Community Bankers Trust Corp
Form 10-Q
November 14, 2011
Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended September 30, 2011

or

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

For the transition period from to

Commission File Number: 001-32590

COMMUNITY BANKERS TRUST CORPORATION

(Exact name of registrant as specified in its charter)

Delaware	**20-2652949**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
4235 Innslake Drive, Suite 200	
Glen Allen, Virginia	**23060**
(Address of principal executive offices)	**(Zip Code)**

(804) 934-9999

(Registrant s telephone number, including area code)

n/a

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

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 x No ¨

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

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

Large accelerated filer ¨	Accelerated filer ¨
Non-accelerated filer ¨ (Do not check if a smaller reporting company)	Smaller reporting company x

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

At September 30, 2011, there were 21,627,549 shares of the Company s common stock outstanding.

Table of Contents

COMMUNITY BANKERS TRUST CORPORATION

TABLE OF CONTENTS

FORM 10-Q

September 30, 2011

PART I FINANCIAL INFORMATION	
Item 1. Financial Statements	
Consolidated Statements of Financial Condition (Unaudited)	3
Consolidated Statements of Operations (Unaudited)	4
Consolidated Statements of Stockholders Equity (Unaudited)	5
Consolidated Statements of Cash Flows (Unaudited)	6
Notes to Unaudited Consolidated Financial Statements	7
Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations	32
Item 3. Quantitative and Qualitative Disclosures About Market Risk	48
Item 4. Controls and Procedures	49
PART II OTHER INFORMATION	
Item 1. Legal Proceedings	51
Item 1A. Risk Factors	51
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	51
Item 3. Defaults upon Senior Securities	51
Item 4. (Removed and Reserved)	51
Item 5. Other Information	51
Item 6. Exhibits	51
SIGNATURES	52

Table of Contents

PART I FINANCIAL INFORMATION

Item 1. ***Financial Statements***

COMMUNITY BANKERS TRUST CORPORATION

CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

AS OF SEPTEMBER 30, 2011 AND DECEMBER 31, 2010

(dollars in thousands)

	September 30, 2011 (Unaudited)	December 31, 2010 (Audited)
ASSETS		
Cash and due from banks	$ 16,138	$ 8,604
Interest-bearing bank deposits	37,250	22,777
Federal funds sold		2,000
Total cash and cash equivalents	53,388	33,381
Securities available for sale, at fair value	216,545	215,560
Securities held to maturity, at cost (fair value of $72,702 and $89,026, respectively)	68,342	84,771
Equity securities, restricted, at cost	6,954	7,170
Total securities	291,841	307,501
Loans not covered by FDIC shared loss agreement	505,165	525,548
Loans covered by FDIC shared loss agreement	100,044	115,537
Total loans	605,209	641,085
Allowance for loan losses (non-covered loans of $15,764 and $25,543, respectively; covered loans of $776 and $829, respectively)	(16,540)	(26,372)
Net loans	588,669	614,713
FDIC indemnification asset	46,962	58,369
Bank premises and equipment, net	35,436	35,587
Other real estate owned, covered by FDIC shared loss agreement	7,235	9,889
Other real estate owned, non-covered	8,858	5,928
Bank owned life insurance	7,027	6,829
FDIC receivable under shared loss agreement	3,037	7,250
Core deposit intangibles, net	13,123	14,819
Other assets	16,992	21,328
Total assets	$ 1,072,568	$ 1,115,594
LIABILITIES		
Deposits:		
Noninterest-bearing	$ 68,029	$ 62,359
Interest-bearing	847,587	899,366
Total deposits	915,616	961,725

Federal Home Loan Bank advances	37,000	37,000
Trust preferred capital notes	4,124	4,124
Other liabilities	5,102	5,618
Total liabilities	961,842	1,008,467
STOCKHOLDERS EQUITY		
Preferred stock (5,000,000 shares authorized, $0.01 par value; 17,680 shares issued and outstanding)	17,680	17,680
Warrants on preferred stock	1,037	1,037
Discount on preferred stock	(505)	(660)
Common stock (200,000,000 shares authorized, $0.01 par value; 21,627,549 and 21,468,455 shares issued and outstanding, respectively)	216	215
Additional paid in capital	144,181	143,999
Retained deficit	(54,406)	(54,999)
Accumulated other comprehensive income	2,523	(145)
Total stockholders equity	110,726	107,127
Total liabilities and stockholders equity	$ 1,072,568	$ 1,115,594

See accompanying notes to unaudited consolidated financial statements

Table of Contents

COMMUNITY BANKERS TRUST CORPORATION

UNAUDITED CONSOLIDATED STATEMENTS OF OPERATIONS

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2011 AND 2010

(dollars and shares in thousands, except per share data)

	Three months ended		Nine months ended	
	September 30, 2011	September 30, 2010	September 30, 2011	September 30, 2010
Interest and dividend income				
Interest and fees on non-covered loans	$ 7,314	$ 8,235	$ 21,877	$ 25,436
Interest and fees on FDIC covered loans	4,667	3,692	13,325	10,671
Interest on federal funds sold	1	1	5	5
Interest on deposits in other banks	28	19	53	73
Interest and dividends on securities				
Taxable	2,058	2,340	6,055	6,507
Nontaxable	204	866	844	2,640
Total interest and dividend income	14,272	15,153	42,159	45,332
Interest expense				
Interest on deposits	2,621	4,141	8,312	13,485
Interest on federal funds purchased		1	1	1
Interest on other borrowed funds	353	342	1,051	1,006
Total interest expense	2,974	4,484	9,364	14,492
Net interest income	11,298	10,669	32,795	30,840
Provision for loan losses		1,116	1,498	27,440
Net interest income after provision for loan losses	11,298	9,553	31,297	3,400
Noninterest income				
Service charges on deposit accounts	643	659	1,856	1,846
FDIC indemnification asset amortization	(2,359)	(1,252)	(7,762)	(1,991)
Gain (loss) on securities transactions, net	1,725	(296)	2,563	(394)
Loss on other real estate, net	(1,671)	(770)	(2,532)	(4,329)
Other	1,000	132	2,377	3,641
Total noninterest income	(662)	(1,527)	(3,498)	(1,227)
Noninterest expense				
Salaries and employee benefits	4,050	5,255	12,425	15,191
Occupancy expenses	687	774	2,234	2,226
Equipment expenses	289	322	938	1,097
Legal fees	241	117	381	259
Professional fees	68	425	457	1,502
FDIC assessment	580	579	2,212	1,797
Data processing fees	478	735	1,407	1,813
Amortization of intangibles	565	565	1,696	1,696
Impairment of goodwill				5,727
Other operating expenses	1,724	1,615	5,479	5,114

Total noninterest expense	8,682	10,387	27,229	36,422
Income (loss) before income taxes	1,954	(2,361)	570	(34,249)
Income tax (expense) benefit	(532)	1,062	178	10,570
Net income (loss)	$ 1,422	$ (1,299)	$ 748	$ (23,679)
Dividends accrued on preferred stock				442
Accretion of discount on preferred stock	51	48	155	145
Accumulated preferred dividends	221	221	663	221
Net income (loss) available to common stockholders	$ 1,150	$ (1,568)	$ (70)	$ (24,487)
Net income (loss) per share basic	$ 0.05	$ (0.07)	$ (0.00)	$ (1.14)
Net income (loss) per share diluted	$ 0.05	$ (0.07)	$ (0.00)	$ (1.14)
Weighted average number of shares outstanding				
basic	21,628	21,468	21,544	21,468
diluted	21,628	21,468	21,544	21,468

See accompanying notes to unaudited consolidated financial statements

Table of Contents

COMMUNITY BANKERS TRUST CORPORATION

CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2011 AND

THE YEAR ENDED DECEMBER 31, 2010

(dollars and shares in thousands)

	Preferred Stock	Warrants	Discount on Preferred Stock	Common Stock Shares	Common Stock Amount	Additional Paid in Capital	Retained Deficit	Accumulated Other Comprehensive Income	Total
Balance January 1, 2010	$ 17,680	$ 1,037	$ (854)	21,468	$ 215	$ 143,999	$ (32,511)	$ 1,536	$ 131,102
Amortization of preferred stock warrants			194				(194)		
Dividends paid on preferred stock							(442)		(442)
Comprehensive income:									
Net loss							(20,993)		(20,993)
Change in unrealized gain/loss in equity securities								(6)	(6)
Change in unrealized gain/loss in investment securities, net of tax of $2,338								(4,539)	(4,539)
Less: Reclassification adjustment for gain on securities sold, net of tax of $1,064								2,065	2,065
Less: Reclassification adjustment for loss on securities available for sale related to other than temporary impairments, net of tax of $156								303	303
Change in funded status of pension plan, net of tax of $256								496	496
Total comprehensive loss									(22,674)
Dividends paid on common stock ($.04 per share)							(859)		(859)
Balance December 31, 2010 (Audited)	$ 17,680	$ 1,037	$ (660)	21,468	$ 215	$ 143,999	$ (54,999)	$ (145)	$ 107,127
Amortization of preferred stock warrants			155				(155)		
Issuance of common stock				160	1	182			183
Comprehensive income:									
Net income							748		748
Change in unrealized gain/loss in investment securities, net of tax of $2,246								4,360	4,360
Less: Reclassification adjustment for gain on securities sold, net of tax of $871								(1,692)	(1,692)
Total comprehensive income									3,416
Balance September 30, 2011 (Unaudited)	$ 17,680	$ 1,037	$ (505)	21,628	$ 216	$ 144,181	$ (54,406)	$ 2,523	$ 110,726

See accompanying notes to unaudited consolidated financial statements

Table of Contents

COMMUNITY BANKERS TRUST CORPORATION

UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2011 AND 2010

(dollars in thousands)

	September 30, 2011	September 30, 2010
Operating activities:		
Net income (loss)	$ 748	$ (23,679)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and intangibles amortization	3,046	3,245
Issuance of common stock	183	
Provision for loan losses	1,498	27,440
Amortization of security premiums and accretion of discounts, net	1,370	1,246
Impairment of goodwill		5,727
Net (gain) loss on sale of securities	(2,563)	394
Net loss on sale and valuation of other real estate	2,532	4,329
Changes in assets and liabilities:		
Decrease (increase) in other assets	18,675	(5,804)
Decrease in accrued expenses and other liabilities	(516)	(7,859)
Net cash provided by operating activities	24,973	5,039
Investing activities:		
Proceeds from securities sales, calls, maturities, and paydowns	241,056	61,248
Purchase of securities	(220,161)	(90,383)
Proceeds from sale of other real estate	6,438	5,007
Improvements to other real estate	(154)	
Net decrease in loans, excluding covered loans	644	16,647
Net decrease in loans, covered by FDIC shared loss agreement	13,271	21,466
Principal recoveries of loans previously charged off	548	991
Purchase of premises and equipment, net	(499)	(429)
Net cash provided by investing activities	41,143	14,547
Financing activities:		
Net decrease in noninterest-bearing and interest-bearing demand deposits	(46,109)	(13,657)
Net decrease in federal funds purchased		(8,999)
Cash dividends paid		(1,301)
Net cash used in financing activities	(46,109)	(23,957)
Net increase (decrease) in cash and cash equivalents	20,007	(4,371)
Cash and cash equivalents:		
Beginning of the period	$ 33,381	$ 32,235
End of the period	$ 53,388	$ 27,864

	September 30, 2011	September 30, 2010
Supplemental disclosures of cash flow information:		
Interest paid	$ 9,674	$ 15,307
Income taxes paid	87	250
Transfers of loans to OREO	9,792	9,352
Transfers of OREO to bank premises	700	

See accompanying notes to unaudited consolidated financial statement

Table of Contents

COMMUNITY BANKERS TRUST CORPORATION

Notes to Consolidated Financial Statements

1. Nature of Banking Activities and Significant Accounting Policies

Organization

Community Bankers Trust Corporation (the Company) is a bank holding company that was incorporated under Delaware law on April 6, 2005. The Company is headquartered in Glen Allen, Virginia and is the holding company for Essex Bank (the Bank), a Virginia state bank with 24 full-service offices in Virginia, Maryland and Georgia.

The Company was initially formed as a special purpose acquisition company to effect a merger, capital stock exchange, asset acquisition or other similar business combination with an operating business in the banking industry. Prior to its acquisition of two bank holding companies in 2008, the Company s activities were limited to organizational matters, completing its initial public offering and seeking and evaluating possible business combination opportunities. On May 31, 2008, the Company acquired each of TransCommunity Financial Corporation, a Virginia corporation (TFC), and BOE Financial Services of Virginia, Inc., a Virginia corporation (BOE). The Company changed its corporate name in connection with the acquisitions. On November 21, 2008, the Bank acquired certain assets and assumed all deposit liabilities relating to four former branch offices of The Community Bank (TCB) in Georgia. On January 30, 2009, the Bank acquired substantially all assets and assumed all deposit and certain other liabilities relating to seven former branch offices of Suburban Federal Savings Bank (SFSB) in Maryland.

The Bank engages in a general commercial banking business and provides a wide range of financial services, including individual and commercial demand and time deposit accounts, commercial and consumer loans, mortgage loans, investment services, on-line and mobile banking products, and safe deposit box facilities. Thirteen branches are located in Virginia, primarily from the Chesapeake Bay to just west of Richmond, seven are located in Maryland along the Baltimore-Washington corridor and four are located in the Atlanta, Georgia metropolitan market. The Bank closed its office in Rockbridge County, Virginia in April 2011.

Financial Statements

The consolidated statements presented include accounts of the Company and the Bank, its wholly-owned subsidiary. All material intercompany balances and transactions have been eliminated. The statements should be read in conjunction with the Company s consolidated financial statements and the accompanying notes to consolidated financial statements included in the Company s Annual Report on Form 10-K for the year ended December 31, 2010. In the opinion of management, all adjustments, consisting of normal accruals, were made that are necessary to present fairly the financial position of the Company as of September 30, 2011, changes in stockholders equity and its cash flows for the nine months ended September 30, 2011, and the results of its operations for the three and nine months ended September 30, 2011.

The accounting and reporting policies of the Company conform to GAAP and to the general practices within the banking industry. The interim financial statements have not been audited; however, in the opinion of management, all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of the consolidated financial statements have been included. Operating results for the three and nine month periods ended September 30, 2011 are not necessarily indicative of the results that may be expected for the year ended December 31, 2011.

The financial information contained within the statements is, to a significant extent, financial information that is based on measures of the financial effects of transactions and events that have already occurred. A variety of factors could affect the ultimate value that is obtained either when earning income, recognizing an expense, recovering an asset or relieving a liability. The Company uses historical loss factors as one factor in determining the inherent loss that may be present in its loan portfolio. Actual losses could differ significantly from the historical factors that the Company uses. In addition, GAAP itself may change from one previously acceptable method to another method. Although the economics of the Company s transactions would be the same, the timing of events that would impact its transactions could change.

Certain reclassifications have been made to prior period balances to conform to the current period presentation.

Table of Contents

COMMUNITY BANKERS TRUST CORPORATION

Notes to Consolidated Financial Statements

In preparing these financial statements, the Company has evaluated subsequent events and transactions for potential recognition or disclosure through the date the financial statements were issued.

Recent Accounting Pronouncements

In April 2011, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2011-02, *Receivables (Topic 310): A Creditor s Determination of Whether a Restructuring Is a Troubled Debt Restructuring.* The FASB believes the guidance in this ASU will improve financial reporting by creating greater consistency in the way GAAP is applied for various types of debt restructurings. The ASU clarifies which loan modifications constitute troubled debt restructurings. It is intended to assist creditors in determining whether a modification of the terms of a receivable meets the criteria to be considered a troubled debt restructuring, both for purposes of recording an impairment loss and for disclosure of troubled debt restructurings. In evaluating whether a restructuring constitutes a troubled debt restructuring, a creditor must separately conclude that both of the following exist: (*a*) the restructuring constitutes a concession; and (*b*) the debtor is experiencing financial difficulties. The amendments to *FASB Accounting Standards Codification* (Codification) Topic 310, *Receivables,* clarify the guidance on a creditor s evaluation of whether it has granted a concession and whether a debtor is experiencing financial difficulties. The guidance is effective for interim and annual periods beginning on or after June 15, 2011, and applies retrospectively to restructurings occurring on or after the beginning of the fiscal year of adoption. The Company adopted this guidance with no material impact on its consolidated financial statements.

In May 2011, the FASB has issued ASU No. 2011-05, *Comprehensive Income (Topic 220): Presentation of Comprehensive Income.* This ASU amends the *FASB Accounting Standards Codification*™ (Codification) to allow an entity the option to present the total of comprehensive income, the components of net income, and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. In both choices, an entity is required to present each component of net income along with total net income, each component of other comprehensive income along with a total for other comprehensive income, and a total amount for comprehensive income. ASU 2011-05 eliminates the option to present the components of other comprehensive income as part of the statement of changes in stockholders equity. The amendments to the Codification in the ASU do not change the items that must be reported in other comprehensive income or when an item of other comprehensive income must be reclassified to net income. ASU 2011-05 should be applied retrospectively. For public entities, the amendments are effective for fiscal years, and interim periods within those years, beginning after December 15, 2011. The Company does not expect the adoption of the guidance to have a material impact on its consolidated financial statements.

2. SECURITIES

Amortized costs and fair values of securities available for sale and held to maturity at September 30, 2011 and December 31, 2010 were as follows:

(dollars in thousands)	September 30, 2011			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Securities Available for Sale				
U.S. Treasury issue and other U.S. Government agencies	$ 60,374	$ 208	$	$ 60,582
State, county and municipal	54,848	4,704	(5)	59,547
Corporate and other bonds	4,809	4	(117)	4,696
Mortgage backed securities	92,692	477	(1,449)	91,720
Total Securities Available for Sale	$ 212,723	$ 5,393	$ (1,571)	$ 216,545

Securities Held to Maturity				
State, county and municipal	$ 12,174	$ 1,207	$	$ 13,381
Mortgage backed securities	56,168	3,153		59,321
Total Securities Held to Maturity	$ 68,342	$ 4,360	$	$ 72,702

Table of Contents

COMMUNITY BANKERS TRUST CORPORATION

Notes to Consolidated Financial Statements

		December 31, 2010 Gross Unrealized		
	Amortized Cost	Gains	Losses	Fair Value
Securities Available for Sale				
U.S. Treasury issue and other U.S. Government agencies	$ 90,849	$ 246	$ (1,521)	$ 89,574
State, county and municipal	69,865	1,219	(749)	70,335
Corporate and other bonds	3,576	14	(17)	3,573
Mortgage backed securities	51,489	610	(21)	52,078
Total Securities Available for Sale	$ 215,779	$ 2,089	$ (2,308)	$ 215,560
Securities Held to Maturity				
State, county and municipal	$ 13,070	$ 693	$	$ 13,763
Corporate and other bonds	1,002	3		1,005
Mortgage backed securities	70,699	3,559		74,258
Total Securities Held to Maturity	$ 84,771	$ 4,255	$	$ 89,026

Included in other U.S. Government agencies are U.S. Government sponsored agency securities of $3.0 million with an amortized cost of $3.0 million as of September 30, 2011 and $5.8 million with an amortized cost of $5.8 million as of December 31, 2010. U.S. Government sponsored agency securities included in mortgage backed securities available for sale totaled $17.2 million with an amortized cost of $17.0 million as of September 30, 2011 and $3.9 million with an amortized cost of $4.0 million as of December 31, 2010. U.S. Government sponsored agency securities included in mortgage backed securities held to maturity totaled $42.6 million with a fair value of $44.9 million as of September 30, 2011 and $54.3 million with a fair value of $57.0 million as of December 31, 2010.

The amortized cost and fair value of securities as of September 30, 2011 by contractual maturity are shown below. Expected maturities may differ from contractual maturities because issuers may have the right to call or prepay obligations without any penalties.

(dollars in thousands)	Held to Maturity		Available for Sale	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due in one year or less	$ 3,734	$ 3,815	$ 60,103	$ 60,182
Due after one year through five years	44,441	47,026	66,192	65,316
Due after five years through ten years	20,167	21,861	71,553	75,402
Due after ten years			14,875	15,645
Total securities	$ 68,342	$ 72,702	$ 212,723	$ 216,545

Gains and losses on the sale of securities are recorded on the settlement date and are determined using the specific identification method. Gross realized gains and losses on sales and other than temporary impairments (OTTI) of securities available for sale during the periods were as follows:

(dollars in thousands)	Three Months Ended September 30		Nine Months Ended September 30	
	2011	2010	2011	2010

Gross realized gains	$ 1,791	$ 89	$ 2,645	$ 525
Gross realized losses	66	385	82	460
OTTI				459
Net securities gains (loss)	$ 1,725	$ (296)	$ 2,563	$ (394)

In estimating OTTI losses, management considers the length of time and the extent to which the fair value has been less than cost, the financial condition and short-term prospects for the issuer, and the intent and ability of management to hold its investment for a period of time to allow a recovery in fair value. At September 30, 2010, the

Table of Contents

COMMUNITY BANKERS TRUST CORPORATION

Notes to Consolidated Financial Statements

financial institution securities were deemed to have impairment losses that were other than temporary in nature in the amount of $459,000, as management did not intend to hold them until they recovered their value. At September 30, 2011, there were no investments held that had impairment losses other than temporary in nature.

The fair value and gross unrealized losses for securities, segregated by the length of time that individual securities have been in a continuous gross unrealized loss position, as of September 30, 2011 and December 31, 2010 were as follows:

(dollars in thousands)	$000,000	$000,000	$000,000	$000,000	$000,000	$000,000
	September 30, 2011					
	Less than 12 Months		**12 Months or More**		**Total**	
	Fair Value	**Unrealized Loss**	**Fair Value**	**Unrealized Loss**	**Fair Value**	**Unrealized Loss**
U.S. Treasury issue and other U.S. Government agencies	$	$	$	$	$	$
State, county and municipal			275	(5)	275	(5)
Corporate and other bonds	3,637	(117)			3,637	(117)
Mortgage backed securities	53,425	(1,449)			53,425	(1,449)
Total	$ 57,062	$ (1,566)	$ 275	$ (5)	$ 57,337	$ (1,571)

	$000,000	$000,000	$000,000	$000,000	$000,000	$000,000
	December 31, 2010					
	Less than 12 Months		**12 Months or More**		**Total**	
	Fair Value	**Unrealized Loss**	**Fair Value**	**Unrealized Loss**	**Fair Value**	**Unrealized Loss**
U.S. Treasury issue and other U.S. Government agencies	$ 83,989	$ (1,521)	$	$	$ 83,989	$ (1,521)
State, county and municipal	19,103	(644)	818	(105)	19,921	(749)
Corporate and other bonds	3,059	(17)			3,059	(17)
Mortgage backed securities	3,695	(21)			3,695	(21)
Total	$ 109,846	$ (2,203)	$ 818	$ (105)	$ 110,664	$ (2,308)

The unrealized losses in the investment portfolio as of September 30, 2011 and December 31, 2010 are generally a result of market fluctuations that occur daily. The unrealized losses are from 21 securities at September 30, 2011 that are all of investment grade, backed by insurance, U.S. government agency guarantees, or the full faith and credit of local municipalities throughout the United States. The Company considers the reason for impairment, length of impairment and ability to hold until the full value is recovered in determining if the impairment is temporary in nature. Based on this analysis, the Company has determined these impairments to be temporary in nature. The Company does not intend to sell and it is more likely than not that the Company will not be required to sell these securities until they recover in value.

Market prices are affected by conditions beyond the control of the Company. Investment decisions are made by the management group of the Company and reflect the overall liquidity and strategic asset/liability objectives of the Company. Management analyzes the securities portfolio frequently and manages the portfolio to provide an overall positive impact to the Company s income statement and balance sheet.

Securities with amortized costs of $37.8 million and $36.6 million as of September 30, 2011 and December 31, 2010, respectively, were pledged to secure deposits and for other purposes required or permitted by law.

Table of Contents

COMMUNITY BANKERS TRUST CORPORATION

Notes to Consolidated Financial Statements

3. LOANS NOT COVERED BY FDIC SHARED LOSS AGREEMENT (NON-COVERED LOANS)

The Company s non-covered loans as of September 30, 2011 and December 31, 2010 were comprised of the following:

(dollars in thousands)	September 30, 2011		December 31, 2010	
	Amount	% of Non-Covered Loans	Amount	% of Non-Covered Loans
Mortgage loans on real estate:				
Residential 1-4 family	$ 129,520	25.63%	$ 137,522	26.15%
Commercial	198,872	39.36	205,034	38.99
Construction and land development	81,274	16.07	103,763	19.73
Second mortgages	8,319	1.65	9,680	1.84
Multifamily	13,782	2.73	9,831	1.87
Agriculture	8,232	1.63	3,820	0.73
Total real estate loans	439,999	87.07	469,650	89.31
Commercial loans	54,025	10.69	44,368	8.44
Consumer installment loans	9,609	1.90	9,811	1.87
All other loans	1,696	0.34	1,993	0.38
Gross loans	505,329	100.00%	525,822	100.00%
Net unearned income on loans	(164)		(274)	
Non-covered loans, net of unearned income	$ 505,165		$ 525,548	

At September 30, 2011 and December 31, 2010, the Company s allowance for credit losses was comprised of the following: (i) specific valuation allowances calculated in accordance with FASB ASC 310, *Receivables,* (ii) general valuation allowances calculated in accordance with FASB ASC 450, *Contingencies*, based on economic conditions and other qualitative risk factors, and (iii) historical valuation allowances calculated using historical loan loss experience. Management identified loans subject to impairment in accordance with ASC 310.

At September 30, 2011 and December 31, 2010, a portion of the construction and land development loans presented above contain interest reserve provisions. The Company follows standard industry practice to include interest reserves and capitalized interest in a construction loan. This practice recognizes interest as an additional cost of the project and, as a result, requires the borrower to put additional equity into the project. In order to monitor the project throughout its life to make sure the property is moving along as planned to ensure appropriateness of continuing to capitalize interest, the Company coordinates an independent property inspection in connection with each disbursement of loan funds. Until completion, there is generally no cash flow from which to make the interest payment. The Company does not advance additional interest reserves to keep a loan from becoming nonperforming.

For the three and nine months ended September 30, 2011, there were no interest reserves recognized as interest income on construction loans with interest reserves. There were $16.1 million of construction loans with interest reserves that were nonperforming at September 30, 2011.

Average investment in impaired loans was $47.4 million and $96.8 million as of September 30, 2011 and September 30, 2010, respectively. Interest income on nonaccrual loans, if recognized, is recorded using the cash basis method of accounting. There were no significant amounts recognized during the three and nine months ended September 30, 2011 and 2010. For the three months ended September 30, 2011 and 2010, estimated interest income of $836,000 and $895,000, respectively, would have been recorded if all such loans had been accruing interest according to their original contractual terms. For the nine months ended September 30, 2011 and 2010, estimated interest income of $2.3 million and $2.0 million, respectively, would have been recorded if all such loans had been accruing interest according to their original contractual terms.

11

Table of Contents

COMMUNITY BANKERS TRUST CORPORATION

Notes to Consolidated Financial Statements

The following table summarizes information related to impaired loans as of September 30, 2011 (dollars in thousands):

	Recorded Investment (1)	Unpaid Principal Balance (2)	Related Allowance	Interest Income Recognized
With an allowance recorded:				
Mortgage loans on real estate:				
Residential 1-4 family	$ 3,275	$ 3,315	$ 773	$
Commercial	5,070	5,128	333	
Construction and land development	1,502	1,515	317	5
Second mortgages	150	158	80	
Multifamily				
Agriculture	53	53	11	
Total real estate loans	10,050	10,169	1,514	5
Commercial loans	1,387	1,391	782	
Consumer installment loans	101	102	20	
All other loans				
Subtotal impaired loans with valuation allowance	$ 11,538	$ 11,662	$ 2,316	$ 5
With no related allowance recorded:				
Mortgage loans on real estate:				
Residential 1-4 family	$ 4,286	$ 6,227	$	$ 11
Commercial	8,237	8,513		67
Construction and land development	21,698	29,731		43
Second mortgages	40	40		
Multifamily				
Agriculture				
Total real estate loans	34,261	44,511		121
Commercial loans	135	144		
Consumer installment loans				
All other loans				
Subtotal impaired loans without valuation allowance	$ 34,396	$ 44,655	$	$ 121
Total:				
Mortgage loans on real estate:				
Residential 1-4 family	$ 7,561	$ 9,542	$ 773	$ 11
Commercial	13,307	13,641	333	67
Construction and land development	23,200	31,246	317	48
Second mortgages	190	198	80	
Multifamily				
Agriculture	53	53	11	
Total real estate loans	44,311	54,680	1,514	126

Commercial loans	1,522	1,535	782	
Consumer installment loans	101	102	20	
All other loans				
Total impaired loans	$ 45,934	$ 56,317	$ 2,316	$ 126

Table of Contents

COMMUNITY BANKERS TRUST CORPORATION

Notes to Consolidated Financial Statements

The following table summarizes information related to impaired loans as of December 31, 2010 (dollars in thousands):

	Recorded Investment (1)	Unpaid Principal Balance (2)	Related Allowance	Interest Income Recognized
With an allowance recorded:				
Mortgage loans on real estate:				
Residential 1-4 family	$ 5,858	$ 6,257	$ 1,558	$ 28
Commercial	3,314	3,352	901	
Construction and land development	9,094	10,338	3,605	95
Second mortgages	161	161	161	4
Multifamily				
Agriculture	288	288	100	6
Total real estate loans	18,715	20,396	6,325	133
Commercial loans	1,741	1,745	1,341	
Consumer installment loans				
All other loans				
Subtotal impaired loans with valuation allowance	$ 20,456	$ 22,141	$ 7,666	$ 133
With no related allowance recorded:				
Mortgage loans on real estate:				
Residential 1-4 family	$ 5,662	$ 6,905	$	$ 4
Commercial	3,867	4,217		
Construction and land development	13,774	20,766		2
Second mortgages	218	221		
Multifamily				
Agriculture				
Total real estate loans	23,521	32,109		6
Commercial loans	907	910		2
Consumer installment loans	90	90		1
All other loans				
Subtotal impaired loans without valuation allowance	$ 24,518	$ 33,109	$	$ 9
Total:				
Mortgage loans on real estate:				
Residential 1-4 family	$ 11,520	$ 13,162	$ 1,558	$ 32
Commercial	7,181	7,569	901	
Construction and land development	22,868	31,104	3,605	97
Second mortgages	379	382	161	4
Multifamily				
Agriculture	288	288	100	6
Total real estate loans	42,236	52,505	6,325	139

Commercial loans	2,648	2,655	1,341	2
Consumer installment loans	90	90		1
All other loans				
Total impaired loans	$ 44,974	$ 55,250	$ 7,666	$ 142

(1) The amount of the investment in a loan, which is not net of a valuation allowance, but which does reflect any direct write-down of the investment.

(2) The contractual amount due which reflects paydowns applied in accordance with loan documents, but which does not reflect any direct write-downs

Table of Contents

COMMUNITY BANKERS TRUST CORPORATION

Notes to Consolidated Financial Statements

The following table represents non-covered nonaccruals by loan category as of September 30, 2011 and December 31, 2010 (dollars in thousands):

	September 30, 2011	December 31, 2010
Mortgage loans on real estate:		
Residential 1-4 family	$ 6,759	$ 9,600
Commercial	8,251	7,181
Construction and land development	19,314	16,854
Second mortgages	190	218
Multifamily		
Agriculture	53	
Total real estate loans	34,567	33,853
Commercial loans	1,521	2,619
Consumer installment loans	89	60
All other loans		
Total loans	$ 36,177	$ 36,532

Troubled debt restructures, some substandard, and doubtful loans still accruing interest are loans that management expects to ultimately collect all principal and interest due, but not under the terms of the original contract. A reconciliation of impaired loans to nonaccrual loans at September 30, 2011 and December 31, 2010, is set forth in the table below (dollars in thousands):

	September 30, 2011	December 31, 2010
Nonaccruals	$ 36,177	$ 36,532
Troubled debt restructure and still accruing	5,870	4,007
Substandard and still accruing	3,887	4,081
Doubtful and still accruing		354
Total impaired	$ 45,934	$ 44,974

The following table presents an age analysis of past due status of loans by category as of September 30, 2011 and December 31, 2010 (dollars in thousands):

	September 30, 2011					
	30-89 Days Past Due	Greater than 90 Days	Total Past Due	Current	Total Loans Receivable	Recorded Investment > 90 Days and Accruing
Mortgage loans on real estate:						
Residential 1-4 family	$ 1,927	$ 6,759	$ 8,686	$ 120,834	$ 129,520	$
Commercial	1,062	8,251	9,313	189,559	198,872	

Construction and land development	207	19,314	19,521	61,753	81,274	
Second mortgages	40	250	290	8,029	8,319	60
Multifamily				13,782	13,782	
Agriculture		53	53	8,179	8,232	
Total real estate loans	3,236	34,627	37,863	402,136	439,999	60
Commercial loans	158	1,542	1,700	52,325	54,025	20
Consumer installment loans	198	89	287	9,322	9,609	
All other loans				1,696	1,696	
Total loans	$ 3,592	$ 36,258	$ 39,850	$ 465,479	$ 505,329	$ 80

Table of Contents

COMMUNITY BANKERS TRUST CORPORATION

Notes to Consolidated Financial Statements

	December 31, 2010					
	30-89 Days Past Due	Greater than 90 Days	Total Past Due	Current	Total Loans Receivable	Recorded Investment > 90 Days and Accruing
Mortgage loans on real estate:						
Residential 1-4 family	$ 3,444	$ 9,989	$ 13,433	$ 124,089	$ 137,522	$ 389
Commercial	1,711	7,181	8,892	196,142	205,034	
Construction and land development	8,241	16,854	25,095	78,668	103,763	
Second mortgages	194	218	412	9,268	9,680	
Multifamily				9,831	9,831	
Agriculture	288		288	3,532	3,820	
Total real estate loans	13,878	34,242	48,120	421,530	469,650	389
Commercial loans	610	2,619	3,229	41,139	44,368	
Consumer installment loans	121	60	181	9,630	9,811	
All other loans				1,993	1,993	
Total loans	$ 14,609	$ 36,921	$ 51,530	$ 474,292	$ 525,822	$ 389

Activity in the allowance for loan losses on non-covered loans for the nine months ended September 30, 2011 and the year ended December 31, 2010 was comprised of the following (dollars in thousands):

	Nine months ended September 30, 2011	Year ended December 31, 2010
Beginning allowance	$ 25,543	$ 18,169
Provision for loan losses	1,498	26,483
Recoveries of loans charged off	548	951
Loans charged off	(11,825)	(20,060)
Allowance at end of period	$ 15,764	$ 25,543

The following table presents activity in the allowance for loan losses on non-covered loans by loan category for the nine months ended September 30, 2011 (dollars in thousands):

	Year ended December 31, 2010	Provision Allocation	Charge offs	Recoveries	Nine months ended September 30, 2011
Mortgage loans on real estate:					
Residential 1-4 family	$ 6,262	$ (912)	$ (1,717)	$ 18	$ 3,651
Commercial	5,287	431	(2,646)	48	3,120
Construction and land development	10,039	(1,006)	(3,987)	91	5,137
Second mortgages	406	29	(81)	1	355
Multifamily	260	(77)			183

Agriculture	266	(223)			43
Total real estate loans	22,520	(1,758)	(8,431)	158	12,489
Commercial loans	2,691	3,222	(3,165)	199	2,947
Consumer installment loans	257	44	(229)	191	263
All other loans	75	(10)			65
Total non-covered loans	$ 25,543	$ 1,498	$ (11,825)	$ 548	$ 15,764

Table of Contents

COMMUNITY BANKERS TRUST CORPORATION

Notes to Consolidated Financial Statements

The following table presents charge-offs and recoveries for non-covered loans by loan category for the year ended December 31, 2010 (dollars in thousands):

	Year ended December 31, 2010		
	Charge-offs	Recoveries	Net Charge-offs
Mortgage loans on real estate:			
Residential 1-4 family	$ 2,461	$ (1)	$ 2,460
Commercial	1,352	(508)	844
Construction and land development	12,759	(103)	12,656
Second mortgages	360	(79)	281
Multifamily	375		375
Agriculture			
Total real estate loans	17,307	(691)	16,616
Commercial loans	2,125	(178)	1,947
Consumer installment loans	598	(68)	530
All other loans	30	(14)	16
Total non-covered loans	$ 20,060	$ (951)	$ 19,109

The following table presents information on the non-covered loans evaluated for impairment in the allowance for loan losses as of September 30, 2011 and December 31, 2010 (dollars in thousands):

	September 30, 2011					
	Allowance for Loan Losses			Recorded Investment in Loans		
	Individually Evaluated for Impairment	Collectively Evaluated for Impairment	Total	Individually Evaluated for Impairment	Collectively Evaluated for Impairment	Total
Mortgage loans on real estate:						
Residential 1-4 family	$ 902	$ 2,643	$ 3,545	$ 10,579	$ 118,941	$ 129,520
Commercial	524	2,595	3,119	18,221	180,651	198,872
Construction and land development	1,031	4,212	5,243	28,561	52,713	81,274
Second mortgages	112	243	355	429	7,890	8,319
Multifamily		183	183		13,782	13,782
Agriculture	11	32	43	209	8,023	8,232
Total real estate loans	2,580	9,908	12,488	57,999	382,000	439,999
Commercial loans	811	2,135	2,946	2,011	52,014	54,025
Consumer installment loans	22	270	292	101	9,508	9,609
All other loans	10	28	38	285	1,411	1,696
Total loans	$ 3,423	$ 12,341	$ 15,764	$ 60,396	$ 444,933	$ 505,329

16

Table of Contents

COMMUNITY BANKERS TRUST CORPORATION

Notes to Consolidated Financial Statements

	December 31, 2010					
	Allowance for Loan Losses			Recorded Investment in Loans		
	Individually Evaluated for Impairment	Collectively Evaluated for Impairment	Total	Individually Evaluated for Impairment	Collectively Evaluated for Impairment	Total
Mortgage loans on real estate:						
Residential 1-4 family	$ 2,753	$ 3,509	$ 6,262	$ 14,347	$ 123,175	$ 137,522
Commercial	2,967	2,320	5,287	48,552	156,482	205,034
Construction and land development	5,392	4,647	10,039	39,712	64,051	103,763
Second mortgages	179	227	406	339	9,341	9,680
Multifamily		260	260		9,831	9,831
Agriculture	174	92	266	1,027	2,793	3,820
Total real estate loans	11,465	11,055	22,520	103,977	365,673	469,650
Commercial loans	1,347	1,344	2,691	4,975	39,393	44,368
Consumer installment loans	30	227	257	209	9,602	9,811
All other loans		75	75		1,993	1,993
Total loans	$ 12,842	$ 12,701	$ 25,543	$ 109,161	$ 416,661	$ 525,822

Loans individually evaluated for impairment include all loans reviewed regardless of whether or not they were deemed impaired.

Non-covered loans are monitored for credit quality on a recurring basis. These credit quality indicators are defined as follows:

Pass - A pass related loan is not adversely classified, as it does not display any of the characteristics for adverse classification.

Special Mention - A special mention loan has potential weaknesses that deserve management s close attention. If left uncorrected, such potential weaknesses may result in deterioration of the repayment prospects or collateral position at some future date. Special mention loans are not adversely classified and do not warrant adverse classification.

Substandard - A substandard loan is inadequately protected by the current net worth and paying capacity of the obligor or of the collateral pledged, if any. Loans classified as substandard generally have a well-defined weakness, or weaknesses, that jeopardize the liquidation of the debt. These loans are characterized by the distinct possibility of loss if the deficiencies are not corrected.

Doubtful - A doubtful loan has all the weaknesses inherent in a loan classified as substandard with the added characteristics that the weaknesses make collection or liquidation in full highly questionable and improbable, on the basis of currently existing facts, conditions, and values.

Table of Contents

COMMUNITY BANKERS TRUST CORPORATION

Notes to Consolidated Financial Statements

The following tables present the composition of non-covered loans by credit quality indicator at September 30, 2011 and December 31, 2010 (dollars in thousands):

	$000,000	$000,000	$000,000	$000,000	$000,000
			September 30, 2011		
	Pass	**Special Mention**	**Substandard**	**Doubtful**	**Total**
Mortgage loans on real estate:					
Residential 1-4 family	$ 109,591	$ 9,058	$ 10,871	$	$ 129,520
Commercial	144,325	39,453	15,094		198,872
Construction and land development	35,547	17,251	28,476		81,274
Second mortgages	7,292	598	429		8,319
Multifamily	10,222	3,560			13,782
Agriculture	7,553	477	202		8,232
Total real estate loans	314,530	70,397	55,072		439,999
Commercial loans	50,244	1,734	2,047		54,025
Consumer installment loans	9,037	216	356		9,609
All other loans	1,696				1,696
Total loans	$ 375,507	$ 72,347	$ 57,475	$	$ 505,329

	$000,000	$000,000	$000,000	$000,000	$000,000
			December 31, 2010		
	Pass	**Special Mention**	**Substandard**	**Doubtful**	**Total**
Mortgage loans on real estate:					
Residential 1-4 family	$ 112,595	$ 8,444	$ 13,839	$ 2,644	$ 137,522
Commercial	140,064	15,619	48,816	535	205,034
Construction and land development	45,448	17,156	39,183	1,976	103,763
Second mortgages	8,615	550	352	163	9,680
Multifamily	6,726	3,105			9,831
Agriculture	2,440	345	1,035		3,820
Total real estate loans	315,888	45,219	103,225	5,318	469,650
Commercial loans	36,452	1,506	4,604	1,806	44,368
Consumer installment loans	9,028	471	278	34	9,811
All other loans	1,993				1,993
Total loans	$ 363,361	$ 47,196	$ 108,107	$ 7,158	$ 525,822

As a result of adopting the amendments in ASU 2011-02, the Company reassessed all restructurings that occurred on or after the beginning of the fiscal year of adoption (January 1, 2011) to determine whether they are considered troubled debt restructurings (TDRs) under the amended guidance. The Company determined that all TDRs transacted during the period had been identified properly in accordance with the guidance.

No loans were modified during the three months ended September 30, 2011. During the nine months ended September 30, 2011, the Bank modified six loans that were considered to be TDRs. The Bank extended the terms for five of these loans and lowered the interest rates for six of these loans.

Table of Contents

COMMUNITY BANKERS TRUST CORPORATION

Notes to Consolidated Financial Statements

The following table presents information relating to loans modified as TDRs during the nine months ended September 30, 2011 (dollars in thousands):

	Nine months ended September 30, 2011		
	Number of Contracts	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
Mortgage loans on real estate:			
Residential 1-4 family	3	$ 722	$ 679
Commercial	2	5,518	4,132
Construction and land development			
Second mortgages			
Multifamily			
Agriculture			
Total real estate loans	5	6,240	4,811
Commercial loans	1	560	531
Consumer installment loans			
All other loans			
Total loans	6	$ 6,800	$ 5,342

During the nine months ended September 30, 2011, four loans that had been restructured during the previous twelve months, were in default, one of which went into default during the quarter. A loan is considered to be in default if it is ninety days or more past due.

The following tables present information relating to TDRs that resulted in default during the three and nine months ended September 30, 2011 (dollars in thousands):

	Three months ended September 30, 2011	
	Number of Contracts	Recorded Investment
Mortgage loans on real estate:		
Residential 1-4 family		$
Commercial	1	1,416
Construction and land development		
Second mortgages		
Multifamily		
Agriculture		
Total real estate loans	1	1,416
Commercial loans		
Consumer installment loans		
All other loans		
Total loans	1	$ 1,416

19

Table of Contents

COMMUNITY BANKERS TRUST CORPORATION

Notes to Consolidated Financial Statements

	Nine months ended September 30, 2011	
	Number of Contracts	Recorded Investment
Mortgage loans on real estate:		
Residential 1-4 family	2	$ 406
Commercial	1	1,416
Construction and land development		
Second mortgages		
Multifamily		
Agriculture		
Total real estate loans	3	1,822
Commercial loans	1	525
Consumer installment loans		
All other loans		
Total loans	4	$ 2,347

In the determination of the allowance for loan losses, management considers troubled debt restructurings and subsequent defaults in these restructurings by reviewing for impairment in accordance with ASC 310-10-35, *Receivables, Subsequent Measurement*.

At September 30, 2011, the Company had 1-4 family mortgages in the amount $168.3 million pledged as collateral to the FHLB for a total borrowing capacity of $109.1 million.

4. LOANS COVERED BY FDIC SHARED LOSS AGREEMENT (COVERED LOANS)

The Company is applying the provisions of FASB ASC 310-30, *Loans and Debt Securities Acquired with Deteriorated Credit Quality*, to all loans acquired in the SFSB transaction (the covered loans). Of the total $198.3 million in loans acquired, $49.1 million met the criteria of ASC 310-30. These loans, consisting mainly of construction loans, were deemed impaired at the acquisition date. The remaining $149.1 million of loans acquired, comprised mainly of residential 1-4 family, were analogized to meet the criteria of ASC 310-30. Analysis of this portfolio revealed that SFSB utilized weak underwriting and documentation standards, which led the Company to believe that significant losses were probable given the economic environment at the time.

As of September 30, 2011 and December 31, 2010, the outstanding balance of the covered loans was $165.4 million and $191.5 million, respectively. The carrying amount, by loan type, as of these dates is as follows (dollars in thousands):

	September 30, 2011		December 31, 2010	
	Amount	% of Covered Loans	Amount	% of Covered Loans
Mortgage loans on real estate:				
Residential 1-4 family	$ 87,565	87.52%	$ 99,312	85.96%
Commercial	1,890	1.89	2,800	2.42
Construction and land development	4,409	4.41	5,751	4.98
Second mortgages	6,131	6.13	7,542	6.53
Multifamily	36	0.04	38	0.03

Agriculture				
Total real estate loans	100,031	99.99	115,443	99.92
Commercial loans				
Consumer installment loans	13	0.01	94	0.08
All other loans				
Gross covered loans	$ 100,044	100.00%	$ 115,537	100.00%

Table of Contents

COMMUNITY BANKERS TRUST CORPORATION

Notes to Consolidated Financial Statements

Activity in the allowance for loan losses on covered loans for the nine months ended September 30, 2011 and the year ended December 31, 2010 was comprised of the following the following (dollars in thousands):

	Nine months ended September 30, 2011	Year ended December 31, 2010
Beginning allowance	$ 829	$
Provision for loan losses		880
Recoveries of loans charged off		205
Loans charged off	53	(256)
Allowance at end of period	$ 776	$ 829

	Year ended December 31, 2010	Provision Allocation	Charge offs	Recoveries	Nine months ended September 30, 2011
Mortgage loans on real estate:					
Residential 1-4 family	$ 526	$	$ 53	$	$ 473
Commercial	303				303
Construction and land development					
Second mortgages					
Multifamily					
Agriculture					
Total real estate loans	829		53		776
Commercial loans					
Consumer installment loans					
All other loans					
Total non-covered loans	$ 829	$	$ 53	$	$ 776

The following table present charge-offs and recoveries for covered loans by loan category for the year ended December 31, 2010 (dollars in thousands). Recoveries are reimbursements received from the FDIC under the shared-loss agreements:

	Year ended December 31, 2010		
	Charge-offs	Recoveries	Net Charge-offs
Mortgage loans on real estate:			
Residential 1-4 family	$	$	$
Commercial			
Construction and land development	256	(205)	51
Second mortgages			
Multifamily			

Agriculture			
Total real estate loans	256	(205)	51
Commercial loans			
Consumer installment loans			
All other loans			
Total non-covered loans	$ 256	$ (205)	$ 51

Table of Contents

COMMUNITY BANKERS TRUST CORPORATION

Notes to Consolidated Financial Statements

The following table presents information on the covered loans collectively evaluated for impairment in the allowance for loan losses at September 30, 2011 and December 31, 2010 (dollars in thousands):

	September 30, 2011		December 31, 2010	
	Allowance for loan losses	Recorded investment in loans	Allowance for loan losses	Recorded investment in loans
Mortgage loans on real estate:				
Residential 1-4 family	$ 473	$ 87,565	$ 526	$ 99,312
Commercial	303	1,890	303	2,800
Construction and land development		4,409		5,751
Second mortgages		6,131		7,542
Multifamily		36		38
Agriculture				
Total real estate loans	776	100,031	829	115,443
Commercial loans				
Consumer installment loans		13		94
All other loans				
Gross covered loans	$ 776	$ 100,044	$ 829	$ 115,537

The change in the accretable yield balance for the nine months ended September 30, 2011 and the year ended December 31, 2010 is as follows (dollars in thousands):

Balance, January 1, 2010	$ 56,792
Accretion	(13,759)
Reclassification from (to) Non-accretable Yield	32,685
Balance, December 31, 2010	75,718
Accretion	(13,274)
Reclassification from (to) Non-accretable Yield	(4,458)
Balance, September 30, 2011	$ 57,986

The covered loans are not classified as nonperforming assets as of September 30, 2011, as the loans are accounted for on a pooled basis, and interest income, through accretion of the difference between the carrying amount of the loans and the expected cash flows, is being recognized on all purchased loans. As of September 30, 2011, there was an allowance for loan losses recorded on covered loans of $776,000. This allowance is the result of a change in the timing of expected cash flows for one of the covered loan pools.

At December 31, 2010, the acquisition, construction and development (ADC) pool originally purchased from the FDIC in 2009 had a carrying value of $410,000 in accordance with FASB ASC 310-30. The amount and timing of future cash flows on the ADC pool, based on an analysis of the loans in the pool, were determined to be not reasonably estimatable. As a result, during the quarter ended March 31, 2011, management applied the cost recovery method to the ADC loan pool, which requires that all cash payments first be applied to principal. During the first quarter of 2011, sufficient cash payments were received on the ADC pool to lower the carrying value to $0, with excess payments being applied

to interest income. Any subsequent payments will now be recognized as interest income.

Table of Contents

COMMUNITY BANKERS TRUST CORPORATION

Notes to Consolidated Financial Statements

5. FDIC AGREEMENTS AND FDIC INDEMNIFICATION ASSET

On January 30, 2009, the Company entered into a Purchase and Assumption Agreement with the FDIC to assume all of the deposits and certain other liabilities and acquire substantially all of the assets of SFSB. Under the shared loss agreements that are part of that agreement, the FDIC will reimburse the Bank for 80% of losses arising from covered loans and foreclosed real estate assets on the first $118 million in losses of such covered loans and foreclosed real estate assets and for 95% of losses on covered loans and foreclosed real estate assets thereafter. Under the shared loss agreements, a loss on a covered loan or foreclosed real estate is defined generally as a realized loss incurred through a permitted disposition, foreclosure, short-sale or restructuring of the covered loan or foreclosed real estate. The reimbursements for losses on single family one-to-four residential mortgage loans are to be made quarterly until the end of the quarter in which the tenth anniversary of the closing of the SFSB transaction occurs, and the reimbursements for losses on other covered assets are to be made quarterly until the end of the quarter in which the eighth anniversary of the closing of the SFSB transaction occurs. Prior to the third quarter of 2011, reimbursements for losses on single family one-to-four residential mortgage loans were made monthly. The shared loss agreements provide for indemnification from the first dollar of losses without any threshold requirement. The reimbursable losses from the FDIC are based on the book value of the relevant loan as determined by the FDIC at the date of the SFSB transaction. New loans made after that date are not covered by the shared loss agreements. The carrying value of the shared loss agreements is detailed below.

The Company is accounting for the shared loss agreements as an indemnification asset pursuant to the guidance in FASB ASC 805, *Business Combinations*. The FDIC indemnification asset was measured at fair value at the time of acquisition, as it is required to be measured in the same manner as the asset or liability to which it relates. The FDIC indemnification asset is measured separately from the covered loans and other real estate owned assets because it is not contractually embedded in the covered loan and other real estate owned assets and is not transferable should the Company choose to dispose of them. Fair value at the acquisition date was estimated using projected cash flows available for loss sharing based on the credit adjustments estimated for each loan pool and other real estate owned and the loss sharing percentages outlined in the shared loss agreements. These cash flows were discounted to reflect the uncertainty of the timing and receipt of the loss sharing reimbursement from the FDIC.

Because the acquired loans are subject to a shared loss agreement and the corresponding indemnification asset exists to represent the value of expected payments from the FDIC, increases and decreases in loan accretable yield due to changing loss expectations will also have an impact on the valuation of the FDIC indemnification asset. Improvement in loss expectations will typically increase loan accretable yield and decrease the value of the FDIC indemnification asset and, in some instances, result in an amortizable premium on the FDIC indemnification asset. Increases in loss expectations will typically be recognized as impairment in the current period through allowance for loan losses while resulting in additional noninterest income for the amount of the increase in the FDIC indemnification asset.

In addition to the premium amortization, the balance of the FDIC indemnification asset is affected by expected payments from the FDIC. Under the terms of the shared loss agreements, the FDIC will reimburse the Company for loss events incurred related to the covered loan portfolio. These events include such things as future writedowns due to decreases in the fair market value of other real estate owned (OREO), net loan charge-offs and recoveries, and net gains and losses on OREO sales.

Table of Contents

COMMUNITY BANKERS TRUST CORPORATION

Notes to Consolidated Financial Statements

The following table presents the balances of the FDIC indemnification asset related to the SFSB transaction at September 30, 2011 and December 31, 2010 (dollars in thousands):

	Anticipated Expected Losses	Estimated Loss Sharing Value	Amortizable Premium (Discount) at PV	FDIC Indemnification Asset Total
January 1, 2010	$ 88,943	$ 71,090	$ 5,017	$ 76,107
Increases:				
Writedown of OREO property to FMV	3,028	2,422		2,422
Decreases:				
Net amortization of premium			(3,165)	(3,165)
Reclassifications to FDIC receivable:				
Net loan charge-offs and recoveries	(8,521)	(6,817)		(6,817)
OREO sales	(8,858)	(7,086)		(7,086)
Reimbursements requested from FDIC	(3,865)	(3,092)		(3,092)
Reforecasted Change in Anticipated Expected Losses	(24,477)	(19,517)	19,517	
December 31, 2010	46,250	37,000	21,369	58,369
Increases:				
Writedown of OREO property to FMV	1,512	1,210		1,210
Decreases:				
Net amortization of premium			(7,762)	(7,762)
Reclassifications to FDIC receivable:				
Net loan charge-offs and recoveries	(2,389)	(1,911)		(1,911)
OREO sales	(2,293)	(1,835)		(1,835)
Reimbursements requested from FDIC	(1,386)	(1,109)		(1,109)
Reforecasted Change in Anticipated Expected Losses	(3,226)	(2,581)	2,581	
September 30, 2011	$ 38,468	$ 30,774	$ 16,188	$ 46,962

6. OTHER INTANGIBLES

Core deposit intangible assets are amortized over the period of expected benefit, ranging from 2.6 to 9 years. Core deposit intangibles are recognized, amortized and evaluated for impairment as required by FASB ASC 350, *Intangibles*. As a result of the mergers with TFC and BOE, the Company recorded $15.0 million in core deposit intangible assets. Core deposit intangibles resulting from the Georgia and Maryland transactions equaled $3.2 million and $2.2 million, respectively, and will be amortized over approximately 9 years.

Other intangible assets are presented in the following table (dollars in thousands):

	Core Deposit Intangibles
Balance January 1, 2010	$ 17,080
Amortization	(2,261)

Balance December 31, 2010		14,819
Amortization		(1,696)
Balance September 30, 2011	$	13,123

Table of Contents

COMMUNITY BANKERS TRUST CORPORATION

Notes to Consolidated Financial Statements

7. DEPOSITS

The following table provides interest-bearing deposit information, by type, as of September 30, 2011 and December 31, 2010 (dollars in thousands):

	September 30, 2011	December 31, 2010
NOW	$ 110,538	$ 106,248
MMDA	117,910	127,594
Savings	68,349	64,121
Time deposits less than $100,000	329,395	367,333
Time deposits $100,000 and over	221,395	234,070
Total interest-bearing deposits	$ 847,587	$ 899,366

8. FAIR VALUES OF ASSETS AND LIABILITIES

FASB ASC 820, *Fair Value Measurements and Disclosures,* defines fair value as the exchange price that would be received for an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. ASC 820 requires that valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs and also establishes a fair value hierarchy that prioritizes the valuation inputs into three broad levels. The Company groups assets and liabilities at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value. These levels are:

Level 1 Valuation is based upon quoted prices for identical instruments traded in active markets.

Level 2 Valuation is based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 Valuation is determined using model-based techniques with significant assumptions not observable in the market. These unobservable assumptions reflect the Company s own estimates of assumptions that market participants would use in pricing the asset or liability. Valuation techniques include the use of third party pricing services, option pricing models, discounted cash flow models and similar techniques.

FASB ASC 825, *Financial Instruments*, allows an entity the irrevocable option to elect fair value for the initial and subsequent measurement for certain financial assets and liabilities on a contract-by-contract basis. The Company has not made any material ASC 825 elections as of September 30, 2011.

Table of Contents

COMMUNITY BANKERS TRUST CORPORATION

Notes to Consolidated Financial Statements

Assets and Liabilities Recorded at Fair Value on a Recurring Basis

The Company utilizes fair value measurements to record adjustments to certain assets to determine fair value disclosures. Securities available for sale are recorded at fair value on a recurring basis. The table below presents the recorded amount of assets and liabilities measured at fair value on a recurring basis (dollars in thousands).

	September 30, 2011			
	Total	Level 1	Level 2	Level 3
Investment securities available for sale				
U.S. Treasury issue and U.S. government agencies	$ 60,582	$ 57,537	$ 3,045	$
State, county, and municipal	59,547	1,685	57,862	
Corporate and other bonds	4,696		4,696	
Mortgage backed securities	91,720	11,832	79,888	
Total investment securities available for sale	216,545	71,054	145,491	
Total assets at fair value	$ 216,545	$ 71,054	$ 145,491	$
Total liabilities at fair value	$	$	$	$

	December 31, 2010			
	Total	Level 1	Level 2	Level 3
Investment securities available for sale				
U.S. Treasury issue and U.S. government agencies	$ 89,574	$ 3,254	$ 86,320	$
State, county, and municipal	70,335		70,335	
Corporate and other bonds	3,573		3,573	
Mortgage backed securities	52,078		52,078	
Total investment securities available for sale	215,560	3,254	212,306	
Total assets at fair value	$ 215,560	$ 3,254	$ 212,306	$
Total liabilities at fair value	$	$	$	$

Investment securities available for sale

Investment securities available for sale are recorded at fair value each reporting period. 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 Company utilizes a third party vendor to provide fair value data for purposes of determining the fair value of its available for sale securities portfolio. The third party vendor uses a reputable pricing company for security market data. The third party vendor has controls and edits in

place for month-to-month market checks and zero pricing and an AICPA Statement on Auditing Standard Number 70 (SAS 70) report is obtained from the third party vendor on an annual basis. The Company makes no adjustments to the pricing service data received for its securities available for sale.

Level 1 securities include those traded on an active exchange, such as the New York Stock Exchange, U.S. Treasury securities that are traded by dealers or brokers in active over-the-counter markets and money market funds. Level 2 securities include mortgage-backed securities issued by government sponsored entities, municipal bonds and corporate debt securities. Securities classified as Level 3 include asset-backed securities in less liquid markets.

Table of Contents

COMMUNITY BANKERS TRUST CORPORATION

Notes to Consolidated Financial Statements

Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis

The Company is also required to measure and recognize certain other financial assets at fair value on a nonrecurring basis on the consolidated balance sheet. For assets measured at fair value on a nonrecurring basis in 2010 and still held on the consolidated balance sheet at September 30, 2011, the following table provides the fair value measures by level of valuation assumptions used for those assets.

	September 30, 2011			
	Total	Level 1	Level 2	Level 3
Impaired loans, non-covered	$ 20,128	$	$ 5,939	$ 14,189
Other real estate owned (OREO), non-covered	8,858			8,858
Other real estate owned (OREO), covered	7,235		1,008	6,227
Total assets at fair value	$ 36,221	$	$ 6,947	$ 29,274
Total liabilities at fair value	$	$	$	$

	December 31, 2010			
	Total	Level 1	Level 2	Level 3
Impaired loans, non-covered	$ 14,083	$	$ 8,741	$ 5,342
Other real estate owned (OREO), non-covered	5,928			5,928
Other real estate owned (OREO), covered	9,889		1,060	8,829
Total assets at fair value	$ 29,900	$	$ 9,801	$ 20,099
Total liabilities at fair value	$	$	$	$

Impaired loans, non-covered

Loans for which it is probable that payment of interest and principal will not be made in accordance with the contractual terms of the loan agreement are considered impaired. Once a loan is identified as individually impaired, management measures the impairment in accordance with FASB ASC 310, *Receivables*. The fair value of impaired loans is estimated using one of several methods, including collateral value, market value of similar debt, enterprise value, liquidation value and discounted cash flows. Those impaired loans not requiring an allowance represent loans for which the fair value of the expected repayments or collateral exceeds the recorded investments in such loans. The Bank frequently obtains appraisals prepared by external professional appraisers for classified loans greater than $250,000 when the most recent appraisal is greater than 12 months old. The appraisal, based on the date of preparation, becomes only a part of the determination of the amount of any loan write-off, with current market conditions and the collateral s location being other determinants. When the fair value of the collateral is based on an observable market price or a current appraised value, the Company records the impaired loan within Level 2.

The Company may also identify collateral deterioration based on current market sales data, including price and absorption, as well as input from real estate sales professionals and developers, county or city tax assessments, market data and on-site inspections by Company personnel. Internally prepared estimates generally result from current market data and actual sales data related to the Company s collateral or where the collateral is located. When management determines that the fair value of the collateral is further impaired below the appraised value and there is no observable market price, the Company records the impaired loan as nonrecurring Level 3. In instances where an appraisal received subsequent to an internally prepared estimate reflects a higher collateral value, management does not revise the carrying amount. Reviews of classified loans are performed by management on a quarterly basis.

Other real estate owned, covered and non-covered

Other real estate owned (OREO) assets are adjusted to fair value upon transfer of the related loans to OREO property. Subsequent to the transfer, valuations are periodically performed by management and the assets are carried at the lower of carrying value or fair value. Fair value is based upon independent market prices, appraised values of the collateral or management s estimation of the value of the collateral. When the fair value of the collateral is based on an observable market price or a current appraised value, the Company records the foreclosed asset within Level

Table of Contents

COMMUNITY BANKERS TRUST CORPORATION

Notes to Consolidated Financial Statements

2. When an appraised value is not available or management determines that the fair value of the collateral is further impaired below the appraised value and there is no observable market price, the Company records the foreclosed asset within Level 3 of the fair value hierarchy.

Fair Value of Financial Instruments

FASB ASC 825, *Financial Instruments*, requires disclosure of the fair value of financial assets and financial liabilities, including those financial assets and financial liabilities that are not measured and reported at fair value on a recurring or nonrecurring basis. FASB ASC 825 excludes certain financial instruments and all nonfinancial instruments from its disclosure requirements. Accordingly, the aggregate fair value amounts presented may not necessarily represent the underlying fair value of the Company.

The following reflects the fair value of financial instruments, whether or not recognized on the consolidated balance sheet, at fair value (dollars in thousands).

	September 30, 2011		December 31, 2010	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
Financial assets:				
Cash and cash equivalents	$ 53,388	$ 53,388	$ 33,381	$ 33,381
Securities available for sale	216,545	216,545	215,560	215,560
Securities held to maturity	68,342	72,702	84,771	89,027
Equity securities, restricted	6,954	6,954	7,170	7,170
Loans, non-covered	489,401	480,687	500,005	491,621
Loans, covered	99,268	113,404	114,708	139,952
FDIC indemnification asset	46,962	30,654	58,369	49,765
Accrued interest receivable	3,155	3,155	3,826	3,826
Financial liabilities:				
Noninterest-bearing deposits	68,029	68,029	62,359	62,359
Interest-bearing deposits	847,587	849,864	899,366	898,508
Long-term borrowings	41,124	45,118	41,124	45,210
Accrued interest payable	1,248	1,248	1,557	1,557

The following methods were used to estimate the fair value of all other financial instruments recognized in the accompanying balance sheets at amounts other than fair value as of September 30, 2011. The Company applied the provisions of ASC 820 to the fair value measurements of financial instruments not recognized on the consolidated balance sheet at fair value, which include unimpaired non-covered loans, interest receivable, noninterest-bearing and interest-bearing deposits, other borrowings, and interest payable. The provisions requiring the Company to maximize the use of observable inputs and to measure fair value using a notion of exit price were factored into the Company s selection of inputs into its established valuation techniques.

Financial Assets

Cash and cash equivalents

The carrying amounts of cash and due from banks, interest-bearing bank deposits, and federal funds sold approximate fair value.

Securities held for investment

For securities held for investment, fair values are based on quoted market prices or dealer quotes.

Restricted securities

The carrying value of restricted securities approximates their fair value based on the redemption provisions of the respective issuer.

Table of Contents

COMMUNITY BANKERS TRUST CORPORATION

Notes to Consolidated Financial Statements

Loans not covered by FDIC shared loss agreement (non-covered loans)

For certain homogeneous categories of loans, such as some residential mortgages and other consumer loans, fair value is estimated using the quoted market prices for securities backed by similar loans, adjusted for differences in loan characteristics. The fair value of other types of loans is estimated by discounting the future cash flows using the current rates at which similar loans would be made to borrowers with similar credit ratings and for the same remaining maturities.

Loans covered by FDIC shared loss agreement (covered loans)

Fair values for covered loans are based on a discounted cash flow methodology that considers various factors including the type of loan and related collateral, classification status, term of loan and whether or not the loans are amortizing. Loans were pooled together according to similar characteristics and were treated in the aggregate when applying various valuation techniques. The discount rates used for loans are based on the rates used at acquisition (which were based on market rates for new originations of comparable loans) adjusted for any material changes in interest rates since acquisition. Increases in cash flow expectations since acquisition resulted in estimated fair value being higher than carrying value. The increase in cash flows is also reflected in a transfer from unaccretable yield to accretable yield as disclosed in Note 4.

FDIC indemnification asset

Loss sharing assets are measured separately from the related covered assets as they are not contractually embedded in the covered assets and are not transferable with the assets should the Company choose to dispose of them. Fair value is estimated using projected cash flows related to the obligations under the shared loss agreements based on the expected reimbursements for losses and the applicable loss sharing percentages. These expected reimbursements do not include reimbursable amounts related to future covered expenditures. These cash flows were discounted to reflect the uncertainty of the timing and receipt of the loss sharing reimbursement from the FDIC. A reduction in loss expectations has resulted in the estimated fair value of the FDIC indemnification asset being lower than its carrying value. This creates a premium that is amortized over the life of the asset and is reflected in Note 5.

Accrued interest receivable

The carrying amounts of accrued interest receivable approximate fair value.

Financial Liabilities

Noninterest-bearing deposits

The carrying amount of noninterest-bearing deposits approximates fair value.

Interest-bearing deposits

The fair value of NOW accounts, savings accounts, and certain money market deposits is the amount payable on demand at the reporting date. The fair value of fixed-maturity certificates of deposit is estimated using the rates currently offered for deposits of similar remaining maturities.

Long-term borrowings

The fair values of the Company s long-term borrowings, such as FHLB advances, are estimated using discounted cash flow analyses based on the Company s current incremental borrowing rates for similar types of borrowing arrangements.

29

Table of Contents

COMMUNITY BANKERS TRUST CORPORATION

Notes to Consolidated Financial Statements

Accrued interest payable

The carrying amounts of accrued interest payable approximate fair value.

Off-balance sheet financial instruments

The fair value of commitments to extend credit is estimated using the fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements and the present creditworthiness of the counterparties. For fixed-rate loan commitments, fair value also considers the difference between current levels of interest rates and the committed rates. The fair value of stand-by letters of credit is based on fees currently charged for similar agreements or on the estimated cost to terminate them or otherwise settle the obligations with the counterparties at the reporting date. The Company s off-balance sheet commitments are funded at current market rates at the date they are drawn upon. It is management s opinion that the fair value of these commitments would approximate their carrying value, if drawn upon.

The Company assumes interest rate risk (the risk that general interest rate levels will change) as a result of its normal operations. As a result, the fair values of the Company s financial instruments will change when interest rate levels change, and that change may be either favorable or unfavorable. Management attempts to match maturities of assets and liabilities to the extent believed necessary to minimize interest rate risk. However, borrowers with fixed rate obligations are less likely to prepay in a rising rate environment and more likely to prepay in a falling rate environment. Conversely, depositors who are receiving fixed rates are more likely to withdraw funds before maturity in a rising rate environment and less likely to do so in a falling rate environment. Management monitors rates and maturities of assets and liabilities and attempts to minimize interest rate risk by adjusting terms of new loans and deposits and by investing in securities with terms that mitigate the Company s overall interest rate risk.

9. EARNINGS PER SHARE

Basic earnings per share (EPS) is computed by dividing net income or loss available to common stockholders by the weighted average number of common shares outstanding during the period. Diluted EPS is computed using the weighted average number of common shares outstanding during the period, including the effect of all potentially dilutive common shares outstanding attributable to stock instruments.

(dollars and shares in thousands, except per share data)	Income (loss) (Numerator)	Weighted Average Shares (Denominator)	Per Common Share Amount
For the three months ended September 30 2011			
Basic EPS	$ 1,150	21,628	$ 0.05
Effect of dilutive stock awards			
Diluted EPS	$ 1,150	21,628	$ 0.05
For the three months ended September 30, 2010			
Basic EPS	$ (1,568)	21,468	$ (0.07)
Effect of dilutive stock awards			

Diluted EPS	$ (1,568)	21,468	$ (0.07)
For the nine months ended September 30, 2011			
Basic EPS	$ (70)	21,544	$ (0.00)
Effect of dilutive stock awards			
Diluted EPS	$ (70)	21,544	$ (0.00)
For the nine months ended September 30, 2010			
Basic EPS	$ (24,487)	21,468	$ (1.14)
Effect of dilutive stock awards			
Diluted EPS	$ (24,487)	21,468	$ (1.14)

Table of Contents

COMMUNITY BANKERS TRUST CORPORATION

Notes to Consolidated Financial Statements

Excluded from the computation of diluted earnings per share were an average of 291,000 and 5.2 million of awards, options or warrants, during the three months ended September 30, 2011 and 2010, respectively and an average of 3.0 million and 5.2 million for the nine months ended September 30, 2011 and 2010, respectively, because their inclusion would be anti-dilutive.

As of September 30, 2011, the Company has deferred five payments of its regular quarterly cash dividend with respect to its Fixed Rate Cumulative Perpetual Preferred Stock, Series A, which the Company issued to the United States Department of Treasury in connection with the Company s participation in the Treasury s TARP Capital Purchase Program in December 2008. The Company will also defer the November 2011 dividend payment. The total amount of accumulated dividends was $1.1 million as of September 30, 2011, and that amount will increase to $1.3 million with the deferral of the November 2011 payment.

10. DEFINED BENEFIT PLAN

The Company adopted the Bank of Essex noncontributory, defined benefit pension plan for all full-time pre-merger Bank of Essex employees over 21 years of age. Benefits are generally based upon years of service and the employees compensation. The Company funds pension costs in accordance with the funding provisions of the Employee Retirement Income Security Act. The Company has frozen the plan benefits for all participants effective December 31, 2010, resulting in a curtailment gain included in pension expense of $210,000 in 2010.

Components of Net Periodic Benefit Cost

	Three months ended		Nine months ended	
(In thousands)	September 30, 2011	September 30, 2010	September 30, 2011	September 30, 2010
Service cost	$	$ 92	$	$ 276
Interest cost	65	91	195	273
Expected return on plan assets	(75)	(71)	(225)	(213)
Amortization of prior service cost		1		3
Amortization of net obligation at transition		(1)		(3)
Amortization of net loss		15		45
Net periodic benefit cost	$ (10)	$ 127	$ (30)	$ 381

At September 30, 2011, employer contributions totalled $105,000 for the plan year. The Company is considering terminating the pension plan in the future. No determination has been made and the Company has not determined the financial impact of the termination of the plan.

11. CONTINGENCIES

See the Annual Report on Form 10-K for the period ended December 31, 2010 for information with respect to transaction-based bonus awards that the Company approved for the Company s then chief strategic officer in the first quarter of 2010 and paid in the first and second quarters of 2010. There have been no developments to the issues disclosed in the 2010 Form 10-K and, as of November 14, 2011, these issues remain open.

Table of Contents

Item 2. ***Management s Discussion and Analysis of Financial Condition and Results of Operations***

The following discussion and analysis of the financial condition at September 30, 2011 and results of operations of Community Bankers Trust Corporation (the Company) for the three and nine months ended September 30, 2011 should be read in conjunction with the Company s consolidated financial statements and the accompanying notes to consolidated financial statements included in this report and in the Company s Annual Report on Form 10-K for the year ended December 31, 2010.

OVERVIEW

The Company is a bank holding company that was incorporated under Delaware law on April 6, 2005. The Company is headquartered in Glen Allen, Virginia and is the holding company for Essex Bank (the Bank), a Virginia state bank with 24 full-service offices in Virginia, Maryland and Georgia.

The Bank engages in a general commercial banking business and provides a wide range of financial services primarily to individuals and small businesses, including individual and commercial demand and time deposit accounts, commercial and consumer loans, mortgage loans, investment services, on-line and mobile banking products, and safe deposit box facilities. Thirteen branches are located in Virginia, primarily from the Chesapeake Bay to just west of Richmond, seven are located in Maryland along the Baltimore-Washington corridor and four are located in the Atlanta, Georgia metropolitan market. The Bank closed its office in Rockbridge County, Virginia in April 2011.

The Company generates a significant amount of its income from the net interest income earned by the Bank. Net interest income is the difference between interest income and interest expense. Interest income depends on the amount of interest-earning assets outstanding during the period and the interest rates earned thereon. The Company s cost of funds is a function of the average amount of interest-bearing deposits and borrowed money outstanding during the period and the interest rates paid thereon. The quality of the assets further influences the amount of interest income lost on nonaccrual loans and the amount of additions to the allowance for loan losses. Additionally, the Bank earns noninterest income from service charges on deposit accounts and other fee or commission-based services and products. Other sources of noninterest income can include gains or losses on securities transactions, gains from loan sales, transactions involving bank-owned property, and income from Bank Owned Life Insurance (BOLI) policies. The Company s income is offset by noninterest expense, which consists of goodwill impairment and other charges, salaries and benefits, occupancy and equipment costs, professional fees, and other operational expenses. The provision for loan losses and income taxes materially affect income.

CAUTION ABOUT FORWARD-LOOKING STATEMENTS

The Company makes certain forward-looking statements in this Form 10-Q that are subject to risks and uncertainties. These forward-looking statements include statements regarding our profitability, liquidity, allowance for loan losses, interest rate sensitivity, market risk, growth strategy, and financial and other goals. These forward-looking statements are generally identified by phrases such as the Company expects, the Company believes or words of similar import.

These forward-looking statements are subject to significant uncertainties because they are based upon or are affected by factors, including, without limitation, the effects of and changes in the following:

- the quality or composition of the Company s loan or investment portfolios, including collateral values and the repayment abilities of borrowers and issuers;
- assumptions that underlie the Company s allowance for loan losses;
- general economic and market conditions, either nationally or in the Company s market areas;
- the ability of the Company to comply with regulatory actions, and the costs associated with doing so;

Table of Contents

- the interest rate environment;
- competitive pressures among banks and financial institutions or from companies outside the banking industry;
- real estate values;
- the demand for deposit, loan, and investment products and other financial services;
- the demand, development and acceptance of new products and services;
- the Company s compliance with, and the timing of future reimbursements from the FDIC to the Company under, the shared loss agreements;
- assumptions and estimates that underlie the accounting for loan pools under the shared loss agreements;
- consumer profiles and spending and savings habits;
- the securities and credit markets;
- costs associated with the integration of banking and other internal operations;
- management s evaluation of goodwill and other assets on a periodic basis, and any resulting impairment charges, under applicable accounting standards;
- the soundness of other financial institutions with which the Company does business;
- inflation;
- technology; and
- legislative and regulatory requirements.

These factors and additional risks and uncertainties are described in the Company s Annual Report on Form 10-K for the year ended December 31, 2010 and other reports filed from time to time by the Company with the Securities and Exchange Commission.

Although the Company believes that its expectations with respect to the forward-looking statements are based upon reliable assumptions within the bounds of its knowledge of its business and operations, there can be no assurance that actual results, performance or achievements of the Company will not differ materially from any future results, performance or achievements expressed or implied by such forward-looking statements.

CRITICAL ACCOUNTING POLICIES

The Company s financial statements are prepared in accordance with accounting principles generally accepted in the United States (GAAP). The financial information contained within the statements is, to a significant extent, financial information that is based on measures of the financial effects of transactions and events that have already occurred. A variety of factors could affect the ultimate value that is obtained either when earning income, recognizing an expense, recovering an asset or relieving a liability. For example, the Company uses historical loss factors as one factor in determining the inherent loss that may be present in its loan portfolio. Actual losses could differ significantly from the historical factors that the Company uses. In addition, GAAP itself may change from one previously acceptable method to another method. Although the economics of the Company s transactions would be the same, the timing of events that would impact its transactions could change.

Table of Contents

The following is a summary of the Company s critical accounting policies that are highly dependent on estimates, assumptions and judgments.

Allowance for Loan Losses on Non-covered Loans

The allowance for loan losses is established as losses are estimated to have occurred through a provision for loan losses charged to earnings. Loan losses are charged against the allowance when management believes the uncollectability of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance.

The allowance is an amount that management believes is appropriate to absorb estimated losses relating to specifically identified loans, as well as probable credit losses inherent in the balance of the loan portfolio, based on an evaluation of the collectability of existing loans and prior loss experience. This quarterly evaluation also takes into consideration such factors as changes in the nature and volume of the loan portfolio, overall portfolio quality, review of specific problem loans, and current economic conditions that may affect the borrower s ability to pay. This evaluation does not include the effects of expected losses on specific loans or groups of loans that are related to future events or expected changes in economic conditions. While management uses the best information available to make its evaluation, future adjustments to the allowance may be necessary if there are significant changes in economic conditions. In addition, regulatory agencies, as an integral part of their examination process, periodically review the Bank s allowance for loan losses and may require the Bank to make additions to the allowance based on their judgment about information available to them at the time of their examinations.

The allowance consists of specific and general components. For loans that are also classified as impaired, an allowance is established when the discounted cash flows (or collateral value or observable market price) of the impaired loan is lower than the carrying value of that loan. The general component covers non-classified loans and is based on historical loss experience adjusted for qualitative factors.

A loan is considered impaired when, based on current information and events, management believes that it is more likely than not that the Bank will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. Factors considered by management in determining impairment include payment status, collateral value, availability of current financial information, and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower s prior payment record, and the amount of the shortfall in relation to the principal and interest owed. Impairment is measured on a loan by loan basis for commercial and construction loans by either the present value of the expected future cash flows discounted at the loan s effective interest rate, the loan s obtainable market price, or the fair value of the collateral if the loan is collateral dependent.

Allowance for Loan Losses on Covered Loans

The assets acquired in the Suburban Federal Savings Bank (SFSB) transaction are covered by shared loss agreements with the FDIC. Under the shared loss agreements, the FDIC will reimburse the Bank for 80% of losses arising from covered loans and foreclosed real estate assets, on the first $118 million in losses of such covered loans and foreclosed real estate assets, and for 95% of losses on covered loans and foreclosed real estate assets thereafter. Under the shared loss agreements, a loss on a covered loan or foreclosed real estate is defined generally as a realized loss incurred through a permitted disposition, foreclosure, short-sale or restructuring of the covered loan or foreclosed real estate. The reimbursements for losses on single family one-to-four residential mortgage loans are to be made monthly until the end of the month in which the tenth anniversary of the closing of the transaction occurs, and the reimbursements for losses on other covered assets are to be made quarterly until the end of the quarter in which the eighth anniversary of the closing of the transaction occurs. The shared loss agreements provide for indemnification from the first dollar of losses without any threshold requirement. The reimbursable losses from the FDIC are based on the book value of the relevant loan as determined by the FDIC at the date of the transaction, January 30, 2009. New loans made after that date are not covered by the shared loss agreements.

Table of Contents

The Company evaluated the acquired covered loans and has elected to account for them under ASC 310-30.

The covered loans are subject to credit review standards described above for non-covered loans. If and when credit deterioration occurs subsequent to the date that the covered loans were acquired, a provision for credit loss for covered loans will be charged to earnings for the full amount without regard to the FDIC shared loss agreements. The Company makes an estimate of the total cash flows it expects to collect from a pool of covered loans, which includes undiscounted expected principal and interest. Over the life of the loan or pool, the Company continues to estimate cash flows expected to be collected. Subsequent decreases in cash flows expected to be collected over the life of the pool are recognized as impairments in the current period through allowance for loan losses. Subsequent increases in expected cash flows are first used to reverse any existing valuation allowance for that loan or pool. Any remaining increase in cash flows expected to be collected is recognized as an adjustment to the yield over the remaining life of the pool.

Large groups of smaller balance homogeneous loans are collectively evaluated for impairment. Accordingly, the Company does not separately identify individual consumer and residential covered loans for impairment disclosures.

Accounting for Certain Loans or Debt Securities Acquired in a Transfer

FASB ASC 310, *Receivables,* requires acquired loans to be recorded at fair value and prohibits carrying over valuation allowances in the initial accounting for acquired impaired loans. Loans carried at fair value, mortgage loans held for sale, and loans to borrowers in good standing under revolving credit arrangements are excluded from the scope of ASC 310, which limits the yield that may be accreted to the excess of the undiscounted expected cash flows over the investor s initial investment in the loan. The excess of the contractual cash flows over expected cash flows may not be recognized as an adjustment of yield. Subsequent increases in cash flows to be collected are recognized prospectively through an adjustment of the loan s yield over its remaining life. Decreases in expected cash flows are recognized as impairments through the allowance for loan losses.

In the Company s acquisition of TFC and BOE, the fair value of ASC 310 loans was determined based on assigned risk ratings, expected cash flows and the fair value of the collateral. The fair value of non ASC 310 loans was determined based on preliminary estimates of default probabilities. The Company determined which purchased loans were impaired at the time of the acquisition and considered those loans for ASC 310 application. Those loans that were not considered impaired at the time of acquisition were not considered for ASC 310.

As a result of the acquisitions of TFC and BOE, the Company had loans of $5.0 million at December 31, 2008 that met the criteria of ASC 310. Due to the immateriality of these loans in relation to the overall financial condition of the Company, detailed disclosures have not been included in the financial statements.

The covered loans from the SFSB transaction, subject to FASB ASC Topic 805, *Business Combinations,* were recorded at fair value and no separate valuation allowance was recorded at the date of acquisition. FASB ASC 310-30, *Loans and Debt Securities Acquired with Deteriorated Credit Quality,* applies to loans acquired in a transfer with evidence of deterioration of credit quality for which it is probable, at acquisition, that the investor will be unable to collect all contractually required payments receivable. The Company is applying the provisions of ASC 310-30 to all loans acquired in the SFSB transaction. The Company has grouped loans together based on common risk characteristics including product type, delinquency status and loan documentation requirements among others.

The Company has made an estimate of the total cash flows it expects to collect from a pool of loans, which includes undiscounted expected principal and interest. The excess of that amount over the fair value of the pool is referred to as accretable yield. Accretable yield is recognized as interest income on a constant yield basis over the life of the pool. The Company also determines each pool s contractual principal and contractual interest payments. The excess of that amount over the total cash flows that it expects to collect from the pool is referred to as nonaccretable difference, which is not accreted into income. Judgmental prepayment assumptions are applied to both contractually required payments and cash flows expected to be collected at acquisition. Over the life of the loan or pool, the Company continues to estimate cash flows expected to be collected. Subsequent decreases in cash flows expected to be collected over the life of the pool are recognized as an impairment in the current period through the allowance for loan losses. Subsequent increases in expected or actual cash flows are first used to reverse any

Table of Contents

existing valuation allowance for that loan or pool. Any remaining increase in cash flows expected to be collected is recognized as an adjustment to the accretable yield with the amount of periodic accretion adjusted over the remaining life of the pool.

FDIC Indemnification Asset

The Company is accounting for the shared loss agreements as an indemnification asset pursuant to the guidance in FASB ASC 805. The FDIC indemnification asset is required to be measured in the same manner as the asset or liability to which it relates. The FDIC indemnification asset is measured separately from the covered loans and other real estate owned assets because it is not contractually embedded in the covered loan and other real estate owned assets and is not transferable should the Company choose to dispose of them. Fair value was estimated using projected cash flows available for loss sharing based on the credit adjustments estimated for each loan pool and other real estate owned and the loss sharing percentages outlined in the purchase and assumption agreements with the FDIC. These cash flows were discounted to reflect the uncertainty of the timing and receipt of the loss sharing reimbursement from the FDIC.

Because the acquired loans are subject to shared loss agreements and a corresponding indemnification asset exists to represent the value of expected payments from the FDIC, increases and decreases in loan accretable yield due to changing loss expectations will also have an impact to the valuation of the FDIC indemnification asset. Improvement in loss expectations will typically increase loan accretable yield and decrease the value of the FDIC indemnification asset and, in some instances, result in an amortizable premium on the FDIC indemnification asset. Increases in loss expectations will typically be recognized as impairment in the current period through allowance for loan losses while resulting in additional noninterest income for the amount of the increase in the FDIC indemnification asset.

Other Intangible Assets

FASB ASC 805, *Business Combinations*, requires that the purchase method of accounting be used for all business combinations after June 30, 2001. With purchase acquisitions, the Company is required to record assets acquired, including any intangible assets, and liabilities assumed at fair value, which involves relying on estimates based on third party valuations, such as appraisals, or internal valuations based on discounted cash flow analysis or other valuation methods. The Company records other intangibles per ASC 350, *Intangibles-Goodwill and Others*., Under ASC 350, acquired intangible assets (such as core deposit intangibles) are separately recognized if the benefit of the assets can be sold, transferred, licensed, rented, or exchanged, and amortized over their useful lives. ASC 350 discontinues any amortization of goodwill and other intangible assets with indefinite lives, but requires an impairment review at least annually or more often if certain conditions exist. The Company followed ASC 350 and determined that any core deposit intangibles will be amortized over the estimated useful life.

Income Taxes

Deferred income tax assets and liabilities are determined using the liability (or balance sheet) method. Under this method, the net deferred tax asset or liability is determined based on the tax effects of the temporary differences between the book and tax bases of the various balance sheet assets and liabilities and gives current recognition to changes in tax rates and laws.

When tax returns are filed, it is highly certain that some positions taken would be sustained upon examination by the taxing authorities, while others are subject to uncertainty about the merits of the position taken or the amount of the position that would be ultimately sustained. The benefit of a tax position is recognized in the financial statements in the period during which, based on all available evidence, management believes it is more likely than not that the position will be sustained upon examination, including the resolution of appeals or litigation processes, if any. Tax positions taken are not offset or aggregated with other positions. Tax positions that meet the more-likely-than-not recognition threshold are measured as the largest amount of tax benefit that is more than 50 percent likely of being realized upon settlement with the applicable taxing authority. The portion of the benefits associated with tax positions taken that exceeds the amount measured as described above is reflected as a liability for unrecognized tax benefits in the accompanying balance sheet along with any associated interest and penalties that would be payable to the taxing authorities upon examination.

Table of Contents

Interest and penalties associated with unrecognized tax benefits are classified as additional income taxes in the statement of income.

As of September 30, 2011, the Company did not have any tax benefit disallowed under FASB ASC 740, *Income Taxes*.

A valuation allowance is provided when it is more likely than not that some portion of the deferred tax asset will not be realized. In management s opinion, based on a three year taxable income projection, tax strategies which would result in potential securities gains and the effects of off-setting deferred tax liabilities, it is more likely than not that the deferred tax assets are realizable. Included in deferred tax assets are the tax benefits derived from net operating loss carryforwards totaling $9.4 million. Management expects to utilize all of these carryforward amounts prior to expiration.

The Company and its subsidiaries are subject to U. S. federal income tax as well as various state income taxes. All years from 2006 through 2010 are open to examination by the respective tax authorities.

Other Real Estate Owned

Real estate acquired through, or in lieu of, loan foreclosure is held for sale and is initially recorded at the fair value at the date of foreclosure net of estimated disposal costs, establishing a new cost basis. Subsequent to foreclosure, valuations are periodically performed by management and the assets are carried at the lower of the carrying amount or the fair value less costs to sell. Revenues and expenses from operations and changes in the valuation allowance are included in other operating expenses. Costs to bring a property to salable condition are capitalized up to the fair value of the property while costs to maintain a property in salable condition are expensed as incurred.

RESULTS OF OPERATIONS

Net income available to common stockholders was $1.2 million, or $0.05 per common share on a diluted basis, for the quarter ended September 30, 2011 compared with a net loss available to common stockholders of $1.6 million, or $0.07 per common share on a diluted basis, for the quarter ended September 30, 2010. Net income was driven by a decrease in noninterest expenses of $1.7 million, an increase in noninterest income of $865,000 and an increase in net interest income of $629,000. Additionally, there was no provision for loan losses in the third quarter of 2011, compared with $1.1 million in the third quarter of 2010.

The Company has focused on improvement in noninterest expenses by lowering staffing levels, consolidating certain administrative functions, and lowering its use of temporary or outside staffing resources. Noninterest expenses declined $1.7 million when comparing the third quarter of 2011 to the same period in 2010. Salaries and employee benefits were the largest category decrease and were $5.3 million in the third quarter of 2010 and $4.1 million in the third quarter of 2011, a decrease of $1.2 million, or 22.9%. Professional fees declined 84.0%, or $357,000, when comparing the third quarter 2011 total of $68,000 to the third quarter 2010 total of $425,000. Partially offsetting these declines were increases of $124,000 in legal fees and $109,000 in other operating expenses when comparing the third quarter of 2011 to the same period in 2010.

Noninterest income increased $865,000, from negative $1.5 million in the third quarter of 2010, to negative $662,000 for the third quarter of 2011. Gains on sale of securities were the largest contributor to this increase and were $1.7 million in the third quarter of 2011 compared with losses of $296,000 in the third quarter of 2010. Other income increased by $868,000 from the third quarter of 2010 to the third quarter of 2011. These increases were reduced by an increase of $901,000 in loss on OREO, from $770,000 in the third quarter of 2010 to $1.7 million in the third quarter of 2011, and by an increase of $1.1 million in FDIC indemnification asset amortization, from $1.3 million in the third quarter of 2010 to $2.4 million in the third quarter of 2011.

Net Interest Income

The Company s operating results depend primarily on its net interest income, which is the difference between interest income on interest-earning assets, including securities and loans, and interest expense incurred on interest-bearing liabilities, including deposits and other borrowed funds. Net interest income is affected by changes in the

Table of Contents

amount and mix of interest-earning assets and interest-bearing liabilities, referred to as a volume change. It is also affected by changes in yields earned on interest-earning assets and rates paid on interest-bearing deposits and other borrowed funds, referred to as a rate change.

Net interest income increased $629,000 from $10.7 million in the third quarter of 2010 to $11.3 million in the third quarter of 2011. This represents an increase of 5.9% and was primarily the result of an increase in the Company s interest spread, from 4.26% in the third quarter of 2010 to 4.85% in the third quarter of 2011. This increased the Company s net interest margin from 4.30% in the third quarter of 2010 to 4.91% for the same period in 2011. A decline in the cost of interest bearing liabilities, from 1.77% for the third quarter of 2010 to 1.34% for the third quarter of 2011, coupled with an increase of 16 basis points, from 6.03% to 6.19%, in the yield on earning assets were the drivers of this increase.

Net interest income was $32.8 million for the nine months ended September 30, 2011, compared with $30.8 million for the nine months ended September 30, 2010. The increase in net interest income was primarily the result of decreases of $116.4 million, or 11.4%, in the average balances of interest-bearing liabilities coupled with lower rates, which has reduced interest expense 35.4%, from $14.5 million in the first nine months of 2010 to $9.4 million for the first nine months of 2011. The tax equivalent net interest margin increased to 4.73% in the first nine months of 2011 from 4.12% in the first nine months of 2010.

An additional benefit to the net interest margin was the improved yield on FDIC covered loans. The yield on covered loans equaled 18.33% for the quarter ended September 30, 2011, an improvement of 668 basis points from 11.65% for the quarter ended September 30, 2010. For the nine months ended September 30, 2011, the yield on covered loans equaled 16.65%, an improvement of 628 basis points from 10.37% for the nine months ended September 30, 2010. This is primarily the result of better than expected performance on these loans since the forecast at the acquisition date. FDIC covered loans are held on the balance sheet at carrying value.

At December 31, 2010, the acquisition, construction and development (ADC) pool originally purchased from the FDIC in 2009 had a carrying value of $410,000 in accordance with FASB Accounting Standards Codification (ASC) 310-30 (originally issued as AICPA Statement of Position No. 03-3, *Loans and Debt Securities Acquired with Deteriorated Credit Quality*). The amount and timing of future cash flows on the ADC pool, based on an analysis of the loans in the pool, were determined to be not reasonably estimatable. As a result, during the quarter ended March 31, 2011, management applied the cost recovery method to the ADC loan pool, which requires that all cash payments first be applied to principal. During the first quarter of 2011, sufficient cash payments were received on the ADC pool to lower the carrying value to $0, with excess payments being applied to interest income. Any subsequent payments will now be recognized as interest income. The Company received $1.9 million and $1.7 million in the second and third quarters of 2011, respectively, in cash payments applied based on the cost recovery method against loans from the ADC pool.

The following tables set forth, for each category of interest-earning assets and interest-bearing liabilities, the average amounts outstanding, the interest earned or paid on such amounts, and the average rate earned or paid for the three and nine months ended September 30, 2011 and 2010. The tables also set forth the average rate paid on total interest-bearing liabilities, and the net interest margin on average total interest-earning assets for the same periods. Except as indicated in the footnotes, no tax equivalent adjustments were made and all average balances are daily average balances. Any nonaccruing loans have been included in the tables as loans carrying a zero yield.

Table of Contents

COMMUNITY BANKERS TRUST CORPORATION

NET INTEREST MARGIN ANALYSIS

AVERAGE BALANCE SHEETS

	Three months ended September 30, 2011			Three months ended September 30, 2010		
(dollars in thousands)	Average Balance Sheet	Interest Income/ Expense	Average Rates Earned/Paid	Average Balance Sheet	Interest Income/ Expense	Average Rates Earned/Paid
ASSETS:						
Loans non covered, including fees	$ 498,201	$ 7,314	5.87%	$ 557,324	$ 8,235	5.91%
FDIC covered loans, including fees	101,828	4,667	18.33	126,818	3,692	11.65
Total loans	600,029	11,981	7.99	684,142	11,927	6.97
Interest-bearing bank balances	48,462	28	0.23	15,748	19	0.48
Federal funds sold	4,000	1	0.13	3,814	1	0.08
Securities (taxable)	254,869	2,058	3.23	239,766	2,340	3.90
Securities (tax exempt)[(1)]	21,214	309	5.81	90,819	1,310	5.77
Total earning assets	928,574	14,377	6.19	1,034,289	15,597	6.03
Allowance for loan losses	(17,237)			(39,044)		
Non-earning assets	156,669			197,548		
Total assets	$ 1,068,006			$ 1,192,793		
LIABILITIES AND STOCKHOLDERS EQUITY						
Demand - interest-bearing	$ 232,743	$ 345	0.59	$ 233,102	$ 385	0.66
Savings	68,714	93	0.54	63,400	91	0.57
Time deposits	545,731	2,183	1.60	674,080	3,665	2.18
Total deposits	847,188	2,621	1.24	970,582	4,141	1.71
Federal funds purchased	54	0	0.61	49	1	0.60
FHLB and other borrowings	41,124	353	3.43	41,124	342	3.32
Total interest-bearing liabilities	888,366	2,974	1.34	1,011,755	4,484	1.77
Noninterest-bearing deposits	64,706			63,422		
Other liabilities	5,049			7,622		
Total liabilities	958,121			1,082,799		
Stockholders equity	109,885			109,994		
Total liabilities and stockholders equity	$ 1,068,006			$ 1,192,793		
Net interest earnings		$ 11,403			$ 11,113	
Net interest spread			4.85%			4.26%
Net interest margin			4.91%			4.30%

39

Table of Contents

COMMUNITY BANKERS TRUST CORPORATION

NET INTEREST MARGIN ANALYSIS

AVERAGE BALANCE SHEETS

	Nine months ended September 30, 2011			Nine months ended September 30, 2010		
(dollars in thousands)	Average Balance Sheet	Interest Income/ Expense	Average Rates Earned/Paid	Average Balance Sheet	Interest Income/ Expense	Average Rates Earned/Paid
ASSETS:						
Loans non covered, including fees	$ 507,484	$ 21,877	5.75%	$ 570,090	$ 25,436	5.95%
FDIC covered loans, including fees	106,672	13,325	16.65	137,246	10,671	10.37
Total loans	614,156	35,202	7.64	707,336	36,107	6.81
Interest-bearing bank balances	25,246	53	0.28	18,527	73	0.53
Federal funds sold	4,810	5	0.15	4,018	5	0.18
Securities (taxable)	262,209	6,055	3.08	219,602	6,507	3.95
Securities (tax exempt)[(1)]	29,452	1,278	5.79	91,454	3,999	5.83
Total earning assets	935,873	42,593	6.07	1,040,937	46,691	5.98
Allowance for loan losses	(20,837)			(27,091)		
Non-earning assets	163,294			199,365		
Total assets	$ 1,078,330			$ 1,213,211		
LIABILITIES AND STOCKHOLDERS EQUITY						
Demand - interest-bearing	$ 233,806	$ 1,039	0.59	$ 224,204	$ 1,178	0.70
Savings	66,792	265	0.53	62,053	271	0.58
Time deposits	559,427	7,008	1.67	690,223	12,036	2.32
Total deposits	860,025	8,312	1.29	976,480	13,485	1.84
Federal funds purchased	255	1	0.63	229	1	0.60
FHLB and other borrowings	41,124	1,051	3.41	41,124	1,006	3.26
Total interest-bearing liabilities	901,404	9,364	1.39	1,017,833	14,492	1.90
Noninterest-bearing deposits	63,489			62,756		
Other liabilities	5,177			9,276		
Total liabilities	970,070			1,089,865		
Stockholders equity	108,260			123,346		
Total liabilities and stockholders equity	$ 1,078,330			$ 1,213,211		
Net interest earnings		$ 33,229			$ 32,199	
Net interest spread			4.68%			4.08%
Net interest margin			4.73%			4.12%

(1) Income and yields are reported on a tax equivalent basis assuming a federal tax rate of 34%.

Provision for Loan Losses

Management actively monitors the Company s asset quality and provides specific loss provisions when necessary. Provisions for loan losses are charged to income to bring the total allowance for loan losses to a level deemed appropriate by management of the Company based on such factors as historical credit loss experience, industry diversification of the commercial loan portfolio, the amount of nonperforming loans and related collateral, the volume growth and composition of the loan portfolio, current economic conditions that may affect the borrower s ability to pay and the value of collateral, the evaluation of the loan portfolio through the internal loan review function and other relevant factors. See *Allowance for Loan Losses on Non-covered loans* in the Critical Accounting Policies section above for further discussion.

Loans are charged-off against the allowance for loan losses when appropriate. Although management believes it uses the best information available to make determinations with respect to the provision for loan losses, future adjustments may be necessary if economic conditions differ from the assumptions used in making the initial determinations.

Table of Contents

Management also actively monitors its covered loan portfolio for impairment and necessary loan loss provisions. Provisions for covered loans may be necessary due to a change in expected cash flows or an increase in expected losses within a pool of loans.

There was no provision for loan losses for non-covered loans for the quarter ended September 30, 2011, compared with a provision of $1.1 million for the quarter ended September 30, 2010. The ratio of the allowance for loan losses to nonperforming assets was 34.94% at September 30, 2011, compared with 72.09% at September 30, 2010. The ratio of allowance for loan losses to total non-covered loans was 3.12% at September 30, 2011 compared with 6.27% at September 30, 2010. The decrease in the allowance for loan losses to total non-covered loans from September 2010 to September 2011 was primarily the result of aggressive charge-offs for non-performing loans. Net charged-off loans were $1.0 million for the quarter ended September 30, 2011 compared with net charged-off loans of $5.5 million for the quarter ended September 30, 2010.

The provision for loan losses on non-covered loans was $1.5 million for the nine months ended September 30, 2011 compared with $27.4 million for the nine months ended September 30, 2010. Charged-off loans were $11.8 million for the nine months ended September 30, 2011 compared with $11.2 million for the nine months ended September 30, 2010. Loan recoveries were $548,000 for the first nine months of 2011 compared with $786,000 for the same period in 2010.

While the covered loan portfolio contains significant risk, it was considered in determining the initial fair value, which was reflected as the carrying value recorded at the time of the SFSB transaction, less the FDIC guaranteed portion of losses on covered assets. There was no provision expense related to this portfolio in the first nine months of 2011, compared with $880,000 of provision expense for the nine months ended 2010. Charged-off loans were $53,000 for the three and nine months ended September 30, 2011 compared with no loans charged-off for the three months ended September 30, 2010, and loans charged-off of $256,000 for the nine months ended September 30, 2010. There were no recoveries realized in the three and nine months ended September 30, 2011, compared with no recoveries for the three months ended September 30, 2010, and recoveries of $205,000 for the nine months ended September 30, 2010.

Noninterest Income

Noninterest income increased $865,000, from negative $1.5 million in the third quarter of 2010 to negative $662,000 for the third quarter of 2011. Gains on sale of securities were the largest contributor to this increase and were $1.7 million in the third quarter of 2011 compared with losses of $296,000 in the third quarter of 2010. Other income increased by $868,000 from the third quarter of 2010 to the third quarter of 2011. These increases were reduced by an increase of $901,000 in loss on OREO, from $770,000 in the third quarter of 2010 to $1.7 million in the third quarter of 2011, and by an increase of $1.1 million in FDIC indemnification asset amortization, from $1.3 million in the third quarter of 2010 to $2.4 million in the third quarter of 2011.

For the nine months ended September 30, 2011, noninterest income equaled negative $3.5 million, compared with negative $1.2 million for the nine months ended September 30, 2010. This change was due primarily to accelerated FDIC indemnification asset amortization of $5.8 million, from $2.0 million for the first nine months of 2010 to $7.8 million for the same period in 2011. The increase in FDIC indemnification asset amortization has resulted in the increased yield realized in interest and fees on FDIC covered loans over the same time frame, as projected losses carried within the FDIC indemnification asset have been realized instead, through payment performance of the associated borrowers. Other noninterest income declined in the nine month period ended September 30, 2011 compared with the same period in 2010. Other noninterest income was $3.6 million for the nine months ended September 30, 2010 and $2.4 million for the nine months ended September 30, 2011. This decrease reflects fewer reimbursable loss events in FDIC covered loans.

Positively affecting noninterest income over the nine month comparison periods were gains/(losses) on sales of securities, which increased by $3.0 million, from a loss of $394,000 in the first nine months of 2010 to gains realized of $2.6 million for the same period in 2011. Additionally, there was a reduction in losses on OREO properties of $1.8 million, from $4.3 million for the first nine months of 2010 to $2.5 million for the same period in 2011.

Table of Contents

The increased FDIC indemnification asset amortization is the result of improved forecasted performance from the loan pools acquired from the FDIC. Based on current forecasts, as both projected losses and FDIC reimbursements decline, the FDIC indemnification asset amortization increases to reduce the FDIC indemnification asset over the life of the FDIC shared loss agreements. During the first nine months of 2011, the Company s projected expected loan pool losses declined by $7.8 million, requiring the Company to increase the rate of FDIC indemnification asset amortization. As a result, the Company s FDIC indemnification asset amortization increased from $1.3 million in the third quarter of 2010 to $2.4 million in the third quarter of 2011. Additionally, the FDIC indemnification asset amortization increased $5.8 million, to $7.8 million for the nine month period ended September 30, 2011. Although loss projections could change, this level of quarterly amortization could continue based on current forecasts. However, lower losses also improve future accretion interest income performance and reduce the losses that the Company must absorb under the FDIC shared loss agreements, which is currently twenty percent of losses up to $118 million (and five percent thereafter).

Noninterest Expense

Noninterest expenses declined $1.7 million when comparing the third quarter of 2011 to the same period in 2010. Salaries and employee benefits were the largest category decrease and were $5.3 million in the third quarter of 2010 and $4.1 million in the third quarter of 2011, a decrease of $1.2 million, or 22.9%. Also seeing significant declines were professional fees and data processing expenses. Professional fees declined 84.0%, or $357,000, when comparing the third quarter 2011 total of $68,000 to the third quarter 2010 total of $425,000. Data processing expenses declined $257,000, or 35.0%, from $735,000 in the third quarter of 2010 to $478,000 in the third quarter of 2011. Partially offsetting these declines were increases of $124,000 in legal fees and $109,000 in other operating expenses when comparing the third quarter of 2011 to the same period in 2010.

For the nine months ended September 30, 2011, noninterest expense declined $9.2 million when compared with the same period in 2010. Excluding goodwill impairment charges of $5.7 million in 2010, noninterest expenses would have declined $3.5 million, or 11.3%. Noninterest expenses, excluding goodwill, were $30.7 million for the first nine months of 2010 and declined to $27.2 million for the first nine months in 2011. The two major drivers of this decrease were salaries and employee benefits, which declined $2.8 million over the nine months comparison periods, and professional fees, which decreased $1.0 million. Salaries and employee benefits were $15.2 million for the first nine months of 2010 and $12.4 million for the first nine months of 2011, a decrease of 18.2%. Professional fees were $1.5 million for the first nine months of 2010 and $457,000 for the first nine months of 2011, a decrease of 69.6%, due to a reduced reliance on outsourced staffing. Additionally, data processing expenses declined $406,000 when comparing the first nine months of 2010 to the same period in 2011.

Income Taxes

Income tax expense was $532,000 for the three months ended September 30, 2011, compared with an income tax benefit of $1.1 million in the third quarter of 2010. For the nine months ended September 30, 2011, income tax benefit was $178,000, compared with income tax benefit of $10.6 million for the nine months ended September 30, 2010.

FINANCIAL CONDITION

At September 30, 2011, the Company had total assets of $1.073 billion, a decrease of $43.0 million, or 3.9%, from total assets of $1.116 billion at December 31, 2010. Total loans, including $100.0 million in loans covered by the FDIC shared loss agreements, were $605.2 million at September 30, 2011, decreasing $35.9 million, or 5.6%, from $641.1 million at December 31, 2010. The carrying value of covered loans declined $15.5 million, or 13.4%, from December 31, 2010. Non-covered loans equaled $505.2 million at September 30, 2011, declining $20.4 million, or 3.9%, since December 31, 2010. The decline in loan volume within the non-covered loan portfolio was the direct result of $11.8 million in loan charge-offs coupled with loan run-off and an overall weak loan demand.

The Company s securities portfolio decreased $15.7 million, or 5.1%, during the first nine months of 2011 to $291.8 million with realized gains of $2.6 million through sales activity. The Company had cash and cash equivalents of $53.4 million at September 30, 2011, compared with $33.4 million at December 31, 2010. There were no Federal funds sold at September 30, 2011, compared with $2.0 million at December 31, 2010.

Table of Contents

The Company is required to account for the effect of market changes in the value of securities available-for-sale (AFS) under FASB ASC 320, *Investments Debt and Equity Securities*. The market value of the AFS portfolio was $216.5 million at September 30, 2011 and $215.6 million at December 31, 2010. At September 30, 2011, the Company had a net unrealized gain on the AFS portfolio of $3.8 million compared with a net unrealized loss of $219,000 at December 31, 2010.

Interest bearing deposits at September 30, 2011 were $847.6 million, a decrease of $51.8 million from December 31, 2010. Time deposits declined $50.6 million during the first nine months of 2011 as management kept rates low among all regions as loan demand remained weak and covered loans continued to decline in volume. The Company is attempting to restructure the deposit mix away from higher priced deposits and more into lower cost transactional accounts. Money market deposit accounts were $117.9 million at September 30, 2011, a decline of $9.7 million, or 7.6%, from money market deposit account balances of $127.6 million at December 31, 2010.

During the first nine months of 2011, NOW accounts increased $4.3 million, or 4.0%, from $106.2 million at December 31, 2010 to $110.5 million at September 30, 2011. Additionally, savings accounts increased $4.2 million, or 6.6%, during the first nine months of 2011. The Company s total loan-to-deposit ratio was 66.1% at September 30, 2011 compared with 66.7% at December 31, 2010. The Company had Federal Home Loan Bank (FHLB) advances of $37.0 million at each of September 30, 2011 and December 31, 2010.

Stockholders equity at September 30, 2011 was $110.7 million, or 10.3% of total assets, and increased from stockholders equity of $107.1 million, or 9.6% of total assets, at December 31, 2010. Stockholders equity was $110.7 million, or 9.4% of total assets, at September 30, 2010.

Asset Quality non-covered assets

The allowance for loan losses represents management s estimate of the amount appropriate to provide for probable losses inherent in the loan portfolio.

Non-covered loan quality is continually monitored, and the Company s management has established an allowance for loan losses that it believes is appropriate for the risks inherent in the loan portfolio. Among other factors, management considers the Company s historical loss experience, the size and composition of the loan portfolio, the value and appropriateness of collateral and guarantors, non-performing loans and current and anticipated economic conditions. There are additional risks of future loan losses, which cannot be precisely quantified nor attributed to particular loans or classes of loans. Because those risks include general economic trends, as well as conditions affecting individual borrowers, the allowance for loan losses is an estimate. The allowance is also subject to regulatory examinations and determination as to appropriateness, which may take into account such factors as the methodology used to calculate the allowance and size of the allowance in comparison to peer companies identified by regulatory agencies. See *Allowance for Loan Losses on Non-covered loans* in the Critical Accounting Policies section above for further discussion.

The Company maintains a list of non-covered loans that have potential weaknesses and thus may need special attention. This loan list is used to monitor such loans and is used in the determination of the appropriateness of the allowance for loan losses. Non-covered nonperforming assets totaled $45.1 million at September 30, 2011 and net charge-offs were $11.3 million for the nine month period ended September 30, 2011. This compares with nonperforming assets of $42.8 million and net charge-offs of $19.1 million at and for the year ended December 31, 2010.

Nonperforming non-covered loans decreased $1.5 million during the third quarter of 2011. Additions to nonaccrual loans totaled $7.2 million, primarily attributable to six relationships relating to loans for construction and land development and income producing commercial property, totaling $5.8 million, which are secured by real estate. The remaining increase related primarily to loans for residential property and commercial real estate, which are also secured by real estate. There were $1.3 million in charge-offs taken during the quarter, of which two commercial loan customers aggregated $461,000. The remaining charge-offs were centered in commercial real estate, construction and land development, and residential real estate loans. Foreclosures for the quarter totaled $589,000, $4.2 million were reinstated to accruing status, and $2.6 million in balances were paid down.

Table of Contents

In accordance with GAAP, an individual loan is impaired when, based on current information and events, it is probable that a creditor will be unable to collect all amounts due in accordance with contractual terms of the loan agreement. The Company has modified its application of the definition of impaired loans to include all troubled debt restructured and nonaccrual loans. In addition, the Company reviews all substandard and doubtful loans that are not on nonaccrual status, as well as loans with other risk characteristics, pursuant to and specifically for compliance with the accounting definition of impairment as described above. These impaired loans have been determined through analysis, appraisals, or other methods used by management.

The Company has identified a material weakness related to its process of identifying impaired loans. See Item 4 of this report for further discussion.

See Note 3 to the Company s financial statements for information related to the allowance for loan losses. At September 30, 2011 and December 31, 2010, total impaired non-covered loans equaled $45.9 million and $45.0 million, respectively. Management has adopted a nine point risk rating system for which credits are continually monitored for proper classification.

The following table sets forth selected asset quality data, excluding FDIC covered assets, and ratios for the dates indicated:

(dollars in thousands)	**September 30, 2011**	**December 31, 2010**
Nonaccrual loans	$ 36,177	$ 36,532
Loans past due over 90 days and accruing interest	80	389
Total nonperforming non-covered loans	36,257	36,921
Other real estate owned (OREO) non-covered	8,858	5,928
Total nonperforming non-covered assets	$ 45,115	$ 42,849
Accruing troubled debt restructure loans	$ 5,870	$ 4,007
Balances		
Specific reserve on impaired loans	2,316	7,666
General reserve related to impaired loans evaluated as a pool [(1)]		1,882
General reserve related to unimpaired loans	13,448	15,995
Total Allowance for loan losses	15,764	25,543
Average loans during quarter, net of unearned income	498,201	539,503
Impaired loans	45,934	44,974
Unimpaired loans	459,231	480,574
Total Loans, net of unearned income	505,165	525,548
Ratios		
Allowance for loan losses to loans	3.12%	4.86%
Allowance for loan losses to nonperforming assets	34.94%	59.61%
Allowance for loan losses to nonaccrual loans	43.57%	69.92%
General reserve to unimpaired loans	2.93%	3.33%
Nonperforming assets to loans and other real estate	8.78%	8.06%
Net charge-offs for quarter to average loans, annualized	0.83%	6.47%

[(1)] As of first quarter 2011, the Company includes the reserve on impaired loans evaluated as a pool as part of the specific reserve. The amount of this reserve was $276,000 as of September 30, 2011.

44

Table of Contents

Despite the reductions in the ratios noted above, management deems the current loan loss reserve to be adequate. There are three primary drivers affecting the decline in the loan loss reserve levels and the corresponding ratios a sharp decline in loans throughout the year, an improvement in asset quality as denoted by the credit quality indicators assigned to the portfolio, and significant charge-offs taken on impaired or nonaccrual loans. Loan declines, net of charge-offs, have afforded a reduction in the loan loss reserve calculation as fewer loans in the general reserve component (ASC 450) have metrics applied to them. Furthermore, during the year, asset quality ratios and levels improved. From December 31, 2010 to September 30, 2011, the level of substandard loans declined $50.6 million or 46.8%. The loan loss reserve model weights the severity of substandard loans more heavily in the general reserve component and the aforementioned credit quality indicator changes afforded a substantive reduction in the reserve calculation throughout the year. In addition, the percentages applied to the accruing or non-impaired substandard loans in the general reserve component have declined as the previous most problematic loan categories have migrated to the ASC 310 component, were paid off, or were charged off. Lastly, management proactively has charged off loans throughout the year as well as maintained reasonable realizable values within the remaining impaired loan portfolio. At September 30, 2011, the contractual balances of impaired loans were $56.3 million while the realizable value aggregated $45.9 million. Management had specific reserves of $2.3 million set aside for these credits, which when combined with $10.4 million in write downs equates to an overall 22.5% mark on the legal balance of the impaired loan portfolio.

The Company performs troubled debt restructures and other various loan workouts whereby an existing loan may be restructured into multiple new loans. At September 30, 2011, the Company had 16 loans that met the definition of a troubled debt restructure (TDR), which are loans that for reasons related to the debtor s financial difficulties have been restructured on terms and conditions that would otherwise not be offered or granted. Two of these loans were restructured using multiple new loans. The aggregated outstanding principal of TDR loans at September 30, 2011 was $8.9 million, of which $3.0 million were classified as nonaccrual.

The primary benefit of the restructured multiple loan workout strategy is to maximize the potential return by restructuring the loan into a good loan (the A loan) and a bad loan (the B loan). The impact on interest is positive because the Bank is collecting interest on the A loan rather than potentially foregoing interest on the entire original loan structure. The A loan is underwritten pursuant to the Bank s standard requirements and graded accordingly. The B loan is classified as either doubtful or loss . An impairment analysis is performed on the B loan and, based on its results, all or a portion of the B note is charged-off or a specific loan loss reserve is established.

The Company does not modify its nonaccrual policies in this arrangement, and the A loan and the B loan stand on their own terms. At the time of its inception, this structure meets the definition of a TDR. If the loan is on nonaccrual at the time of restructure, the A loan is held on nonaccrual until six consecutive payments have been received, at which time it may be put back on an accrual status. The B loan is placed on nonaccrual. Under the terms of each loan, the borrower s payment is contractually due.

A further breakout of nonaccrual loans, excluding covered loans, at September 30, 2011 and December 31, 2010 is below (dollars in thousands):

	September 30, 2011		December 31, 2010	
	Amount of Nonaccrual	% of Non-Covered Loans	Amount of Nonaccrual	% of Non-Covered Loans
Mortgage loans on real estate:				
Residential 1-4 family	$ 6,759	5.22%	$ 9,600	6.98%
Commercial	8,251	4.15%	7,181	3.50%
Construction and land development	19,314	23.76%	16,854	16.24%
Second mortgages	190	2.28%	218	2.25%
Multifamily				
Agriculture	53	0.64%		
Total real estate loans	34,567	7.86%	33,853	7.21%
Commercial loans	1,521	2.82%	2,619	5.90%
Consumer installment loans	89	0.93%	60	0.61%
All other loans				
Gross loans	$ 36,177	7.16%	$ 36,532	6.95%

At September 30, 2011, the Company had 18 construction and land development credit relationships in nonaccrual status. The borrowers for 12 of these relationships are residential land developers, and the borrowers under the remaining six are commercial land developers. All of the relationships are secured by the real estate to be developed, and almost all of such projects are in the Company s central Virginia market. The

total amount of the credit exposure outstanding at September 30, 2011 was $19.3 million. These loans have either been charged-down or sufficiently reserved against to equate to the current expected realizable value.

Table of Contents

During the third quarter of 2011, the Company charged off $477,000 with respect to one of these relationships. The total amount of the allowance for loan losses attributed to all 18 relationships was $263,000 at September 30, 2011, or 1.4% of the total credit exposure outstanding. The Company establishes its reserves as described above in *Allowance for Loan Losses on Non-covered loans* in the Critical Accounting Policies section. In conjunction with the impairment analysis the Company performs as part of its allowance methodology, the Company ordered appraisals for all loans with balances in excess of $250,000 unless there existed an appraisal that was not older than 12 months. The Company orders an automated valuation for balances between $100,000 and $250,000 and uses a ratio analysis for balances less than $100,000. The Company maintains detailed analysis and other information for its allowance methodology, both for internal purposes and for review by its regulators.

Asset Quality covered assets

Loans accounted for under ASC 310-30 are generally considered accruing and performing loans as the loans accrete interest income over the estimated life of the loan. Accordingly, acquired impaired loans that are contractually past due are still considered to be accruing and performing loans.

The Company makes an estimate of the total cash flows that it expects to collect from a pool of covered loans, which include undiscounted expected principal and interest. Over the life of the loan or pool, the Company continues to estimate cash flows expected to be collected. Subsequent decreases in cash flows expected to be collected over the life of the pool are recognized as impairment in the current period through the allowance for loan losses. Subsequent increases in expected cash flows are first used to reverse any existing valuation allowance for that loan or pool. Any remaining increase in cash flows expected to be collected is recognized as an adjustment to the yield over the remaining life of the pool.

Covered assets that would normally be considered nonperforming except for the accounting requirements regarding purchased impaired loans and other real estate owned covered by the FDIC shared loss agreements at September 30, 2011 and December 31, 2010 are as follows:

(dollars in thousands)	**September 30, 2011**	**December 31, 2010**
Nonaccrual covered loans	$ 10,224	$ 9,556
Other real estate owned (OREO) - covered	7,235	9,889
Total nonperforming covered assets	$ 17,459	$ 19,445

Capital Requirements

The determination of capital adequacy depends upon a number of factors, such as asset quality, liquidity, earnings, growth trends and economic conditions. The Company seeks to maintain a strong capital base to support its growth and expansion plans, provide stability to current operations and promote public confidence in the Company.

The federal banking regulators have defined three tests for assessing the capital strength and adequacy of banks, based on two definitions of capital. Tier 1 capital is defined as common equity, retained earnings and qualifying perpetual preferred stock, less certain intangibles. Tier 2 capital is defined as specific subordinated debt, some hybrid capital instruments and other qualifying preferred stock and a limited amount of the loan loss allowance. Total capital is defined as tier 1 capital plus tier 2 capital. Three risk-based capital ratios are computed using the above capital definitions, total assets and risk-weighted assets and are measured against regulatory minimums to ascertain adequacy. All assets and off-balance sheet risk items are grouped into categories according to degree of risk and assigned a risk-weighting and the resulting total is risk-weighted assets. Tier 1 risk-based capital is tier 1 capital divided by risk-weighted assets. Total risk-based capital is total capital divided by risk-weighted assets. The leverage ratio is tier 1 capital divided by total average assets.

Table of Contents

Total stockholders equity was $110.7 million at September 30, 2011. The Company s ratio of total risk-based capital was 16.8% at September 30, 2011 compared to 15.6% at December 31, 2010. The tier 1 risk-based capital ratio was 15.6% at September 30, 2011 and 14.4% at December 31, 2010. The Company s tier 1 leverage ratio was 9.0% at September 30, 2011 and 8.1% at December 31, 2010. All capital ratios exceed regulatory minimums.

In the fourth quarter of 2003, BOE issued trust preferred subordinated debt that qualifies as regulatory capital. This trust preferred debt, which has been assumed by the Company, has a 30-year maturity with a 5-year call option and was issued at a rate of three month LIBOR plus 3.0%. The weighted average cost of this instrument was 3.3% during the three and six months ended September 30, 2011.

The Company will defer the November 2011 payment of its regular quarterly cash dividend with respect to its Fixed Rate Cumulative Perpetual Preferred Stock, Series A, which the Company issued to the United States Department of Treasury in connection with the Company s participation in the Treasury s TARP Capital Purchase Program in December 2008. The Company had previously deferred five payments. The Company has also deferred, beginning in September 2010, the interest payments that it makes with respect to trust preferred subordinated debt.

Liquidity

Liquidity represents the Company s ability to meet present and future financial obligations through either the sale or maturity of existing assets or the acquisition of additional funds through liability management. Liquid assets include cash, interest-bearing deposits with banks, federal funds sold, and certain investment securities. As a result of the Company s management of liquid assets and the ability to generate liquidity through liability funding, management believes that the Company maintains overall liquidity sufficient to satisfy its depositors requirements and meet its customers credit needs.

The Company s results of operations are significantly affected by its ability to manage effectively the interest rate sensitivity and maturity of its interest-earning assets and interest-bearing liabilities. At September 30, 2011 and December 31, 2010, the Company s interest-earning assets exceeded its interest-bearing liabilities by approximately $45.6 million and $32.9 million, respectively.

Off-Balance Sheet Arrangements and Contractual Obligations

A summary of the contract amount of the Bank s exposure to off-balance sheet risk as of September 30, 2011 and December 31, 2010, is as follows (dollars in thousands):

	September 30, 2011	December 31, 2010
Commitments to extend credit	$ 58,216	$ 63,659
Standby letters of credit	10,707	12,114
Total commitments with off-balance sheet risks	$ 68,923	$ 75,773

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

Table of Contents

Unfunded commitments under lines of credit are commitments for possible future extensions of credit to existing customers. Those lines of credit may be drawn upon only to the total extent to which the Bank is committed.

Standby letters of credit are conditional commitments issued by the Bank to guarantee the performance of a customer to a third party. Those guarantees are primarily issued to support public and private borrowing arrangements, including commercial paper, bond financing, and similar transactions. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to clients. The Bank holds certificates of deposit, deposit accounts, and real estate as collateral supporting those commitments for which collateral is deemed necessary.

Item 3. ***Quantitative and Qualitative Disclosures About Market Risk***

Market risk is the risk of loss in a financial instrument arising from adverse changes in market rates or prices such as interest rates, foreign currency exchange rates, commodity prices and equity prices. The Company s primary market risk exposure is interest rate risk. The ongoing monitoring and management of interest rate risk is an important component of the Company s asset/liability management process, which is governed by policies established by its Board of Directors that are reviewed and approved annually. The Board of Directors delegates responsibility for carrying out asset/liability management policies to the Asset/Liability Committee (ALCO) of the Bank. In this capacity, ALCO develops guidelines and strategies that govern the Company s asset/liability management related activities, based upon estimated market risk sensitivity, policy limits and overall market interest rate levels and trends.

Interest rate risk represents the sensitivity of earnings to changes in market interest rates. As interest rates change, the interest income and expense streams associated with the Company s financial instruments also change, affecting net interest income, the primary component of the Company s earnings. ALCO uses the results of a detailed and dynamic simulation model to quantify the estimated exposure of net interest income to sustained interest rate changes. While ALCO routinely monitors simulated net interest income sensitivity over various periods, it also employs additional tools to monitor potential longer-term interest rate risk.

The simulation model captures the impact of changing interest rates on the interest income received and interest expense paid on all assets and liabilities reflected on the Company s balance sheet. The simulation model is prepared and updated monthly. This sensitivity analysis is compared to ALCO policy limits, which specify a maximum tolerance level for net interest income exposure over a one-year horizon, assuming no balance sheet growth, given a 200 basis point upward shift and a 200 basis point downward shift in interest rates. A parallel shift in rates over a 12-month period is assumed. The following table represents the change to net interest income given interest rate shocks up and down 100 and 200 basis points at September 30, 2011:

	Change in net interest income	
	%	$
Change in Yield curve		
+200 bp	1.5%	$ 483
+100 bp	0.9%	289
most likely	0%	
100 bp	1.0%	342
200 bp	(1.4)%	(458)

At September 30, 2011, the Company s interest rate risk model indicated that, in a rising rate environment of 200 basis points over a 12 month period, net interest income could increase by 1.5%. For the same time period, the interest rate risk model indicated that in a declining rate environment of 200 basis points, net interest income could decrease by 1.4%. While these percentages are subjective based upon assumptions used within the model, management believes the balance sheet is appropriately balanced with acceptable risk to changes in interest rates.

Table of Contents

The preceding sensitivity analysis does not represent a forecast and should not be relied upon as being indicative of expected operating results. These hypothetical estimates are based upon numerous assumptions, including the nature and timing of interest rate levels such as yield curve shape, prepayments on loans and securities, deposit decay rates, pricing decisions on loans and deposits, reinvestment or replacement of asset and liability cash flows. While assumptions are developed based upon current economic and local market conditions, the Company cannot make any assurances about the predictive nature of these assumptions, including how customer preferences or competitor influences might change.

Also, as market conditions vary from those assumed in the sensitivity analysis, actual results will also differ due to factors such as prepayment and refinancing levels likely deviating from those assumed, the varying impact of interest rate change, caps or floors on adjustable rate assets, the potential effect of changing debt service levels on customers with adjustable rate loans, depositor early withdrawals and product preference changes, and other internal and external variables. Furthermore, the sensitivity analysis does not reflect actions that ALCO might take in response to, or in anticipation of, changes in interest rates.

Item 4. ***Controls and Procedures***

Evaluation of Disclosure Controls and Procedures

As of the end of the period covered by this Form 10-Q, the Company s management, with the participation of the Company s chief executive officer and its chief financial officer (the Certifying Officers), conducted evaluations of the Company s disclosure controls and procedures. As defined under Section 13a-15(e) of the Securities Exchange Act of 1934, as amended (the Exchange Act), the term disclosure controls and procedures means controls and other procedures of an issuer that are designed to ensure that information required to be disclosed by the issuer in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by an issuer in the reports that it files or submits under the Exchange Act is accumulated and communicated to the issuer s management, including the Certifying Officers, to allow timely decisions regarding required disclosures.

Based on this evaluation, the Certifying Officers have concluded that the Company s disclosure controls and procedures were not effective to ensure that material information is recorded, processed, summarized and reported by management of the Company on a timely basis in order to comply with the Company s disclosure obligations under the Exchange Act and the rules and regulations promulgated under it. The Certifying Officers based this conclusion on the fact that the Company had a material weakness with respect to its process for identifying impaired loans. Additional information with respect to this issue is included in the discussion below.

Internal Control over Financial Reporting

The management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting. The Company s internal control over financial reporting is a process designed under the supervision of the Certifying Officers to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Company s financial statements for external purposes in accordance with generally accepted accounting principles.

In the Company s Annual Report on Form 10-K for the year ended December 31, 2010, management s assessment of the effectiveness of the Company s internal control over financial reporting cited a material weakness in the Company s internal controls relating to its process for identifying impaired loans, as described below. A material weakness is a significant deficiency (as defined in the Public Company Accounting Oversight Board s Auditing Standard No. 5), or combination of deficiencies, such that there is a reasonable possibility that a material misstatement in the annual or interim financial statements will not be prevented or detected on a timely basis by employees in the normal course of their work. While management believes that it has properly remediated this issue, the Company has not completed its validation of such remediation and, thus, the Company has determined that the material weakness continues to exist as of September 30, 2011, as described below.

Table of Contents

In the fourth quarter of 2010, the Company determined that, as a result of credit downgrades reported in the second quarter of 2010 due to perceived credit weaknesses, the loans that the Company identified as impaired included all loans risk-rated substandard and doubtful and thus included some loans that were not impaired under generally accepted accounting principles (GAAP). The GAAP definition states that an individual loan is impaired when, based on current information and events, it is probable that a creditor will be unable to collect all amounts due in accordance with the contractual terms of the loan agreement. As a consequence, the Company determined that it inadvertently overstated the total amount of impaired loans during the second and third quarters of 2010, as the substandard and doubtful loans included in the second and third quarters were rated as such due to collateral deficiencies or financial documentation weaknesses but did not necessarily indicate impairment under the GAAP definition. Notwithstanding this situation, the Company does not believe that this overstatement has had any material impact on the allowance for loan losses calculation for any period, as the portion of the allowance that was attributable to loans inaccurately designated as impaired would have nevertheless been incorporated in the general component of the allowance

In the second quarter of 2011, the Company modified its application of the definition of impaired loans to include all troubled debt restructured and nonaccrual loans. In addition, the Company reviewed all substandard and doubtful loans that were not on nonaccrual status, as well as loans with other risk characteristics, pursuant to and specifically for compliance with the accounting definition of impairment as described above.

As result of the steps that the Company has taken to improve its process for identifying impaired loans, as described in the next section below, management believes that this issue has been properly remediated. However, due to required testing and validation of this issue, as part of the assessment of the Company s internal control over financial reporting, the Company continues to recognize this issue as a material weakness as of September 30, 2011.

Remediation Steps to Address Material Weakness

The Company has previously disclosed a number of remediation steps taken to address the issues described above. These steps have included the centralization of key credit administration functions, the implementation of an entity-wide credit processing program, the hiring of a new chief credit officer, the enhancement of oversight of potential troubled assets through both a new internal special assets committee and a Board-level credit committee, the implementation of procedures for the actual evaluation of potentially impaired loans on an entity-wide basis, and appropriate training across the organization. As previously disclosed, the Company believes that the issues have been properly remediated, and the Company did not take any additional remediation steps during the third quarter of 2011. The Company will complete required testing and validation of these issues during its year-end assessment of the effective of its internal control over financial reporting.

Table of Contents

PART II. OTHER INFORMATION

Item 1. ***Legal Proceedings***

There are no material pending legal proceedings, other than ordinary routine litigation incidental to the Company s business, to which the Company, including its subsidiaries, is a party or of which the property of the Company is subject.

Item 1A. ***Risk Factors***

As of the date of this report, there were no material changes to the risk factors previously disclosed in the Company s Annual Report on Form 10-K for the year ended December 31, 2010.

Item 2. ***Unregistered Sales of Equity Securities and Use of Proceeds***

None.

Item 3. ***Defaults upon Senior Securities***

None.

Item 4. ***(Removed and Reserved)***

Item 5. ***Other Information***

None.

Item 6. ***Exhibits***

Exhibit No.	Description
31.1	Rule 13a-14(a)/15d-14(a) Certification for Chief Executive Officer*
31.2	Rule 13a-14(a)/15d-14(a) Certification for Chief Financial Officer*
32.1	Section 1350 Certifications*
101	Interactive Data File with respect to the following materials from the Company s Quarterly Report on Form 10-Q for the period ended September 30, 2011, formatted in Extensible Business Reporting Language (XBRL): (i) the Consolidated Statements of Financial Condition, (ii) the Consolidated Statements of Operations, (iii) the Consolidated Statements of Stockholders Equity, (iv) the Consolidated Statements of Cash Flows, and (v) Notes to Consolidated Financial Statements*

* Filed herewith.

51

Table of Contents

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.

COMMUNITY BANKERS TRUST CORPORATION
(Registrant)

/s/ Rex L. Smith, III
Rex L. Smith, III
President and Chief Executive Officer
(principal executive officer)

Date: November 14, 2011

/s/ Bruce E. Thomas
Bruce E. Thomas
Executive Vice President and Chief Financial Officer
(principal financial officer)

Date: November 14, 2011