

MVB FINANCIAL CORP
Form 10-Q
November 05, 2015
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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 September 30, 2015

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, West Virginia 26554-2777

(Address of principal executive offices)

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)

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

Yes No

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act.)

Yes No

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

As of November 5, 2015, the number of shares outstanding of the issuer's only class of common stock was 8,061,921.

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MVB Financial Corp.

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Item Financial Statements

1.

The unaudited interim consolidated financial statements of MVB Financial Corp. (“the Company” or “MVB”) and subsidiaries (“Subsidiaries”) including MVB Bank, Inc. (the “Bank” or “MVB Bank”) and its wholly-owned subsidiary Potomac Mortgage Group, Inc., which does business as MVB Mortgage (“MVB Mortgage”) and MVB Insurance, LLC (“MVB Insurance”) listed below are included on pages 3-38 of this report.

Consolidated Balance Sheets as of September 30, 2015 and December 31, 2014

Consolidated Statements of Income for the Nine Months and Three Months ended September 30, 2015 and 2014

Consolidated Statements of Comprehensive Income for the Nine Months and Three Months ended September 30, 2015 and 2014

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Management’s Discussion and Analysis of Financial Condition and Results of Operations are included on pages 39-53 of this report.

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Part I. Financial Information

Item 1. Financial Statements

MVB Financial Corp. and Subsidiaries

Consolidated Balance Sheets

(Dollars in thousands except per share data)

	September 30, 2015 (Unaudited)	December 31, 2014 (Note 1)
Assets		
Cash and cash equivalents:		
Cash and due from banks	\$ 16,522	\$ 13,403
Interest bearing balances	8,613	16,674
Total cash and cash equivalents	25,135	30,077
Certificates of deposits in other banks	13,150	11,907
Investment securities:		
Securities available-for-sale	68,158	68,213
Securities held-to-maturity (fair value of \$53,923 for 2015 and \$55,871 for 2014)	52,969	54,538
Loans held for sale	73,047	69,527
Loans:	994,833	798,297
Less: Allowance for loan losses	(7,388)	(6,223)
Net loans	987,445	792,074
Bank premises, furniture and equipment	26,292	25,472
Bank owned life insurance	22,172	21,679
Accrued interest receivable and other assets	19,681	19,193
Goodwill	18,480	17,779
Total assets	\$ 1,306,529	\$ 1,110,459
Liabilities		
Deposits		
Non-interest bearing	\$ 87,244	\$ 67,066
Interest bearing	931,011	756,161
Total deposits	1,018,255	823,227
Accrued interest, taxes and other liabilities	11,591	10,310
Repurchase agreements	26,562	32,673
FHLB and other borrowings	102,468	101,287
Subordinated debt	33,524	33,524
Total liabilities	1,192,400	1,001,021
Stockholders' equity		
	16,334	16,334

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Preferred stock, par value \$1,000; 20,783 authorized and 9,283 issued in 2015 and 2014, respectively

Common stock, par value \$1; 20,000,000 shares authorized; 8,112,998 and 8,034,362 issued; and 8,061,921 and 7,983,285 outstanding in 2015 and 2014, respectively

Additional paid-in capital

Retained earnings

Accumulated other comprehensive loss

Treasury stock, 51,077 shares, at cost

Total stockholders' equity

Total liabilities and stockholders' equity

8,113	8,034
74,123	74,342
18,958	14,454
(2,315)	(2,642)
(1,084)	(1,084)
114,129	109,438
\$ 1,306,529	\$ 1,110,459

See accompanying notes to unaudited financial statements.

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MVB Financial Corp. and Subsidiaries

Consolidated Statements of Income

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

	Nine months ended September 30,		Three months ended September 30,	
	2015	2014	2015	2014
Interest income				
Interest and fees on loans	\$ 29,187	\$ 23,322	\$ 10,584	\$ 8,161
Interest on deposits with other banks	198	150	71	53
Interest on investment securities – taxable	674	1,022	213	253
Interest on tax exempt loans and securities	1,689	2,138	548	627
Total interest income	31,748	26,632	11,416	9,094
Interest expense				
Deposits	4,554	4,133	1,665	1,337
Repurchase agreements	62	262	18	29
FHLB and other borrowings	493	399	159	126
Subordinated debt	1,648	589	556	544
Total interest expense	6,757	5,383	2,398	2,036
Net interest income	24,991	21,249	9,018	7,058
Provision for loan losses	1,856	2,192	636	783
Net interest income after provision for loan losses	23,135	19,057	8,382	6,275
Noninterest income				
Service charges on deposit accounts	471	500	175	183
Income on bank owned life insurance	492	424	160	169
Visa debit card and interchange income	684	573	244	203
Mortgage fee income	23,881	12,491	8,955	4,948
Gain on sale of portfolio loans	1,119	1,549	319	216
Insurance and investment services income	3,805	2,745	1,142	909
Gain on sale of securities	130	396	4	271
Gain (loss) on derivatives	67	548	(2,039)	(391)
Gain on sale of other real estate owned	654	57	618	—
Other operating income	596	119	376	72
Total noninterest income	31,899	19,402	9,954	6,580
Noninterest expense				
Salary and employee benefits	30,131	22,327	10,203	7,598
Occupancy expense	2,657	2,036	902	732
Equipment depreciation and maintenance	1,524	1,111	557	400
Data processing and communications	2,945	2,114	1,075	733
Mortgage processing	2,310	1,706	774	596
Marketing, contributions and sponsorships	1,094	828	398	293

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Professional fees	2,217	1,522	936	645
Printing, postage and supplies	566	579	210	186
Insurance, tax and assessment expense	1,283	1,147	436	423
Travel, entertainment, dues and subscriptions	1,237	1,003	485	330
Other operating expenses	1,138	866	448	279
Total noninterest expense	47,102	35,239	16,424	12,215
Income before income taxes	7,932	3,220	1,912	640
Income tax expense	2,518	556	506	103
Net income	\$ 5,414	\$ 2,664	\$ 1,406	\$ 537
Preferred dividends	430	187	145	144
Net income available to common shareholders	\$ 4,984	\$ 2,477	\$ 1,261	\$ 393
Earnings per share – basic	\$ 0.62	\$ 0.31	\$ 0.16	\$ 0.05
Earnings per share – diluted	\$ 0.62	\$ 0.31	\$ 0.16	\$ 0.05
Weighted average shares outstanding - basic	7,998,203	7,863,820	8,023,549	8,032,362
Weighted average shares outstanding - diluted	8,606,354	8,077,895	8,631,700	8,246,437

See accompanying notes to unaudited financial statements.

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MVB Financial Corp. and Subsidiaries

Consolidated Statements of Comprehensive Income

(Unaudited)(Dollars in thousands)

	Nine months ended September 30,		Three months ended September 30,	
	2015	2014	2015	2014
Net Income	\$ 5,414	\$ 2,664	\$ 1,406	\$ 537
Other comprehensive income:				
Unrealized holding gains during the year	549	1,855	433	209
Income tax effect	(220)	(742)	(174)	(83)
Reclassification adjustment for gain recognized in income	(130)	(396)	(4)	(271)
Income tax effect	52	159	2	108
Change in defined benefit pension plan	127	(505)	(400)	(190)
Income tax effect	(51)	202	160	76
Other comprehensive income	327	573	17	(151)
Comprehensive income	\$ 5,741	\$ 3,237	\$ 1,423	\$ 386

See accompanying notes to unaudited financial statements.

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MVB Financial Corp. and Subsidiaries

Consolidated Statements of Cash Flows

(Unaudited) (Dollars in thousands)

	Nine months ended	
	September 30, 2015	September 30, 2014
Operating activities		
Net income	\$ 5,414	\$ 2,664
Adjustments to reconcile net income to net cash provided by operating activities:		
Net amortization and accretion of investments	586	628
Net amortization of deferred loan fees	(110)	166
Provision for loan losses	1,856	2,192
Depreciation and amortization	1,437	898
Stock based compensation	308	222
Loans originated for sale	(1,047,432)	(596,844)
Proceeds of loans sold	1,067,793	647,905
Mortgage fee income	(23,881)	(12,491)
Gain on sale of investment securities	(130)	(396)
Income on bank owned life insurance	(492)	(424)
Deferred taxes	118	(1,016)
Other, net	799	(1,405)
Net cash provided by operating activities	6,266	42,099
Investing activities		
Purchases of investment securities available-for-sale	(28,212)	(24,268)
Purchases of investment securities held-to-maturity	—	(250)
Maturities/paydowns of investment securities held-to-maturity	865	1,000
Maturities/paydowns of investment securities available-for-sale	15,601	6,533
Sales of investment securities available-for-sale	12,912	54,268
Sales of investment securities held-to-maturity	421	—
Purchases of premises and equipment	(1,648)	(7,985)
Net increase in loans	(177,798)	(139,999)
Gain on sale of portfolio loans	(1,119)	(1,549)
Purchases of restricted bank stock	(17,431)	(8,080)
Redemptions of restricted bank stock	16,977	9,602
Proceeds from sale of certificates of deposit with banks	248	—
Purchase of certificates of deposit with banks	(1,491)	—
Proceeds from sale of other real estate owned	1,132	76
Branch acquisition, net cash acquired	48,292	—
Purchase of bank owned life insurance	—	(5,000)
Net cash used in investing activities	(131,251)	(115,652)
Financing activities		
Net increase in deposits	126,331	150,510

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Net (decrease) in repurchase agreements	(6,111)	(47,684)
Net change in short-term FHLB borrowings	3,335	(48,062)
Principal payments on FHLB borrowings	(2,154)	(1,120)
Proceeds from subordinated debt	—	29,400
Proceeds from stock offering	—	5,617
Preferred stock issuance	—	7,834
Dividend reinvestment plan proceeds	—	180
Common stock options exercised	(448)	48
Cash dividends paid on common stock	(480)	(317)
Cash dividends paid on preferred stock	(430)	(187)
Net cash provided by financing activities	120,043	96,219
(Decrease) in cash and cash equivalents	(4,942)	22,666
Cash and cash equivalents at beginning of period	30,077	39,843
Cash and cash equivalents at end of period	\$ 25,135	\$ 62,509

Supplemental disclosure of cash flow information

Loans transferred to other real estate owned	\$ 174	\$ 346
Cashless stock options exercised	\$ 1,180	\$ —
Cash payments for:		
Interest on deposits, repurchase agreements and borrowings	\$ 8,278	\$ 6,444
Income taxes	\$ 2,400	\$ 1,600
See accompanying notes to unaudited financial statements.		

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MVB Financial Corp. and Subsidiaries

Notes to Consolidated Financial Statements

Note 1 – Basis of Presentation

These consolidated financial statements have been prepared in accordance with 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, 2014 has been derived from audited financial statements included in the Company’s 2014 filing on Form 10-K. Operating results for the nine and three months ended September 30, 2015 are not necessarily indicative of the results that may be expected for the year ending December 31, 2015.

The accounting and reporting policies of MVB Financial Corp. (“the Company” or “MVB”) and its subsidiaries (“Subsidiaries”), including MVB Bank, Inc. (the “Bank”), the Bank’s subsidiary Potomac Mortgage Group, Inc., which does business as MVB Mortgage (“MVB Mortgage”) and MVB Insurance, LLC, 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 financial statements should be read in conjunction with the financial statements and notes thereto included in MVB’s December 31, 2014, Form 10-K filed with the Securities and Exchange Commission.

In certain instances, amounts reported in prior periods’ consolidated financial statements have been reclassified to conform to the current presentation. Specifically, a portion of the prior periods’ interest income and interest expense was classified as gain on loans held for sale and has been reclassified in the current presentation.

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

Note 2 – Recent Accounting Pronouncements

In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606). These amendments affect any entity that either enters into contracts with customers to transfer goods or services or enters into contracts for the transfer of nonfinancial assets unless those contracts are within the scope of other standards (e.g. insurance contracts or lease contracts). This ASU will supersede the revenue recognition requirements in Topic 605, Revenue Recognition, and most industry-specific guidance, and creates a Topic 606, Revenue from Contracts with Customers. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This ASU also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. This ASU will be effective for annual reporting periods beginning after December 15, 2017, including interim periods within that reporting period. Early adoption is not permitted. The ASU allows for either full retrospective or modified retrospective adoption. We are evaluating the transition method that will be elected and the potential effects of the adoption of the ASU on our financial statements.

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In June 2014, the FASB issued ASU No. 2014-11, "Repurchase-to-Maturity Transactions, Repurchase Financings, and Disclosures." The new guidance aligns the accounting for repurchase-to-maturity transactions and repurchase agreements executed as repurchase financings with the accounting for other typical repurchase agreements. Going forward, these transactions would all be accounted for as secured borrowings. The guidance eliminates sale accounting for repurchase-to-maturity transactions and supersedes the guidance under which a transfer of a financial asset and a contemporaneous repurchase financing could be accounted for on a combined basis as a forward agreement, which has resulted in outcomes referred to as off-balance-sheet accounting. The amendments in the ASU require a new disclosure for transactions economically similar to repurchase agreements in which the transferor retains substantially all of the exposure to the economic return on the transferred financial assets throughout the term of the transaction. The amendments in the ASU also require expanded disclosures, effective for the current reporting period of June 30, 2015, about the nature of collateral pledged in repurchase agreements and similar transactions accounted for as secured borrowings (see Note 5 to the Consolidated Financial Statements). The Company adopted the amendments in this ASU effective January 1, 2015. As of June 30, 2015, all of the Company's repurchase agreements were typical in nature (i.e., not repurchase-to-maturity transactions or repurchase agreements executed as a repurchase financing) and are accounted for as secured borrowings. As such, the adoption of ASU No. 2014-11 did not have a material impact on the Company's Consolidated Financial Statements but resulted in additional disclosures.

In February 2015, the FASB issued ASU No. 2015-02, Consolidation (Topic 810): "Amendments to the Consolidation Analysis." The amendments modify the evaluation reporting organizations must perform to determine if certain legal entities should be consolidated as VIEs. Specifically, the amendments: (1) Modify the evaluation of whether limited partnerships and similar legal entities are variable interest entities ("VIEs") or voting interest entities; (2) Eliminate the presumption that a general partner should consolidate a limited partnership; (3) Affect the consolidation analysis of reporting entities that are involved with VIEs, particularly those that have fee arrangements and related party relationships; and (4) Provide a scope exception from consolidation guidance for reporting entities with interests in legal entities that are required to comply with or operate in accordance with requirements that are similar to those in Rule 2a-7 of the Investment Company Act of 1940 for registered money market funds. ASU No. 2015-02 is effective for interim and annual reporting periods beginning after December 15, 2015. The Company is currently evaluating the provisions of ASU No. 2015-02 to determine the potential impact the new standard will have on the Company's consolidated financial statements.

Note 3 – Investments

Amortized cost and fair values of investment securities held-to-maturity at September 30, 2015, including gross unrealized gains and losses, are summarized as follows:

(in thousands)	Amortized Cost	Unrealized Gain	Unrealized Loss	Fair Value
Municipal securities	\$ 52,969	\$ 1,336	\$ (382)	\$ 53,923
Total investment securities held-to-maturity	\$ 52,969	\$ 1,336	\$ (382)	\$ 53,923

Amortized cost and fair values of investment securities held-to-maturity at December 31, 2014, including gross unrealized gains and losses, are summarized as follows:

(in thousands)	Amortized Cost	Unrealized Gain	Unrealized Loss	Fair Value
Municipal securities	\$ 54,538	\$ 1,600	\$ (267)	\$ 55,871
Total investment securities held-to-maturity	\$ 54,538	\$ 1,600	\$ (267)	\$ 55,871

Amortized cost and fair values of investment securities available-for-sale at September 30, 2015 are summarized as follows:

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(in thousands)	Amortized Cost	Unrealized Gain	Unrealized Loss	Fair Value
U.S. Agency securities	\$ 32,104	\$ 20	\$ (34)	\$ 32,090
U.S. Sponsored Mortgage-backed securities	35,044	23	(355)	34,712
Municipal securities	459	—	—	459
Total debt securities	67,607	43	(389)	67,261
Equity and other securities	809	88	—	897
Total investment securities available-for-sale	\$ 68,416	\$ 131	\$ (389)	\$ 68,158

Amortized cost and fair values of investment securities available-for-sale at December 31, 2014 are summarized as follows:

(in thousands)	Amortized Cost	Unrealized Gain	Unrealized Loss	Fair Value
U.S. Agency securities	\$ 37,926	\$ 73	\$ (465)	\$ 37,534
U.S. Sponsored Mortgage-backed securities	30,293	58	(419)	29,932
Total debt securities	68,219	131	(884)	67,466
Equity and other securities	670	77	—	747
Total investment securities available-for-sale	\$ 68,889	\$ 208	\$ (884)	\$ 68,213

The following tables summarize amortized cost and fair values of debt securities by maturity at September 30, 2015:

	Held to Maturity		Available for sale	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Within one year	\$ —	\$ —	\$ —	\$ —
After one year, but within five	5,467	5,620	23,101	23,085
After five years, but within ten	13,681	13,889	12,310	12,305
After ten years	33,821	34,414	32,196	31,871
Total	\$ 52,969	\$ 53,923	\$ 67,607	\$ 67,261

Investment securities with a carrying value of \$113,661 at September 30, 2015, 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 September 30, 2015, the details of which are included in the following table. Although these securities, if sold at September 30, 2015 would result in a pretax loss of \$771, the Company has no intent to sell the applicable securities at such market values,

and maintains the Company has the ability to hold these securities until all principal has been recovered. Declines in the market values of these securities can be traced to general market conditions which reflect the prospect for the economy as a whole. When determining other-than-temporary impairment on securities, the Company considers such factors as adverse conditions specifically related to a certain security or to specific conditions in an industry or geographic area, the time frame securities have been in an unrealized loss position, the Company's ability to hold the security for a period of time sufficient to allow for anticipated recovery in value, whether or not the security has been downgraded by a rating agency, and whether or not the financial condition of the security issuer has severely deteriorated. As of September 30, 2015, the Company considers all securities with unrealized loss positions to be temporarily impaired, and consequently, does not believe the Company will sustain any material realized losses as a result of the current temporary decline in market value.

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The following table discloses investments in an unrealized loss position at September 30, 2015:

Description and number of positions (in thousands)	Less than 12 months		12 months or more	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
U.S. Agency securities (7)	\$ 4,993	\$ (10)	\$ 14,075	\$ (24)
U.S. Sponsored Mortgage-backed securities (14)	13,286	(89)	12,606	(266)
Municipal securities (42)	9,076	(140)	8,059	(242)
	\$ 27,355	\$ (239)	\$ 34,740	\$ (532)

The following table discloses investments in an unrealized loss position at December 31, 2014:

Description and number of positions (in thousands)	Less than 12 months		12 months or more	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
U.S. Agency securities (9)	\$ 996	\$ (3)	\$ 26,900	\$ (462)
U.S. Sponsored Mortgage-backed securities (8)	678	(3)	14,824	(416)
Municipal securities (42)	528	(3)	16,489	(264)
	\$ 2,202	\$ (9)	\$ 58,213	\$ (1,142)

For the three month period ended September 30, 2015 and 2014, the Company sold investments available-for-sale of \$1.4 million and \$17.1 million, respectively, resulting in gross gains of \$4 and \$275 and gross losses of \$0 and \$4.

For the nine month period ended September 30, 2015 and 2014, the Company sold investments available-for-sale of \$12.9 million and \$54.3 million, respectively, resulting in gross gains of \$125 and \$489 and gross losses of \$0 and \$93.

For the three and nine month periods ended September 30, 2015, the Company sold investments held-to-maturity of \$421, resulting in gross gains of \$5. The held-to-maturity investment was sold due to a credit downgrade. The Company sold no held-to-maturity investments during 2014.

Note 4 – Loans and Allowance for Loan Losses

The following table summarizes the primary segments of the allowance for loan losses (“ALL”), segregated into the amount required for loans individually evaluated for impairment and the amount required for loans collectively evaluated for impairment as of September 30, 2015:

(in thousands)	Commercial	Residential	Home Equity	Consumer	Total
ALL balance June 30, 2015	\$ 5,201	\$ 1,018	\$ 632	\$ 196	\$ 7,047
Charge-offs	(299)	—	—	(5)	(304)
Recoveries	—	—	—	9	9
Provision	515	101	78	(58)	636
ALL balance September 30, 2015	\$ 5,417	\$ 1,119	\$ 710	\$ 142	\$ 7,388

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	Commercial	Residential	Home Equity	Consumer	Total
ALL balance December 31, 2014	\$ 4,363	\$ 962	\$ 691	\$ 207	\$ 6,223
Charge-offs	(708)	(14)	—	(5)	(727)
Recoveries	21	1	1	13	36
Provision	1,741	170	18	(73)	1,856
ALL balance September 30, 2015	\$ 5,417	\$ 1,119	\$ 710	\$ 142	\$ 7,388
Individually evaluated for impairment	\$ 595	\$ 301	\$ 28	\$ 6	\$ 930
Collectively evaluated for impairment	\$ 4,822	\$ 818	\$ 682	\$ 136	\$ 6,458

The following table summarizes the primary segments of the Company loan portfolio as of September 30, 2015:

(in thousands)	Commercial	Residential	Home Equity	Consumer	Total
Individually evaluated for impairment	\$ 12,036	\$ 849	\$ 28	\$ 6	\$ 12,919
Collectively evaluated for impairment	687,623	210,997	65,617	17,677	981,914
Total Loans	\$ 699,659	\$ 211,846	\$ 65,645	\$ 17,683	\$ 994,833

The following table summarizes the primary segments of the allowance for loan losses (“ALL”), segregated into the amount required for loans individually evaluated for impairment and the amount required for loans collectively evaluated for impairment as of September 30, 2014:

(in thousands)	Commercial	Residential	Home Equity	Consumer	Total
ALL balance June 30, 2014	\$ 4,485	\$ 685	\$ 825	\$ 246	\$ 6,241
Charge-offs	(634)	(30)	—	(1)	(665)
Recoveries	3	—	2	—	5
Provision	633	224	(38)	(36)	783
ALL balance September 30, 2014	\$ 4,487	\$ 879	\$ 789	\$ 209	\$ 6,364

	Commercial	Residential	Home Equity	Consumer	Total
ALL balance December 31, 2013	\$ 3,609	\$ 519	\$ 554	\$ 253	\$ 4,935
Charge-offs	(632)	(133)	—	(11)	(776)
Recoveries	7	—	3	3	13
Provision	1,503	493	232	(36)	2,192
ALL balance September 30, 2014	\$ 4,487	\$ 879	\$ 789	\$ 209	\$ 6,364

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Individually evaluated for impairment	\$ 893	\$ 278	\$ 29	\$ 10	\$ 1,210
Collectively evaluated for impairment	\$ 3,594	\$ 601	\$ 760	\$ 199	\$ 5,154

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The following table summarizes the primary segments of the Company loan portfolio as of September 30, 2014:

(in thousands)	Commercial	Residential	Equity	Consumer	Total
Individually evaluated for impairment	\$ 5,764	\$ 837	\$ 29	\$ 16	\$ 6,646
Collectively evaluated for impairment	543,327	151,331	43,576	18,046	756,280
Total Loans	\$ 549,091	\$ 152,168	\$ 43,605	\$ 18,062	\$ 762,926

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

All loan origination fees and direct loan origination costs are deferred and recognized over the life of the loan. As of September 30, 2015 and 2014, net deferred fees and costs of \$1,228 and \$1,402, respectively, were included in the carrying value of loans.

During December 2013 the Bank purchased \$74.3 million in performing commercial real estate secured loans in the northern Virginia area. At the time of acquisition, none of these loans were considered impaired. They were acquired at a premium of roughly 1.024 or \$1.8 million, which is being amortized in accordance with ASC 310-20. These loans, with the exception of one, are collectively evaluated for impairment under ASC 450. The loans continue to be individually monitored for payoff activity, and any necessary adjustments to the premium are made accordingly. The loan that has been individually evaluated for impairment is discussed in further detail below in the discussion of impaired loans.

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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 September 30, 2015 and December 31, 2014 (in thousands):

	Impaired Loans with Specific Allowance		Impaired Loans with No Specific Allowance	Total Impaired Loans	
	Recorded Investment	Related Allowance	Recorded Investment	Recorded Investment	Unpaid Principal Balance
September 30, 2015					
Commercial					
Commercial Business	\$ —	\$ —	\$ 2,758	\$ 2,758	\$ 2,758
Commercial Real Estate	6,522	498	—	6,522	6,522
Acquisition & Development	269	97	2,487	2,756	4,431
Total Commercial	6,791	595	5,245	12,036	13,711
Residential	827	301	22	849	849
Home Equity	28	28	—	28	28
Consumer	6	6	—	6	6
Total impaired loans	\$ 7,652	\$ 930	\$ 5,267	\$ 12,919	\$ 14,594
December 31, 2014					
Commercial					
Commercial Business	\$ —	\$ —	\$ 3,606	\$ 3,606	\$ 3,606
Commercial Real Estate	1,527	260	5,021	6,548	6,548
Acquisition & Development	273	102	3,355	3,628	4,703
Total Commercial	1,800	362	11,982	13,782	14,857
Residential	969	298	—	969	969
Home Equity	28	28	—	28	28
Consumer	2	2	—	2	2
Total impaired loans	\$ 2,799	\$ 690	\$ 11,982	\$ 14,781	\$ 15,856

Impaired loans have decreased during 2015, primarily as the result of three loans, of which the recorded investment of each has decreased for various reasons. A loan that is dependent upon the condition of the coal industry, which had a balance of \$3.6 million as of December 31, 2014, was reduced by principal payments totaling \$848 and now represents a recorded investment of \$2.8 million. Meanwhile, two unrelated acquisition and development loans with a total December 31, 2014 balance of \$3.1 million were reduced as the result of a principal curtailment of a \$268 and a \$600 charge-off. These two loans now represent a total recorded investment of \$2.2 million. Meanwhile, it is important to note that \$7.8 million, or 60%, of the \$12.9 million total recorded investment in impaired loans as of September 30, 2015 was concentrated in just two impaired loans. Furthermore, one of the two loans had a balance of \$5.0 million and is a loan to finance a commercial real estate property in the Northern Virginia market, which had as primary tenants, government contractors that have vacated the premises as a result of losing significant contracts with the United States government. This loan was purchased from another financial institution in late 2013 but it is the

Bank's position that the "Loan Sales Agreement" has been breached by the selling institution and legal recourse is being pursued by the Bank.

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

	Nine months ended September 30, 2015			Three months ended September 30, 2015		
	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	\$ 3,228	\$ 117	\$ 114	2,945	39	39
Commercial Real Estate Acquisition & Development	6,533	44	37	6,525	15	12
Total Commercial	3,210	7	7	2,957	2	2
Residential	12,971	168	158	12,427	56	53
Home Equity	935	15	11	909	5	7
Consumer	28	1	1	28	—	—
Total	1	—	—	1	—	—
	\$ 13,935	\$ 184	\$ 170	\$ 13,365	\$ 61	\$ 60

	Nine months ended September 30, 2014			Three months ended September 30, 2014		
	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	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Commercial Real Estate Acquisition & Development	1,854	94	50	1,740	31	8
Total Commercial	4,635	119	92	4,583	2	4
Residential	6,489	213	142	6,323	33	12
Home Equity	779	15	14	868	5	5
Consumer	28	1	—	28	—	—
Total	25	1	1	16	—	—
	\$ 7,321	\$ 230	\$ 157	\$ 7,235	\$ 38	\$ 17

As of September 30, 2015, the Bank held three foreclosed residential real estate properties representing \$174, or 64%, of the total balance of other real estate owned. Meanwhile, 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 \$249 as of September 30, 2015.

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 Bank 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

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weaknesses are not corrected. All loans greater than 90 days past due are considered Substandard. The portion of any loan that represents a specific allocation of the allowance for loan losses is placed in the Doubtful category. Any portion of a loan that has been charged off is placed in the Loss category.

To help ensure that risk ratings are accurate and reflect the present and future capacity of borrowers to repay a loan as agreed, the Bank has a structured loan rating process with several layers of internal and external oversight. Generally, consumer and residential mortgage loans are included in the Pass categories unless a specific action, such as bankruptcy, repossession, or death occurs to raise awareness of a possible credit event. The Bank's Chief Credit Officer is responsible for the timely and accurate risk rating of the loans in the portfolio at origination and on an ongoing basis. The Credit Department 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 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 September 30, 2015 and December 31, 2014 (in thousands):

September 30, 2015	Pass	Special Mention	Substandard	Doubtful	Total
Commercial					
Commercial Business	\$ 318,871	\$ 5,334	\$ 2,902	\$ —	\$ 327,107
Commercial Real Estate	270,414	10,933	7,341	—	288,688
Acquisition & Development	78,168	2,940	1,224	1,532	83,864
Total Commercial	667,453	19,207	11,467	1,532	699,659
Residential	208,667	2,075	1,047	57	211,846
Home Equity	65,320	262	63	—	65,645
Consumer	17,258	424	1	—	17,683
Total Loans	\$ 958,698	\$ 21,968	\$ 12,578	\$ 1,589	\$ 994,833

December 31, 2014	Pass	Special Mention	Substandard	Doubtful	Total
Commercial					
Commercial Business	\$ 234,547	\$ 618	\$ 3,713	\$ —	\$ 238,878
Commercial Real Estate	262,215	11,242	7,323	—	280,780
Acquisition & Development	34,391	3,075	1,496	2,132	41,094
Total Commercial	531,153	14,935	12,532	2,132	560,752
Residential	171,395	2,147	965	—	174,507
Home Equity	45,684	223	28	—	45,935
Consumer	16,477	624	2	—	17,103
Total Loans	\$ 764,709	\$ 17,929	\$ 13,527	\$ 2,132	\$ 798,297

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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 is in a collection process could warrant non-accrual status. A thorough review is to be 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 will be subject to applicable regulatory restrictions and guidelines. Generally, loans should be placed in non-accrual status when the loan approaches 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 should be charged off when a loan is placed in non-accrual status. Any payments subsequently received should be 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 the aging categories of performing loans and nonaccrual loans as of September 30, 2015 and December 31, 2014 (in thousands):

September 30, 2015	30-59 Days 60-89 Days 90 Days + Total				Total Loans	Non- Accrual	90+ Days Still Accruing	
	Current	Past Due	Past Due	Past Due				Past Due
Commercial Business	\$ 323,621	\$ 2,758	\$ 615	\$ 113	\$ 3,486	\$ 327,107	\$ 85	\$ 27
Commercial Real Estate	278,150	47	4,794	5,697	10,538	288,688	5,020	677
Acquisition & Development Total	81,070	—	—	2,794	2,794	83,864	2,488	307
Commercial Residential	682,841	2,805	5,409	8,604	16,818	699,659	7,593	1,011
Home Equity	211,013	23	195	615	833	211,846	397	254
Consumer	65,350	290	5	—	295	65,645	35	—
Total	17,519	57	—	107	164	17,683	—	107
	\$ 976,723	\$ 3,175	\$ 5,609	\$ 9,326	\$ 18,110	\$ 994,833	\$ 8,025	\$ 1,372

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December 31, 2014	30-59 Days 60-89 Days 90 Days + Total					Total Loans	Non-	90+ Days
	Current	Past Due	Past Due	Past Due	Past Due		Accrual	Still Accruing
Commercial Business	\$ 233,464	\$ 3,738	\$ 1,500	\$ 176	\$ 5,414	\$ 238,878	\$ 107	\$ 69
Commercial Real Estate	270,600	234	4,925	5,021	10,180	280,780	—	5,021
Acquisition & Development	37,739	—	—	3,355	3,355	41,094	3,355	—
Total	541,803	3,972	6,425	8,552	18,949	560,752	3,462	5,090
Commercial Residential	167,392	4,478	2,126	511	7,115	174,507	487	216
Home Equity	45,815	120	—	—	120	45,935	—	—
Consumer	16,692	411	—	—	411	17,103	—	—
Total	\$ 771,702	\$ 8,981	\$ 8,551	\$ 9,063	\$ 26,595	\$ 798,297	\$ 3,949	\$ 5,306

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

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

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

The segments as presented within this note, which are based on the Federal call code assigned to each loan, provide the starting point for the ALL analysis. Company and Bank management track 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: national and local economic trends and conditions; levels of and trends in delinquency rates and non-accrual loans; trends in volume and terms of loans; effects of changes in lending policies; experience, ability, and depth of lending staff; value of underlying collateral; and concentrations of credit from a loan type, industry and/or geographic standpoint. 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's risk grading deteriorates.

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.

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 off-balance sheet liability related to these loans.

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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 September 30, 2015 and December 31, 2014, the Bank had specific reserve allocations for TDR’s of \$597 and \$582, respectively.

Loans considered to be troubled debt restructured loans totaled \$7.6 million and \$9.4 million as of September 30, 2015 and December 31, 2014, respectively. \$2.5 million and \$3.4 million, respectively, represent three loans to two borrowers that have defaulted under the restructured terms. All three loans are acquisition and development loans that were considered restructured due to extended interest only periods and/or unsatisfactory repayment structures once transitioned to principal and interest payments. These borrowers have experienced continued financial difficulty and are considered non-performing loans as of September 30, 2015 and December 31, 2014.

The following tables present details related to loans identified as TDR’s for the periods indicated (in thousands):

	New TDRs (1) For the Nine months ended September 30, 2014		For the Three months ended September 30, 2014			
	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						
Acquisition and development	1	\$ 496	\$ 375	—	\$ —	\$ —
Total Commercial	1	496	375	—	—	—
Residential Real Estate	1	389	385	—	—	—
Total	2	\$ 885	\$ 760	—	\$ —	\$ —

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

There were no new TDR’s for the nine and three months ended September 30, 2015.

NOTE 5 - BORROWED FUNDS

Short-term Borrowings

Along with traditional deposits, the Bank has access to short-term borrowings from FHLB to fund its operations and investments. Short-term borrowings from FHLB totaled \$99.2 million at September 30, 2015, compared to \$95.8 million at December 31, 2014.

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

(Dollars in thousands)	September 30, 2015	December 31, 2014		
Balance at end of period	\$ 99,164	\$ 95,829		
Average balance during the three and twelve months ended	140,193	76,185		
Maximum month-end balance during the three and twelve months ended	147,872	120,229		
Weighted-average rate during the three and twelve months ended	0.28	%	0.27	%
Rate at end of period	0.34	%	0.32	%

Repurchase agreements:

Along with traditional deposits, the Bank has access to securities sold under agreements to repurchase “repurchase agreements” with customers represent 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.

As of September 30, 2015 and December 31, 2014, the Bank had repurchase agreements of \$26.6 million and \$32.7 million, respectively. These borrowings were collateralized by investment securities or FHLB letters of credit with a carrying value of \$27.1 million and \$33.3 million at September 30, 2015 and December 31, 2014, respectively. Declines in the value of the collateral would require the Company to pledge additional securities. As of September 30, 2015 and December 31, 2014 the Company had \$7.5 million and \$5.6 million, respectively, of available unpledged securities.

Information related to repurchase agreements is summarized as follows:

(Dollars in thousands)	September 30, 2015	December 31, 2014		
Balance at end of period	\$ 26,562	\$ 32,673		
Average balance during the three and twelve months ended	24,645	55,731		
Maximum month-end balance during the three and twelve months ended	26,562	83,781		
Weighted-average rate during the three and twelve months ended	0.30	%	0.52	%
Rate at end of period	0.30	%	0.35	%

Term notes from the FHLB were as follows:

September 30, December 31,

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(Dollars in thousands)	2015	2014
Fixed interest rate notes, originating between April 2002 and April 2007, due between May 2017 and April 2022, interest of between 5.18% and 5.90% payable monthly	\$ 2,479	\$ 4,618
Amortizing fixed interest rate note, originating February 2007, due February 2022, payable in monthly installments of \$5, including interest of 5.22%	825	840
Subordinated Debt	\$ 3,304	\$ 5,458

In March 2007, the Company completed the private placement of \$4 million Floating Rate, Trust Preferred Securities

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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 were 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 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. The securities issued by the Trust are includable for regulatory purposes as a component of the Company’s Tier I capital.

The Trust Preferred Securities and the Debentures mature in 2037 and 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, MVB Financial Corp. (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 five 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 30-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. 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.

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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 \$33.5 million as of September 30, 2015 and December 31, 2014 and interest expense of \$1,648 and \$589 for the nine months ended September 30, 2015 and 2014.

A summary of maturities of borrowings and subordinated debt over the next five years is as follows:

(dollars in thousands)

Year	Amount
2015	\$ 99,186
2016	94
2017	615
2018	81
2019	85
Thereafter	35,931
	\$ 135,992

Note 6 – Fair Value of Financial Instruments

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

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

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

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

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 2 instruments and valued them using the market approach. The following measurements are made on

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a recurring basis.

- Available-for-sale investment 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 1 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 2 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 year ended December 31, 2014. Valuation techniques are consistent with techniques used in prior periods.
- Loans held for sale — Loans held for sale are carried at fair value. These loans currently consist of one-to-four-family residential loans originated for sale in the secondary market. Fair value is based on the committed market rates or the price secondary markets are currently offering for similar loans using observable market data.
- Interest rate lock commitment - For mortgage interest rate locks, the fair value is based on either (i) the price of the underlying loans obtained from an investor for loans that will be delivered on a best efforts basis or (ii) the observable price for individual loans traded in the secondary market for loans that will be delivered on a mandatory basis less (iii) expected costs to deliver the interest rate locks, any expected “pull through rate” is applied to this calculation to estimate the derivative value.
- 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.
- Forward sales commitments – Forward sales commitments are considered derivatives and are recorded at fair value, based on (i) committed sales prices from investors for commitments to sell mortgage loans or (ii) observable market data inputs for commitments to sell mortgage backed securities. A majority of the interest rate locks and loans held for sale are committed on a best efforts basis.

The following tables present the assets and liabilities reported on the consolidated statements of financial condition at their fair value on a recurring basis as of September 30, 2015 and December 31, 2014 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.

(in thousands)	September 30, 2015			Total
	Level I	Level II	Level III	
Assets:				
U.S. Government Agency securities	\$ —	\$ 32,090	\$ —	\$ 32,090
U.S. Sponsored Mortgage backed securities	—	34,712	—	34,712
Municipal securities	—	459	—	459
Equity and Other securities	88	809	—	897
Loans held for sale	—	73,047	—	73,047
Interest rate lock commitment	—	—	1,758	1,758

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Interest rate swap	—	580	—	580
Interest rate cap	—	443	—	443
Liability:				
Interest rate swap	—	580	—	580
Forward sales commitments	—	417	—	417

(in thousands)	December 31, 2014			
	Level I	Level II	Level III	Total
Assets:				
U.S. Government Agency securities	\$ —	\$ 37,534	\$ —	\$ 37,534
U.S. Sponsored Mortgage backed securities	—	29,932	—	29,932
Equity and Other securities	77	670	—	747
Loans held for sale	—	69,527	—	69,527
Interest rate lock commitment	—	—	1,020	1,020
Interest rate cap	—	1,423	—	1,423
Liability:				
Forward sales commitments	—	431	—	431

The following table represents recurring level III assets:

(in thousands)	For the three	For the three	For the	For the
	months	months	nine	nine
	ended	ended	months	months
	September	September	ended	ended
	30, 2015	30, 2014	September	September
			30, 2015	30, 2014
Balance, beginning of period	\$ 1,653	\$ 3,210	\$ 1,020	\$ 2,271
Realized and unrealized gains (loss) included in earnings	105	(391)	738	548
Balance, end of period	\$ 1,758	\$ 2,819	\$ 1,758	\$ 2,819

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 non-recurring 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 2015 and 2014 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

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assets which, subsequent to their initial recognition, were remeasured at fair value through a write-down included in other non-interest 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 2 inputs based on observable market data or Level 3 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 2 inputs based on observable market data or Level 3 inputs based on customized discounting criteria. At the time, the foreclosure is completed, the Company obtains a current external appraisal.
- Mortgage Servicing Rights – Mortgage servicing rights (“MSRs”) do not trade in an active, open market with readily observable prices. While sales of MSRs do occur, the precise terms and conditions typically are not readily available.

Assets measured at fair value on a nonrecurring basis as of September 30, 2015 and December 31, 2014 are included in the tables below:

(in thousands)	September 30, 2015			Total
	Level I	Level II	Level III	
Assets:				
Impaired loans	\$ —	\$ —	\$ 11,989	\$ 11,989
Other real estate owned	—	—	274	274
Mortgage servicing rights	—	—	1,155	1,155

(in thousands)	December 31, 2014			Total
	Level I	Level II	Level III	
Assets:				
Impaired loans	\$ —	\$ —	\$ 14,091	\$ 14,091
Other real estate owned	—	—	575	575
Mortgage servicing rights	—	—	1,423	1,423

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The following tables present quantitative information about the Level 3 significant unobservable inputs for assets measured at fair value on a nonrecurring basis at September 30, 2015 and December 31, 2014.

(Dollars in thousands)	Quantitative Information about Level 3 Fair Value Measurements			
	Fair Value	Valuation Technique	Unobservable Input	Range
September 30, 2015:				
Impaired loans	\$ 11,989	Appraisal of collateral (1)	Appraisal adjustments(2) Liquidation expense (2)	20% - 30% 5% - 10%
Other real estate owned	\$ 274	Appraisal of collateral (1)	Appraisal adjustments (2) Liquidation expense (2)	20% - 30% 5% - 10%
Mortgage servicing rights	\$ 1,155	Discounted cash flows	Constant prepayment rate Cost of service Discount rate	12% 0.25% 12%

(Dollars in thousands)	Quantitative Information about Level 3 Fair Value Measurements			
	Fair Value	Valuation Technique	Unobservable Input	Range
December 31, 2014:				
Impaired loans	\$ 14,091	Appraisal of collateral (1)	Appraisal adjustments (2) Liquidation expense (2)	20% - 30% 5% - 10%
Other real estate owned	\$ 575	Appraisal of collateral (1)	Appraisal adjustments (2) Liquidation expense (2)	20% - 30% 5% - 10%
Mortgage servicing rights	\$ 1,423	Discounted cash flows	Constant prepayment rate Cost of service Discount rate	12% 0.25% 12%

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

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

Cash and cash equivalents: The carrying amounts for cash and cash equivalents approximate fair value because they have original maturities of 90 days or less and do not present unanticipated credit concerns.

Certificates of deposits: The fair values for certificates of deposits are computed based on scheduled future cash flows of principal and interest, discounted at interest rates currently offered for certificates of deposits with similar terms of investors. No prepayments of principal are assumed.

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

Loans held for sale: Loans held for sale are reported at fair value. These loans currently consist of one-to-four-family residential loans originated for sale in the secondary market. Fair value is based on committed market rates or the price secondary markets are currently offering for similar loans using observable market data. (Level II)

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

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Mortgage servicing rights: The carrying value of mortgage servicing rights approximates their fair value.

Interest rate lock commitment: For mortgage interest rate locks, the fair value is based on either (i) the price of the underlying loans obtained from an investor for loans that will be delivered on a best efforts basis or (ii) the observable price for individual loans traded in the secondary market for loans that will be delivered on a mandatory basis less (iii) expected costs to deliver the interest rate locks, any expected “pull through rate” is applied to this calculation to estimate the derivative value. The “pull through rate” range from 78% – 80% and 77% - 81% as of September 30, 2015 and December 31, 2014.

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.

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

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

Forward Sales Commitments: Forward sales commitments are used to mitigate interest rate risk for residential mortgage loans held for sale and interest rate locks and manage expected funding percentages. These instruments are considered derivatives and are recorded at fair value, based on (i) committed sales prices from investors for commitments to sell mortgage loans or (ii) observable market data inputs for commitments to sell mortgage backed securities.

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

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

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

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

Fair Value Measurements at:

Carrying	Estimated	Quoted Prices in Active Markets For Identical Assets	Significant Other Observable	Significant Unobservable Inputs
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	Value	Fair Value	(Level 1)	Inputs (Level 2)	(Level 3)
September 30, 2015:					
Financial assets:					
Cash and cash equivalents	\$ 25,135	\$ 25,135	\$ 25,135	\$ —	\$ —
Certificates of deposits with other banks	13,150	13,341	—	13,341	—
Securities available-for-sale	68,158	68,158	88	68,070	—
Securities held-to-maturity	52,969	53,923	—	53,923	—
Loans held for sale	73,047	73,047	—	73,047	—
Loans, net	994,833	1,000,857	—	—	1,000,857
Mortgage servicing rights	1,155	1,155	—	—	1,155
Interest rate lock commitment	1,758	1,758	—	—	1,758
Interest rate swap	580	580	—	580	—
Interest rate cap	443	443	—	443	—
Accrued interest receivable	3,250	3,250	—	800	2,450
Financial liabilities:					
Deposits	\$ 1,018,255	\$ 1,019,968	\$ —	\$ 1,019,968	\$ —
Repurchase agreements	26,562	26,562	—	26,562	—
FHLB and other borrowings	102,468	102,476	—	102,476	—
Interest rate swap	580	580	—	580	—
Forward sales commitments	417	417	—	417	—
Accrued interest payable	458	458	—	458	—
Subordinated debt	33,524	31,172	—	31,172	—
December 31, 2014					
Financial assets:					
Cash and cash equivalents	\$ 30,077	\$ 30,077	\$ 30,077	\$ —	\$ —
Certificates of deposits with other banks	11,907	12,035	—	12,035	—
Securities available-for-sale	68,213	68,213	77	68,136	—
Securities held-to-maturity	54,538	55,871	—	55,871	—
Loans held for sale	69,527	69,527	—	69,527	—
Loans, net	792,074	803,036	—	—	803,036
Mortgage servicing rights	1,423	1,423	—	—	1,423
Interest rate lock commitment	1,020	1,020	—	—	1,020
Interest rate cap	1,423	1,423	—	1,423	—
Accrued interest receivable	2,387	2,387	—	728	1,659
Financial liabilities:					
Deposits	\$ 823,227	\$ 824,078	\$ —	\$ 824,078	\$ —
Repurchase agreements	32,673	32,673	—	32,673	—
FHLB and other borrowings	101,287	101,338	—	101,338	—
Forward sales commitments	431	431	—	431	—
Accrued interest payable	376	376	—	376	—
Subordinated debt	33,524	31,172	—	31,172	—

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

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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 7 – Stock Offerings

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 thirty 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. 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 thirty 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. 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.

On September 8, 2011 MVB received \$8.5 million in Small Business Lending Fund (SBLF) capital. MVB issued 8,500 shares of \$1,000 per share preferred stock with dividends payable in arrears on January 1, April 1, July 1 and October 1 each year. At December 31, 2014 and 2013, MVB's loan production qualified for the lowest dividend rate possible of 1%. MVB may continue to utilize the SBLF capital through March 8, 2016 at the 1% dividend rate. After that time, if the SBLF is not retired, the dividend rate increases to 9%.

Note 8 – Net Income Per Common Share

The Company determines basic earnings per share by dividing net income by the weighted average number of common shares outstanding during the period. Diluted earnings per share is determined by dividing net income plus interest on convertible preferred stock 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 and convertible preferred stock. At September 30, 2015 and 2014, stock options to purchase 509,899 and 518,670 shares at an average price of \$11.59 and \$8.05, respectively, were outstanding. For the three and nine months ended September 30, 2015 and 2014, the dilutive effect of stock options was 118,526 and 214,075 shares, respectively. For the three and nine months ended September 30, 2015 and 2014, the dilutive effect of convertible preferred stock was 489,625 and 0 shares, respectively.

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Note 9 – Segment Reporting

During 2013, the Company identified three reportable segments: commercial and retail banking; mortgage banking; and insurance services. Revenue from commercial and retail banking activities consists primarily of interest earned on loans and investment securities and service charges on deposit accounts. In addition, the commercial and retail banking segment activity includes holding company revenue and expense items.

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. Revenue from insurance services is comprised mainly of commissions on the sale of insurance products.

Information about the reportable segments and reconciliation to the consolidated financial statements for the three and nine month periods ended September 30, 2015 and 2014 are as follows:

Three months ended September 30, 2015 (in thousands)	Commercial &				Consolidated
	Retail Banking	Mortgage Banking	Insurance	Intercompany Eliminations	
Revenues:					
Interest income	\$ 10,427	\$ 1,029	\$ —	\$ (40)	\$ 11,416
Mortgage fee income	(28)	9,293	—	(310)	8,955
Insurance and investment services income	98	—	1,044	—	1,142
Other income	2,589	(1,544)	1	(1,189)	(143)
Total operating income	13,086	8,778	1,045	(1,539)	21,370
Expenses:					
Interest expense	2,333	415	—	(350)	2,398
Provision for loan losses	636	—	—	—	636
Salaries and employee benefits	3,982	5,302	919	—	10,203
Other expense	5,223	1,894	293	(1,189)	6,221
Total operating expenses	12,174	7,611	1,212	(1,539)	19,458
Income (loss) before income taxes	912	1,167	(167)	—	1,912
Income tax expense (benefit)	121	448	(63)	—	506
Net income (loss)	791	719	(104)	—	1,406
Preferred stock dividends	145	—	—	—	145
Net income (loss) available to common shareholders	\$ 646	\$ 719	\$ (104)	\$ —	\$ 1,261

Capital expenditures for the three-month period ended September 30, 2015	\$ 490	\$ 53	\$ —	\$ -	\$ 543
Total assets as of September 30, 2015	1,460,120	110,119	2,944	(266,654)	1,306,529
Total assets as of December 31, 2014	1,189,746	101,791	4,031	(185,109)	1,110,459
Goodwill as of September 30, 2015	1,598	16,882	-	-	18,480
Goodwill as of December 31, 2014	\$ 897	\$ 16,882	\$ -	\$ -	\$ 17,779

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Three months ended September 30, 2014 (in thousands)	Commercial & Retail Banking	Mortgage Banking	Insurance	Intercompany Eliminations	Consolidated
Revenues:					
Interest income	\$ 8,277	\$ 725	\$ —	\$ 92	\$ 9,094
Mortgage fee income	39	5,223	—	(314)	4,948
Insurance and investment services income	63	—	846	—	909
Other income	1,706	(391)	—	(592)	723
Total operating income	10,085	5,557	846	(814)	15,674
Expenses:					
Interest expense	1,999	287	—	(250)	2,036
Provision for loan losses	783	—	—	—	783
Salaries and employee benefits	3,281	3,473	844	—	7,598
Other expense	3,330	1,630	221	(564)	4,617
Total operating expenses	9,393	5,390	1,065	(814)	15,034
Income (loss) before income taxes	692	167	(219)	—	640
Income tax expense (benefit)	116	66	(79)	—	103
Net income (loss)	576	101	(140)	—	537
Preferred stock dividends	144	—	—	—	144
Net income (loss) available to common shareholders	\$ 432	\$ 101	\$ (140)	\$ —	\$ 393
Capital expenditures for the three-month period ended September 30, 2014					
	\$ 2,943	\$ 71	9	\$ -	\$ 3,023
Total assets as of September 30, 2014	1,186,006	82,648	2,804	(184,644)	1,086,814
Total assets as of December 31, 2013	1,021,097	92,290	3,012	(129,339)	987,060
Goodwill as of September 30, 2014	897	16,882	-	-	17,779
Goodwill as of December 31, 2013	\$ 897	\$ 16,882	\$ -	\$ -	\$ 17,779

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Nine months ended September 30, 2015 (in thousands)	Commercial &			Intercompany Eliminations	Consolidated
	Retail Banking	Mortgage Banking	Insurance		
Revenues:					
Interest income	\$ 29,049	\$ 2,996	\$ —	\$ (297)	\$ 31,748
Mortgage fee income	36	24,678	—	(833)	23,881
Insurance and investment services income	276	—	3,529	—	3,805
Other income	6,658	1,056	6	(3,507)	4,213
Total operating income	36,019	28,730	3,535	(4,637)	63,647
Expenses:					
Interest expense	6,568	1,319	—	(1,130)	6,757
Provision for loan losses	1,856	—	—	—	1,856
Salaries and employee benefits	11,457	15,967	2,707	—	30,131
Other expense	14,284	5,474	720	(3,507)	16,971
Total operating expenses	34,165	22,760	3,427	(4,637)	55,715
Income before income taxes	1,854	5,970	108	—	7,932
Income tax expense	188	2,287	43	—	2,518
Net income	1,666	3,683	65	—	5,414
Preferred stock dividends	430	—	—	—	430
Net income available to common shareholders	\$ 1,236	\$ 3,683	\$ 65	\$ —	\$ 4,984
Capital expenditures for the nine-month period ended September 30, 2015					
	\$ 1,487	\$ 152	\$ 9	\$ -	\$ 1,648
Total assets as of September 30, 2015	1,460,120	110,119	2,944	(266,654)	1,306,529
Total assets as of December 31, 2014	1,189,746	101,791	4,031	(185,109)	1,110,459
Goodwill as of September 30, 2015	1,598	16,882	-	-	18,480
Goodwill as of December 31, 2014	\$ 897	\$ 16,882	\$ -	\$ -	\$ 17,779

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Nine months ended September 30, 2014 (in thousands)	Commercial &			Intercompany Eliminations	Consolidated
	Retail Banking	Mortgage Banking	Insurance		
Revenues:					
Interest income	\$ 24,399	\$ 1,959	\$ —	\$ 274	\$ 26,632
Mortgage fee income	31	13,362	—	(902)	12,491
Insurance and investment services income	192	—	2,553	—	2,745
Other income	6,912	548	—	(3,294)	4,166
Total operating income	31,534	15,869	2,553	(3,922)	46,034
Expenses:					
Interest expense	5,276	776	—	(669)	5,383
Provision for loan losses	2,192	—	—	—	2,192
Salaries and employee benefits	9,644	10,105	2,578	—	22,327
Other expense	11,325	4,225	615	(3,253)	12,912
Total operating expenses	28,437	15,106	3,193	(3,922)	42,814
Income (loss) before income taxes	3,097	763	(640)	—	3,220
Income tax expense (benefit)	490	305	(239)	—	556
Net income (loss)	2,607	458	(401)	—	2,664
Preferred stock dividends	187	—	—	—	187
Net income (loss) available to common shareholders	\$ 2,420	\$ 458	\$ (401)	\$ —	\$ 2,477
Capital expenditures for the nine-month period ended September 30, 2014	\$ 7,371				