

MVB FINANCIAL CORP
Form 10-Q
August 08, 2016
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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, 2016

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 August 8, 2016, the Registrant had 8,078,000 shares of common stock outstanding with a par value of \$1.00 per share.

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MVB Financial Corp.

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Item Financial Statements

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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 3-40 of this report.

Consolidated Balance Sheets as of June 30, 2016 and December 31, 2015

Consolidated Statements of Income for the Six Months and Three Months ended June 30, 2016 and 2015

Consolidated Statements of Comprehensive Income for the Six Months and Three Months ended June 30, 2016 and 2015

Consolidated Statements of Changes in Stockholders’ Equity for the Six Months ended June 30, 2016 and 2015

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Notes to Consolidated Financial Statements

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Management’s Discussion and Analysis of Financial Condition and Results of Operations are included on pages 41-59 of this report.

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Part I. Financial Information

Item 1. Financial Statements

MVB Financial Corp. and Subsidiaries

Consolidated Balance Sheets

(Unaudited) (Dollars in thousands)

(Dollars in thousands except per share data)

	June 30, 2016 (Unaudited)	December 31, 2015 (Note 1)
ASSETS		
Cash and cash equivalents:		
Cash and due from banks	\$ 10,564	\$ 14,302
Interest bearing balances with banks	18,198	14,831
Total cash and cash equivalents	28,762	29,133
Certificates of deposit with other banks	13,150	13,150
Investment Securities:		
Securities available-for-sale	138,844	70,256
Securities held-to-maturity (fair value of \$0 for 2016 and \$54,470 for 2015)	—	52,859
Loans held for sale	131,671	102,623
Loans:	1,087,506	1,032,170
Less: Allowance for loan losses	(9,091)	(8,006)
Net Loans	1,078,415	1,024,164
Premises and equipment	25,846	26,275
Bank owned life insurance	22,651	22,332
Accrued interest receivable and other assets	27,143	25,204
Goodwill	18,480	18,480
TOTAL ASSETS	\$ 1,484,962	\$ 1,384,476
LIABILITIES AND STOCKHOLDERS' EQUITY		
Deposits:		
Noninterest bearing	\$ 96,351	\$ 80,423
Interest bearing	970,891	931,891
Total deposits	1,067,242	1,012,314
Accrued interest payable and other liabilities	21,121	13,291
Repurchase agreements	26,048	27,437
FHLB and other borrowings	213,008	183,198
Subordinated debt	33,524	33,524
Total liabilities	1,360,943	1,269,764
STOCKHOLDERS' EQUITY		
Preferred stock, par value \$1,000; 20,000 authorized and 9,283 issued in 2016 and 2015, respectively (See Footnote 7)	16,334	16,334
	8,129	8,113

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Common stock, par value \$1; 20,000,000 shares authorized; 8,129,077 and 8,112,998 issued; and 8,078,000 and 8,061,921 outstanding in 2016 and 2015, respectively

Additional paid-in capital	74,472	74,228
Retained earnings	27,526	20,054
Accumulated other comprehensive loss	(1,358)	(2,933)
Treasury Stock, 51,077 shares, at cost	(1,084)	(1,084)
Total stockholders' equity	124,019	114,712
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 1,484,962	\$ 1,384,476

See accompanying notes to unaudited consolidated financial statements.

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MVB Financial Corp. and Subsidiaries

Consolidated Statements of Income

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

	Six months ended		Three months ended	
	June 30,	2015	June 30,	2015
	2016		2016	
INTEREST INCOME				
Interest and fees on loans	\$ 25,018	\$ 18,603	\$ 12,587	\$ 9,839
Interest on deposits with other banks	170	127	82	63
Interest on investment securities - taxable	642	461	332	222
Interest on tax exempt loans and securities	1,132	1,141	579	570
Total interest income	26,962	20,332	13,580	10,694
INTEREST EXPENSE				
Interest on deposits	3,837	2,889	1,949	1,522
Interest on repurchase agreements	38	44	17	20
Interest on FHLB and other borrowings	545	334	319	177
Interest on subordinated debt	1,105	1,092	553	549
Total interest expense	5,525	4,359	2,838	2,268
NET INTEREST INCOME				
NET INTEREST INCOME	21,437	15,973	10,742	8,426
Provision for loan losses	1,900	1,220	1,275	561
Net interest income after provision for loan losses	19,537	14,753	9,467	7,865
NONINTEREST INCOME				
Service charges on deposit accounts	358	296	185	164
Income on bank owned life insurance	319	332	158	165
Visa debit card and interchange income	601	440	309	231
Mortgage fee income	16,182	14,926	9,397	8,617
Gain on sale of portfolio loans	600	800	451	454
Insurance and investment services income	175	178	122	107
Gain on sale of securities	603	126	222	5
Gain on derivatives	1,432	2,106	1,031	(143)
Other operating income	343	215	126	47
Total noninterest income	20,613	19,419	12,001	9,647
NONINTEREST EXPENSES				
Salary and employee benefits	22,044	18,140	11,735	9,292
Occupancy expense	1,839	1,622	901	812
Equipment depreciation and maintenance	1,146	939	586	470
Data processing and communications	2,381	1,819	1,256	920
Mortgage processing	1,654	1,536	793	790
Marketing, contributions and sponsorships	647	681	350	350
Professional fees	1,543	1,277	838	617
Printing, postage and supplies	417	347	202	165

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Insurance, tax and assessment expense	732	809	359	399
Travel, entertainment, dues and subscriptions	819	696	451	402
Other operating expenses	434	561	285	328
Total noninterest expense	33,656	28,427	17,756	14,545
Income from continuing operations, before income taxes	6,494	5,745	3,712	2,967
Income tax expense - continuing operations	2,134	1,906	1,254	888
Net Income from continuing operations	4,360	3,839	2,458	2,079
Income from discontinued operations, before income taxes	6,346	275	6,516	(279)
Income tax expense - discontinued operations	2,411	106	2,475	(105)
Net Income from discontinued operations	3,935	169	4,041	(174)
Net Income	\$ 8,295	\$ 4,008	\$ 6,499	\$ 1,905
Preferred dividends	500	285	314	143
Net Income available to common shareholders	\$ 7,795	\$ 3,723	\$ 6,185	\$ 1,762
Earnings per share from continuing operations - basic	\$ 0.48	\$ 0.45	\$ 0.27	\$ 0.24
Earnings per share from discontinued operations - basic	\$ 0.49	\$ 0.02	\$ 0.50	\$ (0.02)
Earnings per common shareholder - basic	\$ 0.97	\$ 0.47	\$ 0.77	\$ 0.22
Earnings per share from continuing operations - diluted	\$ 0.45	\$ 0.43	\$ 0.25	\$ 0.23
Earnings per share from discontinued operations - diluted	\$ 0.40	\$ 0.02	\$ 0.38	\$ (0.02)
Earnings per common shareholder - diluted	\$ 0.85	\$ 0.45	\$ 0.63	\$ 0.21
Cash dividends declared	\$ 0.04	\$ 0.04	\$ 0.02	\$ 0.04
Weighted average shares outstanding - basic	8,070,082	7,987,333	8,078,000	7,987,333
Weighted average shares outstanding - diluted	9,925,573	9,933,614	10,433,120	9,934,355

See accompanying notes to unaudited consolidated financial statements.

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MVB Financial Corp. and Subsidiaries

Consolidated Statements of Comprehensive Income

(Unaudited) (Dollars in thousands)

	Six months ended June 30,		Three months ended June 30,	
	2016	2015	2016	2015
Net Income	\$ 8,295	\$ 4,008	\$ 6,499	\$ 1,905
Other comprehensive income (loss):				
Unrealized holding gains during the year	2,220	114	1,802	(425)
Unrealized holding gains during the year related to reclassified held-to-maturity securities	1,825	—	—	—
Income tax effect	(1,618)	(44)	(721)	170
Reclassification adjustment for gain recognized in income	(334)	(126)	(222)	(5)
Reclassification adjustment for gain recognized in income related to reclassified held-to-maturity securities	(269)	—	—	—
Income tax effect	241	50	89	2
Change in defined benefit pension plan	(817)	527	(300)	800
Income tax effect	327	(211)	120	(320)
Total other comprehensive income	1,575	310	768	222
Comprehensive income	\$ 9,870	\$ 4,318	\$ 7,267	\$ 2,127

See accompanying notes to unaudited consolidated financial statements.

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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 December 31, 2014	\$ 16,334	\$ 8,034	\$ 74,342	\$ 14,454	\$ (2,642)	\$ (1,084)	\$ 109,438