

Community Bankers Trust Corp  
Form 10-Q  
August 14, 2012  
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**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 June 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**

(Exact name of registrant as specified in its charter)

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**Delaware**  
(State or other jurisdiction of

**20-2652949**  
(I.R.S. Employer

incorporation or organization)

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 June 30, 2012, there were 21,643,474 shares of the Company's common stock outstanding.

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**COMMUNITY BANKERS TRUST CORPORATION**

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June 30, 2012

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**COMMUNITY BANKERS TRUST CORPORATION**  
**CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION**

**AS OF JUNE 30, 2012 AND DECEMBER 31, 2011**

(dollars in thousands)

	June 30, 2012 (Unaudited)	December 31, 2011 (Audited)
<b>ASSETS</b>		
Cash and due from banks	\$ 11,943	\$ 11,078
Interest-bearing bank deposits	17,808	10,673
Federal funds sold	7,000	
<b>Total cash and cash equivalents</b>	<b>36,751</b>	<b>21,751</b>
Securities available for sale, at fair value	259,427	232,764
Securities held to maturity, at cost (fair value of \$56,672 and \$68,585, respectively)	53,207	64,422
Equity securities, restricted, at cost	6,804	6,872
<b>Total securities</b>	<b>319,438</b>	<b>304,058</b>
Loans held for resale	1,179	580
Loans not covered by FDIC shared loss agreement	549,018	544,718
Loans covered by FDIC shared loss agreement	92,850	97,561
<b>Total loans</b>	<b>641,868</b>	<b>642,279</b>
Allowance for loan losses (non-covered loans of \$13,526 and \$14,835, respectively; covered loans of \$456 and \$776, respectively)	(13,982)	(15,611)
<b>Net loans</b>	<b>627,886</b>	<b>626,668</b>
FDIC indemnification asset	37,915	42,641
Bank premises and equipment, net	34,408	35,084
Other real estate owned, covered by FDIC shared loss agreement	3,923	5,764
Other real estate owned, non-covered	11,869	10,252
Bank owned life insurance	14,869	14,592
FDIC receivable under shared loss agreement	584	1,780
Core deposit intangibles, net	11,428	12,558
Other assets	15,646	16,768
<b>Total assets</b>	<b>\$ 1,115,896</b>	<b>\$ 1,092,496</b>
<b>LIABILITIES</b>		
Deposits:		
Noninterest-bearing	\$ 79,909	\$ 64,953
Interest-bearing	873,949	868,538

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Total deposits	953,858	933,491
Federal Home Loan Bank advances	37,000	37,000
Trust preferred capital notes	4,124	4,124
Other liabilities	7,555	6,701
<b>Total liabilities</b>	<b>1,002,537</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	(344)	(454)
Common stock (200,000,000 shares authorized, \$0.01 par value; 21,643,474 and 21,627,549 shares issued and outstanding, respectively)	216	216
Additional paid in capital	144,303	144,243
Retained deficit	(52,334)	(53,761)
Accumulated other comprehensive income	2,801	2,219
<b>Total stockholders equity</b>	<b>113,359</b>	<b>111,180</b>
<b>Total liabilities and stockholders equity</b>	<b>\$ 1,115,896</b>	<b>\$ 1,092,496</b>

See accompanying notes to unaudited consolidated financial statements

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

	Three months ended		Six months ended	
	June 30, 2012	June 30, 2011	June 30, 2012	June 30, 2011
<b>Interest and dividend income</b>				
Interest and fees on non-covered loans	\$ 7,574	\$ 7,328	\$ 15,261	\$ 14,562
Interest and fees on FDIC covered loans	4,366	4,838	8,280	8,658
Interest on federal funds sold	3	2	4	4
Interest on deposits in other banks	19	10	31	24
Interest and dividends on securities				
Taxable	2,039	2,085	4,116	3,997
Nontaxable	118	229	236	641
<b>Total interest and dividend income</b>	<b>14,119</b>	<b>14,492</b>	<b>27,928</b>	<b>27,886</b>
<b>Interest expense</b>				
Interest on deposits	2,241	2,711	4,594	5,690
Interest on federal funds purchased	3	1	3	1
Interest on other borrowed funds	343	367	702	699
<b>Total interest expense</b>	<b>2,587</b>	<b>3,079</b>	<b>5,299</b>	<b>6,390</b>
<b>Net interest income</b>	<b>11,532</b>	<b>11,413</b>	<b>22,629</b>	<b>21,496</b>
<b>Provision for loan losses</b>	<b>500</b>		<b>750</b>	<b>1,498</b>
<b>Net interest income after provision for loan losses</b>	<b>11,032</b>	<b>11,413</b>	<b>21,879</b>	<b>19,998</b>
<b>Noninterest income</b>				
Service charges on deposit accounts	674	637	1,291	1,213
FDIC indemnification asset amortization	(1,983)	(2,657)	(3,865)	(5,402)
Gain on securities transactions, net	290	176	174	837
Loss on sale of other real estate, net	(229)	(249)	(406)	(861)
Other	544	662	1,045	1,376
<b>Total noninterest income</b>	<b>(704)</b>	<b>(1,431)</b>	<b>(1,761)</b>	<b>(2,837)</b>
<b>Noninterest expense</b>				
Salaries and employee benefits	4,177	4,171	8,415	8,375
Occupancy expenses	685	733	1,316	1,547
Equipment expenses	270	320	565	650
Legal fees	15	35	39	140
Professional fees	148	198	233	389
FDIC assessment	496	761	1,080	1,633
Data processing fees	499	476	1,016	928
Amortization of intangibles	565	565	1,130	1,130
Other operating expenses	1,790	2,075	3,261	3,753
<b>Total noninterest expense</b>	<b>8,645</b>	<b>9,334</b>	<b>17,055</b>	<b>18,545</b>

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Income (loss) before income taxes	1,683	648	3,063	(1,384)
Income tax (expense) benefit	(473)	(127)	(863)	711
Net income (loss)	\$ 1,210	\$ 521	\$ 2,200	\$ (673)
Dividends paid on preferred stock	221		442	
Accretion of discount on preferred stock	55	53	110	104
Accumulated preferred dividends		221		442
Net income (loss) available to common stockholders	\$ 934	\$ 247	\$ 1,648	\$ (1,219)
Net income (loss) per share basic	\$ 0.04	\$ 0.01	\$ 0.08	\$ (0.06)
Net income (loss) per share diluted	\$ 0.04	\$ 0.01	\$ 0.08	\$ (0.06)
Weighted average number of shares outstanding				
basic	21,638	21,535	21,634	21,502
diluted	21,706	21,535	21,661	21,502

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 SIX MONTHS ENDED  
JUNE 30, 2012 AND 2011**

(dollars in thousands, except per share data)

	Three months ended		Six months ended	
	June 30, 2012	June 30, 2011	June 30, 2012	June 30, 2011
<b>Net income (loss)</b>	\$ 1,210	\$ 521	\$ 2,200	\$ (673)
<b>Other comprehensive income:</b>				
Change in unrealized gain in investment securities	1,994	3,985	1,056	4,535
Tax related to unrealized (gain) in investment securities	(678)	(1,355)	(359)	(1,542)
Reclassification adjustment for (gain) in securities sold	(290)	(176)	(174)	(837)
Tax related to realized gain in securities sold	99	60	59	285
<b>Total other comprehensive income</b>	<b>1,125</b>	<b>2,514</b>	<b>582</b>	<b>2,441</b>
<b>Total comprehensive income</b>	<b>\$ 2,335</b>	<b>\$ 3,035</b>	<b>\$ 2,782</b>	<b>\$ 1,768</b>

See accompanying notes to unaudited consolidated financial statements



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

(dollars and shares in thousands)

	Preferred Stock	Warrants	Discount on Preferred Stock	Common Stock Shares	Common Stock Amount	Additional Paid in Capital	Retained Deficit	Accumulated Other Comprehensive Income	Total
<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			110				(110)		
Issuance of common stock				15		33			33
Dividends paid on preferred stock							(663)		(663)
Issuance of stock options						27			27
Net income							2,200		2,200
Other comprehensive income								582	582
<b>Balance June 30, 2012 (Unaudited)</b>	\$ 17,680	\$ 1,037	\$ (344)	21,643	\$ 216	\$ 144,303	\$ (52,334)	\$ 2,801	\$ 113,359

See accompanying notes to unaudited consolidated financial statements

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**COMMUNITY BANKERS TRUST CORPORATION**  
**UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS**

**FOR THE SIX MONTHS ENDED JUNE 30, 2012 AND 2011**

(dollars in thousands)

	June 30, 2012	June 30, 2011
<b>Operating activities:</b>		
Net income (loss)	\$ 2,200	\$ (673)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and intangibles amortization	2,002	2,035
Issuance of common stock and stock options	60	183
Provision for loan losses	750	1,498
Deferred income taxes	863	
Amortization of security premiums and accretion of discounts, net	1,518	907
Net (gain) on sale of securities	(174)	(837)
Net loss on sale and valuation of other real estate	406	861
Changes in assets and liabilities:		
Change in loans held for sale:	(599)	
Decrease in other assets	5,604	14,649
Decrease (increase) in accrued expenses and other liabilities	854	(812)
<b>Net cash provided by operating activities</b>	<b>13,484</b>	<b>17,811</b>
<b>Investing activities:</b>		
Proceeds from securities sales, calls, maturities, and paydowns	136,476	137,479
Purchase of securities	(152,319)	(137,980)
Proceeds from sale of other real estate	6,370	2,317
Improvements of other real estate, net of insurance proceeds	(69)	
Net (increase) decrease in loans, excluding covered loans	(11,856)	6,930
Net decrease in loans, covered by FDIC shared loss agreement	2,731	9,898
Principal recoveries of loans previously charged off	674	221
Purchase of premises and equipment, net	(195)	(334)
<b>Net cash (used in) provided by investing activities</b>	<b>(18,188)</b>	<b>18,531</b>
<b>Financing activities:</b>		
Net increase (decrease) in noninterest-bearing and interest-bearing demand deposits	20,367	(51,250)
Cash dividends paid	(663)	
<b>Net cash provided by (used in) financing activities</b>	<b>19,704</b>	<b>(51,250)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>15,000</b>	<b>(14,908)</b>
<b>Cash and cash equivalents:</b>		
Beginning of the period	\$ 21,751	\$ 33,381
End of the period	\$ 36,751	\$ 18,473

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	June 30, 2012	June 30, 2011
<b>Supplemental disclosures of cash flow information:</b>		
Interest paid	\$ 5,697	\$ 6,676
Income taxes paid	120	
Transfers of OREO property	6,483	8,428
	See accompanying notes to unaudited consolidated financial statement	

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**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 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. 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 June 30, 2012, changes in stockholders' equity and cash flows for the six months ended June 30, 2012, and the results of operations for the three and six months ended June 30, 2012.

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 only of normal recurring adjustments, necessary for a fair presentation of the consolidated financial statements have been included. Results for the three and six month period ended June 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.



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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 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.

**2. SECURITIES**

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

	Amortized Cost	June 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	\$ 90,316	\$ 141	\$ (298)	\$ 90,159
U.S. Gov't sponsored agencies	502	12		514
State, county and municipal	110,069	6,066	(393)	115,742
Corporate and other bonds	7,767	10	(79)	7,698
Mortgage backed U.S. Gov't agencies	19,113	370	(65)	19,418
Mortgage backed U.S. Gov't sponsored agencies	25,840	178	(122)	25,896
<b>Total Securities Available for Sale</b>	<b>\$ 253,607</b>	<b>\$ 6,777</b>	<b>\$ (957)</b>	<b>\$ 259,427</b>
<b>Securities Held to Maturity</b>				
State, county and municipal	\$ 12,154	\$ 1,239	\$	\$ 13,393
Mortgage backed U.S. Gov't agencies	11,218	756		11,974
Mortgage backed U.S. Gov't sponsored agencies	29,835	1,470		31,305
<b>Total Securities Held to Maturity</b>	<b>\$ 53,207</b>	<b>\$ 3,465</b>	<b>\$</b>	<b>\$ 56,672</b>

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	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
<b>Total Securities Available for Sale</b>	<b>\$ 227,826</b>	<b>\$ 5,567</b>	<b>\$ (629)</b>	<b>\$ 232,764</b>
<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
<b>Total Securities Held to Maturity</b>	<b>\$ 64,422</b>	<b>\$ 4,163</b>	<b>\$</b>	<b>\$ 68,585</b>

The amortized cost and fair value of securities at June 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	\$ 4,048	\$ 4,115	\$ 5,498	\$ 5,245
Due after one year through five years	42,898	45,452	55,885	56,404
Due after five years through ten years	6,261	7,105	108,758	113,901
Due after ten years			83,466	83,697
<b>Total securities</b>	<b>\$ 53,207</b>	<b>\$ 56,672</b>	<b>\$ 253,607</b>	<b>\$ 259,427</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		Six Months Ended	
	June 30, 2012	June 30, 2011	June 30, 2012	June 30, 2011
Gross realized gains	\$ 687	\$ 193	\$ 725	\$ 854
Gross realized losses	(397)	(17)	(551)	(17)
<b>Net securities gains (loss)</b>	<b>\$ 290</b>	<b>\$ 176</b>	<b>\$ 174</b>	<b>\$ 837</b>

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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 six months ended June 30, 2012 and 2011.



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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 June 30, 2012 and December 31, 2011 were as follows (dollars in thousands):

	Less than 12 Months		June 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	\$ 28,813	\$ (298)	\$	\$	\$ 28,813	\$ (298)
U.S. Gov't sponsored agencies						
State, county and municipal	22,600	(393)			22,600	(393)
Corporate and other bonds	3,255	(16)	1,923	(63)	5,178	(79)
Mortgage backed U.S. Gov't agencies	4,574	(65)			4,574	(65)
Mortgage backed U.S. Gov't sponsored agencies	14,414	(122)			14,414	(122)
<b>Total</b>	<b>\$ 73,656</b>	<b>\$ (894)</b>	<b>\$ 1,923</b>	<b>\$ (63)</b>	<b>\$ 75,579</b>	<b>\$ (957)</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						