MVB FINANCIAL CORP
Form 10QSB
November 14, 2007

United States

Securities and Exchange Commission

Washington, D.C. 20549

FORM 10-QSB

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

For the quarterly period ended SEPTEMBER 30, 2007

OR

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

For the transition period from ______ to ______.

Commission File number 333-120931

MVB Financial Corp.

(Exact name of small business issuer as specified in its charter)

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

301 Virginia Avenue

Fairmont, West Virginia 26554-2777

(Address of principal executive offices)

304-363-4800

(Issuer s telephone number)

Not Applicable

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

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No ¨

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

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

As of November 13, 2007, the number of shares outstanding of the issuer s only class of common stock was 1,482,799.

Transitional Small Business format (check one): Yes ¨ No x

MVB Financial Corp.

Part I. Financial Information

Item 1. Financial Statements
MVB Financial Corp. and Subsidiaries

Consolidated Balance Sheets

(Dollars in thousands, except Share and Per Share Data)

	September 30 2007 (Unaudited)	December 31 2006 (Note 1)
Assets		
Cash and due from banks	$ 3,579	$ 6,417
Interest bearing balances FHLB	182	53
Investment securities:		
Securities held-to-maturity, at cost	2,318	2,326
Securities available-for-sale, at approximate market value	22,895	26,413
Loans:	172,760	142,599
Less: Allowance for loan losses	(1,568)	(1,206)
Net loans	171,192	141,393
Loans held for sale	643	1,293
Bank premises, furniture and equipment, net	8,220	6,493
Accrued interest receivable and other assets	8,833	6,896
Total assets	$ 217,862	$ 191,284
Liabilities		
Deposits		
Non-interest bearing	$ 20,275	$ 19,758
Interest bearing	136,878	114,835
Total deposits	157,153	134,593
Accrued interest, taxes and other liabilities	1,367	1,037
Repurchase agreements	20,481	20,209
Federal Home Loan Bank borrowings	12,054	13,790
Long-term debt	4,124	
Total liabilities	195,179	169,629
Stockholders equity		
Preferred stock, $1,000 par value, 5,000 shares authorized; none issued		
Common stock, $1 par value, 4,000,000 authorized, 1,469,613 and 1,467,849 issued and outstanding, respectively	1,470	1,468
Additional paid-in capital	17,735	17,720
Treasury Stock	(58)	(18)
Retained earnings	3,820	2,858
Accumulated other comprehensive income (loss)	(284)	(373)
Total stockholders equity	22,683	21,655

Total liabilities and stockholders equity	$ 217,862	$ 191,284

See accompanying notes to unaudited financial statements.

MVB Financial Corp. and Subsidiaries

Consolidated Statements of Income

(Unaudited) (Dollars in Thousands except Share and Per Share Data)

	Nine Months Ended September 30		Three Months Ended September 30	
	2007	2006	2007	2006
Interest income				
Interest and fees on loans	$ 8,350	$ 6,061	$ 3,206	$ 2,265
Interest on deposits with other banks	99	25	4	1
Interest on investment securities taxable	897	836	288	283
Interest on tax exempt loans and securities	247	246	82	85
Total interest income	9,593	7,168	3,580	2,634
Interest expense				
Deposits	3,523	2,245	1,273	817
Repurchase agreements	523	486	186	200
Federal Home Loan Bank borrowings	372	332	169	174
Long-term debt	149		74	
Total interest expense	4,567	3,063	1,702	1,191
Net interest income	5,026	4,105	1,878	1,443
Provision for loan losses	382	284	142	122
Net interest income after provision for loan losses	4,644	3,821	1,736	1,321
Other income				
Service charges on deposit accounts	471	434	165	145
Income on bank owned life insurance	123	112	45	39
Visa debit card income	155	123	53	43
Income on loans held for sale	261	153	86	82
Other operating income	173	65	92	29
Loss on sale of securities		(4)		
Total other income	1,183	883	441	338
Other expense				
Salary and employee benefits	2,593	2,169	918	732
Occupancy expense	280	281	105	94
Equipment expense	259	234	99	77
Data processing	553	467	194	161
Advertising	181	73	79	42
Legal and accounting fees	60	67	21	29
Printing, stationery and supplies	91	67	38	18
Other taxes	88	70	32	26
Other operating expenses	500	401	216	124
Total other expense	4,605	3,829	1,702	1,303
Income before income taxes	1,222	875	475	356
Income tax expense	270	227	60	97

Net income	$ 952	$ 648	$ 415	$ 259
Basic net income per share	$ 0.65	$ 0.46	$ 0.28	$ 0.18
Diluted net income per share	$ 0.63	$ 0.45	$ 0.27	$ 0.17
Basic weighted average shares outstanding	1,467,959	1,414,551	1,468,175	1,467,849
Diluted weighted average shares outstanding	1,514,762	1,429,562	1,514,978	1,482,860

See accompanying notes to unaudited financial statements.

MVB Financial Corp. and Subsidiaries

Consolidated Statements of Cash Flows

(Unaudited) (Dollars in thousands)

	Nine Months Ended September 30 2007	Nine Months Ended September 30 2006
Operating activities		
Net income	$ 952	$ 648
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	382	284
Deferred income tax (benefit)	(164)	(37)
Depreciation	258	234
Stock option expense	9	
Loans originated for sale	(19,459)	(8,942)
Proceeds of loans sold	20,109	7,867
Amortization, net of accretion	24	33
(Increase) in interest receivable and other assets	(1,331)	(816)
Increase in accrued interest, taxes, and other liabilities	331	300
Net cash provided by/(used in)/operating activities	1,110	(429)
Investing activities		
(Increase) in loans made to customers	(30,181)	(25,761)
Purchases of premises and equipment	(1,985)	(62)
(Increase)/decrease in deposits with Federal Home Loan Bank, net	(129)	2,686
Purchases of certificates of deposit with other banks		(594)
Proceeds from maturity of certificates of deposit with other Banks		1,485
Purchases of investment securities available-for-sale	(624)	(3,900)
Proceeds from sales, maturities and calls of securities available-for-sale	4,273	4,570
Purchase of bank owned life insurance	(500)	
Proceeds from maturities and calls of securities held-to-maturity		209
Net cash (used in) investing activities	(29,146)	(21,367)
Financing activities		
Net increase in deposits	22,560	6,265
Net increase in repurchase agreements	272	7,362
Net (decrease)/increase in Federal Home Loan Bank Borrowings	(1,736)	7,171
Proceeds from long-term borrowings	4,124	
Purchase of treasury stock	(40)	(4)
Proceeds of stock offering		2,101
Common stock options exercised	18	
Net cash provided by financing activities	25,198	22,895
(Decrease)/increase in cash and cash equivalents	(2,838)	1,099
Cash and cash equivalents - beginning of period	6,417	3,130
Cash and cash equivalents - end of period	$ 3,579	$ 4,229
Cash payments for:		
Interest on deposits, repurchase agreements and FHLB borrowings	$ 4,284	$ 3,033
Income taxes	$ 306	$ 200

See accompanying notes to unaudited financial statements.

MVB Financial Corp. and Subsidiaries

Notes to Consolidated Financial Statements

Note 1 Basis of Presentation

These consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with instructions to Form 10-QSB and Section 310(b) of Regulation SB. Accordingly, they do not include all the information and footnotes required by generally accepted accounting principles for annual year-end financial statements. In the opinion of management, all adjustments considered necessary for a fair presentation, have been included and are of a normal, recurring nature. The balance sheet as of December 31, 2006 has been derived from the audited financial statements at that date, but does not include all of the information and footnotes required by generally accepted accounting principles. Operating results for the nine and three months ended September 30, 2007 are not necessarily indicative of the results that may be expected for the year ending December 31, 2007.

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

The consolidated balance sheet as of December 31, 2006 has been extracted from audited financial statements included in MVB s 2006 filing on Form 10-KSB. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States have been omitted. These financial statements should be read in conjunction with the financial statements and notes thereto included in MVB s December 31, 2006, Form 10-KSB filed with the Securities and Exchange Commission.

Note 2. Allowance for Loan Losses

The provision for loan losses for the nine months ended September 30, 2007 and 2006, was $382 and $284, respectively. Management bases the provision for loan losses upon its continuing evaluation of the adequacy of the allowance for loan losses and the overall management of inherent credit risk.

Management continually monitors the risk in the loan portfolio through review of the monthly delinquency reports and the Loan Review Committee, which is responsible for the determination of the adequacy of the allowance for loan losses. This analysis involves both experience of the portfolio to date and the makeup of the overall portfolio. The allocation among the various components of the loan portfolio and its adequacy is somewhat difficult considering the limited operating history in newer markets. Specific loss estimates are derived for individual loans based on specific criteria such as current delinquency status, related deposit account activity, estimates of cash flow and underlying collateral value.

The results of this analysis at September 30, 2007, indicate that the allowance for loan losses is considered adequate to absorb losses inherent in the portfolio.

(Dollars in thousands)	September 30 2007	2006
Allowance for loan losses		
Balance, beginning of period	$ 1,206	$ 873
Loan charge-offs	(30)	(63)
Loan recoveries	10	5
Net charge-offs	(20)	(58)
Loan loss provision	382	284
Balance, end of period	$ 1,568	$ 1,099

Total non-performing assets and accruing loans past due 90 days are summarized as follows:

(Dollars in thousands)	September 30 2007	2006
Non-accrual loans:		
Commercial	$ 12	$ 72
Real Estate	176	
Consumer	1	
Total non-accrual loans	189	72
Renegotiated loans		
Total non-performing loans	189	72
Other real estate, net		
Total non-performing assets	$ 189	$ 72
Accruing loans past due 90 days or more	$ 441	$ 89
Non-performing loans as a % of total loans	.11%	.05%
Allowance for loan losses as a % of non-performing loans	829.63%	1526.39%

Note 3. Borrowed Funds

The Company is a party to repurchase agreements with certain customers. As of September 30, 2007 and December 31, 2006, the Company had repurchase agreements of $20.5 million and $20.2 million.

The bank is a member of the Federal Home Loan Bank (FHLB) of Pittsburgh, Pennsylvania. Borrowings from the FHLB are secured by stock in the FHLB of Pittsburgh, qualifying first mortgage loans, mortgage-backed securities and certain investment securities. The remaining maximum borrowing capacity with the FHLB at September 30, 2007 was approximately $47.0 million.

Borrowings from the FHLB were as follows:

	September 30 2007	December 31 2006
Fixed interest rate note, originating April 1999, due April 2014, interest of 5.41% is payable monthly.	$ 1,000	$ 1,000
Fixed interest rate note, originating January 2005, due January 2020, interest of 5.14% is payable in monthly installments of $11.	1,175	1,225
Fixed interest rate note, originating April 2002, due May 2017, interest of 5.90% is payable monthly.	692	701
Fixed interest rate note, originating July 2006, due July 2016, payable in monthly installments of $8, including interest of 4.50%.	1,461	1,487
Fixed interest rate note, originating October 2006, due October 2021, payable in monthly installments of $6, including interest of 5.20%.	1,148	1,161
Fixed interest rate note, originating February 2007, due February 2022, payable in monthly installments of $5, including interest of 5.22%.	962	
Fixed interest rate note, originating April 2007, due April 2022, payable in monthly installments of $6, including interest of 5.18%.	1,089	
Fixed interest rate note originating September 2007, due September 2008, payable September 2008, interest of 4.53% payable quarterly.	700	
Floating interest rate note, originating March 2003, due December 2011, interest of 5.34% payable monthly.	3,827	8,216
	$ 12,054	$ 13,790

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

Year	Amount
2007	41
2008	867
2009	176
2010	186
2011	4,023
Thereafter	6,761
	12,054

Note 4. Comprehensive Income

The Company is required to present comprehensive income in a full set of general-purpose financial statements for all periods presented. The following represents comprehensive income for the three and nine month periods ended September 30, 2007 and September 30, 2006.

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

(in thousands)	For the three months ended September 30, 2007	For the three months ended September 30, 2006	For the nine months ended September 30, 2007	For the nine months ended September 30, 2006
Unrealized gain (losses) on securities available for sale	$ 298	$ 331	$ 148	$ 169
Pension liability adjustment				(40)
Tax effect	(119)	(132)	(59)	(68)
Net of tax effect	179	199	89	61
Net income as reported	415	259	952	648
Total comprehensive income	$ 594	$ 458	$ 1,041	$ 709

Note 5 Net Income Per Common Share

MVB determines basic earnings per share by dividing net income by the weighted average number of common shares outstanding during the period. Diluted earnings per share is determined by dividing net income by the weighted average number of shares outstanding increased by the number of shares that would be issued assuming the exercise of stock options. At September 30, 2007 and 2006, stock options to purchase 174,312 and 175,312 shares at an average price of $14.63 and $14.63, respectively, were outstanding. For the nine and three months ended September 30, 2007 and 2006, the dilutive effect of stock options was 46,803 and 15,011 shares, respectively.

Note 6 Recent Accounting Pronouncements

In June 2006, the FASB issued FASB Interpretation No. 48 (FIN 48), Accounting for Uncertainty in Income Taxes. FIN 48 is an interpretation of FAS No. 109, Accounting for Income Taxes, and it seeks to reduce the diversity in practice associated with certain aspects of measurement and recognition in accounting for income taxes. In addition, FIN No. 48 requires expanded disclosure with respect to the uncertainty in income taxes and is effective for fiscal years beginning after December 15, 2006. The adoption of this standard will have no material impact upon the Company s results of operations.

In September 2006, the FASB reached consensus on the guidance provided by Emerging Issues Task Force Issue 06-4 (EITF 06-4), Accounting for Deferred Compensation and Postretirement Benefit Aspects of Endorsement Split-Dollar Life Insurance Arrangements. The guidance is applicable to endorsement split-dollar life insurance arrangements, whereby the employer owns and controls the insurance policy, that are associated with a postretirement benefit. EITF 06-4 requires that for a split-dollar life insurance arrangement within the scope of the Issue, and employer should recognize a liability for future benefits in accordance with FAS No. 106 (if, in substance, a postretirement benefit plan exists) or Accounting Principles Board Opinion No. 12 (if the arrangement is, in substance, an individual deferred compensation contract) based on the substantive agreement with the employee. EITF 06-4 is effective for fiscal years beginning after December 15, 2007. The Company is currently evaluating the impact the adoption of the EITF will have on the Company s results of operations or financial condition.

In September 2006, The FASB issued FAS No. 157, Fair Value Measurements, which provides enhanced guidance for using fair value to measure assets and liabilities. The standard applies whenever other standards require or permit assets or liabilities to be measured at fair value. The Standard does not expand the use of fair value in any new circumstances. FAS No. 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007 and interim periods within those fiscal years. Early adoption is permitted. The adoption of this standard is not expected to have a material effect on the Company s results of operations or financial position.

In September 2006, the FASB issued FAS No. 158, Employers Accounting for Defined Benefit Pension and Other Post Retirement Plans, an amendment of FASB Statements No. 87, 88, 106 and 132(R). FAS No. 158 requires that a company recognize the overfunded or underfunded status of its defined benefit post retirement plans (other than multiemployer plans) as an asset or liability in its statement of financial position and that it recognize changes in the funded status in the year in which the changes occur through other comprehensive income. FAS No. 158 also requires the measurement of defined benefit plan assets and obligations as of the fiscal year end, in addition to footnote disclosures. FAS No. 158 is effective for fiscal years ending after December 15, 2006. The Company adopted this standard in 2006.

In February 2007, the FASB issued FAS No. 159, The Fair Value Option for Financial Assets and Financial Liabilities Including an amendment of FASB Statement No. 115, which provides all entities with an option to report selected financial assets and liabilities at fair value. The objective of the FAS No. 159 is to improve financial reporting by providing entities with the opportunity to mitigate volatility in earnings caused by measuring related assets and liabilities differently without having to apply the complex provisions of hedge accounting. FAS No. 159 is effective as of the beginning of an entity s first fiscal year beginning after November 15, 2007. Early adoption is permitted as of the beginning of a fiscal year that begins on or before November 15, 2007 provided the entity also elects to apply the provisions of FAS No. 157, Fair Value Measurements. The adoption of this standard is not expected to have a material effect on the Company s results of operations or financial position.

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

The Private Securities Litigation Reform Act of 1995 indicates that the disclosure of forward-looking information is desirable for investors and encourages such disclosure by providing a safe harbor for forward-looking statements that involve risk and uncertainty. All statements other than statements of historical fact included in this Form 10-QSB including statements in Management s Discussion and Analysis of Financial Condition and Results of Operations are, or may be deemed to be, forward looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Exchange Act of 1934. In order to comply with the terms of the safe harbor, the corporation notes that a variety of factors, (e.g., changes in the national and local economies, changes in the interest rate environment, competition, etc.) could cause MVB s actual results and experience to differ materially from the anticipated results or other expectations expressed in those forward-looking statements.

At September 30, 2007 and for the Nine and Three Months Ended September 30, 2007 and 2006:

	Nine Months Ended September 30		Three Months Ended September 30	
	2007	2006	2007	2006
Net income to:				
Average assets	.64%	.53%	.78%	.60%
Average stockholders equity	5.78	4.42	7.45	4.92
Net interest margin	3.69	3.68	3.89	3.70
Average stockholders equity to average assets	11.01	11.91	10.49	12.18
Total loans to total deposits (end of period)	109.93	108.90	109.93	108.90
Allowance for loan losses to total loans (end of period)	.91	.99	.91	.99
Efficiency ratio	74.17	76.76	73.39	73.16
Capital ratios:				
Tier 1 capital ratio	14.50	15.47	14.50	15.47
Risk-based capital ratio	15.39	16.31	15.39	16.31
Leverage ratio	12.09	11.84	12.09	11.84
Cash dividends as a percentage of net income	N/A	N/A	N/A	N/A
Per share data:				
Book value per share (end of period)	$ 15.43	$ 14.53	$ 15.43	$ 14.53
Market value per share (end of period)*	20.00	16.00	20.00	16.00
Basic earnings per share	.65	.46	.28	.18
Diluted earnings per share	.63	.45	.27	.17

* Market value per share is based on MVB s knowledge of certain arms-length transactions in the stock as MVB s common stock is not traded on any market. There may be other transactions involving either higher or lower prices of which MVB is unaware.

Introduction

The following discussion and analysis of the consolidated financial statements of MVB Financial Corp. is presented to provide insight into management s assessment of the financial results. MVB has three wholly-owned second tier holding companies which own 100 percent of MVB Bank, Inc. (the bank). The bank is the primary financial entity in this discussion. Unless otherwise noted, this discussion will be in reference to the bank.

MVB Bank, Inc. was chartered by the State of West Virginia and is subject to regulation, supervision, and examination by the Federal Deposit Insurance Corporation and the West Virginia Department of Banking. The bank is not a member of the Federal Reserve System. The bank is a member of the Federal Home Loan Bank of Pittsburgh.

The bank began operations January 4, 1999, at 301 Virginia Avenue in Fairmont, West Virginia. MVB Bank, Inc. provides a full array of financial products and services to its customers, including traditional banking products such as deposit accounts, lending products, debit cards, automated teller machines, and safe deposit rental facilities. The bank opened a banking office in the Shop N Save supermarket in White Hall, WV during the second quarter of 2000. During August of 2005, the bank opened a full-service office at 1000 Johnson Avenue in Bridgeport, WV. In October of 2005 MVB Bank, Inc. purchased an office at 88 Somerset Boulevard in Charles Town, WV. Additionally, the bank opened a full service office at 651 Foxcroft Avenue in Martinsburg, WV during August 2007.

This discussion and analysis should be read in conjunction with the prior year-end audited financial statements and footnotes thereto included in the Company s filing on Form 10-KSB and the unaudited financial statements, ratios, statistics, and discussions contained elsewhere in this Form 10-QSB.

Application of Critical Accounting Policies

MVB s consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States and follow general practices within the banking industry. Application of these principles requires management to make estimates, assumptions, and judgments that affect the amounts reported in the financial statements; accordingly, as this information changes, the financial statements could reflect different estimates, assumptions, and judgments. Application of certain accounting policies inherently requires a greater reliance on the use of estimates, assumptions and judgments and as such, the probability of actual results being materially different from reported estimates is increased. Estimates, assumptions, and judgments are necessary when assets and liabilities are required to be recorded at fair value, when a decline in the value of an asset not carried on the financial statements at fair value warrants an impairment write-down or valuation reserve to be established, or when an asset or liability needs to be recorded contingent upon a future event. Carrying assets and liabilities at fair value inherently results in more financial statement volatility. The fair values and the information used to record valuation adjustments for certain assets and liabilities are based either on quoted market prices or are provided by other third-party sources, when available. When third-party information is not available, valuation adjustments are estimated in good faith by management primarily through the use of internal forecasting techniques.

The most significant accounting policies followed by MVB are presented in Note 1 to the audited consolidated financial statements included in MVB s 2006 Annual Report on Form 10-KSB. These policies, along with the disclosures presented in the other financial statement notes and in management s discussion and analysis of operations, provide information on how significant assets and liabilities are valued in the financial statements and how those values are determined. Based on the valuation techniques used and the sensitivity of financial statement amounts to the methods, assumptions, and estimates underlying those amounts, management has identified the determination of the allowance for loan losses to be the accounting area that requires the most subjective or complex judgments, and as such could be most subject to revision as new information becomes available.

The allowance for loan losses represents management s estimate of probable credit losses inherent in the loan portfolio. Determining the amount of the allowance for loan losses is considered a critical accounting estimate because it requires significant judgment and the use of estimates related to the amount and timing of estimated future cash flows, estimated losses in pools of homogeneous loans based on historical loss experience of peer banks, estimated losses on specific commercial credits, and consideration of current economic trends and conditions, all of which may be susceptible to significant change. The loan portfolio also represents the largest asset in the consolidated balance sheet. Note 1 to the consolidated financial statements in MVB s 10-KSB describes the methodology used to determine the allowance for loan losses and a discussion of the factors driving changes in the amount of the allowance for loan losses is included in the Allowance for Loan Losses section of Management s Discussion and Analysis in this quarterly report on Form 10-QSB.

Results of Operations

Overview of the Statement of Income

For the quarter ended September 30, 2007, MVB earned $415 compared to $259 in the third quarter of 2006. Third quarter net income increased $156 from 2006. This increase in net income is the result of increased earnings in the Harrison and Jefferson county offices as they continue to grow, and a tax refund of $83 relating to years 2004, 2005 and 2006. The tax refunds were the result of a miscalculation of TEFRA on tax exempt loans.

Loan loss provisions of $142 and $122 were made for the quarters ended September 30, 2007 and 2006, respectively. The provision for loan losses, which is a product of management s formal quarterly analysis, is recorded in response to inherent risks in the loan portfolio.

Non-interest income for the quarters ended September 30, 2007 and 2006 totaled $441 and $338, respectively. The most significant portion of non-interest income is service charges on deposit accounts, which totaled $165 at September 30, 2007, an increase of $20 over the third quarter of 2006. Other items that were significant factors in the increase in non-interest income were as follows: other operating income increased by $63, and Visa debit card income increased by $10.

Non-interest expense for the quarters ended September 30, 2007 and 2006 totaled $1.7 million and $1.3 million, respectively. The most significant increases were as follows: salaries and benefits increased by $186, other operating expenses increased by $92, advertising increased by $37 and data processing expense increased by $33, equipment expense increased by $22 and printing increased by $20. These increases are mainly related to MVB s growth, especially in Berkeley County.

For the nine months ended September 30, 2007 MVB earned $952 compared to $648 for the same period in 2006. This $304 increase is mainly attributable to the continued growth and performance of the Harrison and Jefferson County offices. Net interest income increased by $921, the result of the continued growth and improved performance of the new locations.

Loan loss provisions of $382 and $284 were made for the nine months ended September 30, 2007 and 2006, respectively. This increase of $98 relates to strengthening the loan loss reserves in the newer offices to gradually bring them to the same level as the Marion County portfolio.

Non-interest income for the nine months ended September 30, 2007 and 2006 totaled $1.2 million and $883, respectively. This increase of $300 relates primarily to the following: an increase of $108 in origination fees on mortgages sold, a $108 increase in other income, a $32 increase in Visa Debit card income and a $37 increase in service charges on deposit accounts.

Non-interest expense for the nine months ended September 30, 2007 and 2006 totaled $4.6 million and $3.8 million, respectively. This $776 increase was driven by the following: a $424 increase in salaries and benefits, a $108 increase in advertising a $99 increase in other operating expense and an $86 increase in data processing expense. These increases are all the result of the continued growth and expansion of the bank.

Interest Income and Expense

Net interest income is the amount by which interest income on earning assets exceeds interest expense on interest-bearing liabilities. Interest-earning assets include loans and investment securities. Interest-bearing liabilities include interest-bearing deposits and repurchase agreements and Federal Home Loan Bank advances. Net interest income is the primary source of revenue for the bank. Changes in market interest rates, as well as changes in the mix and volume of interest-earning assets and interest-bearing liabilities impact net interest income.

Net interest margin is calculated by dividing net interest income by average interest-earning assets. This ratio serves as a performance measurement of the net interest revenue stream generated by the bank s balance sheet. The net interest margin for the quarters ended September 30, 2007 and 2006 was 3.89% and 3.70% respectively. During 2006 the Federal Reserve increased rates four times resulting in a total rate increase of 1.00%, which increased MVB s cost of funds as well. The cost of interest-bearing liabilities increased from 3.53% during the third quarter of 2006 to 4.04% during the third quarter of 2007. This 51 basis point increase is primarily due to the following: a 69 basis point increase on certificates of deposit, a 31 basis point increase on money market accounts, a 49 basis point increase on IRA accounts and a 22 basis point increase on NOW accounts. In addition to the Federal Reserve rate increases, some of the rising cost of funds is attributable to the bank s competition in the Jefferson and Berkeley County markets

The yield on commercial loans increased from 8.10% in the third quarter of 2006 to 8.57% in the third quarter of 2007. This is due partially to the Federal Reserve raising rates and in part to loan fees recognized immediately on loans with maturities of less than one year in the Eastern Panhandle.

Management continuously monitors the effects of net interest margin on the performance of the bank. Growth and mix of the balance sheet will continue to impact net interest margin in future periods. As competition for deposits continues, management anticipates that future deposits will be at a higher cost thereby exerting continued pressure on the net interest margin.

Average Balances and Interest Rates

(Unaudited)(Dollars in thousands)

	Three Months Ended September 30, 2007			Three Months Ended September 30, 2006		
	Average Balance	Interest Income/ Expense	Yield/ Cost	Average Balance	Interest Income/ Expense	Yield/ Cost
Assets						
Interest-bearing deposits in banks	$ 307	$ 4	5.21%	$ 115	$ 1	3.83%
Investment securities	25,210	293	4.65	26,562	291	4.38
Loans:						
Commercial	98,175	2,104	8.57	60,872	1,233	8.10
Tax exempt	6,217	74	4.76	6,670	78	4.68
Consumer	14,182	265	7.47	16,978	317	7.47
Real estate	48,858	840	6.88	44,847	714	6.37
Total loans	167,432	3,283	7.84	129,367	2,342	7.24
Total earning assets	192,949	3,580	7.42	156,044	2,634	6.75
Cash and due from banks	4,842			4,458		
Other assets	14,642			12,270		
Total assets	$ 212,433			$ 172,772		
Liabilities						
Deposits:						
Non-interest bearing demand	$ 20,606	$	%	$ 15,891	$	%
NOW	13,659	26	0.76	11,031	15	0.54
Money market checking	29,981	221	2.95	25,016	165	2.64
Savings	6,127	9	0.59	6,017	9	0.60
IRAs	6,542	76	4.65	6,054	63	4.16
CDs	76,093	940	4.94	53,235	565	4.25
Repurchase agreements & FFS	18,775	185	3.94	20,662	200	3.87
FHLB borrowings	13,080	169	5.17	12,924	174	5.39
Long-term debt	4,124	76	7.37			
Total interest-bearing liabilities	168,381	1,702	4.04	134,939	1,191	3.53
Other liabilities	1,153			892		
Total liabilities	190,140			151,722		
Stockholders equity						
Common stock	1,468			1,420		
Paid-in capital	17,722			17,225		
Retained earnings	3,484			2,900		
Accumulated other comprehensive income	(381)			(495)		
Total stockholders equity	22,293			21,050		
Total liabilities and stockholders equity	$ 212,433			$ 172,772		
Net interest spread			3.38			3.22
Impact of non-interest bearing funds on margin			.51			.48

Net interest income-margin	$ 1,878	3.89%	$ 1,443	3.70%

Average Balances and Interest Rates

(Unaudited)(Dollars in thousands)

	Nine Months Ended September 30, 2007			Nine Months Ended September 30, 2006		
	Average Balance	Interest Income/ Expense	Yield/ Cost	Average Balance	Interest Income/ Expense	Yield/ Cost
Assets						
Interest-bearing deposits in banks	$ 2,580	$ 99	5.12%	$ 486	$ 15	4.12%
CDs with banks				281	10	4.74
Investment securities	26,571	920	4.62	26,840	856	4.25
Loans:						
Commercial	83,426	5,159	8.25	58,170	3,344	7.66
Tax exempt	6,371	224	4.69	6,542	226	4.61
Consumer	14,335	793	7.38	15,270	839	7.33
Real estate	48,252	2,398	6.63	41,249	1,878	6.07
Total loans	152,384	8,574	7.50	121,231	6,287	6.91
Total earning assets	181,535	9,593	7.05	148,838	7,168	6.42
Cash and due from banks	4,683			4,232		
Other assets	13,325			10,962		
Total assets	$ 199,543			$ 164,032		
Liabilities						
Deposits:						
Non-interest bearing demand	$ 19,662	$	%	$ 15,626	$	%
NOW	13,461	76	0.75	11,163	42	0.50
Money market checking	28,852	622	2.87	25,924	444	2.28
Savings	5,962	26	0.58	6,309	28	0.59
IRAs	6,493	214	4.39	5,721	170	3.96
CDs	71,694	2,585	4.81	51,944	1,561	4.01
Repurchase agreements & FFS	17,799	523	3.92	18,970	486	3.45
FHLB borrowings	9,739	372	5.09	8,350	332	5.30
Long-term debt	2,810	149	7.07			
Total interest-bearing liabilities	156,810	4,567	3.88	128,201	3,063	3.19
Other liabilities	1,097			673		
Total liabilities	177,569			144,500		
Stockholders equity						
Common stock	1,468			1,339		
Paid-in capital	17,720			16,008		
Retained earnings	3,171			2,659		
Accumulated other comprehensive income	(385)			(474)		
Total stockholders equity	21,974			19,532		
Total liabilities and stockholders equity	$ 199,543			$ 164,032		
Net interest spread			3.16			3.24

Impact of non-interest bearing funds on margin		.53		.44
Net interest income-margin	$ 5,026	3.69%	$ 4,105	3.68%

Non-Interest Income

Service charges on deposit accounts generate the core of the bank s non-interest income. Non-interest income totaled $441 in the third quarter of 2007 compared to $338 in the third quarter of 2006.

Service charges on deposit accounts include mainly non-sufficient funds and returned check fees, allowable overdraft fees and service charges on commercial accounts.

The bank is continually searching for ways to increase non-interest income. Two areas in which MVB has made progress are Visa debit card income, which increased $10 from the third quarter of 2006 through increased card penetration to existing and new customers, and other income , which increased by $63 from the third quarter of 2006, in part due to the formation of the bank s own title company.

Non-Interest Expense

For the third quarter of 2007, non-interest expense totaled $1.7 million compared to $1.3 million in the third quarter of 2006. MVB s efficiency ratio was 73.39% for the third quarter of 2007 compared to 73.16% for the third quarter of 2006. This ratio measures the efficiency of non-interest expenses incurred in relationship to net interest income plus non-interest income.

Salaries and benefits totaled $918 for the quarter ended September 30, 2007 compared to $732 for the quarter ended September 30, 2006. This increase in salaries and benefits reflects MVB s additional staffing for the Berkeley County office, which opened in early August, and adjustments to existing personnel. MVB had 71 full-time equivalent personnel at September 30, 2007 compared to 64 full-time equivalent personnel as of September 30, 2006. This increase is mainly due to the addition of staff for the new office. Management will continue to strive to find new ways of increasing efficiencies and leveraging its resources, while effectively optimizing customer service.

For the quarters ended September 30, 2007 and 2006, occupancy expense totaled $105 and $94, respectively.

Equipment expense totaled $99 in the third quarter of 2007 compared to $77 for the third quarter of 2006. Included in equipment expense is depreciation of furniture, fixtures and equipment of $62 for the quarter ended September 30, 2007 and $49 for the quarter ended September 30, 2006. Equipment depreciation expense reflects MVB s commitment to technology and the addition of equipment related to the Harrison and Jefferson and Berkeley County banking offices.

Data processing costs totaled $194 in the third quarter of 2007 compared to $161 in the third quarter of 2006. These increases are due mainly to the overall account and transaction growth of the bank.

Other operating expense totaled $216 in the third quarter of 2007 compared to $124 in the third quarter of 2006. This increase was largely the result of a $40 increase in FDIC insurance, a $28 increase in director fees and a $14 increase in travel. The increase in FDIC insurance was the result of well capitalized banks not paying FDIC insurance until the third second quarter billing cycle of 2007. The director and travel increases are related to the increased size of the bank.

Return on Average Assets and Average Equity

Returns on average assets (ROA) and average equity (ROE) were .78% and 7.45% for the third quarter of 2007 compared to .60% and 4.92% in the third quarter of 2006. As anticipated these performance indicators have increased from the third quarter of 2006 to the third quarter of 2007 as the Harrison and Jefferson County offices have become more profitable.

Overview of the Statement of Condition

MVB s interest-earning assets, interest-bearing liabilities, and stockholders equity changed significantly during the third quarter of 2007 compared to 2006. The most significant areas of change between the quarters ended September 30, 2007 and September 30, 2006 were as follows: net loans increased to an average balance of $167.4 million from $129.4 million, interest-bearing liabilities grew to an average balance of $168.4 million from $134.9 million, non interest-bearing demand deposits increased to an average balance of $20.6 million from $15.9 million and stockholders equity increased to an average balance of $22.3 million from $21.1 million. These trends reflect the continued growth of MVB.

Total assets at September 30, 2007 were $217.9 million or an increase of $26.6 million since December 31, 2006. This is mainly attributable to the bank s expansion into the Harrison, Jefferson and Berkeley County markets and continued emphasis on offering competitive products to customers combined with quality customer service. Asset growth has occurred primarily in the loan portfolio, with loans increasing by $15.2 million in Jefferson and Berkeley County, $12.8 million in Harrison County and $2.8 million in Marion County. Bank premises and equipment has increased by $1.7 million, the result of construction on the Berkeley County facility.

Deposits totaled $157.2 million at September 30, 2007 or an increase of $22.6 million since December 31, 2006. Repurchase agreements totaled $20.5 million and have increased $272 since December 31, 2006.

Stockholders equity has increased approximately $1.0 million from December 31, 2006, due to earnings for the nine months ended September 30, 2007 of $952 and accumulated other comprehensive gain of $89.

Cash and Cash Equivalents

Cash and cash equivalents totaled $3.6 million as of September 30, 2007 compared to $6.4 million as of December 31, 2006, or a decrease of $2.8 million.

Total cash and cash equivalents fluctuate on a daily basis due to transactions in process and other liquidity and performance demands. Management believes the liquidity needs of MVB are satisfied by the current balance of cash and cash equivalents, readily available access to traditional and non-traditional funding sources, and the portions of the investment and loan portfolios that mature within one year. These sources of funds should enable MVB to meet cash obligations as they come due.

Investment Securities

Investment securities totaled $25.2 million as of September 30, 2007 and $28.7 million as of December 31, 2006. Government sponsored agency securities comprise the majority of the portfolio.

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

Loans

The bank s lending is primarily focused in the Marion, Harrison, Jefferson and Berkeley County areas of West Virginia, and consists primarily of commercial lending, retail lending, which includes single-family residential mortgages, and consumer lending.

The following table details total loans outstanding as of:

(Dollars in thousands)	September 30 2007	December 31 2006
Commercial and nonresidential real estate	$ 112,957	$ 83,124
Residential real estate	48,994	48,065
Consumer and other	10,809	11,410
Total loans	$ 172,760	$ 142,599

Loan Concentration

At September 30, 2007, commercial loans comprised the largest component of the loan portfolio. The majority of commercial loans that are not secured by real estate are lines of credit secured by accounts receivable. While the loan concentration is in commercial loans, the commercial portfolio is comprised of loans to many different borrowers, in numerous different industries but primarily located in our market areas.

Allowance for Loan Losses

Management continually monitors the loan portfolio through review of the monthly delinquency reports and through the Loan Review Committee. The Loan Review Committee is responsible for the determination of the adequacy of the allowance for loan losses. Their analysis involves both experience of the portfolio to date and the makeup of the overall portfolio. Specific loss estimates are derived for individual loans based on specific criteria such as current delinquency status, related deposit account activity, where applicable, local market rumors, which are generally based on some factual information, and changes in the local and national economy. While local market rumors are not measurable or perhaps not readily supportable, historically, this form of information can be an indication of a potential problem. The allowance for loan losses is further based upon the internal risk rating assigned to the various loan types within the portfolio.

Funding Sources

MVB considers a number of alternatives, including but not limited to deposits, short-term borrowings, and long-term borrowings when evaluating funding sources. Traditional deposits continue to be the most significant source of funds for the bank, reaching $157.2 million at September 30, 2007.

Non interest bearing deposits remain a core funding source for MVB. At September 30, 2007, non-interest bearing deposits totaled $20.3 million compared to $19.8 million at December 31, 2006. Management intends to continue to focus on finding ways to increase the bank s base of non-interest bearing funding sources.

Interest-bearing deposits totaled $136.9 million at September 30, 2007 compared to $114.8 million at December 31, 2006. Average interest-bearing liabilities totaled $168.4 million during the third quarter of 2007 compared to $134.9 million for the third quarter of 2006. Average non-interest bearing demand deposits totaled $20.6 million for the third quarter of 2007 compared to $15.9 million for the third quarter of 2006. Management will continue to emphasize deposit gathering in 2007 by offering outstanding customer service and competitively priced products. Management will also concentrate on balancing deposit growth with adequate net interest margin to meet MVB s strategic goals.

Along with traditional deposits, MVB has access to both repurchase agreements, which are corporate deposits secured by pledging securities from the investment portfolio, and Federal Home Loan Bank borrowings to fund its operations and investments. At September 30, 2007, repurchase agreements totaled $20.5 million compared to $20.2 million at December 31, 2006. In addition to the aforementioned funds alternatives, MVB has access to more than $47.0 million through additional advances from the Federal Home Loan Bank of Pittsburgh, a $4.5 million line of credit with the Bankers Bank of Atlanta and the ability to readily sell jumbo certificates of deposits to other banks.

Capital/Stockholders Equity

The bank was initially capitalized when it sold 452,000 shares of stock at $10 per share or a total of $4.5 million in an offering during 1998.

In October of 1999 the bank completed a secondary offering of 66,000 shares of stock at $11 per share or a total of $726,000. This offering was used to purchase MVB s main office at 301 Virginia Avenue.

During November of 2002 the bank completed another secondary offering of 164,000 shares of stock at $12.50 per share or a total of $2.0 million. This offering was needed to continue funding the bank s growth.

In 2004, the bank formed a one-bank holding company. In that transaction, MVB Financial Corp. issued shares of common stock in exchange for shares of the bank s common stock.

In 2006, MVB completed a public offering of 725,000 shares totaling $11.6 million.

In March 2007, MVB formed a statutory business trust for the purpose of issuing $4 million in trust preferred capital securities with the proceeds invested in MVB Bank, Inc. This was done primarily to increase the lending limit of the bank. The securities mature in 30 years and are redeemable by the Company after five years. The securities are at an interest cost of 1.62% over the three month LIBOR rate which is reset quarterly.

In November 2007, MVB expects to complete a public offering of 200,000 shares which will total slightly less than $4.0 million. The proceeds of the offering will be used to support the growth of the bank and to increase the legal lending limit to one borrower.

At September 30, 2007, accumulated other comprehensive (loss) totaled $(284) compared to $(373) at December 31, 2006. This change relates to an increase in the market value of available-for-sale securities.

The primary source of funds for dividends to be paid by MVB Financial Corp. is dividends received from its subsidiary bank, MVB Bank, Inc. Dividends paid by the subsidiary bank are subject to restrictions by banking regulations. The most restrictive provision requires regulatory approval if dividends declared in any year exceed that year s retained net profits, as defined, plus the retained net profits, as defined, of the two preceding years.

Bank regulators have established risk-based capital requirements designed to measure capital adequacy. Risk-based capital ratios reflect the relative risks of various assets banks hold in their portfolios. A weight category of 0% (lowest risk assets), 20%, 50%, or 100% (highest risk assets) is assigned to each asset on the balance sheet. Detailed information concerning MVB s risk-based capital ratios can be found in Note 14 of the Notes to the Consolidated Financial Statements of MVB s 2006 Form 10-KSB. At September 30, 2007, MVB and its banking subsidiary s risk-based capital ratios exceeded the minimum standards for a well capitalized financial institution.

Commitments

In the normal course of business, the bank is party to financial instruments with off-balance sheet risk necessary to meet the financing needs of customers and to manage its own exposure to fluctuations in interest rates. These financial instruments include commitments to extend credit. The instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the balance sheets. The contract or notional amounts of these instruments express the extent of involvement the bank has in these financial instruments.

Loan commitments are made to accommodate the financial needs of MVB s customers. MVB uses the same underwriting standards in making commitments and conditional obligations as it does for on-balance sheet instruments. The amount of collateral obtained is based on management s credit evaluation of the customer. Collateral held varies, but may include accounts receivable, inventory, property, plant, and equipment, and income-producing commercial properties. The total amount of loan commitments outstanding at September 30, 2007 and December 31, 2006 was $38.1 million and $21.9 million, respectively.

Market Risk

There have been no material changes in market risks faced by MVB since December 31, 2006. For information regarding MVB s market risk, refer to MVB s Annual Report to Shareholders for the year ended December 31, 2006.

Effects of Inflation on Financial Statements

Substantially all of the bank s assets relate to banking and are monetary in nature. Therefore they are not impacted by inflation to the same degree as companies in capital-intensive industries in a replacement cost environment. During a period of rising prices, a net monetary asset position results in loss in purchasing power and conversely a net monetary liability position results in an increase in purchasing power. In the banking industry, typically monetary assets exceed monetary liabilities. Therefore as prices increase, financial institutions experience a decline in the purchasing power of their net assets.

Future Outlook

The bank s results of operations in the third quarter of 2007 reflect the continued improved performance of the Harrison and Jefferson County offices. Results in the third quarter of 2007 are an improvement over both the first two quarters of 2007 and the third quarter of 2006. MVB s emphasis in future periods will be to do those things that have made the bank successful thus far. The critical challenge for the bank in the future is to attract core deposits to fund growth in the new markets through continued delivery of the most outstanding customer service with the highest quality products and technology.

Item 3. Controls and Procedures

Disclosure controls are procedures that a company designs with the objective of ensuring that information required to be disclosed in their reports filed under the Securities Exchange Act of 1934 (such as this Form 10-QSB), is recorded, processed, summarized and reported within the time period specified under the SEC s rules and forms. Disclosure controls are also designed with the objective of ensuring that such information is accumulated and communicated to management, including the CEO and CFO, as appropriate, to allow timely decisions regarding required disclosure. Internal controls are procedures that a company designs with the objective of providing reasonable assurance that transactions are properly authorized, assets are safeguarded against unauthorized or improper use and transactions are properly recorded and reported all to permit the preparation of a company s financial statements in conformity with generally accepted accounting principles.

The Company s management, including the CEO and CFO, does not expect that our disclosure controls or internal controls will prevent all error and fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments and decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the control. The design of any system of control also is based in part upon certain assumptions about the likelihood of future events and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Over time, controls may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate.

Evaluation of disclosure controls and procedures

As of the end of the period covered by this report and pursuant to Rule 13a-15 of the Securities Exchange Act of 1934 (the Exchange Act), the Company s management, including the Chief Executive Officer and Chief Financial Officer, conducted an evaluation of the effectiveness and design of the Company s disclosure controls and procedures (as that term is defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act). Based upon that evaluation, the Company s Chief Executive Officer and Chief Financial Officer concluded, as of the end of the period covered by this report, that the Company s disclosure controls and procedures were effective in recording, processing, summarizing and reporting information required to be disclosed by the Company, within the time periods specified in the Securities and Exchange Commission s rules and forms.

Changes in internal controls

In addition, there have been no changes in internal control over financial reporting (as defined in Rule 13a-15(f) and 15d-15(f) of the Exchange Act) during the quarter to which this report relates that have materially affected or are reasonably likely to materially affect, the internal control over financial reporting.

Part II. Other Information

Item 5. Other Information
None.

Item 6. Exhibits

(a) The following exhibits were filed with Form SB-2 Registration Statement, Registration No. 333-120931, filed December 1, 2004, and are incorporated by reference herein.

Exhibit 3.1	Articles of Incorporation
Exhibit 3.1-1	Articles of Incorporation Amendment
Exhibit 3.2	Bylaws

(b) The following exhibits are filed herewith.

Exhibit 31.1	Certificate of principal executive officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
Exhibit 31.2	Certificate of principal financial officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
Exhibit 32.1	Certificate of principal executive officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
Exhibit 32.2	Certificate of principal financial officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

November 13, 2007

MVB Financial Corp.

By: /s/ James R. Martin
James R. Martin
President and Chief Executive Officer

By: /s/ Eric L. Tichenor
Eric L. Tichenor
Chief Financial Officer