Community Bankers Trust Corp
Form 10-K/A
April 08, 2011
Table of Contents

SECURITIES AND EXCHANGE COMMISSION

Washington, D. C. 20549

FORM 10-K/A

(Amendment No. 4)

x **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended December 31, 2008

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 of organization)	**(I.R.S. Employer Identification No.)**

4235 Innslake Drive, Suite 200 Glen Allen, Virginia	**23060**
(Address of principal executive offices)	**(Zip Code)**

Registrant s telephone number, including area code (804) 934-9999

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

Title of each class	**Name of each exchange on which registered**
Units, each consisting of one share of Common Stock and one Warrant	**NYSE Amex**
Common Stock, $0.01 par value	**NYSE Amex**
Warrants to Purchase Common Stock	**NYSE Amex**

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

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

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

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 ¨ No ¨

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

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

Large accelerated filer	¨	Accelerated filer	¨
Non-accelerated filer	¨	Smaller reporting company	x

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

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the registrant s most recently completed second fiscal quarter. $93,445,412

On March 2, 2009, there were 21,468,455 shares of the registrant s common stock, par value $.01, outstanding, which is the only class of the registrant s common stock.

DOCUMENTS INCORPORATED BY REFERENCE

None

Table of Contents

EXPLANATORY NOTE

The Registrant hereby amends its Annual Report on Form 10-K for the year ended December 31, 2008 (filed on March 31, 2009 with the Securities and Exchange Commission (the Commission)), as amended by its Annual Report on Form 10-K/A (Amendment No. 1) (filed on April 30, 2009 with the Commission), its Annual Report on Form 10-K/A (Amendment No. 2) (filed on May 21, 2009 with the Commission) and its Annual Report on Form 10-K/A (Amendment No. 3) (filed on January 14, 2011 with the Commission), as set forth in this Annual Report on Form 10-K/A (Amendment No. 4).

This Form 10-K/A (Amendment No. 4) reflects the following items in response to outstanding comments from the staff of the Commission s Division of Corporation Finance:

- a restatement note to the financial statements to quantify expressly changes in line items on its consolidated financial statements for the period ended December 31, 2008, following adjustments that the Registrant has previously made to correct valuation errors in the fair value of stock options issued by the Registrant in settlement of outstanding stock options of its predecessors (TransCommunity Financial Corporation and BOE Financial Services of Virginia, Inc.) as of the applicable merger dates.

- a new material weakness as of December 31, 2008, and the remediation of it, related to the omission of certain financial and other information related to the Registrant s predecessors from the original Form 10-K filing.

As previously presented in an earlier amendment, and as compared to the original Form 10-K filing, this Form 10-K/A (Amendment No. 4) includes financial statements and related information with respect to each of the Registrant s predecessors, as the Registrant was a special purpose acquisition company with nominal results prior to the acquisition of each of these entities on May 31, 2008, and enhanced disclosure relating to goodwill and intangible assets, fair value measurements, FDIC-covered assets and asset quality in response to comments from the Commission.

The only items that the Registrant is amending in this Form 10-K/A are Items 8, 9A and 15, as set forth below. The disclosures that the Registrant has presented in this Form 10-K/A are as of the date of the original filing, and the Registrant has not undertaken to update such disclosures for any subsequent events or developments.

TABLE OF CONTENTS

	Page
Part II	
Item 8. Financial Statements and Supplementary Data	3
Item 9A. Controls and Procedures	105
Part IV	
Item 15. Exhibits, Financial Statement Schedules	108

Table of Contents

PART II

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Index to Financial Statements

Community Bankers Trust Corporation

Report of Independent Registered Public Accounting Firms	4
Consolidated Balance Sheets as of December 31, 2008 (Restated) and December 31, 2007	7
Consolidated Statements of Income for the year ended December 31, 2008 and the nine months ended December 31, 2007	8
Consolidated Statements of Changes in Stockholders Equity for the year ended December 31, 2008 (Restated) and the nine months ended December 31, 2007	9
Consolidated Statements of Cash Flows for the year ended December 31, 2008 (Restated) and the nine months ended December 31, 2007	10
Notes to Consolidated Financial Statements	11

TransCommunity Financial Corporation

Report of Independent Registered Public Accounting Firm	44
Consolidated Balance Sheets as of May 31, 2008 and December 31, 2007	45
Consolidated Statements of Operations for the five months ended May 31, 2008 and the year ended December 31, 2007	46
Consolidated Statements of Changes in Stockholders Equity for the five months ended May 31, 2008 and the year ended December 31, 2007	47
Consolidated Statements of Cash Flows for the five months ended May 31, 2008 and the year ended December 31, 2007	48
Notes to Consolidated Financial Statements	49

BOE Financial Services of Virginia, Inc.

Report of Independent Registered Public Accounting Firms	72
Consolidated Balance Sheets as of May 31, 2008 and December 31, 2007	74
Consolidated Statements of Operations for the five months ended May 31, 2008 and the year ended December 31, 2007	75
Consolidated Statements of Stockholders Equity for the five months ended May 31, 2008 and the year ended December 31, 2007	76
Consolidated Statements of Cash Flows for the five months ended May 31, 2008 and the year ended December 31, 2007	78
Notes to Consolidated Financial Statements	79

Table of Contents

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders Community Bankers Trust Corporation.

We have audited the accompanying balance sheet of Community Bankers Trust Corporation (formerly Community Bankers Acquisition Corp.) (a corporation in the development stage) as of December 31, 2007 and the related statements of income, stockholders equity and cash flows for the nine months ended December 31, 2007. These financial statements are the responsibility of the Corporation s management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The Corporation is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Community Bankers Trust Corporation (formerly Community Bankers Acquisition Corp.) as of December 31, 2007 and the results of its operations and its cash flows for the nine months ended December 31, 2007, in conformity with U.S. generally accepted accounting principles.

/s/ MILLER ELLIN & COMPANY, LLP

New York, NY

March 26, 2008

Table of Contents

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders

Community Bankers Trust Corporation

Glen Allen, Virginia

We have audited the accompanying consolidated balance sheet of Community Bankers Trust Corporation and subsidiaries (the Company) as of December 31, 2008, and the related consolidated statements of income, comprehensive income, stockholders equity and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Community Bankers Trust Corporation and subsidiaries as of December 31, 2008, and the results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company s internal control over financial reporting as of December 31, 2008, based on criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Our report dated March 31, 2011 expressed an opinion that Community Bankers Trust Corporation and subsidiaries had not maintained effective internal control over financial reporting as of December 31, 2008, based on the COSO criteria.

Galax, Virginia

April 22, 2010, except for

Note 2, as to which the

date is March 31, 2011

Table of Contents

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders

Community Bankers Trust Corporation

Glen Allen, Virginia

We have audited the internal control over financial reporting of Community Bankers Trust Corporation and subsidiaries (the Company) as of December 31, 2008, based on criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). The Company s management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management s Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the effectiveness of the Company s internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America. A company s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the Company s annual or interim financial statements will not be prevented or detected on a timely basis. The following material weaknesses have been identified and included in management s assessment.

Management failed to reconcile goodwill related to a recent business acquisition to supporting information. As a result a material error related to the capitalization of merger related expenses went undetected. In addition, there were several material balance sheet reclassifications that did not impact net income.

In addition, management failed to include certain financial information related to predecessor companies in the initial 2008 Annual Report on Form 10-K.

These material weaknesses were considered in determining the nature, timing, and extent of audit tests applied in our audit of the 2008 financial statements, and this report does not affect our report dated April 22, 2010, except for note 2, which is date March 31, 2011, on those financial statements. The financial statements were adjusted for these errors.

In our opinion, because of the effect of the material weaknesses described above on the achievement of the objectives of the control criteria, the Company has not maintained effective internal control over financial reporting as of December 31, 2008, based on the COSO criteria.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of the Company as of December 31, 2008 and the related consolidated statements of income, comprehensive income, shareholders equity, and cash flows for the year then ended and our report dated April 22, 2010, except for note 2, as to which the date is March 31, 2011, expressed an unqualified opinion thereon.

Galax, Virginia

March 31, 2011

Table of Contents

COMMUNITY BANKERS TRUST CORPORATION

CONSOLIDATED BALANCE SHEETS

as of December 31, 2008 (Restated) and 2007

	December 31, 2008	December 31, 2007
	(Dollars in thousands)	
ASSETS		
Cash and due from banks	$ 10,864	$ 162
Interest bearing bank deposits	107,376	
Federal funds sold	10,193	
Total cash and cash equivalents	128,433	162
United States Treasury securities held in trust fund		58,453
Securities available for sale, at fair value	193,992	
Securities held to maturity, fair value of $94,965 at December 31, 2008	94,865	
Equity securities, restricted, at cost	3,612	
Total securities	292,469	58,453
Loans held for sale	200	
Loans	523,298	
Allowance for loan losses	(6,939)	
Net loans	516,359	
Bank premises and equipment	24,111	
Other real estate owned	223	
Bank owned life insurance	6,300	
Core deposit intangibles, net	17,163	
Goodwill	37,184	
Other assets	7,798	826
Total assets	$ 1,030,240	$ 59,441
LIABILITIES		
Deposits:		
Noninterest bearing	$ 59,699	$
Interest bearing	746,649	
Total deposits	806,348	
Federal Home Loan Bank advances	37,900	
Trust preferred capital notes	4,124	
Deferred payment to underwriter		2,100
Other liabilities	17,465	339
Total liabilities	865,837	2,439
Common stock, subject to conversion, 1,499,250 shares at conversion value		11,690
STOCKHOLDERS EQUITY		
Preferred stock (5,000,000 shares authorized)	17,680	
Warrants on preferred stock	1,037	
Discount on preferred stock	(1,031)	

Common stock (50,000,000 shares authorized $.01 par value) 21,468,455 and 9,375,000 shares issued and outstanding at December 31, 2008, and December 31, 2007, respectively	215	94
Additional paid in capital	146,076	42,989
Retained earnings	1,691	2,229
Accumulated other comprehensive loss	(1,265)	
Total stockholders equity	164,403	45,312
Total liabilities and stockholders equity	$ 1,030,240	$ 59,441

See accompanying notes to consolidated financial statements

7

Table of Contents

COMMUNITY BANKERS TRUST CORPORATION

CONSOLIDATED STATEMENTS OF INCOME

For the Year Ended December 31, 2008 and Nine Months Ended December 31, 2007

	December 31, 2008	December 31, 2007
	(Dollars and shares in thousands, except per share data)	
Interest and dividend income		
Interest and fees on loans	$ 19,694	$
Interest on federal funds sold	90	
Interest on deposits in other banks	356	
Interest and dividends on securities		
Taxable	2,297	1,944
Nontaxable	898	
Total interest income	23,335	1,944
Interest expense		
Interest on deposits	7,695	
Interest on federal funds purchased	131	
Interest on other borrowed funds	734	
Total interest expense	8,560	
Net interest income	14,775	1,944
Provision for loan losses	2,572	
Net interest income after provision for loan losses	12,203	1,944
Noninterest income		
Service charges on deposit accounts	1,185	
Other	595	
Total noninterest income	1,780	
Noninterest expense		
Salaries and employee benefits	5,590	
Occupancy expenses	884	
Equipment expenses	665	
Legal fees	429	
Data processing fees	499	
Amortization of intangibles	975	
Other operating expenses	3,585	263
Total noninterest expense	12,627	263
Net income before income tax expense	1,356	1,681
Income tax expense	133	576
Net income	$ 1,223	$ 1,105

Net income per share basic	$	0.07	$	0.12
Net income per share diluted	$	0.07	$	0.09
Weighted average number of shares outstanding				
Basic		16,430		9,375
Diluted		17,518		11,807

See accompanying notes to consolidated financial statements

8

Table of Contents

COMMUNITY BANKERS TRUST CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS EQUITY

FOR THE TWELVE MONTHS and NINE MONTHS ENDED

DECEMBER 31, 2008 (Restated) AND 2007, respectively

(Dollars and shares in thousands)

	Preferred Stock	Warrants	Discount on Preferred Stock	Common Stock Shares	Common Stock Amount	Additional Paid in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total
Balance, March 31, 2007	$	$	$	9,375	$ 94	$ 43,061	$ 1,124	$	$ 44,279
Change in shares subject to conversion						(72)			(72)
Comprehensive income:									
Net income							1,105		1,105
Total comprehensive income									1,105
Balance December 31, 2007				9,375	94	42,989	2,229		45,312
Issuance of preferred stock and related warrants	17,680	1,037	(1,037)						17,680
Amortization of preferred stock warrants			6				(6)		
Redemption of shares related to appraisal rights				(2)		(11)			(11)
Transfer of shares previously subject to conversion						11,690			11,690
Issuance of stock related to business combination				13,502	135	100,769			100,904
Issuance of options and stock awards related to business combination						1,487			1,487
Redemption of shares, net of fractional shares				(1,407)	(14)	(10,813)			(10,827)
Repurchase of warrants						(35)			(35)
Comprehensive income:									
Net income							1,223		1,223
Change in unrealized gain in investment securities, net of tax of $238								(462)	(462)
Change in funded status of pension plan, net of tax of $413								(803)	(803)
Total comprehensive income									(42)
Dividends paid on common stock ($.08 per share)							(1,755)		(1,755)
Balance December 31, 2008	$ 17,680	$ 1,037	$ (1,031)	21,468	$ 215	$ 146,076	$ 1,691	$ (1,265)	$ 164,403

See accompanying notes to consolidated financial statements

Table of Contents

COMMUNITY BANKERS TRUST CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Year Ended December 31, 2008 (Restated) and

Nine Months Ended December 31, 2007

	2008	2007
	(Dollars in thousands)	
Operating activities:		
Net income	$ 1,223	$ 1,105
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and intangibles amortization	1,663	
Provision for loan losses	2,572	
Deferred taxes	110	
Amortization of security premiums and accretion of discounts, net	117	
Net amortization of preferred warrants	6	
Net decrease in loans held for sale	506	
Changes in assets and liabilities:		
Increase in other assets	(6,832)	(809)
Increase (decrease) in accrued expenses and other liabilities	5,357	(476)
Net cash provided by (used in) operating activities	4,722	(180)
Investing activities:		
Net increase in federal funds sold	(10,335)	
Proceeds from securities sales, calls, maturities and paydowns	68,562	
Purchase of securities	(204,549)	(334)
Net increase in loans	(47,992)	
Purchase of premises and equipment, net	(2,655)	
Securities acquired in bank acquisition	(29,420)	
Cash acquired in bank acquisitions	10,016	
Net cash used in investing activities	(216,373)	(334)
Financing activities:		
Net increase in noninterest bearing and interest bearing demand deposits	9,689	
Increase in deposits from bank acquisition	305,197	
Net increase in Federal Home Loan Bank advances	20,000	
Cash paid to redeem shares related to asserted appraisal rights and retire warrants	(46)	
Cash dividends paid	(1,755)	
Issuance of preferred stock	17,680	
Cash paid to shareholders for converted shares	(10,843)	
Net cash provided by financing activities	339,922	
Net increase (decrease) in cash and cash equivalents	128,271	(514)
Cash and cash equivalents:		
Beginning of the period	162	676
End of the period	$ 128,433	$ 162

Supplemental disclosures of cash flow information:		
Interest paid	$ 5,780	$
Income taxes paid	406	
Transfers of OREO property	223	
Non-cash transactions related to the acquisition of TFC and BOE assets and liabilities		
Increase in assets and liabilities:		
Loans	$ 471,864	
Securities	71,123	
Other assets	83,664	
Non-interest bearing deposits	52,790	
Interest bearing deposits	438,672	
Borrowings	32,359	
Other Liabilities	10,216	

See accompanying notes to consolidated financial statements

COMMUNITY BANKERS TRUST CORPORATION

Notes to Consolidated Financial Statements

Note 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 25 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), a Georgia state-chartered bank. On January 30, 2009, the Bank acquired certain assets and assumed all deposit liabilities relating to seven former branch offices of Suburban Federal Savings Bank, Crofton, Maryland (SFSB).

The Bank was established in 1926 and is headquartered in Tappahannock, Virginia. 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, travelers checks, safe deposit box facilities, investment services and fixed rate residential mortgages. Fourteen offices 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.

Predecessors

From its inception until consummation of the acquisitions of TFC and BOE on May 31, 2008, the Company was a special purpose acquisition company, as described above, and had no substantial operations. Accordingly, since the Company s operating activities prior to the acquisitions were insignificant relative to those of TFC and BOE, management believes that both TFC and BOE are the Company s predecessors. Management has reached this conclusion based upon an evaluation of facts and circumstances, including the historical life of each of TFC and BOE, the historical level of operations of each of TFC and BOE, the purchase price paid for each of TFC and BOE and the fact that the consolidated Company s operations, revenues and expenses after the acquisitions are most similar in all respects to those of BOE s and TFC s historical periods. Accordingly, the statements should be read in conjunction with the consolidated financial statements and the accompanying notes to consolidated financial statements of TFC and BOE for the periods ended May 31, 2008 and December 31, 2007. These statements have also been presented.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Company and the Bank, its wholly-owned subsidiary. All material intercompany balances and transactions have been eliminated in consolidation. FASB Interpretation No. 46(R) requires that the Company no longer eliminate through consolidation the equity investment in BOE Statutory Trust I, which approximated $124,000 at December 31, 2008. The subordinated debt of the Trust is reflected as a liability of the Company.

COMMUNITY BANKERS TRUST CORPORATION

Notes to Consolidated Financial Statements

Cash and Cash Equivalents

For purposes of the consolidated statements of cash flows, the Company has defined cash and cash equivalents as cash and due from banks, interest-bearing bank balances, and Federal funds sold.

Securities

Debt securities that management has the positive intent and ability to hold to maturity are classified as held to maturity and recorded at amortized cost. Securities not classified as held to maturity, including equity securities with readily determinable fair values, are classified as available for sale and recorded at fair value, with unrealized gains and losses excluded from earnings and reported in other comprehensive income.

Purchase premiums and discounts are recognized in interest income using the interest method over the terms of the securities. Declines in the fair value of held-to-maturity and available-for-sale securities below their cost that are deemed to be other than temporary are reflected in earnings as realized losses. In estimating other than temporary impairment losses, management considers (1) the length of time and the extent to which the fair value has been less than cost, (2) the financial condition and near-term prospects of the issuer, and (3) the intent and ability of the Company to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value. Gains and losses on the sale of securities are recorded on the trade date and are determined using the specific identification method.

Restricted Securities

The Company is required to maintain an investment in the capital stock of certain correspondent banks. The Company s investment in these securities is recorded at cost.

Loans Held for Sale

Mortgage loans originated and intended for sale in the secondary market are carried at the lower of cost or estimated market in the aggregate. Net unrealized losses are recognized through a valuation allowance by charges to income. Mortgage loans held for sale are sold with the mortgage servicing rights released by the Company.

The Company enters into commitments to originate certain mortgage loans whereby the interest rate on the loans is determined prior to funding (rate lock commitments). Rate lock commitments on mortgage loans that are intended to be sold are considered to be derivatives. The period of time between issuance of a loan commitment and closing and the sale of the loan generally ranges from thirty to ninety days. The Company protects itself from changes in interest rates through the use of best efforts forward delivery commitments, whereby the Company commits to sell a loan at the time the borrower commits to an interest rate with the intent that the buyer has assumed interest rate risk on the loan. As a result, the Company is not exposed to losses nor will it realize significant gains related to its rate lock commitments due to changes in interest rates. The correlation between the rate lock commitments and the best efforts contracts is very high due to their similarity. Because of this high correlation, the gain or loss that occurs on the rate lock commitments is immaterial.

Loans

The Bank grants mortgage, commercial and consumer loans to customers. A substantial portion of the loan portfolio is represented by mortgage loans. The ability of the Bank s debtors to honor their contracts is dependent upon the real estate and general economic conditions in the Bank s market area.

COMMUNITY BANKERS TRUST CORPORATION

Notes to Consolidated Financial Statements

Loans that management has the intent and ability to hold for the foreseeable future or until maturity or pay-off generally are reported at their outstanding unpaid principal balances adjusted for charge-offs, the allowance for loan losses, and any deferred fees or costs on originated loans. Interest income is accrued on the unpaid principal balance. Loan origination fees, net of certain direct origination costs, are deferred and recognized as an adjustment of the related loan yield using the interest method.

The accrual of interest on mortgage and commercial loans is discontinued at the time the loan is 90 days delinquent unless the credit is well-secured and in process of collection. Consumer loans are typically charged off no later than 180 days past due. In all cases, loans are placed on non-accrual or charged-off at an earlier date if collection of principal or interest is considered doubtful.

All interest accrued but not collected for loans that are placed on non-accrual or charged-off is reversed against interest income. The interest on these loans is accounted for on the cash-basis or cost-recovery method, until qualifying for return to accrual. Loans are returned to accrual status when all of the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

Allowance for Loan Losses

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 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, general and unallocated 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. An unallocated component is maintained to cover uncertainties that could affect management s estimate of probable losses. The unallocated component of the allowance reflects the margin of imprecision inherent in the underlying assumptions used in the methodologies for estimating specific and general losses in the portfolio.

A loan is considered impaired when, based on current information and events, it is probable 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, 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.

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

Table of Contents

COMMUNITY BANKERS TRUST CORPORATION

Notes to Consolidated Financial Statements

Accounting for Certain Loans or Debt Securities Acquired in a Transfer

On January 1, 2005, Statement of Position (SOP) 03-3, *Accounting for Certain Loans or Debt Securities Acquired in a Transfer* (AICPA, *Technical Practice Aids*, ACC sec. 10,880) was adopted for loan acquisitions. SOP 03-3 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 SOP 03-3. SOP 03-3 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.

In our acquisition of TFC and BOE, the preliminary fair value of SOP 03-3 loans was determined based on assigned risk ratings, expected cash flows and the fair value of the collateral. The fair value of non SOP 03-3 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 SOP 03-3 application. Those loans that were not considered impaired at the time of acquisition were not considered for SOP 03-3.

As a result of the acquisitions of TFC and BOE, the Company had loans amounting to approximately $5.0 million as of December 31, 2008 which met the criteria of SOP 03-3. Due to the immateriality of these loans in relation to the overall financial condition of the Company, detailed disclosures have not been included in these financial statements.

Bank Premises and Equipment

Bank premises and equipment are stated at cost less accumulated depreciation. Land is carried at cost. Depreciation of bank premises and equipment is computed on the straight-line method over estimated useful lives of 10 to 50 years for premises and 3 to 20 years for equipment, furniture and fixtures.

Costs of maintenance and repairs are charged to expense as incurred and major improvements are capitalized. Upon sale or retirement of depreciable properties, the cost and related accumulated depreciation are eliminated from the accounts and the resulting gain or loss is included in the determination of income.

Other Real Estate Owned

Real estate acquired through, or in lieu of, loan foreclosure is held for sale and is initially recorded at the lower of the loan balance or 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. The Company had $223,000 in other real estate at December 31, 2008.

Goodwill and Other Intangibles

SFAS No. 141, *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

COMMUNITY BANKERS TRUST CORPORATION

Notes to Consolidated Financial Statements

other valuation methods. The Company adopted SFAS No. 142, *Goodwill and Other Intangible Assets*. Accordingly, goodwill is no longer subject to amortization over its estimated useful life, but is subject to at least an annual assessment for impairment by applying a fair value-based test. Additionally, under SFAS No. 142, 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. SFAS No. 142 discontinued any amortization of goodwill and other intangible assets with indefinite lives, but required an impairment review at least annually or more often if certain conditions exist. The Company follows SFAS No. 147, *Acquisitions of Certain Financial Instruments*, and determined that any core deposit intangibles will be amortized over the estimated useful life.

Advertising Costs

The Company follows the policy of expensing advertising costs as incurred, which total $308,000 for 2008.

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.

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

As of December 31, 2008 and 2007, the Company did not have any tax benefit disallowed under FASB Interpretation 48, *Accounting for Uncertainty in Income Taxes* (FIN 48).

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, it is more likely than not that the results of future operations will generate sufficient taxable income to recognize the deferred tax assets.

Included in deferred tax assets are the tax benefits derived from net operating loss carryforwards totaling $2,945 million relating to an acquisition, which expire in various amounts from 2021 through 2024. 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 2005 through 2008 are open to examination by the respective tax authorities.

Table of Contents

COMMUNITY BANKERS TRUST CORPORATION

Notes to Consolidated Financial Statements

Earnings Per Share

Basic earnings per share (EPS) is computed based on the weighted average number of shares outstanding and excludes any dilutive effects of options, warrants and convertible securities. Diluted EPS is computed in a manner similar to basic EPS, except for certain adjustments to the numerator and the denominator. Diluted EPS gives effect to all dilutive potential common shares that were outstanding during the period. Potential common shares that may be issued by the Company relate solely to outstanding stock options and warrants and are determined using the treasury stock method. Preferred stock was issued on December 19, 2008. No dividend was declared on this stock during 2008.

Stock-Based Compensation

Prior to the Company s mergers with BOE and TFC, both of these entities had stock-based compensation plans, which are more fully described in Note 13.

Recent Accounting Pronouncements

In September 2006, the Financial Accounting Standards Board (FASB) reached a consensus on Emerging Issues Task Force (EITF) Issue 06-4, Accounting for Deferred Compensation and Postretirement Benefit Aspects of Endorsement Split-Dollar Life Insurance Arrangements, (EITF Issue 06-4). In March 2007, the FASB reached a consensus on EITF Issue 06-10, Accounting for Collateral Assignment Split-Dollar Life Insurance Arrangements, (EITF Issue 06-10). Both of these standards require a company to recognize an obligation over an employee s service period based upon the substantive agreement with the employee such as the promise to maintain a life insurance policy or provide a death benefit postretirement. *The Company adopted the provisions of these standards effective January 1, 2008. The adoption of these standards was not material to the consolidated financial statements.*

In September 2006, the FASB issued Statement of Financial Accounting Standards No. 157, Fair Value Measurements (SFAS 157). SFAS 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. SFAS 157 does not require any new fair value measurements, but rather, provides enhanced guidance to other pronouncements that require or permit assets or liabilities to be measured at fair value. This Statement is effective for financial statements issued for fiscal years beginning after November 15, 2007 and interim periods within those years. The FASB has approved a one-year deferral for the implementation of the Statement for nonfinancial assets and nonfinancial liabilities that are recognized or disclosed at fair value in the financial statements on a nonrecurring basis. *The Company adopted SFAS 157 effective January 1, 2008. The adoption of SFAS 157 was not material to the consolidated financial statements.*

In February 2007, the FASB issued Statement of Financial Accounting Standards No. 159, The Fair Value Option for Financial Assets and Financial Liabilities (SFAS 159). This Statement permits entities to choose to measure many financial instruments and certain other items at fair value. The objective of this Statement is to improve financial reporting by providing entities with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. The fair value option established by this Statement permits all entities to choose to measure eligible items at fair value at specified election dates. A business entity shall report unrealized gains and losses on items for which the fair value option has been elected in earnings at each subsequent reporting date. The fair value option may be applied instrument by instrument and is irrevocable. SFAS 159 is effective as of the beginning of an entity s first fiscal year that begins after November 15, 2007, with early adoption available in certain circumstances. *The Company adopted SFAS 159 effective January 1, 2008. The Company decided not to report any existing financial assets or liabilities at fair value that are not already reported, thus the adoption of this statement did not have a material impact on the (consolidated) financial statements.*

COMMUNITY BANKERS TRUST CORPORATION

Notes to Consolidated Financial Statements

In December 2007, the FASB issued Statement of Financial Accounting Standards No. 141(R), Business Combinations (SFAS 141(R)). The Standard will significantly change the financial accounting and reporting of business combination transactions. SFAS 141(R) establishes principles for how an acquirer recognizes and measures the identifiable assets acquired, liabilities assumed, and any noncontrolling interest in the acquiree; recognizes and measures the goodwill acquired in the business combination or a gain from a bargain purchase; and determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination. SFAS 141(R) is effective for acquisition dates on or after the beginning of an entity s first year that begins after December 15, 2008. *The Company does not expect the implementation of SFAS 141(R) to have a material impact on its consolidated financial statements, at this time.*

In December 2007, the FASB issued Statement of Financial Accounting Standards No. 160, Noncontrolling Interests in Consolidated Financial Statements an Amendment of ARB No. 51 (SFAS 160). The Standard will significantly change the financial accounting and reporting of noncontrolling (or minority) interests in consolidated financial statements. SFAS 160 is effective as of the beginning of an entity s first fiscal year that begins after December 15, 2008, with early adoption prohibited. *The Company does not expect the implementation of SFAS 160 to have a material impact on its consolidated financial statements, at this time.*

In November 2007, the Securities and Exchange Commission (SEC) issued Staff Accounting Bulletin No. 109, Written Loan Commitments Recorded at Fair Value Through Earnings (SAB 109). SAB 109 expresses the current view of the staff that the expected net future cash flows related to the associated servicing of the loan should be included in the measurement of all written loan commitments that are accounted for at fair value through earnings. SEC registrants are expected to apply the views in Question 1 of SAB 109 on a prospective basis to derivative loan commitments issued or modified in fiscal quarters beginning after December 15, 2007. *Implementation of SAB 109 did not have a material impact on its consolidated financial statements.*

In December 2007, the SEC issued Staff Accounting Bulletin No. 110, Use of a Simplified Method in Developing Expected Term of Share Options (SAB 110). SAB 110 expresses the current view of the staff that it will accept a company s election to use the simplified method discussed in SAB 107 for estimating the expected term of plain vanilla share options regardless of whether the company has sufficient information to make more refined estimates. The staff noted that it understands that detailed information about employee exercise patterns may not be widely available by December 31, 2007. Accordingly, the staff will continue to accept, under certain circumstances, the use of the simplified method beyond December 31, 2007. *Implementation of SAB 110 did not have a material impact on its consolidated financial statements.*

In March 2008, the FASB issued SFAS No. 161, Disclosures about Derivative Instruments and Hedging Activities an amendment of SFAS No. 133, (SFAS No. 161). SFAS No. 161 requires that an entity provide enhanced disclosures related to derivative and hedging activities. *SFAS No. 161 is effective for the Company on January 1, 2009.*

In April 2008, the FASB issued FASB Staff Position (FSP) No. 142-3, Determination of the Useful Life of Intangible Assets (FSP No. 142-3). FSP No. 142-3 amends the factors an entity should consider in developing renewal or extension assumptions used in determining the useful life of recognized intangible assets under FASB SFAS No. 142, Goodwill and Other Intangible Assets (SFAS No. 142). The intent of FSP No. 142-3 is to improve the consistency between the useful life of a recognized intangible asset under SFAS No. 142 and the period of expected cash flows used to measure the fair value of the assets under SFAS No. 141(R). FSP No. 142-3 is effective for the Company on January 1, 2009, and applies prospectively to intangible assets that are acquired individually or with a group of other assets in business combinations and asset acquisitions. *The adoption of FSP No. 142-3 is not expected to have a material impact on the Company s consolidated financial statements.*

In May 2008, the FASB issued SFAS No. 162, The Hierarchy of Generally Accepted Accounting Principles, (SFAS No. 162). SFAS No. 162 identifies the sources of accounting principles and the framework for selecting the principles to be used in the preparation of financial statements of nongovernmental entities that are presented in conformity with generally accepted accounting principles. SFAS No. 162 is effective 60 days following the SEC s approval of the Public Company Accounting Oversight Board amendments to AU Section 411, The Meaning of Present Fairly in Conformity With Generally Accepted Accounting Principles. *Management does not expect the adoption of the provision of SFAS No. 162 to have any impact on the consolidated financial statements.*

COMMUNITY BANKERS TRUST CORPORATION

Notes to Consolidated Financial Statements

In September 2008, the FASB issued FSP FAS 133-1 and FIN 45-4, Disclosures about Credit Derivatives and Certain Guarantees: An Amendment of FASB Statement No. 133 and FASB Interpretation No. 45; and Clarification of the Effective Date of FASB Statement No. 161, (FSP 133-1 and FIN 45-4). FSP 133-1 and FIN 45-4 require a seller of credit derivatives to disclose information about its credit derivatives and hybrid instruments that have embedded credit derivatives to enable users of financial statements to assess their potential effect on its financial position, financial performance and cash flows. *The disclosures required by FSP 133-1 and FIN 45-4 will be effective for the Company on December 31, 2008 and is not expected to have a material impact on the consolidated financial statements.*

In October 2008, the FASB issued FSP FAS 157-3, Determining the Fair Value of a Financial Asset When the Market for That Asset Is Not Active, (FSP 157-3). FSP 157-3 clarifies the application of SFAS No. 157 in determining the fair value of a financial asset during periods of inactive markets. *FSP 157-3 was effective as of September 30, 2008 and did not have material impact on the Company s consolidated financial statements.*

In December 2008, the FASB issued FSP No. FAS 140-4 and FIN 46(R)-8, Disclosures by Public Entities (Enterprises) about Transfers of Financial Assets and Interests in Variable Interest Entities. FSP No. FAS 140-4 and FIN 46(R)-8 requires enhanced disclosures about transfers of financial assets and interests in variable interest entities. The FSP is effective for interim and annual periods ending after December 15, 2008. *Since the FSP requires only additional disclosures concerning transfers of financial assets and interest in variable interest entities, adoption of the FSP will not affect the Company s financial condition, results of operations or cash flows*.

In January 2009, the FASB reached a consensus on EITF Issue 99-20-1. This FSP amends the impairment guidance in EITF Issue No. 99-20, Recognition of Interest Income and Impairment on Purchased Beneficial Interests and Beneficial Interests That Continue to Be Held by a Transferor in Securitized Financial Assets, to achieve more consistent determination of whether an other-than-temporary impairment has occurred. The FSP also retains and emphasizes the objective of an other-than-temporary impairment assessment and the related disclosure requirements in FASB Statement No. 115, Accounting for Certain Investments in Debt and Equity Securities, and other related guidance. The FSP is effective for interim and annual reporting periods ending after December 15, 2008 and shall be applied prospectively. *The FSP was effective as of December 31, 2008 and did not have a material impact on the consolidated financial statements.*

Business Combinations

On September 7, 2007, the Company issued a press release and filed a Current Report on Form 8-K reporting that it had entered into an Agreement and Plan of Merger, dated as of September 5, 2007, with TFC (the TFC Agreement), which provided for the merger of TFC with and into the Company. Effective May 31, 2008 at 11:58 p.m., the Company consummated the merger between the Company and TFC pursuant to the terms of the TFC Agreement (the TFC Merger). In connection with the TFC Merger, TransCommunity Bank, N.A., a wholly-owned subsidiary of TFC, became a wholly-owned subsidiary of the Company. The material terms of the TFC Merger Agreement and certain financial and other information about the Company and TFC are contained in the Company s registration statement on Form S-4 (SEC File No. 333-148675) originally filed January 15, 2008, as amended, the definitive joint proxy statement/prospectus thereto, filed March 31, 2008 (hereinafter referred to as the TFC Merger Proxy), TFC s annual report on Form 10-K for the year ended December 31, 2007, filed March 31, 2008 (SEC File No. 000-33355), and TFC s quarterly report on Form 10-Q for the quarter ended March 31, 2008, filed May 15, 2008 (SEC File No. 000-33355).

On December 14, 2007, the Company issued a press release and filed a Current Report on Form 8-K reporting that it had entered into an Agreement and Plan of Merger, dated as of December 14, 2007, with BOE Financial Services of Virginia, Inc. (the BOE Agreement), which provided for the merger of BOE with and into the Company. Effective May 31, 2008 at 11:59 p.m., the Company consummated the merger between the Company and BOE pursuant to the terms of the BOE Agreement (the BOE Merger). In connection with the BOE Merger, the

COMMUNITY BANKERS TRUST CORPORATION

Notes to Consolidated Financial Statements

Bank, a wholly-owned subsidiary of BOE, became a wholly-owned subsidiary of the Company. The material terms of the BOE Merger Agreement and certain financial and other information about the Company and BOE are contained in the Company s registration statement on Form S-4 (SEC File No. 333-149384) originally filed February 26, 2008, as amended, the definitive joint proxy statement/prospectus thereto, filed March 31, 2008 (hereinafter referred to as the BOE Merger Proxy), BOE s annual report on Form 10-K for the year ended December 31, 2007, filed March 31, 2008 (SEC File No. 000-31711), and BOE s quarterly report on Form 10-Q for the quarter ended March 31, 2008, filed May 15, 2008 (SEC File No. 000-31711).

Prior to the mergers, $54.35 million of the net proceeds from the CBTC initial public offering including $2.1 million of deferred underwriting discounts and commissions was held in trust by CBTC for the purpose of completing a business combination. Of such funds, $45.6 million was released to the Company upon completion of the TFC Business Combination and BOE Merger, after payment of the deferred discount and $10.8 million to stockholders who converted their shares to cash.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Management estimates that are particularly susceptible to significant change in the near term relate to the determination of the allowance for loan losses, the valuation of other real estate owned, and the valuation of deferred tax assets.

Reclassifications

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

Note 2. Restatement

During 2008, management discovered that there was an error in the fair value of stock options issued by the Company in settlement of the TFC and BOE stock options outstanding as of the respective merger dates. When correcting this valuation error, the adjustment was inadvertently recorded twice. The result was an understatement of Goodwill and Deferred Taxes Liabilities of approximately $2.9 million and $1.5 million, respectively. Other assets decreased because the error correction resulted in a net deferred tax liability position as opposed to a net deferred tax asset position. An adjustment has been made to correct this error.

Specific line items of the financial statements for the year ended December 31, 2008 affected by the restatement are as follows:

(dollars in thousands)	As filed	Restated
Consolidated Balance Sheet		
Goodwill	34,285	37,184 (1)
Other assets	9,507	7,798 (2)
Total assets	1,029,050	1,030,240 (1),(2)
Other liabilities	16,992	17,465 (3)
Total liabilities	865,364	865,837 (3)
Additional paid in capital	145,359	146,076 (4)
Total stockholders equity	163,686	164,403 (4)
Consolidated Statement of Changes in Stockholders Equity		
Issuance of stock related to business combination	100,052	100,769 (4)

Balance December 31, 2008	145,359	146,076 (4)
Consolidated Statements of Cash Flows		
Non-cash transactions related to the acquisition of TFC and BOE assets and liabilities		
Other assets	81,487	83,664 (5)
Other liabilities	8,756	10,216 (6)

Adjustments

(1) to correct goodwill related to the revised calculation of the fair value of stock options in the amount of $2.177 million and for reclassification of merger and acquisition costs of $723,000

(2) to correct deferred tax assets related to the revised calculation of the fair value of stock options in the amount of ($987,000) and for the reclassification of merger and acquisition costs to goodwill of ($723,000)

(3) to correct deferred tax liabilities related to the revised calculation of the fair value of stock options

(4) to correct additional paid in capital related to the revised calculation of the fair value of stock options

(5) to correct the increase in other assets for the change in goodwill related to the revised calculation of the fair value of stock options

(6) to correct the increase in other liabilities for the change in deferred taxes related to the revised calculation of the fair value of stock options

Table of Contents

COMMUNITY BANKERS TRUST CORPORATION

Notes to Consolidated Financial Statements

Note 3. Securities

The amortized cost and fair value of securities available for sale and held to maturity as of December 31, 2008 are as follows (dollars in thousands):

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Securities Available for Sale				
U.S. Treasury issue and other U.S. Government agencies	$ 28,732	$ 358	$ (21)	$ 29,069
Mortgage backed securities	93,619	803	(66)	94,356
State, county and municipal	64,600	478	(2,184)	62,894
Corporate & other bonds	7,418	19	(188)	7,249
Other securities	323	111	(10)	424
Total securities available for sale	$ 194,692	$ 1,769	$ (2,469)	$ 193,992

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Securities Held to Maturity				
U.S. Treasury issue and other U.S. Government agencies	$ 5,997	$ 37	$	$ 6,034
Mortgage backed securities	79,595	62		79,657
State, county and municipal	9,273	1		9,274
Total securities held to maturity	$ 94,865	$ 100	$	$ 94,965

As of December 31, 2007, securities of $58.5 million consisted solely of U. S. Treasuries held in trust, and were recorded at amortized cost.

In estimating other than temporary impairment 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. As of December 31, 2008 and December 31, 2007, there were no investments held that had other than temporary impairment losses.

Presented below is a summary of securities available for sale with unrealized losses segregated at December 31, 2008:

	Less than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
	(Dollars in thousands)					
Securities available for sale						
U.S. Treasury issue and other U.S. Government agencies	$ 1,583	$ (21)	$	$	$ 1,583	$ (21)
State, county and municipal	33,005	(2,184)			33,005	(2,184)
Corporate & other bonds	4,475	(187)			4,475	(187)
Mortgage backed securities	2,812	(66)			2,812	(66)

Other securities	186	(10)			186	(10)
Total	$ 42,061	$ (2,468)	$	$	$ 42,061	$ (2,468)

There were no unrealized losses on securities held to maturity as of December 31, 2008. In addition, there were no unrealized losses reported for U.S. Treasuries held in trust as of December 31, 2007.

COMMUNITY BANKERS TRUST CORPORATION

Notes to Consolidated Financial Statements

The unrealized losses in the investment portfolio as of December 31, 2008 are generally a result of market fluctuations that occur daily. The unrealized losses are from 97 securities 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 has the ability and intent to hold these securities to maturity or until a recovery of 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.

The amortized cost and fair value of securities as of December 31, 2008, 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.

	Held to Maturity		Available for Sale	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
	(Dollars in thousands)			
Due in one year or less	$	$	$ 22,803	$ 22,823
Due after one year through five years	17,834	17,891	70,887	71,640
Due after five years through ten years	68,397	68,403	78,280	78,552
Due after ten years	8,634	8,672	22,399	20,553
	94,865	94,966	194,369	193,568
Other securities			323	424
Total securities	$ 94,865	$ 94,966	$ 194,692	$ 193,992

Proceeds from sales, principal repayments, calls and maturities of securities available for sale during 2008:

	Amount (Dollars in thousands)
Proceeds from sales	$ 110
Proceeds from call, maturities and paydowns	68,452
Total proceeds	$ 68,562
Gross realized gains	
Gross realized losses	
Net realized gain	$

Securities with amortized costs of $18.927 million at December 31, 2008 were pledged to secure public deposits and for other purposes required or permitted by law. On December 31, 2008 and 2007, there were no securities issued, other than U.S. government and agencies, that comprised more than 10% of the consolidated shareholders equity.

Note 4. Loans

The loan portfolio consisted of various loan types as follows (dollars in thousands):

	December 31, 2008
Mortgage loans on real estate:	
Residential 1-4 family	$ 129,607
Commercial	158,062
Construction	139,515
Second Mortgages	15,599
Multifamily	9,370
Agriculture	5,143
Total real estate loans	457,296
Commercial Loans	45,320
Consumer installment loans	14,457
All other loans	7,005
Gross loans	524,078
Less: unearned income	(780)
Loans, net of unearned income	$ 523,298

COMMUNITY BANKERS TRUST CORPORATION

Notes to Consolidated Financial Statements

The Company had an approximate $5.154 million in nonperforming assets at December 31, 2008. These nonperforming assets consisted of 84 credits and one piece of OREO property. Interest forfeited on non-accrual loans for the year ended December 31, 2008 was $251,000.

At December 31, 2008, the Company s allowance for credit losses is comprised of the following: (i) any specific valuation allowances calculated in accordance with SFAS No. 114, *Accounting by Creditors for Impairment of a Loan (SFAS 114),* (ii) general valuation allowances calculated in accordance with SFAS 5 based on economic conditions and other qualitative risk factors, and (iii) historical valuation allowances calculated using historical loan loss experience of the former banks. Management identified loans subject to impairment in accordance with SFAS 114.

The following is a summary of information for impaired and non-accrual loans as of December 31, 2008 (dollars in thousands):

	Amount
Impaired loans without a valuation allowance	$ 13,301
Impaired loans with a valuation allowance	12,915
Total impaired loans	$ 26,216
Valuation allowance related to impaired loans	$ 3,115
Total non-accrual loans	$ 4,534
Total loans ninety days or more past due and still accruing	$ 397
Average investment in impaired loans	$ 8,240
Interest income recognized on impaired loans	$ 768
Interest income recognized on a cash basis on impaired loans	$ 768

Analysis of the loan valuation allowance is as follows:

	Year Ended December 31, 2008
Balance, beginning of year	$
Allowance from acquired banks	5,305
Loans charged-off	(980)
Recoveries	42
Provision for loan losses	2,572
Balance, end of year	$ 6,939

22

COMMUNITY BANKERS TRUST CORPORATION

Notes to Consolidated Financial Statements

Note 5. Premises and Equipment

A summary of the bank premises and equipment at December 31, 2008 follows: (dollars in thousands):

Land	$ 5,914
Land improvements and buildings	13,900
Leasehold improvements	53
Furniture and equipment	2,223
Construction in progress	2,661
Total	24,751
Less accumulated depreciation and amortization	(640)
Bank premises and equipment, net	$ 24,111

Depreciation expense for the year ended December 31, 2008 amounted to $640,000.

Note 6. Mergers and Acquisitions

In relation to the mergers with TFC and BOE on May 31, 2008, which is further described in Note 1, the Company followed the acquisition method of accounting as outlined in SFAS 141, Business Combinations. Under SFAS 141, the Company is required to implement purchase accounting rules, where the acquirer recognizes and measures the identifiable assets acquired, liabilities assumed, and any noncontrolling interest in the acquiree; recognizes and measures the goodwill acquired in the business combination or a gain from a bargain purchase; and determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination. Management relied on external analysis by appraisers in determining the fair value of the assets acquired and liabilities assumed. Based on that appraisal, the following table provides the calculation and allocation of the purchase price used in the financial statements:

	BOE	**TFC**
	(Dollars in thousands)	
Value of shares issues ($7.42 per share)	$ 51,624	$ 48,563
Value of stock options issued	997	1,207
Merger related costs	1,928	2,068
Purchase price	54,549	51,838
Book value of net assets acquired	30,096	29,052
Excess of purchase over book value of net assets	$ 24,453	$ 22,786
Allocation of excess purchase price:		
Core deposit intangible	$ 9,643	$ 5,309
Fair value adjustments:		
Loans	656	1,423
Investment securities	2	
Bank premises	2,684	675
Time deposit	(992)	(1,954)

Deferred taxes	(4,738)	(2,653)
Goodwill	17,198	19,986
	$ 24,453	$ 22,786
Fair value of assets acquired		
Cash and cash equivalents	$ 5,784	$ 4,232
Investment securities	57,021	11,285
Loans	234,715	243,303
Bank premises and equipment	13,296	8,770
Bank owned life insurance	6,158	
Core deposit intangibles	9,643	5,309
Goodwill	17,198	19,986
Fair value of assets acquired	$ 343,815	$ 292,885
Fair value of liabilities assumed		
Deposits	$ 257,374	$ 234,088
FHLB advances	17,900	
Trust preferred capital notes	4,124	
Other	9,207	6,160
Fair value of liabilities assumed	$ 288,605	$ 240,248
Net assets acquired, at fair value	$ 55,210	$ 52,637

COMMUNITY BANKERS TRUST CORPORATION

Notes to Consolidated Financial Statements

The merger transaction was accounted for under the purchase method of accounting and is intended to qualify as a tax-free reorganization under Section 368(a) of the Internal Revenue Code. The merger resulted in $37.2 million of estimated goodwill and $15.0 million of core deposit intangible assets. The estimated goodwill is subject to possible adjustments during the one year period from the date of the merger. The core deposit intangible asset was based on an independent valuation and will be amortized over the estimated life of the core deposits ranging from 2.6 to nine years. There were no funds borrowed by the Company to finance these mergers.

During 2008, management discovered that there was an error in the fair value of stock options issued by the Company in settlement of the TFC and BOE stock options outstanding as of the respective merger dates. When correcting this valuation error, the adjustment was inadvertently recorded twice. The result was an understatement of Goodwill and Deferred Taxes Liabilities of approximately $2.9 million and $1.5 million, respectively. An adjustment has been made to correct this error.

The Company analyzed the effect of canceling certain contracts between Bank and their vendors in order to produce efficiencies from the merger. Costs of canceling the contracts were material and changed the amount of goodwill associated with the merger.

The Company s consolidated financial statements include the results of operations of the Bank only from the date of acquisitions. Pro forma condensed consolidated income statements for the years ended December 31, 2008, and 2007 are shown as if the merger occurred at the beginning of each year as follows:

Pro forma information	**2008**	**2007**
	(Dollars in thousands, except per share data)	
Interest income	$ 38,221	$ 38,480
Interest expense	(15,622)	(15,371)
Net interest income	22,599	23,109
Provision for loan losses	(4,120)	(1,692)
Other income	3,063	3,068
Other expenses	(25,740)	(19,962)
Income tax expense	(40)	1,903
Discontinued operations		(77)
Net income	$ (4,238)	$ 6,349
Earnings per share	$ (0.19)	$ 0.28

On November 21, 2008, the Bank acquired certain assets and assumed all deposit liabilities relating to four former branch offices of TCB. The transaction was consummated pursuant to a Purchase and Assumption Agreement, dated November 21, 2008, by and among the Federal Deposit Insurance Corporation (FDIC), as Receiver for The Community Bank, the Bank and the FDIC.

COMMUNITY BANKERS TRUST CORPORATION

Notes to Consolidated Financial Statements

Management evaluated the applicability of Statement of Financial Accounting Standards (SFAS) No. 141 *Business Combinations* , as well as EITF 98-3 *Determining Whether a Nonmonetary Transaction Involves Receipt of Productive Assets or of a Business* in determining the accounting for this transaction. This guidance outlines that for a transferred set of activities and assets to be a business, it must contain all the inputs and processes necessary for it to continue to conduct normal operations after the transferred set is separated from the transferor, which includes the ability to sustain a revenue stream by providing its outputs to customers. Based upon an assessment of the transaction, management determined that there were significant limitations on the resources transferred and, therefore, concluded that the net assets acquired did not meet the definition of a Business as defined by these authoritative standards. Accordingly, the transaction was accounted for as an asset purchase.

Pursuant to the terms of the Purchase and Assumption Agreement, the Bank assumed approximately $619.0 million in deposits, approximately $233.9 million of which were deemed to be core deposits, and paid the FDIC a premium of 1.36% on the core deposits amounting to approximately $3.2 million. All deposits insured prior to the closing of the transaction maintained their current insurance coverage.

The Company also acquired assets amounting to approximately $87.5 million as follows (dollars in thousands):

Cash and cash equivalents	**$ 54,439**
Investment securities	**31,304**
Loans and accrued interest	**1,593**
Other assets	**135**
Total assets	**$ 87,471**

The loans acquired were those fully secured by deposit accounts. the Bank had not purchased any additional loans as of December 31, 2008.

The Bank had 60 days to evaluate and, at its sole option, purchase any of the remaining TCB loans. As a result, the Bank purchased 175 loans totaling approximately $21 million on January 9, 2009. Also, the Bank had 90 days to evaluate and, at its sole option, purchase the premises and equipment. The Bank agreed to purchase all four former banking premises of TCB for $6.4 million on February 19, 2009.

The former branch offices of TCB opened on November 24, 2008 under the name Essex Bank, a division of the Bank.

Note 7. Goodwill and Other Intangibles

The Company follows SFAS 142, *Goodwill and Other Intangible Assets*, which prescribes the accounting for goodwill and intangible assets subsequent to initial recognition. Provisions within SFAS 142 discontinue any amortization of goodwill and intangible assets with indefinite lives, and require at least an annual impairment review or more often if certain impairment conditions exist. With the TFC and BOE mergers consummated May 31, 2008, there were significant amounts of goodwill and other intangible assets recorded, and no impairments were experienced in the period reported.

Core deposit intangible assets are amortized over the period of expected benefit, ranging from 2.6 to 9 years. Due to the mergers with TFC and BOE on May 31, 2008, the Company recorded approximately $15.0 million in core deposit intangible assets and $34.3 million in goodwill. Additionally, BOE assumed all deposits of The Community Bank, Loganville, GA on November 21, 2008, which were purchased for a premium of approximately $3.2 million.

Table of Contents

COMMUNITY BANKERS TRUST CORPORATION

Notes to Consolidated Financial Statements

Goodwill and other intangible assets are presented in the following table:

	December 31, 2008		
	Gross Carrying Value	Accumulated Amortization	Net Carrying Value
	(Dollars in thousands)		
Goodwill	$ 37,184	$	$ 37,184
Core deposit intangibles	18,132	969	17,163

Note 8. Fair Value Measurements

The Company utilizes fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. Securities available-for-sale, trading securities and derivatives, if present, are recorded at fair value on a recurring basis. Additionally, from time to time, the Company may be required to record at fair value other assets on a nonrecurring basis, such as loans held for sale, loans held for investment and certain other assets. These nonrecurring fair value adjustments typically involve application of lower of cost or market accounting or write-downs of individual assets.

Fair Value Hierarchy

Under SFAS 157, *Fair Value Measurement*, 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.

Level 3 Valuation is generated from model-based techniques that use at least one significant assumption not observable in the market. These unobservable assumptions reflect estimates of assumptions that market participants would use in pricing the asset or liability. Valuation techniques include use of option pricing models, discounted cash flow models and similar techniques.

Following is a description of valuation methodologies used for assets and liabilities recorded 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. 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

Impaired Loans

The Company does not record unimpaired loans held for investment at fair value each reporting period. However, from time to time, a loan is considered impaired and an allowance for loan losses is established. 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 SFAS 114, *Accounting by Creditors for Impairment of a Loan*. The fair value of impaired loans is estimated using one of several methods, including collateral value, market value of similar debt, enterprise value, and liquidation value and discounted cash flows. Those impaired loans not requiring an allowance represent loans for which the fair value of the expected repayments or collateral exceed the recorded investments in such loans. In accordance with SFAS 157, impaired loans where an allowance is established based on the fair value of collateral require classification in the fair value hierarchy. 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 as nonrecurring Level 2.

The Bank 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 Bank personnel. Internally prepared estimates generally result from current market data and actual sales data related to the Bank s collateral or where the collateral is located. When management determines 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. At December 31, 2008, substantially all of the impaired loans were evaluated based on the fair value of the collateral.

Foreclosed Assets

Foreclosed assets are adjusted to fair value upon transfer of the loans to foreclosed assets. Subsequently, foreclosed 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 as a nonrecurring Level 2. When an appraised value is not available or management determines 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 as nonrecurring Level 3.

Assets and Liabilities 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.

	December 31, 2008			
	Total	**Level 1**	**Level 2**	**Level 3**
Securities available for sale	$ 193,992	$ 424	$ 193,568	$
Loans held for	$ 200	$	$ 200	$
Total assets at fair value	$ 194,192	$ 424	$ 193,768	$
Total liabilities at fair value	$	$	$	$

The Company had no Level 3 assets measured at fair value on a recurring basis at December 31, 2008.

Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis

The Company may be required, from time to time, to measure certain assets at fair value on a nonrecurring basis in accordance with U.S. generally accepted accounting principles. These include assets that are measured at the lower of cost or market that were recognized at fair value below cost at the end of the period. The table below presents the recorded amount of assets and liabilities measured at fair value on a nonrecurring basis.

Table of Contents

COMMUNITY BANKERS TRUST CORPORATION

Notes to Consolidated Financial Statements

	December 31, 2008			
	Total	**Level 1**	**Level 2**	**Level 3**
		(In thousands)		
Loans impaired loans, net	$ 9,800	$	$ 8,814	$ 986
Other real estate owned (OREO)	223		223	
Total assets at fair value	$ 10,023	$	$ 9,037	$ 986
Total liabilities at fair value	$	$	$	$

Note 9. Deposits

Balance by deposit type	**December 31, 2008** (Dollars in thousands)
NOW	$ 76,575
MMDA	55,200
Savings	34,688
Time deposits less than $100,000	303,424
Time deposits greater than $100,000	276,762
Total interest-bearing deposits	$ 746,649

The aggregate amount of time deposits in denominations of $100,000 or more at December 31, 2008 was $276.8 million.

The scheduled maturities of time deposits at December 31, 2008 (dollars in thousands) are as follows:

2009	$ 452,601
2010	78,293
2011	29,963
2012	9,907
2013	9,290
Thereafter	132
Total	$ 580,186

Note 10. Income Taxes

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities as of December 31, 2008, follows (dollars in thousands):

2008

Deferred tax assets:	
Allowance for loan losses	$ 2,309
Deferred compensation	590
Non-accrual loan interest	59
Accrued pension	569
FAS 158 adjustment pension	413
Stock based compensation	70
Net operating loss carryforward	2,945
Alternative minimum tax credit	108
Unrealized loss on available for sale securities	238
Other	65
	$ 7,366
Deferred tax liabilities:	
Depreciation	296
Purchase accounting adjustment	7,468
Other	75
	$ 7,839
Net deferred tax liability	$ 473

Table of Contents

COMMUNITY BANKERS TRUST CORPORATION

Notes to Consolidated Financial Statements

The Company has analyzed the tax positions taken or expected to be taken in its tax returns and concluded it has no liability related to uncertain tax positions in accordance with FIN 48. The Company has analyzed the valuation allowances for Deferred Tax Assets and the fact that no allowance is required. All years from 2005 through 2008 are subject to audit by taxing authorities. As of December 31, 2008 the Company had $8.661 million of net operating losses which expire in 2021 through 2024.

Allocation of the income tax expense between current and deferred portions is as follows (dollars in thousands):

	2008	For the Nine Months Ended December 31, 2007
Current tax provision	$ 243	$ 576
Deferred tax (benefit)	(110)	
	$ 133	$ 576

The following is a reconciliation of the expected income tax expense with the reported expense for each year:

	2008	2007
Statutory federal income tax rate	34.0%	34.0%
(Reduction) in taxes resulting from:		
Municipal interest	(21.0)	
Bank owned life insurance income	(4.1)	
Other, net	0.9	0.3
	9.8%	34.3%

Note 11. Borrowings

The Company uses borrowings in conjunction with deposits to fund lending and investing activities. Borrowings include funding of a short-term and long-term nature. Short-term funding includes overnight borrowings from correspondent banks and securities sold under an agreement to repurchase. Long-term borrowings are obtained through the Federal Home Loan Bank (FHLB) of Atlanta. At December 31, 2008, there were no short-term borrowings. The following information is provided for long-term borrowings balances, rates, and maturities with the FHLB (dollars in thousands):

	December 31, 2008
Federal Home Loan Bank Advances	$ 37,900
Maximum month-end outstanding balance	$ 37,900
Average outstanding balance during the year	$ 15,861
Average interest rate during the year	4.63%
Average interest rate at end of year	3.14%

29

Table of Contents

COMMUNITY BANKERS TRUST CORPORATION

Notes to Consolidated Financial Statements

	Fixed Rate	Adjustable Rate	Total
2009	$	$ 900	$ 900
2010			
2011			
2012	22,000		22,000
2013	10,000		10,000
Thereafter	5,000		5,000
Total	$ 37,000	$ 900	$ 37,900

The Company has unsecured lines of credit with correspondent banks available for overnight borrowing totaling approximately $45,500,000.

Note 12. Employee Benefit Plans

The Company adopted the Bank s noncontributory, defined benefit pension plan for all full-time pre-merger Bank employees over 21 years of age. Benefits are generally based upon years of service and the employees compensation. The Bank funds pension costs in accordance with the funding provisions of the Employee Retirement Income Security Act.

The following table provides a reconciliation of the changes in the plan s benefit obligations and fair value of assets for the period from merger date to ended December 31, 2008. (dollars in thousands):

	2008
Change in Benefit Obligation	
Benefit obligation, assumed in merger	$ 5,166
Service cost	271
Interest cost	225
Actuarial loss	(158)
Benefits paid	(65)
Benefit obligation, ending	$ 5,439
Change in Plan Assets	
Fair value of plan assets, assumed in merger	$ 3,493
Actual return on plan assets	(878)
Employer contributions	
Benefits paid	(65)
Fair value of plan assets, ending	$ 2,550
Funded Status	$ (2,889)
Amounts Recognized in the Balance Sheet	
Other assets	$
Other liabilities	2,889
Amounts Recognized in Accumulated Other Comprehensive Income	
Net loss	$ 1,216

Prior service cost	5
Net obligation at transition	(5)
Deferred tax	(413)
Total amount recognized	$ 803

COMMUNITY BANKERS TRUST CORPORATION

Notes to Consolidated Financial Statements

The accumulated benefit obligation for the defined benefit pension plan was $3.658 million at December 31, 2008.

The following table provides the components of net periodic benefit cost for the plan for the year ended December 31, 2008 (dollars in thousands):

	2008
Components of Net Periodic Benefit Cost	
Service cost	$ 218
Interest cost	180
Expected return on plan assets	(187)
Amortization of prior service cost	2
Amortization of net obligation at transition	(2)
Recognized net actuarial loss	10
Net periodic benefit cost	$ 221
Total recognized in net periodic benefit cost and accumulated other comprehensive (loss)	$ 1,024

The weighted-average assumptions used in the measurement of the Company s benefit obligation and net periodic benefit cost are shown in the following table:

	2008
Discount rate	6.00%
Expected return on plan	8.50%
Rate of compensation	4.00%

Long-Term Rate of Return

The plan sponsor selects the expected long-term rate of return on assets assumption in consultation with their investment advisors and actuary. This rate is intended to reflect the average rate of earnings expected to be earned on the funds invested or to be invested to provide plan benefits. Historical performance is reviewed, especially with respect to real rates of return (net of inflation), for the major asset classes held or anticipated to be held by the trust, and for the trust itself. Undue weight is not given to recent experience that may not continue over the measurement period, with higher significance placed on current forecasts of future long-term economic conditions.

Because assets are held in a qualified trust, anticipated returns are not reduced for taxes. Further, solely for this purpose, the plan is assumed to continue in force and not terminate during the period during which assets are invested. However, consideration is given to the potential impact of current and future investment policy, cash flow into and out of the trust, and expenses (both investment and non-investment) typically paid from plan assets (to the extent such expenses are not explicitly estimated within periodic cost).

Asset Allocation

The pension plan s weighted-average asset allocations at December 31, 2008, by asset category are as follows:

	2008
Asset Category	
Mutual funds fixed income	32%
Mutual funds equity	63%
Cash and equivalents	5%
Total	100%

Table of Contents

COMMUNITY BANKERS TRUST CORPORATION

Notes to Consolidated Financial Statements

The trust fund is sufficiently diversified to maintain a reasonable level of risk without imprudently sacrificing return, with a targeted asset allocation of 40% fixed income and 60% equities. The investment manager selects investment fund managers with demonstrated experience and expertise, and funds with demonstrated historical performance, for the implementation of the plan s investment strategy. The investment manager will consider both actively and passively managed investment strategies and will allocate funds across the asset classes to develop an efficient investment structure.

It is the responsibility of the trustee to administer the investments of the trust within reasonable costs, being careful to avoid sacrificing quality. These costs include, but are not limited to, management and custodial fees, consulting fees, transaction costs and other administrative costs chargeable to the trust.

The Company did not to contribute to its pension plan in 2008.

Estimated future benefit payments, which reflect expected future service, as appropriate, are as follows (dollars in thousands):

2009	$ 88
2010	125
2011	159
2012	158
2013	175
2014-2018	1,354

401(k) Plan

The Company adopted the 401(k) Plans that previously existed with both TFC and BOE prior to the merger. Under the BOE 401(k) Plan, employees have a contributory 401(k) profit sharing plan which covers substantially all employees. The employee may contribute up to 100% of compensation, subject to statutory limitations. The Company matches 50% of employee contributions up to 4% of compensation. The plan also provides for an additional discretionary contribution to be made by the Company as determined each year. Any employees that started with the Company after the merger, and meet the service requirements, would be included in the BOE 401(k) Plan.

Under the TFC 401(k) Plan, employees have a contributory 401(k) profit share plan which covers substantially all employees. The employee may contribute up to 100% of compensation, subject to statutory limitations. The Company matches 100% of employee contributions on the first 3% of compensation, then the Company matches 50% of employee contributions on the next 2% of compensation. The plan also provides for additional discretionary contributions to be made by the Company as determined each year. The amounts charged to expense under these plans for the year ended December 31, 2008 was $201,000.

Deferred Compensation Agreements

The Company has deferred compensation agreements with certain key employees and the Board of Directors. The retirement benefits to be provided are fixed based upon the amount of compensation earned and deferred. Deferred compensation expense amounted to $144,000 for the year ended December 31, 2008. These contracts are funded by life insurance policies.

Note 13. Stock Option Plans and Warrants

Prior to the mergers, both TFC and BOE maintained stock option plans as incentives for certain officers and directors. During 2007, TFC replaced its stock option plan with an equity compensation plan that issued restricted stock awards. Under the terms of these plans, all options and awards were fully vested and exercisable, and any unrecognized compensation expenses were accelerated. Due to the mergers on May 31, 2008, these plans were terminated by the Company, replacement options were granted by the Company to former employees of at TFC and BOE exchange rates of 1.42 and 5.7278, respectively.

32

COMMUNITY BANKERS TRUST CORPORATION

Notes to Consolidated Financial Statements

A summary of the options is shown in the following table:

	TFC 2008	BOE 2008
Options issued in connection with bank acquisition	332,351	161,426
Options outstanding at December 31	332,351	161,426
Options exercisable at December 31	332,351	161,426
Weighted average exercise price	$ 6.83	$ 4.13
Weighted average remaining contracted life at December 31	51 months	57 months

Options were valued at $1,488 million using the Black-Shoals model at the time of acquisition of TFC and BOE by the Company. Options were part of the acquisition and were not expensed by the Company. Assumptions were for a discount rate of 4.06% and 25% volatility with a remaining term of 4.83 years for TFC options and 5.25 years for BOE options.

The intrinsic values of options outstanding and exercisable at December 31, 2008 were $24,000. No options have been exercised since the merger. Currently, the Company does not have any stock-based compensation plan that is issuing new instruments. However, the Company s Compensation Committee and Board of Directors are considering various types of stock-based compensation plans to be presented to shareholders at its 2009 annual meeting.

On June 8, 2006, the Company sold 7,500,000 units (Units) in the Offering. Each Unit consists of one share of the Company s common stock, $0.01 par value, and one Redeemable Common Stock Purchase Warrant (Warrant). Each Warrant will entitle the holder to purchase one share of common stock from the Company at an exercise price of $5.00 commencing on the completion of a Business Combination and expiring five years from the date of the Offering. The Warrants will be redeemable by the Company at a price of $0.01 per Warrant upon 30 days notice after the Warrants become exercisable, only in the event that the last sale price of the common stock is at least $11.50 per share for any 20 trading days within a 30 trading day period ending on the third business day prior to the date on which notice of the redemption is given.

In addition, the Company sold an option to purchase an aggregate of up to 525,000 units for $100, to I-Bankers Securities, Inc., Maxim Group LLC and Legend Merchant Group, Inc. or their designees, the representatives of the underwriters (the Underwriters). The units issuable upon exercise of this option are identical to those offered in the Initial Public Offering, except that each of the warrants underlying this option entitles the holder to purchase one share of common stock at a price of $7.50. This option is exercisable at $10.00 per unit commencing on the later of the consummation of a Business Combination or one year from the date of the Offering. This option expires June 4, 2011. In lieu of the payment of the exercise price, this option may be converted into units on a net-share settlement or cashless exercise basis to the extent that the market value of the units at the time of conversion exceeds the exercise price of this option. This option may only be exercised or converted by the option holder and cannot be redeemed by the Company for cash.

Table of Contents

COMMUNITY BANKERS TRUST CORPORATION

Notes to Consolidated Financial Statements

Note 14. Earnings Per Share

The following shows the weighted average number of shares used in computing earnings per share and the effect on the weighted average number of shares of diluted potential stock. Potential dilutive common stock had no effect on income available to common stockholders.

	Income (Numerator)	Weighted Average Shares (Denominator)	Per Share Amount
	(Dollars and shares in thousands, except per share data)		
For the Twelve Months ended December 31, 2008			
Basic EPS	$ 1,223	16,430	$ 0.07
Effect of dilutive options and warrants		1,088	
Diluted EPS	$ 1,223	17,518	$ 0.07
For the Nine Months ended December 31, 2007			
Basic EPS	$ 1,105	9,375	$ 0.12
Effect of dilutive warrants		2,432	(0.03)
Diluted EPS	$ 1,105	11,807	$ 0.09

No options were excluded from the computation for the years ended December 31, 2008 and 2007.

Note 15. Related Party Transactions

In the ordinary course of business, the Bank has and expects to continue to have transactions, including borrowings, with its executive officers, directors, and their affiliates. All such loans are made on substantially the same terms as those prevailing at the time for comparable loans to unrelated persons.

With the merger of the entities on May 31, 2008, a new Corporate directorate and Executive officer staff was named for Community Bankers Trust Corporation. Various directors and executive officers had loans outstanding with their respective Bank s prior to the merger. The table below depicts both direct and indirect loans assumed by the new entity as well as advances and repayments subsequent to May 31, 2008 (dollars in thousands).

	2008
Balance, assumed at merger	$ 3,042
Principal additions	1,855
Repayments and reclassifications	(219)
Balance, end of year	$ 4,678

Indirect loans assumed at the merger equaled $1.118 million of the amount stated above, and $1.116 million of the balance at year-end 2008.

Note 16. Commitments and Contingent Liabilities

In the normal course of business, there are outstanding various commitments and contingent liabilities, such as guarantees, commitments to extend credit, etc., which are not reflected in the accompanying consolidated financial statements. The Bank does not anticipate losses as a result of these transactions. See Note 19 with respect to financial instruments with off-balance-sheet risk.

The following table presents the Company s contractual obligations and scheduled payment amounts due at the various intervals over the next five years and beyond as of December 31, 2008 (dollars in thousands):

	Total	Less than 1 year	1-3 Years	4-5 Years	More than 5 Years
Trust preferred debt	$ 4,124	$	$	$	$ 4,124
Federal Home Loan Bank Debt	37,900	900		32,000	5,000
Operating leases	7,476	499	914	779	5,284
Total contractual obligations	$ 49,500	$ 1,399	$ 914	$ 32,779	$ 14,408

34

COMMUNITY BANKERS TRUST CORPORATION

Notes to Consolidated Financial Statements

Note 17. Dividend Limitations on Affiliate Bank

Transfers of funds from the banking subsidiary to the parent corporation in the form of loans, advances and cash dividends are restricted by federal and state regulatory authorities. As of December 31, 2008, the aggregate amount of unrestricted funds, which could be transferred from the banking subsidiary to the parent corporation, without prior regulatory approval, totaled $50.575 million (22.92% of net assets).

Note 18. Concentration of Credit Risk

At December 31, 2008, the Bank s loan portfolio consisted of commercial, real estate and consumer (installment) loans. Real estate secured loans represented the largest concentration at 87.26% of traditional loan portfolio (BOE and TFC). Subsequent to December 31, 2008, loans have been added to the portfolio from the transactions in Georgia and most notably in Maryland.

The Bank maintains a portion of its cash balances with several financial institutions located in its market area. Accounts at each institution are secured by the Federal Deposit Insurance Corporation up to $250,000. Uninsured balances were approximately $5.108 million at December 31, 2008.

Note 19. Financial Instruments With Off-Balance Sheet Risk

The Bank is party to financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit and standby letters of credit. Those instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the balance sheet. The contract amounts of those instruments reflect the extent of involvement the Bank has in particular classes of financial instruments.

The Bank s exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to extend credit and standby letters of credit is represented by the contractual amount of those instruments. The Bank uses the same credit policies in making commitments and conditional obligations as it does for on-balance sheet instruments.

A summary of the contract amounts of the Bank s exposure to off-balance sheet risk as of December 31, 2008:

	Amount (Dollars in thousands)
Commitments with off-balance sheet risk:	
Commitments to extend credit	$ 106,378
Standby letters of credit	12,356
Total commitments with off-balance sheet risk	$ 118,734

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 Bank 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.

COMMUNITY BANKERS TRUST CORPORATION

Notes to Consolidated Financial Statements

Unfunded commitments under commercial lines of credit, revolving credit lines and overdraft protection agreements are commitments for possible future extensions of credit to existing customers. These lines of credit are generally uncollateralized and usually do not contain a specified maturity date and 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 customers. The amount of collateral obtained, if deemed necessary by the Bank upon extension of credit, is based on management s evaluation of the counterparty. Since most of the letters of credit are expected to expire without being drawn upon, they do not necessarily represent future cash requirements.

Note 20. Minimum Regulatory Capital Requirements

The Company (on a consolidated basis) and the Bank are subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the Company s and Bank s financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Company and the Bank must meet specific capital guidelines that involve quantitative measures of their assets, liabilities and certain off-balance sheet items as calculated under regulatory accounting practices. The capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors. Prompt corrective action provisions are not applicable to bank holding companies.

Quantitative measures established by regulation to ensure capital adequacy require the Company and the Bank to maintain minimum amounts and ratios (set forth in the table below) of total and Tier 1 capital (as defined in the regulations) to risk weighted assets (as defined), and of Tier 1 capital (as defined) to average assets (as defined). Management believes, as of December 31, 2008, that the Company and Bank met all capital adequacy requirements to which they are subject.

As of December 31, 2008, the most recent notification from the Federal Reserve Bank categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized, an institution must maintain minimum total risk-based, Tier 1 risk-based, and Tier 1 leverage ratios as set forth in the table. There are no conditions or events since that notification that management believes have changed the Bank s category.

The Company s and the Bank s actual capital amounts and ratios as of December 31, 2008 in the table.

	Actual		Required for Capital Adequacy Purposes		Required in Order to be Well Capitalized Under PCA	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
	(Dollars in thousands)					
Total Capital to risk weighted assets						
CBTC consolidated	$ 125,523	20.00%	$ 48,609	8.00%	NA	NA
Bank of Essex	62,517	10.30%	48,535	8.00%	$ 60,669	10.00%
Tier 1 Capital to risk weighted assets						
CBTC consolidated	114,965	18.92%	24,305	4.00%	NA	NA
Bank of Essex	55,959	9.22%	24,267	4.00%	36,401	6.00%
Tier 1 Capital to average adjusted assets						
CBTC consolidated	114,965	12.54%	36,675	4.00%	NA	NA
Bank of Essex	55,959	6.12%	36,594	4.00%	45,742	5.00%

COMMUNITY BANKERS TRUST CORPORATION

Notes to Consolidated Financial Statements

On February 11, 2009 the Company invested $50 million in the Bank which will result in an increase in the Banks regulatory Capital.

Note 21. Fair Value of Financial Instruments and Interest Rate Risk

The fair value of a financial instrument is the current amount that would be exchanged between willing parties, other than in a forced liquidation. Fair value is best determined based upon quoted market prices. However, in many instances, there are no quoted market prices for the Company s various financial instruments. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. Accordingly, the fair value estimates may not be realized in an immediate settlement of the instrument. SFAS No. 107 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 methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value:

Cash and Short-Term Investments

For those short-term instruments, the carrying amount is a reasonable estimate of fair value.

Securities

For securities held for investment purposes, 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 entity.

Loans Receivable

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.

Deposit Liabilities

The fair value of demand deposits, 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 are estimated using discounted cash flow analyses based on the Company s current incremental borrowing rates for similar types of borrowing arrangements.

COMMUNITY BANKERS TRUST CORPORATION

Notes to Consolidated Financial Statements

Accrued Interest

The carrying amounts of accrued interest 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.

At December 31, 2008, the fair values of loan commitments and stand-by letters of credit were deemed to be immaterial.

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

	2008	
	Carrying Amount	Fair Value
Financial assets:		
Cash and cash equivalents	$ 128,433	$ 128,433
Securities available for sale	193,992	193,992
Securities held to maturity	94,865	94,966
Loans held for sale	200	200
Net loans	516,359	497,930
Accrued interest receivable	4,014	4,014
Financial liabilities:		
Deposits	806,348	813,374
Borrowings	42,024	46,819
Accrued interest payable	4,325	4,325

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 to the Company. 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.

Note 22. Trust Preferred Capital Notes

On December 12, 2003, BOE Statutory Trust I, a wholly-owned subsidiary of the Company, was formed for the purpose of issuing redeemable capital securities. On December 12, 2003, $4.124 million of trust preferred securities were issued through a direct placement. The securities have a LIBOR-indexed floating rate of interest. Since May 31, 2008 through December 31, 2008, the weighted-average interest rate was 6.33%. The securities have a mandatory redemption date of December 12, 2033 and are subject to varying call provisions which began December 12, 2008. The principal asset of the Trust is $4.124 million of the Company s junior subordinated debt securities with the like maturities and like interest

rates to the capital securities.

Table of Contents

COMMUNITY BANKERS TRUST CORPORATION

Notes to Consolidated Financial Statements

The trust preferred notes may be included in Tier 1 capital for regulatory capital adequacy determination purposes up to 25% of Tier 1 capital after its inclusion. The portion of the trust preferred not considered as Tier 1 capital may be included in Tier 2 capital. At December 31, 2008, all trust preferred notes were included in Tier 1 capital.

The obligations of the Company with respect to the issuance of the Capital Securities constitute a full and unconditional guarantee by the Company of the Trust s obligations with respect to the Capital Securities.

Subject to certain exceptions and limitations, the Company may elect from time to time to defer interest payments on the junior subordinated debt securities, which would result in a deferral of distribution payments on the related Capital Securities.

Note 23. Lease Commitments

The following table represents a summary of non-cancelable operating leases for bank premises that have initial or remaining terms in excess of one year as of December 31, 2008 are as follows (dollars in thousands):

	December 31, 2008
2009	$ 499
2010	510
2011	404
2012	385
2013	394
Thereafter	5,284
Total of future payments	$ 7,476

The table above incorporates a lease for a future branch location in Midlothian, Virginia. This lease was executed in November of 2008 and will commence once the branch opens for business, which is expected in April 2009, subject to regulatory approval. The total anticipated lease payments for this lease aggregate $5.479 million.

Note 24. Other Noninterest Expense

Other noninterest expense totals are presented in the following tables. Components of these expenses exceeding 1% of the aggregate of total net interest income and total noninterest income for any of the past two years is stated separately (dollars in thousands):

	December 31, 2008	December 31, 2007
Professional services	$ 226	$
Marketing & advertising expense	308	
Bank franchise tax	416	
Telephone and internet line	193	
Stationery, printing & supplies	222	
Travel and entertainment	205	
FDIC/OCC expense	239	
Software and maintenance support	221	
Directors fees	365	
Other expenses	1,190	263

Total other operating expenses	$	3,585	$	263

Table of Contents

COMMUNITY BANKERS TRUST CORPORATION

Notes to Consolidated Financial Statements

Note 25. Parent Corporation Only Financial Statements

COMMUNITY BANKERS TRUST CORPORATION

PARENT COMPANY ONLY BALANCE SHEET

AS OF DECEMBER 31, 2008

	December 31, 2008 (Dollars in thousands)	
ASSETS		
Cash	$	58,328
Equity securities, restricted, at cost		424
Other assets		1,250
Investments in subsidiaries		108,521
Total assets	$	168,523
LIABILITIES		
Other liabilities	$	138
Balances due to subsidiary bank		575
Balances due to non-bank subsidiary		4,124
Total liabilities		4,837
STOCKHOLDERS EQUITY		
Preferred stock (5,000,000 shares authorized)		17,680
Warrants on preferred stock		1,037
Discount on preferred stock		(1,031)
Common stock (50,000,000 shares authorized $0.01 par value) 21,468,455 issued and outstanding at December 31, 2008		215
Additional paid in capital		145,359
Retained earnings		1,691
Accumulated other comprehensive loss		(1,265)
Total stockholders equity	$	163,686
Total liabilities and stockholders equity	$	168,523

COMMUNITY BANKERS TRUST CORPORATION

PARENT COMPANY ONLY STATEMENT OF INCOME

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2008

	December 31, 2008 (Dollars in thousands)	
Income:		
Interest and dividend income	$	556
Total income		556
Expenses		
Interest expense		71
Furniture and equipment expenses		6
Bank franchise taxes		159
Professional and legal expenses		434
Other operating expenses		517
Total expenses		1,187
Equity in income of subsidiaries		1,987
Net income before income taxes		1,356
Income tax expense		133
Net income	$	1,223

Table of Contents

COMMUNITY BANKERS TRUST CORPORATION

Notes to Consolidated Financial Statements

COMMUNITY BANKERS TRUST CORPORATION

PARENT COMPANY ONLY STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2008

	2008 (Dollars in thousands)
Operating activities:	
Net income	$ 1,223
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation	5
Net amortization of preferred warrants	6
Increase in other assets	(5,695)
Decrease in other liabilities, net	(620)
Net cash and cash equivalents used in operating activities	(5,081)
Investing activities:	
Purchases of investment securities	(242)
Maturity of securities held in trust	58,453
Net cash and cash equivalents provided by investing activities	58,211
Financing activities:	
Issuance of preferred stock	17,680
Cash dividends paid	(1,755)
Cash paid to redeem shares related to asserted appraisal rights and retire warrants	(46)
Cash paid to shareholders for converted shares	(10,843)
Net cash and cash equivalents provided by financing activities	5,036
Increase in cash and cash equivalents	58,166
Cash and cash equivalents at beginning of the period	162
Cash and cash equivalents at end of the period	$ 58,328

Note 26. Subsequent Events

On Friday, January 30, 2009, Community Bankers Trust Corporation announced that the Bank entered into a purchase and assumption agreement with the Federal Deposit Insurance Corporation (FDIC), as receiver for SFSB, providing for the assumption by BOE, effective 6:00 p.m. on Friday, January 30, 2009, of all deposit liabilities and the purchase of certain assets of SFSB. BOE assumed approximately $312 million in deposits, all of which are deemed to be core deposits. BOE received a discount on these deposits of $45 million. BOE purchased approximately $348 million in loans and other assets, and will be providing loan servicing to SFSB s existing loan customers. BOE has entered into a loss share arrangement with the FDIC with respect to the assets purchased. All deposits have been fully assumed and all deposits maintain their current insurance coverage.

The Company filed a Form 8-K on February 4, 2009 disclosing this transaction. In a letter to the SEC dated March 13, 2009, the Company proposed that it would provide financial information and disclosures in an amended Form 8-K.

COMMUNITY BANKERS TRUST CORPORATION

Notes to Consolidated Financial Statements

Note 27. Preferred Stock

On December 19, 2008, under the Department of the Treasury s TARP Capital Purchase Program, the Company issued to the U.S. Treasury 17,680 shares of Fixed Rate Cumulative Perpetual Preferred Stock, Series A (Series A Preferred Stock), and a 10-year warrant to purchase up to 780,000 shares of common stock at an exercise price of $3.40 per share. Cumulative dividends on the Series A Preferred Stock are payable at 5% per annum through December 19, 2013, and at a rate of 9% per annum thereafter. The warrant is exercisable at any time until December 19, 2018, and the number of shares of common stock underlying the warrant and the exercise price are subject to adjustment for certain dilutive events. If, on or prior to December 31, 2009, the Company receives aggregate gross cash proceeds of at least $17,680,000 from sales of Tier 1 qualifying perpetual preferred stock or common stock, the number of shares of common stock issuable upon exercise will be reduced by one-half of the original number of shares of common stock.

The Company received proceeds of $17.68 million for the Series A Preferred Stock and the Warrant. The Company allocated the proceeds based on a relative fair value basis between the Series A Preferred Stock and the Warrant, recording $16.64 million and $1.04 million, respectively. Fair value of the preferred stock was estimated based on a discounted cash flow model using an estimated life of 50 years and a discount rate of 12%. Fair value of the stock warrant was estimated using a Black-Scholes model assuming stock price volatility of 27.5%, a dividend yield of 0.5%, a risk-free rate of 1.35% and an expected life of five years. The $16.64 million of Series A Preferred Stock is net of a discount of $1.04 million. The discount will be accreted to the $17.68 million redemption price over a five year period. The accretion of the discount and dividends on the preferred stock reduce retained earnings.

Each share of Series A Preferred Stock issued and outstanding has no par value, has a liquidation preference of $1,000 and is redeemable at the Company s option, subject to approval of the Federal Reserve, at a redemption price equal to $1,000 plus accrued and unpaid dividends, provided that through December 18, 2011, the Series A Preferred Stock is redeemable only in an amount up to the aggregate net cash proceeds received from sales of Tier 1 qualifying perpetual preferred stock or common stock, and only once such sales have resulted in aggregate gross proceeds of at least approximately $4.4 million.

The Series A Preferred Stock has a preference over the Company s common stock upon liquidation. Dividends on the preferred stock, if declared, are payable quarterly in arrears. The Company s ability to declare or pay dividends on, or purchase, redeem or otherwise acquire, its common stock is subject to certain restrictions in the event that the Company fails to pay or set aside full dividends on the preferred stock for the latest completed dividend period. In addition, pursuant to the U.S. Treasury s TARP Capital Purchase Program, until at the earliest of December 19, 2011 or the redemption of all of the Series A Preferred Stock to third parties, the Company must obtain the consent of the U.S. Treasury to raise the Company s common stock dividend or to repurchase any shares of common stock or other preferred stock, with certain exceptions.

Table of Contents

TRANSCOMMUNITY FINANCIAL CORPORATION

Index to Financial Statements

	Page
Report of Independent Registered Public Accounting Firm	44
Consolidated Balance Sheets as of May 31, 2008 and December 31, 2007	45
Consolidated Statements of Operations for the five months ended May 31, 2008 and the year ended December 31, 2007	46
Consolidated Statements of Changes in Stockholders Equity for the five months ended May 31, 2008 and the year ended December 31, 2007	47
Consolidated Statements of Cash Flows for the five months ended May 31, 2008 and the year ended December 31, 2007	