

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

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.

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

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

- (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

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

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				
Total impaired loans	\$ 27,757	\$ 45,271	\$ 30,740	\$ 46,780

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.

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

Residential 1-4 family	3	\$	722	\$	679
Commercial	2		5,518		4,132
Total real estate loans	5		6,240		4,811
Commercial loans	1		560		531
Total loans	6	\$	6,800	\$	5,342

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

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

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

Balance, December 31, 2011	56,310
Accretion	(11,211)
Reclassification from Non-accretable Yield	10,069
Balance, September 30, 2012	\$ 55,168

The covered loans are not classified as nonperforming assets as of September 30, 2012, as the loans are accounted for on a pooled basis, and interest income, through accretion of the difference between the carrying amount of the loans and the expected cash flows, is being recognized on all purchased loans.

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

Balance, December 31, 2011	12,558
Amortization	(1,695)
Balance, September 30, 2012	\$ 10,863

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

Beginning balance	\$ 3,257	\$ (1,038)	\$ 2,219
Current period other comprehensive income loss	(171)		(171)
Ending balance	\$ 3,086	\$ (1,038)	\$ 2,048

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

not a fair value measurement and is therefore excluded from fair value disclosure requirements. Reviews of classified loans are performed by management on a quarterly basis.

Other real estate owned, covered and non-covered

Other real estate owned (OREO) assets are adjusted to fair value less estimated selling costs upon transfer of the related loans to OREO property. Subsequent to the transfer, valuations are periodically performed by management and the assets are carried at the lower of carrying value or fair value less estimated selling costs. 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,

Cash and cash equivalents

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

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

In December 2008, the Company issued 17,680 shares of its Fixed Rate Cumulative Perpetual Preferred Stock, Series A to the United States Department of Treasury in connection with the Company's participation in the Treasury's TARP Capital Purchase Program. 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 Company may defer dividend payments, but the dividend is a cumulative dividend that accrues for payment in the future. Deferred dividends also accrue interest at the same rate as the dividend. The failure to pay dividends for six dividend periods triggers the right for the holder of the Series A Preferred Stock to appoint two directors to the Company's board.

As of September 30, 2012, the Company is current in its payment of dividends, each in the amount of \$221,000, with respect to the Series A Preferred Stock.

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

postings for the Company's customers. The Company reacted to this situation immediately and worked diligently with the third-party processor to correct the operational issues that were presented. Nevertheless, this situation could ultimately affect the Company's results of operations, due to the waiver of certain service charges that may have been otherwise realized during the delay period, customer dissatisfaction and similar concerns and other factors. The Company is currently unable to estimate the effect, if any, that this situation will ultimately have on its financial results.

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

CRITICAL ACCOUNTING POLICIES

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

* Filed herewith.

