

MVB FINANCIAL CORP
Form 10-Q
November 14, 2011

United States
Securities and Exchange Commission

Washington, D.C. 20549

FORM 10-Q

(Mark
One)

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

For the quarterly period ended September 30, 2011

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 registrant as specified in its charter)

West Virginia
(State or other jurisdiction of incorporation or
organization)

20-0034461
(I.R.S. Employer Identification No.)

301 Virginia Avenue
Fairmont, 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)

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

No

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Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check One):

Large accelerated filer

Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company)

Smaller reporting company

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

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

As of November 14, 2011, the number of shares outstanding of the issuer's only class of common stock was 2,234,767.

MVB Financial Corp.

Part I. Financial Information

Item 1. Financial Statements

The unaudited interim consolidated financial statements of MVB Financial Corp. and Subsidiaries (MVB or “the Company”) listed below are included on pages 2-18 of this report.

Consolidated Balance Sheets at September 30, 2011 and December 31, 2010

Consolidated Statements of Income for the Nine and Three Months ended September 30, 2011 and 2010

Consolidated Statements of Cash Flows for the Nine Months ended September 30, 2011 and 2010

Notes to Consolidated Financial Statements

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

Management’s Discussion and Analysis of Financial Condition and Results of Operations is included on pages 19-30 of this report.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

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Part II. Other Information

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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 2011 (Unaudited)	December 31 2010 (Note 1)
Assets		
Cash and due from banks	\$ 10,667	\$ 3,713
Interest bearing balances	6,962	10,091
Certificates of deposits in other banks	9,918	17,734
Investment securities:		
Securities held-to-maturity, at cost	10,168	7,460
Securities available-for-sale, at approximate fair value	102,292	61,824
Loans:		
Loans	357,830	294,044
Less: Allowance for loan losses	(2,676)	(2,478)
Net loans	355,154	291,566
Loans held for sale	3,352	1,839
Bank premises, furniture and equipment, net	7,673	7,579
Accrued interest receivable and other assets	13,993	12,461
Total assets	\$ 520,179	\$ 414,267
Liabilities		
Deposits		
Non-interest bearing	\$ 42,345	\$ 28,449
Interest bearing	335,540	271,985
Total deposits	377,885	300,434
Accrued interest, taxes and other liabilities	2,302	2,703
Repurchase agreements	77,826	47,623
Federal Home Loan Bank and other borrowings	9,823	28,614
Long-term debt	4,124	4,124
Total liabilities	471,960	383,498
Stockholders' equity		
Preferred stock, \$1,000 par value, 8,500 shares authorized and issued	8,500	-
Common stock, \$1 par value, 4,000,000 authorized, 2,234,767 and 1,802,391 issued	2,235	1,802
Additional paid-in capital	32,574	23,864
Common stock paid for but not issued, par value \$1; 90,560 shares	-	1,729
Treasury stock, 51,077 and 47,218 shares, respectively	(1,084)	(1,006)
Retained earnings	5,792	4,643
Accumulated other comprehensive income/(loss)	202	(263)
Total stockholders' equity	48,219	30,769
Total liabilities and stockholders' equity	\$ 520,179	\$ 414,267

See accompanying notes to unaudited financial statements.

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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	
	2011	2010	2011	2010
Interest income				
Interest and fees on loans	\$12,043	\$9,795	\$4,306	\$3,449
Interest on deposits with other banks	60	501	11	115
Interest on investment securities – taxable	1,101	1,071	393	401
Interest on tax exempt loans and securities	625	586	211	224
Total interest income	13,829	11,953	4,921	4,189
Interest expense				
Deposits	2,909	3,379	969	1,105
Repurchase agreements	358	338	125	115
FHLB and other borrowings	349	385	114	123
Long-term debt	60	62	20	23
Total interest expense	3,676	4,164	1,228	1,366
Net interest income	10,153	7,789	3,693	2,823
Provision for loan losses	1,221	760	591	240
Net interest income after provision for loan losses	8,932	7,029	3,102	2,583
Other income				
Service charges on deposit accounts	471	498	178	143
Income on bank owned life insurance	206	193	78	64
Visa debit card income	309	263	106	93
Income on loans held for sale	591	372	318	170
Other operating income	401	311	170	95
Gain on sale of securities	485	88	129	32
Total other income	2,463	1,725	979	597
Other expense				
Salary and employee benefits	4,816	3,501	1,725	1,267
Occupancy expense	497	446	182	149
Equipment expense	439	350	152	127
Data processing	252	355	147	78
Visa debit card expense	245	218	84	79
Advertising	283	215	121	73
Legal and accounting fees	292	122	151	42
Printing, stationery and supplies	123	97	38	31
Consulting fees	291	116	92	61
FDIC insurance	322	395	79	129
Other taxes	126	140	40	47
Other operating expenses	967	709	341	252
Total other expense	8,653	6,664	3,152	2,335
Income before income taxes	2,742	2,090	929	845

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Income tax expense	767	535	256	225
Net income	\$1,975	\$1,555	\$673	\$620
Basic net income per share	\$0.92	\$0.97	\$0.31	\$0.39
Diluted net income per share	\$0.91	\$0.96	\$0.30	\$0.38
Basic weighted average shares outstanding	2,135,826	1,599,382	2,185,703	1,593,629
Diluted weighted average shares outstanding	2,171,967	1,624,241	2,221,844	1,618,488

See accompanying notes to unaudited financial statements.

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MVB Financial Corp. and Subsidiaries
Consolidated Statements of Cash Flows
(Unaudited) (Dollars in thousands)

	Nine Months Ended 2011	September 30 2010
Operating activities		
Net income	\$ 1,975	\$ 1,555
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	1,221	760
Deferred income tax expense/(benefit)	145	(274)
Depreciation	343	338
Stock based compensation	88	27
Loans originated for sale	(31,675)	(27,717)
Proceeds of loans sold	30,162	26,957
Proceeds from sale of other real estate owned	312	866
(Gain) on sale of other real estate owned	-	(61)
(Gain) on sale of investment securities	(485)	-
Amortization, net of accretion	613	331
(Increase) in interest receivable and other assets	(198)	(4)
(Decrease)/increase in accrued interest, taxes, and other liabilities	(401)	760
Net cash provided by operating activities	2,100	3,538
Investing activities		
(Increase) in loans made to customers	(64,809)	(46,939)
Purchases of premises and equipment	(437)	(196)
Decrease/(increase) in interest bearing balances with banks, net	3,129	(17,695)
Purchases of certificates of deposit in other banks	(9,918)	(16,321)
Maturities of certificates of deposit in other banks	17,734	44,886
Purchases of investment securities available-for-sale	(215,143)	(59,976)
Proceeds from sales, maturities and calls of securities Available-for-sale	175,336	31,501
Proceeds from sales, maturities and calls of securities held to maturity	1,225	474
Purchases of investment securities held-to-maturity	(3,948)	(985)
Purchase of bank owned life insurance	(2,100)	-
Net cash (used in) investing activities	(98,931)	(65,251)
Financing activities		
Net increase in deposits	77,451	52,465
Net increase in repurchase agreements	30,203	18,942
Proceeds from Federal Home Loan Bank borrowings	63,594	92,500
Principal payments on Federal Home Loan Bank borrowings	(82,385)	(101,657)
Purchase of treasury stock	(78)	(304)
Net proceeds of stock offering	6,500	-
Common stock options exercised	-	38
Issuance of preferred stock	8,500	-
Net cash provided by financing activities	103,785	61,984
Increase in cash and cash equivalents	6,954	271

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Cash and cash equivalents - beginning of period	3,713	2,321
Cash and cash equivalents - end of period	\$ 10,667	\$ 2,592
Cash payments for:		
Interest on deposits, repurchase agreements and borrowings	\$ 3,763	\$ 4,296
Income taxes	\$ 686	\$ 516

See accompanying notes to unaudited financial statements.

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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-Q 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, 2010 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, 2011 are not necessarily indicative of the results that may be expected for the year ending December 31, 2011.

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, 2010 has been extracted from audited financial statements included in MVB's 2010 filing on Form 10-K. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States have been omitted. These financial statements should be read in conjunction with the financial statements and notes thereto included in MVB's December 31, 2010, Form 10-K filed with the Securities and Exchange Commission.

Management has reviewed events occurring through November 14, 2011, the date the financial statements were issued and no subsequent events transpired requiring accrual or disclosure.

Note 2. - Loans

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 September 30, 2011. Activity in the allowance is presented for the period ended September 30, 2011 (in thousands):

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	Commercial	Residential	Home Equity	Installment	Credit Card	Total
ALL balance 12/31/10	\$ 1,517	\$460	\$207	\$274	\$20	\$2,478
Charge-offs	(554)	(354)	(114)	(29)	(3)	(1,054)
Recoveries	4	-	10	17	-	31
Provision	849	332	68	(31)	3	1,221
ALL balance 9/30/11	\$ 1,816	\$438	\$171	\$231	\$20	\$2,676
Individually evaluated for impairment	\$ 1,329	\$95	\$54	\$104	\$3	\$1,585
Collectively evaluated for impairment	\$ 487	\$343	\$117	\$127	\$17	\$1,091

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.

The following table summarizes the primary segments of the loan portfolio as of September 30, 2011 (in thousands):

	Commercial	Residential	Home Equity	Installment	Credit Cards	Total
Sept. 30, 2011						
Total Loans	\$ 230,583	\$99,578	\$15,038	\$12,045	\$ 586	\$357,830
Individually evaluated for impairment	\$ 2,583	\$77	\$43	\$8	\$ -	\$2,711
Collectively evaluated for impairment	\$ 228,000	\$99,501	\$14,995	\$12,037	\$ 586	\$355,119

The following table summarizes the primary segments of the loan portfolio as of December 31, 2010 (in thousands):

	Commercial	Residential	Home Equity	Installment	Credit Cards	Total
December 31, 2010						
Total Loans	\$ 194,700	\$71,686	\$14,334	\$12,830	\$ 494	\$294,044