

REFINITIV

DELTA REPORT

10-Q

MVBF - MVB FINANCIAL CORP

10-Q - SEPTEMBER 30, 2024 COMPARED TO 10-Q - JUNE 30, 2024

The following comparison report has been automatically generated

TOTAL DELTAS 1097

■ CHANGES	511
■ DELETIONS	241
■ ADDITIONS	345

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, 2024** **September 30, 2024**

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: 001-38314



MVB Financial Corp.

(Exact name of registrant as specified in its charter)

West Virginia

20-0034461

(State or other jurisdiction of incorporation or organization)

(I.R.S. Employer Identification No.)

301 Virginia Avenue, Fairmont, WV

26554

(Address of principal executive offices)

(Zip Code)

(304) 363-4800

(Registrant's telephone number, including area code)

Not Applicable

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

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

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

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (\$232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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

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

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

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

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

As of **August 6, 2024** **November 4, 2024**, there were **12,927,962** **12,940,462** shares of our common stock outstanding with a par value of \$1.00 per share.

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Forward-Looking Statements:

Statements in this Quarterly Report on Form 10-Q, other than statements that are based on historical data, are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements provide current expectations or forecasts of future events and include, among others, statements with respect to the beliefs, plans, objectives, goals, guidelines, expectations, anticipations and future financial condition, results of operations and performance of the Company and its subsidiaries, (collectively, "we," "our," or "us"), including MVB Bank, Inc. (the "Bank"), and statements preceded by, followed by or that include the words "may," "could," "should," "would," "will," "believe," "anticipate," "estimate," "target," "expect," "intend," "plan," "projects," "outlook" or the negative of those terms or similar expressions.

These forward-looking statements are not guarantees of future performance, nor should they be relied upon as representing our view as of any subsequent date. Forward-looking statements involve significant risks and uncertainties (both known and unknown) and actual results may differ materially from those presented, either expressed or implied, including, but not limited to, those presented in *Item 2, Management's Discussion and Analysis of Financial Condition and Results of Operations*. Factors that might cause such differences include, but are not limited to:

- | interest rate fluctuations in response to economic conditions and the policies of various governmental and regulatory agencies;
- | changes in the economy, which could materially impact credit quality trends and the ability to generate loans and gather deposits;
- | industry factors and general economic and political conditions and events, such as economic slowdowns or recessions, nationally and in the markets in which we operate;
- | changes in financial market conditions in areas in which we conduct operations, including, without limitation, changes in deposit flows, the cost of funds, reduced rates of business formation and growth, commercial and residential real estate development and real estate prices;
- | evolving legislation and heightened regulatory scrutiny in emerging financial technology ("Fintech" ("Fintech") and banking-as-a-service sectors;
- | changes in the existing regulatory framework for brokered deposits and potential reclassification of certain banking-as-a-service deposits as brokered deposits in light of proposed rulemaking or application of the current deposit framework by the Federal Deposit Insurance Corporation ("FDIC") to the **Bank's** **Bank's** banking-as-a-service deposits;
- | our ability to recruit, retain and train talented employees and executives with such knowledge, experience and industry expertise to understand and comply with evolving legislation and regulations and to successfully implement succession plans for such employees and executives;
- | our ability to adapt to technological change, to maintain secure and reliable information and technology systems, and to successfully execute business plans, manage risks and achieve objectives, including strategies related to investments in Fintech;
- | market, economic, operational, liquidity, credit and interest rate risks associated with our business;
- | changes, volatility and disruption in local, national and international political and economic conditions, including, without limitation, **major significant** developments such as wars, climate change and natural disasters, epidemics and pandemics and any governmental or societal responses thereto, military actions, terrorist attacks and geopolitical conflict;
- | unanticipated changes in our liquidity position, including, but not limited to, changes in access to sources of liquidity and capital to address our liquidity needs;
- | changes in volume or composition of our deposit base, including certain concentrations with large clients and within certain industries, such as gaming, payments and banking-as-a-service;
- | the quality and composition of our loan and securities portfolios;
- | the lack of liquidity and readily determinable fair market values of our equity investments, which are primarily concentrated in private entities, means that there can be no assurance that we will realize the value of these investments or be able to divest them readily;
- | ability to successfully conduct acquisitions and integrate acquired businesses and potential difficulties in expanding businesses in existing and new markets;
- | ability to successfully manage credit risk and the sufficiency of allowance for credit losses;
- | increases in the levels of losses, customer bankruptcies, bank failures, claims and assessments;
- | changes in government legislation and accounting policies, including, but not limited to, Financial Accounting Standards Board ("FASB") policies and procedures, Federal Reserve policies in connection with continued inflationary pressures, the Dodd-Frank **Wall Street Reform and Consumer Protection Act** and Economic Growth, Regulatory Relief and Consumer Protection Act ("EGRRCPA"), as well as the impact of the 2024 U.S. Presidential election;
- | competition and consolidation in the financial services industry;

- | new legal claims against us, including litigation, arbitration and proceedings brought by governmental or self-regulatory agencies or changes in existing legal matters;
- | success in gaining regulatory approvals, when required, including for proposed mergers or acquisitions;

- | changes in consumer spending and savings habits, including demand for loan products and deposit flow;
- | increased competitive challenges and expanding product and pricing pressures among financial institutions and non-bank financial companies;
- | operational risks or risk management failures by us, our customers or critical third parties, including without limitation, with respect to data processing, information systems, compliance with bank secrecy and anti-money laundering laws, technological changes, vendor problems, business interruptions and fraud risk;
- | increasing risk of continually evolving, sophisticated cybersecurity activities faced by financial institutions and others, including new developments in artificial intelligence, machine learning, and robotics, that may create new vulnerabilities and cybersecurity risks and could result in, among other things, theft, loss, misuse or disclosure of confidential client, customer or corporate information or assets and a disruption of computer, software or network systems and the potential impact from such risks, including reputational damage, regulatory penalties, loss of revenues, additional costs (including repair, remediation and other costs), exposure to litigation and other financial losses;
- | risks, uncertainties and losses involved with the developing digital assets industry, including the evolving regulatory framework;
- | failure or circumvention of internal controls;
- | legislative or regulatory changes which adversely affect our operations or business, including the possibility of increased regulatory oversight due to changes in the nature and complexity of our business model;
- | increased emphasis by regulators on federal and state consumer protection laws that extensively govern customer relationships;
- | risks and potential losses involved with uninsured deposits beyond FDIC limitations;
- | costs of deposit insurance and changes with respect to FDIC insurance coverage levels; and
- | our ability to navigate any environmental, social, governmental or sustainability concerns that may arise arising from our business activities.

Further, we urge you to carefully review and consider the cautionary statements and disclosures, specifically those made in Part I, *Item 1A, Risk Factors*, of our Annual Report on Form 10-K for the year ended December 31, 2023 (the "2023 Form 10-K"), filed with the Securities and Exchange Commission ("SEC") on March 13, 2024, and from time to time, in our other filings with the SEC. Actual results may differ materially from those expressed in or implied by any forward-looking statement. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this report. Except to the extent required by law, we undertake no obligation to update any forward-

looking statements in order to reflect any event or circumstance occurring after the date of this report or currently unknown facts or conditions or the occurrence of unanticipated events. All forward-looking statements are qualified in their entirety by this cautionary statement.

REFERENCES

Unless the context otherwise requires, references in this report to "MVB," the "Company," "we," "us," "our" and "ours" refer to the registrant, MVB Financial Corp., and its subsidiaries consolidated for the purposes of its financial statements.

PART I – FINANCIAL INFORMATION

Item 1 – Financial Statements

MVB Financial Corp. and Subsidiaries

Consolidated Balance Sheets

(Dollars in thousands, except per share data)

	June 30, 2024	December 31, 2023	September 30, 2024	December 31, 2023	(Unaudited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)
ASSETS									
Cash and cash equivalents:									
Cash and cash equivalents:									
Cash and cash equivalents:									
Cash and due from banks									
Cash and due from banks									
Cash and due from banks									
Interest-bearing balances with banks									
Total cash and cash equivalents									
Investment securities available-for-sale									
Investment securities available-for-sale									
Investment securities available-for-sale									
Equity securities									
Loans held-for-sale									
Loans receivable									
Allowance for credit losses									
Loans receivable, net									
Premises and equipment, net									
Bank-owned life insurance									
Equity method investments									
Accrued interest receivable and other assets									
TOTAL ASSETS									
TOTAL ASSETS									
TOTAL ASSETS									
LIABILITIES AND STOCKHOLDERS' EQUITY									
LIABILITIES AND STOCKHOLDERS' EQUITY									
LIABILITIES AND STOCKHOLDERS' EQUITY									
Deposits:									
Noninterest-bearing									
Interest-bearing									
Total deposits									
Accrued interest payable and other liabilities									
Repurchase agreements									
Subordinated debt									
Subordinated debt									

Subordinated debt	
Senior term loan	
Total liabilities	
STOCKHOLDERS' EQUITY	
STOCKHOLDERS' EQUITY	
STOCKHOLDERS' EQUITY	
Common stock - par value \$1; 40,000,000 shares authorized as of June 30, 2024 and December 31, 2023; 13,775,978 and 12,927,962 shares issued and outstanding, respectively, as of June 30, 2024 and 13,606,399 and 12,758,383 shares issued and outstanding, respectively, as of December 31, 2023	
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Additional paid-in capital	
Retained earnings	
Accumulated other comprehensive loss	
Treasury stock - 848,016 shares as of June 30, 2024 and December 31, 2023, at cost	
Treasury stock - 848,016 shares as of September 30, 2024 and December 31, 2023, at cost	
Total equity attributable to parent	
Noncontrolling interest	
Total stockholders' equity	

TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY

See accompanying notes to unaudited consolidated financial statements.

MVB Financial Corp. and Subsidiaries

Consolidated Statements of Income

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

	Three Months Ended June 30,		Six Months Ended June 30,		
	Three Months Ended September 30,		Nine Months Ended September 30,		
	2024	2024	2023	2024	2023
INTEREST INCOME					
Interest and fees on loans					
Interest and fees on loans					
Interest and fees on loans					
Interest on deposits with banks					
Interest on investment securities					
Interest on tax-exempt loans and securities					
Total interest income					
INTEREST EXPENSE					
Interest on deposits					
Interest on deposits					
Interest on deposits					
Interest on short-term borrowings and repurchase agreements					



Income taxes	
Net income from continuing operations	
Income from discontinued operations, before income taxes	
Income taxes from discontinued operations	
Net income from discontinued operations	
Net income, before noncontrolling interest	
Net (income) loss attributable to noncontrolling interest	
Net income attributable to parent	
Net income attributable to parent	
Net income attributable to parent	
Earnings per share from continuing operations - basic	
Earnings per share from continuing operations - basic	
Earnings per share from continuing operations - basic	
Earnings per share from discontinued operations - basic	
Earnings per common shareholder - basic	
Earnings per share from continuing operations - diluted	
Earnings per share from discontinued operations - diluted	
Earnings per common shareholder - diluted	
Weighted-average shares outstanding - basic	
Weighted-average shares outstanding - diluted	

See accompanying notes to unaudited consolidated financial statements.

MVB Financial Corp. and Subsidiaries
Consolidated Statements of Comprehensive Income

(Unaudited) (Dollars in thousands)

	Three Months Ended June 30,	Six Months Ended June 30,					
	Three Months Ended September	Nine Months Ended September	30,	30,	2024	2023	2024
	2024		2024	2023	2024	2023	2024
Net income, before noncontrolling interest							
Other comprehensive income (loss):							
Other comprehensive income (loss):							
Other comprehensive income (loss):							
Unrealized holding gains (losses) on securities available-for-sale							
Unrealized holding gains (losses) on securities available-for-sale							
Unrealized holding gains (losses) on securities available-for-sale							
Reclassification adjustment for (gain) loss recognized in income							
Change in defined benefit pension plan							
Reclassification adjustment for amortization of net actuarial loss recognized in income							
Reclassification adjustment for investment hedge carrying value adjustment recognized in income							
Other comprehensive income (loss), before tax							
Income taxes related to items of other comprehensive loss:							
Income taxes related to items of other comprehensive loss:							
Income taxes related to items of other comprehensive loss:							
Income taxes related to items of other comprehensive income (loss):							
Income taxes related to items of other comprehensive income (loss):							
Income taxes related to items of other comprehensive income (loss):							
Unrealized holding gains (losses) on securities available-for-sale							
Unrealized holding gains (losses) on securities available-for-sale							
Unrealized holding gains (losses) on securities available-for-sale							

Reclassification adjustment for (gain) loss recognized in income

Change in defined benefit pension plan

Reclassification adjustment for amortization of net actuarial loss recognized in income

Reclassification adjustment for investment hedge carrying value adjustment recognized in income

Income taxes related to items of other comprehensive loss:

Income taxes related to items of other comprehensive income (loss):

Total other comprehensive income (loss), net of tax

Total other comprehensive income (loss), net of tax

Total other comprehensive income (loss), net of tax

Comprehensive (income) loss attributable to noncontrolling interest

Comprehensive (income) loss attributable to noncontrolling interest

Comprehensive (income) loss attributable to noncontrolling interest

Comprehensive income

Comprehensive income

Comprehensive income

Comprehensive income (loss)

Comprehensive income (loss)

Comprehensive income (loss)

See accompanying notes to unaudited consolidated financial statements.

MVB Financial Corp. and Subsidiaries

Consolidated Statements of Changes in Stockholders' Equity

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

	Common stock	Common stock	Common stock	Additional paid-in capital	Retained earnings	Accumulated other comprehensive income (loss)	Treasury stock	Total stockholders' equity attributable to parent	Noncontrolling interest	Total stockholders' equity	Common stock	Additional paid-in capital	Retained earnings	Accumulated other comprehensive income (loss)	Treasury stock	Total stockholders' equity attributable to parent	Noncontrolling interest	Total stockholders' equity
Balance at December 31, 2023																		
Net income																		
Net income																		
Net income																		
Other comprehensive loss																		
Dividends on common stock (\$0.17 per share)																		
Stock-based compensation																		
Stock-based compensation related to equity method investments																		
Common stock options exercised																		

Balance at

March 31, 2024

Balance at

March 31, 2024

Balance at

March 31, 2024

Net income

(loss)

Net income

(loss)

Net income

(loss)

Net income

Net income

Net income

Other
comprehensive
income

Dividends on
common stock
(\$0.17 per
share)

Stock-based
compensation

Stock-based
compensation
related to
equity method
investments

Common stock
options
exercised

Restricted
stock units
vested

Minimum tax
withholding on
restricted stock
units issued

Balance at June
30, 2024

Balance at June
30, 2024

Balance at June
30, 2024

Net income

Net income

Net income

Other
comprehensive
income

Dividends on
common stock
(\$0.17 per
share)

Stock-based
compensation

Stock-based compensation related to equity method investment																			
Balance at September 30, 2024																			
	Common stock	Additional paid-in capital	Retained earnings	Accumulated other comprehensive income (loss)	Treasury stock	Total stockholders' equity attributable to parent		Total stockholders' equity attributable to parent		Common stock	Additional paid-in capital	Retained earnings	Accumulated other comprehensive income (loss)	Treasury stock	Total stockholders' equity attributable to parent	Noncontrolling interest	Total stockholders' equity attributable to parent	Noncontrolling interest	Total stockholders' equity
	Shares	Amount		Shares		Shares													Amount
Balance at December 31, 2022																			
Net income (loss)																			
Net income (loss)																			
Net income (loss)																			
Net income																			
Net income																			
Net income																			
Other comprehensive income																			
Dividends on common stock (\$0.17 per share)																			
Impact of adopting ASC 326, net of tax																			
Stock-based compensation																			
Stock-based compensation related to equity method investments																			
Common stock options exercised																			
Restricted stock units vested																			
Minimum tax withholding on restricted stock units issued																			
Balance at March 31, 2023																			
Balance at March 31, 2023																			

Balance at
March 31, 2023

Net income
(loss)

Net income
(loss)

Net income
(loss)

Net income
Net income
Net income

Other
comprehensive
loss

Dividends on
common stock
(\$0.17 per
share)

Stock-based
compensation

Stock-based
compensation
related to
equity method
investments

Common stock
options
exercised

Restricted
stock units
vested

Minimum tax
withholding on
restricted stock
units issued

Redemption of
noncontrolling
interest

Balance at June
30, 2023

Balance at June
30, 2023

Balance at June
30, 2023

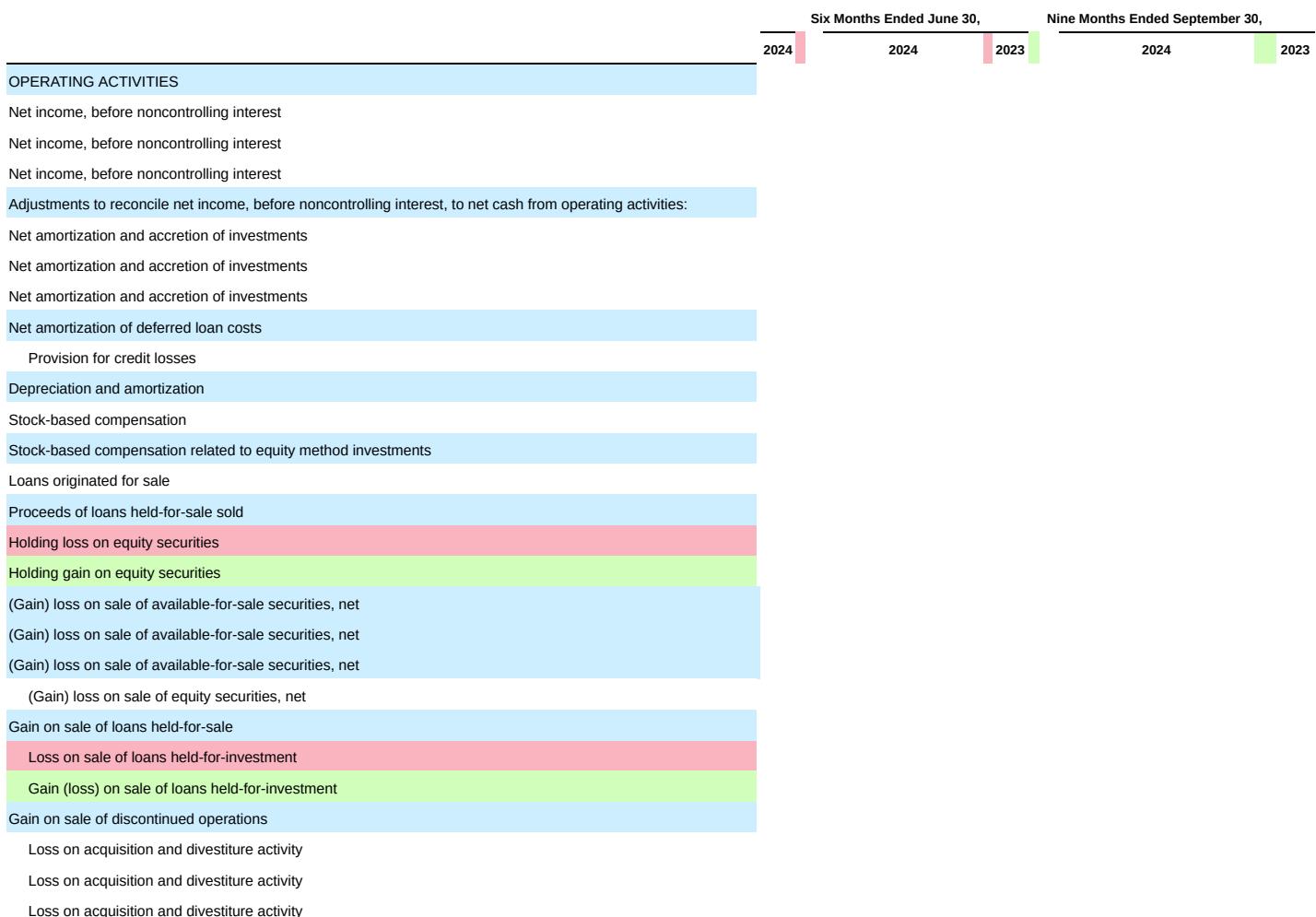
Net income
Net income
Net income
Other
comprehensive
loss
Dividends on
common stock
(\$0.17 per
share)

Stock-based
compensation

Stock-based compensation related to equity method investment
Common stock options exercised
Balance at September 30, 2023
Balance at September 30, 2023
Balance at September 30, 2023

See accompanying notes to unaudited consolidated financial statements.

MVB Financial Corp. and Subsidiaries
Consolidated Statements of Cash Flows
(Uaudited) (Dollars in thousands)





Redemption of noncontrolling interest
Redemption of noncontrolling interest
Net cash from financing activities
Net change in cash and cash equivalents
Cash and cash equivalents, beginning of period
Cash and cash equivalents, end of period
<i>Cash payments for:</i>
<i>Cash payments for:</i>
<i>Cash payments for:</i>
Interest on deposits, repurchase agreements and borrowings
Interest on deposits, repurchase agreements and borrowings
Interest on deposits, repurchase agreements and borrowings
Income taxes
<i>Supplemental disclosure of cash flow information:</i>
<i>Supplemental disclosure of cash flow information:</i>
<i>Supplemental disclosure of cash flow information:</i>
Change in unrealized holding losses on securities available-for-sale
Change in unrealized holding losses on securities available-for-sale
Change in unrealized holding losses on securities available-for-sale
Restricted stock units vested
Employee stock-based compensation tax withholding obligations
Impact of adopting ASC 326, net of tax
Creation of servicing assets from loan sales
Loans transferred to (out of) loans held-for-sale
Equity method investment distribution receivable

See accompanying notes to unaudited consolidated financial statements.

Notes to the Consolidated Financial Statements

Note 1 – Nature of Operations and Basis of Presentation

Business and Organization

MVB Financial Corp. is a financial holding company organized in 2003 as a West Virginia corporation that operates principally through its wholly-owned subsidiary, MVB Bank, Inc. (the "Bank"). The Bank's consolidated subsidiaries include MVB Edge Ventures, Inc. ("Edge Ventures"), Paladin Fraud, LLC ("Paladin Fraud") and MVB Insurance, LLC ("MVB Insurance"). The Bank owns a controlling interest in Trabian Technology, Inc. ("Trabian"). Edge Ventures wholly-owns Victor Technologies, Inc. ("Victor") and MVB Technology, LLC ("MVB Technology"). The Bank also owns an equity method investment in Intercoastal Mortgage Company, LLC ("ICM") and MVB Financial Corp. owns equity method investments in Warp Speed Holdings, LLC ("Warp Speed") and Ayers Socure II, LLC ("Ayers Socure II"). MVB Financial Corp.'s consolidated subsidiaries also includes SPE PR, LLC.

Through our professional services entities, which include Paladin Fraud and Trabian, we provide consulting solutions to assist **Fintech** and **corporate** clients in building digital products and meeting their fraud defense needs.

In February 2023, we completed the sale of the Bank's wholly-owned subsidiary, ProCo Global, Inc. ("Chartwell," which does business under the registered trade name Chartwell Compliance). In May 2023, we entered into an agreement with Flexia Payments, LLC ("Flexia"), to facilitate the divestiture of our interests in the ongoing business of Flexia. Refer to **Note 15 – Acquisition & Divestiture Activity**.

We conduct a wide range of business activities through the Bank, primarily commercial and retail ("CoRe") banking services, as well as Fintech banking.

CoRe Banking

We offer our 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; and
- | Safe deposit rental facilities.

Fintech Banking

We provide innovative strategies to independent banking and corporate clients throughout the United States. Our dedicated Fintech team specializes in providing banking services to corporate Fintech clients, primarily focusing on operational risk management and compliance. Managing banking relationships with clients in the gaming, payments and banking-as-a-service industries is complex, from both an operational and regulatory perspective. Due to this complexity, there are a limited number of banking institutions serving these industries, which can result in a lack of quality focus on these entities, providing us with an expanded pool of potential customers. When serviced in a safe and efficient manner, we believe these industries provide a source of stable, lower-cost deposits and noninterest, fee-based income. We thoroughly analyze each industry in which our customers operate, as well as any new products or services provided, from both an operational and regulatory perspective.

Principles of Consolidation and Basis of Presentation

The financial statements are consolidated to include the accounts of MVB and its subsidiaries, including the Bank and the Bank's subsidiaries. In our opinion, the accompanying consolidated financial statements contain all normal recurring adjustments necessary for a fair presentation of our financial statements for interim periods in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") and with instructions for Form 10-Q and Article 10 of Regulation S-X of the SEC. All significant intercompany accounts and transactions have been eliminated in consolidated financial statements. Accordingly, certain information and footnote disclosures normally included in financial statements prepared in accordance with U.S. GAAP have been omitted. The consolidated balance sheet as of December 31, 2023 has been derived from audited financial statements included in our Annual Report on 2023 Form 10-K for the year ended December 31, 2023 (the "2023 Form 10-K"). The

information presented in this Quarterly Report on Form 10-Q should be read in conjunction with our audited consolidated financial statements and notes thereto included in the 2023 Form 10-K. Operating results for the three and six months ended June 30, 2024 September 30, 2024 are not necessarily indicative of the results that may be expected for the year ending December 31, 2024.

Wholly-owned investments or investments in which we have a controlling financial interest, whether majority owned or in certain circumstances a minority interest, are required to be consolidated into our financial statements. We evaluate investments in entities on an ongoing basis to determine the need to consolidate.

The Bank owns an 80.8% interest in Trabian, which ownership interest represents a controlling interest. Accordingly, we are required to consolidate 100% of Trabian within our consolidated financial statements. The remaining interests of in Trabian are accounted for separately as noncontrolling interests within our consolidated financial statements. Noncontrolling interest represents the portion of ownership and profit or loss that is attributable to the minority owners of these entities. this entity.

Unconsolidated investments where we have the ability to exercise significant influence over the operating and financial policies of the respective investee are accounted for using the equity method of accounting. Those investments that are not consolidated or accounted for using the equity method of accounting are accounted for under cost or fair value accounting. For investments accounted for under the equity method, we record our investment in non-consolidated affiliates and the portion of income or loss in equity in earnings of non-consolidated affiliates. We periodically evaluate these investments for impairment. As of June 30, 2024 September 30, 2024, we held three equity method investments. See Note 5 – *Equity Method Investments* for further information.

Preparation of our consolidated financial statements in accordance with U.S. GAAP requires us to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. These estimates are based upon the best available information and actual results could differ from those estimates. An estimate that is particularly significant to the consolidated financial statements relates to the determination of the allowance for credit losses ("ACL").

In certain instances, amounts reported in prior period consolidated financial statements and accompanying notes may be reclassified to conform to the current presentation. Specifically, in Note 3 – *Loans and Allowance for Credit Losses*, certain amounts within the table presenting the amortized cost of loans summarized by vintage year as of December 31, 2023 were reclassified. At June 30, 2024 September 30, 2024, we elected to disaggregate the revolving loans amortized costs basis balances and present the balances by year of origination, rather than disclosing in a single column as they were presented as of December 31, 2023. The impact of this reclassification was only to Note 3 – *Loans and Allowance for Credit Losses* and did not affect the financial statements. In addition, within the consolidated statement of cash flows, certain amounts were reclassified from operating activities to investing activities related to our equity method investments for the nine months ended September 30, 2023.

We have evaluated subsequent events for potential recognition and/or disclosure through the date these consolidated financial statements were issued.

Recently Issued Accounting Pronouncements

In March 2020, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting*. The amendments provide optional expedients and exceptions for certain contracts, hedging relationships and other transactions that reference LIBOR or another reference rate expected to be discontinued because of rate reform. In December 2022, the FASB issued ASC 2022-06, *Deferral of the Sunset Date of Topic 848*, which extends the sunset date of Topic 848 from December 31, 2022, to December 31, 2024. The guidance permits entities to not apply modification accounting or remeasure lease payments in lease contracts if the changes to the contract are related to the discontinuation of the reference rate. If certain criteria are met, the amendments also allow exceptions to the de-designation criteria of the hedging relationship and the assessment of hedge effectiveness during the transition period. In January

2021, ASU 2021-01 was issued by the FASB and clarifies that certain exceptions in reference rate reform apply to derivatives that are affected by the discounting transition. As of **June 30, 2024** **September 30, 2024**, all loans and other relevant financial instruments that referenced LIBOR have been transitioned to the secured overnight financing rate ("SOFR").

In November 2023, the FASB issued ASU 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segments Disclosures*. The amendments are intended to improve reportable segment disclosure requirements, primarily through enhanced disclosures about significant segment expenses. In addition, the amendments clarify circumstances in which an entity can disclose multiple segment measures of profit or loss and provide new segment disclosure requirements for entities with a single reportable segment. The amendments are effective for fiscal years beginning after December 15, 2023 and interim periods within fiscal years

beginning after December 15, 2024. We are currently evaluating the impact these changes may have on our consolidated financial statements.

In December 2023, the FASB issued ASU 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures*. The amendments require disaggregated information about a reporting entity's effect tax rate reconciliation, as well as information on income taxes paid. Public business entities will be required to disclose additional information in specified categories with respect to the reconciliation of the effective tax rate to the statutory rate for federal, state and foreign income taxes. The amendments also require greater detail about individual reconciling items in the rate reconciliation to the extent that the impact of those items exceeds a specified threshold. The amendments are effective for fiscal years beginning after December 15, 2024. We are currently evaluating the impact these changes may have on our consolidated financial statements.

In March 2024, the FASB issued ASU 2024-01, *Compensation - Stock Compensation (Topic 718): Scope Application of Profits Interest and Similar Awards*. The amendments clarify how an entity determines whether a profits interest or similar award is (i) within the scope of *Compensation - Stock Compensation (Topic 718)* or (ii) not a share-based payment arrangements and therefore within the scope of other guidance. The amendments are effective for fiscal years beginning after December 15, 2024. We do not currently expect these amendments to have a material impact on our consolidated financial statements.

In November 2024, the FASB issued 2024-03, *Income Statement - Reporting Comprehensive Income - Expense Disaggregation Disclosures (Subtopic 220-40)*. The amendments improve the disclosures about a public business entity's expenses and address requests from investors for more detailed information about the types of expenses (including purchases of inventory, employee compensation, depreciation, amortization, and depletion) in commonly presented expense captions (such as cost of sales and research and development). The amendments are effective for annual reporting periods beginning after December 15, 2026, and interim reporting periods beginning after December 15, 2027. We are currently evaluating the impact these changes may have on our consolidated financial statements.

Recently Adopted Accounting Pronouncements

In January 2023, we adopted ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, and subsequent amendments to the initial guidance, which collectively comprise *Accounting Standards Codification Topic 326 Financial Instruments - Credit Losses* ("ASC 326"). ASC 326 replaced the incurred loss impairment methodology in current U.S. GAAP with an expected credit loss methodology and required consideration of a broader range of information to determine credit loss estimates. Financial assets measured at amortized cost are presented at the net amount expected to be collected by using an ACL. Purchased credit deteriorated ("PCD") loans received an allowance account at the acquisition date that represents a component of the purchase price allocation. Credit losses relating to available-for-sale debt securities are recorded through an ACL, with such allowance limited to the amount by which fair value is below amortized cost. We adopted ASC 326 using the modified retrospective method for loans, leases and off-balance sheet credit exposures. Adoption of this guidance resulted in a \$10.0 million increase in the ACL, comprised of increases in the ACL for loans of \$8.9 million and the ACL for unfunded commitments of \$1.1 million, with \$1.2 million of the increase reclassified from the amortized cost basis of PCD financial assets. This increase was offset by \$2.1 million related to tax effect, resulting in a cumulative adjustment to retained earnings of \$6.6 million. For additional information on the new standard, see *Note 1 - Summary of Significant Accounting Policies* to the consolidated financial statements included in *Item 8, Financial Statements and Supplementary Data*, of the 2023 Form 10-K.

Note 2 – Investment Securities

The following tables present amortized cost and fair values of investment securities available-for-sale as of the periods shown:

(Dollars in thousands)		June 30, 2024				September 30, 2024			
		Amortized Cost	Unrealized Gain	Unrealized Loss	Fair Value	(Dollars in thousands)	Amortized Cost	Unrealized Gain	Unrealized Loss
United States government agency securities									
United States sponsored mortgage-backed securities									
United States treasury securities									
Municipal securities									
Corporate debt securities									
Other debt securities									
Total available-for-sale debt securities									
Other securities									
Investment securities available-for-sale									

December 31, 2023

(Dollars in thousands)	Amortized Cost	Unrealized Gain	Unrealized Loss	Fair Value
United States government agency securities	\$ 44,003	\$ 8	\$ (5,603)	\$ 38,408
United States sponsored mortgage-backed securities	91,939	992	(10,549)	82,382
United States treasury securities	106,401	—	(6,045)	100,356
Municipal securities	118,065	—	(11,158)	106,907
Corporate debt securities	9,076	—	(134)	8,942
Other debt securities	7,500	—	—	7,500
Total available-for-sale debt securities	376,984	1,000	(33,489)	344,495
Other securities	780	—	—	780
Investment securities available-for-sale	\$ 377,764	\$ 1,000	\$ (33,489)	\$ 345,275

The following table presents amortized cost and fair values of available-for-sale debt securities by contractual maturity as of the period shown:

(Dollars in thousands)	(Dollars in thousands)	June 30, 2024		September 30, 2024		
		Amortized Cost	Fair Value	(Dollars in thousands)	Amortized Cost	Fair Value
Within one year						
After one year, but within five years						
After five years, but within ten years						
After ten years						
Total available-for-sale debt securities						

The table above reflects contractual maturities. Actual results will differ as the loans underlying the mortgage-backed securities may be repaid sooner than scheduled.

Investment securities with a carrying value of \$224.2 million \$306.1 million and \$223.4 million at June 30, 2024 September 30, 2024 and December 31, 2023, respectively, were pledged to secure public funds, repurchase agreements and potential borrowings at the Federal Reserve discount window.

Our investment portfolio includes securities that are in an unrealized loss position as of June 30, 2024 September 30, 2024. We evaluate available-for-sale debt securities to determine whether the unrealized loss is due to credit-related factors or non-credit-related factors. When determining the ACL on securities, we consider such factors as adverse conditions specifically related to a certain security or to specific conditions in an industry or geographic area, our 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.

The following table summarizes the activity in the ACL related to available-for-sale debt securities during the three and nine months ended September 30, 2024. There was no activity in the ACL related to available-for-sale debt securities during the three and nine months ended September 30, 2023.

(Dollars in thousands)	Three Months Ended September 30, 2024		Nine Months Ended September 30, 2024	
	2024	2024	2024	2024
ACL, beginning of period	\$ —	\$ —	\$ —	\$ —
Provision for credit losses		500		500
Charge-offs		(500)		(500)
ACL, end of period	\$ —	\$ —	\$ —	\$ —

Although these available-for-sale debt securities in an unrealized loss position would result in a pre-tax loss of \$34.6 million \$26.1 million if sold at June 30, 2024 September 30, 2024, we have no intent to sell the applicable securities at such fair values, and maintain that we have the ability to hold these securities until all principal has been recovered. It is more likely than not that we will not, for liquidity purposes, sell any securities at a loss. Declines in the fair values of these securities can be traced to general market conditions, which reflect the prospect for the economy as a whole, rather than credit-related conditions. Therefore, we have no ACL losses related to these securities as of June 30, 2024 September 30, 2024.

The following tables show available-for-sale debt securities in an unrealized loss position for which an ACL has not been recorded as of June 30, 2024 September 30, 2024 and December 31, 2023, aggregated by investment category and length of time that the individual securities have been in a continuous loss position:

(Dollars in thousands)	(Dollars in thousands)	June 30, 2024				September 30, 2024			
		Less than 12 months	12 months or more	(Dollars in thousands)	Description and number of positions	Less than 12 months	12 months or more	(Dollars in thousands)	Description and number of positions
Description and number of positions	Description and number of positions	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
United States government agency securities (26)									

United States sponsored mortgage-backed securities (59)
United States government agency securities (23)
United States sponsored mortgage-backed securities (48)
United States treasury securities (23)
Municipal securities (204)
Municipal securities (191)
Corporate debt securities (7)
(6)

Total

Total

Total

(Dollars in thousands)	December 31, 2023			
	Less than 12 months		12 months or more	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
United States government agency securities (25)	\$ 316	\$ —	\$ 34,619	\$ (5,603)
United States sponsored mortgage-backed securities (47)	—	—	50,345	(10,549)
United States treasury securities (23)	—	—	100,354	(6,045)
Municipal securities (216)	847	(10)	106,060	(11,148)
Corporate debt securities (7)	2,009	(67)	1,933	(67)
Total	\$ 3,172	\$ (77)	\$ 293,311	\$ (33,412)

The following table summarizes investment sales, related gains and losses and unrealized holding losses for the periods shown:

(Dollars in thousands)	Three Months Ended June 30,		Six Months Ended June 30,		2023 (Dollars in thousands)	Three Months Ended September 30,		Nine Months Ended September 30,		2024 2023 2024 2023		
		2024		2023			2024		2023			
Proceeds from sales of available-for-sale securities												
Gains, gross												
Losses, gross												
Proceeds from sales of equity securities												
Proceeds from sales of equity securities												
Proceeds from sales of equity securities												
Gain, gross												
Losses, gross												
Unrealized holding gains (losses) on equity securities												
Unrealized holding gains (losses) on equity securities												
Unrealized holding gains (losses) on equity securities												

Note 3 – Loans and Allowance for Credit Losses

The following table presents the components of loans as of the periods shown:

(Dollars in thousands)	(Dollars in thousands)	June 30, 2024	December 31, 2023	(Dollars in thousands)	September 30, 2024	December 31, 2023
Commercial:						
Business						
Business						
Business						
Real estate						
Acquisition, development and construction						
Total commercial						
Residential real estate						

Home equity lines of credit
Consumer
Total loans
Total loans
Total loans
Deferred loan origination costs, net
Loans receivable

We currently manage our loan portfolios and the respective exposure to credit losses (credit risk) by the specific portfolio segments shown below. Our loan portfolio segmentation is based primarily on call report codes, which are levels at which we develop and document our systematic methodology to determine the ACL attributable to each respective portfolio segment. The ACL portfolio segments are aggregated into broader segments in order to present informative yet concise disclosures within this document, as follows:

Commercial business loans – Commercial business loans are made to provide funds for equipment and general corporate needs, as well as to finance owner-occupied real estate, and to finance future cash flows of Federal government lease contracts. Repayment of these loans primarily uses the funds obtained from the operation of the borrower's business. Commercial business loans also include lines of credit that are utilized to finance a borrower's short-term credit needs and/or to finance a percentage of eligible receivables and inventory. This segment includes both internally originated and purchased participation loans. Credit risk arises from the successful operation of the business, which may be affected by competition, rising interest rates, regulatory changes and adverse conditions in the local and regional economy. **Commercial business loans include the following ACL segments: commercial and industrial (including both healthcare and SBA subsegments), commercial real estate owner-occupied (including both healthcare and SBA subsegments), government leases, and other loans.**

Commercial real estate loans – Commercial real estate loans consist of non-owner occupied properties, such as investment properties for retail, office and multifamily with a history of occupancy and cash flow. This segment includes both internally originated and purchased participation loans. These loans carry the risk of adverse changes in the local economy and a tenant's deteriorating credit strength, lease expirations in soft markets and sustained vacancies, which can adversely impact cash flow. **Commercial real estate loans include the following ACL segments: commercial real estate non-owner occupied (including both healthcare and SBA subsegments).**

Commercial acquisition, development and construction loans – Commercial acquisition, development and construction loans are intended to finance the construction of commercial and residential properties, and also includes loans for the acquisition and development of land. Construction loans represent a higher degree of risk than permanent real estate loans and may be affected by a variety of factors such as the borrower's ability to control costs and adhere to time schedules and the risk that **constructed units the market may not be absorbed by the market absorb constructed units** within the anticipated time frame or at the anticipated price. The loan commitment on these loans often includes an interest reserve that allows the lender to periodically advance loan funds to pay interest charges on the outstanding balance of the loan. **Commercial acquisition, development and construction loans include the following ACL segments: other construction (including an SBA subsegment).**

Residential real estate – This residential real estate segment contains permanent and construction mortgage loans principally to consumers, but also includes loans to residential real estate developers, secured by residential real estate, which we previously presented under commercial acquisitions, development and construction loans under the incurred loss model. Residential real estate loans to consumers are evaluated for the adequacy of repayment sources at the time of approval, based upon measures including credit scores, debt-to-income ratios and collateral values. Credit risk arises from the continuing financial stability of the borrower and, where applicable, the builder, which can be adversely impacted by job loss, divorce, illness or personal bankruptcy, among other factors. Residential real estate secured loans to developers represent a higher degree of risk than permanent real estate loans and may be affected by a variety of factors such as the borrower's ability to control costs and adhere to time schedules and the risk that **constructed units the market may not be absorbed by the market absorb constructed units** within the anticipated time frame or at the anticipated price. Also

impacting credit risk would be a shortfall in the value of the residential real estate in relation to the outstanding loan balance in the event of a default or subsequent liquidation of the real estate collateral.

Residential real estate loans include the following ACL segments: residential and residential construction (including SBA subsegment).

Home equity lines of credit – This segment includes subsegments for senior lien and subordinate lien lines of credit. Credit risk is similar to residential real estate loans described above as it is subject to the borrower's continuing financial stability and the value of the collateral securing the loan.

Consumer loans – This segment of loans includes primarily installment loans and personal lines of credit. Consumer loans include installment loans used by clients to purchase automobiles, boats and recreational vehicles. Credit risk is similar to residential real estate loans described above as it is subject to the borrower's continuing financial stability and the value of the collateral securing the loan. This segment primarily includes loans purchased from a third-party originator that originates loans in order to finance the purchase of personal automotive **vehicles for sub-prime borrowers. vehicles**. Credit risk is unique as this segment includes only those loans provided to consumers **that who** cannot typically obtain financing through traditional lenders. As such, these loans are subject to a higher risk of default than the typical consumer loan. **Consumer loans include the following ACL segments: subprime consumer automotive and consumer.**

As of **June 30, 2024** **September 30, 2024**, the Bank's other real estate owned balance totaled \$0.8 million, all of which was related to a 2020 acquisition of another bank. The other real estate owned balance consisted of two unrelated commercial properties. As of **June 30, 2024** **September 30, 2024**, there **was one** **were eight** residential **mortgage** **mortgages** in the process of foreclosure with a loan balance totaling **\$0.2** **\$3.4** million.

Bank management uses a nine-point internal risk rating system to monitor the credit quality of the overall loan portfolio. The first **six** **five** categories are considered not criticized and are aggregated as "Pass" rated. The criticized rating categories utilized by management generally follow bank regulatory definitions.

Loans categorized as "Pass" rated have adequate sources of repayment, with little identifiable risk of collection and general conformity to the Bank's policy requirements, product guidelines and underwriting standards. Any exceptions that are identified during the underwriting and approval process have been adequately mitigated by other factors.

Loans categorized as "Special Mention" rated have potential weaknesses that deserve management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the asset or in the institution's credit position at some future date. Special mention assets are not adversely classified and do not expose the institution to sufficient risk to warrant adverse classification.

Loans categorized as "Substandard" rated are inadequately protected by the current sound worth and paying capacity of the borrower or of the collateral pledged, if any. Loans so classified must have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt and are characterized by the distinct possibility that the institution will sustain some loss if the deficiencies are not corrected.

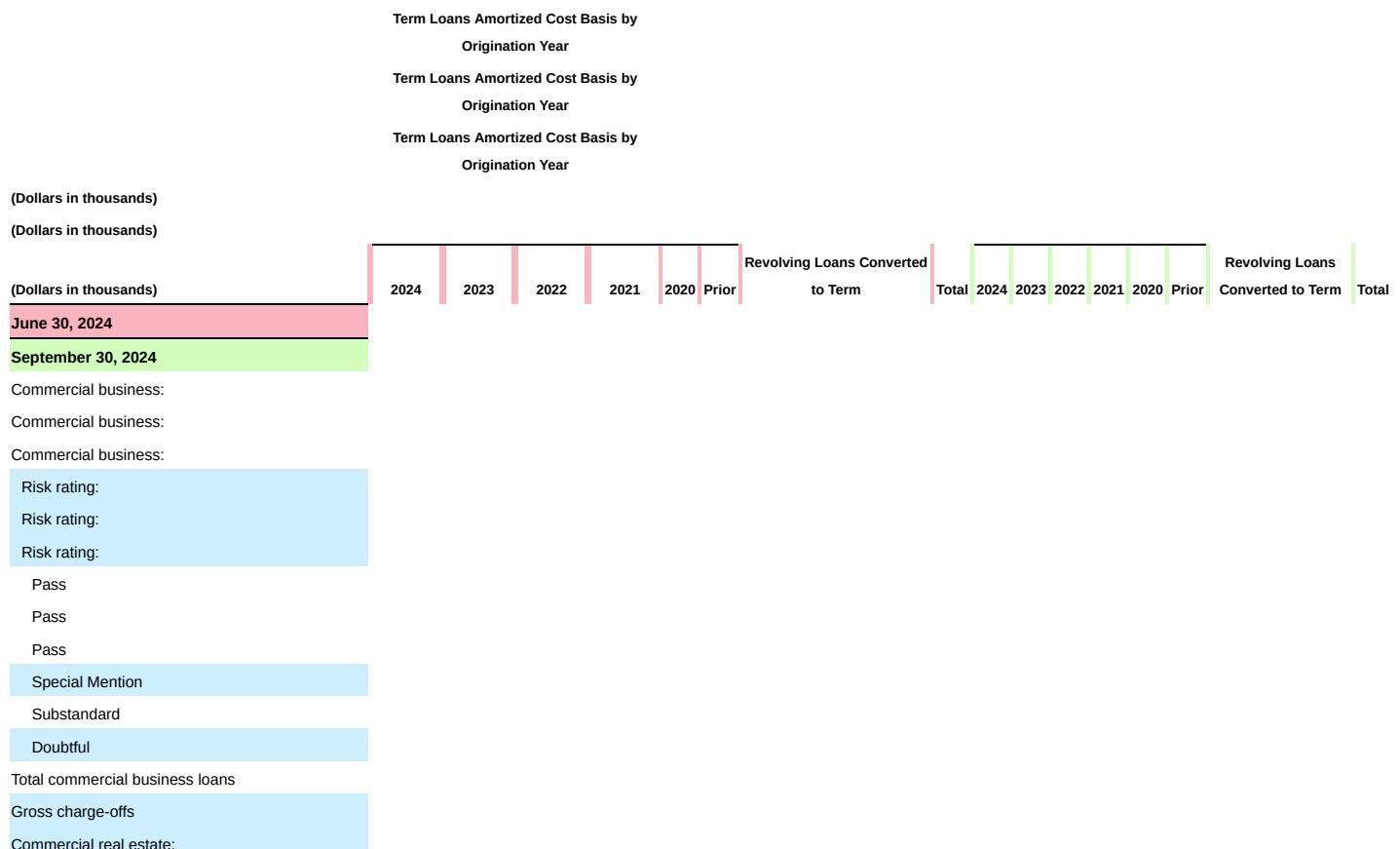
Loans categorized as "Doubtful" rated have all the **weaknesses** inherent in those classified as Substandard with the added characteristic that the weakness makes collections or liquidation in full, on the basis of currently known facts, conditions and values, highly questionable and improbable. However, these loans are not yet rated as loss because certain events may occur which would salvage the debt.

Any portion of a loan that has been or is expected to be charged off is placed in the "Loss" category.

To help ensure that risk ratings are accurate and reflect the present and future capacity of borrowers to repay a loan as agreed, the Bank has a structured loan rating process with several layers of internal and external oversight. Generally, consumer and residential mortgage loans are included in the Pass categories, unless a specific action, such as past due status, bankruptcy, repossession or death, occurs to raise awareness of a possible credit event. The Bank's Chief Credit Officer is responsible for the timely and accurate risk rating of the loans in the portfolio at origination and on an ongoing basis. The Bank's Credit Department ensures that a review of all commercial relationships of \$1.0 million or more is performed annually.

Review of the appropriate risk grade is included in both the internal and external loan review process and on an ongoing basis. The Bank has an experienced credit department that continually reviews and assesses loans within the portfolio. The Bank engages an external consultant to conduct independent loan reviews on at least an annual basis. Generally, the external consultant reviews commercial relationships with the intent of reviewing **40%** **35%** to **45%** **40%** of the Bank's commercial outstanding loan balances on an annual basis. The Bank's credit department compiles detailed reviews, including plans for resolution, on loans classified as Substandard on a quarterly basis.

The following table presents the amortized cost of loans summarized by the aggregate Pass and the criticized categories of Special Mention, Substandard and Doubtful within the internal risk rating system by vintage year as of the period shown:



Commercial real estate:
Commercial real estate:

Risk rating:

Risk rating:

Risk rating:

Pass

Pass

Pass

Special Mention

Substandard

Doubtful

Total commercial real estate loans

Gross charge-offs

Commercial acquisition, development and construction:

Commercial acquisition, development and construction:

Commercial acquisition, development and construction:

Risk rating:

Risk rating:

Risk rating:

Pass

Pass

Pass

Special Mention

Substandard

Doubtful

Total commercial acquisition, development and construction loans

Gross charge-offs

Residential Real Estate:

Residential Real Estate:

Residential Real Estate:

Risk rating:

Risk rating:

Risk rating:

Pass

Pass

Pass

Special Mention

Substandard

Doubtful

Total residential real estate loans

Gross charge-offs

Term Loans Amortized Cost Basis by

Origination Year

Term Loans Amortized Cost Basis by

Origination Year

Term Loans Amortized Cost Basis by

Origination Year

(Dollars in thousands)

(Dollars in thousands)	2024	2023	2022	2021	2020	Prior	Revolving Loans Converted to Term	Total	2024	2023	2022	2021	2020	Prior	Revolving Loans Converted to Term	Total	
(Dollars in thousands)																	
June 30, 2024																	
September 30, 2024																	
Home equity lines of credit:																	
Home equity lines of credit:																	
Home equity lines of credit:																	
Risk rating:																	
Risk rating:																	
Risk rating:																	
Pass																	
Pass																	
Pass																	
Special Mention																	
Substandard																	
Doubtful																	
Total home equity lines of credit loans																	
Gross charge-offs																	
Consumer:																	
Consumer:																	
Consumer:																	
Risk rating:																	
Risk rating:																	
Risk rating:																	
Pass																	
Pass																	
Pass																	
Special Mention																	
Substandard																	
Doubtful																	
Total consumer loans																	
Gross charge-offs																	
Total:																	
Total:																	
Total:																	
Risk rating:																	
Risk rating:																	
Risk rating:																	
Pass																	
Pass																	
Pass																	
Special Mention																	
Substandard																	
Doubtful																	
Total loans																	
Gross charge-offs																	

Term Loans Amortized Cost Basis by Origination Year								Revolving Loans Converted to Term	Total
(Dollars in thousands)	2023	2022	2021	2020	2019	Prior			

December 31, 2023

Commercial business:

Risk rating:

Pass	\$ 187,743	\$ 249,718	\$ 95,547	\$ 66,195	\$ 51,025	\$ 91,435	\$ 4,617	\$ 746,280
Special Mention	990	30,695	72	830	339	3,767	1,647	38,340
Substandard	368	988	317	—	4,640	1,436	204	7,953
Doubtful	—	2,022	839	264	—	1,402	—	4,527
Total commercial business loans	\$ 189,101	\$ 283,423	\$ 96,775	\$ 67,289	\$ 56,004	\$ 98,040	\$ 6,468	\$ 797,100
Gross charge-offs	\$ —	\$ 228	\$ 1,250	\$ 141	\$ —	\$ 2,953	\$ —	\$ 4,572

Commercial real estate:

Risk rating:

Pass	\$ 112,063	\$ 149,189	\$ 217,222	\$ 11,952	\$ 26,438	\$ 108,934	\$ 546	\$ 626,344
Special Mention	—	—	7,961	—	6,079	11,201	—	25,241
Substandard	—	—	—	—	—	18,999	—	18,999
Doubtful	—	—	—	—	—	—	—	—
Total commercial real estate loans	\$ 112,063	\$ 149,189	\$ 225,183	\$ 11,952	\$ 32,517	\$ 139,134	\$ 546	\$ 670,584
Gross charge-offs	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —

Commercial acquisition, development and construction:

Risk rating:

Pass	\$ 6,546	\$ 54,468	\$ 31,120	\$ 22,041	\$ 2,940	\$ 1,483	\$ —	\$ 118,598
Special Mention	—	—	14,652	—	—	—	—	14,652
Substandard	—	—	—	—	—	754	—	754
Doubtful	—	—	—	—	—	—	—	—
Total commercial acquisition, development and construction loans	\$ 6,546	\$ 54,468	\$ 45,772	\$ 22,041	\$ 2,940	\$ 2,237	\$ —	\$ 134,004
Gross charge-offs	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —

Residential Real Estate:

Risk rating:

Pass	\$ 54,453	\$ 429,326	\$ 107,763	\$ 40,202	\$ 8,292	\$ 21,313	\$ —	\$ 661,349
Special Mention	—	—	—	4,224	414	708	—	5,346
Substandard	—	988	3,764	82	146	777	—	5,757
Doubtful	—	—	—	—	—	95	—	95
Total residential real estate loans	\$ 54,453	\$ 430,314	\$ 111,527	\$ 44,508	\$ 8,852	\$ 22,893	\$ —	\$ 672,547
Gross charge-offs	\$ —	\$ —	\$ —	\$ —	\$ 19	\$ 381	\$ —	\$ 400

Term Loans Amortized Cost Basis by Origination Year

(Dollars in thousands)	2023	2022	2021	2020	2019	Prior	Revolving Loans Converted to Term	Total
December 31, 2023								
Home equity lines of credit:								
Risk rating:								
Pass	\$ 58	\$ 36	\$ —	\$ 1,338	\$ 5,147	\$ 7,568	\$ —	\$ 14,147
Special Mention	—	—	—	—	—	223	—	223

Substandard	—	—	—	—	—	—	161	—	161
Doubtful	—	—	—	—	—	—	—	—	—
Total home equity lines of credit loans	\$ 58	\$ 36	\$ —	\$ 1,338	\$ 5,147	\$ 7,952	\$ —	\$ 14,531	
Gross charge-offs	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Consumer:									
Risk rating:									
Pass	\$ 2,295	\$ 18,926	\$ 5,753	\$ —	\$ 39	\$ 51	\$ —	\$ 27,064	
Special Mention	—	—	—	—	—	—	—	—	—
Substandard	20	266	58	—	—	—	—	—	344
Doubtful	—	—	—	—	—	—	—	—	—
Total consumer loans	\$ 2,315	\$ 19,192	\$ 5,811	\$ —	\$ 39	\$ 51	\$ —	\$ 27,408	
Gross charge-offs	\$ 1,144	\$ 10,608	\$ 1,753	\$ —	\$ —	\$ 2	\$ —	\$ 13,507	
Total:									
Risk rating:									
Pass	\$ 363,158	\$ 901,663	\$ 457,405	\$ 141,728	\$ 93,881	\$ 230,784	\$ 5,163	\$ 2,193,782	
Special Mention	990	30,695	22,685	5,054	6,832	15,899	1,647	83,802	
Substandard	388	2,242	4,139	82	4,786	22,127	204	33,968	
Doubtful	—	2,022	839	264	—	1,497	—	4,622	
Total loans	\$ 364,536	\$ 936,622	\$ 485,068	\$ 147,128	\$ 105,499	\$ 270,307	\$ 7,014	\$ 2,316,174	
Gross charge-offs	\$ 1,144	\$ 10,836	\$ 3,003	\$ 141	\$ 19	\$ 3,336	\$ —	\$ 18,479	

Management further monitors the performance and credit quality of the loan portfolio by analyzing the age of the portfolio as determined by the length of time a recorded payment is past due.

The following table presents the amortized cost basis in loans by aging category and accrual status as of the periods shown:

December 31, 2023

December 31, 2023

December 31, 2023

Commercial

Commercial

Commercial

Business

Business

Business

Real estate

Acquisition,
development
and
construction

Total
commercial

Residential
real estate

Home equity
lines of credit

Consumer

Total loans

The increase in acquisition, development and construction loans in non-accrual status from December 31, 2023 was primarily the result of the addition of a \$14.6 million single commercial construction multifamily loan in that was put into non-accrual status during the multifamily space, three months ended June 30, 2024. The loan had a balance of \$13.5 million as of September 30, 2024.

The ACL is a valuation account that is deducted from the loans' amortized cost basis to present the net amount expected to be collected on the loans. Loans are charged off against the ACL when management believes the loan balance is uncollectible. Accrued interest receivable is excluded from the estimate of credit losses. Management determines the ACL balance using relevant available information, from internal and external sources, relating to past events, current conditions and reasonable and supportable forecasts. Historical credit behaviors along with model judgments provide the basis for the estimation of expected credit losses. Adjustments to modeled loss estimates may be made for differences in current loan-specific risk characteristics such as differences in underwriting standards, portfolio mix, delinquency level or term, as well as for changes in environmental conditions, such as changes in economic conditions, property values or other relevant factors.

The Bank's methodology for determining the ACL is based on the requirements of ASC 326. The ACL is calculated on a collective basis when similar risk characteristics exist. The ACL for the majority of loans and leases was calculated using a discounted cash flow methodology applied at a loan level with a one-year reasonable and supportable forecast period and a one-year straight-line reversion period with loss rates, prepayment assumptions and curtailment assumptions driven by each loan's collateral type. Expected credit loss rates were estimated using a regression model based on historical data from peer banks which incorporates a third-party vendor's economic forecast to predict the change in credit losses. As of June 30, 2024 September 30, 2024, the Bank

expects the markets in which it operates will experience economic improvements over the next one to two years. The ACL for only one portfolio segment consisting entirely of automotive loans to consumers was calculated under the remaining life methodology using straight-line amortization over the remaining life of the portfolio.

Loans that do not share risk characteristics are evaluated on an individual basis. Loans evaluated individually are not also included in the collective evaluation. When Bank management determines that foreclosure is probable or when the borrower is experiencing financial difficulty at the reporting date and repayment is expected to be substantially through the operation or sale of the collateral, expected credit losses are based on the fair value of the collateral at the reporting date, adjusted for selling costs as appropriate.

The following table presents the amortized cost basis of collateral-dependent loans by class of loans as of the periods shown:

(Dollars in thousands)	(Dollars in thousands)	Real Estate	Vehicles and Equipment	Assignment of Cash Flow	Accounts Receivable	Other	Totals	Allowance for Credit Losses	(Dollars in thousands)	Real Estate	Vehicles and Equipment	Assignment of Cash Flow	Accounts Receivable	Other	Totals	Allowance for Credit Losses
June 30, 2024																
September 30, 2024																
Commercial																
Commercial																
Commercial																
Business																
Business																

Business
Real estate
Acquisition, development and construction
Total commercial
Residential
Home equity lines of credit
Consumer
Total
Collateral value
December 31, 2023
December 31, 2023
December 31, 2023
Commercial
Commercial
Commercial
Business
Business
Business
Real estate
Acquisition, development and construction
Total commercial
Residential
Home equity lines of credit
Consumer
Total
Collateral value

The Bank evaluates certain loans in homogeneous pools, rather than on an individual basis, when those loans are below specific thresholds based on outstanding principal balance. More specifically, residential mortgage loans, home equity lines of credit and consumer loans are evaluated collectively for expected credit losses by applying allocation rates derived from the Bank's historical losses specific to these loans. The reserve was immaterial at **June 30, 2024** **September 30, 2024** and December 31, 2023.

Management has identified a number of additional qualitative factors **which that** it uses to supplement the estimated losses derived from the loss rate methodologies employed within the Current Expected Credit Losses model because these factors are likely to cause estimated credit losses associated with the existing loan pools to differ from the loss rate methodologies. The additional factors that are evaluated quarterly and updated using information obtained from internal, regulatory and governmental sources are: lending policies and procedures, nature and volume of the portfolio, experience and ability of lending management and staff, volume and severity of problem credits, quality of the loan review system, changes in the value of underlying collateral, effect of concentrations of credit from a loan type, industry and/or geographic standpoint, changes in economic and business conditions, consumer sentiment and other external factors.

To estimate the liability for off-balance sheet credit exposures, Bank management analyzed the portfolios of unfunded commitments based on the same segmentation used for the ACL calculation. The estimated funding rate for each segment was derived from a funding rate study created by a third-party vendor which analyzed funding of various loan types over time to develop industry benchmarks at the call report code level. Once the estimated future advances were calculated, the allocation rate applicable to that portfolio segment was applied in the same manner as those used for the ACL calculation. The resulting estimated loss allocations were totaled to determine the liability for unfunded commitments related to these loans, which management considers necessary to anticipate potential losses on those commitments that have a reasonable probability of funding. As of **June 30, 2024** **September 30, 2024** and December 31, 2023, the liability for unfunded commitments related to loans held-for-investment was **\$1.1 million** **\$1.4 million** and \$1.0 million, respectively.

Bank management reviews the loan portfolio on a quarterly basis using a defined, **consistently applied** **consistently-applied** process in order to make appropriate and timely adjustments to the ACL. When information confirms **that** all or part of specific loans **to be** are uncollectible, these amounts are promptly charged off against the ACL.

The following table presents the balance and activity for the primary segments of the ACL as of the periods shown:

(Dollars in thousands)	Commercial	Commercial	Residential	Home Equity	Consumer	Total	Commercial	Residential	Home Equity	Consumer	Total
------------------------	------------	------------	-------------	-------------	----------	-------	------------	-------------	-------------	----------	-------

ACL at March 31, 2024
ACL at March 31, 2024
ACL at March 31, 2024
Provision (release of allowance) for credit losses
ACL at June 30, 2024
ACL at June 30, 2024
ACL at June 30, 2024
Provision (release of allowance) for credit losses ¹
Charge-offs
Recoveries
ACL at June 30, 2024
ACL at September 30, 2024
(Dollars in thousands)
(Dollars in thousands)
(Dollars in thousands)
ALL at December 31, 2023
ALL at December 31, 2023
ALL at December 31, 2023
Provision (release of allowance) for credit losses
Provision (release of allowance) for credit losses ¹
Charge-offs
Recoveries
ACL at June 30, 2024
ACL at September 30, 2024

¹ Excludes the provision for unfunded commitments and the provision for credit losses related to available-for-sale debt securities.

(Dollars in thousands)	Commercial	Commercial	Residential	Home Equity	Consumer	Total	Commercial	Residential	Home Equity	Consumer	Total
ACL balance at March 31, 2023											
ACL balance at March 31, 2023											
ACL balance at March 31, 2023											
Provision (release of allowance) for credit losses											
ACL balance at June 30, 2023											
ACL balance at June 30, 2023											
ACL balance at June 30, 2023											
Provision (release of allowance) for credit losses ¹											
Charge-offs											
Recoveries											
ALL balance at June 30, 2023											
ALL balance at September 30, 2023											
(Dollars in thousands)											
(Dollars in thousands)											
(Dollars in thousands)											
ALL, prior to adoption of ASC 326, at December 31, 2022											
ALL, prior to adoption of ASC 326, at December 31, 2022											
ALL, prior to adoption of ASC 326, at December 31, 2022											
Impact of adopting ASC 326											
Initial allowance on loans purchased with credit deterioration											
Provision (release of allowance) for credit losses											
Provision (release of allowance) for credit losses ¹											
Charge-offs											

Recoveries
ACL balance at June 30, 2023
ACL balance at June 30, 2023
ACL balance at June 30, 2023
ACL balance at September 30, 2023
ACL balance at September 30, 2023
ACL balance at September 30, 2023

¹ Excludes the provision for unfunded commitments and the provision for credit losses related to available-for-sale debt securities.

During the three and **six** nine months ended **June 30, 2024** **September 30, 2024**, there were charge offs totaling **\$1.5 million** **\$1.4 million** and **\$3.7 million** **\$5.1 million**, respectively. For the three months ended **June 30, 2024** **September 30, 2024**, **\$0.6 million** **\$1.0 million**, or **40%** **71%**, of charge offs were related to the subprime consumer automotive segment and **\$0.9 million** **\$0.4 million**, or **60%** **29%**, was related to five commercial notes secured by business assets. During the three and **six** nine months ended **June 30, 2024** **September 30, 2024**, the provision related to unfunded commitments was **\$0.1 million**, **\$0.3 million** and **\$0.5 million**, respectively. During the three and **six** nine months ended **June 30, 2023** **September 30, 2023**, there was an inconsequential and **\$0.2 million** and **\$0.1 million** release of allowance related to unfunded commitments, respectively.

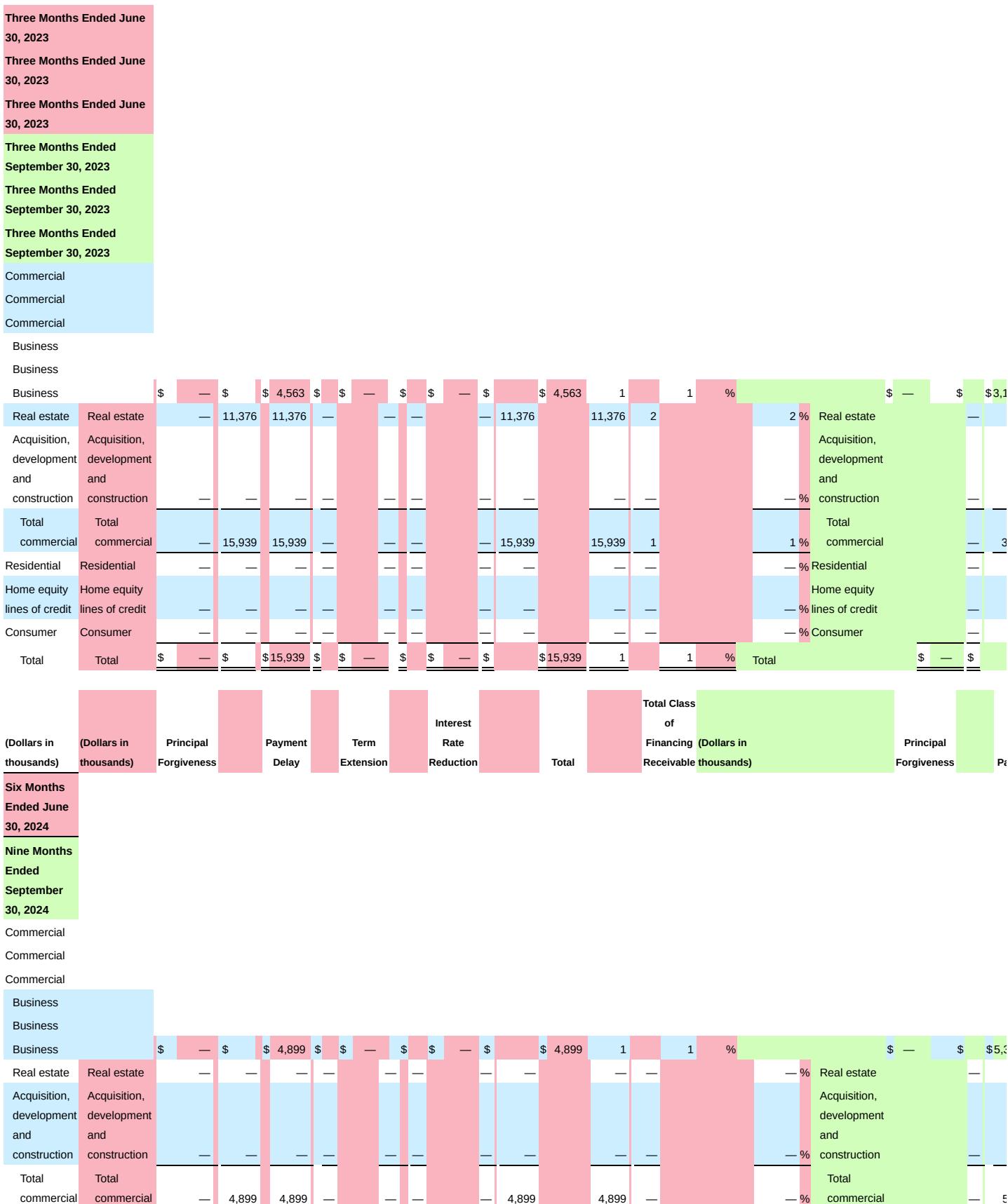
The ACL is based on estimates and actual losses will vary from current estimates. Management believes that the granularity of the portfolio segments, the related loss estimation methodologies and other qualitative factors, as well as the consistency in the application of assumptions, result in an ACL that is representative of the risk found in the components of the portfolio at any given date.

Loan Modifications for Borrowers Experiencing Financial Difficulty

Occasionally, the Bank modifies loans to borrowers in financial distress by providing concessions that allow for the borrower to lower their payment obligations for a defined period, these may include, but are not limited to: principal forgiveness, payment delays, term extensions, interest rate reductions and any combinations of the preceding.

The following table summarize the amortized cost basis of loans that were modified as of the period shown:

(Dollars in thousands)	(Dollars in thousands)	Principal Forgiveness	Payment Delay	Term Extension	Interest Rate Reduction	Total	Total Class of Financing (Dollars in Receivable thousands)	Principal Forgiveness
Three Months Ended June 30, 2024								
Three Months Ended September 30, 2024								
Commercial								
Commercial								
Commercial								
Business								
Business		\$ —	\$ —	\$ 3,531	\$ —	\$ —	\$ 3,531	\$ —
Real estate	Real estate	—	—	—	—	—	—	— %
Acquisition, development and construction	Acquisition, development and construction	—	—	—	—	—	—	— %
Total commercial	Total commercial	—	3,531	3,531	—	—	3,531	3,531
Residential	Residential	—	—	—	—	—	—	— % Residential
Home equity lines of credit	Home equity lines of credit	—	—	—	—	—	—	— % Home equity lines of credit
Consumer	Consumer	—	—	—	—	—	—	— % Consumer
Total	Total	\$ —	\$ 3,531	\$ —	\$ —	\$ 3,531	\$ 3,531	\$ —



Residential	Residential	—	—	—	—	—	—	—	—	—	—	—	—	—	Residential	— % Residential
Home equity	Home equity	—	—	—	—	—	—	—	—	—	—	—	—	—	Home equity	— % Home equity
lines of credit	lines of credit	—	—	—	—	—	—	—	—	—	—	—	—	—	— lines of credit	— % lines of credit
Consumer	Consumer	—	—	—	—	—	—	—	—	—	—	—	—	—	— Consumer	— % Consumer
Total	Total	\$ —	\$ —	\$ 4,899	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 4,899	\$ —	\$ —	\$ —	\$ —	% Total	\$ — \$
Six Months Ended June 30, 2023																
Six Months Ended June 30, 2023																
Six Months Ended June 30, 2023																
Nine Months Ended September 30, 2023																
Nine Months Ended September 30, 2023																
Nine Months Ended September 30, 2023																
Commercial																
Business																
Business																
Real estate	Real estate	\$ —	\$ 11,376	\$ 11,376	\$ —	\$ —	\$ —	\$ —	\$ 11,376	\$ 11,376	\$ 11,376	\$ 11,376	\$ 11,376	\$ 11,376	Real estate	\$ — \$ 11,376
Acquisition, development and construction	Acquisition, development and construction	—	—	—	—	—	—	—	—	—	—	—	—	—	— % construction	— % construction
Total commercial	Total commercial	—	—	15,939	15,939	—	—	—	—	15,939	15,939	15,939	15,939	15,939	1 % commercial	— 1 % commercial
Residential	Residential	—	—	—	—	—	—	—	—	—	—	—	—	—	— % Residential	— % Residential
Home equity lines of credit	Home equity lines of credit	—	—	—	—	—	—	—	—	—	—	—	—	—	— % Home equity	— % Home equity
Consumer	Consumer	—	—	—	—	—	—	—	—	—	—	—	—	—	— % Consumer	— % Consumer
Total	Total	\$ —	\$ 15,939	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 15,939	\$ 15,939	\$ 15,939	\$ 15,939	\$ 15,939	\$ 15,939	1 %	Total \$ — \$

The above table presents the amortized cost basis of loans at **June 30, 2024** **September 30, 2024** that were experiencing financial difficulty and modified during the three and **six** **nine** months ended **June 30, 2024** **September 30, 2024**, by class and by type of modification. Also presented above is the percentage of the amortized cost basis of loans that were modified **to** **for** borrowers in financial distress as compared to the amortized cost basis of each class of financing receivable. **Sixteen** There are **16** loans to **fifteen** **15** borrowers that received payment delay modifications in the **six** **nine** months ended **June 30, 2024** **September 30, 2024**, **including fifteen** and one loan received a term extension. These **17** total loans include **16** commercial loans with government guarantees totaling **\$4.7 million** **\$5.6 million** and one note secured by accounts receivable totaling **\$0.2 million**.

The Bank closely monitors the performance of loans that are modified **to** **for** borrowers experiencing financial difficulty to understand the effectiveness of its modification efforts. The following table presents the performance of such loans that have been modified as of the periods shown:

(Dollars in thousands)	(Dollars in thousands)	30-59 Days Past Due	60-89 Days Past Due	Greater Than 89 Days Past Due	Total Past Due (Dollars in thousands)	30-59 Days Past Due	60-89 Days Past Due	Greater Than 89 Days Past Due	Total Past Due
Three and Six Months Ended June 30, 2024									
Nine Months Ended September 30, 2024									
Commercial									
Business									
Business									



As of **June 30, 2024** **September 30, 2024**, there are **two** **12** modified loans past due, with an amortized cost basis of **\$0.7 million** **\$5.1 million**. The two loans are **This includes** **11** commercial notes with **a** government guarantees **and** totaling **\$5.1 million** secured by business assets. Seven notes totaling **\$4.1 million** are considered non-accrual as of **June 30, 2024** **September 30, 2024**. As of **June 30, 2023** **September 30, 2023**, there was one modified loan past due, with an amortized cost basis of **\$2.1 million**. This note is a commercial note with a government guarantee and **is** considered non-accrual as of **June 30, 2023** **September 30, 2023**.

The following table presents the amortized cost basis of loans that had a payment default and were modified prior to that default to borrowers experiencing financial difficulty as of the period shown:

(Dollars in thousands)	(Dollars in thousands)	Principal Forgiveness	Payment Delay	Term Extension	Interest Rate Reduction	(Dollars in thousands)	Principal Forgiveness	Payment Delay	Term Extension	Interest Rate Reduction	Total
Three and Six Months Ended June 30, 2024											
Three Months Ended September 30, 2024											
Commercial											
Commercial											
Commercial											
Business											
Business											
Business											
Real estate											
Acquisition, development and construction											
Total commercial											
Residential											
Home equity lines of credit											



Residential
Home equity lines of credit
Consumer
Total

As of **June 30, 2024** **September 30, 2024**, there is one are three modified loan loans that has have defaulted, with an amortized cost basis of \$0.4 million \$2.3 million. This note All three loans are commercial notes that have government guarantees and are considered non-accrual as of September 30, 2024. As of September 30, 2023, there is a one commercial note with a government guarantee and is that was considered non-accrual as of June 30, 2024. As of June 30, 2023, there is one modified loan that has defaulted, with an amortized cost basis of \$2.1 million. This is a commercial note with a government guarantee and is considered non-accrual as of June 30, 2023 September 30, 2023. Upon the Bank's determination that a modified loan (or portion of a loan) has subsequently been deemed uncollectible, the loan (or a portion of the loan) is written-off. Therefore, the amortized cost basis of the loan is reduced by the uncollectible amount and the ACL is adjusted by the same amount.

Note 4 – Premises and Equipment

The following table presents the components of premises and equipment as of the periods shown:

(Dollars in thousands)	(Dollars in thousands)	June 30, 2024	December 31, 2023	(Dollars in thousands)	September 30, 2024	December 31, 2023
Land						
Buildings and improvements						
Furniture, fixtures and equipment						
Software						
Construction in progress						
Leasehold improvements						
		43,073				
			43,193			
Accumulated depreciation						
Premises and equipment, net						

We lease certain premises and equipment under operating and finance leases. At **June 30, 2024** **September 30, 2024**, we had lease liabilities totaling \$13.2 \$12.9 million and right-of-use assets totaling \$12.0 \$11.7 million, substantially all of which was related to operating leases. At **June 30, 2024** **September 30, 2024**, the weighted-average remaining lease term for operating leases was 10.210.1 years and the weighted-average discount rate used in the measurement of operating lease liabilities was 3.1%.

At December 31, 2023, we had lease liabilities totaling \$14.0 million and right-of-use assets totaling \$12.9 million, substantially all of which was related to operating leases. At December 31, 2023, the weighted-average remaining lease term for operating leases was 10.5 years and the weighted-average discount rate used in the measurement of operating lease liabilities was 3.1%.

Lease liabilities and right-of-use assets are reflected in accrued interest payable and other liabilities and accrued interest receivable and other assets, respectively.

The following table presents lease costs for the periods shown:

(Dollars in thousands)	(Dollars in thousands)	Three Months Ended June 30,		Six Months Ended June 30,		(Dollars in thousands)	2024	2023	2024	2023	2024	2023
		2024	2023	2024	2023							
Amortization of right-of-use assets, finance leases												
Operating lease cost												
Short-term lease cost												
Variable lease cost												
Sublease income												
Total lease cost												
Total lease cost												
Total lease cost												

For operating leases with initial or remaining terms of one year or more as of **June 30, 2024** **September 30, 2024**, the following table presents future minimum payments for the twelve month periods ended **June** **September** 30:

(Dollars in thousands)
(Dollars in thousands)
(Dollars in thousands)

2025
2025
2025
2026
2026
2026
2027
2027
2027
2028
2028
2028
2029
2029
2029
2030 and thereafter
2030 and thereafter
2030 and thereafter
Total future minimum lease payments
Total future minimum lease payments
Total future minimum lease payments
Less: Amounts representing interest
Less: Amounts representing interest
Less: Amounts representing interest
Present value of net future minimum lease payments
Present value of net future minimum lease payments
Present value of net future minimum lease payments

Future minimum payments on finance leases were not material as of June 30, 2024 September 30, 2024.

Note 5 – Equity Method Investments

In accordance with Rules 3-09 and 4-08(g) of Regulation S-X, we must assess whether our equity method investments are significant. In evaluating the significance of these investments, we performed the income, investment and asset tests described in S-X 1-02(w) for each equity method investment. Rule 4-08(g) of Regulation S-X requires summarized financial information for all equity method investees in a quarterly report if any of the equity method investees, individually or in the aggregate, result in any of the tests exceeding 10%.

Under the income test, our proportionate share of the revenue from equity method investments in the aggregate exceeded the applicable threshold under Rule 4-08(g) of 10%, accordingly, we are required to provide summarized income statement information for all investees for all periods presented. There were no equity method investments which met any of the applicable thresholds for reporting separate financial statements in accordance with Rule 3-09.

Our equity method investments are initially recorded at cost, including transaction costs to obtain the equity method investment, and are subsequently adjusted for changes due to our share of the entities' earnings.

ICM

The following table presents summarized income statement information for ICM for the periods shown:

(Dollars in thousands)	(Dollars in thousands)	Three Months Ended June 30,		Six Months Ended June 30,		2023 (Dollars in thousands)	2024	2023	2024	2023
		2024	2023	2024	2023					
Total revenues										
Net income (loss)										
Gain on loans sold										
Gain on loans sold										
Gain on loans sold										

Gain (loss) on loans held-for-sale

Volume of loans sold

Our ownership percentage of 40% of ICM allows us to have significant influence over the operations and decision making at ICM. Accordingly, the investment, which had a carrying value of \$23.4 million at June 30, 2024, is accounted for as an equity method investment. Our share of ICM's net income totaled \$0.4 million and \$0.2 million for the three and six months ended June 30, 2024, respectively, while our share of ICM's net loss totaled \$0.4 million and \$1.7 million for the three and six months ended June 30, 2023, September 30, 2023, respectively. As of June 30, 2024 and December 31, 2023, the mortgage pipeline was \$53.8 million and \$439.0 million, respectively.

Warp Speed

The following table presents summarized income statement information for our equity method investment in Warp Speed for the periods shown:

(Dollars in thousands)	(Dollars in thousands)	Three Months Ended June 30,		Six Months Ended June 30,		2023 (Dollars in thousands)	2024	2023	2024					
		Three Months Ended September 30,		Nine Months Ended September 30,										
		2024	2023	2024	2023									
Total revenues														
Net income (loss)														
Gain on loans sold														
Gain on loans sold														
Gain (loss) on loans held-for-sale														
Volume of loans sold														

In October 2022, we acquired a 37.5% interest in Warp Speed and accounted for our ownership as an equity method investment, initially recorded at cost including costs incurred to obtain the equity method investment. It was determined that our ownership percentage of 37.5% of Warp Speed provides that we allow us to have significant influence over its operations and decision making. Accordingly, the investment, which had a carrying value of \$50.9 million at June 30, 2024, September 30, 2024, is accounted for as an equity method investment. At the time of acquisition, we made a policy election to record our proportionate share of net income of the investee on a three month lag. Our share of Warp Speed's net income and loss totaled \$0.1 million and \$0.8 million for the three and six months ended June 30, 2024, September 30, 2024, respectively, while our share of net loss and income totaled \$2.3 million and \$3.3 million for the three and six months ended June 30, 2023, September 30, 2023, respectively. As of June 30, 2024 and December 31, 2023, the mortgage pipeline was \$390.1 million and \$530.8 million, respectively.

Ayers Socure II

Our ownership percentage of Ayers Socure II is 10% and it was determined that we have significant influence over the company. Accordingly, the investment is accounted for as an equity method investment. Our share of net income from Ayers Socure II for the three and six months ended June 30, 2024, September 30, 2024 was not significant. The equity method investment in Ayers Socure II is not considered a significant investment based on the criteria of Rules 3-09 and 4-08(g) of Regulation S-X.

Ayers Socure II's sole business is ownership of equity securities in Socure Inc. ("Socure"). In addition to our equity method investment in Ayers Socure II, we also have a direct equity security ownership interest in Socure. With the combination of our investments in both Ayers Socure II and Socure directly, we own less than 1% of Socure in the aggregate.

Note 6 – Deposits

The following table presents the components of deposits as of the periods shown:

(Dollars in thousands)

(Dollars in thousands)

(Dollars in thousands)

Demand deposits of individuals, partnerships and corporations

Demand deposits of individuals, partnerships and corporations

Demand deposits of individuals, partnerships and corporations

Noninterest-bearing demand

Noninterest-bearing demand

Noninterest-bearing demand

NOW

NOW

NOW

Savings and money markets

Savings and money markets

Savings and money markets
Time deposits, including CDs and IRAs
Time deposits, including CDs and IRAs
Time deposits, including CDs and IRAs
Total deposits
Total deposits
Total deposits
Time deposits that meet or exceed the FDIC insurance limit
Time deposits that meet or exceed the FDIC insurance limit
Time deposits that meet or exceed the FDIC insurance limit
The following table presents the maturities of time deposits for the twelve month periods ended June September 30:
(Dollars in thousands)
2025
2025
2025
2026
2027
2028
2029
Thereafter
Total

As of **June 30, 2024** **September 30, 2024** and December 31, 2023, overdrawn deposit accounts totaling **\$3.2 million** **\$2.2 million** and **\$3.8 million** were reclassified as loan balances.

Note 7 – Borrowed Funds

The Bank is a member of the Federal Home Loan Bank ("FHLB") of Pittsburgh, Pennsylvania. As of **June 30, 2024** **September 30, 2024**, the Bank's maximum borrowing capacity with the FHLB was **\$692.9 million** **\$689.0 million** and the remaining borrowing capacity was **\$665.8 million** **\$675.9 million**, with the difference being deposit letters of credit of **\$25.9 million** **\$11.9 million** and credit enhancement recourse obligations related to the master commitments through the FHLB's Mortgage Partnership Finance program of \$1.2 million.

Short-term borrowings

As of **June 30, 2024** **September 30, 2024** and December 31, 2023, the Bank had no short-term borrowings with the FHLB or Federal Reserve Bank and no federal funds purchased outstanding.

The following table presents information related to short-term borrowings as of and for the periods indicated:

(Dollars in thousands)	(Dollars in thousands)	Six Months Ended June 30, 2024	Year Ended December 31, 2023	(Dollars in thousands)	Nine Months Ended September 30, 2024	Year Ended December 31, 2023
Balance at end of period						
Average balance during the period						
Maximum month-end balance						
Weighted-average rate during the period	Weighted-average rate during the period	5.98 %	5.07 %	Weighted-average rate during the period	5.99 %	5.07 %
Weighted-average rate at end of period	Weighted-average rate at end of period	— %	— %	Weighted-average rate at end of period	— %	— %

Long-term borrowings

As of **June** **September 30, 2024** and December 31, 2023, the Bank had no long-term borrowings with the FHLB or the Federal Reserve Bank.

Repurchase agreements

Along with traditional deposits, the Bank has access to securities sold under agreements to repurchase ("repurchase agreements") with clients representing funds deposited by clients, on an overnight basis, that are collateralized by investment securities owned by us. All repurchase agreements are subject to terms and conditions of repurchase/security

agreements between us and the client and are accounted for as secured borrowings. Our repurchase agreements reflected in liabilities consist of client accounts and securities which are pledged on an individual security basis.

We monitor the fair value of the underlying securities on a monthly basis. Repurchase agreements are reflected in the amount of cash received in connection with the transaction. The primary risk with our repurchase agreements is the market risk associated with the investments securing the transactions, as we may be required to provide additional collateral based on fair value changes of the underlying investments. Securities pledged as collateral under repurchase agreements are maintained with our safekeeping agents.

As of **June 30, 2024** **September 30, 2024** and December 31, 2023, all of our repurchase agreements were overnight agreements. These borrowings were collateralized with investment securities with a carrying value of **\$2.4 million** **\$4.9 million** at both **September 30, 2024** and **\$4.9 million** at **June 30, 2024** and **December 31, 2023**, respectively, and were comprised of United States government agency securities and United States sponsored mortgage-backed securities. Declines in the value of the collateral would require us to increase the amounts of securities pledged.

The following table presents information related to repurchase agreements as of and for the periods shown:

(Dollars in thousands)	(Dollars in thousands)	Six Months Ended June 30, 2024	Year Ended December 31, 2023	(Dollars in thousands)	Nine Months Ended September 30, 2024	Year Ended December 31, 2023
Balance at end of period						
Average balance during the period						
Maximum month-end balance						
Weighted-average rate during the period	Weighted-average rate during the period	0.31 %	0.02 %	Weighted-average rate during the period	0.92 %	0.02 %
Weighted-average rate at end of period	Weighted-average rate at end of period	1.22 %	0.01 %	Weighted-average rate at end of period	2.37 %	0.01 %

Subordinated debt

The following table presents information related to subordinated debt as of and for the periods shown:

(Dollars in thousands)	(Dollars in thousands)	Six Months Ended June 30, 2024	Year Ended December 31, 2023	(Dollars in thousands)	Nine Months Ended September 30, 2024	Year Ended December 31, 2023
Balance at end of period						
Average balance during the period						
Maximum month-end balance						
Weighted-average rate during the period	Weighted-average rate during the period	4.07 %	4.38 %	Weighted-average rate during the period	4.05 %	4.38 %
Weighted-average rate at end of period	Weighted-average rate at end of period	4.01 %	4.02 %	Weighted-average rate at end of period	4.01 %	4.02 %

In September 2021, we completed the private placement of \$30.0 million fixed-to-floating rate subordinated notes to certain qualified institutional investors. These notes are unsecured and have a 10-year term, maturing October 1, 2031, and will bear interest at a fixed rate of 3.25%, payable semi-annually in arrears, for the first five years of the term. Thereafter, the interest rate will reset quarterly to an interest rate per annum equal to a benchmark rate, which is Three-Month Term SOFR, plus 254 basis points, payable quarterly in arrears. These notes have been structured to qualify as Tier 2 capital for regulatory capital purposes.

In November 2020, we completed the private placement of \$40.0 million fixed-to-floating rate subordinated notes to certain qualified institutional investors. These notes are unsecured and have a ten-year term, maturing December 1, 2030, and will bear interest at a fixed rate of 4.25%, payable semi-annually in arrears, for the first five years of the term. Thereafter, the interest rate will reset quarterly to an interest rate per annum equal to a benchmark rate, which is Three-Month Term SOFR, plus 401 basis points, payable quarterly in arrears. These notes have been structured to qualify as Tier 2 capital for regulatory capital purposes.

In March 2007, we completed the private placement of \$4.0 million Floating Rate, Trust Preferred Securities through our MVB Financial Statutory Trust I subsidiary (the "Trust"). We established the Trust for the sole purpose of issuing the Trust Preferred Securities pursuant to an Amended and Restated Declaration of Trust. The Trust Preferred Securities and the Debentures mature in 2037 and have been redeemable by us since 2012. Interest payments are due in March, June, September and December and are adjusted at the interest due dates at a rate of 0.26% plus Three-Month Term SOFR. The obligations we provide with respect to the issuance of the trust preferred securities constitute a full and unconditional guarantee by us 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 our Tier 1 capital.

Senior term loan

The following table presents information related to senior term loan as of and for the periods shown:

(Dollars in thousands)	(Dollars in thousands)	Six Months Ended June 30, 2024	Year Ended December 31, 2023	(Dollars in thousands)	Nine Months Ended September 30, 2024	Year Ended December 31, 2023

Balance at end of period								
Average balance during the period								
Maximum month-end balance								
Weighted-average rate during the period	Weighted-average rate during the period	11.21	%	8.50	%	Weighted-average rate during the period	11.21	%
Weighted-average rate at end of period	Weighted-average rate at end of period	—	%	8.76	%	Weighted-average rate at end of period	—	%

In October 2022, we entered into a credit agreement with Raymond James Bank ("Raymond James"). Pursuant to the credit agreement, Raymond James has extended to us a senior term loan in the aggregate principal amount of up to \$10.0 million. In connection with the closing of the Warp Speed transaction, we borrowed \$10.0 million and paid Raymond James an upfront fee of 1% of the loan amount. The loan bore interest per annum at a rate equal to 2.75%, plus term SOFR, which reset monthly. Accrued interest was payable on the last business day of each month, beginning with October 31, 2022, with the then outstanding principal balance of the loan payable on the last business day of each quarter in the amount of \$125,000 during the first year and \$250,000 thereafter. In May 2024, the senior term loan was repaid.

Note 8 – Pension and Supplemental Executive Retirement Plans

We participate in a trusted pension plan known as the Allegheny Group Retirement Plan. Benefits are based on years of service and the employee's compensation. Accruals under the plan were frozen as of May 31, 2014. Freezing the plan resulted in a remeasurement of the pension obligations and plan assets as of the freeze date. The pension obligation was remeasured using the discount rate based on the Citigroup Above Median Pension Discount Curve in effect on May 31, 2014 of 4.5%.

The following table presents information pertaining to the activity in our defined benefit pension plan, using the latest available actuarial valuations with a measurement date of **June 30, 2024** September 30, 2024 and 2023 for the periods shown:

(Dollars in thousands)	Three Months Ended June 30,		Six Months Ended June 30,		2023 (Dollars in thousands)	2024	2023	2024				
	Three Months Ended September 30,		Nine Months Ended September 30,									
	(Dollars in thousands)	2024	(Dollars in thousands)	2023								
Interest cost												
Interest cost												
Interest cost												
Expected return on plan assets												
Amortization of net actuarial loss												
Net periodic benefit (income) cost												
Net periodic benefit (income) cost												
Net periodic benefit (income) cost												
Net periodic benefit income												
Net periodic benefit income												
Net periodic benefit income												
Contributions paid												

There was no service cost or amortization of prior service cost for the three and **six** nine months ended **June 30, 2024** September 30, 2024 and 2023.

In June 2017, we approved a Supplemental Executive Retirement Plan (the "SERP"), pursuant to which the Chief Executive Officer of Potomac Mortgage Group ("PMG") is entitled to receive certain supplemental nonqualified retirement benefits. The SERP took effect on December 31, 2017. As the executive completed three years of continuous employment with PMG prior to retirement date (which shall be no earlier than the date he attains age 55) he will, upon retirement, be entitled to receive \$1.8 million payable in 180 equal consecutive monthly installments. The liability is calculated by discounting the anticipated future cash flows at 4.0%. The liability accrued for this obligation was **\$1.5 million** **\$1.6 million** as of **June 30, 2024** September 30, 2024 and \$1.4 million December 31, 2023, respectively. Service cost was not material for any periods covered by this report. In February 2024, the SERP was terminated. Within the agreement, there is a one year provision for payment delay. As such, the \$1.8 million obligation is scheduled to be paid in February 2025.

Note 9 – Fair Value of Financial Instruments

The following table presents the carrying values and estimated fair values of our financial instruments as of the periods shown:

(Dollars in thousands)	(Dollars in thousands)	Carrying Value	Estimated Fair Value	Quoted Prices in Active Markets for Identical Assets (Level I)	Significant Other Observable Inputs (Level II)	Significant Unobservable Inputs (Level III)	(Dollars in thousands)	Carrying Value	Estimated Fair Value	Quoted Prices in Active Markets for Identical Assets (Level I)	Significant Other Observable Inputs (Level II)	Significant Unobservable Inputs (Level III)
June 30, 2024												

September 30,
2024

Financial Assets:

Financial Assets:

Financial Assets:

Cash and cash
equivalents

Cash and cash
equivalents

Cash and cash
equivalents

Securities
available-for-
sale

**Equity
securities**

Loans receivable, net

Loans receivable, net

Loans receivable, net

**Servicing
rights**

Interest rate
swaps

**Fair value
hedge**

Accrued
interest
receivable

FHLB Stock

Accrued interest
receivable

Accrued interest
receivable

FHLB stock

Embedded
derivative

Financial Liabilities:

Financial Liabilities:

Financial Liabilities:

Deposits

Deposits

Deposits

Repurchase
agreements

**Interest rate
swaps**

Accrued interest payable

Accrued interest payable

**Fair value
hedge**

Accrued interest payable

Senior term loan

Senior term loan

Senior term loan

Subordinated debt
Subordinated debt

Subordinated
debt

December 31, 2023

December 31, 2023

December 31, 2023

Financial assets:

Financial assets:

Financial assets:

Cash and cash
equivalents

Cash and cash
equivalents

Cash and cash
equivalents

Securities

available-for-
sale

Equity
securities

Loans held-
for-sale

Loans
receivable,
net

Servicing
rights

Interest rate
swaps

Accrued
interest
receivable

FHLB Stock

FHLB stock

Embedded
derivative

Financial liabilities:

Financial liabilities:

Financial liabilities:

Deposits

Deposits

Deposits

Repurchase
agreements

Interest rate
swaps

Fair value
hedge

Accrued
interest
payable

FHLB and
other
borrowings

Senior term loan
Senior term loan
Senior term loan
Subordinated debt

Note 10 – Fair Value Measurements

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 of our entire holdings of a particular financial instrument. Because no market exists for a significant portion of our financial instruments, fair value estimates are based on judgments regarding future expected loss experience, current economic conditions, risk characteristics of various financial instruments and other factors. These estimates are subjective in nature and involve uncertainties and matters of significant judgment, and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates. Fair value estimates are based on existing on-and-off balance sheet financial instruments without attempting to estimate the value of anticipated future business and the value of assets and liabilities that are not considered financial instruments.

The methods of determining the fair value of assets and liabilities presented in this footnote are consistent with our methodologies disclosed in *Note 1 - Summary of Significant Accounting Policies* to the consolidated financial statements included in *Item 8, Financial Statements and Supplementary Data*, of the 2023 Form 10-K. **Valuation techniques for the assets and liabilities described below are consistent with techniques used in prior periods.**

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 following measurements are made on 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 I securities include those traded on an active exchange, such as the New York Stock Exchange and money market funds. Level II securities include mortgage-backed securities issued by government sponsored entities and private label entities, municipal bonds, United States Treasury securities that are traded by dealers or brokers in inactive over-the-counter markets and corporate debt securities. **There have been no changes in valuation techniques for the three and six months ended June 30, 2024. Valuation techniques are consistent with techniques used in prior periods.** Certain local municipal securities related to tax increment financing ("TIF") are independently valued and classified as Level III instruments. **We classified investments in government securities as Level II instruments and valued them using the market approach.**

Equity securities – Certain equity 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. The valuation methodologies utilized may include significant unobservable inputs. **There have been no changes in valuation techniques for the three and six months ended June 30, 2024. Valuation techniques are consistent with techniques used in prior periods.**

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

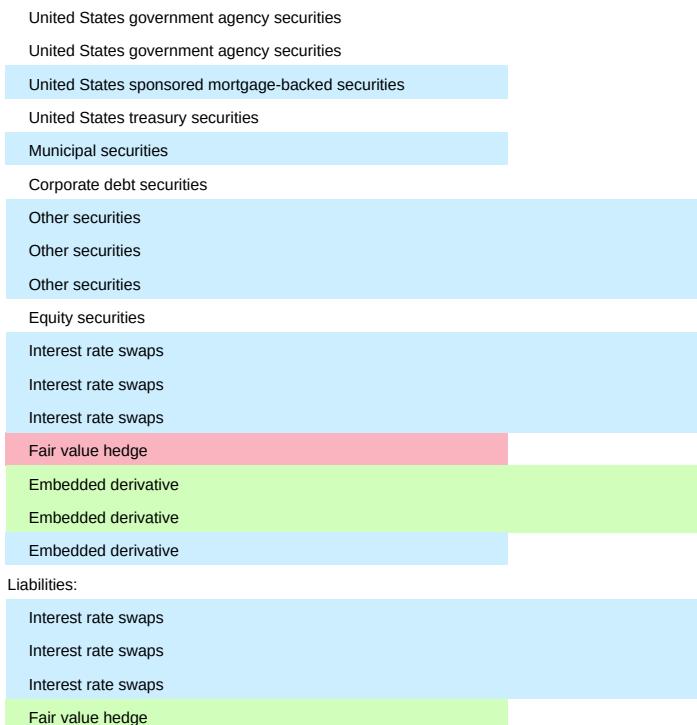
Interest rate swaps – Interest rate swaps are recorded at fair value based on third-party vendors who compile prices from various sources and may determine the fair value of identical or similar instruments by using pricing models that consider observable market data.

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

Embedded derivatives – Accounted for and recorded separately from the underlying contract as a derivative at fair value on a recurring basis. Fair values are determined using the Monte Carlo model valuation technique. The valuation methodology utilized includes significant unobservable inputs.

The following tables present assets and liabilities reported on the consolidated statements of financial condition at their fair value on a recurring basis as of the periods shown by level within the fair value hierarchy:

(Dollars in thousands)	(Dollars in thousands)	June 30, 2024			September 30, 2024				
		Level I	Level II	Level III	Total	(Dollars in thousands)	Level I	Level II	Level III
Assets:									
United States government agency securities									



(Dollars in thousands)	December 31, 2023			
	Level I	Level II	Level III	Total
Assets:				
United States government agency securities	\$ —	\$ 38,408	\$ —	\$ 38,408
United States sponsored mortgage-backed securities	—	82,382	—	82,382
United States treasury securities	—	100,356	—	100,356
Municipal securities	—	88,662	18,245	106,907
Corporate debt securities	—	8,942	—	8,942
Other securities	—	780	—	780
Equity securities	3,590	—	—	3,590
Loans held-for-sale	—	629	—	629
Interest rate swaps	—	6,249	—	6,249
Embedded derivative	—	—	648	648
Liabilities:				
Interest rate swaps	—	6,249	—	6,249
Fair value hedge	—	6,111	—	6,111

The following table represents recurring Level III assets as of the periods shown:

(Dollars in thousands)	(Dollars in thousands)	Municipal Securities	Embedded Derivatives	(Dollars in Total thousands)	Municipal Securities	Embedded Derivatives	Total
Balance at March 31, 2024							
Balance at June 30, 2024							
Maturities/calls							
Maturities/calls							
Maturities/calls							
Unrealized gain included in other comprehensive income (loss)							
Balance at September 30, 2024							
Balance at December 31, 2023							
Balance at December 31, 2023							



Assets Measured on a Nonrecurring Basis

We From time to time, we 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. GAAP. 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 2024 and 2023 include certain acquired foreclosed assets which, upon initial recognition, acquisition, were remeasured and reported measured at fair value through a charge-off to the allowance for possible credit losses and certain foreclosed assets which, subsequent market value. Subsequent to their initial recognition, the foreclosed assets were remeasured at fair value through a write-down included in other noninterest expense.

Collateral-dependent loans Certain loans receivable are evaluated individually for credit loss when the borrower is experiencing financial difficulties and repayment is expected to be provided substantially through the operation or sale of collateral. Estimated credit losses are based on the fair value of the collateral, adjusted for costs to sell. Collateral values are estimated using Level II inputs based on observable market data or Level III inputs based on customized discounting criteria. For a majority of collateral-dependent real estate related loans, we obtain a current an external appraisal. Other valuation techniques are used as well, including internal valuations, comparable property analysis and contractual sales information.

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

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

Other debt securities – Certain debt securities are recorded at fair value on a nonrecurring basis. These other debt securities are securities without a readily determinable fair value and are measured at cost minus impairment, if any, plus or minus any changes resulting from observable price changes in orderly transactions, as defined, for identical or similar investments of the same issuer.

Equity securities – Certain equity securities are recorded at fair value on a nonrecurring basis. Equity securities without a readily determinable fair value are measured at cost minus impairment, if any, plus or minus any changes resulting from observable price changes in orderly transactions, as defined, for identical or similar investments of the same issuer.

The following table presents the fair value of these assets as of the periods shown:

(Dollars in thousands)	(Dollars in thousands)	June 30, 2024			September 30, 2024				
		Level I	Level II	Level III	Total	(Dollars in thousands)	Level I	Level II	Level III
Collateral-dependent loans									
Other real estate owned									
Other debt securities									
Equity securities									

(Dollars in thousands)	(Dollars in thousands)	December 31, 2023							
		Level I	Level II	Level III	Total	(Dollars in thousands)	Level I	Level II	Level III
Collateral-dependent loans									
Other real estate owned									
Other debt securities									
Equity securities									

The following tables present quantitative information about the Level III significant unobservable inputs for assets and liabilities measured at fair value as of the periods shown:

(Dollars in thousands)	Quantitative Information about Level III Fair Value Measurements						
	Fair Value	Valuation Technique	Unobservable Input	Range			
June 30, 2024							
Nonrecurring measurements:							
Collateral-dependent loans	\$ 18,425	Appraisal of collateral ¹	Appraisal adjustments ²	0% - 20%			
			Liquidation expense ²	6%			
Other real estate owned	\$ 825	Appraisal of collateral ¹	Appraisal adjustments ²	0% - 20%			
			Liquidation expense ²	6%			
Other debt securities	\$ 7,500	Net asset value	Cost, less impairment	0%			

Equity securities	\$	37,486	Net asset value	Cost, less impairment	0%
Recurring measurements:					
Municipal securities ⁵	\$	17,929	Appraisal of bond ³	Bond appraisal adjustment ⁴	5% - 15%
Embedded derivatives	\$	648	Monte Carlo pricing model	Deferred payment	\$0 - \$49.1 million
				Volatility	59%
				Term	4.75 years
				Risk free rate	3.59%
December 31, 2023					
Nonrecurring measurements:					
Collateral-dependent loans	\$	2,891	Appraisal of collateral ¹	Appraisal adjustments ²	0% - 20%
				Liquidation expense ²	6%
Other real estate owned	\$	825	Appraisal of collateral ¹	Appraisal adjustments ²	0% - 20%
				Liquidation expense ²	6%
Other debt securities	\$	7,500	Net asset value	Cost, less impairment	0%
Equity securities	\$	37,496	Net asset value	Cost, less impairment	0%
Recurring measurements:					
Municipal securities ⁵	\$	18,245	Appraisal of bond ³	Bond appraisal adjustment ⁴	5% - 15%
Embedded derivatives	\$	648	Monte Carlo pricing model	Deferred payment	\$0 - \$49.1 million
				Volatility	59%
				Term	4.75 years
				Risk free rate	3.59%

Quantitative Information about Level III Fair Value Measurements					
(Dollars in thousands)	Fair Value	Valuation Technique	Unobservable Input	Range	
September 30, 2024					
Nonrecurring measurements:					
Collateral-dependent loans	\$ 21,537	Appraisal of collateral ¹	Appraisal adjustments ²	0% - 20%	
			Liquidation expense ²	6%	
Other real estate owned	\$ 825	Appraisal of collateral ¹	Appraisal adjustments ²	0% - 20%	
			Liquidation expense ²	6%	
Recurring measurements:					
Municipal securities ³	\$ 18,872	Appraisal of bond ⁴	Bond appraisal adjustment ⁵	5% - 15%	
Embedded derivatives	\$ 648	Monte Carlo pricing model	Deferred payment	\$0 - \$49.1 million	
			Volatility	59%	
			Term	4.75 years	
			Risk free rate	3.59%	
December 31, 2023					
Nonrecurring measurements:					
Collateral-dependent loans	\$ 2,891	Appraisal of collateral ¹	Appraisal adjustments ²	0% - 20%	
			Liquidation expense ²	6%	
Other real estate owned	\$ 825	Appraisal of collateral ¹	Appraisal adjustments ²	0% - 20%	
			Liquidation expense ²	6%	
Recurring measurements:					
Municipal securities ³	\$ 18,245	Appraisal of bond ⁴	Bond appraisal adjustment ⁵	5% - 15%	
Embedded derivatives	\$ 648	Monte Carlo pricing model	Deferred payment	\$0 - \$49.1 million	
			Volatility	59%	
			Term	4.75 years	
			Risk free rate	3.59%	

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

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

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

⁴ Appraisals may be adjusted for qualitative factors, such as local economic conditions, liquidity, marketability and legal structure.

⁵ ³ Municipal securities classified as Level III instruments are comprised of TIF bonds related to certain local municipal securities.

⁴ Fair value is determined through independent analysis of liquidity, rating, yield and duration.

⁵ Appraisals may be adjusted for qualitative factors, such as local economic conditions, liquidity, marketability and legal structure.

Note 11 – Derivatives

We use certain derivative instruments to meet the needs of customers, as well as to manage the interest rate risk associated with certain transactions. All derivative financial instruments are recognized as either assets or liabilities and measured at fair value.

Fair Value Hedges of Interest Rate Risk

We are exposed to changes in the fair value of fixed rate mortgages included in a closed portfolio due to changes in benchmark interest rates.

In 2023, we entered into five fixed portfolio layer method fair value swaps, designated as hedging instruments, to manage exposure to changes in fair value on fixed rate mortgages and certain fixed rate available for sale securities attributable to the designated interest rate. Four of the interest rate swaps are designated to hedge a closed portfolio of fixed rate mortgages and one of the interest rate swaps is designated to hedge a closed portfolio of fixed rate municipal bonds. The interest rate swaps involve the payment of fixed-rate amounts to a counterparty in exchange for us receiving variable-rate payments over the life of the agreements, without the exchange of the underlying notional amount.

We designated the fair value swaps under the portfolio layer method ("PLM") method. The total notional amount of the five swaps was \$432.8 million as of June 30, 2024 September 30, 2024, one of which is amortizing and included a \$17.2 million amortization adjustment to the notional amount at June 30, 2024 September 30, 2024. Under this method, the hedged items are designated as a hedged layer of closed portfolios of financial loans and municipal bonds that are anticipated to remain outstanding for the designated hedged periods. Adjustments are made to record the swaps at fair value, on the consolidated balance sheets, with changes in fair value recognized in interest income. The carrying values of the fair value swaps on the consolidated balance sheets are also adjusted through interest income, based on changes in fair value attributable to changes in the hedged risk.

The following table represents the carrying value of the portfolio layer method hedged assets and the cumulative fair value hedging adjustments included in the carrying value of the hedged assets as of June 30, 2024 September 30, 2024 and December 31, 2023:

		June 30, 2024			December 31, 2023								
		September 30, 2024			December 31, 2023								
(Dollars in thousands)	(Dollars in thousands)	Balance Sheet Location	Amortized Cost Basis	Hedged Asset	Basis Adjustment	Amortized Cost Basis	Hedged Asset	Basis Adjustment	(Dollars in thousands)	Balance Sheet Location	Amortized Cost Basis	Hedged Asset	Basis Adjustment
Fixed rate mortgages													
Fixed rate bonds													
Total hedged assets													

In October 2024, we discontinued a portfolio layer method fair value swap designated as a hedging instrument to hedge a closed portfolio of fixed rate mortgages. The hedge had a notional amount of \$250.0 million and was in a liability position with a fair value of \$2.8 million as of September 30, 2024. As part of the discontinuance, we incurred a \$1.7 million fee that will be amortized over the life of the related loans.

Derivatives Not Designated as Hedging Instruments

Matched Interest Rate Swaps. We enter into interest rate swap contracts to help commercial loan borrowers manage their interest rate risk. The interest rate swap contracts with commercial loan borrowers allow them to convert floating-rate loan payments to fixed rate loan payments. When we enter into an interest rate swap contract with a commercial loan borrower, we simultaneously enter into a "mirror" swap contract with a third-party. The third-party exchanges the borrower's fixed-rate loan payments for floating-rate loan payments. These derivatives are not designated as hedges and changes in fair value are recognized in earnings. Because these derivatives have mirror-image contractual terms, the changes in fair value substantially offset each other through earnings. Fees earned in connection with the execution of derivatives related to this program are recognized in earnings through loan-related derivative income.

The following tables summarize outstanding financial derivative instruments as of June 30, 2024 September 30, 2024 and December 31, 2023:

		June 30, 2024			September 30, 2024				
(Dollars in thousands)	Balance Sheet Location	Notional Amount	Fair Value of Asset (Liability)	Gain (Loss)	(Dollars in thousands)	Balance Sheet Location	Notional Amount	Fair Value of Asset (Liability)	Gain (Loss)
Fair value hedge of interest rate risk:									
Pay fixed rate swaps with counterparty									
Pay fixed rate swaps with counterparty									
Pay fixed rate swaps with counterparty									
Not designated hedges of interest rate risk:									
Not designated hedges of interest rate risk:									
Not designated hedges of interest rate risk:									
Matched interest rate swaps with borrowers									
Matched interest rate swaps with borrowers									
Matched interest rate swaps with borrowers									
Matched interest rate swaps with counterparty									
Total derivatives									
Total derivatives									

Total derivatives

(Dollars in thousands)	Balance Sheet Location	December 31, 2023		
		Notional Amount	(Liability)	Gain (Loss)
Fair value hedge of interest rate risk:				
Pay fixed rate swaps with counterparty	Accrued interest receivable and other assets	\$ 440,297	\$ (6,111)	\$ (6,111)
Not designated hedges of interest rate risk:				
Matched interest rate swaps with borrowers	Accrued interest receivable and other assets	126,494	6,249	6,249
Matched interest rate swaps with counterparty	Accrued interest payable and other liabilities	126,494	(6,249)	(6,249)
Total derivatives		\$ 693,285	\$ (6,111)	\$ (6,111)

Embedded Derivative

In December 2022, we entered into an agreement to sell a portion of our shares of Interchecks Technologies, Inc., a former equity method investment that was subsequently reclassified to equity securities due to the decrease in the remaining ownership percentage. Based on the terms of the sale, we recognized the cash received at closing, as well as a receivable for the remaining installment payment, which is based on a future economic event and is accounted for and separately recorded as a derivative. The derivative instrument is included in accrued interest receivable and other assets on the consolidated balance sheet, while the gains and losses are included in noninterest income on the consolidated statement of income. The fair value of the embedded derivative was \$0.6 million at **June 30, 2024** **September 30, 2024** and December 31, 2023, with no gain or loss for the **six** **nine** months ended **June 30, 2024** **September 30, 2024** and a loss of \$0.1 million for the **six** **nine** months ended **June 30, 2023** **September 30, 2023**.

Note 12 – Earnings per Share

We determine basic earnings per share ("EPS") by dividing net income available to common shareholders by the weighted-average number of common shares outstanding during the period. Diluted EPS is determined by dividing net income available to common shareholders by the weighted-average number of shares outstanding, increased by both the number of shares that would be issued assuming the exercise of instruments under our incentive stock plan.

The following table presents our calculation of EPS for the periods shown:

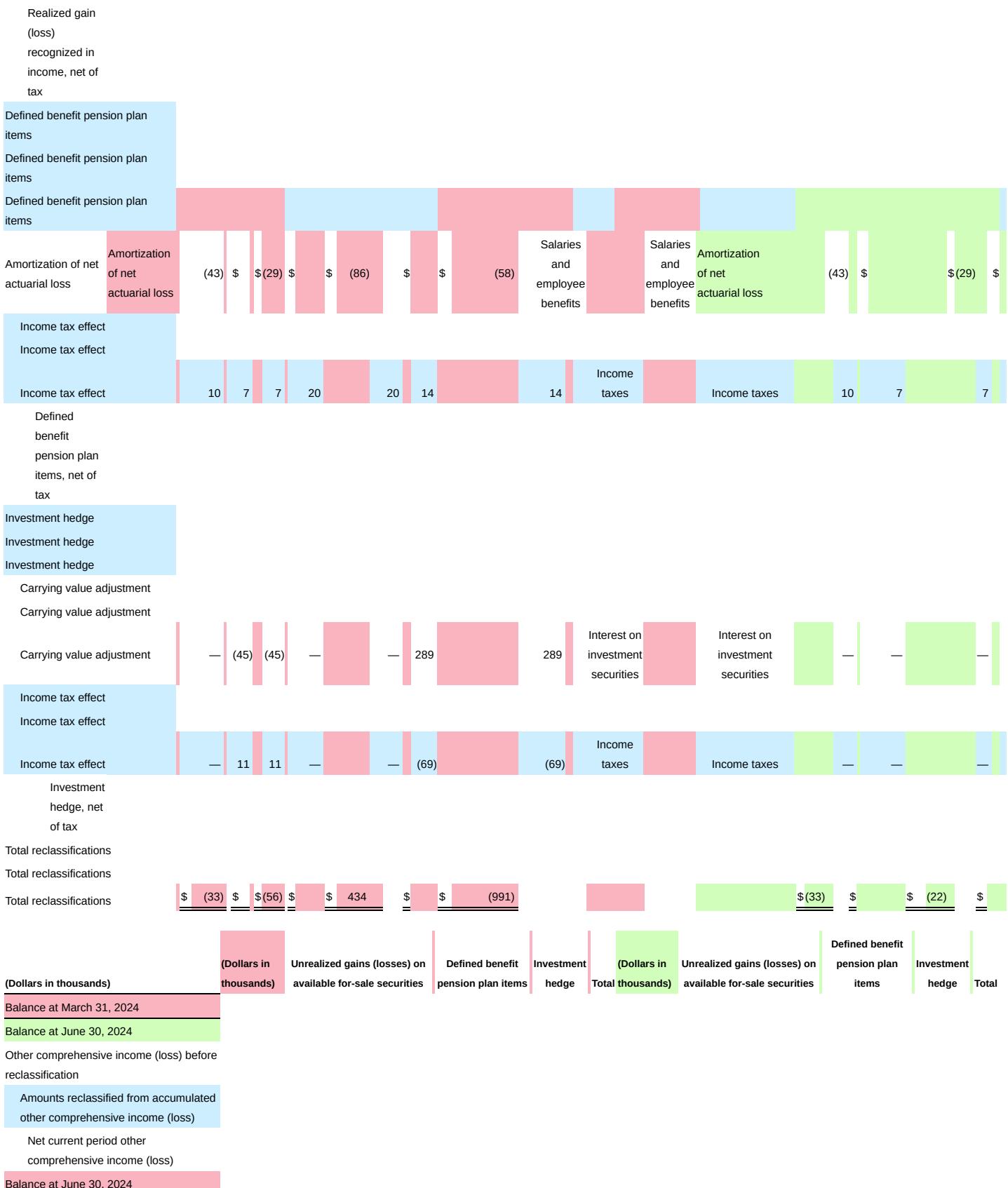
(Dollars in thousands except shares and per share data)	(Dollars in thousands except shares and per share data)	Three Months Ended June 30,		Six Months Ended June 30,		(Dollars in thousands except 2023 shares and per share data)	Three Months Ended September 30, 2024		Nine Months Ended September 30, 2024		
		2024	2023	2024	2023		2024	2023	2024	2023	
Numerator for earnings per share:											
Net income from continuing operations											
Net income from continuing operations											
Net income from continuing operations											
Net (income) loss attributable to noncontrolling interest											
Net income available to common shareholders from continuing operations											
Net income available to common shareholders from continuing operations											
Net income available to common shareholders from continuing operations											
Net income from discontinued operations available to common shareholders											
Net income available to common shareholders											
Denominator:											
Denominator:											
Weighted-average shares outstanding - basic											
Weighted-average shares outstanding - basic											
Weighted-average shares outstanding - basic											
Effect of dilutive instruments											
Effect of dilutive instruments											

Effect of dilutive instruments
Weighted-average shares outstanding - diluted
Earnings per share from continuing operations - basic
Earnings per share from continuing operations - basic
Earnings per share from continuing operations - basic
Earnings per share from discontinued operations - basic
Earnings per common share - basic
Earnings per share from continuing operations - diluted
Earnings per share from discontinued operations - diluted
Earnings per share common share - diluted
Instruments not included in the computation of diluted EPS because the effect would be antidilutive
Instruments not included in the computation of diluted EPS because the effect would be antidilutive
Instruments not included in the computation of diluted EPS because the effect would be antidilutive

Note 13 – Comprehensive Income

The following tables present the reclassified components of accumulated other comprehensive income ("AOCI") as of and for the periods shown:

	Three Months Ended June 30,	Three Months Ended September 30,	Amount reclassified from AOCI	Affected income statement line item		Amount reclassified from AOCI
(Dollars in thousands)						
(Dollars in thousands)						
(Dollars in thousands)						
Details about AOCI components						
Details about AOCI components						
Details about AOCI components						
Available-for-sale securities	Available-for-sale securities				Available-for-sale securities	
Realized gain (loss) recognized in income	Realized gain (loss) recognized in income	\$ —	\$ —	\$ 658	\$ (1,536)	\$ —
Income tax effect						
Income tax effect						
Income tax effect						



Balance at September 30, 2024
Balance at December 31, 2023
Balance at December 31, 2023
Balance at December 31, 2023
Other comprehensive income (loss) before reclassification
Amounts reclassified from accumulated other comprehensive income (loss)
Net current period other comprehensive income (loss)
Balance at June 30, 2024
Balance at September 30, 2024
Balance at March 31, 2023
Balance at March 31, 2023
Balance at March 31, 2023
Balance at June 30, 2023
Balance at June 30, 2023
Balance at June 30, 2023
Other comprehensive income (loss) before reclassification
Amounts reclassified from accumulated other comprehensive income (loss)
Net current period other comprehensive income (loss)
Balance at June 30, 2023
Balance at September 30, 2023
Balance at December 31, 2022
Balance at December 31, 2022
Balance at December 31, 2022
Other comprehensive income (loss) before reclassification
Amounts reclassified from accumulated other comprehensive income (loss)
Net current period other comprehensive income (loss)
Balance at June 30, 2023
Balance at September 30, 2023

Note 14 – Segment Reporting

We have identified three reportable segments: CoRe Banking; Mortgage Banking; and Financial Holding Company. All other operating segments are summarized in an Other category.

Our CoRe Banking segment, which includes our Fintech division, represents banking products and services offered to customers by the Bank, primarily loans and deposits accounts. Revenue from banking activities consists primarily of interest earned on loans and investment securities and service charges on deposit accounts.

Revenue from our Mortgage Banking segment is primarily comprised of our share of net income or loss from mortgage banking activities of our equity method investments in ICM and Warp Speed.

Revenue from Financial Holding Company activities is mainly comprised of intercompany service income and dividends.

The following tables present information about the reportable segments and reconciliation to the consolidated financial statements for the periods shown:

Three Months Ended June 30, 2024	CoRe Banking	Mortgage Banking	Financial Holding Company	Mortgage Banking	Other	Intercompany Eliminations	Intercompany Eliminations	Consolidated
Three Months Ended September 30, 2024	CoRe Banking	Mortgage Banking	Financial Holding Company	Mortgage Banking	Other	Intercompany Eliminations	Intercompany Eliminations	Consolidated
(Dollars in thousands)								

Interest income
Interest income
Interest income
Interest expense
Net interest income (expense)
Provision for credit losses
Net interest income (expense) after provision for credit losses
Noninterest income
Noninterest income
Noninterest income
Noninterest Expenses:
Noninterest Expenses:
Noninterest Expenses:
Salaries and employee benefits
Salaries and employee benefits
Salaries and employee benefits
Other expenses
Total noninterest expenses
Income (loss), before income taxes
Income (loss), before income taxes
Income (loss), before income taxes
Income taxes
Net income (loss), before noncontrolling interest
Net income (loss), before noncontrolling interest
Net income (loss), before noncontrolling interest
Net income attributable to noncontrolling interest
Net income attributable to noncontrolling interest
Net income attributable to noncontrolling interest
Net income (loss) available to common shareholders
Net income (loss) available to common shareholders
Net income (loss) available to common shareholders
Capital expenditures for the three months ended June 30, 2024
Capital expenditures for the three months ended June 30, 2024
Capital expenditures for the three months ended June 30, 2024
Total assets as of June 30, 2024
Capital expenditures for the three months ended September 30, 2024
Capital expenditures for the three months ended September 30, 2024
Capital expenditures for the three months ended September 30, 2024
Total assets as of September 30, 2024
Total assets as of December 31, 2023
Goodwill as of June 30, 2024
Goodwill as of September 30, 2024
Goodwill as of December 31, 2023

Three Months Ended June 30, 2023	CoRe Banking	Mortgage Banking	Financial Holding Company	Other	Intercompany Eliminations	Consolidated
Three Months Ended June 30, 2023						
Three Months Ended June 30, 2023						
Three Months Ended September 30, 2023	CoRe Banking	Mortgage Banking	Financial Holding Company	Other	Intercompany Eliminations	Consolidated
Three Months Ended September 30, 2023						
Three Months Ended September 30, 2023						
(Dollars in thousands)	CoRe Banking	Mortgage Banking	Financial Holding Company	Other	Intercompany Eliminations	Consolidated
Interest income						
Interest income						
Interest income						
Interest expense						
Net interest income (expense)						
Release of allowance for credit losses						
Net interest income (expense) after release of allowance for credit losses						
Noninterest income						
Noninterest income						
Noninterest income						
Noninterest Expenses:						
Noninterest Expenses:						
Noninterest Expenses:						
Salaries and employee benefits						
Salaries and employee benefits						
Salaries and employee benefits						
Other expenses						
Total noninterest expenses						
Income (loss), before income taxes						
Income (loss), before income taxes						
Income (loss), before income taxes						
Income taxes						
Net income (loss), before noncontrolling interest						
Net income (loss), before noncontrolling interest						
Net income (loss), before noncontrolling interest						
Net loss attributable to noncontrolling interest						
Net loss attributable to noncontrolling interest						
Net loss attributable to noncontrolling interest						
Net income (loss) available to common shareholders						
Net income (loss) available to common shareholders						
Net income (loss) available to common shareholders						
Capital expenditures for the three months ended June 30, 2023	CoRe Banking	Mortgage Banking	Financial Holding Company	Other	Intercompany Eliminations	Consolidated
Capital expenditures for the three months ended June 30, 2023						
Capital expenditures for the three months ended June 30, 2023						
Capital expenditures for the three months ended September 30, 2023	CoRe Banking	Mortgage Banking	Financial Holding Company	Other	Intercompany Eliminations	Consolidated
Capital expenditures for the three months ended September 30, 2023						
Capital expenditures for the three months ended September 30, 2023						
Capital expenditures for the three months ended September 30, 2023						
Six Months Ended June 30, 2024	CoRe Banking	Mortgage Banking	Financial Holding Company	Other	Intercompany Eliminations	Consolidated
Six Months Ended June 30, 2024						
Six Months Ended June 30, 2024						
Nine Months Ended September 30, 2024	CoRe Banking	Mortgage Banking	Financial Holding Company	Other	Intercompany Eliminations	Consolidated
Nine Months Ended September 30, 2024						
Nine Months Ended September 30, 2024						

(Dollars in thousands)								
Interest income								
Interest income								
Interest income								
Interest expense								
Net interest income (expense)								
Provision for credit losses								
Net interest income (expense) after provision for credit losses								
Noninterest income								
Noninterest income								
Noninterest income								
Noninterest Expenses:								
Noninterest Expenses:								
Salaries and employee benefits								
Salaries and employee benefits								
Salaries and employee benefits								
Other expenses								
Total noninterest expenses								
Income (loss), before income taxes								
Income (loss), before income taxes								
Income (loss), before income taxes								
Income taxes								
Net income (loss), before noncontrolling interest								
Net income (loss), before noncontrolling interest								
Net income (loss), before noncontrolling interest								
Net income attributable to noncontrolling interest								
Net income (loss) available to common shareholders								
Net income (loss) available to common shareholders								
Net income (loss) available to common shareholders								
Capital expenditures for the six months ended June 30, 2024								
Capital expenditures for the six months ended June 30, 2024								
Capital expenditures for the six months ended June 30, 2024								
Capital expenditures for the nine months ended September 30, 2024								
Capital expenditures for the nine months ended September 30, 2024								
Capital expenditures for the nine months ended September 30, 2024								
Six Months Ended June 30, 2023								
Six Months Ended June 30, 2023								
Six Months Ended June 30, 2023								
Nine Months Ended September 30, 2023			CoRe Banking	Mortgage Banking	Financial Holding Company	Other	Intercompany Eliminations	Consolidated
Nine Months Ended September 30, 2023								
Nine Months Ended September 30, 2023								
(Dollars in thousands)			CoRe Banking	Mortgage Banking	Financial Holding Company	Other	Intercompany Eliminations	Consolidated
Interest income								
Interest income								
Interest income								
Interest expense								
Net interest income (expense)								
Provision for credit losses								
Net interest income (expense) after provision for credit losses								

Noninterest income	
Noninterest income	
Noninterest income	
Noninterest Expenses:	
Noninterest Expenses:	
Noninterest Expenses:	
Salaries and employee benefits	
Salaries and employee benefits	
Salaries and employee benefits	
Other expenses	
Total noninterest expenses	
Income (loss), before income taxes	
Income (loss), before income taxes	
Income (loss), before income taxes	
Income taxes	
Net income (loss) from continuing operations	
Income from discontinued operations, before income taxes	
Income taxes - discontinued operations	
Net income from discontinued operations	
Net income (loss) before noncontrolling interest	
Net loss attributable to noncontrolling interest	
Net income (loss) available to common shareholders	
Net income (loss) available to common shareholders	
Net income (loss) available to common shareholders	
Capital expenditures for the six months ended June 30, 2023	
Capital expenditures for the six months ended June 30, 2023	
Capital expenditures for the six months ended June 30, 2023	
Capital expenditures for the nine months ended September 30, 2023	
Capital expenditures for the nine months ended September 30, 2023	
Capital expenditures for the nine months ended September 30, 2023	

Note 15 – Acquisition & Divestiture Activity

Flexia Payments, LLC

In May 2023, MVB Technology entered into an Assignment and Assumption Agreement with Flexia, wherein Flexia assigned loans outstanding between Flexia and MVB to MVB Technology. In consideration for the assignment, Flexia granted a license to MVB Technology for the Flexia software. Additionally, through a Mutual Release Agreement between Edge Ventures and Flexia, Edge Ventures transferred its 800 Class A Common Units and 1,500 Preferred Units of Flexia back to Flexia for cancellation. As a result of the transactions, we incurred a loss of \$1.1 million and no longer consolidate Flexia in our financial statements.

Chartwell Compliance

In February 2023, we completed the sale of the Bank's wholly-owned subsidiary, Chartwell, for total consideration of \$14.4 million in the form of a note issued to the buyer, resulting in a gain on sale of \$11.8 million. The note matures ~~June 20, 2027~~ in June 2027 and bears interest at a fixed rate of 7%, payable in four equal annual installments, ~~commencing~~ which commenced June 20, 2024. To facilitate a transition of the Chartwell services and support the onboarding and conversion of systems, we entered into a 60 day Employee Lease and Service Agreement, whereby we provided the purchaser with finance and accounting, human capital, information technology, marketing and record/data retention services. In addition, we entered into a contract with the purchaser to continue to provide services and support from Chartwell for three years following the sale. During the three and ~~six~~ nine months ended ~~June 30, 2024~~ September 30, 2024, we have paid ~~\$1.2 million~~ \$1.0 million and ~~\$2.4 million~~ \$3.3 million in fees related to this contract, respectively.

Chartwell's net income is presented in income from discontinued operations for all periods shown. Prior period balances have been reclassified to conform with this presentation.

The following table presents the major classes of net income from discontinued operations for the periods shown:

(Dollars in thousands)	Three Months Ended June 30,		Six Months Ended June 30,		2024	2023 (Dollars in thousands)	2024	2023	2023					
	Three Months Ended September 30,		Nine Months Ended September 30,											
	(Dollars in thousands)	2024	2023	2024										
Compliance consulting income														

Gain on sale of discontinued operations	
Total income	
Salaries and employee benefits	
Salaries and employee benefits	
Salaries and employee benefits	
Other expenses	
Total expenses	
Income, before income taxes	
Income, before income taxes	
Income, before income taxes	
Income taxes	
Net income from discontinued operations	

Flexia Payments, LLC

In May 2023, MVB Technology entered into an Assignment and Assumption Agreement with Flexia, wherein Flexia assigned loans outstanding between Flexia and MVB to MVB Technology. In consideration for the assignment, Flexia granted a license to MVB Technology for the Flexia software. Additionally, through a Mutual Release Agreement between Edge Ventures and Flexia, Edge Ventures transferred its 800 Class A Common Units and 1,500 Preferred Units of Flexia back to Flexia for cancellation. As a result of the transactions, we incurred a loss of \$1.1 million and no longer consolidate Flexia in our financial statements.

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

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our consolidated financial statements and the accompanying notes included elsewhere in this Quarterly Report on Form 10-Q and with the consolidated financial statements and accompanying notes and other detailed information appearing in the 2023 Form 10-K. To the extent that this discussion describes prior performance, the descriptions relate only to the periods listed, which may not be indicative of our future financial outcomes. In addition to historical information, this discussion contains forward-looking statements that involve risks, uncertainties and assumptions that could cause results to differ materially from management’s expectations. See the “Forward-Looking Statements” section of this report for further information on forward-looking statements.

Executive Summary

We continue to adapt our business model due to challenging market conditions, primarily due to the current high interest rate environment, a slowing economy and multiple high-profile bank failures that occurred during the first half of 2023. Interest rates have remained at an elevated level through **June 30, 2024** **September 30, 2024**, as although the Federal Reserve raised did reduce its key interest rate to a range of **5.25%** **4.75%** to **5.50%** **5.00%** in **July 2023** **September 2024**. Lower loan balances are the result of slower market demand, the impact of loan amortization and payoffs and slower loan growth based on overall market conditions and portfolio management. We initiated the process of winding down our digital asset program account relationships, while maintaining operating accounts, during the second quarter of **2024**, a **2024**. This decision that was prompted by changing market conditions and profitability challenges that contributed to an unfavorable risk/reward dynamic. We remain committed to the gaming, payments and banking-as-a-service industries. We continue to expand the Bank’s treasury services function to support the banking needs of financial and emerging technology companies, which we believe will further enhance core deposits, notably through the expansion of deposit acquisition and fee income strategies through the Fintech division. Additionally, we have expanded our compliance and risk management team to support the growth in these lines of business.

Current Market Conditions

There continues to be a focus on liquidity after the bank failures that occurred during the first half of 2023, when certain specialized banking institutions with elevated concentrations of uninsured deposits experienced large deposit outflows, resulting in the institutions being placed into FDIC receiverships. In the aftermath, there has been substantial market disruption and indications that deposit concerns could spread within the banking industry, leading to deposit outflows and other destabilizing results. These market events could have a material adverse effect on our business. A deterioration in economic conditions or the loss of confidence in financial institutions may result in deposit base outflows and limit our access to some of our customary sources of liquidity, including, but not limited to, inter-bank borrowings and borrowings from the Federal Reserve and FHLB. In addition, account and deposit balances may decrease when clients perceive alternative investments, such as the stock market or real estate, as providing a better risk/return trade-off. Furthermore, the portion of our deposit portfolio that is comprised of large uninsured deposits may be more likely to be withdrawn rapidly under adverse economic conditions. If our clients move money out of bank deposits into investments or to other financial institutions, we could lose a relatively low-cost source of funds. As of **June 30, 2024** **September 30, 2024** and December 31, 2023, our liquid assets totaled **\$592.5 million** **\$645.0 million** and **\$504.3 million**, respectively, which we believe would enable us to meet our cash obligations as they come due.

Financial Results

Three Months Ended **June 30, 2024 **September 30, 2024** vs. Three Months Ended **June 30, 2023** **September 30, 2023****

During the three months ended **June 30, 2024** **September 30, 2024**, net interest income decreased **\$2.0 million** **\$3.3 million**, noninterest income increased **\$0.7 million** **\$0.9 million** and noninterest expenses decreased by **\$1.4 million** **\$1.2 million** compared to the three months ended **June 30, 2023** **September 30, 2023**. Our tax- equivalent tax-equivalent yield on earning assets in the three months ended **June 30, 2024** **September 30, 2024** was **6.26%** **6.32%** compared to **6.02%** **6.29%** in the three months ended **June 30, 2023** **September 30, 2023**. Loans receivable decreased by **\$60.5 million** **\$35.5 million** to **\$2.21 billion** **\$2.17 billion** during the three months ended **June 30, 2024** **September 30, 2024**. Our overall cost

of interest-bearing liabilities was **4.15%** **4.04%** in the three months ended **June 30, 2024** **September 30, 2024** compared to **3.29%** **3.58%** in the three months ended **June 30, 2023** **September 30, 2023**. This cost of interest-bearing liabilities, combined with the earning asset yield, resulted in a tax-equivalent net interest margin of **3.75%** **3.61%** in the three months ended **June 30, 2024** **September 30, 2024**, compared to **3.80%** **3.90%** in the three months ended **June 30, 2023** **September 30, 2023**.

Our net income for the three months ended **June 30, 2024** **September 30, 2024** was **\$4.1 million** **\$2.1 million** compared to **\$8.1 million** **\$3.9 million** in the three months ended **June 30, 2023** **September 30, 2023**. Earnings for the three months ended **June 30, 2024** **September 30, 2024** equated to a return on average assets of **0.5%** **0.3%** and a return on average equity of **5.7%** **2.8%**, compared to the three months ended **June 30, 2023** **September 30, 2023** results of **1.0%** **0.5%** and **12.0%** **5.8%**, respectively. Basic and diluted earnings per share were **\$0.32** **\$0.16** for the three months ended **September 30, 2024**, compared to **\$0.30**

and **\$0.31** **\$0.29**, respectively, for the three months ended **June 30, 2024**, compared to **\$0.64** and

\$0.63, respectively, for the three months ended **June 30, 2023** **September 30, 2023**.

Six Nine Months Ended June 30, 2024 September 30, 2024 vs. Six Nine Months Ended June 30, 2023 September 30, 2023

During the **six nine** months ended **June 30, 2024** **September 30, 2024**, net interest income decreased **\$4.6 million** **\$7.9 million**, noninterest income increased **\$5.5 million** **\$6.4 million** and noninterest expenses **increased** decreased by **\$0.5 million** **\$0.7 million** compared to the **six nine** months ended **June 30, 2023** **September 30, 2023**. Our yield on tax-equivalent earning assets in the **six nine** months ended **June 30, 2024** **September 30, 2024** was **6.30%** **6.31%** compared to **6.01%** **6.10%** in the **six nine** months ended **June 30, 2023** **September 30, 2023**. Loans receivable decreased by **\$110.8 million** **\$146.3 million** to **\$2.21 billion** **\$2.17 billion** during the **six nine** months ended **June 30, 2024** **September 30, 2024**. Our overall cost of interest-bearing liabilities was **4.19%** **4.14%** in the **six nine** months ended **June 30, 2024** **September 30, 2024** compared to **3.14%** **3.30%** in the **six nine** months ended **June 30, 2023** **September 30, 2023**. This cost of interest-bearing liabilities, combined with the earning asset yield, resulted in a tax-equivalent net interest margin of **3.79%** **3.73%** in the **six nine** months ended **June 30, 2024** **September 30, 2024**, compared to **4.09%** **4.03%** in the **six nine** months ended **June 30, 2023** **September 30, 2023**.

Our net income for the **six nine** months ended **June 30, 2024** **September 30, 2024** was **\$8.6 million** **\$10.7 million** compared to **\$19.5 million** **\$23.3 million** in the **six nine** months ended **June 30, 2023** **September 30, 2023**, largely the result of an **\$11.8 million** pre-tax gain related to the sale of the Bank's wholly-owned subsidiary, Chartwell. Earnings for the **six nine** months ended **June 30, 2024** **September 30, 2024** equated to a return on average assets of **0.5%** **0.4%** and a return on average equity of **5.93%** **4.9%**, compared to the **six nine** months ended **June 30, 2023** **September 30, 2023** results of **1.2%** **0.9%** and **14.1%** **11.4%**, respectively. Basic and diluted earnings per share were **\$0.67** **\$0.83** and **\$0.66** **\$0.81**, respectively, for the **six nine** months ended **June 30, 2024** **September 30, 2024**, compared to **\$1.54** **\$1.84** and **\$1.50** **\$1.79**, respectively, for the **six nine** months ended **June 30, 2023** **September 30, 2023**.

Corporate Updates

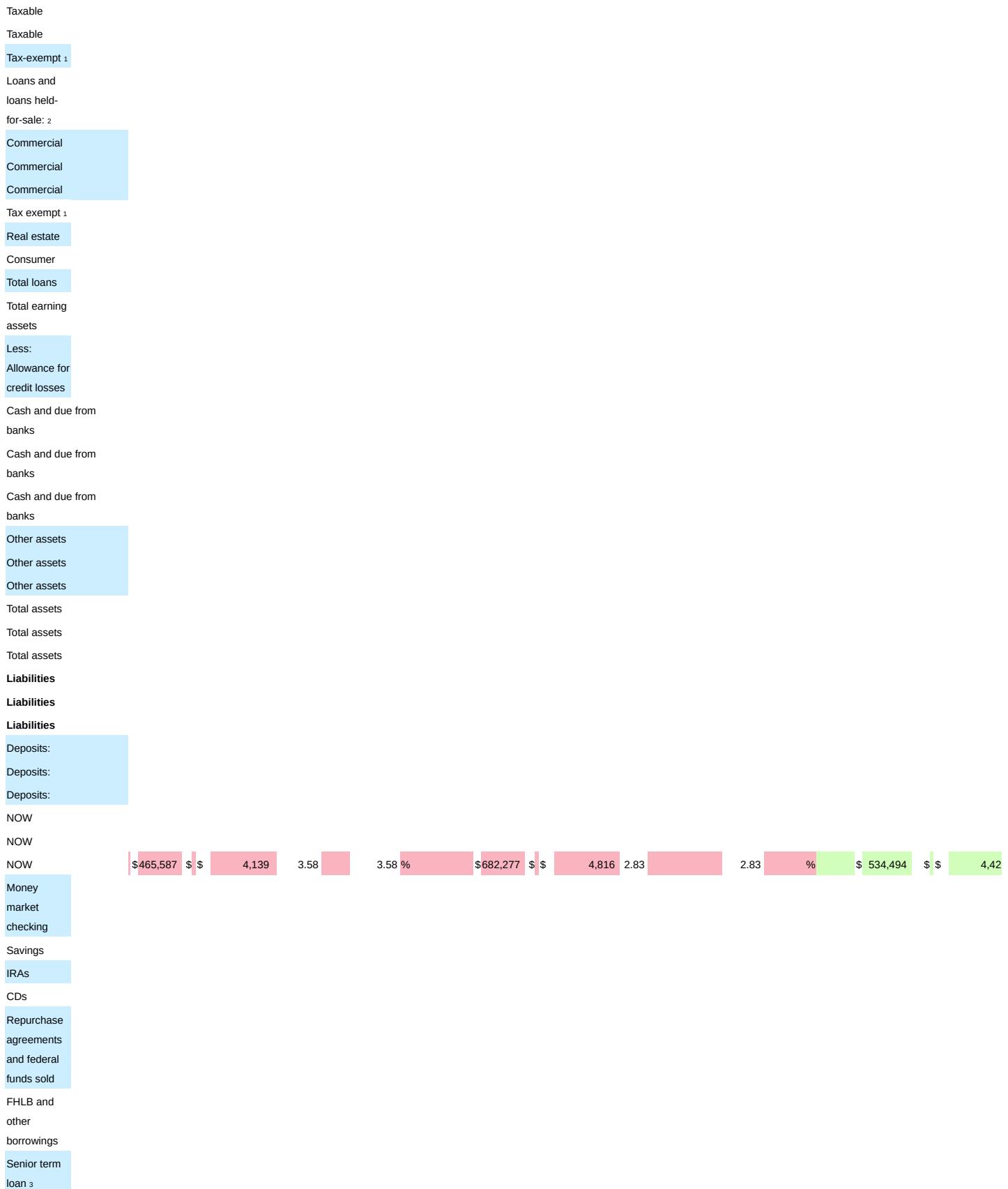
Flexia Payments, LLC

In May 2023, MVB Technology entered into an Assignment and Assumption Agreement with Flexia, wherein Flexia assigned loans outstanding between Flexia and MVB to MVB Technology. In consideration for the assignment, Flexia granted MVB Technology a license for the Flexia software. Additionally, through a Mutual Release Agreement between Edge Ventures and Flexia, Edge Ventures transferred its 800 Class A Common Units and 1,500 Preferred Units of Flexia back to Flexia for cancellation. As a result of the transactions, we no longer consolidate Flexia in our financial statements.

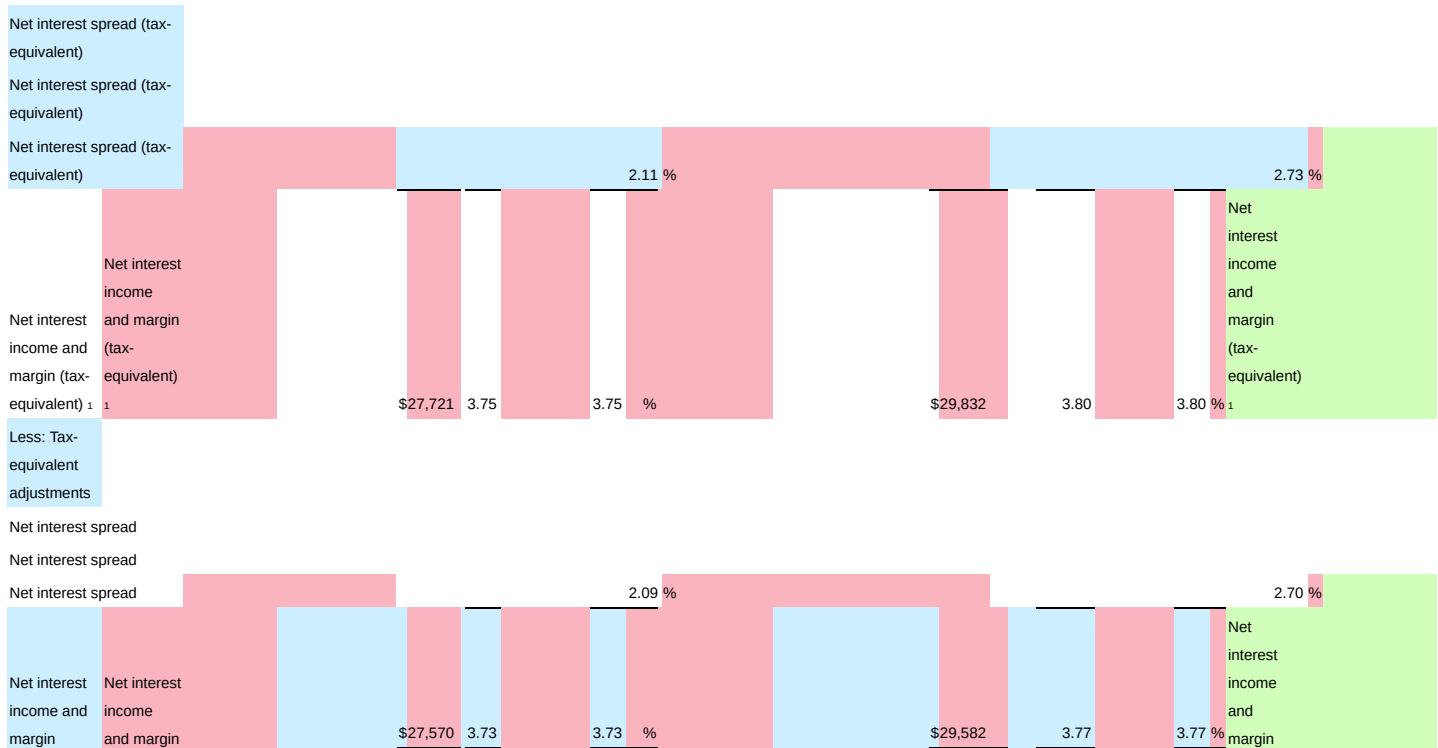
Net Interest Income and Net Interest Margin (Average Balance Schedules)

The following tables present information regarding (i) average balances, the total dollar amount of interest income from interest earning assets and the resultant average yields; (ii) average balances, the total dollar amount of interest expense on interest-bearing liabilities and the resultant average rates; (iii) the interest rate spread; (iv) net interest income and margin; and (v) net interest income and margin (on a tax-equivalent basis) as of and for the periods shown. The average balances presented are derived from daily average balances.

	Three Months Ended June 30,						Three Months Ended Septemb					
	2024			2024			2023			2023		
	(Dollars in thousands)	(Dollars in thousands)	Average Balance	Interest Income/Expense	Yield/Cost	Average Balance	Interest Income/Expense	Yield/Cost	(Dollars in thousands)	Average Balance	Interest Income/Expense	Yield/Cost
Assets												
Interest-bearing balances												
with banks												
Interest-bearing balances												
with banks												
Interest-bearing balances												
with banks	\$380,278	\$ \$	5,065	5.36	5.36 %	\$444,600	\$ \$	5542	5.00	5.00	%	\$ 400,330
Investment securities:												
Investment securities:												
Investment securities:												
Taxable												



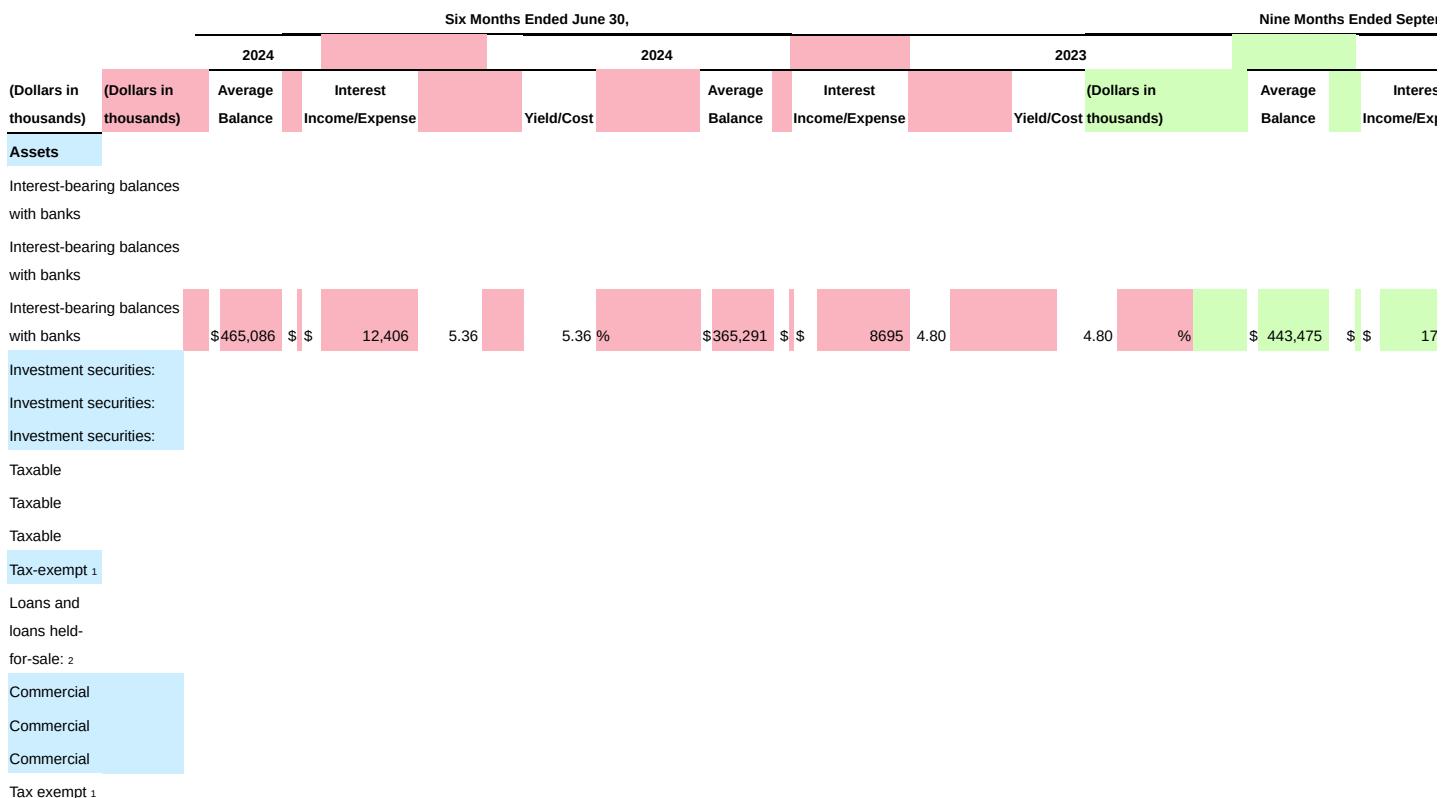
Subordinated debt
debt
Total interest-bearing liabilities
Noninterest-bearing demand deposits
Other liabilities
Other liabilities
Other liabilities
Total liabilities
Total liabilities
Total liabilities
Stockholders' equity
Stockholders' equity
Stockholders' equity
Common stock
Common stock
Common stock
Paid-in capital
Paid-in capital
Paid-in capital
Treasury stock
Treasury stock
Treasury stock
Retained earnings
Retained earnings
Retained earnings
Accumulated other comprehensive loss
Accumulated other comprehensive loss
Accumulated other comprehensive loss
Total stockholders' equity
Total stockholders' equity
Total stockholders' equity
Noncontrolling interest
Noncontrolling interest
Noncontrolling interest
Total stockholders' equity attributable to parent
Total stockholders' equity attributable to parent
Total stockholders' equity attributable to parent
Total liabilities and stockholders' equity
Total liabilities and stockholders' equity
Total liabilities and stockholders' equity

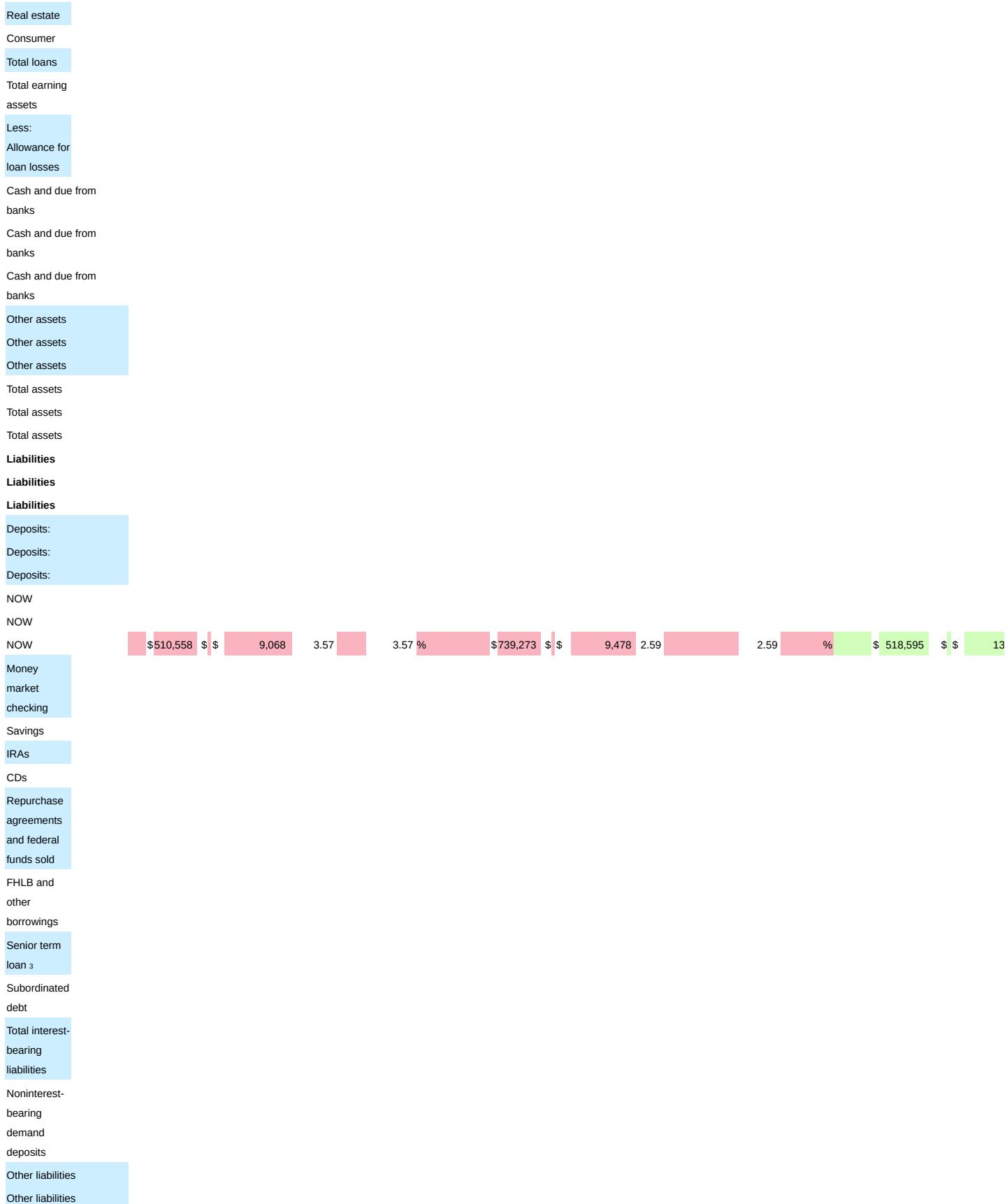


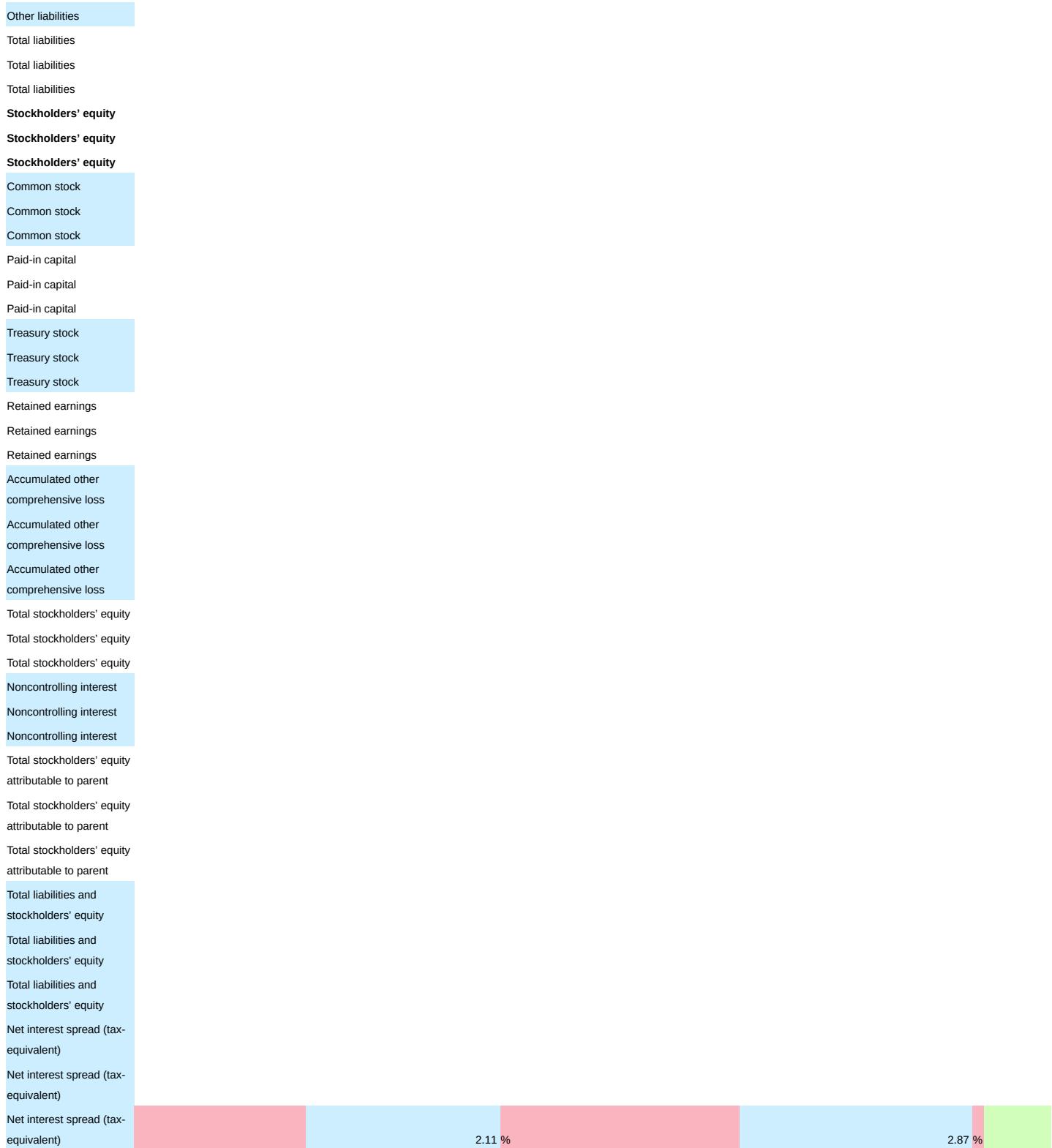
¹ In order to make pre-tax income and resultant yields on tax-exempt loans and investment securities comparable to those on taxable loans and investment securities, a tax-equivalent adjustment has been computed using a Federal tax rate of 21% for the three months ended **June 30, 2024** **September 30, 2024** and 2023, which is a non-U.S. GAAP financial measure. See the reconciliation of this non-U.S. GAAP financial measure to its most directly comparable U.S. GAAP financial measure following this table.

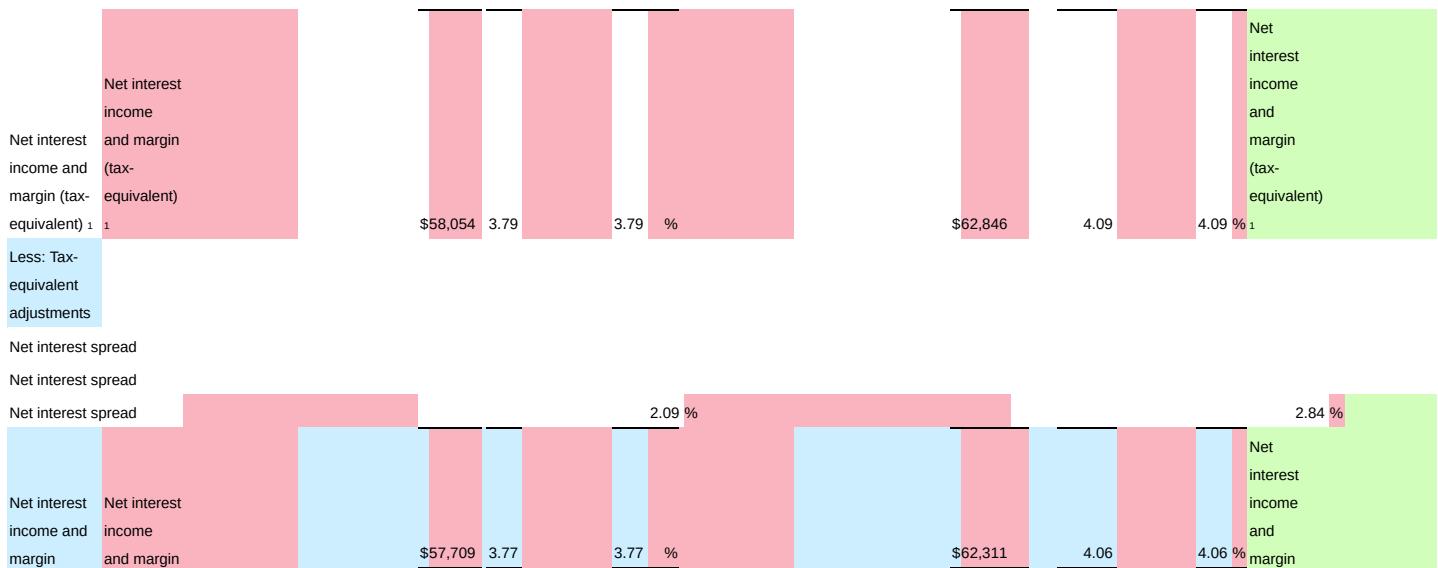
² Non-accrual loans are included in total loan balances, lowering the effective yield for the portfolio in the aggregate.

³ The senior term loan was paid off in May 2024 and the unamortized debt issuance costs were recorded as interest expense upon the repayment.









¹ In order to make pre-tax income and resultant yields on tax-exempt loans and investment securities comparable to those on taxable loans and investment securities, a tax-equivalent adjustment has been computed using a Federal tax rate of 21% for the **six** months ended **June 30, 2024** **September 30, 2024** and 2023, which is a non-U.S. GAAP financial measure. See the reconciliation of this non-U.S. GAAP financial measure to its most directly comparable U.S. GAAP financial measure following this table.

² Non-accrual loans are included in total loan balances, lowering the effective yield for the portfolio in the aggregate.

³ The senior term loan was paid off in May 2024 and the unamortized debt issuance costs were recorded as interest expense upon the repayment.

The following table presents the reconciliation of net interest margin for the periods shown:

	Three Months Ended June 30,		Six Months Ended June 30,		(Dollars in thousands)	Three Months Ended September 30,		Nine Months Ended September 30,		(Dollars in thousands)	2024		2023			
											2024		2023			
											2024		2023			
	(Dollars in thousands)	(Dollars in thousands)	2024	2023		2024	2023	2024	2023		2024	2023	2024	2023		
Net interest margin - U.S. GAAP basis																
Net interest income																
Net interest income																
Average interest-earning assets																
Net interest margin	Net interest margin	3.73 %			3.77 %			3.77 %	4.06 %	Net interest margin	3.59 %	3.87 %	3.71 %	3.99 %		
Net interest margin - non-U.S. GAAP basis																
Net interest margin - non-U.S. GAAP basis																
Net interest margin - non-U.S. GAAP basis																
Net interest income																
Net interest income																
Net interest income																
Impact of fully tax-equivalent adjustment																
Net interest income on a fully tax-equivalent basis																
Average interest-earning assets																
Net interest margin on a fully tax-equivalent basis	Net interest margin on a fully tax-equivalent basis	3.75 %			3.80 %			3.79 %	4.09 %	Net interest margin on a fully tax-equivalent basis	3.61 %	3.90 %	3.73 %	4.03 %		

Key Metrics

(Dollars in thousands, except per share data)	As of and for the three months ended June 30,		As of and for the six months ended June 30,	
	2024	2023	2024	2023
Book value per common share	\$ 22.94	\$ 21.57	\$ 22.94	\$ 21.57

Tangible book value per common share ⁴	\$	22.70	\$	21.31	\$	22.70	\$	21.31
Efficiency ratio ^{1 4}		83.3 %		84.1 %		81.3 %		70.9 %
Overhead ratio ^{2 3 4}		3.5 %		3.6 %		3.5 %		3.5 %
Net loan charge-offs to total loans ⁵		0.2 %		0.2 %		0.2 %		0.3 %
Allowance for credit losses to total loans ⁶		1.0 %		1.3 %		1.0 %		1.3 %
Nonperforming loans ⁷	\$	23,099	\$	13,646	\$	23,099	\$	13,646
Nonperforming loans to total loans ⁷		1.0 %		0.6 %		1.0 %		0.6 %
Equity to assets		9.0 %		8.2 %		9.0 %		8.2 %
Community Bank Leverage Ratio		10.7 %		10.0 %		10.7 %		10.0 %

(Dollars in thousands, except per share data)	As of and for the three months ended September 30,		As of and for the nine months ended September 30,	
	2024	2023	2024	2023
Book value per common share	\$ 23.44	\$ 21.33	\$ 23.44	\$ 21.33
Tangible book value per common share ¹	\$ 23.20	\$ 21.08	\$ 23.20	\$ 21.08
Efficiency ratio ^{1 2}	88.7 %	86.2 %	83.6 %	75.4 %
Overhead ratio ^{1 3 4}	3.7 %	3.7 %	3.6 %	3.5 %
Net loan charge-offs to total loans ^{3 5}	0.1 %	1.0 %	0.2 %	0.5 %
Allowance for credit losses to total loans ⁶	0.99 %	1.07 %	0.99 %	1.07 %
Nonperforming loans	\$ 28,556	\$ 10,593	\$ 28,556	\$ 10,593
Nonperforming loans to total loans	1.3 %	0.5 %	1.3 %	0.5 %
Equity to assets	8.9 %	7.9 %	8.9 %	7.9 %
Community Bank Leverage Ratio	10.9 %	10.4 %	10.9 %	10.4 %

¹ Non-U.S. GAAP metric

² Noninterest expense as a percentage of net interest income and noninterest income

^{2 3} Annualized for the quarterly periods presented

^{3 4} Noninterest expense as a percentage of average assets

⁴ Non-U.S. GAAP metric

⁵ Charge-offs less recoveries

⁶ Excludes loans held-for-sale

⁷ The increase in nonperforming loans was driven by the addition of a \$14.6 million commercial construction loan in the multifamily space; the loan is collateralized with a loan to value of less than 70%

Tangible book value ("TBV") per common share was ~~\$22.70~~ \$23.20 and ~~\$21.31~~ \$21.08 as of ~~June 30, 2024~~ September 30, 2024 and ~~June 30, 2023~~ September 30, 2023, respectively. TBV per common share is a non-U.S. GAAP measure that we believe is helpful to interpreting financial results. A reconciliation of TBV per common share is included below.

(Dollars in thousands, except per share data)	As of June 30,		As of September 30,	
	(Dollars in thousands, except per share data)	2024	(Dollars in thousands, except per share data)	2024
Goodwill				
Intangibles				
Total intangibles				
Total equity attributable to parent				
Total equity attributable to parent				
Total equity attributable to parent				
Less: Total intangibles				
Less: Total intangibles				
Less: Total intangibles				
Tangible common equity				
Tangible common equity				
Tangible common equity				
Tangible common equity				
Common shares outstanding (000s)	Common shares outstanding (000s)	12,928	Common shares outstanding (000s)	12,928
				12,726

Net Interest Income

Net interest income is the amount by which interest income on earning assets exceeds interest expense incurred on interest-bearing liabilities. Interest-earning assets include loans, investment securities and certificates of deposit in banks. Interest-bearing liabilities include interest-bearing deposits and borrowed funds such as sweep accounts, repurchase agreements, subordinated debt and the senior term loan. Net interest income, which is the primary source of revenue for the Bank, is also impacted by changes in market interest rates and the mix of interest-earning assets and interest-bearing liabilities.

Net interest margin is calculated by dividing net interest income by average interest-earning assets and measures the net revenue stream generated by the Bank's balance sheet. Net interest spread is calculated by taking the difference between interest earned on earning assets and interest paid on interest-bearing liabilities in an effort to maximize net interest income, while maintaining an appropriate level of interest rate risk.

In **2023**, **September 2024**, the Federal Reserve **raised** **lowered** its key interest rate **to** **from** a range of 5.25% to 5.5% as of December 31, 2023 **and remained at this rate** **to** a range of **4.75%** to **5.00%** as of **June 30, 2024** **September 30, 2024**. We continually analyze methods to deploy assets into an earning asset mix to generate a stronger net interest margin.

Three Months Ended **June 30, 2024** **September 30, 2024** vs. Three Months Ended **June 30, 2023** **September 30, 2023**

Net interest margin on a tax-equivalent basis was **3.75%** **3.61%** for the three months ended **June 30, 2024** **September 30, 2024** compared to **3.80%** **3.90%** for the three months ended **June 30, 2023** **September 30, 2023**. The decrease in net interest margin on a tax-equivalent basis primarily reflects higher funding costs and a shift in the mix of earnings assets, partially offset by investment yields. Tax-equivalent net interest spread was **2.11%** **2.28%** for the three months ended **June 30, 2024** **September 30, 2024** compared to **2.73%** **2.71%** for the three months ended **June 30, 2023** **September 30, 2023**. The difference between the tax-equivalent net interest margin and tax-equivalent net interest spread was **164** **133** basis points in the three months ended **June 30, 2024** **September 30, 2024** compared to **107** **119** basis points in the three months ended **June 30, 2023** **September 30, 2023** driven by the increase in interest expense and the decline in average assets.

During the three months ended **June 30, 2024** **September 30, 2024**, net interest income decreased by **\$2.0 million** **\$3.3 million**, or **6.8%** **11.0%**, to **\$27.6 million** **\$26.6 million** from **\$29.6 million** **\$29.9 million** during the three months ended **June 30, 2023** **September 30, 2023**. Average total earning assets were **\$2.97 billion** **\$2.95 billion** in the three months ended **June 30, 2024** **September 30, 2024** compared to **\$3.15 billion** **\$3.06 billion** in the three months ended **June 30, 2023** **September 30, 2023**. Total interest income decreased by **\$0.9 million** **\$1.7 million**, or **1.9%** **3.5%**, to **\$46.1 million** **\$46.6 million** in the three months ended **June 30, 2024** **September 30, 2024** from **\$47.0 million** **\$48.3 million** in the three months ended **June 30, 2023** **September 30, 2023** driven by a decrease in total earning assets, including interest bearing deposits with other banks. Average total loans decreased to **\$2.24 billion** **\$2.18 billion** in the three months ended **June 30, 2024** **September 30, 2024** from **\$2.36 billion** **\$2.27 billion** in the three months ended **June 30, 2023** **September 30, 2023**, primarily as the result of a **\$30.8 million** **\$40.2 million** decrease in average **real estate** **commercial** loans and an **\$54.6 million** **\$26.7 million** decrease in average consumer loans. The yield on total loans increased **25** **six** basis points.

Average investment securities increased **\$11.6 million** **\$49.1 million** as the result of a **\$32.3 million** **\$51.8 million** increase in taxable investments, partially offset by a **\$20.7 million** **\$2.7 million** decrease in tax-exempt investments during the three months ended **June 30, 2024** **September 30, 2024**, compared to the three months ended **June 30, 2023** **September 30, 2023**. The yield on tax-exempt securities decreased **105** **46** basis points, and the taxable securities yield increased **80** **81** basis points.

Average interest-bearing liabilities decreased by **\$330.9 million** **\$71.0 million** for the three months ended **June 30, 2024** **September 30, 2024** from the three months ended **June 30, 2023** **September 30, 2023**. The decrease was primarily the result of average balance decreases of **\$216.7 million** **\$140.3 million** in NOW accounts and **\$215.8 million** **\$103.4 million** in money market checking deposits, partially offset by an increase of **\$68.6 million** **\$136.7 million** in certificates of deposit.

Average interest-bearing deposits were **\$1.72 billion** **\$1.89 billion** for the three months ended **June 30, 2024** **September 30, 2024** and **\$2.04 billion** **\$1.96 billion** for the three months ended **June 30, 2023** **September 30, 2023**. Total interest expense increased by **\$1.1 million** **\$1.6 million**, caused primarily by a **\$1.2 million** increase in deposit interest. The result was a **86** basis point increase in the cost of interest-bearing liabilities, primarily driven by increases in interest rates. The cost of interest-bearing liabilities increased to **4.04%** in the three months ended **September 30, 2024** from **3.58%** in the three months ended **September 30, 2023**.

Six Nine Months Ended **June 30, 2024** **September 30, 2024** vs. Six Nine Months Ended **June 30, 2023** **September 30, 2023**

Net interest margin on a tax-equivalent basis was **3.79%** **3.73%** for the **six nine** months ended **June 30, 2024** **September 30, 2024** compared to **4.09%** **4.03%** for the **six nine** months ended **June 30, 2023** **September 30, 2023**. The decrease in net interest margin on a tax-equivalent basis primarily reflects higher funding costs and a shift in the mix of earnings assets, partially offset by investment loan yields. Tax-equivalent net interest spread was **2.11%** **2.17%** for the **six nine** months ended **June 30, 2024** **September 30, 2024** compared to **2.87%** **2.80%** for the **six nine** months ended **June 30, 2023** **September 30, 2023**. The difference between the tax-equivalent net interest margin and tax-equivalent net interest spread was **168** **156** basis points in the **six nine** months ended **June 30, 2024** **September 30, 2024** compared to **122** **123** basis points in the **six nine** months ended **June 30, 2023** **September 30, 2023**. This difference was driven by the increase in interest expense and the decline in average assets.

During the **six nine** months ended **June 30, 2024** **September 30, 2024**, net interest income decreased by **\$4.6 million** **\$7.9 million**, or **7.4%** **8.6%**, to **\$57.7 million** **\$84.3 million** from **\$62.3 million** **\$92.2 million** during the **six nine** months ended **June 30, 2023** **September 30, 2023**. This decrease is largely due to an increase in cost of funds, partially offset by higher yields on earning assets. Average total earning assets were **\$3.08 billion** **\$3.04 billion** in the **six nine** months ended **June 30, 2024** **September 30, 2024** compared to **\$3.10 billion** **\$3.09 billion** in the **six nine** months ended **June 30, 2023** **September 30, 2023**. Total interest income increased by **\$4.4 million** **\$2.7 million**, or **4.8%** **1.9%**, to **\$96.2 million** **\$142.8 million** in the **six nine** months ended **June 30, 2024** **September 30, 2024** from **\$91.8 million** **\$140.1 million** in the **six nine** months ended **June 30, 2023** **September 30, 2023**, driven by higher yields from new loan production at favorable interest rates. Average total loans decreased to **\$2.26 billion** **\$2.23 billion** in the **six nine** months ended **June 30, 2024** **September 30, 2024** from **\$2.37 billion** **\$2.34 billion** in the **six nine** months ended **June 30, 2023** **September 30, 2023**, primarily as the result of a **\$57.4 million** **\$47.0 million** decrease in average consumer loans, a **\$37.9 million** **\$30.1 million** decrease in average real estate loans and a **\$16.2 million** **\$24.2 million** decrease in average commercial loans. The yield on total loans increased **38** **28** basis points.

Average investment securities decreased \$5.1 million increased \$13.1 million as the result of a \$26.1 million \$31.3 million increase in taxable investments, partially offset by an \$18.2 million decrease in tax-exempt investments partially offset by a \$20.9 million increase in taxable investments during the **six** nine months ended **June 30, 2024** September 30, 2024, compared to the **six** nine months ended **June 30, 2023** September 30, 2023. The yield on tax-exempt securities decreased **77** 67 basis points, and the taxable securities yield increased **23** 41 basis points.

Average interest-bearing liabilities decreased by \$46.6 million \$54.9 million for the **six** nine months ended **June 30, 2024** September 30, 2024 from the **six** nine months ended **June 30, 2023** September 30, 2023. The decrease was primarily the result of average balance decreases of \$228.7 million \$198.9 million in negotiable order of withdrawal accounts, \$35.3 million \$41.0 million in money market checking accounts and \$23.4 million in FHLB and other borrowings, and \$9.2 million in money market checking accounts, partially offset by \$177.8 million \$163.8 million in certificates of deposit and \$55.2 million \$51.7 million in saving accounts.

The cost of interest-bearing liabilities increased to 4.19% in the six months ended June 30, 2024 from 3.14% in the six months ended June 30, 2023. This increase is primarily the result of an increase of 113 basis points in the cost of deposits. Average interest-bearing deposits were \$1.76 billion \$1.81 billion for the **six** nine months ended **June 30, 2024** September 30, 2024 and \$1.77 billion \$1.83 billion for the **six** nine months ended **June 30, 2023** September 30, 2023. Total interest expense increased by \$9.0 million \$10.5 million, primarily driven by increases in interest rates. The cost of interest-bearing liabilities increased to 4.14% in the nine months ended September 30, 2024 from 3.30% in the nine months ended September 30, 2023.

Further discussion on borrowings is included in *Note 7 – Borrowed Funds* accompanying the consolidated financial statements included elsewhere in this report.

Provision for Credit Losses

The provision for credit losses, which is a product of management's analysis, is recorded in response to inherent losses in the loan portfolio. Credit loss provisions were \$0.3 million \$1.0 million for the three months ended **June 30, 2024** September 30, 2024, while there was a release of allowance for credit losses of \$4.2 million \$0.2 million for the three months ended **June 30, 2023** September 30, 2023, respectively. The increase in credit loss provisions is the result of an increase in the required reserve calculated by the individually analyzed pooled loan analysis, which was partially offset by lower calculated loss rates and lower portfolio balances across most reserves of the pooled loan segments, individually analyzed loans.

Three Months Ended June 30, 2024 September 30, 2024 vs. Three Months Ended June 30, 2023 September 30, 2023

Total loans decreased \$60.5 million \$35.5 million during the three months ended **June 30, 2024** September 30, 2024, compared to a decrease of \$48.8 million \$42.0 million in the three months ended **June 30, 2023** September 30, 2023. The decline in loan balances compared to the prior quarters primarily reflects the amortization of the loan portfolio and the Bank's purposeful effort to improve the overall strength of the loan portfolio through selective originations. The commercial loan portfolio decreased by \$53.1 million \$34.0 million during the three months ended **June 30, 2024** September 30, 2024, as compared to an increase of \$12.2 million \$5.1 million in the three months ended **June 30, 2023** September 30, 2023, while the residential mortgage loan portfolio increased by \$0.6 million during the three months ended September 30, 2024, as compared to a \$23.8 million decrease during the three months ended September 30, 2023. Additionally, our consumer loan portfolio decreased by \$2.3 million during the three months ended September 30, 2024, while it decreased by \$21.4 million in the three months ended September 30, 2023. Net charge-offs totaled \$0.7 million and \$5.9 million during the three months ended September 30, 2024 and 2023, respectively.

Nine Months Ended September 30, 2024 vs. Nine Months Ended September 30, 2023

Total loans decreased \$146.3 million during the nine months ended September 30, 2024 versus a decrease of \$102.2 million in the nine months ended September 30, 2023. The commercial loan portfolio decreased by \$121.2 million during the nine months ended September 30, 2024, as compared to a decrease of \$37.8 million in the nine months ended September 30, 2023, while the residential mortgage loan portfolio decreased by \$4.4 million \$15.9 million during the **six** nine months ended **June 30, 2024** September 30, 2024, as compared to a \$33.4 million decrease during while increasing by \$40.8 million in the **six** nine months ended **June 30, 2023** September 30, 2023. Additionally, our consumer loan portfolio decreased by \$1.9 million \$7.0 million during the **six** nine months ended **June 30, 2024** September 30, 2024, while it decreased by \$26.9 million \$101.2 million in the **six** nine months ended **June 30, 2023**. Net charge-offs totaled \$0.9 million and \$1.2 million during the three months ended June 30, 2024 and 2023, respectively.

Six Months Ended June 30, 2024 vs. Six Months Ended June 30, 2023

Total loans decreased \$110.8 million during the six months ended June 30, 2024 versus a decrease of \$60.3 million in the six months ended June 30, 2023. The commercial loan portfolio decreased by \$87.1 million during the six months ended June 30, 2024, as compared to a decrease of \$42.9 million in the six months ended June 30, 2023, while the residential mortgage loan portfolio decreased by \$16.6 million during the six months ended June 30, 2024, while increasing by \$64.6 million in the six months ended June 30, 2023. Additionally, our consumer loan portfolio decreased by \$4.7 million during the six months ended June 30, 2024, while it decreased by \$79.8 million in the six months ended June 30, 2023 September 30, 2023. In addition, net charge-offs during the **six** nine months ended **June 30, 2024** September 30, 2024 totaled \$2.2 million \$2.9 million compared to net charge-offs of \$2.9 million \$8.8 million in the **six** nine months ended **June 30, 2023** September 30, 2023.

Noninterest Income

Payment card and service charge income, consulting compliance income, equity method investment income or loss and gains on sale of loans generally account for the majority of our noninterest income. From time to time, we also recognize gains or losses on acquisition and divestiture activity, sales of assets or our investment portfolio.

Three Months Ended June 30, 2024 September 30, 2024 vs. Three Months Ended June 30, 2023 September 30, 2023

Noninterest income for the three months ended **June 30, 2024** September 30, 2024 and 2023 totaled \$7.1 million \$6.7 million and \$6.4 million \$5.8 million, respectively. The increase in noninterest income for the three months ended **June 30, 2024** September 30, 2024 compared to the three months ended **June 30, 2023** September 30, 2023 was primarily the

result of equity method investment income from our mortgage segment of \$0.7 million, as compared to a loss of \$0.8 million in the prior year period, and an increase of \$1.0 million in payment card and service charge income. These increases were partially offset by a decline in other operating income of \$1.6 million.

Nine Months Ended September 30, 2024 vs. Nine Months Ended September 30, 2023

Noninterest income for the nine months ended September 30, 2024 and 2023 totaled \$21.6 million and \$15.3 million, respectively. The increase in noninterest income for the nine months ended September 30, 2024 compared to the nine months ended September 30, 2023 was primarily the result of a \$2.5 million increase in payment card and service charge income and a \$0.7 million gain on sale of available-for-sale securities, compared to a \$1.5 million loss during the prior year period. There were also losses of \$1.0 million on divestiture activity and \$1.0 million on the sale of subprime automobile loans during the three nine months ended June 30, 2023 September 30, 2023, with no comparable without corresponding losses in the current quarter period. These increases were partially offset by a \$1.4 million decrease in equity method investment income, other operating income of \$1.5 million.

Six Months Ended June 30, 2024 vs. Six Months Ended June 30, 2023

Noninterest income for the six months ended June 30, 2024 and 2023 totaled \$15.0 million and \$9.5 million, respectively. The increase in noninterest income for the six months ended June 30, 2024 compared to the six months ended June 30, 2023 was primarily the result of a \$1.5 million increase in payment card and service charge income, a \$2.2 million increase in gains on sale of available-for-sale investment securities and a \$1.3 million increase in gain on sale of loans, offset by a \$1.3 million decrease in equity method investment income.

Noninterest Expense

Three Months Ended June 30, 2024 September 30, 2024 vs. Three Months Ended June 30, 2023 September 30, 2023

Noninterest expense was \$28.9 million and \$29.5 million and \$30.3 million and \$30.7 million in the three months ended June 30, 2024 September 30, 2024 and 2023, respectively. The decline from the prior period primarily reflects declines of \$1.0 million in professional fees and \$0.9 million in other operating expenses, partially offset by an increase in salaries and employee benefits of \$0.7 million. Approximately 56.7% and 52.1% of noninterest expense for the three months ended September 30, 2024 and 2023, respectively, was related to personnel costs. Personnel costs are a significant part of our noninterest expense as such costs are critical to financial services organizations.

Nine Months Ended September 30, 2024 vs. Nine Months Ended September 30, 2023

Noninterest expense was \$88.6 million and \$89.3 million in the nine months ended September 30, 2024 and 2023, respectively. The decline from the prior year period primarily reflects a decline in other operating expenses, \$0.8 million in equipment depreciation and maintenance and \$0.7 million in travel, entertainment, dues and subscriptions. These declines were partially offset by higher increase in professional fees of \$3.0 million, incurred to enhance our risk management and compliance-related infrastructure, and an increase in salaries and employee benefits of \$0.7 million. Approximately 55.1% and 55.5% and 52.0% and 54.3% of noninterest expense for the three nine months ended June 30, 2024 September 30, 2024 and 2023, respectively, was related to personnel costs. Personnel costs are a significant part of our noninterest expense, as such costs are critical to financial services organizations. The decrease as compared to the prior year period primarily reflects the implementation of expense reduction initiatives.

Six Months Ended June 30, 2024 vs. Six Months Ended June 30, 2023

Noninterest expense was \$59.1 million and \$58.6 million in the six months ended June 30, 2024 and 2023, respectively. The increase from the prior year period primarily reflects increased operating expenses, specifically higher professional fees incurred to enhance our risk management and compliance-related infrastructure. This increase was partially offset by a decrease in occupancy travel, entertainment, dues and subscriptions expenses. Approximately 54.9% and 55.4% of noninterest expense for the six months ended June 30, 2024 and 2023, respectively, was related to personnel costs. Personnel costs are a significant part of our noninterest expense, as such costs are critical to financial services organizations.

Return on Assets and Equity

Assets

Three Months Ended June 30, 2024 September 30, 2024 vs. Three Months Ended June 30, 2023 September 30, 2023

Our return on average assets was 0.3% for the three months ended September 30, 2024, compared to 0.5% for the three months ended June 30, 2024, compared to 1.0% for the three months ended June 30, 2023 September 30, 2023. The decreased return in the three months ended June 30, 2024 September 30, 2024 is the result of a \$4.0 million and \$1.8 million decrease in earnings, while average total assets decreased by \$148.9 million and \$107.3 million, mainly as the result of a \$64.3 million and \$82.8 million decrease in average interest-bearing balances with banks, a \$40.2 million decrease in average commercial loans and a \$54.6 million and \$26.7 million decrease in average consumer loans.

Six Nine Months Ended June 30, 2024 September 30, 2024 vs. Six Nine Months Ended June 30, 2023 September 30, 2023

Our return on average assets was 0.5% and 0.4% for the six nine months ended June 30, 2024 September 30, 2024, compared to 1.2% and 0.9% for the six nine months ended June 30, 2023 September 30, 2023. The decreased return for the six nine months ended June 30, 2024 September 30, 2024 is the result of a \$10.9 million and \$12.7 million decrease in earnings,

while average total assets increased/decreased by **\$0.8 million** **\$35.3 million**, mainly the result of a **\$99.8 million** **\$47.0 million** decrease in average consumer loans, a **\$30.1 million** decrease in average real estate loans and a **\$24.2 million** decrease in average commercial loans, offset by a **\$38.5 million** increase in average interest-bearing deposits with banks, offset by a **\$57.4 million** decrease in average consumer loans and a **\$37.9 million** decrease in average real estate loans. banks.

Equity

Three Months Ended **June 30, 2024** **September 30, 2024** vs. Three Months Ended **June 30, 2023** **September 30, 2023**

Our return on average stockholders' equity was **5.7%** **2.8%** for the three months ended **June 30, 2024** **September 30, 2024**, compared to **12.0%** **5.8%** for the three months ended **June 30, 2023** **September 30, 2023**. The decreased return in the three months ended **June 30, 2024** **September 30, 2024** is a result of a **\$4.0 million** **\$1.8 million** decrease in earnings, while average equity increased by **\$17.1 million** **\$28.4 million**.

Six Nine Months Ended **June 30, 2024** **September 30, 2024** vs. Six Nine Months Ended **June 30, 2023** **September 30, 2023**

Our return on average stockholders' equity was **5.9%** **4.9%** for the **six nine** months ended **June 30, 2024** **September 30, 2024**, compared to **14.1%** **11.4%** for the **six nine** months ended **June 30, 2023** **September 30, 2023**. The decreased return for the **six nine** months ended **June 30, 2024** **September 30, 2024** is a result of a **\$10.9 million** **\$12.7 million** decrease in earnings, while average equity increased by **\$12.2 million** **\$17.7 million**.

Statement of Financial Condition

Cash and Cash Equivalents

Cash and cash equivalents totaled **\$455.5 million** **\$610.9 million** at **June 30, 2024** **September 30, 2024**, compared to \$398.2 million at December 31, 2023. We believe the current balance of cash and cash equivalents adequately serves our liquidity and performance needs. Total cash and cash equivalents fluctuate daily due to transactions in process and other liquidity demands.

Investment Securities

Investment securities, including equity securities, totaled **\$402.5 million** **\$416.6 million** at **June 30, 2024** **September 30, 2024**, compared to \$386.4 million at December 31, 2023. The following table presents a summary of the investment securities portfolio as of the periods shown. The available-for-sale securities are reported at estimated fair value.

(Dollars in thousands)	(Dollars in thousands)	June 30, 2024	December 31, 2023	(Dollars in thousands)	September 30, 2024	December 31, 2023
Available-for-sale securities:						
United States government agency securities						
United States government agency securities						
United States government agency securities						
United States sponsored mortgage-backed securities						
United States treasury securities						
Municipal securities						
Corporate debt securities						
Other debt securities						
Other securities						
Investment securities available-for-sale						
Equity securities						
Equity securities						
Equity securities						

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

Our equity securities primarily consist of investments in private entities within the Fintech industry and these investments may not be as liquid as our investments in other types of securities.

Loans

Our loan portfolio totaled **\$2.21 billion** **\$2.17 billion** as of **June 30, 2024** **September 30, 2024** and \$2.32 billion as of December 31, 2023. The Bank's lending is primarily focused in North Central West Virginia, Northern Virginia, North Carolina and South Carolina. The portfolio consists principally of commercial lending, retail lending, which includes single-family residential mortgages, and consumer lending.

For more information regarding our loans, see *Note 3 – Loans and Allowance for Credit Losses* accompanying the consolidated financial statements included elsewhere in this report.

Loan Concentration

At **June 30, 2024** **September 30, 2024** and December 31, 2023, commercial and non-residential real estate loans comprised the largest component of the loan portfolio. A large portion of commercial loans are secured by real estate and are diverse in terms of geographical location and industry. Loans that are not secured by real estate are typically secured by accounts receivable, mortgages or equipment. While the loan concentration is in commercial loans, the commercial portfolio is comprised of loans to many different borrowers in numerous different industries, generally located in our primary market areas. Additionally, within the commercial portfolio, loans within the healthcare industry, which include loans to physicians, nursing homes and pharmacies, represent 22% of our total loan portfolio as of **June 30, 2024** **September 30, 2024**.

Allowance for Credit Losses

The ACL was **\$22.1 million** **\$21.5 million**, or **1.00%** **0.99%** of loans receivable, at **June 30, 2024** and **September 30, 2024**, compared to **\$22.1 million**, or **0.95%** of loans receivable, at December 31, 2023. Over the **six** **nine** months ended **June 30, 2024** **September 30, 2024**, the ACL was impacted by an increase in provision needed for individually analyzed loans of **\$2.2 million** **\$1.8 million**. Additionally, over the **six** **nine** months ended **June 30, 2024** **September 30, 2024**, changes to the loan portfolio balances, qualitative factor adjustments and expected loss forecasts within the expected credit loss calculation resulted in allowance decreases of **\$0.8 million** **\$1.6 million** to both the consumer segment, which includes the subprime **auto** segment, **\$0.6 million** to **automotive** portfolio, and the commercial and industrial segments and **\$0.3 million** to segment. This decrease was offset by an increase of **\$0.7 million** in allowance required by the residential segment. All other **The commercial real estate, commercial acquisition, development and construction and home equity line of credit** segments combined experienced an required a total of **\$0.1 million** of additional allowance decrease of **\$0.6 million**, over the same period. Bank management expects that the markets in which it lends will experience economic improvements over the next one to two years, and most decreases in estimated loss rates have been further supported by decreases in loan balances in the **six** **nine** months ended **June 30, 2024** **September 30, 2024**. This results in marginally lower allocation rates against slightly lower loan balances, resulting in an overall lower allowance needed for the pooled loan portfolio. However, this has been partially offset by the increase in allowance needed by the individually analyzed **loans**, **loans and net-charge-offs**. Net charge-offs for the three months ended **June 30, 2024** **September 30, 2024** included **\$0.9** **\$0.4 million** related to five **SBA** **U.S. Small Business Administration** loans secured by business assets and **\$0.6** **\$1.0 million** related to the subprime consumer automotive segment.

Management continually monitors the risk in the loan portfolio through the review by reviewing of the monthly delinquency reports and the Loan Review Committee. The Loan Review Committee is responsible for determining the adequacy of the ACL. This analysis involves both the portfolio's experience of the portfolio to date and the makeup of the overall portfolio. Specific loss estimates are derived for individual loans based on specific criteria such as current delinquent status, related deposit account activity, where applicable, and changes in the local and national economy. When appropriate, we also consider public knowledge and verifiable information from the local market to assess risks to specific loans and the loan portfolios as a whole.

Funding Sources

The Bank considers a number of alternatives including, but not limited to, deposits, short-term borrowings and long-term borrowings, when evaluating funding sources. Deposits remain the most significant source of funds, totaling **\$2.88 billion** **\$3.00 billion**, or 97.4% of funding sources at **June 30, 2024** **September 30, 2024**. This same information at December 31, 2023 reflected \$2.90 billion in deposits representing 97.1% of funding sources. Borrowings, consisting of subordinated debt, senior term loan and FHLB and other borrowings represented 2.5% 2.4% of funding sources at **June 30, 2024** **September 30, 2024**, versus 2.7% at December 31, 2023. Repurchase agreements, which are available to large corporate customers, represented 0.1% 0.2% of funding sources at **June 30, 2024** **September 30, 2024** and 0.2% at December 31, 2023.

At **June 30, 2024** **September 30, 2024**, noninterest-bearing balances totaled **\$983.8 million** **\$989.1 million**, compared to \$1.20 billion at December 31, 2023, or **34.1%** **33.0%** and 41.3%, respectively, of total deposits. Interest-bearing deposits totaled **\$1.90 billion** **\$2.01 billion** at **June 30, 2024** **September 30, 2024**, compared to \$1.70 billion at December 31, 2023.

The following table presents the balance of each of the deposit categories as of the periods shown:

(Dollars in thousands)	(Dollars in thousands)	June 30, 2024	December 31, 2023	(Dollars in thousands)	September 30, 2024	December 31, 2023
Deposits:						
Noninterest-bearing demand						
Noninterest-bearing demand						
NOW						
Savings and money markets						
Time deposits, including CDs and IRAs						
Total deposits						
Time deposits that meet or exceed the FDIC insurance limit						
Time deposits that meet or exceed the FDIC insurance limit						
Time deposits that meet or exceed the FDIC insurance limit						

Average interest-bearing deposits were **\$1.72 billion** **\$1.89 billion** during the three months ended **June 30, 2024**, **September 30, 2024**, compared to **\$2.04 billion** **\$1.96 billion** during the same time period in 2023 and average noninterest-bearing deposits were **\$1.14 billion** **\$910.79 million** during the three months ended **June 30, 2024** **September 30, 2024**.

compared to \$971.4 million \$975.2 million during the same time period in 2023.

Average interest-bearing deposits were \$1.76 billion \$1.81 billion during the six nine months ended June 30, 2024 September 30, 2024 compared to \$1.77 billion \$1.83 billion during the same time period in 2023 and average noninterest-bearing deposits were \$1.21 billion \$1.11 billion during the six nine months ended June 30, 2024 September 30, 2024 compared to \$1.17 billion \$1.11 billion during the same time period in 2023.

The decrease in noninterest bearing deposits is primarily related to our decision to exit the digital asset program. Digital asset program account balances declined \$156.5 million \$163.2 million as compared to December 31, 2023.

We utilize a custodial deposit transference structure for certain deposit programs whereby we, acting as custodian of account holder funds, place a portion of such account holder funds that are not needed to support near term settlement at one or more third-party banks insured by the FDIC (each, a program bank). Accounts opened at program banks are established in our name as custodian, for the benefit of our account holders. We remain the issuer of all accounts under the applicable account holder agreements and have sole custodial control and transaction authority over the accounts opened at program banks. We maintain the records of each account holders' holder's deposits maintained at program banks. Program banks undergo robust due diligence prior to becoming a program bank and are also subject to continuous monitoring. These off-balance sheet deposits totaled \$1.4 billion at June 30, 2024 September 30, 2024 and \$1.1 billion at December 31, 2023 and represent the gaming and banking-as-a-service banking-as-a-service industries.

Along with traditional deposits, the Bank has access to both short-term borrowings from FHLB, Federal Reserve Bank and overnight repurchase agreements to fund its operations and investments. For details on our borrowings, refer to Note 7 – Borrowed Funds accompanying the consolidated financial statements included elsewhere in this report.

Deposit Concentration

Our three Three of our primary Fintech deposit verticals are payments, gaming payments and banking-as-a-service, with such deposits totaling \$295.8 million \$504.9 million, \$314.1 million \$391.4 million and \$342.1 million \$219.1 million as of June 30, 2024 September 30, 2024, respectively, compared to \$354.1 million \$449.8 million, \$449.8 million \$354.1 million and \$251.6 million as of December 31, 2023, respectively. Of the gaming deposits, \$270.3 million \$370.1 million is with our three largest gaming clients at June 30, 2024 September 30, 2024.

Capital Resources

During the six nine months ended June 30, 2024 September 30, 2024, stockholders' equity increased \$7.2 million \$13.7 million to \$296.7 million \$303.2 million. This increase primarily consists of net income of \$8.6 million \$10.7 million, other comprehensive income of \$6.4 million, common stock options exercised of \$1.2 million and stock based compensation of \$1.8 million \$2.5 million, offset by cash dividends paid of \$4.4 million \$6.5 million.

The growth in assets of \$25.9 million \$104.9 million in the six nine months ended June 30, 2024 September 30, 2024 outpaced the growth in stockholders' equity, and the equity to assets ratio increased from 8.7% at December 31, 2023 to 9.0% 8.9% at June 30, 2024 September 30, 2024. We paid dividends to common shareholders of \$4.4 million \$6.5 million and \$4.3 million \$6.5 million in the six nine months ended June 30, 2024 September 30, 2024 and 2023, respectively, compared to earnings of \$8.6 million \$10.7 million and \$19.5 million \$23.3 million in the six nine months ended June 30, 2024 September 30, 2024 and 2023, respectively, resulting in the dividend payout ratio increasing to 51.0% 61.7% in the six nine months ended June 30, 2024 September 30, 2024 from 22.1% 27.7% in the six nine months ended June 30, 2023 September 30, 2023.

We and the Bank are also subject to various regulatory capital requirements administered by federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory, and possibly additional discretionary, actions by regulators that, if undertaken, could have a material effect on our consolidated financial statements. The Bank is required to comply with applicable capital adequacy standards established by the federal banking agencies. West Virginia state chartered banks, such as the Bank, are subject to similar capital requirements adopted by the West Virginia Division of Financial Institutions. Bank regulators have established "risk-based" capital requirements designed to measure capital adequacy. Risk-based capital ratios reflect the relative risks of various assets companies hold in their portfolios. A weight category of 0% (lowest risk assets), 20%, 50%, 100% or 150% (highest risk assets) is assigned to each asset on the balance sheet. Detailed information concerning our risk-based capital ratios can be found in *Supervision and Regulation in Item 1, Business and Note 16 – Regulatory Capital Requirements* to the consolidated financial statements included in *Item 8, Financial Statements and Supplementary Data*, of the 2023 Form 10-K.

The optional community bank leverage ratio ("CBLR") framework, which is issued through interagency guidance, intends to provide a simple alternative measure of capital adequacy for electing qualifying depository institutions as directed under the EGRRCPA. Under the CBLR, if a qualifying depository institution elects to use such measure, such institutions will be considered well capitalized if its ratio of Tier 1 capital to average total consolidated assets (i.e., leverage ratio) exceeds a 9% threshold, subject to a limited two quarter grace period, during which the leverage ratio cannot go 100 basis points below the then applicable threshold, and will not be required to calculate and report risk-based capital ratios.

The Bank elected to begin using the CBLR for the first quarter of 2021 and intends to utilize this measure for the foreseeable future. Eligibility criteria to utilize the CBLR includes include the following:

- Total assets of less than \$10 billion;
- Total trading assets plus liabilities of 5% or less of consolidated assets;
- Total off-balance sheet exposures of 25% or less of consolidated assets;
- Cannot be an advanced approaches banking organization; and
- Leverage ratio greater than 9%.

The Bank's CBLR at June 30, 2024 September 30, 2024 was 10.7% 10.9%, which is above the minimum requirement of 9%. Management believes that capital continues to provide a strong base for profitable growth.

Liquidity

Maintenance of a sufficient level of liquidity is a primary objective of the ALCO. Liquidity, as defined by the ALCO, is the ability to meet anticipated operating cash needs, loan demand and deposit withdrawals without incurring a sustained negative impact on net interest income. It is our policy to optimize the funding of the balance sheet, continually balancing the stability and cost factors of various funding sources. We believe liquidity needs are satisfied by the current balance of cash and cash equivalents, readily available access to traditional and non-traditional funding sources and the portions of the investment and loan portfolios that mature within one year. Our liquid assets totaled **\$592.5 million** **\$645.0 million** as of **June 30, 2024** **September 30, 2024**. These sources of funds should enable us to meet cash obligations as they come due.

The main source of liquidity for the Bank comes through deposit growth. Liquidity is also provided from cash generated from investment maturities, principal payments from loans and income from loans and investment securities. For the **six** **nine** months ended **June 30, 2024** **September 30, 2024**, cash from operating, **and** investing **activities totaled \$1.6 million** and **\$87.2 million**, respectively, while cash used in financing activities totaled **\$31.5 million**, **\$10.3 million**, **\$114.9 million** and **\$87.5 million**, respectively. Significant changes in cash flows during the quarter **include** **included** inflows from the net change in loans of **\$108.5 million** **\$141.0 million**, the net change in deposits of **\$100.2 million** and sales of available-for-sale investment securities of **\$24.3 million**, partially offset by an outflow of **\$48.2 million** **\$58.0 million** to purchase available-for-sale investment securities and a decline in deposits of **\$18.6 million** **securities**.

When appropriate, the Bank has the ability to take advantage of external sources of funds such as advances from the FHLB, national market certificate of deposit issuance programs, the Federal Reserve discount window, brokered deposits and Certificate of Deposit Account Registry Services. These external sources often provide attractive interest rates and flexible maturity dates that enable the Bank to match funding with the contractual maturity dates of assets. Securities in the investment portfolio are classified as available-for-sale and can be utilized as an additional source of liquidity.

We have an effective shelf registration covering \$75 million of debt and equity securities, all of which is available, subject to authorization from the Board of Directors and market conditions, to issue debt or equity securities at our discretion. While we seek to preserve flexibility with respect to cash requirements, there can be no assurance that market conditions would permit us to sell securities on acceptable terms or at all.

Current Economic Conditions

We consider North Central West Virginia and Northern Virginia to be our primary market **area** **areas** for CoRe banking services. We consider our Fintech banking market to be customers located throughout the entire United States.

We believe that the current economic climate in our primary market areas reflects economic climates that are consistent with the general national economic climate. Unemployment in the United States was **4.3%** **3.9%** for **June** **September** 2024 and **3.6%** **3.8%** for **June** **September** 2023.

Supervision and Regulation

On July 30, 2024, **In July 2024**, the Board of Directors of the FDIC approved a notice of proposed rulemaking (the "NPR"), requesting public comment on proposed revisions to its regulations relating to brokered deposits. The proposed rules set forth in the NPR would, in part, revise the "deposit broker" definition and amend the analysis of the "primary purpose" exception. The NPR also proposes to eliminate the "exclusive deposit placement arrangement exception," as well as make changes to the notice and application process for the primary purpose exception. The proposed rules would also clarify when an insured depository institution can regain status as an "agent institution" under the limited exception for a capped amount of reciprocal deposits.

Elimination of the "exclusive deposit placement arrangement exception" as proposed in the NPR would require the Bank to reevaluate its current classification of certain BaaS deposit and could require the Bank to reclassify those as brokered deposits. We may also be required to reclassify certain BaaS deposits as brokered deposits **in the event** if the FDIC were to conclude under the existing framework that such deposits should be classified as brokered deposits. The Bank will continue to monitor regulatory guidance on the treatment of deposits in light of the proposed NPR and application of the existing brokered deposit framework by regulators.

We provide additional information on our Supervision and Regulation in our 2023 Form 10-K under "Part I, Item 1. Business—Supervision and Regulation."

Commitments and Contingent Liabilities

In the ordinary course of business, we offer financial instruments with off-balance sheet risk to meet our customers' financing needs. These financial instruments include commitments to extend credit and standby letters of credit. These instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amounts recognized in the statements of financial condition.

Our exposure to credit loss in the event of nonperformance by the other party to the financial instruments for commitments to extend credit and standby letters of credit is represented by the contractual amount of those instruments. We use the same credit policies when making commitments and conditional obligations as we do for on-balance-sheet instruments.

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

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

Concentration of Credit Risk

We grant a majority of our commercial, financial, agricultural, real estate and installment loans to customers throughout the North Central West Virginia and Northern Virginia markets. Collateral for loans is primarily residential and commercial real estate, personal property and business equipment. We evaluate the creditworthiness of each of our customers on a case-by-case basis and the amount of collateral ~~it obtains~~ they obtain is based ~~upon~~ on management's credit evaluation.

Contingent Liability

The Bank is involved in various legal actions arising in the ordinary course of business. In the opinion of management and counsel, the outcome of these matters will not have a significant adverse effect on the consolidated financial statements.

Off-Balance Sheet Commitments

The Bank has entered into certain agreements that represent off-balance sheet arrangements that could significantly impact the consolidated financial statements and could have a significant impact in future periods. Specifically, the Bank has entered into agreements to extend credit or provide conditional payments pursuant to standby and commercial letters of credit. In addition, the Bank utilizes letters of credit issued by the FHLB to collateralize certain public funds deposits.

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

Critical Accounting Policies and Estimates

The preparation of the accompanying condensed consolidated financial statements in conformity with U.S. GAAP requires us to use judgment in making estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities and the reported amounts of revenue and expenses.

There have been no significant changes to our critical accounting policies and estimates or in the underlying accounting assumptions and estimates used in these critical accounting policies from those disclosed in the consolidated financial statements and accompanying notes contained in the 2023 Form 10-K.

Recent Accounting Pronouncements and Developments

Recent accounting pronouncements and developments applicable to us are described further in *Note 1 – Nature of Operations and Basis of Presentation* accompanying the consolidated financial statements included elsewhere in this report.

Item 3 – Quantitative and Qualitative Disclosures About Market Risk

Interest Rate Risk

Our market risk is composed primarily of interest rate risk. The ALCO is responsible for reviewing the interest rate sensitivity position and establishing policies to monitor and coordinate our sources, uses and pricing of funds.

The objective of the asset/liability management function is to structure the balance sheet in ways that maintain consistent growth in net interest income and minimize exposure to market risks within our policy guidelines. This objective is accomplished ~~through the management of~~ by managing balance sheet liquidity and interest rate risk exposure based on changes in economic conditions, interest rate levels and customer preferences. We manage balance sheet liquidity through the investment portfolio, sales of commercial and residential real estate loans and through the utilization of diversified funding sources, including retail deposits, a variety of wholesale funding sources and borrowings through the FHLB. Interest rate risk is managed through the use of interest rate caps, commercial loan swap transactions, ~~and~~ interest rate lock commitments on mortgage loans held-for-sale as well as and the structuring of loan terms that provide cash flows to be consistently re-invested along the rate cycle.

We believe that accepting some level of interest rate risk is necessary ~~in order~~ to achieve realistic profit goals. Management and our Board of Directors have chosen an interest rate risk profile that is consistent with our strategic business plan. While management carefully monitors the exposure to changes in interest rates and takes actions as warranted to decrease any adverse impact, there can be no assurance about the actual effect of interest rate changes on net interest income.

Credit Risk

We have counter-party risk which may arise from the possible inability of third-party investors to meet the terms of their forward sales contracts, including derivative contracts such as interest rate swaps and fair value hedges. We work with third-party investors that are generally well-capitalized, are investment grade and exhibit strong financial performance to mitigate this risk. We monitor the financial condition of these third parties on an annual basis and we do not currently expect these third parties to fail to meet their obligations.

Item 4 – Controls and Procedures

As of ~~June 30, 2024~~ September 30, 2024, we carried out an evaluation under the supervision and with the participation of management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Based on the results of this evaluation, the Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of ~~June 30, 2024~~ September 30, 2024.

During the three months ended **June 30, 2024** **September 30, 2024**, there were no changes in our internal control over financial reporting, as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

Item 1 – Legal Proceedings

From time to time in the ordinary course of business, we and our subsidiaries may be subject to claims, asserted or unasserted, or named as a party to lawsuits or investigations. Litigation, in general, and intellectual property and securities litigation, in particular, can be expensive and disruptive to normal business operations. Moreover, the results of legal proceedings cannot be predicted with any certainty, and in the case of more complex legal proceedings, the results can be difficult to predict. We are not aware of any material pending legal proceedings to which we or any of our subsidiaries is a party or of which any of their property is the subject.

Item 1A – Risk Factors

Our operations are subject to many risks that could adversely affect our future financial condition and performance, including the risk factors that are described in the 2023 Form 10-K. There have been no material changes in our risk factors from those disclosed.

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

None.

Item 3 – Defaults Upon Senior Securities

None.

Item 4 – Mine Safety Disclosures

Not applicable.

Item 5 – Other Information

During the three months ended **June 30, 2024** **September 30, 2024**, none of our directors or officers adopted or terminated a Rule 10b5-1 trading arrangement or non-Rule 10b5-1 trading arrangement, as each term is defined in Item 408(a) of Regulation S-K.

Item 6 – Exhibits

Exhibit Number	Description	Exhibit Location
Exhibit 31.1	Certificate of principal executive officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	Filed herewith
Exhibit 31.2	Certificate of principal financial officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	Filed herewith
Exhibit 32.1	Certificate of principal executive officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	Filed herewith
Exhibit 32.2	Certificate of principal financial officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	Filed herewith
Exhibit 101.INS	XBRL Instance Document	Filed herewith
Exhibit 101.SCH	XBRL Taxonomy Extension Schema	Filed herewith
Exhibit 101.CAL	XBRL Taxonomy Extension Calculation Linkbase	Filed herewith
Exhibit 101.DEF	XBRL Taxonomy Extension Definition Linkbase	Filed herewith
Exhibit 101.LAB	XBRL Taxonomy Extension Label Linkbase	Filed herewith
Exhibit 101.PRE	XBRL Taxonomy Extension Presentation Linkbase	Filed herewith
Exhibit 104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)	Filed herewith

SIGNATURES

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

MVB Financial Corp.

Date: **August 7, November 5, 2024**

By: **/s/ Larry F. Mazza**

Larry F. Mazza

CEO and Director

(Principal Executive Officer)

Date: **August 7, November 5, 2024**

By: **/s/ Donald T. Robinson**

Donald T. Robinson

President and CFO

(Principal Financial and Accounting Officer)

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Exhibit 31.1

Form 10-Q Certification

CERTIFICATION

I, Larry F. Mazza, certify that:

1. I have reviewed this report on Form 10-Q of MVB Financial Corp.;
1. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
1. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
1. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - a. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted account principles;
 - a. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - a. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
1. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

- a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
- a. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: **August 7, November 5, 2024**

/s/ Larry F. Mazza

Larry F. Mazza
CEO and Director
(Principal Executive Officer)

Exhibit 31.2

Form 10-Q Certification

CERTIFICATION

I, Donald T. Robinson, certify that:

1. I have reviewed this report on Form 10-Q of MVB Financial Corp.;
1. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
1. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
1. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - a. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted account principles;
 - a. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - a. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
1. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - a. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: **August 7, November 5, 2024**

/s/ Donald T. Robinson

Donald T. Robinson
President and CFO
(Principal Financial and Accounting Officer)

Exhibit 32.1

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

I, Larry F. Mazza, Chief Executive Officer of MVB Financial Corp., certify, as of the date hereof, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 that the quarterly report of MVB Financial Corp. on Form 10-Q for the quarterly period ended **June 30, 2024** **September 30, 2024** fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that the information contained in such Form 10-Q fairly presents in all material respects the financial condition and results of operations of MVB Financial Corp. at the dates and for the periods indicated.

Date: **August 7, November 5, 2024**

/s/ Larry F. Mazza

Larry F. Mazza
CEO and Director
(Principal Executive Officer)

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

Exhibit 32.2

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

I, Donald T. Robinson, Chief Financial Officer of MVB Financial Corp., certify, as of the date hereof, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 that the quarterly report of MVB Financial Corp. on Form 10-Q for the quarterly period ended **June 30, 2024** **September 30, 2024** fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that the information contained in such Form 10-Q fairly presents in all material respects the financial condition and results of operations of MVB Financial Corp. at the dates and for the periods indicated.

Date: **August 7, November 5, 2024**

/s/ Donald T. Robinson

Donald T. Robinson
President and CFO
(Principal Financial and Accounting Officer)

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

DISCLAIMER

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