

Community Bankers Trust Corp  
Form 10-Q  
November 14, 2012  
[Table of Contents](#)

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D. C. 20549

**FORM 10-Q**

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

For the quarterly period ended September 30, 2012

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**

Edgar Filing: Community Bankers Trust Corp - Form 10-Q

(Exact name of registrant as specified in its charter)

**Delaware**  
(State or other jurisdiction of  
incorporation or organization)

**20-2652949**  
(I.R.S. Employer  
Identification No.)

**4235 Innslake Drive, Suite 200**

**Glen Allen, Virginia**  
(Address of principal executive offices)

**23060**  
(Zip Code)

**(804) 934-9999**

(Registrant's telephone number, including area code)

n/a

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  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 whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer   
Non-accelerated filer  (Do not check if a smaller reporting company) Smaller reporting company   
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

At September 30, 2012, there were 21,656,951 shares of the Company's common stock outstanding.

**Table of Contents**

**COMMUNITY BANKERS TRUST CORPORATION**

TABLE OF CONTENTS

FORM 10-Q

September 30, 2012

**PART I FINANCIAL INFORMATION**

**Item 1. Financial Statements**

<b><u>Consolidated Statements of Financial Condition</u></b>	3
<b><u>Consolidated Statements of Operations (Unaudited)</u></b>	4
<b><u>Consolidated Statements of Comprehensive Income (Unaudited)</u></b>	5
<b><u>Consolidated Statements of Stockholders' Equity</u></b>	6
<b><u>Consolidated Statements of Cash Flows (Unaudited)</u></b>	7
<b><u>Notes to Unaudited Consolidated Financial Statements</u></b>	8

<b><u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u></b>	37
-------------------------------------------------------------------------------------------------------------	----

<b><u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u></b>	53
----------------------------------------------------------------------------------	----

<b><u>Item 4. Controls and Procedures</u></b>	54
-----------------------------------------------	----

**PART II OTHER INFORMATION**

<b><u>Item 1. Legal Proceedings</u></b>	55
-----------------------------------------	----

<b><u>Item 1A. Risk Factors</u></b>	55
-------------------------------------	----

<b><u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u></b>	55
-----------------------------------------------------------------------------------	----

<b><u>Item 3. Defaults upon Senior Securities</u></b>	55
-------------------------------------------------------	----

<b><u>Item 4. Mine Safety Disclosures</u></b>	55
-----------------------------------------------	----

<b><u>Item 5. Other Information</u></b>	55
-----------------------------------------	----

<b><u>Item 6. Exhibits</u></b>	55
--------------------------------	----

<b><u>SIGNATURES</u></b>	56
--------------------------	----

**Table of Contents****PART I FINANCIAL INFORMATION****Item 1. Financial Statements**

**COMMUNITY BANKERS TRUST CORPORATION**  
**CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION**  
**AS OF SEPTEMBER 30, 2012 AND DECEMBER 31, 2011**

(dollars in thousands)

	September 30, 2012 (Unaudited)	December 31, 2011 (Audited)
<b>ASSETS</b>		
Cash and due from banks	\$ 15,116	\$ 11,078
Interest-bearing bank deposits	17,298	10,673
Federal funds sold	5,000	
<b>Total cash and cash equivalents</b>	<b>37,414</b>	<b>21,751</b>
Securities available for sale, at fair value	256,394	232,764
Securities held to maturity, at cost (fair value of \$52,013 and \$68,585, respectively)	48,689	64,422
Equity securities, restricted, at cost	7,351	6,872
<b>Total securities</b>	<b>312,434</b>	<b>304,058</b>
Loans held for resale	1,736	580
Loans not covered by FDIC shared loss agreement	559,532	544,718
Loans covered by FDIC shared loss agreement	89,121	97,561
<b>Total loans</b>	<b>648,653</b>	<b>642,279</b>
Allowance for loan losses (non-covered loans of \$14,303 and \$14,835, respectively; covered loans of \$456 and \$776, respectively)	(14,759)	(15,611)
<b>Net loans</b>	<b>633,894</b>	<b>626,668</b>
FDIC indemnification asset	36,191	42,641
Bank premises and equipment, net	34,002	35,084
Other real estate owned, covered by FDIC shared loss agreement	2,943	5,764
Other real estate owned, non-covered	11,896	10,252
Bank owned life insurance	15,008	14,592
FDIC receivable under shared loss agreement	715	1,780
Core deposit intangibles, net	10,863	12,558
Other assets	15,181	16,768
<b>Total assets</b>	<b>\$ 1,112,277</b>	<b>\$ 1,092,496</b>
<b>LIABILITIES</b>		
Deposits:		
Noninterest-bearing	\$ 78,388	\$ 64,953
Interest-bearing	862,368	868,538

Edgar Filing: Community Bankers Trust Corp - Form 10-Q

Total deposits	940,756	933,491
Federal Home Loan Bank advances	50,000	37,000
Trust preferred capital notes	4,124	4,124
Other liabilities	4,259	6,701
<b>Total liabilities</b>	<b>999,139</b>	<b>981,316</b>

Commitment and Contingencies (Note 12)

**STOCKHOLDERS EQUITY**

Preferred stock (5,000,000 shares authorized, \$0.01 par value; 17,680 shares issued and outstanding)	17,680	17,680
Warrants on preferred stock	1,037	1,037
Discount on preferred stock	(289)	(454)
Common stock (200,000,000 shares authorized, \$0.01 par value; 21,656,951 and 21,627,549 shares issued and outstanding, respectively)	217	216
Additional paid in capital	144,351	144,243
Retained deficit	(51,906)	(53,761)
Accumulated other comprehensive income	2,048	2,219
<b>Total stockholders equity</b>	<b>113,138</b>	<b>111,180</b>
<b>Total liabilities and stockholders equity</b>	<b>\$ 1,112,277</b>	<b>\$ 1,092,496</b>

See accompanying notes to unaudited consolidated financial statements

**Table of Contents****COMMUNITY BANKERS TRUST CORPORATION****UNAUDITED CONSOLIDATED STATEMENTS OF OPERATIONS****FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2012 AND 2011****(dollars and shares in thousands, except per share data)**

	Three months ended		Nine months ended	
	September 30, 2012	September 30, 2011	September 30, 2012	September 30, 2011
<b>Interest and dividend income</b>				
Interest and fees on non-covered loans	\$ 7,710	\$ 7,314	\$ 22,971	\$ 21,877
Interest and fees on FDIC covered loans	2,931	4,667	11,211	13,325
Interest on federal funds sold		1	4	5
Interest on deposits in other banks	9	28	40	53
Interest and dividends on securities				
Taxable	2,103	2,058	6,219	6,055
Nontaxable	119	204	355	844
<b>Total interest and dividend income</b>	<b>12,872</b>	<b>14,272</b>	<b>40,800</b>	<b>42,159</b>
<b>Interest expense</b>				
Interest on deposits	2,056	2,621	6,650	8,312
Interest on federal funds purchased	3		6	1
Interest on other borrowed funds	280	353	982	1,051
<b>Total interest expense</b>	<b>2,339</b>	<b>2,974</b>	<b>7,638</b>	<b>9,364</b>
<b>Net interest income</b>	<b>10,533</b>	<b>11,298</b>	<b>33,162</b>	<b>32,795</b>
<b>Provision for loan losses</b>			750	1,498
<b>Net interest income after provision for loan losses</b>	<b>10,533</b>	<b>11,298</b>	<b>32,412</b>	<b>31,297</b>
<b>Noninterest income</b>				
Service charges on deposit accounts	716	643	2,007	1,856
FDIC indemnification asset amortization	(1,579)	(2,359)	(5,444)	(7,762)
Gain on securities transactions, net	1,180	1,725	1,354	2,563
Loss on sale of other real estate, net	(767)	(1,671)	(1,173)	(2,532)
Other	602	1,000	1,647	2,377
<b>Total noninterest income</b>	<b>152</b>	<b>(662)</b>	<b>(1,609)</b>	<b>(3,498)</b>
<b>Noninterest expense</b>				
Salaries and employee benefits	4,028	4,050	12,443	12,425
Occupancy expenses	708	687	2,024	2,234
Equipment expenses	266	289	831	938
Legal fees	3	241	42	381
Professional fees	74	68	307	457
FDIC assessment	368	580	1,448	2,212
Data processing fees	473	478	1,489	1,407
Amortization of intangibles	565	565	1,695	1,696
Other operating expenses	1,554	1,724	4,815	5,479
<b>Total noninterest expense</b>	<b>8,039</b>	<b>8,682</b>	<b>25,094</b>	<b>27,229</b>

## Edgar Filing: Community Bankers Trust Corp - Form 10-Q

Income before income taxes	2,646	1,954	5,709	570
Income tax (expense) benefit	(837)	(532)	(1,700)	178
Net income	1,809	1,422	4,009	748
Dividends paid on preferred stock	221		663	
Accretion of discount on preferred stock	55	51	165	155
Accumulated preferred dividends		221		663
Net income (loss) available to common stockholders	\$ 1,533	\$ 1,150	\$ 3,181	\$ (70)
Net income (loss) per share basic	\$ 0.07	\$ 0.05	\$ 0.15	\$ (0.00)
Net income (loss) per share diluted	\$ 0.07	\$ 0.05	\$ 0.15	\$ (0.00)
<b>Weighted average number of shares outstanding</b>				
basic	21,651	21,628	21,640	21,544
diluted	21,743	21,628	21,691	21,544

See accompanying notes to unaudited consolidated financial statements

Table of Contents

**COMMUNITY BANKERS TRUST CORPORATION**  
**UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2012 AND 2011**

(dollars in thousands, except per share data)

	Three months ended		Nine months ended	
	September 30, 2012	September 30, 2011	September 30, 2012	September 30, 2011
<b>Net income</b>	\$ 1,809	\$ 1,422	\$ 4,009	\$ 748
<b>Other comprehensive income:</b>				
Change in unrealized gain in investment securities	39	2,068	1,095	6,606
Tax related to unrealized (gain) in investment securities	(13)	(703)	(372)	(2,246)
Reclassification adjustment for (gain) in securities sold	(1,180)	(1,725)	(1,354)	(2,563)
Tax related to realized gain in securities sold	401	587	460	871
<b>Total other comprehensive income (loss)</b>	<b>(753)</b>	<b>227</b>	<b>(171)</b>	<b>2,668</b>
<b>Total comprehensive income</b>	<b>\$ 1,056</b>	<b>\$ 1,649</b>	<b>\$ 3,838</b>	<b>\$ 3,416</b>

See accompanying notes to unaudited consolidated financial statements



Table of Contents

**COMMUNITY BANKERS TRUST CORPORATION**  
**CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2012 AND**  
**THE YEAR ENDED DECEMBER 31, 2011**

(dollars and shares in thousands)

	Preferred		Discount on Preferred Stock	Common Stock		Additional Paid in Capital	Retained Deficit	Accumulated Other Comprehensive Income		Total
	Stock	Warrants		Shares	Amount			Income		
<b>Balance January 1, 2011</b>	\$ 17,680	\$ 1,037	\$ (660)	21,468	\$ 215	\$ 143,999	\$ (54,999)	\$ (145)	\$ 107,127	
Amortization of preferred stock warrants			206				(206)			
Issuance of common stock				160	1	182			183	
Issuance of stock options						62			62	
Net income							1,444		1,444	
Other comprehensive income								2,364	2,364	
<b>Balance December 31, 2011 (Audited)</b>	\$ 17,680	\$ 1,037	\$ (454)	21,628	\$ 216	\$ 144,243	\$ (53,761)	\$ 2,219	\$ 111,180	
Amortization of preferred stock warrants			165				(165)			
Issuance of common stock				29	1	65			66	
Dividends paid on preferred stock							(1,989)		(1,989)	
Issuance of stock options						43			43	
Net income							4,009		4,009	
Other comprehensive (loss)								(171)	(171)	
<b>Balance September 30, 2012 (Unaudited)</b>	\$ 17,680	\$ 1,037	\$ (289)	21,657	\$ 217	\$ 144,351	\$ (51,906)	\$ 2,048	\$ 113,138	

See accompanying notes to unaudited consolidated financial statements

**Table of Contents****COMMUNITY BANKERS TRUST CORPORATION****UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS****FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2012 AND 2011**

(dollars in thousands)

	September 30, 2012	September 30, 2011
<b>Operating activities:</b>		
Net income	\$ 4,009	\$ 748
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and intangibles amortization	2,981	3,046
Issuance of common stock and stock options	109	183
Provision for loan losses	750	1,498
Provision for deferred income taxes	1,700	
Amortization of security premiums and accretion of discounts, net	2,414	1,370
Net (gain) on sale of securities	(1,354)	(2,563)
Net loss on sale and valuation of other real estate	1,173	2,532
Changes in assets and liabilities:		
(Increase) in loans held for sale	(1,156)	
Decrease in other assets	7,074	18,675
Decrease in accrued expenses and other liabilities	(2,441)	(516)
<b>Net cash provided by operating activities</b>	<b>15,259</b>	<b>24,973</b>
<b>Investing activities:</b>		
Proceeds from securities sales, calls, maturities, and paydowns	175,501	241,056
Purchase of securities	(185,198)	(220,161)
Proceeds from sale of other real estate	7,709	6,438
Improvements and additions of other real estate, net of insurance proceeds	(791)	(154)
Net (decrease) increase in loans	(17,160)	13,915
Principal recoveries of loans previously charged off	2,270	548
Purchase of premises and equipment, net	(203)	(499)
<b>Net cash (used in) provided by investing activities</b>	<b>(17,872)</b>	<b>41,143</b>
<b>Financing activities:</b>		
Net increase (decrease) in noninterest-bearing and interest-bearing demand deposits	7,265	(46,109)
Net increase in Federal Home Loan Bank borrowings	13,000	
Cash dividends paid	(1,989)	
<b>Net cash provided by (used in) financing activities</b>	<b>18,276</b>	<b>(46,109)</b>
<b>Net increase in cash and cash equivalents</b>	<b>15,663</b>	<b>20,007</b>
<b>Cash and cash equivalents:</b>		
Beginning of the period	\$ 21,751	\$ 33,381
End of the period	\$ 37,414	\$ 53,388

September 30,  
2012September 30,  
2011

## Edgar Filing: Community Bankers Trust Corp - Form 10-Q

### Supplemental disclosures of cash flow information:

Interest paid	\$	8,149	\$	9,674
Income taxes paid		120		87
Transfers of OREO property		6,914		9,792
Transfers of OREO to bank premises				700

See accompanying notes to unaudited consolidated financial statements

---

**Table of Contents**

**COMMUNITY BANKERS TRUST CORPORATION**

**Notes to Unaudited Consolidated Financial Statements**

**1. NATURE OF BANKING ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES**

**Organization**

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

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 industrial loans, consumer and small business loans, real estate and mortgage loans, investment services, on-line and mobile banking products, and safe deposit box facilities. Thirteen offices are located in Virginia, 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.

**Financial Statements**

The consolidated statements presented include accounts of the Company and the Bank, its wholly-owned subsidiary. All material intercompany balances and transactions have been eliminated. The statements should be read in conjunction with the Company's consolidated financial statements and the accompanying notes to consolidated financial statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2011. The accounting and reporting policies of the Company conform to generally accepted accounting principles (GAAP) and to the general practices within the banking industry. The interim financial statements have not been audited; however, in the opinion of management, all adjustments, consisting of normal accruals, were made that are necessary to present fairly the financial position of the Company as of September 30, 2012, changes in stockholders' equity and cash flows for the nine months ended September 30, 2012, and the results of operations for the three and nine months ended September 30, 2012. Results for the three and nine month periods ended September 30, 2012 are not necessarily indicative of the results that may be expected for the year ended December 31, 2012.

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

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

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

**Recent Accounting Pronouncements**

In May 2011, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2011-04, *Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRS*. This ASU represents the converged guidance of the FASB and the International Accounting Standards Board (the Boards) on fair value measurement. The collective efforts of the Boards have provided common requirements for measuring fair value and for disclosing information about fair value measurements, including a consistent meaning of the term fair value for both U.S. GAAP and IFRS (International Financial Reporting Standards) regulations. The Boards have concluded the common requirements will result in greater comparability of fair value measurements presented and disclosed in financial statements prepared in

**Table of Contents**

**COMMUNITY BANKERS TRUST CORPORATION**

**Notes to Unaudited Consolidated Financial Statements**

accordance with U.S. GAAP and IFRS. The amendments are effective during interim and annual periods beginning after December 15, 2011 and are to be applied prospectively. The Company adopted this guidance with no material impact on its consolidated financial statements.

In June 2011, the FASB issued ASU No. 2011-05, *Comprehensive Income (Topic 220): Presentation of Comprehensive Income*. The ASU eliminates the option to present other comprehensive income as a part of the statement of changes in stockholders' equity and requires consecutive presentation of the statement of net income and other comprehensive income. The amendments are effective for fiscal years, and interim periods within those years, beginning after December 15, 2011 and are to be applied retrospectively. In December 2011, the topic was further amended to defer the effective date of presenting reclassification adjustments from other comprehensive income to net income on the face of the financial statements. Companies should continue to report reclassifications out of accumulated other comprehensive income consistent with the presentation requirements in effect prior to this ASU while FASB redeliberates future requirements. The Company adopted this guidance, except for the deferred items above, with no material impact on its consolidated financial statements. The Company does not expect the adoption of the deferred items to have a material impact on its consolidated financial statements.

In June 2012, the FASB issued ASU 2012-06, *Business Combinations (Topic 805): Subsequent Accounting for an Indemnification Asset Recognized at the Acquisition Date as a Result of a Government-Assisted Acquisition of a Financial Institution*. The objective of this ASU is to address the diversity in practice about how to interpret the terms on the same basis and contractual limitations when subsequently measuring an indemnification asset recognized in a government-assisted (Federal Deposit Insurance Corporation or National Credit Union Administration) acquisition of a financial institution that includes a loss-sharing agreement (indemnification agreement).

When a reporting entity recognizes an indemnification asset (in accordance with Subtopic 805-20) as a result of a government-assisted acquisition of a financial institution and subsequently a change in the cash flows expected to be collected on the indemnification asset occurs (as a result of a change in cash flows expected to be collected on the assets subject to indemnification), the reporting entity should subsequently account for the change in the measurement of the indemnification asset on the same basis as the change in the assets subject to indemnification. Any amortization of changes in value should be limited to the contractual term of the indemnification agreement (i.e., the lesser of the term of the indemnification agreement and the remaining life of the indemnified assets). The amendments are effective for fiscal years, and interim periods within those years, beginning on or after December 15, 2012. Early adoption is permitted. The Company's accounting policy for its indemnification asset conforms to the guidance above; therefore, no changes are necessary for adoption.

**Table of Contents****COMMUNITY BANKERS TRUST CORPORATION****Notes to Unaudited Consolidated Financial Statements****2. SECURITIES**

Amortized costs and fair values of securities available for sale and held to maturity at September 30, 2012 and December 31, 2011 were as follows (dollars in thousands):

	Amortized Cost	September 30, 2012 Gross Unrealized		Fair Value
		Gains	Losses	
<b>Securities Available for Sale</b>				
U.S. Treasury issue and other U.S. Gov t agencies	\$ 111,523	\$ 234	\$ (858)	\$ 110,899
U.S. Gov t sponsored agencies	501	8		509
State, county and municipal	100,847	5,253	(363)	105,737
Corporate and other bonds	6,536	81	(9)	6,608
Mortgage backed U.S. Gov t agencies	16,888	400	(51)	17,237
Mortgage backed U.S. Gov t sponsored agencies	15,422	115	(133)	15,404
Total Securities Available for Sale	\$ 251,717	\$ 6,091	\$ (1,414)	\$ 256,394
<b>Securities Held to Maturity</b>				
State, county and municipal	\$ 11,832	\$ 1,222	\$	\$ 13,054
Mortgage backed U.S. Gov t agencies	10,099	721		10,820
Mortgage backed U.S. Gov t sponsored agencies	26,758	1,381		28,139
Total Securities Held to Maturity	\$ 48,689	\$ 3,324	\$	\$ 52,013
	Amortized Cost	December 31, 2011 Gross Unrealized		Fair Value
		Gains	Losses	
<b>Securities Available for Sale</b>				
U.S. Treasury issue and other U.S. Gov t agencies	\$ 7,255	\$ 159	\$	\$ 7,414
U.S. Gov t sponsored agencies	1,005	28		1,033
State, county and municipal	58,183	3,867	(7)	62,043
Corporate and other bonds	4,801	1	(171)	4,631
Mortgage backed U.S. Gov t agencies	73,616	734	(257)	74,093
Mortgage backed U.S. Gov t sponsored agencies	82,966	778	(194)	83,550
Total Securities Available for Sale	\$ 227,826	\$ 5,567	\$ (629)	\$ 232,764
<b>Securities Held to Maturity</b>				
State, county and municipal	\$ 12,168	\$ 1,311	\$	\$ 13,479
Mortgage backed U.S. Gov t agencies	12,743	822		13,565
Mortgage backed U.S. Gov t sponsored agencies	39,511	2,030		41,541
Total Securities Held to Maturity	\$ 64,422	\$ 4,163	\$	\$ 68,585



**Table of Contents****COMMUNITY BANKERS TRUST CORPORATION****Notes to Unaudited Consolidated Financial Statements**

The amortized cost and fair value of securities at September 30, 2012 by contractual maturity are shown below. Expected maturities may differ from contractual maturities because issuers may have the right to call or prepay obligations without any penalties.

(dollars in thousands)	Held to Maturity		Available for Sale	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due in one year or less	\$ 3,588	\$ 3,625	\$ 5,454	\$ 5,424
Due after one year through five years	38,843	41,281	42,554	43,030
Due after five years through ten years	6,258	7,107	121,187	125,589
Due after ten years			82,522	82,351
<b>Total securities</b>	<b>\$ 48,689</b>	<b>\$ 52,013</b>	<b>\$ 251,717</b>	<b>\$ 256,394</b>

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

	Three Months Ended		Nine Months Ended	
	September 30, 2012	September 30, 2011	September 30, 2012	September 30, 2011
Gross realized gains	\$ 1,337	\$ 1,791	\$ 2,062	\$ 2,645
Gross realized losses	(157)	(66)	(708)	(82)
<b>Net securities gains</b>	<b>\$ 1,180</b>	<b>\$ 1,725</b>	<b>\$ 1,354</b>	<b>\$ 2,563</b>

In estimating OTTI losses, management considers the length of time and the extent to which the fair value has been less than cost, the financial condition and short-term prospects for the issuer, and the intent and ability of management to hold its investment for a period of time to allow a recovery in fair value. There were no investments held that had impairment losses other than temporary in nature for the three and nine months ended September 30, 2012 and 2011.



**Table of Contents****COMMUNITY BANKERS TRUST CORPORATION****Notes to Unaudited Consolidated Financial Statements**

The fair value and gross unrealized losses for securities, segregated by the length of time that individual securities have been in a continuous gross unrealized loss position, at September 30, 2012 and December 31, 2011 were as follows (dollars in thousands):

	Less than 12 Months		September 30, 2012 12 Months or More		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
U.S. Treasury issue and other U.S. Gov t agencies	\$ 78,539	\$ (858)	\$	\$	\$ 78,539	\$ (858)
U.S. Gov t sponsored agencies						
State, county and municipal	23,615	(363)			23,615	(363)
Corporate and other bonds	1,484	(8)	501	(1)	1,985	(9)
Mortgage backed U.S. Gov t agencies	3,420	(49)	701	(2)	4,121	(51)
Mortgage backed U.S. Gov t sponsored agencies	12,051	(133)			12,051	(133)
<b>Total</b>	<b>\$ 119,109</b>	<b>\$ (1,411)</b>	<b>\$ 1,202</b>	<b>\$ (3)</b>	<b>\$ 120,311</b>	<b>\$ (1,414)</b>

	Less than 12 Months		December 31, 2011 12 Months or More		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
U.S. Treasury issue and other U.S. Gov t agencies	\$	\$	\$	\$	\$	\$
U.S. Gov t sponsored agencies						
State, county and municipal	1,242	(7)			1,242	(7)
Corporate and other bonds	4,380	(171)			4,380	(171)
Mortgage backed U.S. Gov t agencies	38,324	(257)			38,324	(257)
Mortgage backed U.S. Gov t sponsored agencies	25,435	(194)			25,435	(194)
<b>Total</b>	<b>\$ 69,381</b>	<b>\$ (629)</b>	<b>\$</b>	<b>\$</b>	<b>\$ 69,381</b>	<b>\$ (629)</b>

The unrealized losses in the investment portfolio at September 30, 2012 and December 31, 2011 are generally a result of market fluctuations that occur daily. The unrealized losses are from 75 securities at September 30, 2012. Of those, 72 are investment grade, U.S. government agency guarantees, or the full faith and credit of local municipalities throughout the United States. Investment grade corporate obligations comprise the remaining three securities with unrealized losses at September 30, 2012. The Company considers the reason for impairment, length of impairment and ability to hold until the full value is recovered in determining if the impairment is temporary in nature. Based on this analysis, the Company has determined these impairments to be temporary in nature. The Company does not intend to sell and it is more likely than not that the Company will not be required to sell these securities until they recover in value.

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

Securities with amortized costs of \$80.5 million and \$34.1 million at September 30, 2012 and December 31, 2011, respectively, were pledged to secure deposits and for other purposes required or permitted by law. At each of September 30, 2012 and December 31, 2011, there were no securities purchased from a single issuer, other than U.S. Treasury issue and other U.S. Government agencies, that comprised more than 10% of the consolidated shareholders' equity.



**Table of Contents****COMMUNITY BANKERS TRUST CORPORATION****Notes to Unaudited Consolidated Financial Statements****3. LOANS NOT COVERED BY FDIC SHARED LOSS AGREEMENT (NON-COVERED LOANS)**

The Company's non-covered loans at September 30, 2012 and December 31, 2011 were comprised of the following (dollars in thousands):

	September 30, 2012		December 31, 2011	
	Amount	% of Non-Covered Loans	Amount	% of Non-Covered Loans
Mortgage loans on real estate:				
Residential 1-4 family	\$ 131,192	23.44%	\$ 127,200	23.34%
Commercial	241,692	43.18	220,471	40.46
Construction and land development	64,304	11.49	75,691	13.89
Second mortgages	7,569	1.35	8,129	1.49
Multifamily	22,018	3.93	19,746	3.62
Agriculture	10,527	1.88	11,444	2.10
Total real estate loans	477,302	85.27	462,681	84.90
Commercial loans	73,415	13.12	72,149	13.24
Consumer installment loans	7,442	1.33	8,461	1.55
All other loans	1,565	0.28	1,659	0.31
Gross loans	559,724	100.00%	544,950	100.00%
Less unearned income on loans	(192)		(232)	
Non-covered loans, net of unearned income	\$ 559,532		\$ 544,718	

The Company held \$42.0 million and \$36.5 million in balances of loans guaranteed by the United States Department of Agriculture (USDA), which are included in various categories in the table above, at September 30, 2012 and December 31, 2011, respectively. As these loans are 100% guaranteed by the USDA, no loan loss provision is required. These loan balances included an unamortized purchase premium of \$3.7 million and \$3.6 million at September 30, 2012 and December 31, 2011, respectively. Unamortized purchase premium is recognized as an adjustment of the related loan yield using the interest method.

At September 30, 2012 and December 31, 2011, the Company's allowance for credit losses was comprised of the following: (i) specific valuation allowances calculated in accordance with FASB ASC 310, *Receivables*, (ii) general valuation allowances calculated in accordance with FASB ASC 450, *Contingencies*, based on economic conditions and other qualitative risk factors, and (iii) historical valuation allowances calculated using historical loan loss experience. Management identified loans subject to impairment in accordance with ASC 310.

At September 30, 2012 and December 31, 2011, a portion of the construction and land development loans presented above contained interest reserve provisions. The Company follows standard industry practice to include interest reserves and capitalized interest in a construction loan. This practice recognizes interest as an additional cost of the project and, as a result, requires the borrower to put additional equity into the project. In order to monitor the project throughout its life to make sure the property is moving along as planned to ensure appropriateness of continuing to capitalize interest, the Company coordinates an independent property inspection in connection with each disbursement of loan funds. Until completion, there is generally no cash flow from which to make the interest payment. The Company does not advance additional interest reserves to keep a loan from becoming nonperforming.

There were no significant amounts of interest reserves recognized as interest income on construction loans with interest reserves for the three and nine months ended September 30, 2012 and 2011. Nonperforming construction loans with interest reserves were \$4.8 million at September 30, 2012 and December 31, 2011.

## Edgar Filing: Community Bankers Trust Corp - Form 10-Q

Interest income on nonaccrual loans, if recognized, is recorded using the cash basis method of accounting. There were no significant amounts recognized during either of the three and nine months ended September 30, 2012 and 2011. For the three months ended September 30, 2012 and 2011, estimated interest income of \$473,000 and \$836,000, respectively, would have been recorded if all such loans had been accruing interest according to their original contractual terms. For the nine months ended September 30, 2012 and 2011, estimated interest income of \$1.2 million and \$2.3 million, respectively, would have been recorded if all such loans had been accruing interest according to their original contractual terms.

**Table of Contents****COMMUNITY BANKERS TRUST CORPORATION****Notes to Unaudited Consolidated Financial Statements**

The following table summarizes information related to impaired loans as of September 30, 2012 (dollars in thousands):

	Recorded Investment (1)	Unpaid Principal Balance (2)	Related Allowance
<b>With an allowance recorded:</b>			
Mortgage loans on real estate:			
Residential 1-4 family	\$ 4,703	\$ 5,438	\$ 819
Commercial	2,168	2,266	323
Construction and land development	10,028	12,117	1,683
Second mortgages	171	176	27
Multifamily			
Agriculture	54	345	9
Total real estate loans	17,124	20,342	2,861
Commercial loans	631	698	92
Consumer installment loans	125	138	13
All other loans			
Subtotal impaired loans with valuation allowance	17,880	21,178	2,966
<b>With no related allowance recorded:</b>			
Mortgage loans on real estate:			
Residential 1-4 family	1,678	1,716	
Commercial	6,749	7,182	
Construction and land development	465	508	
Second mortgages			
Multifamily			
Agriculture			
Total real estate loans	8,892	9,406	
Commercial loans	71	76	
Consumer installment loans	10	10	
All other loans			
Subtotal impaired loans without valuation	8,973	9,492	
<b>Total:</b>			
Mortgage loans on real estate:			
Residential 1-4 family	6,381	7,154	819
Commercial	8,917	9,448	323
Construction and land development	10,493	12,625	1,683
Second mortgages	171	176	27
Multifamily			
Agriculture	54	345	9
Total real estate loans	26,016	29,748	2,861

## Edgar Filing: Community Bankers Trust Corp - Form 10-Q

Commercial loans	702	774	92
Consumer installment loans	135	148	13
All other loans			
<b>Total impaired loans</b>	<b>\$ 26,853</b>	<b>\$ 30,670</b>	<b>\$ 2,966</b>

- (1) The amount of the investment in a loan, which is not net of a valuation allowance, but which does reflect any direct write-down of the investment
- (2) The contractual amount due, which reflects paydowns applied in accordance with loan documents, but which does not reflect any direct write-downs

**Table of Contents****COMMUNITY BANKERS TRUST CORPORATION****Notes to Unaudited Consolidated Financial Statements**

The following table summarizes information related to impaired loans as of December 31, 2011 (dollars in thousands):

	Recorded Investment (1)	Unpaid Principal Balance (2)	Related Allowance
<b>With an allowance recorded:</b>			
Mortgage loans on real estate:			
Residential 1-4 family	\$ 3,432	\$ 3,497	\$ 1,000
Commercial	6,240	6,362	713
Construction and land development	3,541	6,611	653
Second mortgages	143	156	80
Multifamily			
Agriculture			
Total real estate loans	13,356	16,626	2,446
Commercial loans	868	874	306
Consumer installment loans	70	71	13
All other loans			
Subtotal impaired loans with valuation allowance	14,294	17,571	2,765
<b>With no related allowance recorded:</b>			
Mortgage loans on real estate:			
Residential 1-4 family	3,083	3,565	
Commercial	7,972	8,454	
Construction and land development	9,471	12,894	
Second mortgages	59	59	
Multifamily			
Agriculture	53	53	
Total real estate loans	20,638	25,025	
Commercial loans	209	593	
Consumer installment loans	17	17	
All other loans			
Subtotal impaired loans without valuation allowance	20,864	25,635	
<b>Total:</b>			
Mortgage loans on real estate:			
Residential 1-4 family	6,515	7,062	1,000
Commercial	14,212	14,816	713
Construction and land development	13,012	19,505	653
Second mortgages	202	215	80
Multifamily			
Agriculture	53	53	

## Edgar Filing: Community Bankers Trust Corp - Form 10-Q

Total real estate loans	33,994	41,651	2,446
Commercial loans	1,077	1,467	306
Consumer installment loans	87	88	13
All other loans			
Total impaired loans	\$ 35,158	\$ 43,206	\$ 2,765

- (1) The amount of the investment in a loan, which is not net of a valuation allowance, but which does reflect any direct write-down of the investment
- (2) The contractual amount due, which reflects paydowns applied in accordance with loan documents, but which does not reflect any direct write-downs



**Table of Contents****COMMUNITY BANKERS TRUST CORPORATION****Notes to Unaudited Consolidated Financial Statements**

The following table summarizes the average recorded investment of impaired loans for the three and nine months ended September 30, 2012 and September 30, 2011 (dollars in thousands):

	Three months ended		Nine months ended	
	September 30, 2012	September 30, 2011	September 30, 2012	September 30, 2011
	Average Recorded Investment	Average Recorded Investment	Average Recorded Investment	Average Recorded Investment
<b>With an allowance recorded:</b>				
Mortgage loans on real estate:				
Residential 1-4 family	\$ 4,570	\$ 3,660	\$ 4,240	\$ 4,552
Commercial	3,581	3,406	4,871	4,586
Construction and land development	8,428	3,574	5,566	6,924
Second mortgages	117	155	153	185
Multifamily				
Agriculture	27	53	14	99
Total real estate loans	16,723	10,848	14,844	16,346
Commercial loans	434	1,192	579	1,466
Consumer installment loans	150	78	130	74
All other loans				
Subtotal impaired loans with valuation allowance	17,307	12,118	15,553	17,886
<b>With no related allowance recorded:</b>				
Mortgage loans on real estate:				
Residential 1-4 family	2,273	4,201	2,588	4,733
Commercial	6,050	9,023	6,806	7,125
Construction and land development	1,786	19,550	5,440	16,504
Second mortgages	39	40	34	93
Multifamily				
Agriculture	27		40	13
Total real estate loans	10,175	32,814	14,908	28,468
Commercial loans	265	329	259	395
Consumer installment loans	10	10	20	31
All other loans				
Subtotal impaired loans without valuation	10,450	33,153	15,187	28,894
<b>Total:</b>				
Mortgage loans on real estate:				
Residential 1-4 family	6,843	7,861	6,828	9,285
Commercial	9,631	12,429	11,677	11,711
Construction and land development	10,214	23,124	11,006	23,428
Second mortgages	156	195	187	278
Multifamily				
Agriculture	54	53	54	112

## Edgar Filing: Community Bankers Trust Corp - Form 10-Q

Total real estate loans	26,898	43,662	29,752	44,814
Commercial loans	699	1,521	838	1,861
Consumer installment loans	160	88	150	105
All other loans				
<b>Total impaired loans</b>	<b>\$ 27,757</b>	<b>\$ 45,271</b>	<b>\$ 30,740</b>	<b>\$ 46,780</b>

The majority of impaired loans are also nonaccruing, for which no interest income was recognized during each of the three and nine months ended September 30, 2012 and 2011. No significant amounts of interest income were recognized on accruing impaired loans for each of the three and nine months ended September 30, 2012 and 2011.

**Table of Contents****COMMUNITY BANKERS TRUST CORPORATION****Notes to Unaudited Consolidated Financial Statements**

The following table presents non-covered nonaccruals by loan category as of September 30, 2012 and December 31, 2011 (dollars in thousands):

	September 30, 2012	December 31, 2011
Mortgage loans on real estate:		
Residential 1-4 family	\$ 5,474	\$ 5,320
Commercial	8,916	9,187
Construction and land development	10,318	12,718
Second mortgages	140	189
Multifamily		
Agriculture	54	53
Total real estate loans	24,902	27,467
Commercial loans	703	1,003
Consumer installment loans	125	72
All other loans		
Total loans	\$ 25,730	\$ 28,542

Troubled debt restructures, some substandard, and doubtful loans still accruing interest are loans that management expects to ultimately collect all principal and interest due, but not under the terms of the original contract. A reconciliation of impaired loans to nonaccrual loans at September 30, 2012 and December 31, 2011, is set forth in the table below (dollars in thousands):

	September 30, 2012	December 31, 2011
Nonaccruals	\$ 25,730	\$ 28,542
Trouble debt restructure and still accruing	851	5,946
Substandard and still accruing	272	546
Doubtful and still accruing		124
Total impaired	\$ 26,853	\$ 35,158

The following tables present an age analysis of past due status of non-covered loans by category as of September 30, 2012 and December 31, 2011 (dollars in thousands):

	September 30, 2012				Recorded Investment > 90 Days Past Due and Accruing
	30-89 Days Past Due	Greater than 90 Days Past Due	Total Past Due	Current	
Mortgage loans on real estate:					
Residential 1-4 family	\$ 1,200	\$ 5,474	\$ 6,674	\$ 124,518	\$ 131,192
Commercial	55	8,916	8,971	232,721	241,692

Edgar Filing: Community Bankers Trust Corp - Form 10-Q

Construction and land development	350	10,355	10,705	53,599	64,304	37
Second mortgages	19	188	207	7,362		