

MVB FINANCIAL CORP  
Form 10-K  
March 08, 2018

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-K  
(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2017

or

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_.

Commission file Number 34603-9

MVB Financial Corp.  
(Exact name of registrant as specified in its charter)

West Virginia 20-0034461  
(State or other jurisdiction of (I.R.S. Employer Identification No.)  
incorporation or organization)

301 Virginia Avenue, Fairmont, WV 26554  
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code (304) 363-4800  
(Former name, former address and former fiscal year, if changed since last report) [None]

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

Title of each class	Name of each exchange on which registered
Common Stock, \$1.00 Par	The Nasdaq Stock Market LLC

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) Act. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

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

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

Yes   No

Based upon the average selling price of sales known to the Registrant of the common shares of the Registrant during the period through June 30, 2017, the aggregate market value of the common shares of the Registrant held by non-affiliates during that time was \$121,710,032. For this purpose certain executive officers and directors are considered affiliates.

Portions of the registrant's definitive proxy statement relating to the Annual Meeting to be held May 15, 2018, are incorporated by reference into Part III of this Annual Report on Form 10-K.

As of March 7, 2018, the Registrant had 10,528,627 shares of common stock outstanding with a par value of \$1.00 per share.

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PART I

ITEM 1. BUSINESS

Corporate Overview

MVB Financial Corp. (“the Company”) is a financial holding company and was organized in 2003. MVB operates principally through its wholly-owned subsidiary, MVB Bank, Inc. (“MVB Bank”). MVB Bank’s operating subsidiaries include MVB Mortgage, MVB Insurance, LLC (“MVB Insurance”), and MVB Community Development Corporation (“CDC”).

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

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

MVB Insurance was originally formed in 2000. In 2013, MVB Insurance became a direct subsidiary of the Company. In 2016, the Company entered into an Asset Purchase Agreement with USI Insurance Services (“USI”), in which USI purchased substantially all of the assets and assumed certain liabilities of MVB Insurance, which resulted in a pre-tax gain of \$6.9 million and was reported in discontinued operations. MVB Insurance retained the assets related to, and continues to operate, its title insurance business, which is immaterial in terms of revenue. The Company reorganized MVB Insurance as a subsidiary of the Bank in 2016.

MVB Community Development Corporation was formed in 2017 to house significant CRA investments that the Bank participates in to better the communities it serves.

Business Overview

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

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

The Bank’s financial products and services are offered through its financial service locations and automated teller machines (“ATMs”) in West Virginia and Virginia, as well as telephone and internet-based banking through both personal computers and mobile devices. Non-deposit investment services are offered through an association with a broker-dealer.

Since its opening in 1999, the Bank has experienced significant growth in assets, loans, and deposits due to strong community and customer support in Marion and Harrison counties in West Virginia, expansion into Jefferson, Berkeley, Monongalia, and Kanawha counties in West Virginia and, most recently, into Fairfax and Loudoun counties

in Virginia. Since the acquisition of PMG, mortgage banking is now a much more significant focus, which has opened increased market opportunities in the Washington, DC metropolitan region and added enough volume to further diversify the Company's revenue stream.

The Company's business activities include three reportable segments: commercial and retail banking, mortgage banking, and a financial holding company. For a discussion of each of these reporting segments, please see Note 21, "Segment Reporting" of the Notes to the Consolidated Financial Statements included in Item 8, Financial Statements and Supplementary Data, of this Annual Report on Form 10-K.

#### Recent Corporate Developments

On April 7, 2017, the Bank converted its core banking system (including the related operating systems, data systems, and products).

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On December 7, 2017, the Company's common stock was approved for listing and began trading on The Nasdaq Common Market.

## Primary Market Area and Customers

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

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

The current economic climate in the Company's primary market areas reflect economic climates that are consistent with the general national climate. Unemployment in the United States was 3.9%, 4.5% and 4.8% in December 2017, 2016 and 2015, respectively. The unemployment levels in the Company's primary market areas were as follows for the periods indicated:

	December 2017		December 2016		December 2015	
Berkeley County, WV	3.6	%	3.0	%	3.8	%
Harrison County, WV	4.8	%	4.9	%	5.8	%
Jefferson County, WV	3.0	%	2.6	%	3.1	%
Marion County, WV	5.5	%	5.1	%	5.9	%
Monongalia County, WV	3.6	%	3.3	%	3.8	%
Kanawha County, WV	5.1	%	4.7	%	5.2	%
Fairfax County, VA	2.6	%	3.0	%	3.1	%
Loudoun County, VA	2.7	%	3.0	%	3.1	%

The energy industry, consisting of coal and natural gas, which has seen recent stimulation through natural gas pipeline projects and increases in energy commodity pricing, are elements of the West Virginia economy and numerous markets in which the Company operates. The Company has limited exposure in both the coal and natural gas industry. As of December 31, 2017 and 2016, the outstanding loan balances to coal and natural gas production clients were \$6.3 million and \$7.3 million, respectively.

## Segment Reporting

The Company has identified three reportable segments: commercial and retail banking; mortgage banking; and financial holding company. Insurance services was previously identified as a reportable segment until entering into the Asset Purchase Agreement with USI, as discussed above and in Note 23, "Discontinued Operations" of the Notes to the Consolidated Financial Statements included in Item 8, Financial Statements and Supplementary Data, of this Annual Report on Form 10-K. Revenue from commercial and retail banking activities consists primarily of interest

earned on loans and investment securities and service charges on deposit accounts. Revenue from financial holding company activities is mainly comprised of intercompany service income and dividends.

Revenue from the mortgage banking activities is comprised of interest earned on loans and fees received as a result of the mortgage origination process. The mortgage banking services are conducted by MVB Mortgage. Revenue from insurance services is comprised mainly of commissions on the sale of insurance products. Due to the sale as discussed below and in Note 23, "Discontinued Operations" of the Notes to the Consolidated Financial Statements included in Item 8, Financial Statements and Supplementary Data, of this Annual Report on Form 10-K. None of the insurance services activity is included in continuing operations



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Information about the reportable segments and reconciliation to the consolidated financial statements for the years ended December 31, 2017, 2016 and 2015 are as follows:

(Dollars in thousands)	2017				Consolidated
	Commercial & Retail Banking	Mortgage Banking	Financial Holding Company	Intercompany Eliminations	
Revenues:					
Interest income	\$52,423	\$ 4,698	\$ 4	\$ (527 )	\$ 56,598
Mortgage fee income	736	37,262	—	(849 )	37,149
Insurance and investment services income	563	—	—	—	563
Other income	5,303				