Section 1: 10-Q (10-Q)

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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 June 30, 2019

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: 000-50567

MVB Financial Corp.

(Exact name of registrant as specified in its charter)

West Virginia	**20-0034461**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
301 Virginia Avenue, Fairmont, WV	**26554**
(Address of principal executive offices)	(Zip Code)

(304) 363-4800

Registrant’s telephone number, including area code

Not Applicable

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

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common stock, $1.00 par value	MVBF	The Nasdaq Stock Market LLC

Indicate by check mark whether the registrant (1) has 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 ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, 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, smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐ Accelerated filer ☒ Non-accelerated filer ☐ Smaller reporting company ☒ Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock as of the latest practicable date:

As of July 28, 2019, the Registrant had 11,712,919 shares of common stock outstanding with a par value of $1.00 per share.

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PART I – FINANCIAL INFORMATION

Item 1 – Financial Statements

MVB Financial Corp. and Subsidiaries

Consolidated Balance Sheets

(Unaudited) (Dollars in thousands except per share data)

	June 30, 2019 (Unaudited)	December 31, 2018 (Note 1)
ASSETS		
Cash and cash equivalents:		
Cash and due from banks	$ 18,071	$ 14,747
Interest bearing balances with banks	3,138	7,474
Total cash and cash equivalents	21,209	22,221
Certificates of deposit with other banks	14,530	14,778
Investment securities available-for-sale, at fair value	215,587	221,614
Equity securities	18,364	9,599
Loans held for sale	119,906	75,807
Loans:	1,326,682	1,304,366
Less: Allowance for loan losses	(11,168)	(10,939)
Net Loans	1,315,514	1,293,427
Premises and equipment, net	25,691	26,545
Bank owned life insurance	34,352	34,291
Accrued interest receivable and other assets	49,385	34,207
Goodwill	18,480	18,480
TOTAL ASSETS	$ 1,833,018	$ 1,750,969
LIABILITIES AND STOCKHOLDERS' EQUITY		
Deposits:		
Noninterest bearing	$ 270,592	$ 213,597
Interest bearing	1,107,145	1,095,557
Total deposits	1,377,737	1,309,154
Accrued interest payable and other liabilities	41,752	17,706
Repurchase agreements	9,429	14,925
FHLB and other borrowings	186,900	214,887
Subordinated debt	16,524	17,524
Total liabilities	1,632,342	1,574,196
STOCKHOLDERS' EQUITY		
Preferred stock, par value $1,000; 20,000 authorized; 783 issued in 2019 and 2018, respectively (See Footnote 7)	7,834	7,834
Common stock, par value $1; 20,000,000 shares authorized; 11,763,996 shares issued and 11,712,919 shares outstanding in 2019 and 11,658,370 shares issued and 11,607,293 shares outstanding in 2018	11,764	11,658
Additional paid-in capital	118,948	116,897
Retained earnings	65,728	48,274
Accumulated other comprehensive loss	(2,514)	(6,806)
Treasury stock, 51,077 shares, at cost	(1,084)	(1,084)
Total stockholders' equity	200,676	176,773
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 1,833,018	$ 1,750,969

See accompanying notes to unaudited consolidated financial statements.

MVB Financial Corp. and Subsidiaries
Consolidated Statements of Income
(Unaudited) (Dollars in thousands except per share data)

	Six Months Ended June 30		Three Months Ended June 30	
	2019	2018	2019	2018
INTEREST INCOME				
Interest and fees on loans	$ 36,231	$ 28,413	$ 18,569	$ 15,122
Interest on deposits with other banks	247	181	125	91
Interest on investment securities - taxable	1,647	1,786	768	891
Interest on tax exempt loans and securities	1,968	1,618	1,008	840
Total interest income	40,093	31,998	20,470	16,944
INTEREST EXPENSE				
Interest on deposits	8,671	4,828	4,548	2,530
Interest on repurchase agreements	25	39	11	20
Interest on FHLB and other borrowings	2,324	1,911	1,095	1,197
Interest on subordinated debt	572	1,100	287	542
Total interest expense	11,592	7,878	5,941	4,289
NET INTEREST INCOME	28,501	24,120	14,529	12,655
Provision for loan losses	900	1,079	600	605
Net interest income after provision for loan losses	27,601	23,041	13,929	12,050
NONINTEREST INCOME				
Service charges on deposit accounts	648	466	333	281
Income on bank owned life insurance	749	438	224	220
Interchange and debit card transaction fees	322	292	181	142
Mortgage fee income	16,534	15,626	9,864	9,063
Gain on sale of portfolio loans	178	212	123	—
Insurance and investment services income	323	341	167	177
(Loss) gain on sale of available-for-sale securities, net	(168)	325	(50)	—
(Loss) gain on sale of equity securities, net	(7)	1	(7)	—
Gain on derivatives, net	1,581	1,237	1,131	653
Commercial swap fee income	518	413	438	—
Holding gain (loss) on equity securities	13,767	(40)	13,587	(11)
Other operating income	707	523	396	270
Total noninterest income	35,152	19,834	26,387	10,795
NONINTEREST EXPENSES				
Salary and employee benefits	25,014	22,967	13,280	12,494
Occupancy expense	2,351	2,129	1,166	1,080
Equipment depreciation and maintenance	1,758	1,605	904	821
Data processing and communications	1,957	1,797	969	962
Mortgage processing	1,525	1,884	716	992
Marketing, contributions, and sponsorships	508	695	294	348
Professional fees	1,709	1,533	881	788
Printing, postage, and supplies	307	399	172	234
Insurance, tax, and assessment expense	992	846	487	456
Travel, entertainment, dues, and subscriptions	1,594	1,279	904	631
Other operating expenses	1,123	854	617	443
Total noninterest expense	38,838	35,988	20,390	19,249
Income from continuing operations, before income taxes	23,915	6,887	19,926	3,596
Income tax expense - continuing operations	5,792	1,462	4,995	765

Net income from continuing operations	$ 18,123	$ 5,425	$ 14,931	$ 2,831
Income from discontinued operations, before income taxes	600	—	600	—
Income tax expense - discontinued operations	154	—	154	—
Net income from discontinued operations	$ 446	$ —	$ 446	$ —
Net income	$ 18,569	$ 5,425	$ 15,377	$ 2,831
Preferred dividends	243	243	122	122
Net income available to common shareholders	18,326	5,182	15,255	2,709

Earnings per share from continuing operations - basic	$	1.54	$	0.49	$	1.27	$	0.25
Earnings per share from discontinued operations - basic	$	0.04	$	—	$	0.04	$	—
Earnings per share - basic	$	1.58	$	0.49	$	1.31	$	0.25
Earnings per share from continuing operations - diluted	$	1.41	$	0.47	$	1.15	$	0.25
Earnings per share from discontinued operations - diluted	$	0.03	$	—	$	0.03	$	—
Earnings per share - diluted	$	1.44	$	0.47	$	1.18	$	0.25
Cash dividends declared - common shares	$	0.075	$	0.050	$	0.040	$	0.025
Weighted average shares outstanding - basic		11,625,903		10,554,916		11,644,061		10,634,805
Weighted average shares outstanding - diluted		13,139,612		10,941,671		13,155,302		11,502,148

See accompanying notes to unaudited consolidated financial statements.

MVB Financial Corp. and Subsidiaries
Consolidated Statements of Comprehensive Income
(Unaudited) (Dollars in thousands)

	Six Months Ended June 30		Three Months Ended June 30	
	2019	2018	2019	2018
Net Income	$ 18,569	$ 5,425	$ 15,377	$ 2,831
Other comprehensive income (loss):				
Unrealized holding gains (losses) on securities available-for-sale	6,550	(5,337)	4,691	(887)
Income tax effect	(1,769)	1,441	(1,267)	239
Reclassification adjustment for loss (gain) recognized in income	168	(325)	50	—
Income tax effect	(45)	88	(13)	—
Change in defined benefit pension plan	(712)	772	(449)	772
Income tax effect	192	(208)	121	(208)
Carrying value adjustment - investment hedge	(126)	—	332	—
Income tax effect	34	—	(90)	—
Total other comprehensive income (loss)	4,292	(3,569)	3,375	(84)
Comprehensive income	$ 22,861	$ 1,856	$ 18,752	$ 2,747

See accompanying notes to unaudited consolidated financial statements.

MVB Financial Corp. and Subsidiaries
Consolidated Statements of Changes in Stockholders' Equity
(Unaudited) (Dollars in thousands except per share data)

	Preferred Stock	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive (Loss)	Treasury Stock	Total Stockholders' Equity
Balance at January 1, 2018	$ 7,834	$ 10,496	$ 98,698	$ 37,236	$ (2,988)	$ (1,084)	$ 150,192
Net Income	—	—	—	2,594	—	—	2,594
Other comprehensive loss	—	—	—	—	(3,485)	—	(3,485)
Cash dividends paid ($0.025 per common share)	—	—	—	(263)	—	—	(263)
Dividends on preferred stock	—	—	—	(121)	—	—	(121)
Stock based compensation	—	—	244	—	—	—	244
Common stock options exercised	—	94	1,166	—	—	—	1,260
Stranded AOCI (See Note 2)	—	—	—	646	(646)	—	—
Mark to Market on equity positions held at December 31, 2017 (See Note 2)	—	—	—	98	(98)	—	—
Balance at March 31, 2018	$ 7,834	$ 10,590	$ 100,108	$ 40,190	$ (7,217)	$ (1,084)	$ 150,421
Net Income	—	—	—	2,831	—	—	2,831
Other comprehensive loss	—	—	—	—	(84)	—	(84)
Cash dividends paid ($0.025 per common share)	—	—	—	(263)	—	—	(263)
Dividends on preferred stock	—	—	—	(122)	—	—	(122)
Stock based compensation	—	—	282	—	—	—	282
Common stock options exercised	—	3	34	—	—	—	37
Common stock issued from subordinated debt conversion, net of costs	—	796	11,897	—	—	—	12,693
Balance at June 30, 2018	$ 7,834	$ 11,389	$ 112,321	$ 42,636	$ (7,301)	$ (1,084)	$ 165,795
Balance at January 1, 2019	7,834	11,658	116,897	48,274	(6,806)	(1,084)	176,773
Net Income	—	—	—	3,192	—	—	3,192
Other comprehensive income	—	—	—	—	917	—	917
Cash dividends paid ($0.035 per common share)	—	—	—	(408)	—	—	(408)
Dividends on preferred stock	—	—	—	(121)	—	—	(121)
Stock based compensation	—	—	425	—	—	—	425
Common stock options exercised	—	8	86	—	—	—	94
Restricted stock units vested	—	—	—	—	—	—	—
Common stock issued from subordinated debt conversion, net of costs	—	—	—	—	—	—	—
Balance at March 31, 2019	$ 7,834	$ 11,666	$ 117,408	$ 50,937	$ (5,889)	$ (1,084)	$ 180,872
Net Income	—	—	—	15,377	—	—	15,377
Other comprehensive income	—	—	—	—	3,375	—	3,375
Cash dividends paid ($0.04 per common share)	—	—	—	(464)	—	—	(464)
Dividends on preferred stock	—	—	—	(122)	—	—	(122)
Stock based compensation	—	—	401	—	—	—	401
Common stock options exercised	—	26	211	—	—	—	237
Restricted stock units vested	—	10	(10)	—	—	—	—
Common stock issued from subordinated debt conversion, net of costs	—	62	938	—	—	—	1,000
Balance at June 30, 2019	$ 7,834	$ 11,764	$ 118,948	$ 65,728	$ (2,514)	$ (1,084)	$ 200,676

See accompanying notes to unaudited consolidated financial statements.

MVB Financial Corp. and Subsidiaries

Consolidated Statements of Cash Flows

(Unaudited) (Dollars in thousands)

	Six Months Ended June 30,	
	2019	**2018**
OPERATING ACTIVITIES		
Net Income	$ 18,569	$ 5,425
Adjustments to reconcile net income to net cash used in operating activities:		
Net amortization and accretion of investments	568	694
Net amortization of deferred loan costs	178	(14)
Provision for loan losses	900	1,079
Depreciation and amortization	1,525	1,483
Stock based compensation	826	526
Loans originated for sale	(641,406)	(619,884)
Proceeds of loans sold	613,841	603,505
Mortgage fee income	(16,534)	(15,626)
Gain on sale of available-for-sale securities	(80)	(325)
Loss on sale of available-for-sale securities	248	—
Gain on sale of equity securities	(2)	(1)
Loss on sale of equity securities	9	—
Gain on sale of portfolio loans	(178)	(212)
Income on bank owned life insurance	(749)	(438)
Deferred taxes	(4,188)	(118)
Amortization of operating lease right-of-use asset	39	—
Holding (gain) loss on equity securities	(13,767)	40
Other, net	10,341	(2,899)
Net cash used in operating activities	(29,860)	(26,765)
INVESTING ACTIVITIES		
Purchases of investment securities available-for-sale	(35,528)	(15,981)
Maturities/paydowns of investment securities available-for-sale	21,522	11,685
Sales of investment securities available-for-sale	26,616	680
Purchases of premises and equipment	(629)	(1,163)
Net increase in loans	(22,987)	(109,209)
Purchases of restricted bank stock	(18,568)	(13,315)
Redemptions of restricted bank stock	17,757	8,074
Proceeds from sale of certificates of deposit with banks	248	—
Proceeds from sale of other real estate owned	695	360
Proceeds from death benefit of bank owned life insurance policies	688	—
Purchase of equity securities	(1,250)	—
Sales of equity securities	5,968	—
Net cash used in investing activities	(5,468)	(118,869)
FINANCING ACTIVITIES		
Net increase in deposits	68,583	36,288
Net decrease in repurchase agreements	(5,496)	(2,163)
Net change in short-term FHLB & other borrowings	(27,945)	76,900
Principal payments on FHLB & other borrowings	(42)	(12,239)
Proceeds from new FHLB & other borrowings	—	50,000
Subordinated debt conversion costs	—	(35)
Common stock options exercised	331	1,297
Cash dividends paid on common stock	(872)	(526)
Cash dividends paid on preferred stock	(243)	(243)
Net cash provided by financing activities	34,316	149,279
(Decrease) increase in cash and cash equivalents	(1,012)	3,645
Cash and cash equivalents at beginning of period	22,221	20,305

Cash and cash equivalents at end of period	$ 21,209	$ 23,950
Supplemental disclosure of cash flow information:		
Loans transferred to other real estate owned	$ 79	$ 720
Initial recognition of operating lease right-of-use assets	12,935	—
Initial recognition of operating lease liabilities	15,659	—
Cashless stock options exercised	—	93
Restricted stock units vested	10	—
Common stock converted from subordinated debt	1,000	12,728
Cash payments for:		
Interest on deposits, repurchase agreements and borrowings	$ 12,600	$ 7,833
Income taxes	1,096	87

See accompanying notes to unaudited consolidated financial statements.

Notes to the Consolidated Financial Statements

Note 1 – Summary of Significant Accounting Policies

Nature of Operations

MVB Financial Corp. ("the Company") is a financial holding company and was organized in 2003. MVB operates principally through its wholly-owned subsidiary, MVB Bank, Inc. ("MVB Bank"). MVB Bank's operating subsidiaries include Potomac Mortgage Group ("PMG" which began doing business under the registered trade name "MVB Mortgage"), MVB Insurance, LLC ("MVB Insurance"), and MVB Community Development Corporation ("CDC").

Principles of Consolidation and Basis of Presentation

These consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP") for interim financial information and with instructions to Form 10-Q. Accordingly, they do not include all the information and footnotes required by GAAP 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 consolidated balance sheet as of December 31, 2018 has been derived from audited financial statements included in the Company's 2018 filing on Form 10-K. Operating results for the three and six months ended June 30, 2019 are not necessarily indicative of the results that may be expected for the year ending December 31, 2019.

The accounting and reporting policies of the Company 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.

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 consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the company's December 31, 2018, Form 10-K filed with the Securities and Exchange Commission (the "SEC").

In certain instances, amounts reported in prior periods' consolidated financial statements have been reclassified to conform to the current presentation.

Information is presented in these notes with dollars expressed in thousands, unless otherwise noted or specified.

Accounting Changes

On January 1, 2019, the Company adopted ASU 2016-02, *Leases (Topic 842)*. This pronouncement requires that lessees and lessors recognize lease assets and lease liabilities on the balance sheet and disclose key information about leasing arrangements. ASU 2016-02 provides for a modified retrospective transition approach requiring lessees to recognize and measure leases on the balance sheet at the beginning of either the earliest period presented or as of the beginning of the period of adoption with the option to elect certain practical expedients. The Company has elected to apply ASU 2016-02 as of the beginning of the period (January 1, 2019) and has not restated comparative periods. Of the optional practical expedients available under ASU 2016-02, all have been adopted. Upon adoption, the Company recognized right-of-use assets and related lease liabilities totaling $12.9 million and $15.7 million, respectively.

Certain of the Company's leases contain options to renew the lease; however, some of these renewal options are not included in the calculation of the lease liabilities as they are not reasonably expected to be exercised. The Company's leases do not contain residual value guarantees or material variable lease payments, and the Company does not have any material restrictions or covenants imposed by leases that would impact the Company's ability to pay dividends or cause the Company to incur additional financial obligations.

The Company has made an accounting policy election to not apply the recognition requirements in Topic 842 to short-term leases. The Company has also elected to use the practical expedient to make an accounting policy election for property leases to include both lease and non-lease components as a single component and account for as a lease.

The Company's leases are not complex; therefore, there were no significant assumptions or judgments made in applying the requirements of Topic 842, including the determination of whether the contracts contained a lease, the allocation of consideration in the contracts between lease and non-lease components, and the determination of the discount rates for the leases.

Note 2 – Recent Accounting Pronouncements

In February 2018, the Financial Accounting Standards Board ("FASB") issued ASU 2018-02, *Income Statement - Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income*. This update requires a reclassification from accumulated other comprehensive income ("AOCI") to retained earnings for stranded tax effects resulting from the newly enacted federal corporate income tax rate in the Tax Reform Act, which was enacted on December 22, 2017. The Tax Reform Act included a reduction to the corporate income tax rate from 34 percent to 21 percent effective January 1, 2018. The amendments in the ASU are effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. The Company elected to early adopt ASU 2018-02 during the first quarter of 2018 and elected to reclassify the income tax effects of the Tax Reform Act from AOCI to retained earnings. The amount of the reclassification is the difference between the historical corporate income tax rate and the newly enacted 21 percent corporate income tax rate, which amounted to $646 thousand.

In August 2017, the FASB issued ASU 2017-12, *Targeted Improvements to Accounting for Hedging Activities*, which amends the existing hedge accounting model and expands an entity's ability to hedge nonfinancial and financial risk components and reduce complexity in fair value hedges of interest-rate risk. The ASU eliminates the requirement to separately measure and report hedge ineffectiveness and generally requires the entire change in the fair value of a hedging instrument to be presented in the same income statement line as the hedged item. The ASU also changes certain documentation and assessment requirements and modifies the accounting for components excluded from the assessment of hedge effectiveness. This ASU is effective for public business entities for fiscal years beginning after December 15, 2018, with early adoption permitted. The Company adopted this ASU in accordance with paragraph ASC 815-20-65-3 subpart C. The adoption of this ASU did not have a significant impact on the Company's financial condition, results of operations and consolidated financial statements. The Company can now employ additional hedging strategies as described above, including the ability to apply fair value hedge accounting to a specified pool of assets by excluding the portion of the hedged items related to prepayments, defaults and other events. This allows the Company to better align its accounting and the financial reporting of its hedging activities with their economic objectives thereby reducing the earnings volatility resulting from these hedging activities.

In March 2017, the FASB issued ASU 2017-08, *Receivables – Nonrefundable Fees and Other Costs (Subtopic 310-20): Premium Amortization on Purchased Callable Debt Securities*. This ASU amends guidance on the amortization period of premiums on certain purchased callable debt securities. Specifically, the amendments shorten the amortization period of premiums on certain purchased callable debt securities to the earliest call date. The amendments affect all entities that hold investments in callable debt securities that have an amortized cost basis in excess of the amount that is repayable by the issuer at the earliest call date (that is, at a premium). For public companies, this update is effective for fiscal years beginning after December 15, 2018, including all interim periods within those fiscal years. The adoption of this guidance was not material to the consolidated financial statements, as was always our current policy to amortize premiums of investment securities to the earliest call date.

In January 2017, the FASB issued ASU 2017-04, *Intangibles – Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment*. Topic 350, Intangibles – Goodwill and Other (Topic 350), currently requires an entity that has not elected the private company alternative for goodwill to perform a two-step test to determine the amount, if any, of goodwill impairment. In Step 1, an entity compares the fair value of a reporting unit with its carrying amount, including goodwill. If the carrying amount of the reporting unit exceeds its fair value, the entity performs Step 2 and compares the implied fair value of goodwill with the carrying amount of that goodwill for that reporting unit. An impairment charge equal to the amount by which the carrying amount of goodwill for the reporting unit exceeds the implied fair value of that goodwill is recorded, limited to the amount of goodwill allocated to that reporting unit to address concerns over the cost and complexity of the two-step goodwill impairment test. The amendments in this Update remove the second step of the test. An entity will apply a one-step quantitative test and record the amount of goodwill impairment as the excess of a reporting unit's carrying amount over its fair value, not to exceed the total amount of goodwill allocated to the reporting unit. The new guidance does not amend the optional qualitative assessment of goodwill impairment. For public companies, this update will be effective for fiscal years beginning after December 15, 2019, including all interim periods within those fiscal years. The adoption of this guidance will not have a material impact on the consolidated financial statements.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. The new guidance replaces the incurred loss impairment methodology in current GAAP with an expected credit loss methodology and requires consideration of a broader range of information to determine credit loss estimates. Financial assets measured at amortized cost will be presented at the net amount expected to be collected by using an allowance for credit losses. Purchased credit impaired loans will receive an allowance account at the acquisition date that represents a component of the purchase price allocation. Credit losses relating to available-for-sale debt securities will be recorded through an allowance for credit losses, with such allowance limited to the amount by which fair value is below amortized cost. The guidance is effective for fiscal years beginning after December 15, 2019 and interim periods within those fiscal years. The Company has formed an implementation team led by the CFO, that also includes other lines of business and functions within the Company. The Company has also engaged a third party to assist with a data gap analysis and will utilize the data to determine the impact of the pronouncement. Additionally, the Company has researched and acquired software to assist in the development of models that can meet the requirements of the new guidance. While this standard may potentially have a material impact on the Company's consolidated financial statements, we are still in the process of completing our evaluation.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. Among other things, in the amendments in ASU 2016-02, lessees will be required to recognize the following for all leases (with the exception of short-term leases) at the commencement date:(1) A lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and (2) A right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. Under the new guidance, lessor accounting is largely unchanged. Certain targeted improvements were made to align, where necessary, lessor accounting with the lessee accounting model and Topic 606, Revenue from Contracts with Customers. The amendments in this ASU are effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. ASU 2016-02 initially required transition using a modified retrospective approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. In July 2018, the FASB issued ASU 2018-11, *Leases (Topic 842) - Targeted Improvements*, which, among other things, provides an additional transition method that would allow entities to not apply the guidance in ASU 2016-02 in the comparative periods presented in the financial statements and instead recognize a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption. In December 2018, the FASB also issued ASU 2018-20, *Leases (Topic 842) - Narrow Scope Improvements*, for Lessors which provides certain policy elections and changes lessor accounting for sales and similar taxes and certain lessor costs. Upon the adoption of ASU 2016-02, ASU 2018-11, and ASU 2018-20 on January 1, 2019, the Company recognized right-of-use assets and related lease liabilities totaling $12.9 million and $15.7 million, respectively. The initial balance sheet gross up upon adoption was primarily related to operating leases of certain real estate properties and financing leases of certain office equipment. The Company has no material subleases or leasing arrangements for which it is the lessor of property or equipment. The Company applied certain practical expedients provided under ASU 2016-02 whereby the Company did reassess (i) whether any expired or existing contracts are or contain leases, (ii) the lease classification for any expired or existing leases, and (iii) initial direct costs for any existing leases. The Company did not apply the recognition requirements of ASU 2016-02 to any short-term leases (as defined by related accounting guidance). The Company accounted for lease and non-lease components separately because such amounts are readily determinable under our lease contracts and because this election resulted in a lower impact on our balance sheet. The Company utilized the modified-retrospective transition approach prescribed by ASU 2018-11. See Note 5, "Premises and Equipment" of the Notes to the Consolidated Financial Statements, included in Item 1, Financial Statements, of this Quarterly Report on Form 10-Q.

In January 2016, the FASB issued ASU 2016-01, *Accounting for Financial Instruments - Overall: Classification and Measurement (Subtopic 825-10)*. Amendments within ASU 2016-01 that relate to non-public entities have been excluded from this presentation. The amendments in this ASU 2016-01 address the following: 1) require equity investments (except those accounted for under the equity method of accounting or those that result in consolidation of the investee) to be measured at fair value with changes in fair value recognized in net income. However, an entity may choose to measure equity investments that do not have readily determinable fair values at cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer; 2) simplify the impairment assessment of equity investments without readily-determinable fair values by requiring a qualitative assessment to identify impairment. When a qualitative assessment indicates that impairment exists, an entity is required to measure the investment at fair value; 3) eliminate the requirement to disclose the method(s) and significant assumptions used to estimate the fair value that is required to be disclosed for financial instruments measured at amortized cost on the balance sheet; 4) require entities to use the exit price notion when measuring the fair value of financial instruments for disclosure purposes; 5) require separate presentation in other comprehensive income for the portion of the total change in the fair value of a liability resulting from a change in the instrument-specific credit risk when the entity has elected to measure the liability at fair value in accordance with the fair value option for financial instruments; 6) require separate presentation of financial assets and financial liabilities by measurement category and form of financial asset (that is, securities or loans and receivables) on the balance sheet or the accompanying notes to the financial statements; and 7) clarify that an entity should evaluate the need for a valuation allowance on a deferred tax asset related to available-for-sale securities in combination with the entity's other deferred tax assets. The amendments are effective for public business entities for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. The Company adopted this guidance in the first quarter of 2018. The adoption of ASU 2016-01 on January 1, 2018 did not have a material impact on the Company's Consolidated Financial Statements. In accordance with 4) above, the Company discloses the fair value of its loan portfolio on a quarterly basis using an exit price notion. See Note 8, "Fair Value of Financial Instruments" of the Notes to the Consolidated Financial Statements, included in Item 1, Financial Statements, of this Quarterly Report on Form 10-Q.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The new revenue pronouncement creates a single source of revenue guidance for all companies in all industries and is more principles-based than current revenue guidance. The pronouncement provides a five-step model for a company to recognize revenue when it transfers control of goods or services to customers at an amount that reflects the consideration to which it expects to be entitled in exchange for those goods or services. The five steps are: (1) identify the contract with the customer, (2) identify the separate performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price to the separate performance obligations and (5) recognize revenue when each performance obligation is satisfied. The Company evaluated the impact of this standard on individual customer contracts, while management evaluated the impact of this standard on the broad categories of its customer contracts and revenue streams. The Company determined that this standard did not have a material impact on its consolidated financial statements because revenue related to financial instruments, including loans and investment securities are not in scope of these updates. Loan interest income, investment interest income, insurance services revenue and BOLI are accounted for under other U.S. GAAP standards and out of scope of ASC 606 revenue standard. The Company also completed an evaluation of certain costs related to customer contracts and revenue streams to determine whether such costs should be presented as expenses or contra-revenue (i.e., gross versus net). Based on the evaluation, the Company determined that the classification of certain debit and credit card related costs should change (i.e., costs previously recorded as expense are now recorded as contra-revenue). This classification change resulted in immaterial changes to both revenue and expense. The Company adopted the revenue recognition standard and its related amendments as of January 1, 2018 utilizing the modified retrospective approach. Since there was no net income impact upon adoption of the new guidance, a cumulative effect adjustment to opening retained earnings was not deemed necessary. Consistent with the modified retrospective approach, the Company did not adjust prior period amounts for the debit and credit card related cost reclassifications noted above.

Note 3 – Investment Securities

There were no held-to-maturity securities at June 30, 2019 or December 31, 2018.

Amortized cost and fair values of investment securities available-for-sale at June 30, 2019 are summarized as follows:

(Dollars in thousands)	Amortized Cost	Unrealized Gain	Unrealized Loss	Fair Value
U. S. Agency securities	$ 54,939	$ 239	$ (221)	$ 54,957
U.S. Sponsored Mortgage-backed securities	47,610	105	(700)	47,015
Municipal securities	100,530	2,589	(90)	103,029
Total debt securities	203,079	2,933	(1,011)	205,001
Other securities	10,427	163	(4)	10,586
Total investment securities available-for-sale	$ 213,506	3,096	$ (1,015)	$ 215,587

Amortized cost and fair values of investment securities available-for-sale at December 31, 2018 are summarized as follows:

(Dollars in thousands)	Amortized Cost	Unrealized Gain	Unrealized Loss	Fair Value
U. S. Agency securities	$ 79,041	$ 14	$ (1,625)	$ 77,430
U.S. Sponsored Mortgage-backed securities	52,154	—	(2,039)	50,115
Municipal securities	84,747	206	(1,192)	83,761
Total debt securities	215,942	220	(4,856)	211,306
Other securities	10,308	68	(68)	10,308
Total investment securities available-for-sale	$ 226,250	$ 288	$ (4,924)	$ 221,614

The following table summarizes amortized cost and fair values of debt securities by maturity:

	June 30, 2019	
	Available for sale	
(Dollars in thousands)	Amortized Cost	Fair Value
Within one year	$ 94	$ 570
After one year, but within five	20,100	20,182
After five years, but within ten	24,556	24,567
After ten years	158,329	159,682
Total	$ 203,079	$ 205,001

Investment securities with a carrying value of $37.5 million at June 30, 2019, 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 June 30, 2019, the details of which are included in the following table. Although these securities, if sold at June 30, 2019 would result in a pretax loss of $1.0 million, the Company has no intent to sell the applicable securities at such fair values, and maintains the Company has the ability to hold these securities until all principal has been recovered. Management does not intend to sell these securities and it is unlikely that the Company will be required to sell these securities before recovery of their amortized cost basis. Declines in the fair 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 June 30, 2019, 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 fair value.

The following table discloses investments in an unrealized loss position at June 30, 2019:

(Dollars in thousands)	Less than 12 months		12 months or more	
Description and number of positions	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
U.S. Agency securities (25)	$ —	$ —	$ 31,974	$ (221)
U.S. Sponsored Mortgage-backed securities (33)	—	—	37,982	(700)
Municipal securities (19)	1,390	(7)	8,528	(83)
Other securities (1)	—	—	511	(4)
	$ 1,390	$ (7)	$ 78,995	$ (1,008)

The following table discloses investments in an unrealized loss position at December 31, 2018:

(Dollars in thousands)	Less than 12 months		12 months or more	
Description and number of positions	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
U.S. Agency securities (54)	$ 9,762	$ (123)	$ 63,740	$ (1,502)
U.S. Sponsored Mortgage-backed securities (42)	2,360	(32)	47,755	(2,007)
Municipal securities (78)	5,936	(46)	35,955	(1,146)
Other securities (2)	2,452	(48)	1,018	(20)
	$ 20,510	$ (249)	$ 148,468	$ (4,675)

For the three-month periods ended June 30, 2019 and 2018, the Company sold investments available-for-sale of $18.9 million and $0, respectively. These sales resulted in gross gains of $47 thousand and $0 and gross losses of $97 thousand and $0, respectively.

For the six-month periods ended June 30, 2019 and 2018, the Company sold investments available-for-sale of $26.6 million and $680 thousand, respectively. These sales resulted in gross gains of $80 thousand and $325 thousand and gross losses of $248 thousand and $0, respectively.

For the three and six months ended June 30, 2019, the Company recognized unrealized holding gains of $13.6 million and $13.8 million, respectively, on equity securities held as of June 30, 2019, which was recorded in noninterest income in the consolidated statements of income.

For the three and six months ended June 30, 2018, the Company recognized unrealized holding losses of $11 thousand and $40 thousand, respectively, on equity securities held as of June 30, 2018, which was recorded in noninterest income in the consolidated statements of income.

Note 4 – Loans and Allowance for Loan Losses

The components of loans in the Consolidated Balance Sheets at June 30, 2019 and December 31, 2018, were as follows:

(Dollars in thousands)	June 30, 2019	December 31, 2018
Commercial and Non-Residential Real Estate	$ 984,830	$ 941,033
Residential Real Estate	273,827	294,929
Home Equity	58,893	59,015
Consumer	8,849	9,605
Total Loans	$ 1,326,399	$ 1,304,582
Deferred loan origination fees and costs, net	283	(216)
Loans receivable	$ 1,326,682	$ 1,304,366

For loans with maturities over one year, loan origination fees and direct loan origination costs are deferred and recognized over the life of the loan. For loans with a maturity of less than one year, loan origination fees and direct loan origination costs are recognized when incurred.

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. The Bank's methodology allows for the analysis of certain impaired loans in homogeneous pools, rather than on an individual basis, when those loans are below specific thresholds based on outstanding principal balance. More specifically, residential mortgage loans, home equity lines of credit, and consumer loans, when considered impaired, are evaluated collectively for impairment by applying allocation rates derived from the Bank's historical losses specific to impaired loans. Total collectively evaluated impaired loans were $2.0 million and $1.7 million, while the related reserves were $170 thousand and $218 thousand as of June 30, 2019 and December 31, 2018.

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 qualified factors.

The segments described below in the impaired loans by class table, which are based on the federal call code assigned to each loan, provide the starting point for the ALL analysis. Company and bank 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. All 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.

Company and Bank management have 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: lending policies and procedures, nature and volume of the portfolio, experience and ability of lending management and staff, volume and severity of problem credits, conclusion of loan reviews, audits, and exams, changes in the value of underlying collateral, effect of concentrations of credit from a loan type, industry and/or geographic standpoint, changes in economic and business conditions consumer sentiment, and other external factors. The combination of historical charge-off and qualitative factors are then weighted for each risk grade. These weightings are determined internally based upon the likelihood of loss as a loan risk grading deteriorates.

To estimate the liability for off-balance sheet credit exposures, Bank management analyzed the portfolios of letters of credit, non-revolving lines of credit, and revolving lines of credit, and based its calculation on the expectation of future advances of each loan category. Letters of credit were determined to be highly unlikely to advance since they are generally in place only to ensure various forms of performance of the borrowers. In the Bank's history, there have been no letters of credit drawn upon. In addition, many of the letters of credit are cash secured and do not warrant an allocation. Non-revolving lines of credit were determined to be highly likely to advance as these are typically construction lines. Meanwhile, the likelihood of revolving lines of credit advancing varies with each individual borrower. Therefore, the future usage of each line was estimated based on the average line utilization of the revolving line of credit portfolio as a whole.

Once the estimated future advances were calculated, an allocation rate, which was derived from the Bank's historical losses and qualitative environmental factors, was applied in the similar manner as those used for the allowance for loan loss calculation. The resulting estimated loss allocations were totaled to determine the liability for unfunded commitments related to these loans, which Management considers necessary to anticipate potential losses on those commitments that have a reasonable probability of funding. As of June 30, 2019 and December 31, 2018, the liability for unfunded commitments related to loans held for investment was $284 thousand.

Bank 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.

The ALL 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 tables summarize 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 June 30, 2019:

(Dollars in thousands)	Commercial	Residential	Home Equity	Consumer	Total
January 1, 2019	$ 8,605	$ 1,405	$ 684	$ 245	$ 10,939
Charge-offs	(666)	—	—	(10)	(676)
Recoveries	1	1	2	1	5
Provision (recovery)	1,031	(177)	26	20	900
ALL balance at June 30, 2019	$ 8,971	$ 1,229	$ 712	$ 256	$ 11,168
Individually evaluated for impairment	$ 534	$ —	$ —	$ —	$ 534
Collectively evaluated for impairment	$ 8,437	$ 1,229	$ 712	$ 256	$ 10,634

(Dollars in thousands)	Commercial	Residential	Home Equity	Consumer	Total
ALL balance at April 1, 2019	$ 8,864	$ 1,417	$ 704	$ 257	$ 11,242
Charge-offs	(666)	—	—	(10)	(676)
Recoveries	1	—	1	—	2
Provision (recovery)	772	(188)	7	9	600
ALL balance at June 30, 2019	$ 8,971	$ 1,229	$ 712	$ 256	$ 11,168

The following table summarizes the primary segments of the Company loan portfolio as of June 30, 2019:

(Dollars in thousands)	Commercial	Residential	Home Equity	Consumer	Total
Individually evaluated for impairment	$ 7,771	$ 3,112	$ 250	$ 37	$ 11,170
Collectively evaluated for impairment	977,059	270,715	58,643	8,812	1,315,229
Total Loans	984,830	273,827	58,893	8,849	1,326,399

The following tables summarize 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 June 30, 2018:

(Dollars in thousands)	Commercial	Residential	Home Equity	Consumer	Total
January 1, 2018	$ 7,804	$ 1,119	$ 705	$ 250	$ 9,878
Charge-offs	(324)	(11)	—	(50)	(385)
Recoveries	10	9	56	4	79
Provision	1,174	55	(159)	9	1,079
ALL balance at June 30, 2018	$ 8,664	$ 1,172	$ 602	$ 213	$ 10,651
Individually evaluated for impairment	$ 1,049	$ —	$ —	$ —	$ 1,049
Collectively evaluated for impairment	$ 7,615	$ 1,172	$ 602	$ 213	$ 9,602

(Dollars in thousands)	Commercial	Residential	Home Equity	Consumer	Total
ALL balance at April 1, 2018	$ 7,998	$ 1,177	$ 693	$ 199	$ 10,067
Charge-offs	—	—	—	(29)	(29)
Recoveries	8	—	—	—	8
Provision (recovery)	658	(5)	(91)	43	605
ALL balance at June 30, 2018	$ 8,664	$ 1,172	$ 602	$ 213	$ 10,651

The following table summarizes the primary segments of the Company loan portfolio as of June 30, 2018:

(Dollars in thousands)	Commercial	Residential	Home Equity	Consumer	Total
Individually evaluated for impairment	$ 12,072	$ 3,096	$ 39	$ 39	$ 15,246
Collectively evaluated for impairment	871,995	257,746	58,360	11,341	1,199,442
Total Loans	$ 884,067	$ 260,842	$ 58,399	$ 11,380	$ 1,214,688

Loans are considered to be impaired when, based on current information and events, it is probable that the Company will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. Factors considered by management in evaluating impairment include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record, and the amount of the shortfall in relation to the principal and interest owed. The Company evaluates residential mortgage loans, home equity lines of credit, and consumer loans in homogeneous pools, rather than on an individual basis, when each of those loans are below specific thresholds based on outstanding principal balance. Such loans that individually exceed these thresholds are evaluated individually for impairment. The Chief Credit Officer identifies these loans individually by monitoring the delinquency status of the Bank's portfolio. Once identified, the Bank's ongoing communications with the borrower allow Management to evaluate the significance of the payment delays and the circumstances surrounding the loan and the borrower.

Once the determination has been made that a loan is impaired, the amount of the impairment is measured using one of 3 valuation methods: (a) the present value of expected future cash flows discounted at the loan's effective interest rate; (b) the loan's observable market price; or (c) the fair value of the collateral less selling costs. The method is selected on a loan-by-loan basis, with management primarily utilizing the fair value of collateral method. The evaluation of the need and amount of a specific allocation of the allowance and whether a loan can be removed from impairment status is made on a quarterly basis.

The following table presents impaired loans by class, segregated by those for which a specific allowance was required and those for which a specific allowance was not necessary as of June 30, 2019 and December 31, 2018:

	Impaired Loans with Specific Allowance		Impaired Loans with No Specific Allowance	Total Impaired Loans	
(Dollars in thousands)	**Recorded Investment**	**Related Allowance**	**Recorded Investment**	**Recorded Investment**	**Unpaid Principal Balance**
June 30, 2019					
Commercial					
Commercial Business	$ 267	$ 158	$ 3,206	$ 3,473	$ 4,166
Commercial Real Estate	1,726	367	409	2,135	2,205
Acquisition & Development	1,755	9	408	2,163	3,548
Total Commercial	3,748	534	4,023	7,771	9,919
Residential	—	—	3,112	3,112	3,129
Home Equity	—	—	250	250	255
Consumer	—	—	37	37	37
Total Impaired Loans	$ 3,748	$ 534	$ 7,422	$ 11,170	$ 13,340
December 31, 2018					
Commercial					
Commercial Business	$ 4,885	$ 668	$ 387	$ 5,272	$ 5,292
Commercial Real Estate	1,842	375	396	2,238	2,300
Acquisition & Development	—	—	2,224	2,224	3,601
Total Commercial	6,727	1,043	3,007	9,734	11,193
Residential	—	—	2,831	2,831	2,882
Home Equity	—	—	123	123	123
Consumer	—	—	90	90	316
Total Impaired Loans	$ 6,727	$ 1,043	$ 6,051	$ 12,778	$ 14,514

Impaired loans have decreased by $1.6 million, or 12.6%, during the six months ended June 30, 2019. This change is the net effect of multiple factors, including the identification of $542 thousand of impaired loans, payoffs of $1.5 million, partial charge offs of $676 thousand, the foreclosure of two unrelated commercial loans which required the reclassification of $79 thousand to other real estate owned, the reclassification of $185 thousand to performing loans based on improved repayment performance, and normal loan amortization.

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

	Six Months Ended June 30, 2019			Three Months Ended June 30, 2019		
(Dollars in thousands)	**Average Investment in Impaired Loans**	**Interest Income Recognized on Accrual Basis**	**Interest Income Recognized on Cash Basis**	**Average Investment in Impaired Loans**	**Interest Income Recognized on Accrual Basis**	**Interest Income Recognized on Cash Basis**
Commercial						
Commercial Business	$ 3,516	$ —	$ —	$ 3,424	$ —	$ —
Commercial Real Estate	3,809	81	83	3,579	40	45
Acquisition & Development	2,194	61	60	2,173	31	31
Total Commercial	9,519	142	143	9,176	71	76
Residential	2,990	7	7	3,123	3	4
Home Equity	166	1	1	210	1	1
Consumer	51	—	—	23	—	—
Total	$ 12,726	$ 150	$ 151	$ 12,532	$ 75	$ 81

	Six Months Ended June 30, 2018			Three Months Ended June 30, 2018		
(Dollars in thousands)	Average Investment in Impaired Loans	Interest Income Recognized on Accrual Basis	Interest Income Recognized on Cash Basis	Average Investment in Impaired Loans	Interest Income Recognized on Accrual Basis	Interest Income Recognized on Cash Basis
Commercial						
Commercial Business	$ 4,329	$ 76	$ 51	$ 4,132	$ 38	$ 51
Commercial Real Estate	7,173	48	22	6,915	24	22
Acquisition & Development	1,520	—	—	1,203	—	—
Total Commercial	13,022	124	73	12,250	62	73
Residential	1,973	10	3	2,200	5	3
Home Equity	79	—	—	93	—	—
Consumer	93	—	—	53	—	—
Total	$ 15,167	$ 134	$ 76	$ 14,596	$ 67	$ 76

As of June 30, 2019, the Bank's other real estate owned balance totaled $1.4 million. The Bank held twelve foreclosed residential real estate properties representing $583 thousand, or 41%, of the total balance of other real estate owned. These properties are held as a result of the foreclosures of primarily two commercial loan relationships, one of which included two properties for a total of $294 thousand, while the other included seven properties for a total of $174 thousand. The three remaining residential real estate properties, totaling $115 thousand, were result of the foreclosure of three unrelated borrowers. The remaining $826 thousand, or 59%, of other real estate owned is the result of the foreclosure of three unrelated commercial development loans. There are two additional consumer mortgage loans collateralized by residential real estate properties in the process of foreclosure. The total recorded investment in these loans was $516 thousand as of June 30, 2019. These loans are included in the table above and have no specific allowance allocated to them.

As of June 30, 2018, the Bank's other real estate owned balance totaled $1.8 million. The Bank held thirteen foreclosed residential real estate properties, representing $755 thousand, or 43% of the total balance of other real estate owned. The two commercial loan relationships noted above also represented the bulk of the Bank owned residential real estate reported as of June 30, 2018, totaling $395 thousand and $178 thousand, respectively. Three unrelated residential real estate properties were sold by the Bank within the last twelve months, totaling $228 thousand of the June 30, 2018 balance, while ten of the properties remained in the Bank's other real estate owned as of June 30, 2019. Of those properties that remained, the carrying value of two of those properties were reduced by a total of $23 thousand. The overall change in Bank owned residential real estate since June 30, 2018 was also impacted by the foreclosure of two properties, totaling $79 thousand. Lastly, the two commercial properties noted above were also included in total other real estate owned as of June 30, 2018, representing $891 thousand of the total at that time.

Bank 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. Any portion of a loan that has been or is expected to be 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 past due status, 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 ensures that a review of all commercial relationships of one million dollars or greater is performed annually.

Review of the appropriate risk grade is included in both the internal and external loan review process, and on an ongoing basis. The Bank has an experienced Credit Department that continually reviews and assesses loans within the portfolio. The Bank engages an external consultant to conduct independent loan reviews on at least an annual basis. Generally, the external consultant reviews larger commercial relationships or criticized relationships. The Bank's 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 June 30, 2019 and December 31, 2018:

(Dollars in thousands)	Pass	Special Mention	Substandard	Doubtful	Total
June 30, 2019					
Commercial					
Commercial Business	$ 478,576	$ 8,376	$ 11,513	$ —	$ 498,465
Commercial Real Estate	399,669	4,858	2,535	—	407,062
Acquisition & Development	74,172	2,122	2,889	120	79,303
Total Commercial	952,417	15,356	16,937	120	984,830
Residential	269,233	2,876	1,602	116	273,827
Home Equity	57,964	866	63	—	58,893
Consumer	8,675	145	29	—	8,849
Total Loans	$ 1,288,289	$ 19,243	$ 18,631	$ 236	$ 1,326,399
December 31, 2018					
Commercial					
Commercial Business	$ 432,589	$ 5,290	$ 5,652	$ —	$ 443,531
Commercial Real Estate	371,309	2,071	2,181	—	375,561
Acquisition & Development	118,754	179	2,879	129	121,941
Total Commercial	922,652	7,540	10,712	129	941,033
Residential	290,602	2,608	1,600	119	294,929
Home Equity	58,100	876	39	—	59,015
Consumer	9,359	164	19	63	9,605
Total Loans	$ 1,280,713	$ 11,188	$ 12,370	$ 311	$ 1,304,582

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.

A loan that has deteriorated and requires additional collection efforts by the Bank could warrant non-accrual status. A thorough review is presented to the Chief Credit Officer and/or the Management Loan Committee (“MLC”), as required with respect to any loan which is in a collection process and to make a determination as to whether the loan should be placed on non-accrual status. The placement of loans on non-accrual status is subject to applicable regulatory restrictions and guidelines. Generally, loans should be placed in non-accrual status when the loan reaches 90 days past due, when it becomes likely the borrower cannot or will not make scheduled principal or interest payments, when full repayment of principal and interest is not expected, or when the loan displays potential loss characteristics. Normally, all accrued interest is charged off when a loan is placed in non-accrual status, unless Management believes it is likely the accrued interest will be collected. Any payments subsequently received are applied to principal. To remove a loan from non-accrual status, all principal and interest due must be paid up to date and the Bank is reasonably sure of future satisfactory payment performance. Usually, this requires a six-month recent history of payments due. Removal of a loan from non-accrual status will require the approval of the Chief Credit Officer and/or MLC.

The following table presents the classes of the loan portfolio summarized by aging categories of performing loans and non-accrual loans as of June 30, 2019 and December 31, 2018:

(Dollars in thousands)	Current	30-59 Days Past Due	60-89 Days Past Due	90+ Days Past Due	Total Past Due	Total Loans	Non-Accrual	90+ Days Still Accruing
June 30, 2019								
Commercial								
Commercial Business	$ 489,419	$ 6,260	$ 6	$ 2,780	$ 9,046	$ 498,465	$ 3,065	$ —
Commercial Real Estate	406,886	162	14	—	176	407,062	316	—
Acquisition & Development	79,015	—	—	288	288	79,303	408	—
Total Commercial	975,320	6,422	20	3,068	9,510	984,830	3,789	—
Residential	272,773	—	197	857	1,054	273,827	2,735	—
Home Equity	58,497	64	189	143	396	58,893	213	—
Consumer	8,826	—	—	23	23	8,849	31	—
Total Loans	$ 1,315,416	$ 6,486	$ 406	$ 4,091	$ 10,983	$ 1,326,399	$ 6,768	$ —
December 31, 2018								
Commercial								
Commercial Business	$ 432,097	$ 6,380	$ 1,746	$ 3,308	$ 11,434	$ 443,531	$ 3,684	$ —
Commercial Real Estate	374,880	681	—	—	681	375,561	385	—
Acquisition & Development	121,644	—	—	297	297	121,941	426	—
Total Commercial	928,621	7,061	1,746	3,605	12,412	941,033	4,495	—
Residential	291,665	1,000	760	1,504	3,264	294,929	2,442	—
Home Equity	58,575	400	40	—	440	59,015	84	—
Consumer	9,485	28	10	82	120	9,605	82	—
Total Loans	$ 1,288,346	$ 8,489	$ 2,556	$ 5,191	$ 16,236	$ 1,304,582	$ 7,103	$ —

Troubled Debt Restructurings

The restructuring of a loan is considered a troubled debt restructuring (“TDR”) if both (i) the borrower is experiencing financial difficulties and (ii) the creditor has granted a concession. Concessions may include interest rate reductions or below market interest rates, principal forgiveness, restructuring amortization schedules and other actions intended to minimize potential losses. At June 30, 2019 and December 31, 2018, the Bank had specific reserve allocations for TDR’s of $484 thousand and $439 thousand, respectively.

Loans considered to be troubled debt restructured loans totaled $7.5 million and $8.0 million as of June 30, 2019 and December 31, 2018, respectively. Of these totals, $4.3 million and $4.2 million, respectively, represent accruing troubled debt restructured loans and represent 39% and 33%, respectively of total impaired loans. Meanwhile, as of June 30, 2019, $3.7 million represents three loans to two borrowers that have defaulted under the restructured terms. Two of the three loans, totaling $408 thousand, are commercial acquisition and development loans that were considered TDR’s due to extended interest only periods and/or unsatisfactory repayment structures once transitioned to principal and interest payments. The third loan, to an unrelated borrower, is a $2.7 million commercial term loan which was previously considered a TDR due to multiple interest only periods being provided. This loan defaulted during the three months ended September 30, 2018. The default is due to delayed payments stemming from ongoing negotiations with respect to a third-party operator that is expected to provide a new source of reliable cash flow to service the required payments of this loan. These negotiations are expected to conclude in the third quarter of 2019. These borrowers have experienced continued financial difficulty and are considered non-performing loans as of June 30, 2019 and December 31, 2018.

Two unrelated commercial loans totaling $272 thousand were classified as TDR’s in the six months ended June 30, 2018. Upon the identification of financial difficulties on the part of the borrowers, one of these loans was modified to allow for extended interest-only payments, while the other was modified to lower loan principal and interest payments. These loans have paid as agreed under their modified terms. Two unrelated commercial loans totaling $336 thousand were classified as TDR’s during the six months ended June 30, 2019. Upon the identification of financial difficulties on the part of the borrowers, these loans were modified to lower loan payments by lengthening the amortization period beyond what is typical for a commercial loan of this type. These loans have paid as agreed since they were renewed under modified terms.

New TDR's [1]

(Dollars in thousands)	Six Months Ended June 30, 2019			Three Months Ended June 30, 2019		
	Number of Contracts	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment	Number of Contracts	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
Commercial						
Commercial Business	2	$ 336	$ 333	1	$ 68	$ 68
Commercial Real Estate	—	—	—	—	—	—
Acquisition & Development	—	—	—	—	—	—
Total Commercial	2	336	333	1	68	68
Residential	—	—		—	—	—
Home Equity	—	—	—	—	—	—
Consumer	—	—	—	—	—	—
Total	2	$ 336	$ 333	1	$ 68	$ 68

(Dollars in thousands)	Six Months Ended June 30, 2018			Three Months Ended June 30, 2018		
	Number of Contracts	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment	Number of Contracts	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
Commercial						
Commercial Business	2	$ 272	$ 272	1	$ 144	$ 144
Commercial Real Estate	—	—	—	—	—	—
Acquisition & Development	—	—	—	—	—	—
Total Commercial	2	272	272	1	144	144
Residential	—	—	—	—	—	—
Home Equity	1	39	39	1	39	39
Consumer	1	10	10	1	10	10
Total	4	$ 321	$ 321	3	$ 193	$ 193

[1] The pre-modification and post-modification balances represent the balances outstanding immediately before and after modification of the loan.

Note 5 – Premises and Equipment

The Company leases certain premises and equipment under operating and finance leases. At June 30, 2019, the Company had lease liabilities totaling \$15.5 million and right-of-use assets totaling \$12.9 million related to these leases. Lease liabilities and right-of-use assets are reflected in other liabilities and other assets, respectively. For the six months ended June 30, 2019, the weighted average remaining lease term for finance leases was 3.5 years and the weighted average discount rate used in the measurement of finance lease liabilities was 2.81%. For the three months ended June 30, 2019, the weighted average remaining lease term for finance leases was 3.3 years and the weighted average discount rate used in the measurement of finance lease liabilities was 2.81%. For the six months ended June 30, 2019, the weighted average remaining lease term for operating leases was 12.5 years and the weighted average discount rate used in the measurement of operating lease liabilities was 3.53%. For the three months ended June 30, 2019, the weighted average remaining lease term for operating leases was 12.2 years and the weighted average discount rate used in the measurement of operating lease liabilities was 3.53%.

Lease costs were as follows:

(Dollars in thousands)	Six Months Ended June 30, 2019		Three Months Ended June 30, 2019	
Amortization of right-of-use assets, finance leases	$	40	$	20
Interest on lease liabilities, finance leases		4		2
Operating lease cost		1,007		477
Short-term lease cost		41		16
Variable lease cost		20		10
Total lease cost	$	1,112	$	525

Rent expense for the three and six months ended June 30, 2018, prior to the adoption of ASU 2016-02, was $500 thousand and $1.0 million, respectively.

There were no sale and leaseback transactions, leveraged leases, or lease transactions with related parties during the six months ended June 30, 2019. At June 30, 2019, the Company had leases that had not commenced, but will create approximately $2.4 million and $4.1 million of additional lease liabilities and right-of-use assets, respectively, for the Company.

Future minimum payments for finance leases and operating leases with initial or remaining terms of one year or more are as follows:

	June 30, 2019			
(Dollars in thousands)	Finance Leases		Operating Leases	
2019	$	77	$	1,858
2020		77		1,755
2021		77		1,772
2022		13		1,599
2023		—		1,396
2024 and thereafter		—		10,785
Total future minimum lease payments	$	244	$	19,165
Less: Amounts representing interest		(10)		(3,914)
Present value of net future minimum lease payments	$	234	$	15,251

Note 6 – Deposits

Deposits were as follows:

(Dollars in thousands)	June 30, 2019		December 31, 2018	
Noninterest-bearing demand	$	270,592	$	213,597
Interest-bearing demand		366,244		376,398
Savings and money markets		368,255		317,697
Time deposits, including CDs and IRAs		372,646		401,462
Total deposits	$	1,377,737	$	1,309,154
Time deposits that meet or exceed the FDIC insurance limit	$	12,994	$	15,280

Maturities of time deposits were as follows:

(Dollars in thousands)	June 30, 2019
2019	$ 195,405
2020	117,569
2021	15,812
2022	23,382
2023	20,478
Total	$ 372,646

Note 7 – Borrowed Funds

Short-term borrowings

Along with traditional deposits, the Bank has access to short-term borrowings from the FHLB, Federal Reserve discount window borrowings, and Fed Funds purchased from correspondent banks to fund its operations and investments. Short-term borrowings totaled $184.4 million at June 30, 2019, compared to $212.4 million at December 31, 2018.

Information related to short-term borrowings is summarized as follows:

(Dollars in thousands)	June 30, 2019	December 31, 2018
Balance at end of period	$ 184,450	$ 212,395
Average balance during the period	155,588	171,117
Maximum month-end balance	184,450	264,297
Weighted-average rate during the year	2.62 %	2.27 %
Weighted-average rate at end of period	2.46 %	2.62 %

Repurchase agreements

Along with traditional deposits, the Bank has access to securities sold under agreements to repurchase “repurchase agreements” with customers representing funds deposited by customers, on an overnight basis, that are collateralized by investment securities owned by the Company. Repurchase agreements with customers are included in borrowings section on the consolidated balance sheets. All repurchase agreements are subject to terms and conditions of repurchase/security agreements between the Company and the client and are accounted for as secured borrowings. The Company’s repurchase agreements reflected in liabilities consist of customer accounts and securities which are pledged on an individual security basis.

The Company monitors the fair value of the underlying securities on a monthly basis. Repurchase agreements are reflected at the amount of cash received in connection with the transaction and included in Securities sold under agreements to repurchase on the consolidated balance sheets. The primary risk with the Company’s repurchase agreements is market risk associated with the investments securing the transactions, as we may be required to provide additional collateral based on fair value changes of the underlying investments. Securities pledged as collateral under repurchase agreements are maintained with our safekeeping agents.

All of the Company’s repurchase agreements were overnight agreements at June 30, 2019 and December 31, 2018. These borrowings were collateralized with investment securities with a carrying value of $9.8 million and $15.4 million at June 30, 2019 and December 31, 2018, respectively, and were comprised of U.S. Government Agencies and Mortgage backed securities. Declines in the value of the collateral would require the Company to increase the amounts of securities pledged.

Repurchase agreements totaled $9.4 million at June 30, 2019, compared to $14.9 million at December 31, 2018.

Information related to repurchase agreements is summarized as follows:

(Dollars in thousands)	June 30, 2019	December 31, 2018
Balance at end of period	$ 9,429	$ 14,925
Average balance during the period	11,644	18,536
Maximum month-end balance	14,655	20,903
Weighted-average rate during the year	0.40 %	0.30 %
Weighted-average rate at end of period	0.44 %	0.16 %

Long-term notes from the FHLB were as follows:

(Dollars in thousands)	June 30, 2019	December 31, 2018
Fixed interest rate notes, originating between October 2006 and April 2007, due between October 2021 and April 2022, interest of between 5.18% and 5.20% payable monthly	$ 1,712	$ 1,741
Amortizing fixed interest rate note, originating February 2007, due February 2022, payable in monthly installments of $5 thousand, including interest of 5.22%	738	751
	$ 2,450	$ 2,492

Subordinated Debt

Information related to subordinated debt is summarized as follows:

(Dollars in thousands)	June 30, 2019	December 31, 2018
Balance at end of period	$ 16,524	$ 17,524
Average balance during the period	17,491	25,774
Maximum month-end balance	17,524	33,524
Weighted-average rate during the year	6.55 %	6.81 %
Weighted-average rate at end of period	6.49 %	6.57 %

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 1 capital.

The Trust Preferred Securities and the Debentures mature in 2037 and have been redeemable by the Company since 2012. Interest payments are due in March, June, September, and December and are adjusted at the interest due dates at a rate of 1.62% over the three-month LIBOR Rate. The obligations of the Company with respect to the issuance of the trust preferred securities constitute a full and unconditional guarantee by the Company of the Trust’s obligations with respect to the trust preferred securities to the extent set forth in the related guarantees.

On June 30, 2014, the Company issued its Convertible Subordinated Promissory Notes Due 2024 (the “Notes”) to various investors in the aggregate principal amount of $29,400,000. The Notes were issued in $100,000 increments per Note subject to a minimum investment of $1,000,000. The Notes expire 10 years after the initial issuance date of the Notes (the “Maturity Date”).

Interest on the Notes accrues on the unpaid principal amount of each Note (paid quarterly in arrears on January 1, April 1, July 1, and October 1 of each year) which rate shall be dependent upon the principal invested in the Notes and the holder’s ownership of common stock in the Company. For investments of less than $3,000,000 in Notes, an ownership of Company common stock representing at least 30% of the principal of the Notes acquired, the interest rate on the Notes is 7% per annum. For investments of $3,000,000 or greater in Notes and ownership of the Company’s common stock representing at least 30% of the principal of the Notes acquired, the interest rate on the Notes is 7.5% per annum. For investments of $10,000,000 or greater, the interest rate on the Notes is 7% per annum, regardless of whether the holder owns or acquires MVB common stock. The principal on the Notes shall be paid in full at the Maturity Date. On the fifth anniversary of the issuance of the Notes, a holder may elect to continue to receive the stated fixed rate on the Notes or a floating rate determined by LIBOR plus 5% up to a maximum rate of 9%, adjusted quarterly.

The Notes are unsecured and subject to the terms and conditions of any senior debt and after consultation with the Board of Governors of the Federal Reserve System, the Company may, after the Notes have been outstanding for 5 years, and without premium or penalty, prepay all or a portion of the unpaid principal amount of any Note together with the unpaid interest accrued on such portion of the principal amount of such Note. All such prepayments shall be made pro rata among the holders of all outstanding Notes.

At the election of a holder, any or all of the Notes may be converted into shares of common stock during the 5-day period after the first, second, third, fourth, and fifth anniversaries of the issuance of the Notes or upon a notice to prepay by the Company. On December 28, 2017, the Company distributed notices to the holders of the Notes that provide that the Company has elected to waive the timing requirements associated with when a conversion may occur and, instead, the Company will accept notices of conversion at any time prior to July 1, 2019, which is the final conversion date for the Notes. The Notes will convert into common stock based on $16 per share of the Company's common stock. The conversion price will be subject to anti-dilution adjustments for certain events such as stock splits, reclassifications, non-cash distributions, extraordinary cash dividends, pro rata repurchases of common stock, and business combination transactions. The Company must give 20 days' notice to the holders of the Company's intent to prepay the Notes, so that holders may execute the conversion right set forth above if a holder so desires.

Repayment of the Notes is subordinated to the Company's outstanding senior debt including (if any) without limitation, senior secured loans. No payment will be made by the Company, directly or indirectly, on the Notes, unless and until all of the senior debt then due has been paid in full. Notwithstanding the foregoing, so long as there exists no event of default under any senior debt, the Company would make, and a holder would receive and retain for the holder's account, regularly scheduled payments of accrued interest and principal pursuant to the terms of the Notes.

The Company must obtain a consent of the holders of the Notes prior to issuing any new senior debt in excess of $15,000,000 after the date of issuance of the Notes and prior to the Maturity Date.

An event of default will occur upon the Company's bankruptcy or any failure to pay interest, principal, or other amounts owing on the Notes when due. Upon the occurrence and during the continuance of an event of default (but subject to the subordination provisions of the Notes) the holders of a majority of the outstanding principal amount of the Notes may declare all or any portion of the outstanding principal amount of the Notes due and payable and demand immediate payment of such amount.

The Notes are redeemable, in whole or in part, at a redemption price equal to 100% of the principal amount of the Notes to be redeemed on any interest payment date after a date five years from the original issue date.

The Company reflects subordinated debt in the amount of $16.5 million as of June 30, 2019 and $17.5 million as of December 31, 2018 and interest expense of $572 thousand and $1.1 million for the six months ended June 30, 2019 and 2018.

In 2018, $16.0 million of subordinated debt was converted into common stock, which resulted in the issuance of 1,000,000 new shares and provided an annual interest expense savings of $1.1 million.

During the six months ended June 30, 2019, $1.0 million of subordinated debt was converted into common stock, which resulted in the issuance of 62,500 new shares and provided an annual interest expense savings of $70 thousand.

A summary of maturities of borrowings and subordinated debt over the next five years is as follows (dollars in thousands):

Year	Amount
2019	$ 184,493
2020	90
2021	886
2022	1,431
2023	—
Thereafter	16,524
	$ 203,424

Note 8 – Fair Value of Financial Instruments

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 hierarchical 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 methods of determining the fair value of assets and liabilities presented in this footnote are consistent with our methodologies disclosed in Note 17, "Fair Value of Financial Instruments" and Note 18, "Fair Value Measurement" of the Notes to the Consolidated Financial Statements included in Item 8, Financial Statements and Supplementary Data, of the Company's 2018 Annual Report on Form 10-K, except for the valuation of loans held for investment which was impacted by the adoption of ASU 2016-01. In accordance with ASU 2016-01, the fair value of loans held for investment is estimated using a discounted cash flow analysis. The discount rates used to determine fair value use interest rate spreads that reflect factors such as liquidity, credit, and nonperformance risk of the loans. Loans are considered a Level III classification.

Assets Measured on a Recurring Basis

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 II instruments and valued them using the market approach. The following measurements are made on a recurring basis.

- **Available-for-sale investment and equity securities –** Available-for-sale investment securities are recorded at fair value on a recurring basis. Fair value measurement is based upon quoted prices, if available. If quoted prices are not available, fair values are measured using independent pricing models or other model-based valuation techniques such as the present value of future cash flows, adjusted for the security's credit rating, prepayment assumptions and other factors such as credit loss assumptions. Level I securities include those traded on an active exchange, such as the New York Stock Exchange, U.S. Treasury securities that are traded by dealers or brokers in active over-the-counter markets and money market funds. Level II securities include mortgage-backed securities issued by government sponsored entities and private label entities, municipal bonds, and corporate debt securities. There have been no changes in valuation techniques for the three or six months ended June 30, 2019. Valuation techniques are consistent with techniques used in prior periods. Certain local municipal securities related to tax increment financing ("TIF") are independently valued and classified as Level III instruments.

- **Loans held for sale –** The fair value of mortgage loans held for sale is determined, when possible, using quoted secondary-market prices or investor commitments. If no such quoted price exists, the fair value of a loan is determined using quoted prices for a similar asset or assets, adjusted for the specific attributes of that loan, which would be used by other market participants.

- **Interest rate lock commitment –** The Company estimates the fair value of interest rate lock commitments based on the value of the underlying mortgage loan, quoted mortgage-backed security prices, and estimates of the fair value of the mortgage servicing rights and the probability that the mortgage loan will fund within the terms of the interest rate lock commitments.

- **Mortgage-backed security hedges –** MBS hedges are considered derivatives and are recorded at fair value based on observable market data of the individual mortgage-backed security.

- **Interest rate cap –** The fair value of the interest rate cap is determined at the end of each quarter by using Bloomberg Finance which values the interest rate cap using observable inputs from forward and futures yield curves as well as standard market volatility.

- **Interest rate swap –** Interest rate swaps are recorded at fair value based on third party vendors who compile prices from various sources and may determine fair value of identical or similar instruments by using pricing models that consider observable market data.

- **Fair value hedge –** Treated like an interest rate swap, fair value hedges are recorded at fair value based on third party vendors who compile prices from various sources and may determine fair value of identical or similar instruments by using pricing models that consider observable market data.

The following tables present the assets reported on the consolidated statements of financial condition at their fair value on a recurring basis as of June 30, 2019 and December 31, 2018 by level within the fair value hierarchy. Financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

	June 30, 2019			
(Dollars in thousands)	**Level I**	**Level II**	**Level III**	**Total**
Assets:				
U.S. Government Agency securities	$ —	$ 54,957	$ —	$ 54,957
U.S. Sponsored Mortgage backed securities	—	47,015	—	47,015
Municipal securities	—	72,492	30,537	103,029
Other securities	—	10,586	—	10,586
Equity securities	—	16,814	1,550	18,364
Loans held for sale	—	119,906	—	119,906
Interest rate lock commitment	—	—	2,541	2,541
Interest rate swap	—	4,722	—	4,722
Interest rate cap	—	—	—	—
Fair value hedge	—	943	—	943
Liabilities:				
Interest rate swap	—	4,722	—	4,722
Fair value hedge	—	943	—	943
Mortgage-backed security hedges	—	647	—	647

	December 31, 2018			
(Dollars in thousands)	**Level I**	**Level II**	**Level III**	**Total**
Assets:				
U.S. Government Agency securities	$ —	$ 77,430	$ —	$ 77,430
U.S. Sponsored Mortgage backed securities	—	50,115	—	50,115
Municipal securities	—	50,639	33,122	83,761
Other securities	—	10,308	—	10,308
Equity securities	6,027	3,272	300	9,599
Loans held for sale	—	75,807	—	75,807
Interest rate lock commitment	—	—	1,750	1,750
Interest rate swap	—	1,375	—	1,375
Interest rate cap	—	8	—	8
Fair value hedge	—	343	—	343
Liabilities:				
Interest rate swap	—	1,375	—	1,375
Fair value hedge	—	343	—	343
Mortgage-backed security hedges	—	853	—	853

The following table represents recurring level III assets:

(Dollars in thousands)	Interest Rate Lock Commitments	Municipal Securities	Equity Securities	Total
Balance at January 1, 2019	$ 1,750	$ 33,122	$ 300	$ 35,172
Realized and unrealized gains included in earnings	791	—	—	791
Purchase of securities	—	109	1,250	1,359
Unrealized gain included in other comprehensive income (loss)	—	6,915	—	6,915
Unrealized loss included in other comprehensive income (loss)	—	(9,609)	—	(9,609)
Balance at June 30, 2019	$ 2,541	$ 30,537	$ 1,550	$ 34,628
Balance at April 1, 2019	$ 2,256	$ 36,801	$ 750	$ 39,807
Realized and unrealized gains included in earnings	285	—		285
Purchase of securities	—	109	800	909
Unrealized gain included in other comprehensive income (loss)	—	2,051	—	2,051
Unrealized loss included in other comprehensive income (loss)	—	(8,424)	—	(8,424)
Balance at June 30, 2019	$ 2,541	$ 30,537	$ 1,550	$ 34,628
Balance at January 1, 2018	$ 1,426	$ 22,909	$ 900	$ 25,235
Realized and unrealized gains included in earnings	949	—	—	949
Purchase of securities	—	6,232	—	6,232
Unrealized loss included in other comprehensive income (loss)	—	(968)	—	(968)
Balance at June 30, 2018	$ 2,375	$ 28,173	$ 900	$ 31,448
Balance at April 1, 2018	$ 2,312	$ 22,571	$ 900	$ 25,783
Realized and unrealized losses included in earnings	63	—	—	63
Purchase of securities	—	6,232	—	6,232
Unrealized gain included in other comprehensive income (loss)	—	29	—	29
Unrealized loss included in other comprehensive income (loss)	—	(659)	—	(659)
Balance at June 30, 2018	$ 2,375	$ 28,173	$ 900	$ 31,448

Assets Measured on a Nonrecurring Basis

The Company may be required, from time to time, to measure certain financial assets, financial liabilities, non-financial assets, and non-financial liabilities at fair value on a nonrecurring basis in accordance with U.S. generally accepted accounting principles. These include assets that are measured at the lower of cost or market value that were recognized at fair value below cost at the end of the period. Certain non-financial assets measured at fair value on a nonrecurring basis include foreclosed assets (upon initial recognition or subsequent impairment), non-financial assets and non-financial liabilities measured at fair value in the second step of a goodwill impairment test, and intangible assets and other non-financial long-lived assets measured at fair value for impairment assessment. Non-financial assets measured at fair value on a nonrecurring basis during 2019 and 2018 include certain foreclosed assets which, upon initial recognition, were remeasured and reported at fair value through a charge-off to the allowance for possible loan losses and certain foreclosed assets which, subsequent to their initial recognition, were remeasured at fair value through a write-down included in other noninterest expense.

- **Impaired loans –** Loans for which it is probable that payment of interest and principal will not be made in accordance with the contractual terms of the loan agreement are considered impaired. Once a loan is identified as individually impaired, management measures impairment using one of several methods, including collateral value, liquidation value and discounted cash flows. Those impaired loans not requiring an allowance represent loans for which the fair value of the expected repayments or collateral exceed the recorded investments in such loans. Collateral values are estimated using Level II inputs based on observable market data or Level III inputs based on customized discounting criteria. For a majority of impaired real estate related loans, the Company obtains a current external appraisal. Other valuation techniques are used as well, including internal valuations, comparable property analysis and contractual sales information.

- **Other real estate owned –** Other real estate owned, which is obtained through the Bank's foreclosure process is valued utilizing the appraised collateral value. Collateral values are estimated using Level II inputs based on observable market data or Level III inputs based on customized discounting criteria. At the time, the foreclosure is completed, the Company obtains a current external appraisal.

Assets measured at fair value on a nonrecurring basis as of June 30, 2019 and December 31, 2018 are included in the table below:

	June 30, 2019			
(Dollars in thousands)	**Level I**	**Level II**	**Level III**	**Total**
Impaired loans	$ —	$ —	$ 10,636	$ 10,636
Other real estate owned	—	—	1,404	1,404

	December 31, 2018			
(Dollars in thousands)	**Level I**	**Level II**	**Level III**	**Total**
Impaired loans	$ —	$ —	$ 11,735	$ 11,735
Other real estate owned	—	—	2,145	2,145

The following tables presents quantitative information about the Level III significant unobservable inputs for assets and liabilities measured at fair value at June 30, 2019 and December 31, 2018.

	Quantitative Information about Level III Fair Value Measurements			
(Dollars in thousands)	**Fair Value**	**Valuation Technique**	**Unobservable Input**	Range
June 30, 2019				
Nonrecurring measurements:				
Impaired loans	$ 10,636	Appraisal of collateral [1]	Appraisal adjustments [2]	20% - 62%
			Liquidation expense [2]	5% - 10%
Other real estate owned	$ 1,404	Appraisal of collateral [1]	Appraisal adjustments [2]	20% - 30%
			Liquidation expense [2]	5% - 10%
Recurring measurements:				
Municipal securities	$ 30,537	Appraisal of bond [3]	Bond appraisal adjustment [4]	5% - 15%
Equity securities	$ 1,550	Net asset value	Cost minus impairment	0%
Interest rate lock commitments	$ 2,541	Pricing model	Pull through rates	77% - 82%

	Quantitative Information about Level III Fair Value Measurements			
(Dollars in thousands)	**Fair Value**	**Valuation Technique**	**Unobservable Input**	Range
December 31, 2018				
Nonrecurring measurements:				
Impaired loans	$ 11,735	Appraisal of collateral [1]	Appraisal adjustments [2]	20% - 62%
			Liquidation expense [2]	5% - 10%
Other real estate owned	$ 2,145	Appraisal of collateral [1]	Appraisal adjustments [2]	20% - 30%
			Liquidation expense [2]	5% - 10%
Recurring measurements:				
Municipal securities	$ 33,122	Appraisal of bond [3]	Bond appraisal adjustment [4]	5% - 15%
Equity securities	$ 300	Net asset value	Cost minus impairment	0%
Interest rate lock commitments	$ 1,750	Pricing model	Pull through rates	80% - 88%

[1] Fair value is generally determined through independent appraisals of the underlying collateral, which generally include various level III inputs which are not identifiable.

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

[3] Fair value determined through independent analysis of liquidity, rating, yield and duration.

[4] Appraisals may be adjusted for qualitative factors such as local economic conditions.

Estimated fair value of financial instruments have been determined by the Company using historical data, as generally provided in the Company's regulatory reports, and an estimation methodology suitable for each category of financial instruments.

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

Fair Value Measurements at:

(Dollars in thousands)	Carrying Value	Estimated Fair Value	Quoted Prices in Active Markets for Identical Assets (Level I)	Significant Other Observable Inputs (Level II)	Significant Unobservable Inputs (Level III)
June 30, 2019					
Financial assets:					
Cash and cash equivalents	$ 21,209	$ 21,209	$ 21,209	$ —	$ —
Certificates of deposits with other banks	14,530	14,362	—	14,362	—
Securities available-for-sale	215,587	215,587	—	185,050	30,537
Equity securities	18,364	18,364	—	16,814	1,550
Loans held for sale	119,906	119,906	—	119,906	—
Loans, net	1,315,514	1,310,437	—	—	1,310,437
Mortgage servicing rights	319	319	—	—	319
Interest rate lock commitment	2,541	2,541	—	—	2,541
Interest rate swap	4,722	4,722	—	4,722	—
Fair value hedge	943	943	—	943	—
Accrued interest receivable	7,920	7,920	—	1,439	6,481
Financial liabilities:					
Deposits	$ 1,377,737	$ 1,330,140	$ —	$ 1,330,140	$ —
Repurchase agreements	9,429	9,429	—	9,429	—
FHLB and other borrowings	186,900	186,848	—	186,848	—
Mortgage-backed security hedges	647	647	—	647	—
Interest rate swap	4,722	4,722	—	4,722	—
Fair value hedge	943	943	—	943	—
Accrued interest payable	1,025	1,025	—	1,025	—
Subordinated debt	16,524	17,196	—	17,196	—
December 31, 2018					
Financial assets:					
Cash and cash equivalents	$ 22,221	$ 22,221	$ 22,221	$ —	$ —
Certificates of deposits with other banks	14,778	14,300	—	14,300	—
Securities available-for-sale	221,614	221,614	—	188,492	33,122
Equity securities	9,599	9,599	6,027	3,272	300
Loans held for sale	75,807	75,807	—	75,807	—
Loans, net	1,293,427	1,276,065	—	—	1,276,065
Mortgage servicing rights	173	173	—	—	173
Interest rate lock commitment	1,750	1,750	—	—	1,750
Interest rate swap	1,375	1,375	—	1,375	—
Interest rate cap	8	8	—	8	—
Fair value hedge	343	343	—	343	—
Accrued interest receivable	7,710	7,710	—	1,368	6,342
Financial liabilities:					
Deposits	$ 1,309,154	$ 1,249,164	$ —	$ 1,249,164	$ —
Repurchase agreements	14,925	14,925	—	14,925	—
FHLB and other borrowings	214,887	214,969	—	214,969	—
Mortgage-backed security hedges	853	853	—	853	—
Interest rate swap	1,375	1,375	—	1,375	—
Fair value hedge	343	343	—	343	—
Accrued interest payable	1,064	1,064	—	1,064	—
Subordinated debt	17,524	18,250	—	18,250	—

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 9 – Stock Offerings

On March 13, 2017, the Company entered into an Investment Agreement (the "Investment Agreement") with its Chief Executive Officer, Larry F. Mazza ("Mazza"). Pursuant to the Investment Agreement, Mazza committed to subscribe for and purchase, at the Subscription Price, upon expiration of the Rights Offering, the number of shares of the Company's common stock, if any, equal to the amount by which 100,000 exceeds the number of shares purchased by Mazza in the Rights Offering. Pursuant to the Investment Agreement, Mazza agreed not to sell or otherwise transfer any shares acquired in connection with the Investment Agreement for a period of six months following the closing of the Rights Offering.

Larry F. Mazza purchased 100,000 shares of the Company's common stock: 90,999 under the rights offering and 9,001 shares under the Investment Agreement.

On March 13, 2017, the Company filed with the SEC a prospectus supplement and accompanying base prospectus (collectively, the "Prospectus") relating to the commencement of the Company's rights offering (the "Rights Offering"), pursuant to which the Company distributed, at no charge, non-transferable subscription rights to the holders of its common stock as of 5:00 p.m., Eastern time, on March 10, 2017. The subscription rights were exercisable for up to a total of 434,783 shares of the Company's common stock, subject to such terms and conditions as further described in the Prospectus.

On April 20, 2017, the Company announced the completion of the rights offering, which expired at 5:00 p.m. Eastern time on April 14, 2017. All 434,783 shares offered in the rights offering were subscribed for, resulting in new capital of approximately $5.0 million. Computershare, who served as subscription agent, completed its review and tabulation of subscriptions on April 19, 2017. Computershare issued the shares acquired in the rights offering by book entry in the Company's stock ownership records, which are maintained by Computershare, as transfer agent, on or about April 20, 2017.

On June 30, 2014, the Company filed Certificates of Designations for its Convertible Noncumulative Perpetual Preferred Stock, Series B ("Class B Preferred") and its Convertible Noncumulative Perpetual Preferred Stock, Series C ("Class C Preferred"). The Class B Preferred Certificate designated 400 shares of preferred stock as Class B Preferred shares. The Class B Preferred shares carry an annual dividend rate of 6% and are convertible into shares of Company common stock within 30 days after the first, second, third, fourth and fifth anniversaries of the original issue date, based on a common stock price of $16 per share, as adjusted for future corporate activities. On December 28, 2017, the Company distributed a notice to each of the holders of the Class B Preferred Stock regarding the Company's agreement to waive the timing requirements associated with when a conversion may occur and, instead, the Company will accept notices of conversion at any time prior to July 30, 2019, which is the final conversion date for the Preferred Stock. The Class B Preferred shares are redeemable by the Company on or after the fifth anniversary of the original issue date for Liquidation Amount, as defined therein, plus declared and unpaid dividends. Redemption is subject to any necessary regulatory approvals. In the event of liquidation of the Company, shares of Class B Preferred stock shall be junior to creditors of the Company and to the shares of Senior Noncumulative Perpetual Preferred Stock, Series A. Holders of Class B Preferred shares shall have no voting rights, except for authorization of senior shares of stock, amendment to the Class B Preferred shares, share exchanges, reclassifications or changes of control, or as required by law.

The Class C Preferred Certificate designated 383.4 shares of preferred stock as Class C Preferred shares. The Class C Preferred shares carry an annual dividend rate of 6.5% and are convertible into shares of Company common stock within 30 days after the first, second, third, fourth and fifth anniversaries of the original issue date, based on a common stock price of $16 per share, as adjusted for future corporate activities. On December 28, 2017, the Company distributed a notice to each of the holders of the Class C Preferred Stock regarding the Company's agreement to waive the timing requirements associated with when a conversion may occur and, instead, the Company will accept notices of conversion at any time prior to July 30, 2019, which is the final conversion date for the Preferred Stock. The Class C Preferred shares are redeemable by the Company on or after the fifth anniversary of the original issue date for Liquidation Amount, as defined therein, plus declared and unpaid dividends. Redemption is subject to any necessary regulatory approvals. In the event of liquidation of the Company, shares of Class C Preferred stock shall be junior to creditors of the Company and to the shares of Senior Noncumulative Perpetual Preferred Stock, Series A, and the Class B Preferred shares. Holders of Class C Preferred shares shall have no voting rights, except for authorization of senior shares of stock, amendment to the Class C Preferred shares, share exchanges, reclassifications, or changes of control, or as required by law. The proceeds of these preferred stock offerings will be used to support continued growth of the Company and its subsidiaries.

Note 10 – Net Income Per Common Share

The Company determines basic earnings per share by dividing net income less preferred stock dividends by the weighted average number of common shares outstanding during the period. Diluted earnings per share is determined by dividing net income less dividends on convertible preferred stock plus interest on convertible subordinated debt by the weighted average number of shares outstanding increased by both the number of shares that would be issued assuming the exercise of stock options or restricted stock unit awards under the Company's 2003 and 2013 Stock Incentive Plans and the conversion of preferred stock and subordinated debt if dilutive.

	Six Months Ended June 30		Three Months Ended June 30	
(Dollars in thousands except shares and per share data)	**2019**	**2018**	**2019**	**2018**
Numerator for basic earnings per share:				
Net income from continuing operations	$ 18,123	$ 5,425	$ 14,931	$ 2,831
Less: Dividends on preferred stock	243	243	122	122
Net income from continuing operations available to common shareholders - basic	17,880	5,182	14,809	2,709
Net income from discontinued operations available to common shareholders - basic and diluted	446	—	446	—
Net income available to common shareholders	$ 18,326	$ 5,182	$ 15,255	$ 2,709
Numerator for diluted earnings per share:				
Net income from continuing operations available to common shareholders - basic	$ 17,880	$ 5,182	$ 14,809	$ 2,709
Add: Dividends on convertible preferred stock	243	—	122	122
Add: Interest on subordinated debt (tax effected)	346	—	174	—
Net income from continuing operations available to common shareholders - diluted	$ 18,469	$ 5,182	$ 15,105	$ 2,831
Denominator:				
Total average shares outstanding	11,625,903	10,554,916	11,644,061	10,634,805
Effect of dilutive convertible preferred stock	489,625	—	489,625	489,625
Effect of dilutive convertible subordinated debt	775,000	—	775,000	—
Effect of dilutive stock options and restricted stock units	249,084	386,755	246,616	377,718
Total diluted average shares outstanding	13,139,612	10,941,671	13,155,302	11,502,148
Earnings per share from continuing operations - basic	$ 1.54	$ 0.49	$ 1.27	$ 0.25
Earnings per share from discontinued operations - basic	$ 0.04	$ —	$ 0.04	$ —
Earnings per share - basic	$ 1.58	$ 0.49	$ 1.31	$ 0.25
Earnings per share from continuing operations - diluted	$ 1.41	$ 0.47	$ 1.15	$ 0.25
Earnings per share from discontinued operations - diluted	$ 0.03	$ —	$ 0.03	$ —
Earnings per share - diluted	$ 1.44	$ 0.47	$ 1.18	$ 0.25

For the three months ended June 30, 2019 and 2018, approximately 0 and 1 million, respectively, options to purchase shares of common stock were not included in the computation of diluted earnings per share because the effect would be antidilutive.

For the six months ended June 30, 2019 and 2018, approximately 0 and 1.5 million, respectively, options to purchase shares of common stock were not included in the computation of diluted earnings per share because the effect would be antidilutive.

For the three months ended June 30, 2019 and 2018, approximately 0 and 31 thousand shares, respectively, of restricted stock units were not included in the computation of diluted earnings per share because the effect would be antidilutive.

For the six months ended June 30, 2019 and 2018, approximately 0 and 37 thousand shares, respectively, of restricted stock units were not included in the computation of diluted earnings per share because the effect would be antidilutive.

Note 11 – Segment Reporting

The Company has identified three reportable segments: commercial and retail banking; mortgage banking; and financial holding company. Revenue from commercial and retail banking activities consists primarily of interest earned on loans and investment securities and service charges on deposit accounts. Revenue from financial holding company activities is mainly comprised of intercompany service income and dividends.

Revenue from the mortgage banking activities is comprised of interest earned on loans and fees received as a result of the mortgage origination process. The mortgage banking services are conducted by MVB Mortgage.

On June 30, 2016, the Company entered into an Asset Purchase Agreement with USI Insurance Services (“USI”), in which USI purchased substantially all of the assets and assumed certain liabilities of MVB Insurance, which resulted in a pre-tax gain of $6.9 million, as discussed in Note 15, “Discontinued Operations” of the Notes to the Consolidated Financial Statements, included in Item 1, Financial Statements, of this Quarterly Report on Form 10-Q. MVB Insurance retained the assets related to, and continues to operate, its title insurance business. The title insurance business is immaterial in terms of revenue.

Based on a measurement period that ended June 30, 2019, the Company has earned and is reasonably assured to receive an earn-out payment related to the Asset Purchase Agreement with USI. The Company expects to receive the earn-out payment sometime during the third quarter 2019 and as of June 30, 2019, have estimated the earn-out payment as shown in the following tables and is recorded as contingent consideration from discontinued operations.

Information about the reportable segments and reconciliation to the consolidated financial statements for the three month periods ended June 30, 2019 and June 30, 2018 are as follows:

Three Months Ended June 30, 2019 **(Dollars in thousands)**	**Commercial & Retail Banking**	**Mortgage Banking**	**Financial Holding Company**	**Intercompany Eliminations**	**Consolidated**
Interest income	$ 18,820	$ 2,032	$ 1	$ (383)	$ 20,470
Interest expense	4,743	1,499	287	(588)	5,941
Net interest income	14,077	533	(286)	205	14,529
Provision for loan losses	625	(25)	—	—	600
Net interest income after provision for loan losses	13,452	558	(286)	205	13,929
Noninterest Income:					
Mortgage fee income	277	9,792	—	(205)	9,864
Other income	15,464	1,135	1,495	(1,571)	16,523
Total noninterest income	15,741	10,927	1,495	(1,776)	26,387
Noninterest Expenses:					
Salaries and employee benefits	4,220	7,038	2,022	—	13,280
Other expense	5,493	1,842	1,346	(1,571)	7,110
Total noninterest expenses	9,713	8,880	3,368	(1,571)	20,390
Income (loss) from continuing operations, before income taxes	19,480	2,605	(2,159)	—	19,926
Income tax expense (benefit) - continuing operations	4,785	703	(493)	—	4,995
Net income (loss) from continuing operations	14,695	1,902	(1,666)	—	14,931
Income from discontinued operations, before income taxes	—	—	600	—	600
Income tax expense - discontinued operations	—	—	154	—	154
Net income from discontinued operations	—	—	446	—	446
Net income (loss)	$ 14,695	$ 1,902	$ (1,220)	$ —	$ 15,377
Preferred stock dividends	—	—	122	—	122
Net income (loss) available to common shareholders	$ 14,695	$ 1,902	$ (1,342)	$ —	$ 15,255
Capital Expenditures for the three month period ended June 30, 2019	$ 414	$ 23	$ 77	$ —	$ 514
Total Assets as of June 30, 2019	1,831,419	225,012	217,217	(440,630)	1,833,018
Total Assets as of December 31, 2018	1,753,932	165,430	196,537	(364,930)	1,750,969
Goodwill as of June 30, 2019	1,598	16,882	—	—	18,480
Goodwill as of December 31, 2018	1,598	16,882	—	—	18,480

Three Months Ended June 30, 2018 (Dollars in thousands)	Commercial & Retail Banking	Mortgage Banking	Financial Holding Company	Intercompany Eliminations	Consolidated
Interest income	$ 15,426	$ 1,772	$ 1	$ (255)	$ 16,944
Interest expense	3,164	1,081	542	(498)	4,289
Net interest income	12,262	691	(541)	243	12,655
Provision for loan losses	625	(20)	—	—	605
Net interest income after provision for loan losses	11,637	711	(541)	243	12,050
Noninterest income:					
Mortgage fee income	154	9,152	—	(243)	9,063
Other income	1,068	706	1,489	(1,531)	1,732
Total noninterest income	1,222	9,858	1,489	(1,774)	10,795
Noninterest Expense:					
Salaries and employee benefits	3,884	6,826	1,784	—	12,494
Other expense	4,968	2,296	1,022	(1,531)	6,755
Total noninterest expenses	8,852	9,122	2,806	(1,531)	19,249
Income (loss) from continuing operations, before income taxes	4,007	1,447	(1,858)	—	3,596
Income tax expense (benefit) - continuing operations	832	373	(440)	—	765
Net income (loss) from continuing operations	3,175	1,074	(1,418)	—	2,831
Income from discontinued operations, before income taxes	—	—	—	—	—
Income tax expense - discontinued operations	—	—	—	—	—
Net income from discontinued operations	—	—	—	—	—
Net income (loss)	$ 3,175	$ 1,074	$ (1,418)	$ —	$ 2,831
Preferred stock dividends	—	—	122	—	122
Net income (loss) available to common shareholders	$ 3,175	$ 1,074	$ (1,540)	$ —	$ 2,709
Capital Expenditures for the three month period ended June 30, 2018	$ 609	$ 29	$ 19	$ —	$ 657
Total Assets as of June 30, 2018	1,681,115	191,933	187,917	(375,546)	1,685,419
Total Assets as of December 31, 2017	1,531,496	149,323	184,599	(331,116)	1,534,302
Goodwill as of June 30, 2018	1,598	16,882	—	—	18,480
Goodwill as of December 31, 2017	1,598	16,882	—	—	18,480

Six Months Ended June 30, 2019 **(Dollars in thousands)**	**Commercial & Retail Banking**	**Mortgage Banking**	**Financial Holding Company**	**Intercompany Eliminations**	**Consolidated**
Interest income	$ 37,147	$ 3,570	$ 3	$ (627)	$ 40,093
Interest expense	9,497	2,492	572	(969)	11,592
Net interest income	27,650	1,078	(569)	342	28,501
Provision for loan losses	872	28	—	—	900
Net interest income after provision for loan losses	26,778	1,050	(569)	342	27,601
Noninterest Income:					
Mortgage fee income	386	16,489	—	(341)	16,534
Other income	17,030	1,611	3,274	(3,297)	18,618
Total noninterest income	17,416	18,100	3,274	(3,638)	35,152
Noninterest Expenses:					
Salaries and employee benefits	8,615	12,197	4,202	—	25,014
Other expense	10,845	3,867	2,408	(3,296)	13,824
Total noninterest expenses	19,460	16,064	6,610	(3,296)	38,838
Income (loss) from continuing operations, before income taxes	24,734	3,086	(3,905)	—	23,915
Income tax expense (benefit) - continuing operations	5,839	849	(896)	—	5,792
Net income (loss) from continuing operations	18,895	2,237	(3,009)	—	18,123
Income from discontinued operations, before income taxes	—	—	600	—	600
Income tax expense - discontinued operations	—	—	154	—	154
Net income from discontinued operations	—	—	446	—	446
Net income (loss)	$ 18,895	$ 2,237	$ (2,563)	$ —	$ 18,569
Preferred stock dividends	—	—	243	—	243
Net income (loss) available to common shareholders	$ 18,895	$ 2,237	$ (2,806)	$ —	$ 18,326
Capital Expenditures for the six month period ended June 30, 2019	$ 503	$ 27	$ 99	$ —	$ 629
Total Assets as of June 30, 2019	1,831,419	225,012	217,217	(440,630)	1,833,018
Total Assets as of December 31, 2018	1,753,932	165,430	196,537	(364,930)	1,750,969
Goodwill as of June 30, 2019	1,598	16,882	—	—	18,480
Goodwill as of December 31, 2018	1,598	16,882	—	—	18,480

Six Months Ended June 30, 2018 (Dollars in thousands)	Commercial & Retail Banking	Mortgage Banking	Financial Holding Company	Intercompany Eliminations	Consolidated
Interest income	$ 29,265	$ 3,107	$ 2	$ (376)	$ 31,998
Interest expense	5,838	1,808	1,100	(868)	7,878
Net interest income	23,427	1,299	(1,098)	492	24,120
Provision for loan losses	1,042	37	—	—	1,079
Net interest income after provision for loan losses	22,385	1,262	(1,098)	492	23,041
Noninterest Income:					
Mortgage fee income	292	15,825	—	(491)	15,626
Other income	2,848	1,223	3,043	(2,906)	4,208
Total noninterest income	3,140	17,048	3,043	(3,397)	19,834
Noninterest Expenses:					
Salaries and employee benefits	7,453	12,242	3,272	—	22,967
Other expense	9,527	4,418	1,981	(2,905)	13,021
Total noninterest expenses	16,980	16,660	5,253	(2,905)	35,988
Income (loss) from continuing operations, before income taxes	8,545	1,650	(3,308)	—	6,887
Income tax expense (benefit) - continuing operations	1,810	426	(774)	—	1,462
Net income (loss) from continuing operations	6,735	1,224	(2,534)	—	5,425
Income from discontinued operations, before income taxes	—	—	—	—	—
Income tax expense - discontinued operations	—	—	—	—	—
Net income from discontinued operations	—	—	—	—	—
Net income (loss)	$ 6,735	$ 1,224	$ (2,534)	$ —	$ 5,425
Preferred stock dividends	—	—	243	—	243
Net income (loss) available to common shareholders	$ 6,735	$ 1,224	$ (2,777)	$ —	$ 5,182
Capital Expenditures for the three month period ended June 30, 2018	$ 1,012	$ 107	$ 44	$ —	$ 1,163
Total Assets as of June 30, 2018	1,681,115	191,933	187,917	(375,546)	1,685,419
Total Assets as of December 31, 2017	1,531,496	149,323	184,599	(331,116)	1,534,302
Goodwill as of June 30, 2018	1,598	16,882	—	—	18,480
Goodwill as of December 31, 2017	1,598	16,882	—	—	18,480

Commercial & Retail Banking

For the three months ended June 30, 2019, the Commercial & Retail Banking segment earned $14.7 million compared to $3.2 million in 2018. Net interest income increased by $1.8 million, primarily the result of an increase of $3.3 million in interest and fees on loans, which was partially offset by an increase of $2.0 million in interest on deposits. The increase in interest and fees on loans was the result of an increase of $178.7 million in the average balance of loans. The increase in interest on deposits was the result of an increase of $135.3 million in the average balance of deposits. Noninterest income increased by $14.5 million which was the result of an increase of $13.6 million in the holding gain on equity securities and an increase of $438 thousand in commercial swap fee income. Noninterest expense increased by $861 thousand, primarily the result of an increase of $336 thousand in salaries and employee benefits expense, an increase of $225 thousand in occupancy and equipment expense, an increase of $138 thousand in other operating expenses, and an increase of $131 thousand in travel, entertainment, dues, and subscriptions.

For the six months ended June 30, 2019, the Commercial & Retail Banking segment earned $18.9 million compared to $6.7 million in 2018. Net interest income increased by $4.2 million, primarily the result of an increase of $7.6 million in interest and fees on loans, which was partially offset by an increase of $3.8 million in interest on deposits. The increase in interest and fees on loans was the result of an increase of $199.3 million in the average balance of loans. The increase in interest on deposits was the result of an increase of $128.9 million in the average balance of deposits. Noninterest income increased by $14.3 million which was the result of an increase of $13.8 million in the holding gain on equity securities, an increase of $311 thousand in income on bank owned life insurance, and an increase of $182 thousand in service charges on deposit accounts. Noninterest expense increased by $2.5 million, primarily the result of an increase of $1.2 million in salaries and employee benefits expense, an increase of $483 thousand in other operating expenses, an increase of $434 thousand in occupancy and equipment expense, an increase of $158 thousand in insurance tax, and assessment expense, an increase of $153 thousand in data processing and communications expense, an increase of $147 thousand in travel, entertainment, dues, and subscriptions, and an increase of $134 thousand in professional fees. In addition, provision expense decreased $170 thousand due to decreased loan volume in the first six months of 2019 versus the same time period in 2018, slightly reduced historical loan loss rates, decreased specific loan loss allocations, and increased charge-offs in the six months ended June 30, 2019 versus the same time frame in 2018.

Mortgage Banking

For the three months ended June 30, 2019, the Mortgage Banking segment earned $1.9 million compared to $1.1 million in 2018. Net interest income decreased $158 thousand, which was the result of an increase of $418 thousand in interest on FHLB and other borrowings, which was partially offset by an increase of $260 thousand in interest and fees on loans. The increase in interest on FHLB and other borrowings was due to an increase of $20.3 million in average borrowings and an increase in short-term borrowing rates. Noninterest income increased by $1.1 million, primarily the result of an increase of $640 thousand in mortgage fee income and an increase of $425 thousand in the gain on derivative. The increase in the gain on derivatives was largely the result of a $21.2 million increase in the derivative asset, as the locked pipeline of residential mortgage loans related to the derivative asset increased 37.5% in the second quarter of 2019 compared to a decrease of 0.5% in the second quarter of 2018. Noninterest expense decreased by $242 thousand, which was the result of a decrease of $276 thousand in mortgage processing expense.

For the six months ended June 30, 2019, the Mortgage Banking segment earned $2.2 million compared to $1.2 million in 2018. Net interest income decreased by $221 thousand, primarily the result of an increase of $683 thousand in the interest on FHLB and other borrowings, which was partially offset by an increase of $463 thousand in interest and fees on loans. The increase in interest on FHLB and other borrowings was due to an increase of $13.0 million in average borrowings and an increase in short-term borrowing rates. Noninterest income increased by $1.1 million, primarily the result of an increase of $664 thousand in mortgage fee income and an increase of $369 thousand in gain on derivatives. The increase in mortgage fee income was driven by the increase in mortgage closed production volume, which increased by $7.7 million or 1.0% for the six months ended June 30, 2019 compared to the six months ended June 30, 2018. The increase in gain on derivatives of $369 thousand, was largely the result of a 96.2% increase in the locked mortgage pipeline for the six months ended June 30, 2019 compared to a 66.8% increase in the locked mortgage pipeline for the six months ended June 30, 2018. Noninterest expense decreased by $596 thousand, which was the result of a decrease of $359 thousand in mortgage processing expense, a decrease of $112 thousand in occupancy and equipment expense, and a decrease of $97 thousand in professional fees.

Financial Holding Company

For the three months ended June 30, 2019, excluding discontinued operations, the Financial Holding Company segment lost $1.7 million compared to a loss of $1.4 million in 2018. Interest expense decreased $255 thousand, noninterest income increased $6 thousand, and noninterest expense increased $562 thousand. In addition, the income tax benefit increased $53 thousand. The decrease in interest expense was due to a $255 thousand decrease in interest on subordinated debt. The increase in noninterest income was primarily the result of an increase of $41 thousand in intercompany services income related to Regulation W, which was partially offset by a decrease of $21 thousand in the holding gain on equity securities and a decrease of $9 thousand in the gain on sale of securities. The increase in noninterest expense was primarily the result of an increase of $238 thousand in salaries and employee benefits expense, a increase of $141 thousand in other operating expenses, an increase of $80 thousand in professional fees, an increase of $39 thousand in travel, entertainment, dues, and subscriptions, and an increase of $35 thousand in occupancy and equipment expenses.

For the six months ended June 30, 2019, excluding discontinued operations, the Financial Holding Company segment lost $3.0 million compared to a loss of $2.5 million in 2018. Interest expense decreased $528 thousand, noninterest income increased $231 thousand, and noninterest expense increased $1.4 million. In addition, the income tax benefit decreased $122 thousand. The decrease in interest expense was due to a $528 thousand decrease in interest on subordinated debt. The increase in noninterest income was primarily the result of an increase of $391 thousand in intercompany services income related to Regulation W and an increase of $45 thousand in the holding gain on equity securities. These increases were offset by a decrease of $193 thousand in gain on sale of securities. The increase in noninterest expense was primarily the result of an increase of $930 thousand in salaries and employee benefits expense, an increase of $159 thousand in other operating expenses, an increase of $140 thousand in professional fees, and an increase of $54 thousand in travel, entertainment, dues, and subscriptions.

Note 12 – Pension and Supplemental Executive Retirement Plans

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. Accruals under the Plan were frozen as of May 31, 2014. Freezing the plan resulted in a re-measurement of the pension obligations and plan assets as of the freeze date. The pension obligation was re-measured using the discount rate based on the Citigroup Above Median Pension Discount Curve in effect on May 31, 2014 of 4.46%.

Information pertaining to the activity in the Company's defined benefit plan, using the latest available actuarial valuations with a measurement date of June 30, 2019 and 2018 is as follows:

(Dollars in thousands)	Six Months Ended June 30, 2019	Six Months Ended June 30, 2018	Three Months Ended June 30, 2019	Three Months Ended June 30, 2018
Service cost	$ —	$ —	$ —	$ —
Interest cost	196	176	98	88
Expected Return on Plan Assets	(204)	(186)	(102)	(93)
Amortization of Net Actuarial Loss	136	153	68	77
Amortization of Prior Service Cost	—	—	—	—
Net Periodic Benefit Cost	$ 128	$ 143	$ 64	$ 72
Contributions Paid	$ 180	$ 158	$ 90	$ 79

On June 19, 2017, the Company and MVB Mortgage approved a Supplemental Executive Retirement Plan ("SERP"), pursuant to which the Chief Executive Officer of MVB Mortgage is entitled to receive certain supplemental nonqualified retirement benefits. The SERP took effect on December 31, 2017. If executive completes three years of continuous employment with MVB Mortgage prior to retirement date (which shall be no earlier than the date he attains age 55) he will, upon retirement, be entitled to receive $1.8 million payable in 180 equal consecutive monthly installments of $10 thousand. The liability is calculated by discounting the anticipated future cash flows at 4.0%. The liability accrued for this obligation was $580 thousand and $377 thousand as of June 30, 2019 and December 31, 2018, respectively. Service cost was $102 thousand and $94 thousand for the three-month periods ended June 30, 2019 and 2018, respectively. Service cost was $203 thousand and $188 thousand for the six-month periods ended June 30, 2019 and 2018, respectively.

Note 13 – Comprehensive Income

The following tables present the components of accumulated other comprehensive income ("AOCI") six months ended June 30, 2019 and 2018:

(Dollars in thousands)	Six Months Ended June 30, 2019	Six Months Ended June 30, 2018	Three Months Ended June 30, 2019	Three Months Ended June 30, 2018	
Details about AOCI Components	**Amount Reclassified from AOCI**	**Amount Reclassified from AOCI**	**Amount Reclassified from AOCI**	**Amount Reclassified from AOCI**	**Affected line item in the Statement where Net Income is presented**
Available-for-sale securities					
Unrealized holding gains (losses)	$ (168)	$ 325	$ (50)	$ —	Gain (loss) on sale of securities
	(168)	325	(50)	—	Total before tax
	45	(88)	13	—	Income tax expense
	(123)	237	(37)	—	Net of tax
Defined benefit pension plan items					
Amortization of net actuarial loss	(136)	(153)	(68)	(77)	Salaries and benefits
	(136)	(153)	(68)	(77)	Total before tax
	37	41	18	21	Income tax expense
	(99)	(112)	(50)	(56)	Net of tax
Investment hedge					
Carrying value adjustment	126	—	(332)	—	Interest on investment securities - taxable
	126	—	(332)	—	Total before tax
	(34)	—	90	—	Income tax expense
	92	—	(242)	—	Net of tax
Total reclassifications	$ (130)	$ 125	$ (329)	$ (56)	

(Dollars in thousands)	Unrealized gains (losses) on available for-sale securities	Defined benefit pension plan items	Investment Hedge	Total
Balance at December 31, 2018	$ (3,384)	$ (3,422)	$ —	$ (6,806)
Other comprehensive loss before reclassification	4,781	(619)	—	4,162
Amounts reclassified from AOCI	123	99	(92)	130
Net current period OCI	4,904	(520)	(92)	4,292
Balance at June 30, 2019	$ 1,520	$ (3,942)	$ (92)	$ (2,514)
Balance at April 1, 2019	$ (1,941)	$ (3,614)	$ (334)	$ (5,889)
Other comprehensive loss before reclassification	3,424	(378)	—	3,046
Amounts reclassified from AOCI	37	50	242	329
Net current period OCI	3,461	(328)	242	3,375
Balance at June 30, 2019	$ 1,520	$ (3,942)	$ (92)	$ (2,514)
Balance at December 31, 2017	(5)	(2,983)	—	(2,988)
Other comprehensive loss before reclassification	(3,896)	452	—	(3,444)
Amounts reclassified from AOCI	(237)	112	—	(125)
Net current period OCI	(4,133)	564	—	(3,569)
Stranded AOCI	—	(646)	—	(646)
Mark to Market on equity positions held at December 31, 2017	(98)	—	—	(98)
Balance at June 30, 2018	$ (4,236)	$ (3,065)	$ —	$ (7,301)
Balance at April 1, 2018	(3,588)	(3,629)	—	(7,217)
Other comprehensive loss before reclassification	(648)	508	—	(140)
Amounts reclassified from AOCI	—	56	—	56
Net current period OCI	(648)	564	—	(84)
Balance at June 30, 2018	$ (4,236)	$ (3,065)	$ —	$ (7,301)

Note 14 – Revenue Recognition

The Company records revenue from contracts with customers in accordance with Accounting Standards Update ("ASU") 2014-09, Revenue from Contracts with Customers (Topic 606). Under Topic 606, the Company must identify the contract with a customer, identify the performance obligations in the contract, determine the transaction price, allocate the transaction price to the performance obligations in the contract, and recognize revenue when (or as) the Company satisfies a performance obligation. Significant revenue has not been recognized in the current reporting period that results from performance obligations satisfied in previous periods.

The Company's primary sources of revenue are derived from interest and fees earned on loans, investment securities, and other financial instruments that are not within the scope of Topic 606. The Company has evaluated the nature of its contracts with customers and determined that further disaggregation of revenue from contracts with customers into more granular categories beyond what is presented in the Consolidated Statements of Income was not necessary. The Company generally fully satisfies its performance obligations on its contracts with customers as services are rendered and the transaction prices are typically fixed; charged either on a periodic basis or based on activity. Because performance obligations are satisfied as services are rendered and the transaction prices are fixed, there is little judgment involved in applying Topic 606 that significantly affects the determination of the amount and timing of revenue from contracts with customers.

The Company also completed its evaluation of certain costs related to these revenue streams to determine whether such costs should be presented as expenses or contract-revenue (i.e. gross versus net). Based on the evaluation, the Company determined that the classification of certain debit and credit card processing related costs should change (i.e. costs previously recorded as expense in now recorded as contract-revenue). These classification changes resulted in immaterial changes to both revenue and expense. Since there was no net income impact upon adoption of the new guidance, a cumulative effect adjustment to beginning retained

earnings was not deemed necessary. Consistent with the modified retrospective approach, the Company did not adjust prior period amounts related to the debit and credit card related cost reclassifications discussed above.

Service Charges on Deposit Accounts

Service charges on deposit accounts consist of account analysis fees, monthly service fees, check orders, and other deposit account related fees. The Company's performance obligation for account analysis fees and monthly service fees is generally satisfied, and the related revenue recognized, over the period in which the service is provided. Check orders and other deposit account related fees are largely transactional based, and therefore, the Company's performance obligation is satisfied, and related revenue recognized, at a point in time. Payment for service charges on deposit accounts is primarily received immediately or in the following month through a direct charge to customers' accounts.

Visa Debit Card and Interchange Income

Visa debit card and interchange income is primarily comprised of interchange fees earned whenever the Bank's debit and credit cards are processed through card payment networks, such as Visa. The Bank's performance obligation for debit card and interchange income is generally satisfied, and the related revenue recognized, on a transactional basis. Payment is typically received immediately or in the following month.

Other Operating Income

Other operating income is primarily comprised of ATM fees, wire transfer fees, travelers check fees, revenue streams such as safe deposit box rental fees, and other miscellaneous service charges. ATM fees, wire transfer fees and travelers check fees are primarily generated when a Bank's cardholder uses a non-Bank ATM or a non-Bank cardholder uses a Bank ATM. Safe deposit box rental fees are charged to the customer on an annual basis and recognized upon receipt of payment. The Bank determined that since rentals and renewals occur fairly consistently over time, revenue is recognized on a basis consistent with the duration of the performance obligation. Other service charges include revenue from processing wire transfers, bill pay service, cashier's checks, and other services. The Bank's performance obligations for fees and other service charges are largely satisfied, and related revenue recognized, when the services are rendered or upon completion. Payment is typically received immediately or in the following month. The Bank's performance obligation for the gains and losses on sales of other real estate owned is satisfied, and the related revenue recognized, after each sale of other real estate owned is closed.

The following presents noninterest income, segregated by revenue streams in scope and out of scope of Topic 606, for the periods indicated:

(Dollars in thousands)	**Six Months Ended June 30, 2019**	**Six Months Ended June 30, 2018**	**Three Months Ended June 30, 2019**	**Three Months Ended June 30, 2018**
Service charges on deposit accounts	$ 648	$ 466	$ 333	$ 281
Visa debit card and interchange income	322	292	181	142
Other	556	357	297	187
Noninterest income in scope of Topic 606	1,526	1,115	811	610
Noninterest income out of scope of Topic 606	33,626	18,719	25,576	10,185
Total noninterest income	$ 35,152	$ 19,834	$ 26,387	$ 10,795

Note 15 – Discontinued Operations

On June 30, 2016, the Company entered into an Asset Purchase Agreement with USI Insurance Services, in which USI purchased substantially all of the assets and assumed certain liabilities of MVB Insurance, which resulted in a pre-tax gain of $6.9 million. MVB Insurance retained the assets related to, and continues to operate, its title insurance business. The title insurance business is immaterial in terms of revenue. The Company reorganized MVB Insurance as a subsidiary of the Bank. The Company retained approximately $424 thousand in liabilities and received proceeds totaling $7.0 million related to this transaction.

Based on a measurement period that ended June 30, 2019, the Company has earned and is reasonably assured to receive an earn-out payment related to the Asset Purchase Agreement with USI. The Company expects to receive the earn-out payment sometime during the third quarter 2019 and as of June 30, 2019, have estimated the earn-out payment as shown below and is recorded as contingent consideration from discontinued operations.

The Company recognized a $600 thousand receivable at June 30, 2019 related to the expected earn-out payment. Otherwise, there were no assets or liabilities related to discontinued operations at June 30, 2019 or December 31, 2018.

Net income from discontinued operations, net of tax, for the three and six months ended June 30, 2019 and 2018, were as follows:

	Six Months Ended June 30		Three Months Ended June 30	
(Dollars in thousands)	**2019**	**2018**	**2019**	**2018**
NONINTEREST INCOME				
Other operating income	$ 600	$ —	$ 600	$ —
Total noninterest income	600	—	600	—
Income from discontinued operations, before income taxes	$ 600	$ —	$ 600	$ —
Income tax expense - discontinued operations	154	—	154	—
Net income from discontinued operations	$ 446	$ —	$ 446	$ —

Note 16 – Subsequent Event

On June 30, 2014, the Company issued its Convertible Subordinated Promissory Notes Due 2024 (the “Notes”) to various investors, of which as of June 30, 2019, $12.4 million remained outstanding. The proceeds from the Notes constitute Tier 2 capital for bank regulatory capital purposes. The Notes are redeemable by the Company at least five years after the original issuance date upon prior approval from the Federal Reserve Board.

On July 10, 2019, the Company received a notice of non-objection from the Federal Reserve for the Company to redeem all of the outstanding Notes. The Company intends to provide notice to the holders of the outstanding Notes that it will redeem the outstanding Notes.

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

The following presents management's discussion and analysis of our consolidated financial condition at June 30, 2019 and December 31, 2018 and the results of our operations for the three and six months ended June 30, 2019 and 2018. This discussion should be read in conjunction with our unaudited consolidated financial statements and the notes thereto appearing elsewhere in this report and the audited consolidated financial statements and the notes to consolidated financial statements included in our Annual Report to Shareholders on Form 10-K for the year ended December 31, 2018.

Forward-Looking Statements:

Statements in this Quarterly Report on Form 10-Q that are based on other than historical data are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements provide current expectations or forecasts of future events and include, among others:

- statements with respect to the beliefs, plans, objectives, goals, guidelines, expectations, anticipations, and future financial condition, results of operations and performance of the Company and its subsidiary (collectively "we," "our," or "us"), including the Bank; and
- statements preceded by, followed by or that include the words "may," "could," "should," "would," "believe," "anticipate," "estimate," "expect," "intend," "plan," "projects," "outlook," or similar expressions.

These forward-looking statements are not guarantees of future performance, nor should they be relied upon as representing the Company's or the Bank management's views as of any subsequent date. Forward-looking statements involve significant risks and uncertainties (both known and unknown) and actual results may differ materially from those presented, either expressed or implied, including, but not limited to, those presented in this Management's Discussion and Analysis section. Factors that might cause such differences include, but are not limited to:

- the ability of the Company, the Bank, and MVB Mortgage to successfully execute business plans, manage risks, and achieve objectives;
- changes in local, national and international political and economic conditions, including without limitation changes in the political and economic climate, economic conditions and fiscal imbalances in the United States and other countries, potential or actual downgrades in rating of sovereign debt issued by the United States and other countries, and other major developments, including wars, natural disasters, military actions, and terrorist attacks;
- changes in financial market conditions, either internationally, nationally, or locally in areas in which the Company, the Bank, and MVB Mortgage conduct operations, including without limitation, reduced rates of business formation and growth, commercial and residential real estate development, and real estate prices;
- fluctuations in markets for equity, fixed-income, commercial paper, and other securities, including availability, market liquidity levels, and pricing; changes in interest rates, the quality and composition of the loan and securities portfolios, demand for loan products, deposit flows and competition;
- the ability of the Company, the Bank, and MVB Mortgage to successfully conduct acquisitions and integrate acquired businesses;
- potential difficulties in expanding the businesses of the Company, the Bank, and MVB Mortgage in existing and new markets;
- increases in the levels of losses, customer bankruptcies, bank failures, claims, and assessments;
- changes in fiscal, monetary, regulatory, trade and tax policies and laws, including the recently enacted Tax Reform Act, and regulatory assessments and fees, including policies of the U.S. Department of Treasury, the (Federal Reserve, and the FDIC);
- the impact of executive compensation rules under the Dodd-Frank Act and banking regulations which may impact the ability of the Company and its subsidiaries, and other American financial institutions to retain and recruit executives and other personnel necessary for their businesses and competitiveness;
- the impact of the Dodd-Frank Act and of new international standards known as Basel III, and rules and regulations thereunder, many of which have not yet been promulgated, on our required regulatory capital and liquidity levels, governmental assessments on us, the scope of business activities in which we may engage, the manner in which the Company, the Bank, and MVB Mortgage engage in such activities, the fees that the Company's subsidiaries may charge for certain products and services, and other matters affected by the Dodd-Frank Act and these international standards;
- continuing consolidation in the financial services industry; new legal claims against the Company, the Bank, and MVB Mortgage, including litigation, arbitration and proceedings brought by governmental or self-regulatory agencies, or changes in existing legal matters;

- success in gaining regulatory approvals, when required, including for proposed mergers or acquisitions;
- changes in consumer spending and savings habits;
- increased competitive challenges and expanding product and pricing pressures among financial institutions;
- inflation and deflation;
- technological changes and the implementation of new technologies by the Company and its subsidiaries;
- the ability of the Company, the Bank, and MVB Mortgage to develop and maintain secure and reliable information technology systems;
- legislation or regulatory changes which adversely affect the operations or business of the Company, the Bank, and MVB Mortgage;
- the ability of the Company, the Bank, and MVB Mortgage to comply with applicable laws and regulations; changes in accounting policies or procedures as may be required by the Financial Accounting Standards Board or regulatory agencies;
- costs of deposit insurance and changes with respect to FDIC insurance coverage levels; and
- other risks and uncertainties detailed in Part I, Item 1A, Risk Factors in the Annual Report to Shareholders on Form 10-K for the year ended December 31, 2018.

Except to the extent required by law, the Company specifically disclaims any obligation to update any factors or to publicly announce the result of revisions to any of the forward-looking statements included herein to reflect future events or developments.

Summary of Results of Operations

(Dollars in thousands, except per share data)	Six Months Ended June 30 2019	Six Months Ended June 30 2018	Three Months Ended June 30 2019	Three Months Ended June 30 2018
Earnings and Per Share Data:				
Net income from continuing operations	$ 18,123	$ 5,425	$ 14,931	$ 2,831
Net income from discontinued operations	$ 446	$ —	$ 446	$ —
Net income	$ 18,569	$ 5,425	$ 15,377	$ 2,831
Net income available to common shareholders	$ 18,326	$ 5,182	$ 15,255	$ 2,709
Earnings per share from continuing operations - basic	$ 1.54	$ 0.49	$ 1.27	$ 0.25
Earnings per share from discontinued operations - basic	$ 0.04	$ —	$ 0.04	$ —
Earnings per share - basic	$ 1.58	$ 0.49	$ 1.31	$ 0.25
Earnings per share from continuing operations - diluted	$ 1.41	$ 0.47	$ 1.15	$ 0.25
Earnings per share from discontinued operations - diluted	$ 0.03	$ —	$ 0.03	$ —
Earnings per share - diluted	$ 1.44	$ 0.47	$ 1.18	$ 0.25
Cash dividends paid per common share	$ 0.075	$ 0.050	$ 0.040	$ 0.025
Book value per common share	$ 16.46	$ 13.93	$ 16.46	$ 13.93
Weighted average shares outstanding - basic	11,625,903	10,554,916	11,644,061	10,634,805
Weighted average shares outstanding - diluted	13,139,612	10,941,671	13,155,302	11,502,148
Performance Ratios:				
Return on average assets - continuing operations [1]	2.02 %	0.69 %	3.27 %	0.70 %
Return on average assets - discontinued operations [1]	0.05 %	— %	0.10 %	— %
Return on average assets [1]	2.07 %	0.69 %	3.37 %	0.70 %
Return on average equity - continuing operations [1]	19.66 %	7.17 %	31.30 %	7.40 %
Return on average equity - discontinued operations [1]	0.48 %	— %	0.93 %	— %
Return on average equity [1]	20.14 %	7.17 %	32.23 %	7.40 %
Net interest margin [2]	3.46 %	3.34 %	3.46 %	3.38 %
Efficiency ratio [3]	61.02 %	81.88 %	49.83 %	82.09 %
Overhead ratio [1 4]	4.33 %	4.59 %	4.47 %	4.76 %
Asset Quality Data and Ratios:				
Charge-offs	$ 676	$ 385	$ 676	$ 29
Recoveries	$ 5	$ 79	$ 2	$ 8
Net loan charge-offs to total loans [1 5]	0.10 %	0.05 %	0.20 %	0.01 %
Allowance for loan losses	$ 11,168	$ 10,651	$ 11,168	$ 10,651
Allowance for loan losses to total loans [6]	0.84 %	0.88 %	0.84 %	0.88 %
Nonperforming loans	$ 6,768	$ 9,419	$ 6,768	$ 9,419
Nonperforming loans to total loans	0.51 %	0.78 %	0.51 %	0.78 %
Capital Ratios:				
Equity to assets	10.95 %	9.84 %	10.95 %	9.84 %
Bank Leverage ratio	10.77 %	10.47 %	10.77 %	10.47 %
Bank Common equity Tier 1 capital ratio	13.18 %	12.94 %	13.18 %	12.94 %
Bank Tier 1 risk-based capital ratio	13.18 %	12.94 %	13.18 %	12.94 %
Bank Total risk-based capital ratio	13.97 %	13.80 %	13.97 %	13.80 %

[1] Annualized for the quarterly periods presented
[2] Net interest income as a percentage of average interest earning assets
[3] Noninterest expense as a percentage of net interest income and noninterest income
[4] Noninterest expense as a percentage of average assets

[5] Charge-offs less recoveries
[6] Excludes loans held for sale

Introduction

Corporate Overview

MVB Financial Corp. is a financial holding company and was organized in 2003. MVB operates principally through its wholly-owned subsidiary, MVB Bank, Inc. MVB Bank's operating subsidiaries include MVB Mortgage, MVB Insurance, and MVB CDC.

MVB Bank was chartered in 1997 and commenced operations in 1999.

In 2012, MVB Bank acquired Potomac Mortgage Group, Inc. ("PMG" which began doing business under the registered trade name "MVB Mortgage"), a mortgage company in the northern Virginia area, and fifty percent (50%) interest in a mortgage services company, Lender Service Provider, LLC ("LSP"). In 2013, this fifty percent interest (50%) in LSP was reduced to a twenty-five percent (25%) interest. In 2017, a forfeiture of a partial interest occurred, which increased the interest owned to thirty-three percent (33%). At this time, LSP began doing business as Lenderworks.

MVB CDC was formed in 2017 and was created as a means to provide opportunities for loans and investments that help to increase access to equity capital in under-served urban and rural areas of West Virginia and our market areas in Virginia. MVB CDC promotes specific bank-driven economic development strategies, provides for effective support for its CRA compliance strategy, and helps to support positive local reputation of the Bank through marketing and visible activities in the communities where we live and work.

Business Overview

The Company's primary business activities, through its subsidiaries, are primarily community banking and mortgage banking. The Bank offers its customers a full range of products and services including:

- Various demand deposit accounts, savings accounts, money market accounts, and certificates of deposit;
- Commercial, consumer, and real estate mortgage loans and lines of credit;
- Debit and credit cards;
- Cashier's checks and money orders;
- Safe deposit rental facilities; and
- Non-deposit investment services.

The Company is also involved in new innovative strategies to provide independent banking to corporate clients throughout the United States by leveraging recent investments in Fintech.

The Bank's financial products and services are offered through its financial service locations and automated teller machines ("ATMs") in West Virginia and Virginia, as well as telephone and internet-based banking through both personal computers and mobile devices. Non-deposit investment services are offered through an association with a broker-dealer. The Bank has deployed Automated Interactive Teller machines ("AITs") in several branch locations. AITs provide services by featuring video interaction with a bank employee upon request. A customer can deposit cash and checks and withdraw cash, as well as a variety of other services typically occurring in a traditional branch location.

Since its opening in 1999, the Bank has experienced significant growth in assets, loans, and deposits due to strong community and customer support in Marion and Harrison counties in West Virginia, expansion into Jefferson, Berkeley, Monongalia, and Kanawha counties in West Virginia and, most recently, into Fairfax and Loudoun counties in Virginia. Since the acquisition of PMG, mortgage banking is now a much more significant focus, which has opened increased market opportunities in the Washington, DC metropolitan region and added enough volume to further diversify the Company's revenue stream.

This discussion and analysis should be read in conjunction with the prior year-end audited consolidated financial statements and footnotes thereto included in the Company's 2018 filing on Form 10-K and the unaudited financial statements, ratios, statistics, and discussions contained elsewhere in this Form 10-Q.

At June 30, 2019, the Company had 402 full-time equivalent employees.

The Company's principal office is located at 301 Virginia Avenue, Fairmont, West Virginia 26554, and its telephone number is (304) 363-4800. The Company's Internet web site is www.mvbbanking.com.

Application of Critical Accounting Policies

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

The most significant accounting policies followed by the Company are presented in Note 1, "Summary of Significant Accounting Policies" of the Notes to the Consolidated Financial Statements included in Item 8, Financial Statements and Supplementary Data, of the Company's 2018 Annual Report on Form 10-K. These policies, along with the disclosures presented in the other financial statement notes and in management's discussion and analysis of operations, provide information on how significant assets and liabilities are valued in the consolidated financial statements and how those values are determined. Based on the valuation techniques used and the sensitivity of financial statement amounts to the methods, assumptions, and estimates underlying those amounts, management has identified the determination of the allowance for loan losses to be the accounting area that requires the most subjective or complex judgments, and as such could be most subject to revision as new information becomes available.

The allowance for loan losses represents management's estimate of probable credit losses inherent in the loan portfolio. Determining the amount of the allowance for loan losses is considered a critical accounting estimate because it requires significant judgment and the use of estimates related to the amount and timing of losses inherent in classifications of homogeneous loans based on the Bank's historical loss experience and consideration of current economic trends and conditions, all of which may be susceptible to significant change. Non-homogeneous loans are specifically evaluated due to the increased risks inherent in those loans. The loan portfolio also represents the largest asset type in the consolidated balance sheet. Note 1, "Summary of Significant Accounting Policies" of the Notes to the Consolidated Financial Statements included in Item 8, Financial Statements and Supplementary Data, of the Company's 2018 Annual Report on Form 10-K, describes the methodology used to determine the allowance for loan losses and a discussion of the factors driving changes in the amount of the allowance for loan losses is included in the "Allowance for Loan Losses" section of Item 2, Management's Discussion and Analysis of Financial Condition and Results of Operations, of this Quarterly Report on Form 10-Q.

Results of Operations

Overview of the Statements of Income

For the three months ended June 30, 2019, the Company earned $14.9 million compared to $2.8 million in the second quarter of 2018, excluding discontinued operations. Net interest income increased by $1.9 million, noninterest income increased by $15.6 million, and noninterest expenses increased by $1.1 million. The increase in net interest income was driven by an increase of $3.5 million in interest income. The increase in interest income was partially offset by an increase of $1.7 million in interest expense. The increase in interest income was due to average loan growth of $182.9 million with the yield on loans and loans held for sale increasing by 34 basis points, primarily due to an increase in commercial loan yield of 45 basis points. The $39.7 million increase in average interest-bearing liabilities generated the increase in interest expense of $1.7 million. The increase in interest expense was mainly driven by a $1.2 million increase in interest expense on certificates of deposit, through short-term brokered certificates of deposit, and an increase in the rates of certificates of deposit. Certificates of deposit increased by $140.2 million while the cost of funds on certificates of deposit increased by 62 basis points compared to the three months ended June 30, 2018. The increase in interest expense was also driven by growth in average money market checking of $98.1 million, which increased interest expense by $803 thousand, while the cost of funds on money market checking increased by 72 basis points since June 30,

2018. The increase in noninterest income was primarily the result of an increase in holding gain on equity securities of $13.6 million relating to a Fintech investment.

The provision for loan losses, which is a product of management's formal quarterly analysis, is recorded in response to inherent losses in the loan portfolio. Loan loss provisions of $600 thousand and $605 thousand were made for the three months ended June 30, 2019 and 2018, respectively. The slight decrease in loan loss provision is the result of the net impact of decreased loan volume in the second quarter of 2019 versus the same time period in 2018. Most notably, the commercial loan portfolio increased by $23 million for the three months ended June 30, 2019, in comparison to $59 million for the three months ended June 30, 2018. Additionally, the residential mortgage loan portfolio decreased by $37 million in the second quarter of 2019, while remaining virtually unchanged in the second quarter of 2018. Meanwhile, total charge offs of $676 thousand in the second quarter of 2019 were $637 thousand greater than the same time period in 2018. Overall provision was impacted by a $589 thousand decrease in the specific loan loss allocations in the second quarter of 2019, relative to a $135 thousand increase in the second quarter of 2018. Also, the commercial historical loss rates decreased slightly in the second quarter of 2019 versus the same time period in 2018, which resulted in a need for relatively less provision per dollar of new loan growth in the second quarter of 2019 versus the first quarter of 2018.

For the six months ended June 30, 2019, the Company earned $18.1 million compared to $5.4 million for the six months ended June 30, 2018, excluding discontinued operations. Net interest income increased by $4.4 million, noninterest income increased by $15.3 million, and noninterest expenses increased by $2.9 million. The increase in net interest income was driven by an increase of $8.1 million in interest income, which was partially offset by an increase of $3.7 million in interest expense. The increase in interest income was due to average loan growth of $203.0 million, with the yield on loans and loans held for sale increasing by 43 basis points, primarily due to an increase in commercial loan yield of 57 basis points and a 60-basis point increase in consumer loan yield. The $77.2 million increase in average interest-bearing liabilities generated the increase in interest expense of $3.7 million. The increase in interest expense was driven by a $2.5 million increase in interest expense on certificates of deposit, through short-term brokered certificates of deposit, and an increase in the rates of certificates of deposit, as well as a $1.4 million increase in interest expense on money market checking and an increase in the rates on money market checking. Average certificates of deposit increased by $149.7 million, while the cost of funds on certificates of deposit increased by 62 basis points since June 30, 2018. Average money market checking increased by $77.3 million, while the cost of funds on money market checking increased by 71 basis points compared to the six months ended June 30, 2018. The increase in noninterest income was primarily the result of an increase in holding gain on equity securities of $13.6 million relating to a Fintech investment.

The provision for loan losses, which is a product of management's formal quarterly analysis, is recorded in response to inherent losses in the loan portfolio. Loan loss provisions of $900 thousand and $1.1 million were made for the six months ended June 30, 2019 and 2018, respectively. The decrease in loan loss provision is most attributable to decreased loan volume in the six months ended June 30, 2019 versus the same time period in 2018. Most notably, the commercial loan portfolio increased by $44 million in the six months ended June 30, 2019, in comparison to $100 million for the six months ended June 30, 2018. Likewise, the residential mortgage loan portfolio decreased by $21 million in 2019, versus an increase of $15 million in 2018. Meanwhile, slightly reduced historical loan loss rates resulted in a need for relatively less provision per dollar of new loan growth in six months ended June 30, 2019 versus the same time period in 2018. The reduction in historical loss rates is primarily the result of the rolling quarter loss rate calculation, which no longer includes certain historical quarters which reported some of the Bank's most significant commercial loan losses. The historical loan loss rates have also decreased in the six months ended June 30, 2019 as a result of the increased reliance upon the Bank's actual loss rates for its Northern Virginia commercial loan portfolio, rather than using only peer loss rates in the historical loan loss rate calculations. Peer loss rates had been used exclusively until such time as the Northern Virginia commercial loan portfolio had accumulated at least twelve quarters of loss history. Specific loan loss allocations decreased by $509 thousand in the six months ended June 30, 2019 and decreased by $138 thousand in the six months ended June 30, 2018, decreasing the provision required in each of these two periods. Lastly, the Company charged off $676 thousand in loans during the six months ended June 30, 2019 versus $385 thousand for the same time period in 2018.

Interest Income and Expense

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

Net interest margin is calculated by dividing net interest income by average interest-earning assets. This ratio serves as a performance measurement of the net interest revenue stream generated by the Company's balance sheet. The net interest margin continues to face considerable pressure due to the current rate environment and competitive pricing of loans and deposits in the Bank's markets.

For the three months ended June 30, 2019 versus 2018, the Company was able to grow average loans and loans held for sale balances by $182.9 million to $1.4 billion. Average investment securities decreased $8.9 million to $223.5 million. Average interest-bearing liabilities increased by $39.7 million, primarily the result of a $140.2 million increase in average certificates of deposit balances and a $98.1 million increase in average money market checking, offset by a $95.9 million decrease in average NOW and a $72.6 million decrease in average FHLB and other borrowing balances. An increase in the Company's average non-interest balances of $104.5 million helped to grow a 35-basis point favorable spread on net interest margin in 2019 compared to a 18-basis point in 2018.

The net interest margin for the three months ended June 30, 2019 and 2018 was 3.46% and 3.38%, respectively. The 8-basis point increase in the net interest margin for the three months ended June 30, 2019 was the result of a 36-basis point increase in yield on average earning assets, primarily the result of a 34-basis point increase in yield on loans and loans held for sale and a 20-basis point increase in yield on investment securities. More specifically, the increase in yield on loans and loans held for sale was driven by an increase in commercial loan yield of 45 basis points and a 102-basis point increase in yield on consumer loans. Cost of interest-bearing liabilities for the three months ended June 30, 2019 versus 2018 increased by 45 basis points. The cost of interest-bearing liabilities increase was mainly the result of a 73-basis point increase in FHLB and other borrowings and a 58-basis point increase in interest-bearing deposits. More specifically, the increase in interest-bearing deposits was as follows: a 72-basis point increase in money market checking, a 62-basis point increase in certificates of deposit, a 34-basis point increase in IRAs, and an 18-basis point increase in NOW, which was offset by a 5-basis point decrease in savings.

For the six months ended June 30, 2019 versus 2018, the Company was able to grow average loans and loans held for sale balances by $203.0 million to $1.4 billion. Average investment securities decreased $5.0 million to $226.2 million. Average interest-bearing liabilities increased by $77.2 million, primarily the result of a $149.7 million increase in average certificates of deposit balances and a $77.3 million increase in average money market checking, offset by a $91.4 million decrease in average NOW and a $29.0 million decrease in average FHLB and other borrowing balances. An increase in the Company's average non-interest balances of $95.3 million helped to grow a 33-basis point favorable spread on net interest margin in 2019 compared to a 16-basis point in 2018.

The net interest margin for the six months ended June 30, 2019 and 2018 was 3.46% and 3.34%, respectively. The 12-basis point increase in the net interest margin for the six months ended June 30, 2019 was the result of a 44-basis point increase in yield on average earning assets, primarily the result of a 43-basis point increase in yield on loans and loans held for sale and a 26-basis point increase in yield on investment securities. More specifically, the increase in yield on loans and loans held for sale was driven by an increase in commercial loan yield of 57 basis points and a 60-basis point increase in yield on consumer loans. Cost of interest-bearing liabilities for the six months ended June 30, 2019 versus 2018 increased by 48 basis points. The cost of interest-bearing liabilities increase was mainly the result of a 86-basis point increase in FHLB and other borrowings and a 57-basis point increase in interest-bearing deposits. More specifically, the increase in interest-bearing deposits was as follows: a 71-basis point increase in money market checking, a 62-basis point increase in certificates of deposit, a 37-basis point increase in IRAs, and a 16-basis point increase in NOW, which was offset by an 11-basis point decrease in savings.

Company and Bank management continuously monitor the effects of net interest margin on the performance of the Bank and, thus, the Company. Growth and mix of the balance sheet will continue to impact net interest margin in future periods.

MVB Financial Corp. and Subsidiaries
Average Balances and Interest Rates
(Unaudited) (Dollars in thousands)

(Dollars in thousands)	Three Months Ended June 30, 2019 Average Balance	Three Months Ended June 30, 2019 Interest Income/Expense	Three Months Ended June 30, 2019 Yield/Cost	Three Months Ended June 30, 2018 Average Balance	Three Months Ended June 30, 2018 Interest Income/Expense	Three Months Ended June 30, 2018 Yield/Cost
Assets						
Interest-bearing deposits in banks	$ 9,582	$ 52	2.18 %	$ 3,473	$ 17	1.96 %
CDs with other banks	14,579	73	2.01	14,778	74	2.02
Investment securities:						
Taxable	123,803	768	2.49	151,224	891	2.36
Tax-exempt	99,664	894	3.60	81,164	717	3.54
Loans and loans held for sale: [1]						
Commercial	965,652	13,065	5.43	831,118	10,318	4.98
Tax exempt	13,047	114	3.50	14,260	123	3.46
Real estate	446,825	5,363	4.81	394,814	4,656	4.73
Consumer	9,396	141	6.02	11,850	148	5.00
Total loans	1,434,920	18,683	5.22	1,252,042	15,245	4.88
Total earning assets	1,682,548	20,470	4.88	1,502,681	16,944	4.52
Less: Allowance for loan losses	(11,216)			(10,132)		
Cash and due from banks	15,982			16,792		
Other assets	138,299			107,421		
Total assets	$ 1,825,613			$ 1,616,762		
Liabilities						
Deposits:						
NOW	$ 363,837	$ 839	0.92	$ 459,784	$ 846	0.74
Money market checking	327,904	1,287	1.57	229,763	484	0.85
Savings	39,661	1	0.01	46,478	7	0.06
IRAs	17,718	83	1.88	17,997	69	1.54
CDs	415,201	2,338	2.26	275,004	1,124	1.64
Repurchase agreements and federal funds sold	11,644	11	0.38	20,118	20	0.39
FHLB and other borrowings	153,926	1,095	2.85	226,487	1,197	2.12
Subordinated debt	17,491	287	6.58	32,015	542	6.79
Total interest-bearing liabilities	1,347,382	5,941	1.77	1,307,646	4,289	1.32
Noninterest bearing demand deposits	250,658			146,135		
Other liabilities	36,729			9,890		
Total liabilities	1,634,769			1,463,671		
Stockholders' equity						
Preferred stock	7,834			7,834		
Common stock	11,695			10,686		
Paid-in capital	117,648			101,577		
Treasury stock	(1,084)			(1,084)		
Retained earnings	59,512			41,277		
Accumulated other comprehensive (loss)	(4,761)			(7,199)		
Total stockholders' equity	190,844			153,091		
Total liabilities and stockholders' equity	$ 1,825,613			$ 1,616,762		
Net interest spread			3.11			3.20
Net interest income-margin		$ 14,529	3.46 %		$ 12,655	3.38 %

[1] Non-accrual loans are included in total loan balances, lowering the effective yield for the portfolio in the aggregate.

MVB Financial Corp. and Subsidiaries
Average Balances and Interest Rates
(Unaudited) (Dollars in thousands)

(Dollars in thousands)	Six Months Ended June 30, 2019 Average Balance	Interest Income/Expense	Yield/Cost	Six Months Ended June 30, 2018 Average Balance	Interest Income/Expense	Yield/Cost
Assets						
Interest-bearing deposits in banks	$ 8,570	$ 102	2.40 %	$ 3,677	$ 35	1.94 %
CDs with other banks	14,678	145	1.99	14,778	146	1.99
Investment securities:						
Taxable	130,164	1,647	2.55	152,818	1,786	2.36
Tax-exempt	96,060	1,731	3.63	78,375	1,372	3.53
Loans and loans held for sale: [1]						
Commercial	958,782	25,659	5.40	803,593	19,261	4.83
Tax exempt	13,646	237	3.50	14,362	246	3.46
Real estate	429,278	10,304	4.84	378,095	8,846	4.72
Consumer	9,524	268	5.67	12,182	306	5.07
Total loans	1,411,230	36,468	5.21	1,208,232	28,659	4.78
Total earning assets	1,660,702	40,093	4.87	1,457,880	31,998	4.43
Less: Allowance for loan losses	(11,144)			(10,059)		
Cash and due from banks	16,034			16,381		
Other assets	126,913			104,401		
Total assets	$ 1,792,505			$ 1,568,603		
Liabilities						
Deposits:						
NOW	$ 360,440	$ 1,568	0.88	$ 451,828	$ 1,608	0.72
Money market checking	312,839	2,330	1.50	235,586	927	0.79
Savings	39,946	2	0.01	46,511	27	0.12
IRAs	17,771	163	1.85	17,845	131	1.48
CDs	421,869	4,608	2.20	272,160	2,135	1.58
Repurchase agreements and federal funds sold	12,918	25	0.39	20,360	39	0.38
FHLB and other borrowings	164,515	2,324	2.85	193,529	1,911	1.99
Subordinated debt	17,507	572	6.59	32,766	1,100	6.77
Total interest-bearing liabilities	1,347,805	11,592	1.73	1,270,585	7,878	1.25
Noninterest bearing demand deposits	232,699			137,383		
Other liabilities	27,590			9,284		
Total liabilities	1,608,094			1,417,252		
Stockholders' equity						
Preferred stock	7,834			7,834		
Common stock	11,677			10,606		
Paid-in capital	117,292			100,350		
Treasury stock	(1,084)			(1,084)		
Retained earnings	54,362			39,650		
Accumulated other comprehensive (loss)	(5,670)			(6,005)		
Total stockholders' equity	184,411			151,351		
Total liabilities and stockholders' equity	$ 1,792,505			$ 1,568,603		
Net interest spread			3.13			3.18
Net interest income-margin		$ 28,501	3.46 %		$ 24,120	3.34 %

[1] Non-accrual loans are included in total loan balances, lowering the effective yield for the portfolio in the aggregate.

Noninterest Income

Mortgage fee income, gain (loss) on derivatives, interchange income, security sale gains, income on bank owned life insurance and portfolio loan sales generate the core of the Company’s noninterest income. Also, service charges on deposit accounts continue to be part of the core of the Company’s noninterest income and include mainly non-sufficient funds and returned check fees, allowable overdraft fees and service charges on commercial accounts.

For the three months ended June 30, 2019, noninterest income totaled $26.4 million compared to $10.8 million for the same time period in 2018. The $15.6 million increase in noninterest income was primarily the result of an increase in holding gain on equity securities of $13.6 million, an increase in mortgage fee income of $801 thousand, an increase in gain on derivatives of $478 thousand, an increase in commercial swap fee income of $438 thousand, an increase in other operating income of $126 thousand, an increase on gain on sale of portfolio loans of $123 thousand, an increase in service charges on deposits of $52 thousand, an increase in interchange and debit card transaction fees of $39 thousand and an increase in income on bank owned life insurance of $4 thousand. These increases were partially offset by a decrease in the gain on sale of securities of $57 thousand and a decrease in insurance and investment services income of $10 thousand. The increase in the holding gain on equity securities was the result of a recent valuation of the Company’s fintech investment portfolio. The increase in gain on derivatives of $478 thousand was largely the result of an increase of 37.45% in the locked pipeline of residential mortgage loans during the three months ended June 30, 2019 compared to a decrease of 0.52% in the locked pipeline of residential mortgage loans during the three months ended June 30, 2018. The increase of $126 thousand in other operating income was primarily due to an increase of $68 thousand in dividends on FHLB stock and an increase of $34 thousand in wire transfer fees.

For the six months ended June 30, 2019, noninterest income totaled $35.2 million compared to $19.8 million for the same time period in 2018. The $15.3 million increase in noninterest income was primarily the result of an increase in holding gain on equity securities of $13.8 million, an increase in mortgage fee income of $908 thousand, an increase in gain on derivatives of $344 thousand, an increase in income on bank owned life insurance of $311 thousand, an increase in other operating income of $184 thousand, an increase in service charges on deposits of $182 thousand, an increase in commercial swap fee income of $105 thousand, and an increase in interchange and debit card transaction fees of $30 thousand. These increases were partially offset by a decrease in the gain on sale of securities of $501 thousand, a decrease on gain on sale of portfolio loans of $34 thousand, and a decrease in insurance and investment services income of $18 thousand. The increase in the holding gain on equity securities was the result of a recent valuation of the Company’s fintech investment portfolio. The increase in gain on derivatives of $344 thousand was largely the result of an increase of 96.18% in the locked pipeline of residential mortgage loans during the six months ended June 30, 2019 compared to a decrease of 66.77% in the locked pipeline of residential mortgage loans during the six months ended June 30, 2018. The increase of $184 thousand in other operating income was primarily due to an increase of $152 thousand in dividends on FHLB stock and an increase of $35 thousand in wire transfer fees.

Noninterest Expense

The Company had 402 full-time equivalent personnel at June 30, 2019, as noted, compared to 398 full-time equivalent personnel as of June 30, 2018. Company and Bank management will continue to strive to find new ways of increasing efficiencies and leveraging its resources, while effectively optimizing customer service.

Salaries and employee benefits, occupancy and equipment, data processing and communications, mortgage processing and professional fees generate the core of the Company’s noninterest expense. The Company’s efficiency ratio was 49.83% for the second quarter of 2019 compared to 82.09% for the second quarter of 2018. The Company’s efficiency ratio was 61.02% for the six months ended June 30, 2019 compared to 81.88% for the same time period in 2018. This ratio measures the efficiency of noninterest expenses incurred in relationship to net interest income plus noninterest income. The decreased efficiency ratio is the result of net interest income and noninterest income outpacing the growth in noninterest expense and was particularly affected by the holding gain on equity securities.

For the three months ended June 30, 2019, noninterest expense totaled $20.4 million compared to $19.2 million for the same time period in 2018. The $1.1 million increase in noninterest expense was primarily the result of the following:

Salaries and employee benefits expense increased by $786 thousand. The increase was largely driven by an increase in mortgage production, as well as the addition of senior management, lenders, a treasury team, and the opening of one new branch in 2018.

Travel, entertainment, dues, and subscriptions expense increased by $273 thousand. This increase was mainly driven by travel for deposit acquisition and on-boarding costs, including due diligence, related to Fintech opportunities.

Other operating expenses increased by $174 thousand. This increase was largely due to an increase in loan expense due to the increase in loan volume.

Occupancy and equipment expense increased by $169 thousand. This increase was primarily driven by the branch expansion and additional personnel.

Professional fees expense increased by $93 thousand. This increase was largely due to an increase in Fintech-related consulting fees.

Mortgage processing expense decreased by $276 thousand. This decrease was driven by a $276 thousand decrease in LSP, LLC services due to increased efficiencies. Following an increase in ownership in late 2017, management has focused on reducing operating costs and overhead expenses.

For the six months ended June 30, 2019, noninterest expense totaled $38.8 million compared to $36.0 million for the same time period in 2018. The $2.9 million increase in noninterest expense was primarily the result of the following:

Salaries and employee benefits expense increased by $2.0 million. This increase was largely driven by the addition of senior management, lenders, a treasury team, and one new branch in 2018.

Occupancy and equipment expense increased by $375 thousand. This increase was primarily driven by the branch expansion and additional personnel.

Travel, entertainment, dues, and subscriptions expense increased by $315 thousand. This increase was mainly driven by travel for deposit acquisition and on-boarding costs, including due diligence, related to Fintech opportunities

Other operating expenses increased by $269 thousand. This increase was largely due to an increase in loan expense due to the increase in loan volume.

Professional fees expense increased by $176 thousand. This increase was largely due to an increase in Fintech-related consulting fees.

Data processing and communication expense increased by $160 thousand. The increase was primarily driven by data processing projects focusing on improving internal systems.

Insurance, tax and assessment expense increased by $146 thousand. The increase was mainly due to increased expenses related to FDIC assessment.

Mortgage processing expense decreased by $359 thousand. This decrease was driven by a $397 thousand decrease in LSP, LLC services due to increased efficiencies. Following an increase in ownership in late 2017, management has focused on reducing operating costs and overhead expenses.

Marketing, contribution, and sponsorship expense decreased by $187 thousand. This decrease was largely due to focus on more consistent marketing spend throughout the year compared to 2018.

Printing, postage and supplies decreased by $92 thousand. This decrease was mainly due to an increase in printing during 2018 due to new promotions and disclosures.

Return on Average Assets (Annualized)

Excluding discontinued operations, the Company’s return on average assets was 3.27% for the second quarter of 2019, compared to 0.70% for the second quarter of 2018. The increased return for the second quarter of 2019 is a direct result of a $12.1 million increase in earnings, mainly driven by the $13.6 million in holding gain on equity securities, while average total assets increased by $208.9 million, primarily the result of a $182.9 million increase in average total loans and loans held for sale and a $30.9 million increase in average other assets. The increase in other assets is primarily driven by the right-of-use assets totaling $12.9 million related to the implementation of ASU 2016-02, *Leases (Topic 842).*

Excluding discontinued operations, the Company’s return on average assets was 2.02% for the six months ended June 30, 2019, compared to 0.69% for the six months ended June 30, 2018. The increased return for the six months ended June 30, 2019 is a direct result of a $12.7 million increase in earnings, mainly driven by the $13.8 million in holding gain on equity securities, while average total assets increased by $223.9 million, primarily the result of a $203.0 million increase in average total loans and loans held for sale and a $22.5 million increase in average other assets. The increase in other assets is primarily driven by the right-of-use assets totaling $12.9 million related to the implementation of ASU 2016-02, *Leases (Topic 842)*.

Return on Average Equity (Annualized)

Excluding discontinued operations, the Company's return on average stockholders' equity was 31.30% for the second quarter of 2019, compared to 7.40% for the second quarter of 2018. The increased return for the second quarter of 2019 is a direct result of a $12.1 million increase in earnings, mainly driven by the $13.6 million in holding gain on equity securities, while average stockholders' equity increased by $37.8 million. The increase in average stockholders' equity was primarily due to a $16.1 million increase in paid-in capital, primarily due to the subordinated debt conversions, and an $18.2 million increase in retained earnings.

Excluding discontinued operations, the Company's return on average stockholders' equity was 19.66% for the six months ended June 30, 2019, compared to 7.17% for the six months ended June 30, 2018. The increased return for the six months ended June 30, 2019 is a direct result of a $12.7 million increase in earnings, mainly driven by the $13.8 million in holding gain on equity securities, while average stockholders' equity increased by $33.1 million. The increase in average stockholders' equity was primarily due to an $16.9 million increase in paid-in capital, primarily due to the subordinated debt conversions, and a $14.7 million increase in retained earnings.

Overview of the Consolidated Balance Sheets

The greatest balance changes since December 31, 2018 were as follows: total assets increased by $82.0 million, to $1.8 billion, loans increased $22.3 million, to $1.3 billion, investment securities increased $2.7 million, to $234.0 million, deposits increased $68.6 million, to $1.4 billion, borrowings decreased $28.0 million, to $186.9 million, and stockholders' equity increased by $23.9 million, to $200.7 million.

Cash and Cash Equivalents

Cash and cash equivalents totaled $21.2 million at June 30, 2019, compared to $22.2 million at December 31, 2018.

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

Investment Securities

Investment securities totaled $234.0 million at June 30, 2019, compared to $231.2 million at December 31, 2018. As of June 30, 2019, the investment portfolio is comprised of the following mix of securities:

- 44.0% – Municipal securities
- 23.5% – U.S. Agency securities
- 20.1% – U.S. Sponsored Mortgage-backed securities
- 4.5% – Other securities
- 7.9% – Equity securities

The Company and Bank management monitor the earnings performance and liquidity of the investment portfolio on a regular basis through Asset and Liability Committee ("ALCO") meetings. The ALCO also monitors net interest income and assists in the management of interest rate risk for the Company. Through active balance sheet management and analysis of the investment securities portfolio, sufficient liquidity is maintained to satisfy depositor requirements and the various credit needs of its customers. The Company and Bank management believe the risk characteristics inherent in the investment portfolio are acceptable based on these parameters.

Loans

The Company's loan portfolio totaled $1.3 billion as of June 30, 2019 and December 31, 2018. The Bank's lending is primarily focused in the Marion, Harrison, Jefferson, Berkeley, Monongalia, and Kanawha counties of West Virginia, and Fairfax and Loudoun counties of Virginia, with a secondary focus on the adjacent counties. Its extended market is in the adjacent counties.

The portfolio consists principally of commercial lending, mortgage lending, which includes single-family residential mortgages, and consumer lending. The growth in loans is primarily attributable to organic growth within the Bank's primary lending areas and Northern Virginia.

Loan Concentration

At June 30, 2019 and December 31, 2018, $984.8 million, or 74.2% and $941.0 million, or 72.1%, respectively, of our loan portfolio consisted of commercial loans. A significant portion of the nonresidential real estate loan portfolio is secured by commercial real estate. The majority of nonresidential real estate loans that are not secured by real estate are lines of credit secured by accounts receivable and equipment and obligations of states and political subdivisions. While the loan concentration is in nonresidential real estate loans, the nonresidential real estate portfolio is comprised of loans to many different borrowers, in numerous different industries but primarily located in our market areas.

Allowance for Loan Losses

The allowance for loan losses was $11.2 million or 0.84% of total loans at June 30, 2019 compared to $10.9 million or 0.84% of total loans at December 31, 2018. The nominal increase in this ratio was the direct result of the net effect of loan loss provision; in conjunction with growth in outstanding loan balances in the commercial loan and residential real estate loan portfolios since December 31, 2018. The Bank management continually monitors the risk in the loan portfolio through review of the monthly delinquency reports and the Loan Review Committee. The Loan Review Committee is responsible for the determination of the adequacy of the allowance for loan losses. This analysis involves both experience of the portfolio to date and the makeup of the overall portfolio. Specific loss estimates are derived for individual loans based on specific criteria such as current delinquent status, related deposit account activity, where applicable, and changes in the local and national economy. When appropriate, Management also considers public knowledge and/or verifiable information from the local market to assess risks to specific loans and the loan portfolios as a whole.

Capital Resources

The Bank considers a number of alternatives, including but not limited to deposits, short-term borrowings, and long-term borrowings when evaluating funding sources. Traditional deposits continue to be the most significant source of funds, totaling $1.4 billion at June 30, 2019.

Noninterest-bearing deposits remain a core funding source for the Bank and thus, the Company. At June 30, 2019, noninterest-bearing balances totaled $270.6 million compared to $213.6 million at December 31, 2018. Of the $270.6 million, noninterest-bearing balances of $89.7 million are related to Fintech opportunities and noninterest-bearing balances of $37.0 million are related to title business funds. The Company and Bank management intend to continue to focus on finding ways to increase the base of noninterest-bearing sources.

Interest-bearing deposits totaled $1.1 billion at June 30, 2019 compared to $1.1 billion at December 31, 2018.

At June 30, 2019, the Bank had brokered deposits of $72.3 million and CDs with other banks of $65.2 million. At December 31, 2018, brokered deposits totaled $142.8 million and CDs with other banks totaled $9.6 million.

Average interest-bearing deposits totaled $1.2 billion during the second quarter of 2019 compared to $1.0 billion during the second quarter of 2018, an increase of $135.3 million. Average noninterest bearing deposits totaled $250.7 million during the second quarter of 2019 compared to $146.1 million during the second quarter of 2018, an increase of $104.5 million. Management will continue to emphasize deposit growth opportunities from the network of current customers and Fintech partners. The Company and Bank management will also concentrate on balancing deposit growth with adequate net interest margin to meet the Company's strategic goals.

Along with traditional deposits, the Bank has access to both repurchase agreements, which are corporate deposits secured by pledging securities from the investment portfolio, and FHLB and other borrowings to fund its operations and investments. At June 30, 2019, repurchase agreements totaled $9.4 million compared to $14.9 million at December 31, 2018. In addition to the aforementioned funds alternatives, the Bank has access to more than $148.7 million through additional advances from the FHLB of Pittsburgh and the ability to readily sell jumbo certificates of deposits to other banks as well as brokered deposit markets.

Liquidity

Maintenance of a sufficient level of liquidity is a primary objective of the Asset and Liability Committee ("ALCO"). Liquidity, as defined by the ALCO, is the ability to meet anticipated operating cash needs, loan demand, and deposit withdrawals, without incurring a sustained negative impact on net interest income. It is MVB's policy to manage liquidity so that there is no need to make unplanned sales of assets or to borrow funds under emergency conditions.

The main source of liquidity for the Bank comes through deposit growth. Liquidity is also provided from cash generated from investment maturities, principal payments from loans, and income from loans and investment securities. During the six months ended June 30, 2019, cash provided by financing activities totaled $34.3 million, while outflows from investing activity totaled $5.5 million. When appropriate, the Bank has the ability to take advantage of external sources of funds such as advances from the FHLB, national market certificate of deposit issuance programs, the Federal Reserve discount window, brokered deposits and CDARS. These external sources often provide attractive interest rates and flexible maturity dates that enable the Bank to match funding with contractual maturity dates of assets. Securities in the investment portfolio are primarily classified as available-for-sale and can be utilized as an additional source of liquidity.

The Company has an effective shelf registration covering $75 million of debt and equity securities, of which approximately $75 million remains available, subject to Board authorization and market conditions, to issue equity or debt securities at our discretion. While we seek to preserve flexibility with respect to cash requirements, there can be no assurance that market conditions would permit us to sell securities on acceptable terms at any given time or at all.

Current Economic Conditions

The Company considers its primary market area to be comprised of those counties where it has a physical branch presence and their contiguous counties. This includes Marion, Harrison, Jefferson, Berkeley, Monongalia, and Kanawha counties of West Virginia and Fairfax and Loudoun counties of Virginia. In addition, MVB Mortgage has mortgage-only offices located in Virginia, Washington, DC, North Carolina, and South Carolina. The Bank currently operates a total of fifteen full-service banking branches: twelve in West Virginia and three in Virginia. MVB Mortgage operates eleven mortgage-only offices, located in Virginia, within the Washington, DC metropolitan area, Maryland, North Carolina, and South Carolina. In addition, MVB Mortgage has mortgage loan originators located at select Bank locations throughout West Virginia.

The Company originates various types of loans, including commercial and commercial real estate loans, residential real estate loans, home equity lines of credit, real estate construction loans, and consumer loans (loans to individuals). In general, the Company retains most of its originated loans (exclusive of long-term, fixed rate residential mortgages that are sold). However, loans originated in excess of the Bank's legal lending limit are participated to other banking institutions and the servicing of those loans is retained by the Bank.

The current economic climate in the Company's primary market areas reflect economic climates that are consistent with the general national climate. Unemployment in the United States was 3.8% and 4.2% in June 2019 and 2018, respectively. The unemployment levels in the Company's primary market areas were as follows for the periods indicated:

	May 2019	May 2018
Berkeley County, WV	3.2 %	4.1 %
Harrison County, WV	3.8	4.3
Jefferson County, WV	2.7	3.3
Marion County, WV	4.5	5.5
Monongalia County, WV	3.4	3.8
Kanawha County, WV	4.2	5.0
Fairfax County, VA	2.4	2.3
Loudoun County, VA	2.4	2.3

Capital/Stockholders' Equity

For the six months ended June 30, 2019, stockholders' equity increased approximately $23.9 million to $200.7 million. This increase consists of net income for the year-to-date of $18.6 million, a decrease in other comprehensive loss of $4.3 million, stock based compensation of $826 thousand, and common stock options exercised totaling $331 thousand, offset by dividends paid totaling $1.1 million. As stockholders' equity increased, the equity to assets ratio increased 0.85% to 10.95%. The Company paid dividends to common shareholders of $872 thousand in the six months ended June 30, 2019 and $526 thousand in the six months ended June 30, 2018, and earned $18.6 million in the six months ended June 30, 2019 versus $5.4 million in the six months ended June 30, 2018, resulting in the dividend payout ratio decreasing from 10.15% in the six months ended June 30, 2018 to 4.76% in the six months ended June 30, 2019.

The Company and the Bank have financed operations and growth over the years through the sale of equity. These equity sales have resulted in an effective source of capital. For more information related to equity sales, see Note 9, "Stock Offerings" of the Notes to the Consolidated Financial Statements, included in Item 1, Financial Statements, of this Quarterly Report on Form 10-Q.

At June 30, 2019, accumulated other comprehensive loss totaled $2.5 million, a decrease in the loss of $4.3 million from December 31, 2018. Total securities available-for-sale in an unrealized loss position decreased by $3.9 million to $1.0 million at June 30, 2019. 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 fair value.

Treasury stock totaled 51,077 shares.

The primary source of funds for dividends to be paid by the Company are dividends received by the Company from the Bank. Dividends paid by the Bank are subject to restrictions by banking regulations. The most restrictive provision requires regulatory approval if dividends declared in any year exceeds that years retained net profits, as defined, plus the retained net profits, as defined, of the two preceding years.

Capital Requirements

The Bank's total risk-based capital ratio increased from 13.29% at December 31, 2018 to 13.97% at June 30, 2019. The increase in this ratio was largely due to an increase of total capital of $19.7 million.

The Bank is required to comply with applicable capital adequacy standards established by the FDIC ("Capital Rules"). The Company is exempt from the Federal Reserve Board's capital adequacy standards as it believes it meets the requirements of the Small Bank Holding Company Policy Statement. State chartered banks, such as the Bank, are subject to similar capital requirements adopted by the West Virginia Division of Financial Institutions.

The Capital Rules, among other things, (i) include a "Common Equity Tier 1" ("CET1") measure, (ii) specify that Tier 1 capital consists of CET1 and "Additional Tier 1 capital" instruments meeting certain revised requirements, (iii) define CET1 narrowly by requiring that most deductions/adjustments to regulatory capital measures be made to CET1 and not to the other components of capital, and (iv) expand the scope of the deductions/adjustments to capital as compared to existing regulations.

Under the Capital Rules, the minimum capital ratios effective as of January 1, 2015 are:

- 4.5% CET1 to risk-weighted assets;
- 6.0% Tier 1 capital (that is, CET1 plus Additional Tier 1 capital) to risk-weighted assets;
- 8.0% Total capital (that is, Tier 1 capital plus Tier 2 capital) to risk-weighted assets; and
- 4.0% Tier 1 capital to average consolidated assets as reported on consolidated financial statements (known as the leverage ratio").

The Capital Rules also include a "capital conservation buffer," composed entirely of CET1, on top of these minimum risk-weighted asset ratios. The implementation of the capital conservation buffer began on January 1, 2016 at the 0.625% level and will increase by 0.625% on each subsequent January 1, until it reaches 2.5% on January 1, 2019. The Capital Rules also provide for a "countercyclical capital buffer" that is only applicable to certain covered institutions and does not have any current applicability to the Company or the Bank. The capital conservation buffer is designed to absorb losses during periods of economic stress and effectively increases the minimum required risk-weighted capital ratios. Banking institutions with a ratio of CET1 to risk-weighted assets below the effective minimum (4.5% plus the capital conservation buffer and, if applicable, the countercyclical capital buffer) will face constraints on dividends, equity repurchases, and compensation based on the amount of the shortfall.

Since fully phased in on January 1, 2019, the Capital Rules require the Bank to maintain an additional capital conservation buffer of 2.5% of CET1, effectively resulting in minimum ratios of (i) CET1 to risk-weighted assets of at least 7%, (ii) Tier 1 capital to risk-weighted assets of at least 8.5%, (iii) a minimum ratio of Total capital to risk-weighted assets of at least 10.5%; and (iv) a minimum leverage ratio of 4%. The Capital Rules also provide for a number of deductions from and adjustments to CET1.

The Capital Rules prescribe a standardized approach for risk weightings that expanded the risk-weighting categories from the general risk-based capital rules to a much larger and more risk-sensitive number of categories, depending on the nature of the assets, generally ranging from 0% for U.S. government and agency securities, to 600% for certain equity exposures, and resulting in higher risk weights for a variety of asset categories.

In September 2017, the Federal Reserve Board, along with other bank regulatory agencies, proposed amendments to its capital requirements to simplify certain aspects of the capital rules for community banks, including the Bank, in an attempt to reduce the regulatory burden for such smaller financial institutions. Because the amendments were proposed with a request for comments and have not been finalized, we do not yet know what effect the final rules will have on the Bank's capital calculations. In November 2017, the federal banking agencies extended for community banks the existing capital requirements for certain items, including mortgage servicing assets, certain deferred tax assets, investments in the capital instruments of unconsolidated financial institutions, and minority interest, which were scheduled to change effective January 1, 2018, in light of the simplification amendments being considered.

In June 2016, the Financial Accounting Standards Board issued an update to the accounting standards for credit losses that included the Current Expected Credit Losses ("CECL") methodology, which replaces the existing incurred loss methodology for certain financial assets. CECL becomes effective January 1, 2020. In December 2018, the federal bank regulatory agencies approved a final rule providing an option to phase-in, over a period of three years, the day-one regulatory capital effects resulting from the implementation of CECL.

Notwithstanding the foregoing, the Economic Growth, Regulatory Relief and Consumer Protection Act of 2018 (the "EGRRCPA"), which was enacted on May 24, 2018, simplifies capital calculations by requiring regulators to establish for insured depository institutions under $10 billion in assets a community bank leverage ratio (tangible equity to average consolidated assets) at a percentage not less than 8% and not greater than 10% that such institutions may elect to replace the general applicable risk-based capital requirements under the Capital Rules. Such institutions that meet the community bank leverage ratio will automatically be deemed to be well-capitalized, although the regulators retain the flexibility to determine that the institution may not qualify for the community bank leverage ratio test based on the institution's risk profile. The federal banking agencies have proposed a community bank leverage ratio of 9% with additional parameters, including limited amounts of off-balanced sheet exposure. That proposal has not been finalized, and until such time, the Capital Rules as described above remain in effect. The effective date and specific requirements for the community bank leverage ratio are unknown.

With respect to the Bank, the Capital Rules also revise the "prompt corrective action" regulations pursuant to Section 38 of the Federal Deposit Insurance Act, as discussed below under "Prompt Corrective Action."

Prompt Corrective Action

The Federal Deposit Insurance Act ("FDIA") requires among other things, the federal banking agencies to take "prompt corrective action" in respect of depository institutions that do not meet minimum capital requirements. The FDIA includes the following five capital tiers: "well capitalized," "adequately capitalized," "undercapitalized," "significantly undercapitalized" and "critically undercapitalized." A depository institution's capital tier will depend upon how its capital levels compare with various relevant capital measures and certain other factors, as established by regulation. The relevant capital measures, which reflect changes under the Capital Rules that became effective on January 1, 2015, are the total capital ratio, the CET1 capital ratio, the Tier 1 capital ratio, and the leverage ratio.

A bank will be (i) "well capitalized" if the institution has a total risk-based capital ratio of 10.0% or greater, a CET1 capital ratio of 6.5% or greater, a Tier 1 risk-based capital ratio of 8.0% or greater, and a leverage ratio of 5.0% or greater, and is not subject to any order or written directive by any such regulatory authority to meet and maintain a specific capital level for any capital measure; (ii) "adequately capitalized" if the institution has a total risk-based capital ratio of 8.0% or greater, a CET1 capital ratio of 4.5% or greater, a Tier 1 risk-based capital ratio of 6.0% or greater, and a leverage ratio of 4.0% or greater and is not "well capitalized"; (iii) "undercapitalized" if the institution has a total risk-based capital ratio that is less than 8.0%, a CET1 capital ratio less than 4.5%, a Tier 1 risk-based capital ratio of less than 6.0% or a leverage ratio of less than 4.0%; (iv) "significantly undercapitalized" if the institution has a total risk-based capital ratio of less than 6.0%, a CET1 capital ratio less than 3.0%, a Tier 1 risk-based capital ratio of less than 4.0% or a leverage ratio of less than 3.0%; and (v) "critically undercapitalized" if the institution's tangible equity is equal to or less than 2.0% of average quarterly tangible assets. An institution may be downgraded to, or deemed to be in, a capital category that is lower than indicated by its capital ratios if it is determined to be in an unsafe or unsound condition or if it receives an unsatisfactory examination rating with respect to certain matters. A bank's capital category is determined solely for the purpose of applying prompt corrective action regulations, and the capital category may not constitute an accurate representation of the bank's overall financial condition or prospects for other purposes.

As noted above, the EGRRCPA will eliminate these requirements for banks with less than $10.0 billion in assets who elect to follow the community bank leverage ratio once regulators finalize the regulation.

The FDIA generally prohibits a depository institution from making any capital distributions (including payment of a dividend) or paying any management fee to its parent holding company if the depository institution would thereafter be "undercapitalized." "Undercapitalized" institutions are subject to growth limitations and are required to submit a capital restoration plan. The agencies may not accept such a plan without determining, among other things, that the plan is based on realistic assumptions and is likely to succeed in restoring the depository institution's capital. In addition, for a capital restoration plan to be acceptable, the depository institution's parent holding company must guarantee that the institution will comply with such capital restoration plan. The bank holding company must also provide appropriate assurances of performance. The aggregate liability of the parent holding company is limited to the lesser of (i) an amount equal to 5.0% of the depository institution's total assets at the time it became undercapitalized and (ii) the amount which is necessary (or would have been necessary) to bring the institution into compliance with all capital standards applicable with respect to such institution as of the time it fails to comply with the plan. If a depository institution fails to submit an acceptable plan, it is treated as if it is "significantly undercapitalized."

"Significantly undercapitalized" depository institutions may be subject to a number of requirements and restrictions, including orders to sell sufficient voting stock to become "adequately capitalized," requirements to reduce total assets, and cessation of receipt of deposits from correspondent banks. "Critically undercapitalized" institutions are subject to the appointment of a receiver or conservator.

The appropriate federal banking agency may, under certain circumstances, reclassify a well-capitalized insured depository institution as adequately capitalized. The FDIA provides that an institution may be reclassified if the appropriate federal banking agency determines (after notice and opportunity for hearing) that the institution is in an unsafe or unsound condition or deems the institution to be engaging in an unsafe or unsound practice. The appropriate agency is also permitted to require an adequately capitalized or undercapitalized institution to comply with the supervisory provisions as if the institution were in the next lower category (but not treat a significantly undercapitalized institution as critically undercapitalized) based on supervisory information other than the capital levels of the institution.

In addition to the "prompt corrective action" directives, failure to meet capital guidelines may subject a banking organization to a variety of other enforcement remedies, including additional substantial restrictions on its operations and activities, termination of deposit insurance by the FDIC and, under certain conditions, the appointment of a conservator or receiver.

At June 30, 2019, the Company is considered to be well-capitalized.

For further information regarding the capital ratios and leverage ratio of the Company and the Bank see the discussion under the section captioned "Capital/Stockholders' Equity" included in Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations and Note 14, "Regulatory Capital Requirements" of the Notes to the Consolidated Financial Statements included in Item 8, Financial Statements and Supplementary Data, of the Company's December 31, 2018 Annual Report on Form 10-K.

Commitments and Contingent Liabilities

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

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

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

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

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, Monongalia, Kanawha, Jefferson, and Berkeley County areas of West Virginia, as well as the Northern Virginia area 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.

Regulatory

The Company is required to maintain certain reserve balances on hand in accordance with the Federal Reserve Board requirements. The average balance maintained in accordance with such requirements was $0 on June 30, 2019 and December 31, 2018. During 2016, a deposit reclassification program was implemented and allowed the Company to reduce its requirement of reserve balances on hand in accordance with the Federal Reserve Board's daily Federal Reserve Requirement.

Contingent Liability

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.

Off-Balance Sheet Commitments

The Bank has entered into certain agreements that represent off-balance sheet arrangements that could have a significant impact on the consolidated financial statements and could have a significant impact in future periods. Specifically, the Bank has entered into agreements to extend credit or provide conditional payments pursuant to standby and commercial letters of credit.

Commitments to extend credit, including loan commitments, standby letters of credit, and commercial letters of credit do not necessarily represent future cash requirements, in that these commitments often expire without being drawn upon.

Market Risk

There have been no material changes in market risks faced by the Company since December 31, 2018. For information regarding the Company’s market risk, refer to the Company’s December 31, 2018, Form 10-K filed with the SEC.

Effects of Inflation and Changing Prices

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

Future Outlook

The Company has invested in the infrastructure to support anticipated future growth in each key area, including personnel, technology, and processes to meet the growing compliance requirements in the industry. The Company believes it is well positioned in some of the finest markets in the State of West Virginia and the Commonwealth of Virginia and will continue to

focus on the following: margin improvement; leveraging capital; organic portfolio loan growth; and operating efficiency. The key challenge for the Company in the future is to attract core deposits to fund growth in the new markets through continued delivery of outstanding customer service coupled with the highest quality products and technology. The Company is expanding the treasury services function to support the banking needs of financial and emerging technology companies, which will further enhance core deposits.

Item 3 – Quantitative and Qualitative Disclosures About Market Risk

The Company's market risk is composed primarily of interest rate risk. The Asset and Liability Committee ("ALCO") is responsible for reviewing the interest rate sensitivity position and establishes policies to monitor and coordinate the Company's sources, uses, and pricing of funds.

Interest Rate Sensitivity Management

The Company uses a simulation model to analyze, manage and formulate operating strategies that address net interest income sensitivity to movements in interest rates. The simulation model projects net interest income based on various interest rate scenarios over a twenty-four-month period. The model is based on the actual maturity and re-pricing characteristics of rate sensitive assets and liabilities. The model incorporates certain assumptions which management believes to be reasonable regarding the impact of changing interest rates and the prepayment assumption of certain assets and liabilities as of March 31, 2019. The model assumes changes in interest rates without any management intervention to change the composition of the balance sheet. According to the model run for the period ended March 31, 2019, over a twelve-month period, an immediate 100-basis point increase in interest rates would result in an increase in net interest income by 3.8%. An immediate 200-basis point increase in interest rates would result in an increase in net interest income by 3.8%. A 100-basis point decrease in interest rates would result in an increase in net interest income of 1.4%. While management carefully monitors the exposure to changes in interest rates and takes actions as warranted to decrease any adverse impact, there can be no assurance about the actual effect of interest rate changes on net interest income.

The Company's net interest income and the fair value of its financial instruments are influenced by changes in the level of interest rates. The Company manages its exposure to fluctuations in interest rates through policies established by its ALCO. The ALCO meets quarterly and has responsibility for formulating and implementing strategies to improve balance sheet positioning and reviewing interest rate sensitivity.

The Company has counter-party risk which may arise from the possible inability of third-party investors to meet the terms of their forward sales contracts. The Company works with third-party investors that are generally well-capitalized, are investment grade, and exhibit strong financial performance to mitigate this risk. The Company monitors the financial condition of these third parties on an annual basis and the Company does not expect these third parties to fail to meet their obligations.

Item 4 – Controls and Procedures

The Company, under the supervision and with the participation of the Company's management, including the Company's President and Chief Executive Officer, along with the Company's Chief Financial Officer (the Principal Financial Officer), has evaluated the effectiveness as of June 30, 2019, of the design and operation of the Company's disclosure controls and procedures, as such term is defined under Rule 13a-15(e) promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Based upon that evaluation, the Company's President and Chief Executive Officer, along with the Company's Principal Accounting Officer concluded that the Company's disclosure controls and procedures were effective as of June 30, 2019.

There have been no material changes in the Company's internal control over financial reporting during the second quarter of 2019 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II – OTHER INFORMATION

Item 1 – Legal Proceedings

From time to time in the ordinary course of business, the Company and its subsidiaries are subject to claims, asserted or unasserted, or named as a party to lawsuits or investigations. Litigation, in general, and intellectual property and securities litigation in particular, can be expensive and disruptive to normal business operations. Moreover, the results of legal proceedings cannot be predicted with any certainty and in the case of more complex legal proceedings, the results are difficult to predict at all. The Company is not aware of any asserted or unasserted legal proceedings or claims that the Company believes would have a material adverse effect on the Company's financial condition or results of the Company's operations.

Item 1A – Risk Factors

Our operations are subject to many risks that could adversely affect our future financial condition and performance and, therefore, the market value of our securities, including the risk factors that are described in our Annual Report to Shareholders on Form 10-K for the year ended December 31, 2018. There have been no material changes in our risk factors from those disclosed.

Item 2 – Unregistered Sales of Equity Securities and Use of Proceeds

None.

Item 3 – Defaults Upon Senior Securities

None.

Item 4 – Mine Safety Disclosures

Not applicable.

Item 5 – Other Information

None.

Item 6 – Exhibits

The following exhibits are filed herewith:

Exhibit 31.1	Certificate of principal executive officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
Exhibit 31.2	Certificate of principal financial officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
Exhibit 32.1	Certificate of principal executive officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
Exhibit 32.2	Certificate of principal financial officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
Exhibit 101.INS	XBRL Instance Document
Exhibit 101.SCH	XBRL Taxonomy Extension Schema
Exhibit 101.CAL	XBRL Taxonomy Extension Calculation Linkbase
Exhibit 101.DEF	XBRL Taxonomy Extension Definition Linkbase
Exhibit 101.LAB	XBRL Taxonomy Extension Label Linkbase
Exhibit 101.PRE	XBRL Taxonomy Extension Presentation Linkbase

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SIGNATURES

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

			MVB Financial Corp.
Date:	July 29, 2019	By:	/s/ Larry F. Mazza
			Larry F. Mazza
			President, CEO and Director
			(Principal Executive Officer)
Date:	July 29, 2019	By:	/s/ Donald T. Robinson
			Donald T. Robinson
			Executive Vice President and CFO
			(Principal Financial and Accounting Officer)

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Section 2: EX-31.1 (EX-31.1 - SOX SECTION 302 CEO CERTIFICATION)

Exhibit 31.1

Form 10-Q Certification

CERTIFICATION

I, Larry F. Mazza, certify that:

1. I have reviewed this report on Form 10-Q of MVB Financial Corp.;

1. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

1. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

1. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   a. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted account principles;

a. Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

a. Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

1. The registrant’s other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

a. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: July 29, 2019

/s/ Larry F. Mazza
Larry F. Mazza
President, CEO and Director
(Principal Executive Officer)

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Section 3: EX-31.2 (EX-31.2 - SOX SECTION 302 CFO CERTIFICATION)

Exhibit 31.2

Form 10-Q Certification

CERTIFICATION

I, Donald T. Robinson, certify that:

1. I have reviewed this report on Form 10-Q of MVB Financial Corp.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted account principles;

c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 29, 2019

/s/ Donald T. Robinson
Donald T. Robinson
Executive Vice President and CFO
(Principal Financial and Accounting Officer)

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Section 4: EX-32.1 (EX-32.1 - SOX SECTION 906 CEO CERTIFICATION)

Exhibit 32.1

Certification Pursuant to
18 U.S.C. Section 1350
As Adopted Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002

I, Larry F. Mazza, Chief Executive Officer of MVB Financial Corp., certify, as of the date hereof, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 that the quarterly report of MVB Financial Corp. on Form 10-Q for the quarterly period ended June 30, 2019 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that the information contained in such Form 10-Q fairly presents in all material respects the financial condition and results of operations of MVB Financial Corp. at the dates and for the periods indicated.

Date: July 29, 2019

/s/ Larry F. Mazza
Larry F. Mazza
President, CEO and Director
(Principal Executive Officer)

A signed original of this written statement required by Section 906 has been provided to MVB Financial Corp. and will be retained by MVB Financial Corp. and furnished to the Securities and Exchange Commission or its staff upon request.

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Section 5: EX-32.2 (EX-32.2 - SOX SECTION 906 CEO CERTIFICATION)

Exhibit 32.2

Certification Pursuant to
18 U.S.C. Section 1350
As Adopted Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002

I, Donald T. Robinson, Chief Financial Officer of MVB Financial Corp., certify, as of the date hereof, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 that the quarterly report of MVB Financial Corp. on Form 10-Q for the quarterly period ended June 30, 2019 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that the information contained in such Form 10-Q fairly presents in all material respects the financial condition and results of operations of MVB Financial Corp. at the dates and for the periods indicated.

Date:	July 29, 2019	/s/ Donald T. Robinson
		Donald T. Robinson
		Executive Vice President and CFO
		(Principal Financial and Accounting Officer)

A signed original of this written statement required by Section 906 has been provided to MVB Financial Corp. and will be retained by MVB Financial Corp. and furnished to the Securities and Exchange Commission or its staff upon request.

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