

Community Bankers Trust Corp  
Form 10-Q  
August 10, 2009

**UNITED STATES SECURITIES AND EXCHANGE COMMISSION**  
**Washington, D. C. 20549**  
**Form 10-Q**

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

**For the quarterly period ended June 30, 2009**

**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**

*(State or other jurisdiction of  
incorporation of 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)*

**not applicable**

*(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 ☐

Smaller reporting company ☐

*(Do not check if a 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 August 3, 2009, there were 21,468,455 shares of the Company's common stock outstanding.



**COMMUNITY BANKERS TRUST CORPORATION**  
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**June 30, 2009**

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**PART I FINANCIAL INFORMATION****Item 1. Financial Statements**

**COMMUNITY BANKERS TRUST CORPORATION**  
**CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION**  
**AT JUNE 30, 2009 AND DECEMBER 31, 2008**  
**(dollars in thousands)**

	<b>June 30, 2009</b>	<b>December 31, 2008</b>
	<b>(Unaudited)</b>	<b>(Audited) (Restated)</b>
<b>Assets</b>		
Cash and due from banks	\$ 20,110	\$ 10,864
Interest bearing bank deposits	14,158	107,376
Federal funds sold	25,830	10,193
 Total cash and cash equivalents	 60,098	 128,433
 Securities available for sale, at fair value	 178,923	 193,992
Securities held to maturity, fair value of \$131,752 and \$94,965, respectively	130,113	94,865
Equity securities, restricted, at cost	6,838	3,612
 Total securities	 315,874	 292,469
 Loans held for resale	 668	 200
 Loans	 551,799	 523,298
Allowance for loan losses	(12,185)	(6,939)
 Net loans	 539,614	 516,359
 FDIC covered assets (Note 9)	 278,436	
Bank premises and equipment	37,484	24,111
Other real estate owned	864	223
Bank owned life insurance	6,415	6,300
Core deposit intangibles, net	18,211	17,163
Goodwill (Note 5)	13,152	37,184
Other assets	13,022	7,325
 Total assets	 \$1,283,838	 \$ 1,029,767
 <b>Liabilities</b>		
Deposits:		
Demand:		
Noninterest bearing	\$ 59,949	\$ 59,699
Interest bearing	1,007,498	746,649

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Total deposits	1,067,447	806,348
Federal funds purchased		
Federal Home Loan Bank advances	37,000	37,900
Trust preferred capital notes	4,124	4,124
Other liabilities	26,379	16,992
Total liabilities	\$ 1,134,950	\$ 865,364

**Stockholders Equity**

Preferred stock (5,000,000 shares authorized, \$0.01 par value) 17,680 shares issued and outstanding	17,680	17,680
Discount on preferred stock	(943)	(1,031)
Warrants on preferred stock	1,037	1,037
Common stock (50,000,000 shares authorized, \$0.01 par value) 21,468,455 shares issued and outstanding	215	215
Additional paid in capital	144,506	146,076
Retained (deficit) earnings	(13,677)	1,691
Accumulated other comprehensive income (loss)	70	(1,265)
Total stockholders equity	\$ 148,888	\$ 164,403
Total liabilities and stockholders equity	\$ 1,283,838	\$ 1,029,767

*See accompanying notes to unaudited consolidated financial statements*

**COMMUNITY BANKERS TRUST CORPORATION**

**CONSOLIDATED STATEMENTS OF OPERATIONS**

**FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2009 AND 2008**

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

**(Unaudited)**

	For the three months ended		For the six months ended	
	June 30, 2009	June 30, 2008	June 30, 2009	June 30, 2008
<b>Interest and dividend income</b>				
Interest and fees on loans	\$ 9,631	\$ 2,704	\$ 18,047	\$ 2,704
Interest and fees on FDIC covered loans	3,016		6,286	
Interest on federal funds sold	12	46	26	46
Interest on deposits in other banks	81		202	
Interest and dividends on securities				
Taxable	2,607	282	5,499	687
Nontaxable	820	110	1,577	110
 Total interest income	 16,167	 3,142	 31,637	 3,547
<b>Interest expense</b>				
Interest on deposits	6,299	1,027	12,417	1,027
Interest on federal funds purchased		13		13
Interest on other borrowed funds	390	80	737	80
 Total interest expense	 6,689	 1,120	 13,154	 1,120
 <b>Net interest income</b>	 9,478	 2,022	 18,483	 2,427
 <b>Provision for loan losses</b>	 540	 234	 6,040	 234
 <b>Net interest income after provision for loan losses</b>	 8,938	 1,788	 12,443	 2,193
 <b>Noninterest income</b>				
Service charges on deposit accounts	618	180	1,189	180
Gain on SFSB transaction			21,260	
Gain on securities transactions, net	341		293	
Gain on sale of other real estate			21	
Other	374	119	669	119

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Total noninterest income	1,333	299	23,432	299
<b>Noninterest expense</b>				
Salaries and employee benefits	5,028	574	9,454	574
Occupancy expenses	554	112	1,134	112
Equipment expenses	419	108	762	108
Legal fees	305	46	555	99
Professional fees	456	24	1,156	100
FDIC assessment	744	16	874	16
Data processing fees	732	104	1,474	104
Amortization of intangibles	654	149	1,110	149
Impairment of goodwill (Note 5)	24,032		24,032	
Other operating expenses	1,876	582	3,637	673
 Total noninterest expense	 34,800	 1,715	 44,188	 1,935
 (Loss) income before income taxes	 (24,529)	 372	 (8,313)	 557
Income tax (benefit) expense	(410)	84	4,872	158
 Net (loss) income	 \$(24,119)	 \$ 288	 \$(13,185)	 \$ 399
Dividends accrued on preferred stock	220		438	
Accretion of discount on preferred stock	45		88	
 Net (loss) income available to common stockholders	 \$(24,384)	 \$ 288	 \$(13,711)	 \$ 399
 Net (loss) income per share basic	 \$ (1.14)	 \$ 0.02	 \$ (0.64)	 \$ 0.04
Net (loss) income per share diluted	\$ (1.14)	\$ 0.02	\$ (0.64)	\$ 0.03
 Weighted average number of shares outstanding				
basic	21,468	13,407	21,468	11,391
diluted	21,468	15,283	21,468	13,553

See accompanying notes to unaudited consolidated financial statements

**COMMUNITY BANKERS TRUST CORPORATION**  
**CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY**  
**FOR THE SIX MONTHS ENDED JUNE 30, 2009 AND 2008**  
(Dollars and shares in thousands)  
(Unaudited)

	Preferred Stock				Common Stock		Additional Paid in Capital	Retained Earnings (Deficit)	Other Comprehensive Income	Total
	Shares	Amount	Warrants	Discount	Shares	Amount				
<b>Balance</b>										
<b>December 31, 2007</b>	\$	\$	\$		9,375	\$ 94	\$ 42,989	\$ 2,229	\$	\$ 45,312
Common stock issued in connection with merger					13,501	135	116,035			116,170
Common stock redeemed in connection with merger					(1,405)	(14)	(10,829)			(10,843)
Comprehensive income:										
Net income								399		399
Change in net unrealized gain or loss on securities available for sale									(835)	(835)
Total comprehensive income								399		(436)
<b>Balance June 30, 2008</b>	\$	\$	\$		21,471	\$ 215	\$ 148,195	\$ 3,027	\$ (835)	\$ 150,602
<b>Balance</b>										
<b>December 31, 2008 (restated)</b>	18	\$ 17,680	\$ 1,037	\$(1,031)	21,468	\$ 215	\$ 146,076	\$ 1,691	\$(1,265)	164,403
Amortization of preferred stock warrants				88				(88)		
Reclassification for preferred stock dividends								37		37
Recognize SFSB January 2009 net loss								(56)		(56)
Repurchase of warrants							(1,570)			(1,570)
								(359)		(359)



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Dividends paid on preferred stock		
Comprehensive income:		
Net loss	(13,185)	(13,185)
Change in net unrealized gain or loss on securities available for sale		1,528
Less: Reclassification adjustment for gain on securities sold, net of tax		(193)
Other comprehensive income	1,335	1,335
Total comprehensive income		(11,850)
Dividends paid on common stock (\$.08 per share)	(1,717)	(1,717)

**Balance June 30,  
2009**

18	\$17,680	\$1,037	\$ (943)	21,468	\$215	\$144,506	\$(13,677)	\$	70	\$148,888
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*See accompanying notes to unaudited consolidated financial statements*

**COMMUNITY BANKERS TRUST CORPORATION**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

**FOR THE SIX MONTHS ENDED JUNE 30, 2009 AND JUNE 30, 2008**

**(dollars in thousands)**

**(unaudited)**

	<b>June 30, 2009</b>	<b>June 30, 2008</b>
<b>Operating activities:</b>		
Net (loss) income	\$ (13,185)	\$ 399
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and intangibles amortization	2,043	271
Provision for loan losses	6,040	234
Amortization of security premiums and accretion of discounts, net	940	8
Change in loans held for sale	(468)	535
Net gain on SFSB transaction	(21,260)	
Prior period goodwill adjustment	(2,899)	
Impairment of goodwill	24,032	
Net gain on sale of securities	(293)	
Net gain on sale of OREO	(21)	
Net loss/(gain) on sale of loans	20	(12)
Cash acquired in acquisitions	35,662	10,016
Changes in assets and liabilities:		
Decrease/(increase) in other assets	11,138	(4,022)
Increase in accrued expenses and other liabilities	7,631	2,065
 Net cash provided by operating activities	 49,380	 9,494
<b>Investing activities:</b>		
Proceeds from securities	98,329	56,342
Purchase of securities	(108,075)	
Net increase in loans	(5,732)	(11,230)
Purchase of premises and equipment, net	(14,268)	(114)
 Net cash (used in)/provided by investing activities	 (29,746)	 44,998
<b>Financing activities:</b>		
Net (decrease)/increase in noninterest bearing and interest bearing deposits	(45,898)	4,919
Net decrease in federal funds purchased		(1,287)
Cash paid to shareholders for converted shares		(10,843)
Cash paid to reduce FHLB borrowings	(38,425)	
Cash paid to redeem shares related to asserted appraisal rights and retire warrants	(1,570)	

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Cash dividends paid on preferred and common stock	(2,076)	
Net cash used in financing activities	(87,969)	(7,211)
<b>Net (decrease) increase in cash and cash equivalents</b>	<b>(68,335)</b>	<b>47,281</b>
<b>Cash and cash equivalents:</b>		
Beginning of the period	\$ 128,433	\$ 162
End of the period	\$ 60,098	\$ 47,443
Supplemental disclosures of cash flow information:		
Interest paid	\$ 13,640	\$ 1,156
Income taxes paid	\$ 250	\$
Transfers of OREO property	\$ 640	\$ 224
Transactions related to acquisition		
Increase in assets and liabilities:		
Loans, net	\$ 278,507	\$471,864
Other real estate owned	\$ 17,820	\$
Securities	\$ 7,416	\$ 68,306
Fixed assets, net	\$ 37	\$
Other assets	\$ 16,582	\$ 89,857
Deposits	\$ 306,997	\$491,462
Borrowings	\$ 37,525	\$ 32,359
Other liabilities	\$ 1,756	\$ 8,861

*See accompanying notes to unaudited consolidated financial statements*

## COMMUNITY BANKERS TRUST CORPORATION

### NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

#### 1. 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. Bank of Essex changed its name to Essex Bank on April 20, 2009.

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.

The consolidated statements presented include accounts of the Company and its wholly-owned subsidiary. All significant intercompany accounts have been eliminated. In the opinion of management, the accompanying financial statements contain all adjustments necessary to fairly present the financial position of the Company at each of June 30, 2009 and December 31, 2008. 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, 2008.

The financial information with respect to the operations of the Company prior to May 31, 2008, which includes five of the first six months of 2008, and the first two months of the second quarter of 2008, does not provide any meaningful basis for comparison since the Company was not an operating company during those periods. As a result of the acquisitions of TFC and BOE on May 31, 2008, the Company became an operating company. Consequently, the Company did not have meaningful comparable periods to report.

&n