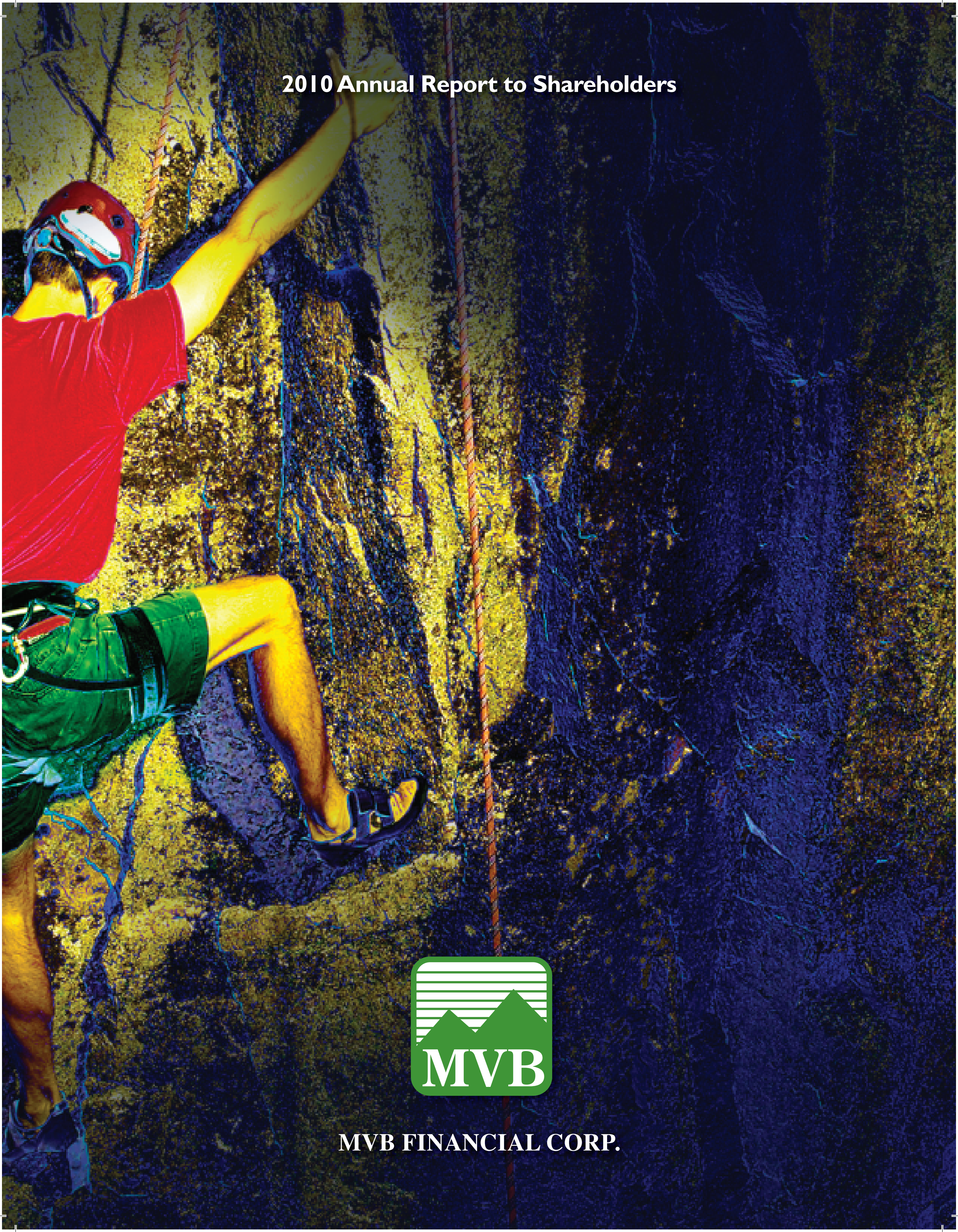
2010 Annual Report to Shareholders



MVB FINANCIAL CORP.

MVB Financial Corp.
Selected Financial Data

Amounts in thousands, except for share data

	At or for the Year Ended December 31											
	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
Summary of Operations												
Interest Income	$ 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	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	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	1,100	785	595	584	445	160	269	223	225	166	138	104
Non-Interest Income	2,454	2,190	1,788	1,623	1,240	876	677	598	458	391	207	127
Non-Interest Expense	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)	795	454	263	414	341	195	627	396	175	64	(50)	(118)
Net Income (Loss) from operations	2,237	1,406	828	1,282	973	562	1,058	781	400	147	(121)	(258)
Per Share Data												
Basic Net Income (Loss)/Share	$ 1.40	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	1.38	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	0.10	0.10	0.10	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Book Value	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	1,598	1,602	1,584	1,470	1,428	993	726	708	571	533	517	517
Diluted weighted-average shares outstanding	1,626	1,628	1,621	1,509	1,588	1,153	752	730	586	541	517	517
Average Balance Sheet Summary												
Loans, Gross	$ 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	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	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	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	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	$ 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	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	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	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	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	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)	0.57%	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)	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	8.21%	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	12.40%	12.32%	13.38%	13.60%	14.37%	15.66%	11.27%	11.98%	13.98%	12.31%	16.20%	27.00%
Total Capital	13.31%	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	$ 21.00	20.00	20.00	20.00	16.00	16.00	14.00	12.38 *	11.90 *	10.48 *	10.00 *	10.00 *

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

MVB FINANCIAL CORP.

Banking Done Right!

301 Virginia Avenue • Fairmont, WV 26554

MVB Climbs Higher in 2010

Dear Shareholders:

Like the most well-prepared and experienced rock climbers, MVB's fit and agile Team surmounted many challenges in 2010. We planned strategically to ensure that each member or the MVB Team was prepared to scale new heights. **I am pleased to report to you that 2010 was a truly significant year for *Your Most Valuable Bank*.** Not only did we climb mountains, but the heights we reached enabled us to see many more summits ahead; summits on which we're determined to stake our flag.

Significant Success in Rocky Terrain

As I was preparing this letter to you, I reflected on my two years leading the MVB Team and the many positives we have reached in a most challenging and so-often-uncertain world. Before discussing 2010 results, I would like to describe the "mountains" we faced and how well our first two years' accumulative numbers reflect our strength and agility.

In September of 2008, just a few short months before I became President and CEO of MVB Financial Corp, the U.S. and world economy plunged into what we now call the Great Recession.   In fact, during 2010, across the country

- Unemployment is still at very high levels;
- Housing foreclosures remain brisk;
- Real estate prices are off 40% from 2008;
- Bank failures rates are some of the highest in history;
- Bank profits are some of the lowest in history, and non-performing loans are near historical all-time highs.

Yet, through one of the most difficult economic eras in our nation's history, your bank has taken advantage of its healthy financial situation by advancing the opportunities presented during these times and performed very well. MVB's strong performance is validated by the following objective cumulative results since I began leading MVB in January 2009:

- Grown assets by 60%, or $156 million, to $414 million;
- Increased loans 45%, or $91 million, to $294 million;
- Lifted deposits by 74%, or $127 million, to $300 million;
- Grown funding sources by 66%, or $150 million, to $377 million;
- Most importantly, significantly increased earnings 170%, or $1,409 million, to $2,237 million;

With all this positive growth, our charge-offs and non-performing loans have remained at some of the best levels in the nation today.

The MVB Team has successfully navigated a positive path through very rocky terrain. I am humbled by our achievements and honored to lead such a strong team.

2010 Higher Peaks Reached

The 2010 financials evidence the excellent execution of the whole MVB Team last year. **The most profitable year in the bank's twelve-year history**, 2010 saw a **net income increase** of $831,000, or 59.1%, to $2.2 million. The net interest income, which rose $1.9 million or 13.6%, drove the increase and was primarily due to a $61.2 million **growth in loans** in 2010. And despite increasing deposits by $35.9 million, MVB was able to decrease its total interest expense by $63,000, as the bank's cost of funds declined by approximately ½%.

Beyond climbing the highest mountain ever this year, we've continued to strengthen our base camp in preparation for the future mountains we will climb. As of December 31, 2010, MVB's balance sheet had grown $61.5 million from year-end 2009. The biggest reason for this continued success was **loan growth** of $61.2 million (26.3%). MVB continued to deliver such innovative products as the *Brokerage Buster Account*, *MVChecking*, and *MVSavings* to our clients, enabling **total deposits to increase** $35.9 million (13.6%). **Total shareholders' equity increased** by $3.6 million (13.4%), the result of 2010 earnings of $2.2 million and the inclusion of $1.7 million in new capital raised in late 2010 as part of a $8.3 million offering.

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2011 Continuing the Ascent

As is our practice, we do not rest on our laurels. We do not get to the top of one mountain without turning our eyes to the next. We are fully engaged, delivering excellent client service every day as MVB grows. And we are poised and equipped to take advantage of any new, viable window of opportunity that we see. For 2011, as part of our overall strategic plan, I believe we must effectively execute in the following six priority areas:

1. **Sustain financial strength and stability within an accelerated deposits and loan growth environment.** We will continue to aggressively grow quality loans and deposits and build capital. This year, more than ever, we cannot overlook the vital importance of deposits, core and otherwise. I firmly believe a key element for any bank wishing to significantly add value is its ability to grow net deposits, month in and month out.
2. **Deliver stronger and more diversified earnings.** Earnings are MVB's lifeblood. Earnings provide a return to our shareholders and allow us to invest in new markets, new projects, and needed improvements. In 2011, we must meet or exceed our revenue targets and reduce risk by further diversifying our earnings stream. This includes achieving profitability in our new business areas. While growing revenues is fundamental, cutting costs is also important; we will continue to reduce waste through reduced duplication and rework.
3. **Expand our client base and build deeper client loyalty.** To successfully compete and grow, our client service must be second to none. We must continue to be leaders, not followers, in the marketplace. We will fully implement ClientVoice to further enhance our services in 2011, focusing on increasing the products and services each client has at MVB.
4. **Ensure support services, technology, and infrastructure drive value.** We must match our aggressive growth with a commensurate level of internal support services and infrastructure. We will invest in appropriate technology and tools, and enhance internal compliance, marketing, operations, back office support, and training.
5. **Achieve continuous quality improvement and effective planning in all areas of operation.** To remain strong and in the lead, we must demonstrate continuous improvement across the bank. That means doing it right the first time, every time. It means proactively seeking out best practices and staying abreast of industry trends and developments.
6. **Invest in our workforce to ensure a healthy and productive team.** Our teammates—not our brick and mortar—are MVB's must valuable asset. We will strengthen our attention to personal performance, coaching efforts, succession planning, and remaining competitive in our benefits package. New initiatives include launching a formal Wellness Program and TeamVoice, designed to establish regular two-way communication with all team members.

Increasing Shareholder Value

In talking with shareholders, MVB Team members, and our clients, I am enthused by the positive energy for the bank and for our commitment to the future. We remain fully focused on increasing shareholder value through planned growth and effective operations. We will continue to climb every mountain we face until we have mastered them all. I look forward in sharing with you our ongoing progress during 2011.

Best Regards,

Larry F. Mazza

Larry F. Mazza
President and Chief Executive Officer

MVB Milestones

A summary of key achievements beyond the financials provides further evidence of how well *Your Most Valuable Bank* performed in 2010:

1. **Increased significantly our commercial lending capacity**. An expanded and experienced commercial lending team brought on board in mid-2010.
2. **Raised capital**. Started in fourth quarter 2010 and completed in January 2011 MVB's extremely successful stock offering to accredited investors, which resulted in 393,305 MVB shares being placed for $21.00 per share (a total of $8,259,405 of new capital) in record time. I welcome our newest shareholders.
3. **Strengthened retail banking presence**. As part of our goal to diversify revenues while increasing deposits and potential referrals, we named a bank-wide Vice President for Retail Banking and Client Services. This position has already been focusing on deposits, retail loans, and credit cards, all intended to strengthen our retail banking presence in all markets. Further, we are establishing standards and building consistency across all bank locations.
4. **Hired a Chief Compliance Officer and established Bank Compliance Solutions**, a compliance support service for community banks. This provides MVB with greater depth in compliance with the regulatory requirements that are ever increasing (e.g., Dodd-Frank).
5. **Continued development of correspondent mortgage lending.** We made good progress this past year in building strong footholds with our systems and infrastructure to handle effectively our correspondent mortgage lending operations. We are confident 2011 will see additional partners and greater loan volume as we increase our focus in this marketplace.
6. **Sustained the value of shares, paid our third annual dividend, and issued a 10% stock dividend.** Our stock price increased to $21 a share, which was the offering price of the new stock issued. Further, we paid an annual dividend along with a 10% stock dividend.
7. **Continued to improve our corporate governance.** We continue our efforts to ensure our Boards are well organized and operating effectively to guide MVB. Part of this was conducting the first annual board assessment process in 2010, which provided additional areas for improvement.
8. **Updated our strategic plan "*Building Bank Value*."** Our plan includes pinpointed performance benchmarks, ranging from asset growth targets to return on equity, for MVB to achieve.

SNODGRASS
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have audited the accompanying consolidated balance sheets of MVB Financial Corp. and subsidiaries (the "Company") as of December 31, 2010 and 2009, and the related consolidated statements of income, changes in stockholders' equity, and cash flows for 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 consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated 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 the overall financial statement presentation. We believe that 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, 2010 and 2009, and the results of their operations and their 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 1, 2011

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MVB Financial Corp.
Consolidated Balance Sheets
(Dollars in thousands, except number of shares)
December 31, 2010 and 2009

	2010	2009
ASSETS		
Cash and due from banks	$ 3,713	$ 2,321
Interest bearing balances with banks	10,091	3,935
Certificates of deposit with other banks	17,734	49,442
Investment Securities:		
Securities held-to-maturity, at cost	7,460	6,594
Securities available-for-sale, at approximate fair value	61,824	37,292
Loans:	294,044	232,847
Less: Allowance for loan losses	(2,478)	(2,241)
Net Loans	291,566	230,606
Loans held for sale	1,839	1,764
Bank premises, furniture and equipment	7,579	7,757
Accrued interest receivable and other assets	12,461	13,051
TOTAL ASSETS	$ 414,267	$ 352,762
LIABILITIES AND STOCKHOLDERS' EQUITY		
Deposits:		
Non-interest bearing	$ 28,449	$ 23,493
Interest bearing	271,985	241,038
Total Deposits	300,434	264,531
Accrued interest, taxes, and other liabilities	2,703	2,130
Repurchase agreements	47,623	35,641
FHLB and other borrowings	28,614	19,198
Long-term debt	4,124	4,124
Total Liabilities	383,498	325,624
STOCKHOLDERS' EQUITY		
Preferred stock, par value $1,000; 5,000 shares authorized, none issued		
Common stock, par value $1; 4,000,000 shares authorized; 1,802,391 and 1,629,971 shares issued respectively	1,802	1,629
Additional paid-in capital	23,864	20,457
Common stock paid for but not issued, par value $1; 90,560 shares	1,729	-
Treasury Stock, 47,218 and 23,036 shares, respectively	(1,006)	(522)
Retained earnings	4,643	5,917
Accumulated other comprehensive loss	(263)	(343)
Total Stockholders' Equity	30,769	27,138
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 414,267	$ 352,762

See Notes to Consolidated Financial Statements

MVB Financial Corp.
Consolidated Statements of Income
(Dollars in thousands except Share and Per Share Data)
Years ended December 31, 2010 and 2009

	2010	2009
INTEREST INCOME		
Interest and fees on loans	$ 13,468	$ 11,844
Interest on deposits with other banks	587	699
Interest on investment securities - taxable	1,427	1,197
Interest on tax exempt loans and securities	805	597
Total interest income	16,287	14,337
INTEREST EXPENSE		
Interest on deposits	4,401	4,630
Interest on repurchase agreements	474	262
Interest on FHLB and other borrowings	513	533
Interest on long-term debt	82	108
Total interest expense	5,470	5,533
NET INTEREST INCOME	10,817	8,804
Provision for loan losses	1,100	785
Net interest income after provision for loan losses	9,717	8,019
OTHER INCOME		
Service charges on deposit accounts	658	770
Income on bank owned life insurance	265	178
Visa debit card income	361	287
Income on loans held for sale	634	616
Gain on sale of securities	88	-
Other operating income	448	339
	2,454	2,190
OTHER EXPENSES		
Salaries and employee benefits	4,796	4,241
Occupancy expense	590	569
Equipment depreciation and maintenance	472	423
Data processing	392	531
Visa debit card expense	295	238
Advertising	338	309
Legal and accounting fees	167	174
Printing, stationery and supplies	130	98
Consulting fees	211	75
FDIC insurance	523	444
Other taxes	190	177
Other operating expenses	1,035	884
Loss on investment impairment	-	186
	9,139	8,349
Income before income taxes	3,032	1,860
Income tax expense	795	454
Net Income	$ 2,237	$ 1,406
Basic net income per share	$1.40	$0.88
Diluted net income per share	$1.38	$0.86
Basic weighted average shares outstanding	1,598,432	1,601,986
Diluted weighted average shares outstanding	1,625,884	1,628,102

See Notes to Consolidated Financial Statements

MVB Financial Corp.
Consolidated Statements of Cash Flows
(Dollars in thousands)
Years ended December 31, 2010 and 2009

	2010	2009
OPERATING ACTIVITIES		
Net Income	$ 2,237	$ 1,406
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	1,100	785
Deferred income tax (benefit)	(144)	(39)
Depreciation	447	445
Stock based compensation	46	15
Loans originated for sale	(46,657)	(53,353)
Proceeds of loans sold	46,582	52,704
Proceeds from sale of other real estate owned	866	252
(Gain)/loss on sale of other real estate owned	(61)	27
(Gain) on sale of investment securities	(88)	-
Amortization, net of accretion	513	117
Loss on investment impairment	-	186
(Increase) in interest receivable and other assets	(409)	(3,029)
Increase in accrued interest, taxes, and other liabilities	573	295
NET CASH PROVIDED BY/(USED IN) OPERATING ACTIVITIES	5,005	(189)
INVESTING ACTIVITIES		
(Increase) in loans made to customers	(62,060)	(29,600)
Purchases of premises and equipment	(269)	(142)
Purchases of investment securities available-for-sale	(69,602)	(32,542)
Purchases of investment securities held-to-maturity	(1,359)	(4,899)
(Increase) in deposits with FHLB and Fed, net	(6,156)	(3,895)
Purchases of certificates of deposit with other banks	(16,321)	(61,489)
Proceeds from maturity of certificates of deposit with other banks	48,029	19,047
Proceeds from sales, maturities and calls of securities available-for-sale	45,082	12,851
Proceeds from maturities and calls of securities held-to-maturity	474	7,101
Purchase of bank owned life insurance	-	(1,000)
NET CASH (USED IN) INVESTING ACTIVITIES	(62,182)	(94,568)
FINANCING ACTIVITIES		
Net increase in deposits	35,903	91,466
Net increase in repurchase agreements	11,982	13,737
Proceeds from FHLB and other borrowings	205,716	9,000
Principal payments on FHLB and other borrowings	(196,300)	(21,744)
Purchase of treasury stock	(484)	(223)
Net proceeds of stock offering	1,729	-
Cash dividend	(160)	(160)
Common stock options exercised	183	292
NET CASH PROVIDED BY FINANCING ACTIVITIES	58,569	92,368
Increase/(decrease) in cash and cash equivalents	1,392	(2,389)
Cash and cash equivalents at beginning of period	2,321	4,710
Cash and cash equivalents at end of period	$ 3,713	$ 2,321
Supplemental disclosure of cash flow information		
Cash payments for:		
Interest on deposits, repurchase agreements and FHLB borrowings	$ 5,623	$ 5,488
Income taxes	$ 811	$ 607

See Notes to Consolidated Financial Statements

MVB Financial Corp.

Consolidated Statements of Changes in Stockholders' Equity

Years ended December 31, 2010 and 2009

(Dollars in thousands)

	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income/(loss)	Treasury Stock	Total Stockholders' Equity
Balance, December 31, 2008	$ 1,604	$ 20,175	$ 4,671	$ (315)	$ (299)	$ 25,836
Comprehensive income:						
Net Income			1,406			1,406
Other comprehensive income(loss)						
Net fair value adjustment on securities available for sale, less reclassification adjustment for realized losses - net of tax effect of $(31)				(46)		(46)
Total Comprehensive Income						1,360
Minimum pension liability adjustment - net of tax effect				18		18
Cash dividends paid ($0.10 per share)			(160)			(160)
Stock based compensation		15				15
Treasury stock, acquired at cost					(223)	(223)
Common stock options execised	25	267				292
Balance, December 31, 2009	$ 1,629	$ 20,457	$ 5,917	$ (343)	$ (522)	$ 27,138
Comprehensive income:						
Net Income			2,237			2,237
Other comprehensive income(loss)						
Net fair value adjustment on securities available for sale, less reclassification adjustment for realized gains - net of tax effect of $(167)				251		251
Total Comprehensive Income						2,488
Minimum pension liability adjustment - net of tax effect				(171)		(171)
Cash dividends paid ($0.10 per share)			(160)			(160)
Stock offering in process		1,729				1,729
Stock based compensation		46				46
Stock dividend - 10% stock dividend	160	3,191	(3,351)			-
Treasury stock, acquired at cost					(484)	(484)
Common stock options execised	13	170				183
Balance, December 31, 2010	$ 1,802	$ 25,593	$ 4,643	$ (263)	$ (1,006)	$ 30,769

See Notes to Consolidated Financial Statements

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Operations

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

Cash and Cash Equivalents

Cash and cash equivalents include cash and due from banks 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, MVB Bank, Inc. has the ability to offer customers long-term fixed rate mortgage products without holding these instruments in the bank's loan portfolio. MVB values loans held for sale at the lower of cost or market. After thorough review of the process the Company has concluded that no material derivative instruments exist, as the bank obtains pricing information directly from the websites of the secondary mortgage providers and locks in pricing based upon pre-established margins set by management.

Loans and Allowance for Loan Losses

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

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

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

Loan Origination Fees and Costs

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.

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 $927 and $941 at December 31, 2010 and 2009, 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 $1,816 and $1,911 at December 31, 2010 and 2009, respectively, and is included in other assets in the accompanying balance sheet.

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 standards. 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 unrealized gains or losses on sale are then recorded in other non-interest expense. At December 31, 2010 and 2009, the Company held other real estate of $402 and $1,171.

Net Income Per Common Share

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

Comprehensive Income

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

Endorsement Split-Dollar Life Insurance Arrangements

The Company accounts for certain endorsement split-dollar life insurance arrangements by recognizing both the cash surrender value of the insurance asset as well as the liability for the death benefit provided to the employee.

Reclassifications

Certain amounts in the 2009 financial statements have been reclassified to conform to the 2010 financial statement presentation.

NOTE 2. INVESTMENT SECURITIES

Amortized cost and approximate fair values of investment securities held-to-maturity at December 31, 2010, including gross unrealized gains and losses, are summarized as follows:
(Dollars in thousands)

	Amortized Cost	Unrealized Gain	Unrealized Loss	Approximate Fair Value
Municipal securities	6,460	27	(62)	6,425
U. S. Agency securities	1,000	17	-	1,017
	$ 7,460	$ 44	$ (62)	$ 7,442

Amortized cost and approximate fair values of investment securities held-to-maturity at December 31, 2009, including gross unrealized gains and losses, are summarized as follows:

	Amortized Cost	Unrealized Gain	Unrealized Loss	Approximate Fair Value
Municipal securities	5,594	16	(59)	5,551
U. S. Agency securities	1,000	59	-	1,059
	$ 6,594	$ 75	$ (59)	$ 6,610

Amortized cost and approximate fair values of investment securities available-for-sale at December 31, 2010 are summarized as follows:

	Amortized Cost	Unrealized Gain	Unrealized Loss	Approximate Fair Value
U. S. Agency securities	$ 34,903	$ 453	$ (76)	$ 35,280
Mortgage-backed securities	26,135	306	(21)	26,420
Other securities	124	-	-	124
	$ 61,162	$ 759	$ (97)	$ 61,824

Amortized cost and approximate fair values of investment securities available-for-sale at December 31, 2009 are summarized as follows:

	Amortized Cost	Unrealized Gain	Unrealized Loss	Approximate Fair Value
U. S. Agency securities	$ 16,122	$ 196	$ (18)	$ 16,300
Mortgage-backed securities	20,802	111	(45)	20,868
Other securities	124	-	-	124
	$ 37,048	$ 307	$ (63)	$ 37,292

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

	December 31, 2010			
	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	115	115	29,324	29,515
After five years, but within ten	2,609	2,618	2,852	2,922
After ten Years	4,736	4,709	28,986	29,387
Total	$ 7,460	$ 7,442	$ 61,162	$ 61,824

Investment securities with a carrying value of $66,426 and $24,724 at December 31, 2010 and 2009, 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, 2010, the details of which are included in the following table. Although these securities, if sold at December 31, 2010 would result in a pretax loss of $159, 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, 2010, 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, 2010, total temporary impairment totaled $159.

Description and number	Less than 12 months		12 months or more	
of positions	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
U.S. Agencies (6)	$ 8,966	$ (76)	$ -	$ -
Mortgage-backed securities (6)	8,533	(21)	-	-
Municipal securities (14)	3,782	(62)	-	-
	$ 21,281	$ (159)	$ -	$ -

NOTE 3. LOANS

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

	2010	2009
Commercial and non-residential real estate	$ 194,605	$ 152,463
Residential real estate	86,020	67,507
Consumer and other	13,324	12,914
Net deferred fees and costs	95	(37)
	$ 294,044	$ 232,847

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

	2010	2009
Balance at beginning of period	$ 2,241	$ 1,860
Losses charged to allowance	(912)	(453)
Recoveries credited to allowance	49	49
Provision for loan losses	1,100	785
Balance at end of period	$ 2,478	$ 2,241

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
Individually evaluated for impairment	$393	$197	$262	$0	$4	$856
Collectively evaluated for impairment	$194,307	$71,489	$14,072	$12,830	$490	$293,188

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 Corporation 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 Corporation 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 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, 2010 (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, 2010					
Commercial	$59	$20	$334	$393	$393
Residential	165	75	32	197	197
Home Equity	262	99	0	262	262
Installment	0	0	0	0	0
Credit Card	4	4	0	4	4
Total impaired loans	$490	$198	$366	$856	$856

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

	December 2010	December 2009
Average investment in impaired loans	$1,901	$2,369
Interest income recognized on an accrual basis on impaired loans	$76	$95

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 $500,000 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 portolio. 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, 2010 (in thousands):

	Pass	Special Mention	Substandard	Doubtful	Total
December 31, 2010					
Commercial	$180,568	$8,294	$5,446	$392	$194,700
Residential	69,906	613	1,002	165	71,686
Home Equity	13,945	99	262	28	14,334
Installment	12,424	233	173	-	12,830
Credit Card	488	-	6	-	494
Total	$277,331	$9,239	$6,889	$585	$294,044

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, 2010 (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, 2010							
Commercial	$193,414	241	-	$217	$458	$828	$194,700
Residential	68,529	1,761	272	143	2,176	981	71,686
Home Equity	13,979	28	18	47	93	262	14,334
Installment	12,222	141	158	155	454	154	12,830
Credit Card	490	-	-	-	-	4	494
Total	$288,634	$2,171	$448	$562	$3,181	$2,229	$294,044

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, industy and/or geographic standpoint.

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, 2010. Activity in the allowance is presented for the year ended December 31, 2010 (in thousands):

	Commercial	Residential	Home Equity	Installment	Credit Card	Total
ALL balance at December 31, 2009	$ 1,717	$ 204	$ 84	$ 216	$ 20	$ 2,241
Charge-offs	(547)	(57)	(67)	(241)	-	(912)
Recoveries	-	36	9	4	-	49
Provision	347	277	181	295	-	1,100
ALL balance at December 31, 2010	$ 1,517	$ 460	$ 207	$ 274	$ 20	$ 2,478
Individually evaluated for impairment	$975	$333	$139	$121	$6	$1,574
Collectively evaluated for impairment	$542	$127	$68	$153	$14	$904

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.

NOTE 4. BANK PREMISES, FURNITURE AND EQUIPMENT

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

	2010	2009
Bank Premises	$ 7,533	$ 7,516
Equipment, furniture and fixtures	2,893	2,641
	10,426	10,157
Allowance for depreciation	(2,847)	(2,400)
	$ 7,579	$ 7,757

NOTE 5. DEPOSITS

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

	2010	2009
Demand deposits of individuals, partnerships, and corporations		
Interest bearing	$ 77,970	$ 60,837
Non-interest bearing	27,984	23,123
Time and savings deposits of individuals, partnerships and corporations	161,534	172,482
Deposits of states and political subdivisions	32,431	7,319
Official checks	515	770
Total Domestic Deposits	$ 300,434	$ 264,531
Time deposits of over $100 included above	$ 58,661	$ 47,518

Maturities of certificates of deposit at December 31, 2010 were as follows:

2011	$ 55,472
2012	19,373
2013	10,920
2014	3,042
2015	4,757
Total	$ 93,564

NOTE 6. BORROWED FUNDS

The Company is a party to repurchase agreements with certain customers. As of December 31, 2010 and 2009, the company held repurchase agreements of $47,623 and $35,641. Information related to repurchase agreements is summarized below:

(Dollars in thousands)	2010	2009
Balance at end of year	$ 47,623	$ 35,641
Average balance during the year	44,238	27,800
Maximum month-end balance	55,550	46,163
Weighted-average rate during the year	1.07%	0.94%
Rate at December 31	1.00%	0.97%

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, 2010 was approximately $112,194. At December 31, 2010 and 2009 the Bank had borrowed $24,114 and $19,198.

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

	2010	2009
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%	933	1,012
Fixed interest rate note, originating April 2002, due May 2017, payable in monthly installments of $4, including interest of 5.90%	647	662
Floating interest rate note, originating March 2003, due December 2011, interest payable monthly, including interest of 0.68%	14,126	-
Fixed interest rate note, originating July 2006, due July 2016, payable in monthly installments of $8, including interest of 4.50%	1,341	1,380
Fixed interest rate note, originating October 2006, due October 2021, payable in monthly installments of $6, including interest of 5.20%	1,089	1,109
Fixed interest rate note, originating April 2007, due April 2022, payable in monthly installments of $6, including interest of 5.18%	1,034	1,051
Amortizing fixed interest rate note, originating February 2007, due February 2022, payable in monthly installments of $5, including interest of 5.22%	913	929
Fixed interest rate note, originating May 2009, due May 2010, interest of 0.72% payable quarterly	-	5,000
Fixed interest rate note, originating November 2009, due May 2010, interest of 0.35% payable quarterly	-	4,000
Fixed interest rate note, originating December 2007, due December 2017, payable in monthly installments of $7, including interest of 5.25%	1,031	1,055
Fixed interest rate note, originating March 2008. due March 2013, interest of 2.37% payable quarterly	2,000	2,000
	$ 24,114	$ 19,198

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

The Trust Preferred Securities and the Debentures mature in 30 years and are redeemable by the Company after five years. Interest payments are due in March, June, September and December and are adjusted at the interest due dates at a rate of 1.62% over the three month LIBOR Rate. The Company reflects borrowed funds in the amount of $4.1 million as of December 31, 2010 and 2009 and interest expense of $82 and $109 for the years ended December 31, 2010 and 2009.

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 bank had borrowed $4,500 in overnight funds at the Federal Reserve discount window on December 31, 2010 at a rate of 0.75%.

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

Year	Amount
2011	$ 18,847
2012	232
2013	2,244
2014	1,257
2015	271
Thereafter	9,887
	$ 32,738

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 customers' credit worthiness on a case-by-case basis. The amount and type of collateral obtained, if deemed necessary by the Company upon extension of credit, varies and is based on management's credit evaluation of the customer.

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

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

	2010	2009
Available on lines of credit	$ 32,539	$ 30,814
Stand-by letters of credit	758	1,642
Other loan commitments	691	529
	$ 33,988	$ 32,985

Concentration of Credit Risk

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

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.

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

Current:	2010	2009
Federal	$ 773	$ 392
State	166	101
	$ 939	$ 493
Deferred expense(benefit)		
Federal	$ (119)	$ (32)
State	(25)	(7)
	(144)	(39)
Income Tax expense	$ 795	$ 454

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

	2010		2009	
	Amount	%	Amount	%
Tax at Federal tax rate	$ 1,031	34.0%	$ 632	34.0%
Tax effect of:				
State income tax	76	2.5%	47	2.5%
Tax exempt earnings	(313)	-10.3%	(226)	-12.2%
Other	1	0.0%	1	0.0%
	$ 795	26.2%	$ 454	24.3%

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:

	2010	2009
Depreciation	$ 299	$ 318
Unrealized loss on securities available-for-sale	$ 264	$ 98
Pension	(66)	45
Gross deferred tax liabilities	497	461
Allowance for loan losses	(778)	(765)
Minimum pension liability	(381)	(326)
Gross deferred tax (assets)	(1,159)	(1,091)
Net deferred tax (asset)	$ (662)	$ (630)

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

NOTE 9. RELATED PARTY TRANSACTIONS

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

(Dollars in thousands)	Balance at Beginning of Year	Borrowings	Repayments	Balance at end of Year
December 31, 2010	$ 15,067	$ 764	$ (1,836)	$ 13,995
December 31, 2009	$ 13,517	$ 2,468	$ (918)	$ 15,067

The Company held related party deposits of $11,812 and $10,941 at December 31, 2010 and December 31, 2009, respectively.

The Company held related party repurchase agreements of $1,697 and $1,585 at December 31, 2010 and December 31, 2009, respectively.

NOTE 10. PENSION PLAN

The Company participates in a trusteed pension plan known as the Allegheny Group Retirement Plan covering virtually all full-time employees. Benefits are based on years of service and the employee's compensation. The Company's funding policy is to fund normal costs of the plan as accrued. Contributions are intended to provide not only for benefits attributed to service to date, but also for those benefits expected to be earned in the future. The Company participated in the pension plan beginning January 1, 1999. The Company has recognized estimated pension expense of $335 and $291 for the years ended December 31, 2010 and 2009.

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, 2010 and 2009 is as follows:

(Dollars in thousands)	2010	2009
Change in benefit obligation		
Benefit obligation at beginning of year	$ 2,389	$ 1,812
Service cost	311	259
Interest cost	142	112
Actuarial loss	243	221
Benefits paid	(26)	(15)
Benefit obligation at end of year	$ 3,059	$ 2,389
Change in plan assets:		
Fair value of plan assets at beginning of year	$ 1,575	$ 967
Actual return on plan assets	188	284
Employer contribution	57	339
Benefits paid	(26)	(15)
Fair value of plan assets at end of year	$ 1,794	$ 1,575
Funded status	$ (1,265)	$ (814)
Unrecognized net actuarial loss	1,093	944
Unrecognized prior service cost	7	9
Prepaid pension cost recognized	$ (165)	$ 139
Accumulated benefit obligation	$ 2,414	$ 1,869

At December 31, 2010 and 2009, the weighted average assumptions used to determine the benefit obligation are as follows:

	2010	2009
Discount rate	5.50%	6.00%
Rate of compensation increase	3.00%	3.00%

The components of net periodic pension cost are as follows:

	2010	2009
Service cost	$ 311	$ 260
Interest cost	142	112
Expected return on plan assets	(139)	(116)
Amortization of prior service costs	2	2
Amortization of loss	44	33
Net periodic pension cost	$ 360	$ 291

At December 31, 2010 and 2009, the weighted average assumptions used to determine net periodic pension cost are as follows:

	2010	2009
Discount rate	6.00%	6.25%
Expected long-term rate of return on plan assets	8.00%	8.00%
Rate of compensation increase	3.00%	3.00%

The Company's pension plan asset allocations at December 31, 2010 and 2009, as well as target allocations for 2011 are as follows:

Asset Category	2011 Target	12/31/2010	12/31/2009
Equity securities	75%	59%	63%
Balanced fund	20%	31%	32%
Other	5%	10%	5%
Total	100%	100%	100%

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

	2011	2010
Expected amortization of transition obligation (asset)	$ -	$ -
Expected amortization of prior service cost (credit)	2	2
Expected amortization of net loss (gain)	66	44

Plan Assets

The fair value of MVB's pension plan assets at December 31, 2010 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, 2010.

	31-Dec-10			
	Level I	Level II	Level III	Total
Assets:				
Cash and cash equivalents	$ 179	$ -	$ -	$ 179
Investment in equity securities	$ 1,059	$ -	$ -	$ 1,059
Investment in debt	$ -	$ 556	$ -	$ 556
Total assets at fair value	$ 1,238	$ 556	$ -	$ 1,794

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 01/01/11 through 12/31/11	$ 552,981
Estimated future benefit payments reflecting expected future service	
1/1/2011 through 12/31/2011	$ 67,593
1/1/2012 through 12/31/2012	$ 111,246
1/1/2013 through 12/31/2013	$ 122,201
1/1/2014 through 12/31/2014	$ 131,706
1/1/2015 through 12/31/2015	$ 152,643
1/1/2016 through 12/31/2020	$ 1,021,841

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, 2010 the Company has allocated $31 to core deposit intangibles, which are being amortized using the double-declining balance method over 10 years. The remaining $896 has been recorded as goodwill, and is evaluated for impairment on October 1st each year by the Company.

NOTE 12. STOCK OFFERING

During 2010 the Company began a confidential offering to accredited investors that resulted in the issuance of 393,305 shares of common stock totaling $8.3 million in additional capital. As of December 31, 2010 the Company had received signed offering memoranda and payment for 82,328 shares totaling 1.7 million in additional capital at December 31, 2010. The proceeds of this offering will be used to support current and long-range growth plans of the Company. During 2010 the Company issued 172,420 shares, concluding 2010 with outstanding shares of 1,802,391. A 10% stock dividend declared December 21, 2010 with a record date of January 25, 2011, payable February 15, 2011 resulted in an additional 159,561 shares.

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 and 2010 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:

	2010		2009	
	Number of Shares	Weighted-Average Exercise Price	Number of Shares	Weighted-Average Exercise Price
Outstanding at beginning of year	134,658	$ 15.83	161,007	$ 15.05
Granted	99,500	-	-	-
Adjust for 5% stock dividend	-	$ -	-	$ -
Exercised	(12,859)	-	(26,349)	-
Forfeited/expired	(14,002)	-	-	-
Outstanding at end of year	207,297	$ 17.88	134,658	$ 15.83
Exercisable at end of year	115,297	$ 16.00	124,658	$ 15.81
Weighted-average fair value of options granted during the year		$ 3.10		N/A

The fair value for the options was estimated at the date of grant using a Black-Scholes option-pricing model with an average risk-free interest rate of 3.28% for 2010, and a weighted average expected life of the options of 7 years for 2010. The expected volatility of MVB's stock price used for 2010 options was 1.26% and the expected dividend yield used was .50%.

The following summarizes information concerning MVB's stock options outstanding at December 31, 2010:

	Options Outstanding			Options Exercisable	
Exercise Price	Options Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
$16.00	115,797	6.00	$16.00	115,297	$16.00
$20.00	81,500	10.00	$20.00		
$22.50	10,000	10.00	$22.50		

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, 2010 and 2009, the Bank meets all capital adequacy requirements to which it is subject.

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

	ACTUAL		MINIMUM TO BE WELL CAPITALIZED		MINIMUM FOR CAPITAL ADEQUACY PURPOSES	
(Dollars in thousands)	AMOUNT	RATIO	AMOUNT	RATIO	AMOUNT	RATIO
As of December 31, 2010						
Total Capital (to risk-weighted assets)						
Consolidated	$ 32,582	11.9%	N/A	N/A	$ 21,807	8.0%
Subsidiary Bank	$ 36,275	13.3%	$ 27,258	10.0%	$ 21,807	8.0%
Tier I Capital (to risk-weighted assets)						
Consolidated	$ 30,104	11.0%	N/A	N/A	$ 10,903	4.0%
Subsidiary Bank	$ 33,797	12.4%	$ 16,355	6.0%	$ 10,903	4.0%
Tier I Capital (to average assets)						
Consolidated	$ 30,104	7.3%	N/A	N/A	$ 16,487	4.0%
Subsidiary Bank	$ 33,797	8.2%	$ 20,590	5.0%	$ 16,472	4.0%
As of December 31, 2009						
Total Capital (to risk-weighted assets)						
Consolidated	$ 28,780	11.8%	N/A	N/A	$ 19,440	8.0%
Subsidiary Bank	$ 32,191	13.2%	$ 24,300	10.0%	$ 19,440	8.0%
Tier I Capital (to risk-weighted assets)						
Consolidated	$ 26,539	10.9%	N/A	N/A	$ 9,720	4.0%
Subsidiary Bank	$ 29,950	12.3%	$ 14,580	6.0%	$ 9,720	4.0%
Tier I Capital (to average assets)						
Consolidated	$ 26,539	7.6%	N/A	N/A	$ 14,020	4.0%
Subsidiary Bank	$ 29,950	8.6%	$ 17,508	5.0%	$ 14,007	4.0%

NOTE 15. REGULATORY RESTRICTION ON DIVIDEND

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

NOTE 16. LEASES

The Company leases land and building space for the operation of some banking offices. All such leases qualify as operating leases. Following is a schedule by year of future minimum lease payments required under operating leases that have initial or remaining non-cancelable lease terms in excess of one year as of December 31, 2010:

	(Dollars in thousands)
Years ended December 31:	
2011	$ 55
2012	55
2013	36
2014	36
2015	36
Thereafter	318
Total minimum payments required:	$ 536

Total lease expense for the years ended December 31, 2010 and 2009 was $54 and $54, respectively.

NOTE 17. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

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

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

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

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

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

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

	December 31, 2010	
	Carrying Value	Estimated Fair Value
	(Dollars in thousands)	
Financial assets:		
Cash and due from banks	$ 3,713	$ 3,713
Interest bearing balances with banks	27,825	27,878
Securities available-for-sale	61,824	61,824
Securities held-to-maturity	7,460	7,442
Loans	294,044	302,277
Accrued interest receivable	1,398	1,398
	$ 396,264	$ 404,532
Financial liabilities:		
Deposits	$ 300,434	$ 307,584
Repurchase agreements	47,623	47,671
FHLB and other borrowings	28,614	32,305
Accrued interest payable	378	378
Long-term debt	4,124	4,124
	$ 381,173	$ 392,062

	December 31, 2009	
	Carrying Value	Estimated Fair Value
Financial assets:		
Cash and due from banks	$ 2,321	$ 2,321
Interest bearing balances with banks	53,377	53,484
Securities available-for-sale	37,292	37,292
Securities held-to-maturity	6,594	6,772
Loans	232,847	233,313
Accrued interest receivable	1,074	1,074
	$ 333,505	$ 334,256
Financial liabilities:		
Deposits	$ 264,531	$ 263,840
Repurchase agreements	35,641	35,712
Federal Home Loan Bank Borrowings	19,198	20,427
Accrued interest payable	531	531
Accrued interest payable	4,124	4,124
Long-term debt	$ 324,025	$ 324,634

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 MEASUREMENTS

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 table presents the assets and liabilities reported on the consolidated statements of financial condition at their fair value as of December 31, 2010 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.

	December 31, 2010			
(In Thousands)	Level I	Level II	Level III	Total
Assets:				
U.S. Government Agency Securities		35,280		35,280
Mortgage backed Securities		26,420		26,420
Other Securities		124		124
Total		61,824		61,824

NOTE 19. 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, 2010 and 2009, and the related statements of income and cash flows for each of those years are presented below:

(Dollars in thousands, except share data)

Balance Sheets	December 31	
Assets	2010	2009
Cash	$ 1,779	$ 399
Investment in bank subsidiary, eliminated in consolidation	32,733	30,548
Other assets	385	319
Total assets	$ 34,897	$ 31,266
Liabilities and shareholders' equity		
Liabilities		
Other liabilities	$ 4	$ 4
Long-term debt	4,124	4,124
Total liabilities	4,128	4,128

Stockholders' equity		
Preferred stock, par value $1,000; 5,000 shares authorized, none issued	$ -	$ -
Common stock, par value $1; 4,000,000 shares authorized; 1,802,391 and 1,629,971 shares issued respectively	1,802	1,629
Additional paid in capital	23,864	20,457
Common stock paid for but not issued, par value $1; 82,328 shares issued	1,729	-
Treasury stock	(1,006)	(522)
Retained earnings	4,643	5,917
Accumulated other comprehensive income	(263)	(343)
Total stockholders' equity	30,769	27,138
Total liabilities and stockholders' equity	$ 34,897	$ 31,266

(Dollars in thousands)

Statements of Income	2010	2009
Income - dividends from bank subsidiary	$ -	$ -
Expenses - operating	176	163
Income/(Loss) before income taxes and undistributed income	(176)	(163)
Income tax (benefit)	(67)	(62)
Income after tax	(109)	(101)
Equity in undistributed income of bank subsidiary	2,346	1,507
Net income	$ 2,237	$ 1,406

(Dollars in thousands)

Statements of Cash Flows	2010	2009
OPERATING ACTIVITIES		
Net income	$ 2,237	$ 1,406
Equity in undistributed income of bank subsidiary	(2,346)	(1,507)
(Increase) in other assets	(66)	(62)
(Decrease)/increase in other liabilities	-	(3)
Stock option expense	46	15
Unrealized (loss)/gain	80	(28)
Net cash (used in) operating activities	(49)	(179)
INVESTING ACTIVITIES		
Investment in subsidiary	161	301
Net cash provided by/(used in) investing activities	161	301
FINANCING ACTIVITIES		
Proceeds of stock offering	1,729	-
Proceeds from long-term borrowings	-	-
Common stock options exercised	183	292
Cash dividend	(160)	(160)
Purchase of treasury stock	(484)	(223)
Net cash (used in)/provided by financing activities	1,268	(91)
Increase/(decrease) in cash	1,380	31
Cash at beginning of period	399	368
Cash at end of period	$ 1,779	$ 399

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Summary of Stock Prices/ Transactions

July 15, 1998	Original issue	$10.00	per share
October 15, 1999	Secondary offering	11.00	per share
December 31, 1999	Last price before end of the year	11.00	per share
December 31, 2000	Last price before end of the year	11.00	per share
June 1, 2001	Stock dividend	5%	
December 31, 2001	Last price before end of the year	11.00	per share
November 1, 2002	Secondary offering	12.50	per share
December 31, 2002	Last price before end of the year	12.50	per share
December 31, 2003	Last price before end of the year	13.00	Per share
August 15, 2004	Stock dividend	5%	
December 31, 2004	Last price before end of the year	14.00	Per share
July 1, 2005	Secondary offering	16.00	Per share
December 31, 2005	Last price before end of the year	16.00	Per share
December 31, 2006	Last price before end of the year	16.00	Per share
July 1, 2007	Secondary offering	20.00	Per share
December 31, 2007	Last price before end of the year	20.00	Per share
December 15, 2008	Cash dividend	0.10	Per share
December 31, 2008	Last price before end of the year	20.00	Per share
December 15, 2009	Cash dividend	0.10	Per share
December 31, 2009	Last price before end of the year	20.00	Per share
December 15, 2010	Cash dividend	0.10	Per share
December 31, 2010	Last price before end of the year	21.00	Per share

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

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

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