterly basis. Loans in the Special Mention and Substandard categories that are collectively evaluated for impairment are given separate consideration in the determination of the allowance.

The following table represents the classes of the loan portfolio summarized by the aggregate Pass and the criticized categories of Special Mention, Substandard and Doubtful within the internal risk rating system as of December 31, 2011 and 2012 (in thousands):

	Pass	Special Mention	Substandard	Doubtful	Total
December 31, 2011					
Commercial	\$225,500	\$7,752	\$2,655	\$2,597	\$238,504
Residential	103,958	1,157	491	-	105,606
Home Equity	15,750	96	75	9	15,930
Installment	12,806	242	29	140	13,217
Credit Card	565	-	-	-	565
Total	<u>\$358,579</u>	<u>\$9,247</u>	<u>\$3,250</u>	<u>\$2,746</u>	<u>\$373,822</u>
December 31, 2012					
Commercial	\$286,472	\$8,646	\$1,770	\$2,751	\$299,639
Residential	110,663	2,260	289	-	113,212
Home Equity	16,540	260	-	-	16,800
Installment	15,806	354	13	1	16,174
Credit Card	589	29	-	-	618
Total	<u>\$430,070</u>	<u>\$11,549</u>	<u>\$2,072</u>	<u>\$2,752</u>	<u>\$446,443</u>

Management further monitors the performance and credit quality of the loan portfolio by analyzing the age of the portfolio as determined by the length of time a recorded payment is past due. The following table presents the classes of the loan portfolio summarized by the aging categories of performing loans and nonaccrual loans as of December 31, 2011 and 2012 (in thousands):

	Current	30-59 Days Past Due	60-89 Days Past Due	90 Days + Past Due	Total Past Due	Non- Accrual	Total Loans
December 31, 2011							
Commercial	\$232,765	\$448	\$2,836	\$2	\$3,286	\$2,453	\$238,504
Residential	103,875	1,593	-	62	1,655	76	105,606
Home Equity	15,846	-	84	-	84	-	15,930
Installment	12,888	138	26	2	166	163	13,217
Credit Card	565	-	-	-	-	-	565
Total	<u>\$365,939</u>	<u>\$2,179</u>	<u>\$2,946</u>	<u>\$66</u>	<u>\$5,191</u>	<u>\$2,692</u>	<u>\$373,822</u>
December 31, 2012							
Commercial	\$295,295	767	221	\$275	\$1,263	\$3,081	\$299,639
Residential	111,053	1,772	293	51	2,116	43	113,212
Home Equity	16,772	28	-	-	28	-	16,800
Installment	15,991	179	-	3	182	1	16,174
Credit Card	589	24	5	-	29	-	618
Total	<u>\$288,634</u>	<u>\$2,770</u>	<u>\$519</u>	<u>\$329</u>	<u>\$3,618</u>	<u>\$3,125</u>	<u>\$446,443</u>

Notes to Consolidated Financial Statements

MVB Financial Corp. & Subsidiaries

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

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

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

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

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

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

Loans that are 90 days past due and still accruing are both adequately secured and in the process of collection.

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

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

The following table summarizes the primary segments of the ALL, segregated into the amount required for loans individually evaluated for impairment and the amount required for loans collectively evaluated for impairment as of December 31, 2011 and 2012. Activity in the allowance is presented for the year ended December 31, 2012 (in thousands):

	Commercial	Residential	Home Equity	Installment	Credit Card	Total
ALL balance at						
December 31, 2010	\$ 1,517	\$ 460	\$ 207	\$ 274	\$ 20	\$ 2,478
Charge-offs	(552)	(349)	(177)	(105)	(6)	(1,189)
Recoveries	4	-	10	19	-	33
Provision	1,195	255	209	67	(3)	1,723
ALL balance at						
December 31, 2011	<u>\$ 2,164</u>	<u>\$ 366</u>	<u>\$ 249</u>	<u>\$ 255</u>	<u>\$ 11</u>	<u>\$ 3,045</u>
Individually evaluated						
for impairment	\$758	\$356	\$240	\$155	\$0	\$1,509
for impairment	\$1,406	\$10	\$9	\$100	\$11	\$1,536
			Home Equity	Installment	Credit Card	Total
ALL balance at						
December 31, 2011	\$ 2,164	\$ 366	\$ 249	\$ 255	\$ 11	\$ 3,045
Charge-offs	(1,731)	-	(9)	(51)	-	(1,791)
Recoveries	5	-	5	12	-	22
Provision	2,669	148	(3)	(16)	2	2,800
ALL balance at						
December 31, 2012	<u>\$ 3,107</u>	<u>\$ 514</u>	<u>\$ 242</u>	<u>\$ 200</u>	<u>\$ 13</u>	<u>\$ 4,076</u>
Individually evaluated						
for impairment	\$373	\$432	\$215	\$198	\$0	\$1,218
Collectively evaluated						
for impairment	\$2,734	\$82	\$27	\$2	\$13	\$2,858

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

Troubled Debt Restructurings

The restructuring of a loan is considered a "troubled debt restructuring" if both (i) the borrower is experiencing financial difficulties and (ii) the creditor has granted a concession. Concessions may include interest rate reductions or below market interest rates, principal forgiveness, restructuring amortization schedules and other actions intended to minimize potential losses. Troubled debt restructurings during 2012 and 2011 are set forth in the following table. No TDR's have defaulted.

Notes to Consolidated Financial Statements

MVB Financial Corp. & Subsidiaries

The following table presents details related to loans identified as Troubled Debt Restructurings (TDRs) at December 31, 2012 and 2011.

	New TDRs (1)					
	December 31, 2012			December 31, 2011		
	Number of Contracts	Pre- Modification Outstanding Recorded Investment	Post- Modification Outstanding Recorded Investment	Number of Contracts	Pre- Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
(Unaudited, dollars in thousands)						
Commercial real estate:						
Land and construction	2	349	349	-	-	-
Other	-	-	-	1	103	103
Total commercial real estate	3	1,235	1,235	1 ¹	103	103
Commercial and industrial	-	-	-	-	-	-
Residential real estate	-	-	-	1	415	415
Home equity	-	-	-	-	-	-
Consumer	3	13	13	-	-	-
Total	6	1,248	1,248	2	518	518

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

Notes to Consolidated Financial Statements

MVB Financial Corp. & Subsidiaries

NOTE 4. BANK PREMISES, FURNITURE AND EQUIPMENT

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

	2012	2011
Bank Premises	\$ 10,533	\$ 7,647
Equipment, furniture and fixtures	5,054	3,445
	<u>15,587</u>	<u>11,092</u>
Allowance for depreciation	(4,233)	(3,310)
	<u>\$ 11,354</u>	<u>\$ 7,782</u>

NOTE 5. DEPOSITS

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

	2012	2011
Demand deposits of individuals, partnerships, and corporations		
Interest bearing	\$ 175,442	\$ 113,515
Non-interest bearing	51,821	37,744
Time and savings deposits of individuals, partnerships and corporations	206,263	184,993
Deposits of states and political subdivisions	50,036	53,237
Official checks	2,957	1,056
Total Domestic Deposits	<u>\$ 486,519</u>	<u>\$ 390,545</u>
Time deposits of over \$100 included above	<u>\$ 86,872</u>	<u>\$ 65,316</u>

Maturities of certificates of deposit at December 31, 2012 were as follows:

2013	\$ 120,299
2014	9,827
2015	8,157
2016	5,703
2017	3,864
Total	<u>\$ 147,850</u>

NOTE 6. BORROWED FUNDS

The Company is a party to repurchase agreements with certain customers. As of December 31, 2012 and 2011, the company held repurchase agreements of \$70,234 and \$77,835. Information related to repurchase agreements is summarized below:

(Dollars in thousands)	2012	2011
Balance at end of year	\$ 70,234	\$ 77,835
Average balance during the year	67,709	61,855
Maximum month-end balance	77,852	86,507
Weighted-average rate during the year	0.76%	0.81%
Rate at December 31	0.80%	0.66%

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, 2012 was approximately \$146,393. At December 31, 2012 and 2011 the Bank had borrowed \$32,600 and \$9,767.

Notes to Consolidated Financial Statements

MVB Financial Corp. & Subsidiaries

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

	2012	2011
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%	763	851
Fixed interest rate note, originating April 2002, due May 2017, payable in monthly installments of \$4, including interest of 5.90%	615	631
Floating interest rate note, originating March 2003, interest payable monthly of 0.25%	23,065	-
Fixed interest rate note, originating July 2006, due July 2016, payable in monthly installments of \$8, including interest of 4.50%	1,258	1,301
Fixed interest rate note, originating October 2006, due October 2021, payable in monthly installments of \$6, including interest of 5.20%	1,047	1,068
Fixed interest rate note, originating April 2007, due April 2022, payable in monthly installments of \$6, including interest of 5.18%	995	1,015
Amortizing fixed interest rate note, originating February 2007, due February 2022, payable in monthly installments of \$5, including interest of 5.22%	879	896
Fixed interest rate note, originating December 2007, due December 2017, payable in monthly installments of \$7, including interest of 5.25%	978	1,005
Fixed interest rate note, originating March 2008, due March 2013, interest of 2.37% payable quarterly	2,000	2,000
	<u>\$ 32,600</u>	<u>\$ 9,767</u>

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 2037 and are redeemable by the Company in 2012. 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, 2012 and 2011 and interest expense of \$87 and \$81 for the years ended December 31, 2012 and 2011.

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

PMG had borrowings of \$59.0 million at December 31, 2012, which were comprised of three lines. A floating rate line at BB&T which originated January 26, 2012, with a rate of 3.50% and a balance of \$18.8 million at December 31, 2012, a floating rate line with Comerica, originated February 27, 2012, with a rate of 3.50% and a balance of \$17.6 million at December 31, 2012 and a floating rate line with United Bank, originating September 15, 2011, with a rate of 3.00% and a balance of \$22.5 million at December 31, 2012.

A summary of maturities of these borrowings over the next five years is as follows:	Year	Amount
	2013	\$ 61,261
	2014	1,257
	2015	271
	2016	1,353
	2017	1,582
	Thereafter	30,017
		<u>\$ 95,741</u>

Notes to Consolidated Financial Statements

MVB Financial Corp. & Subsidiaries

NOTE 7. COMMITMENTS AND CONTINGENT LIABILITIES

Financial Instruments with Off-Balance-Sheet Risk

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

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

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The Company evaluates each customer's 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)

	2012	2011
Available on lines of credit	\$ 60,357	\$ 45,627
Stand-by letters of credit	458	346
Other loan commitments	1,616	1,423
	<u>\$ 62,431</u>	<u>\$ 47,396</u>

Concentration of Credit Risk

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

Litigation

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

NOTE 8. INCOME TAXES

Accounting standards require that the Company use 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.

Notes to Consolidated Financial Statements

MVB Financial Corp. & Subsidiaries

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

Current:	<u>2012</u>	<u>2011</u>
Federal	\$ 1,479	\$ 658
State	<u>331</u>	<u>207</u>
	<u>\$ 1,810</u>	<u>\$ 865</u>
Deferred expense(benefit)		
Federal	\$ (115)	\$ 112
State	<u>(29)</u>	<u>35</u>
	<u>(144)</u>	<u>147</u>
Income Tax expense	<u>\$ 1,666</u>	<u>\$ 1,012</u>

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

	<u>2012</u>		<u>2011</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Tax at Federal tax rate	\$ 1,984	34.0%	\$ 1,263	34.0%
Tax effect of:				
State income tax	146	2.5%	93	2.5%
Tax exempt earnings	(465)	-8.0%	(345)	-9.3%
Other	1	0.0%	1	0.0%
	<u>\$ 1,666</u>	<u>28.5%</u>	<u>\$ 1,012</u>	<u>27.2%</u>

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:

	<u>2012</u>	<u>2011</u>
Depreciation	\$ 477	\$ 482
Unrealized loss on securities available-for-sale	160	303
Pension	<u>184</u>	<u>(9)</u>
Gross deferred tax liabilities	<u>821</u>	<u>776</u>
Allowance for loan losses	(1,203)	(871)
Minimum pension liability	<u>(1,157)</u>	<u>(798)</u>
Gross deferred tax (assets)	<u>(2,360)</u>	<u>(1,669)</u>
Net deferred tax (asset)	<u>\$ (1,539)</u>	<u>\$ (893)</u>

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.

Notes to Consolidated Financial Statements

MVB Financial Corp. & Subsidiaries

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, 2012	<u>\$ 13,300</u>	<u>\$ 12,978</u>	<u>\$ (2,707)</u>	<u>\$ 23,571</u>
December 31, 2011	<u>\$ 13,995</u>	<u>\$ 2,004</u>	<u>\$ (2,699)</u>	<u>\$ 13,300</u>

The Company held related party deposits of \$11,483 and \$14,973 at December 31, 2012 and December 31, 2011, respectively.

The Company held related party repurchase agreements of \$361 and \$1,313 at December 31, 2012 and December 31, 2011, respectively.

NOTE 10. PENSION PLAN

The Company participates in a trustee 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 \$502 and \$410 for the years ended December 31, 2012 and 2011.

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, 2012 and 2011 is as follows:

(Dollars in thousands)	2012	2011
Change in benefit obligation		
Benefit obligation at beginning of year	\$ 4,214	\$ 3,059
Service cost	424	356
Interest cost	210	166
Actuarial loss	998	669
Benefits paid	(48)	(36)
Benefit obligation at end of year	<u>\$ 5,798</u>	<u>\$ 4,214</u>
Change in plan assets:		
Fair value of plan assets at beginning of year	\$ 2,198	\$ 1,794
Actual return on plan assets	232	(113)
Employer contribution	984	553
Benefits paid	(48)	(36)
Fair value of plan assets at end of year	<u>\$ 3,366</u>	<u>\$ 2,198</u>
Funded status	\$ (2,432)	\$ (2,016)
Unrecognized net actuarial loss	2,890	1,990
Unrecognized prior service cost	2	4
Prepaid pension cost recognized	<u>\$ 460</u>	<u>\$ (22)</u>
Accumulated benefit obligation	<u>\$ 4,473</u>	<u>\$ 3,288</u>

At December 31, 2012 and 2011, the weighted average assumptions used to determine the benefit obligation are as follows:

Discount rate	4.31%	5.06%
Rate of compensation increase	3.00%	3.00%

The components of net periodic pension cost are as follows:

Service cost	\$ 424	\$ 356
Interest cost	210	166
Expected return on plan assets	(251)	(180)
Amortization of prior service costs	2	2
Amortization of loss	117	66
Net periodic pension cost	<u>\$ 502</u>	<u>\$ 410</u>

At December 31, 2012 and 2011, the weighted average assumptions used to determine net periodic pension cost are as follows:

Discount rate	5.06%	5.50%
Expected long-term rate of return on plan assets	8.00%	8.00%
Rate of compensation increase	3.00%	3.00%

Notes to Consolidated Financial Statements

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The Company's pension plan asset allocations at December 31, 2012 and 2011, as well as target allocations for 2013 are as follows:

Asset Category	2013 Target	12/31/2012	12/31/2011
Equity securities	60%	54%	72%
Balanced fund	30%	25%	24%
Other	10%	21%	4%
Total	<u>100%</u>	<u>100%</u>	<u>100%</u>

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.

	2013	2012
Expected amortization of transition obligation (asset)	\$ -	\$ -
Expected amortization of prior service cost (credit)	2	2
Expected amortization of net loss (gain)	186	117

Plan Assets

The fair value of MVB's pension plan assets at December 31, 2012 by asset class are as follows:

The following table sets forth by level, within the fair value hierarchy, as defined in Note 18 - Fair Value Measurements, the Plan's assets at fair value as of December 31, 2012.

	Level I	Level II	Level III	Total
Assets:				
Cash and cash equivalents	\$ 707	\$ -	\$ -	\$ 707
Investment in equity securities	\$ 1,818	\$ -	\$ -	\$ 1,818
Investment in debt securities	\$ -	\$ 841	\$ -	\$ 841
Total assets at fair value	\$ 2,525	\$ 841	\$ -	\$ 3,366

Investment in government and debt securities and short-term investments are valued at the closing price reported on the active market on which the individual securities are traded.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

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 01/01/13 through 12/31/13	\$ 409,563
Estimated future benefit payments reflecting expected future service	
1/1/2013 through 12/31/2013	\$ 145,222
1/1/2014 through 12/31/2014	\$ 150,428
1/1/2015 through 12/31/2015	\$ 164,048
1/1/2016 through 12/31/2016	\$ 204,050
1/1/2017 through 12/31/2017	\$ 210,551
1/1/2018 through 12/31/2022	\$ 1,401,378

Notes to Consolidated Financial Statements

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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, 2012 the Company has allocated \$12 to core deposit intangibles, which are being amortized using the double-declining balance method over 10 years. The original amount of the core deposit intangible was \$128, with \$116 amortized through December 31, 2012 and \$12 remaining to be amortized over the next three years. The remaining \$897 has been recorded as goodwill, and is evaluated for impairment on October 1st each year by the Company. In December 2012 the Company purchased Potomac Mortgage Group (PMG), a mortgage company in Northern Virginia. As a result of this transaction, MVB recorded \$16.7 million in goodwill. This goodwill will be evaluated for impairment on an annual basis each December.

NOTE 12. STOCK OFFERING

During 2012 the Company began a confidential offering to accredited investors. As of December 31, 2012 the Company had received signed offering memoranda and payment for 573,263 shares totaling \$13.7 million in additional capital at December 31, 2012. The proceeds of this offering are being used to support the acquisition of PMG as well as continued growth of the Company. During 2011 the Company issued 393,305 shares, concluding 2011 with outstanding shares of 2,234,767. A 10% stock dividend declared December 21, 2010 with a record date of January 25, 2011, payable February 15, 2011 resulted in an additional 39,071 shares. In 2012, MVB implemented a dividend reinvestment plan (DRIP) which resulted in the addition of 41,538 shares totaling \$973,000 in additional capital.

On September 8, 2011 MVB received \$8.5 million in Small Business Lending Fund (SBLF) capital. MVB issued 8,500 shares of \$1,000 per share preferred stock with dividends payable in arrears on January 1, April 1, July 1 and October 1 each year. At December 31, 2012 and 2011, MVB's loan production qualified for the lowest dividend rate possible of 1%. MVB may continue to utilize the SBLF capital for a period of four and one half years at the 1% dividend rate so long as loan growth continues to support the reduced rate.

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, 2007, 2010, 2011 and 2012 vest in 5 years and expire 10 years from the date of the grant, with the exception of 10,000 shares granted in 2010 that vest in 3 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:

	2012		2011	
	Number of Shares	Weighted-Average Exercise Price	Number of Shares	Weighted-Average Exercise Price
Outstanding at beginning of year	239,576	\$ 16.46	207,297	\$ 17.88
Granted	79,500	24.00	10,500	20.45
Adjust for 10% stock dividend	-	-	21,779	-
Exercised	-	-	-	-
Forfeited/expired	-	-	-	-
Outstanding at end of year	<u>319,076</u>	<u>\$ 18.34</u>	<u>239,576</u>	<u>\$ 16.46</u>
Exercisable at end of year	<u>172,880</u>	<u>\$ 15.63</u>	<u>148,973</u>	<u>\$ 15.13</u>
Weighted-average fair value of options granted during the year		<u>\$ 1.88</u>		<u>\$ 3.67</u>

The fair value for the options was estimated at the date of grant using a Black-Scholes option-pricing model with average risk-free interest rates of 1.67% and 3.29% for 2012 and 2011 and a weighted average expected life of the options of 7 years for both 2012 and 2011. The expected volatility of MVB's stock price used for 2012 options was 5.60%, while for the 2011 options it was 5.40%. The expected dividend yield used was .50% for both 2012 and 2011.

The following summarizes information concerning MVB's stock options outstanding at December 31, 2012:

Exercise Price	Options Outstanding			Options Exercisable	
	Options Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
\$14.55	127,376	4.00	\$14.55	172,880	\$15.63
\$18.18	89,650	8.00	\$18.18		
\$20.45	22,550	8.00	\$20.45		
\$24.00	79,500	10.00	\$24.00		

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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, 2012 and 2011, 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	
	AMOUNT	RATIO	AMOUNT	RATIO	AMOUNT	RATIO
(Dollars in thousands)						
As of December 31, 2012						
Total Capital (to risk-weighted assets)						
Consolidated	\$ 55,527	12.3%	N/A	N/A	\$ 36,243	8.0%
Subsidiary Bank	\$ 59,231	13.1%	\$ 45,303	10.0%	\$ 36,243	8.0%
Tier I Capital (to risk-weighted assets)						
Consolidated	\$ 51,451	11.4%	N/A	N/A	\$ 18,121	4.0%
Subsidiary Bank	\$ 55,155	12.2%	\$ 27,182	6.0%	\$ 18,121	4.0%
Tier I Capital (to average assets)						
Consolidated	\$ 51,451	8.4%	N/A	N/A	\$ 25,323	4.0%
Subsidiary Bank	\$ 55,155	9.0%	\$ 31,630	5.0%	\$ 25,304	4.0%
As of December 31, 2011						
Total Capital (to risk-weighted assets)						
Consolidated	\$ 50,603	14.8%	N/A	N/A	\$ 27,421	8.0%
Subsidiary Bank	\$ 54,291	15.8%	\$ 34,276	10.0%	\$ 27,421	8.0%
Tier I Capital (to risk-weighted assets)						
Consolidated	\$ 47,558	13.9%	N/A	N/A	\$ 13,710	4.0%
Subsidiary Bank	\$ 51,246	14.9%	\$ 20,566	6.0%	\$ 13,710	4.0%
Tier I Capital (to average assets)						
Consolidated	\$ 47,558	8.9%	N/A	N/A	\$ 21,354	4.0%
Subsidiary Bank	\$ 51,246	9.6%	\$ 26,686	5.0%	\$ 21,349	4.0%

Notes to Consolidated Financial Statements

MVB Financial Corp. & Subsidiaries

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, 2012:

		(Dollars in thousands)	
Years ended December 31:			
	2013	\$	390
	2014		310
	2015		322
	2016		258
	2017		142
	Thereafter		471
Total minimum payments required:		\$	<u>1,893</u>

Total lease expense for the years ended December 31, 2012 and 2011 was \$251 and \$156, 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.

Level I: Quoted prices are available in active markets for identical assets or liabilities as of the reported date.

Level II: Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reported date. The nature of these assets and liabilities include items for which quoted prices are available but traded less frequently, and items that are fair valued using other financial instruments, the parameters of which can be directly observed.

Level III: Assets and liabilities that have little to no pricing observability as of the reported date. These items do not have two-way markets and are measured using management's best estimate of fair value, where the inputs into the determination of fair value require significant management judgment or estimation.

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.

Loans held for sale: Estimated fair values of loans held for sale approximate their carrying values.

Bank Owned Life Insurance: Estimated fair values of bank owned life insurance approximate the cash surrender value of the policies.

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 carrying 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.

FHLB and other borrowings: The fair values of FHLB and other borrowings are based upon rates currently available for borrowings with similar terms and maturities.

Subordinated debt: The fair value of long-term debt approximates its fair value.

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.

Notes to Consolidated Financial Statements

MVB Financial Corp. & Subsidiaries

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

(Dollars in thousands)	Carrying Value	Estimated Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Financial assets:					
Cash and due from banks	\$ 21,637	\$ 21,637	\$ 21,637	\$ -	
Interest bearing balances with banks	13,130	13,554	13,130	-	
Securities available-for-sale	79,502	80,138	-	79,502	-
Securities held-to-maturity	35,370	36,218	-	36,218	
Loans	446,443	457,158	-	-	457,158
Loans held for sale	85,529	85,529	-	85,529	-
Derivative on loans held for sale	1,261	1,261		1,261	-
Bank owned life insurance	10,524	10,524	10,524		
Accrued interest receivable	1,778	1,778	1,778	-	
	<u>\$ 695,174</u>	<u>\$ 707,797</u>	<u>\$ 47,069</u>	<u>\$ 202,510</u>	<u>\$ 457,158</u>

Financial liabilities:					
Deposits	\$ 486,519	\$ 498,244	\$ 329,083	\$ -	\$ 169,161
Repurchase agreements	70,234	70,234	70,234	-	-
FHLB and other borrowings	91,617	94,487	-	-	94,487
Accrued interest payable	329	329	329	-	-
Subordinated debt	4,124	4,664	\$ 4,664	\$ -	\$ -
	<u>\$ 652,823</u>	<u>\$ 667,958</u>	<u>\$ 404,310</u>	<u>\$ -</u>	<u>\$ 263,648</u>

December 31, 2011

	Carrying Value	Estimated Fair Value
(Dollars in thousands)		
Financial assets:		
Cash and due from banks	\$ 9,763	\$ 9,763
Interest bearing balances with banks	10,196	10,216
Securities available-for-sale	99,366	99,366
Securities held-to-maturity	13,568	14,144
Loans	373,822	388,027
Loans held for sale	7,147	7,147
Accrued interest receivable	1,582	1,582
	<u>\$ 515,444</u>	<u>\$ 530,245</u>

Financial liabilities:		
Deposits	\$ 390,545	\$ 400,894
Repurchase agreements	77,835	77,861
FHLB and other borrowings	9,767	11,027
Accrued interest payable	341	341
Subordinated debt	4,124	4,124
	<u>\$ 482,612</u>	<u>\$ 494,247</u>

Notes to Consolidated Financial Statements

MVB Financial Corp. & Subsidiaries

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. FAIR VALUE

Accounting standards require that the Company adopt fair value measurement for financial assets and financial liabilities. This enhanced guidance for using fair value to measure assets and liabilities applies whenever other standards require or permit assets or liabilities to be measured at fair value. This guidance does not expand the use of fair value in any new circumstances.

Accounting standards establish a hierarchal disclosure framework associated with the level of pricing observability utilized in measuring assets and liabilities at fair value. The three broad levels defined by these standards are as follows:

Level I: Quoted prices are available in active markets for identical assets or liabilities as of the reported date.

Level II: Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reported date. The nature of these assets and liabilities include items for which quoted prices are available but traded less frequently, and items that are fair valued using other financial instruments, the parameters of which can be directly observed.

Level III: Assets and liabilities that have little to no pricing observability as of the reported date. These items do not have two-way markets and are measured using management's best estimate of fair value, where the inputs into the determination of fair value require significant management judgment or estimation.

The following tables present the assets and liabilities reported on the consolidated statements of financial condition at their fair value as of December 31, 2012 and 2011 by level within the fair value hierarchy. As required by accounting standards, financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Company classified investments in government securities as Level 2 instruments and valued them using the market approach. All measurements are made on a recurring basis, with the exception of other real estate and impaired loans, which are measured on a non-recurring basis.

(In Thousands)	December 31, 2012				December 31, 2011			
	Level I	Level II	Level III	Total	Level I	Level II	Level III	Total
Assets:								
U.S. Government Agency Securities		22,192		22,192	51,874			51,874
U.S. Sponsored Mortgage backed Securities		56,376		56,376	47,368			47,368
Other Securities		934	-	934	124			124
Loans held for sale		85,529	-	85,529	7,147	-		7,147
Derivative on loans held for sale		1,261	-	1,261		-		-
Other Real Estate Owned		-	207	207	-	176		176
Impaired Loans		-	3,118	3,118	-	2,822		2,822
Total		166,292	3,325	169,617	106,513	2,998		109,511

Notes to Consolidated Financial Statements

MVB Financial Corp. & Subsidiaries

The following table presents additional quantitative information about assets measured at fair value on a non-recurring basis and for which MVB has utilized Level 3 inputs to determine fair value:

(in thousands)	Quantitative Information about Level 3 Fair Value			
	Fair Value Estimate	Valuation Techniques	Unobservable Input	Range Weighted Average
December 31, 2012				
Impaired loans	3,118	Appraisal of collateral (1)	Appraisal adjustments (2) Liquidation expenses (2)	0% to -50.0% (-25.2%) -1.5% to 8.0% (-5.5%)
Other real estate owned and repossessed assets	207	Appraisal of collateral (1),(3)		

(1) Fair value is generally determined through independent appraisals of the underlying collateral, which generally include various level 3 inputs which are not identifiable.

(2) Appraisals may be adjusted by management for qualitative factors such as economic conditions and estimated liquidation expenses. The range and weighted average of liquidation expenses and other appraisal adjustments are presented as a percent of the appraisal.

(3) Includes qualitative adjustments by management and estimated liquidation expenses.

NOTE 19. ACQUISITION OF PMG

On December 20, 2012, the Company acquired Potomac Mortgage Group, LLC (PMG), a mortgage loan company based in Northern Virginia. The acquisition significantly expands MVB's mortgage production capacity.

PMG operates four offices, with their main location in Fairfax, VA. Under terms of the agreement, the Company acquired PMG for a total purchase price of \$19 million, \$17 million in cash and \$2 million in MVB Financial Corp. stock. As a result of the acquisition, the Company issued 83,333 common shares, or 3.7% of the total shares outstanding, to the majority owner of PMG. PMG is now a wholly owned subsidiary of MVB Bank, Inc.

The acquired assets and liabilities were measured at estimated fair values. Fair values of loans held for sale were based upon the locked in sales price recorded on each individual loan in the portfolio. Other assets and liabilities were insignificant to the transaction. Outstanding lines of credit were recorded at fair value. The transaction resulted in MVB recording \$16.7 million in goodwill, which will be measured for impairment each December 1.

The following condensed statement reflects the values assigned to PMG's net assets and liabilities as of the acquisition

Total Purchase Price		\$ 19,000
Net Assets Acquired		
Cash	1,354	
Loans held for sale	60,233	
Other assets	2,907	
Lines of credit	(60,355)	
Other liabilities	(1,864)	
Fair value of net assets acquired		2,275
Goodwill resulting from PMG acquisition		<u>\$ 16,725</u>

Notes to Consolidated Financial Statements

MVB Financial Corp. & Subsidiaries

The company recorded goodwill with the acquisition of PMG of \$16.7 million. Goodwill is not amortized, but is periodically evaluated for impairment. The Company did not recognize any impairment during the year ended December 31, 2012. The carrying amount of the goodwill at December 31, 2012 was \$16.7 million.

The following table presents financial information regarding PMG included in MVB's Consolidated Statement of Income from the date of acquisition through December 31, 2012 under the column "Actual from acquisition date through December 31, 2012". In addition the following table presents unaudited pro forma information as if the acquisition of PMG had occurred on January 1, 2011 under the "Pro forma" columns. The pro forma information does not necessarily reflect the results of operations that would have occurred had the Company merged with PMG at the beginning of 2011.

	Actual from acquisition date through December 31, 2012	Pro forma year ended December 31 2012	Pro forma year ended December 31 2011
Net interest income	\$ 3	\$ 17,324	\$ 14,396
Noninterest income	618	7,749	9,476
Net income	39	4,168	4,394
Pro forma earnings per share			
Basic		\$ 1.84	\$ 1.43
Diluted		1.79	1.41

Notes to Consolidated Financial Statements

MVB Financial Corp. & Subsidiaries

NOTE 20. 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, 2012 and 2011, and the related statements of income and cash flows for each of those years are presented below:

(Dollars in thousands, except share data)

<u>Balance Sheets</u>	<u>December 31</u>	
	<u>2012</u>	<u>2011</u>
<u>Assets</u>		
Cash	\$ 158	\$ 167
Investment in bank subsidiary, eliminated in consolidation	71,253	51,421
Other assets	302	293
Total assets	<u>\$ 71,713</u>	<u>\$ 51,881</u>
<u>Liabilities and shareholders' equity</u>		
<u>Liabilities</u>		
Other liabilities	\$ 40	\$ 25
Long-term debt	4,124	4,124
Total liabilities	<u>4,164</u>	<u>4,149</u>
<u>Stockholders' equity</u>		
Preferred stock, par value \$1,000; 8,500 and 8,500 shares authorized, 8,500 and 8,500 shares issued	\$ 8,500	\$ 8,500
Common stock, par value \$1; 4,000,000 shares authorized; 2,932,901 and 2,234,767 shares issued respectively	2,933	2,235
Additional paid in capital	48,750	32,603
Treasury stock	(1,084)	(1,084)
Retained earnings	9,945	6,220
Accumulated other comprehensive income	(1,495)	(742)
Total stockholders' equity	<u>67,549</u>	<u>47,732</u>
Total liabilities and stockholders' equity	<u>\$ 71,713</u>	<u>\$ 51,881</u>

(Dollars in thousands)

<u>Statements of Income</u>	<u>2012</u>	<u>2011</u>
Income - dividends from bank subsidiary	\$ 531	\$ 473
Expenses - operating	350	296
Income before income taxes and undistributed income	181	177
Income tax (benefit)	(133)	(112)
Income after tax (benefit)	314	289
Equity in undistributed income of bank subsidiary	3,854	2,413
Net income	<u>\$ 4,168</u>	<u>\$ 2,702</u>
Preferred dividends	136	44
Net income Available	\$ 4,032	\$ 2,658
Comprehensive income	\$ 3,415	\$ 2,223

Notes to Consolidated Financial Statements

MVB Financial Corp. & Subsidiaries

(Dollars in thousands)

Statements of Cash Flows

	<u>2012</u>	<u>2011</u>
OPERATING ACTIVITIES		
Net income	\$ 4,168	\$ 2,702
Equity in undistributed income of bank subsidiary	(3,854)	(2,413)
Decrease/(increase) in other assets	(9)	92
Increase in other liabilities	15	21
Stock option expense	138	117
	<u>458</u>	<u>519</u>
Net cash provided by operating activities		
INVESTING ACTIVITIES		
Investment in subsidiary	<u>(14,731)</u>	<u>(16,754)</u>
Net cash (used in) investing activities	(14,731)	(16,754)
FINANCING ACTIVITIES		
Proceeds of stock offering	13,734	6,500
Proceeds from dividend reinvestment plan	973	-
Preferred stock issued	-	8,463
Proceeds from long-term borrowings	-	-
Common stock options exercised	-	-
Cash dividend	(307)	(218)
Preferred stock dividend	(136)	(44)
Purchase of treasury stock	<u>-</u>	<u>(78)</u>
Net cash provided by financing activities	<u>14,264</u>	<u>14,623</u>
(Decrease) in cash	(9)	(1,612)
Cash at beginning of period	<u>167</u>	<u>1,779</u>
Cash at end of period	<u>\$ 158</u>	<u>\$ 167</u>
Non-cash investing activity		
Issuance of stock in acquisition	\$ 2,000	\$ -

MVB Financial Corp. & Subsidiaries

Selected Financial Data

Amounts in thousands, except for share data

	At or for the Year Ended December 31													
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
Summary of Operations														
Interest Income	\$ 22,254	19,008	16,287	14,337	13,687	13,274	10,011	6,651	5,536	4,852	4,227	3,893	2,977	1,188
Interest Expense	4,930	4,900	5,470	5,533	5,949	6,377	4,360	2,326	1,570	1,702	1,852	2,195	1,820	643
Net Interest Income	17,324	14,108	10,817	8,804	7,738	6,897	5,651	4,325	3,966	3,150	2,375	1,698	1,157	545
Provisions for Loan Losses	2,800	1,723	1,100	785	595	584	445	160	269	223	225	166	138	104
Non-Interest Income	7,749	3,688	2,454	2,190	1,788	1,623	1,240	876	677	598	458	391	207	127
Non-Interest Expense	16,439	12,359	9,139	8,349	7,840	6,240	5,132	4,284	2,689	2,348	2,033	1,712	1,397	944
Applicable Income Tax Expenses (Benefit)	1,666	1,012	795	454	263	414	341	195	627	396	175	64	(50)	(118)
Net Income (Loss) from operations	4,168	2,702	2,237	1,406	828	1,282	973	562	1,058	781	400	147	(121)	(258)
Per Share Data														
Basic Net Income (Loss)/Share	\$ 1.84	1.24	1.40	0.88	0.52	0.87	0.68	0.57	1.46	1.10	0.70	0.28	(0.23)	(0.57)
Fully Diluted Net Income/Share	1.79	1.21	1.38	0.86	0.51	0.85	0.67	0.49	1.41	1.07	0.68	0.27	(0.23)	(0.57)
Cash Dividends Declared	0.14	0.10	0.10	0.10	0.10	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Book Value	20.13	17.88	17.07	16.64	16.11	15.60	14.82	13.52	11.80	11.04	10.37	8.75	8.48	9.14
Basic weighted-average shares outstanding	2,194	2,148	1,598	1,602	1,584	1,470	1,428	993	726	708	571	533	517	517
Diluted weighted-average shares outstanding	2,255	2,194	1,626	1,628	1,621	1,509	1,588	1,153	752	730	586	541	517	517
Average Balance Sheet														
Summary														
Loans, Gross	\$ 427,467	334,747	261,116	219,356	189,070	158,495	124,794	87,145	70,252	55,301	42,153	30,560	20,429	5,591
Investment Securities	114,169	95,529	64,104	30,456	27,568	26,658	27,335	22,466	23,012	25,219	18,794	14,773	8,400	5,553
Total Assets	589,724	473,734	390,350	310,187	238,785	205,544	168,950	123,668	101,887	91,981	74,597	59,425	42,764	19,461
Deposits	449,084	353,698	293,913	232,023	169,946	147,454	122,733	95,349	81,414	71,657	58,294	44,924	31,646	12,336
Capital	50,024	40,379	28,037	26,746	25,695	22,259	20,015	12,957	8,342	7,575	5,379	4,761	4,500	4,058
End of Period Balance Sheet														
Summary														
Loans, Gross	\$ 446,443	373,822	294,044	232,847	203,241	181,537	142,599	105,214	78,844	62,615	48,032	35,075	26,117	13,899
Investment Securities	114,872	112,934	69,284	43,886	26,591	27,843	28,739	28,534	20,791	25,073	22,335	18,121	10,093	8,139
Total Assets	726,769	533,481	414,267	352,762	258,706	230,098	191,284	151,334	106,206	94,936	80,977	65,325	50,358	34,087
Deposits	486,519	390,545	300,434	264,531	173,065	157,448	134,593	113,953	85,486	75,338	64,904	49,710	38,110	24,006
Capital	67,549	47,732	30,769	27,138	25,836	23,525	21,655	18,518	8,843	7,818	7,340	4,798	4,622	4,572
Selected Ratios														
Average Equity to Average Assets	8.48%	8.52%	7.18%	8.62%	10.76%	10.83%	11.85%	10.48%	8.19%	8.24%	7.21%	8.01%	10.52%	20.85%
Return on Average Assets														
Net Income (Loss)	0.71%	0.57%	0.57%	0.45%	0.35%	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)	8.33%	6.69%	7.98%	5.26%	3.22%	5.76%	4.86%	4.34%	12.68%	10.31%	7.44%	3.09%	-2.69%	-1.33%
Leverage Ratio														
	8.97%	9.60%	8.21%	8.55%	11.49%	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	12.23%	14.95%	12.40%	12.32%	13.38%	13.60%	14.37%	15.66%	11.27%	11.98%	13.98%	12.31%	16.20%	27.00%
Total Capital	13.13%	15.84%	13.31%	13.25%	14.26%	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														
	\$ 24.00	22.00	19.09 *	18.18 *	18.18 *	18.18 *	14.55 *	14.55 *	12.73 *	11.25 *	10.82 *	9.52 *	9.07 *	9.07

* adjusted for 5% stock dividends, effective June 1, 2001 & August 15, 2004 & 10% stock dividend effective February 15, 2011

Shareholder & Company Information

SHAREHOLDERS MEETING

The Annual Meeting of Shareholders of MVB Financial Corp. ("MVB") will be held at 4035 Ridge Top Road, Fairfax, Virginia and at 113 Platinum Drive, Suite H, Bridgeport, West Virginia (MVB's new Operations Center), at 5:30 p.m. on May 21, 2013. You may attend at either location. Video communications will link the two sites. This meeting is for the purposes of considering and voting upon proposals. Only those shareholders of record at the close of business on April 1, 2013, shall be entitled to notice of the meeting and to vote at the meeting.

TRANSFER AGENT AND SHAREHOLDER INQUIRIES

The corporation's transfer agent is The Registrar & Transfer Company. Inquiries concerning transfer requirements, lost certificates and change of address should be directed to:

The Registrar & Transfer Company
10 Commerce Drive
Cranford, NJ 07016
www.rtco.com

ALL OTHER INQUIRIES

Investor inquiries to the company should be directed to:

Lisa Wanstreet • 304.367.8697 • lwanstreet@mvbbanking.com

All other inquiries about the company should be directed to:

MVB Financial Corp.
301 Virginia Avenue
Fairmont, West Virginia 26554
304.363.4800
mvbbanking.com

Form 10K

A copy of the MVB Financial Corp. Form 10-K for 2012, which has been filed with the SEC, is available without attachments at no charge upon written request and is also available at <http://ir.mvbbanking.com>. Inquiries should be directed to the Investor Relations contact (above).

Independent registered accounting firm

S.R. Snodgrass, A.C. Certified Public Accountants, Wheeling, WV

Stock market listing

MVB Financial Corp. shares trade over-the-counter at **OTCQB: MVBF**

MVB BANK LOCATIONS

2012 Current Locations

Bridgeport
1000 Johnson Avenue
Bridgeport, WV 26330

Charles Town
88 Somerset Boulevard
Charles Town, WV 25414

Cheat Lake
2400 Cranberry Square
Morgantown, WV 26508

Clarksburg
406 West Main Street
Clarksburg, WV 26301

Fairmont
301 Virginia Avenue
Fairmont, WV 26554

Martinsburg
651 Foxcroft Avenue
Martinsburg, WV 25401

Sabraton
10 Sterling Drive
Morgantown, WV 26505

White Hall
9789 Mall Loop
White Hall, WV 26555

Planned Locations

Martinsburg/
Edwin Miller Boulevard – 2013

Charleston – 2014



Board of Directors

DAVID B. ALVAREZ

Board Member of MVB Central, Inc.; President of MEC Construction in Bridgeport, WV

STEPHEN R. BROOKS

Vice-Chair of MVB Financial Corp., MVB Bank, Inc., MVB East, Inc. and MVB Central, Inc.; Attorney with Flaherty, Sensabaugh & Bonasso in Morgantown, WV

JAMES J. CAVA, JR.

Board Member of MVB Central, Inc.; CPA & Managing Member of Cava & Banko, PLLC in Bridgeport, WV

DR. JOSEPH P. CINCINNATI

Chair of MVB East, Inc. and Board Member of MVB Financial Corp., MVB Bank, Inc. and MVB Central, Inc.; Orthopedic Surgeon with the Center of Orthopedic Excellence in Martinsburg, WV

BERNIECE D. COLLIS

Vice-Chair of MVB East, Inc., Board Member of MVB Financial Corp., MVB Bank, Inc. and MVB Central, Inc.; Vice President of Minghini's General Contractors, Inc. in Martinsburg, WV

H. EDWARD DEAN, III

Board Member of MVB Financial Corp. and MVB Bank, Inc.; President & Chief Executive Officer of Potomac Mortgage Group (PMG), Inc. in Reston, VA

JOHN W. EBERT

Board Member of MVB Central, Inc.; President of J.W. Ebert Corp. dba McDonald's in Bridgeport, WV

DR. CARL R. FISCHER*

Board Member of MVB Central, Inc.; General Surgeon in Bridgeport, WV

DR. BRIAN D. GILPIN

Board Member of MVB East, Inc.; Veterinarian with Shenandoah Veterinary Hospital in Martinsburg, WV

HARVEY M. HAVLICHEK

(retired 02/20/2013)

Board Member of MVB Financial Corp., MVB Bank, Inc. and MVB Central, Inc.; President of Adams Office Supply & Novelty Company, Inc. in Fairmont, WV

CHRISTINE B. IELAPI*

Board Member of MVB Central, Inc.; Executive Vice President of Your Chef, Inc. in Bridgeport, WV

MARIA K. LORENSEN

Board Member of MVB East, Inc.; Development Director for the Hospice of the Panhandle in Martinsburg, WV

KENNETH F. LOWE, III

Board Member of MVB East, Inc.; Director of Hotel and Restaurant Operations for the Clarion Hotel & Conference Center & CEO/Vice President of Ken Lowe Management Company in Shepherdstown, WV

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Board Member of MVB Financial Corp., MVB Bank, Inc., MVB Central, Inc. and MVB East, Inc.; Chief Executive Officer of MVB Financial Corp. and President & Chief Executive Officer of MVB Bank, Inc. and MVB East, Inc. in Fairmont, WV

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Board Member of MVB East, Inc.; Retired Educator/Farmer in Charles Town, WV

DR. SAAD MOSSALLATI

Board Member of MVB Financial Corp., MVB Bank, Inc. and MVB Central, Inc.; Vascular Surgeon with Associated Specialists, Inc. in Bridgeport, WV

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Board Member of MVB Central, Inc.; Retired Physical Therapist in Bridgeport, WV

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