

Edgar Filing: ADOBE SYSTEMS INC - Form SC 13D

ADOBE SYSTEMS INC  
Form SC 13D  
December 27, 2011

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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
SCHEDULE 13D  
Under the Securities and Exchange Act of 1934

Adobe Systems Incorporated

-----  
(Name of Issuer)

Common Stock, \$0.001 par value

-----  
(Title of Class of Securities)

00724F101

-----  
(CUSIP Number)

Allison Bennington, Esq.  
ValueAct Capital  
435 Pacific Avenue, Fourth Floor  
San Francisco, CA 94133  
(415) 362-3700

-----  
(Name, address and telephone number of Person  
Authorized to Receive Notices and Communications)

Christopher G. Karras, Esq.  
Dechert LLP  
Cira Centre  
2929 Arch Street  
Philadelphia, PA 19104-2808  
(215) 994-4000

December 22, 2011

-----  
(Date of Event which Requires Filing of this Statement)

If the filing person has previously filed a statement on Schedule 13G to report the acquisition that is the subject of this Schedule 13D, and is filing this schedule because of 240.13d-1(e), 240.13d-1(f) or 240.13d-1(g), check the following box [ ].

Note: Schedules filed in paper format shall include a signed original and five copies of the schedule, including all exhibits. See Rule 240.13d-7 for other parties to whom copies are to be sent.

\*The remainder of this cover page shall be filled out for a reporting person's initial filing on this form with respect to the subject class of securities, and for any subsequent amendment containing information which would alter disclosures provided in a prior cover page.

This information required on the remainder of this cover page shall not be deemed to be "filed" for the purpose of Section 18 of the Securities Exchange Act of 1934 ("Act") or otherwise subject to the liabilities of that section of the Act but shall be subject to all other provisions of the Act (however, see

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the Notes).

SCHEDULE 13D

CUSIP NO. 00724F101

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1. NAME OF REPORTING PERSON/S.S. OR I.R.S. IDENTIFICATION NO. OF ABOVE PERSON (entities only)

ValueAct Capital Master Fund, L.P.

2. CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP\* (a) [X] (b) [ ]

3. SEC USE ONLY

4. SOURCE OF FUNDS (See Instructions)\*

WC\*

5. CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEMS 2(d) or 2(e) [ ]

6. CITIZENSHIP OR PLACE OF ORGANIZATION

British Virgin Islands

7. SOLE VOTING POWER 0

NUMBER OF SHARES BENEFICIALLY OWNED BY EACH PERSON WITH 8. SHARED VOTING POWER 24,526,556\*\*

9. SOLE DISPOSITIVE POWER 0

10. SHARED DISPOSITIVE POWER 24,526,556\*\*

11. AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

24,526,556\*\*

12. CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES [ ]

13. PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)

5.0%

14. TYPE OF REPORTING PERSON

PN

\*See Item 3

\*\*See Item 2 and 5

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CUSIP NO. 00724F101

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-----  
1. NAME OF REPORTING PERSON/S.S. OR I.R.S. IDENTIFICATION NO. OF ABOVE  
PERSON (entities only)

VA Partners I, LLC

-----  
2. CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP\* (a)   
(b)

-----  
3. SEC USE ONLY

-----  
4. SOURCE OF FUNDS\*

00\*

-----  
5. CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED  
PURSUANT TO ITEMS 2(d) or 2(e)

-----  
6. CITIZENSHIP OR PLACE OF ORGANIZATION

Delaware

-----  
NUMBER OF  
SHARES  
BENEFICIALLY  
OWNED BY EACH  
PERSON WITH

7. SOLE VOTING POWER	0
8. SHARED VOTING POWER	24,526,556**
9. SOLE DISPOSITIVE POWER	0
10. SHARED DISPOSITIVE POWER	24,526,556**

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14. TYPE OF REPORTING PERSON

00 (LLC)

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\*See Item 3

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SCHEDULE 13D

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CUSIP NO. 00724F101

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ValueAct Capital Management, L.P.

2. CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP\* (a)   
(b)

3. SEC USE ONLY

4. SOURCE OF FUNDS\*

00\*

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NUMBER OF	8. SHARED VOTING POWER
SHARES	24,526,556**
BENEFICIALLY	
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PERSON WITH	0
	10. SHARED DISPOSITIVE POWER
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(b)

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3. SEC USE ONLY

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CUSIP NO. 00724F101

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1. NAME OF REPORTING PERSON/S.S. OR I.R.S. IDENTIFICATION NO. OF ABOVE  
PERSON (entities only)

ValueAct Holdings, L.P.

2. CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP\* (a) [X]  
(b) [ ]

3. SEC USE ONLY

4. SOURCE OF FUNDS\*

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PURSUANT TO ITEMS 2(d) or 2(e) [ ]

6. CITIZENSHIP OR PLACE OF ORGANIZATION

Delaware

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0

NUMBER OF  
SHARES  
BENEFICIALLY  
OWNED BY EACH  
PERSON WITH

8. SHARED VOTING POWER  
24,526,556\*\*

9. SOLE DISPOSITIVE POWER  
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1. NAME OF REPORTING PERSON/S.S. OR I.R.S. IDENTIFICATION NO. OF ABOVE  
PERSON (entities only)

ValueAct Holdings GP, LLC

2. CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP\* (a) [X]  
(b) [ ]

3. SEC USE ONLY

4. SOURCE OF FUNDS\*

00\*

5. CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED  
PURSUANT TO ITEMS 2(d) or 2(e) [ ]

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6. CITIZENSHIP OR PLACE OF ORGANIZATION

Delaware

	7. SOLE VOTING POWER	0
NUMBER OF	8. SHARED VOTING POWER	24,526,556**
SHARES		
BENEFICIALLY	9. SOLE DISPOSITIVE POWER	0
OWNED BY EACH		
PERSON WITH	10. SHARED DISPOSITIVE POWER	24,526,556**

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00 (LLC)

\*See Item 3

\*\*See Items 2 and 5

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Item 1. Security and Issuer

This Schedule 13D relates to the Common Stock, \$.001 par value per share (the "Common Stock of Adobe Systems Incorporated, a Delaware corporation (the "Issuer"). The address of the principal executive offices of the Issuer is 345 Park Avenue, San Jose, California, 95110-2704.

Item 2. Identity and Background

This statement is filed jointly by (a) ValueAct Capital Master Fund, L.P. ("ValueAct Master Fund"), (b) VA Partners I, LLC ("VA Partners I"), (c) ValueAct Capital Management, L.P. ("ValueAct Management L.P."), (d) ValueAct Capital Management, LLC ("ValueAct Management LLC"), (e) ValueAct Holdings, L.P. ("ValueAct Holdings") and (f) ValueAct Holdings GP, LLC ("ValueAct Holdings GP") (collectively, the "Reporting Persons").

ValueAct Master Fund is a limited partnership organized under the laws of the British Virgin Islands. It has a principal business address of 435 Pacific Avenue, Fourth Floor, San Francisco, CA 94133.

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VA Partners I is a Delaware limited liability company, the principal business of which is to serve as the General Partner to ValueAct Master Fund. It has a principal business address of 435 Pacific Avenue, Fourth Floor, San Francisco, CA 94133.

ValueAct Management L.P. is a Delaware limited partnership which renders management services to ValueAct Master Fund. ValueAct Management LLC is a Delaware limited liability company, the principal business of which is to serve as the General Partner to ValueAct Management L.P. Each has a principal business address of 435 Pacific Avenue, Fourth Floor, San Francisco, CA 94133.

ValueAct Holdings is a Delaware limited partnership and is the sole owner of the limited partnership interests of ValueAct Management L.P. and the membership interests of ValueAct Management LLC and is the majority owner of the membership interests of VA Partners I. ValueAct Holdings GP is a Delaware limited liability company, the principal business of which is to serve as the General Partner to ValueAct Holdings. Each has a principal business address of 435 Pacific Avenue, Fourth Floor, San Francisco, CA 94133.

(d) and (e). None of the entities or persons identified in this Item 2 has during the past five years been convicted of any criminal proceeding (excluding traffic violations or similar misdemeanors), nor been a party to a civil proceeding of a judicial or administrative body of competent judgment, decree or final order enjoining future violations of, or prohibiting or mandating activities subject to, federal or state securities laws or finding any violation with respect to such laws.

### Item 3. Source and Amount of Funds or Other Consideration

The source of funds used for the purchase of the Issuer's securities was the working capital of ValueAct Master Fund. The aggregate funds used by these Reporting Persons to make the purchases were \$190,670,194.62.

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### Item 4. Purpose of Transaction

The Reporting Persons have acquired the Issuer's Common Stock for investment purposes, and such purchases have been made in the Reporting Persons' ordinary course of business.

In pursuing such investment purposes, the Reporting Persons may further purchase, hold, vote, trade, dispose or otherwise deal in the Common Stock at times, and in such manner, as they deem advisable to benefit from changes in market prices of such Common Stock, changes in the Issuer's operations, business strategy or prospects, or from sale or merger of the Issuer. To evaluate such alternatives, the Reporting Persons will routinely monitor the Issuer's operations, prospects, business development, management, competitive and strategic matters, capital structure, and prevailing market conditions, as well as alternative investment opportunities, liquidity requirements of the Reporting Persons and other investment considerations. Consistent with its investment research methods and evaluation criteria, the Reporting Persons may discuss such matters with management or directors of the Issuer, other shareholders, industry analysts, existing or potential strategic partners or competitors, investment and financing professionals, sources of credit and other investors. Such factors and discussions may materially



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affect, and result in, the Reporting Persons' modifying their ownership of Common Stock, exchanging information with the Issuer pursuant to appropriate confidentiality or similar agreements, proposing changes in the Issuer's operations, governance or capitalization, or in proposing one or more of the other actions described in subsections (a) through (j) of Item 4 of Schedule 13D.

The Reporting Persons reserve the right to formulate other plans and/or make other proposals, and take such actions with respect to their investment in the Issuer, including any or all of the actions set forth in paragraphs (a) through (j) of Item 4 of Schedule 13D, or acquire additional Common Stock or dispose of all the Common Stock beneficially owned by them, in the public market or privately negotiated transactions. The Reporting Persons may at any time reconsider and change their plans or proposals relating to the foregoing.

### Item 5. Interest in Securities of the Issuer

(a) and (b). Set forth below is the beneficial ownership of shares of Common Stock of the Issuer for each person named in Item 2. Shares reported as beneficially owned by ValueAct Master Fund are also reported as beneficially owned by (i) ValueAct Management L.P. as the manager of each such investment partnership, (ii) ValueAct Management LLC, as General Partner of ValueAct Management L.P., (iii) ValueAct Holdings, as the sole owner of the limited partnership interests of ValueAct Management L.P. and the membership interests of ValueAct Management LLC and as the majority owner of the membership interests of VA Partners I and (iv) ValueAct Holdings GP, as General Partner of ValueAct Holdings. Shares reported as beneficially owned by ValueAct Master Fund are also reported as beneficially owned by VA Partners I, as General Partner of ValueAct Master Fund. VA Partners I, ValueAct Management L.P., ValueAct Management LLC, ValueAct Holdings and ValueAct Holdings GP also, directly or indirectly, may own interests in one

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or more than one of the partnerships from time to time. Unless otherwise indicated below, by reason of such relationship ValueAct Master Fund is reported as having shared power to vote or to direct the vote, and shared power to dispose or direct the disposition of, such shares of Common Stock, with VA Partners I (only with respect to ValueAct Master Fund), ValueAct Management L.P., ValueAct Management LLC, ValueAct Holdings and ValueAct Holdings GP.

As of the date hereof, ValueAct Master Fund is the beneficial owner of 24,526,556 shares of Common Stock, representing approximately 5.0% of the Issuer's outstanding Common Stock (which shares may also be deemed to be beneficially owned by VA Partners I).

ValueAct Management L.P., ValueAct Management LLC, ValueAct Holdings and ValueAct Holdings GP may each be deemed the beneficial owner of an aggregate of 24,526,556 shares of Common Stock, representing approximately 5.0% of the Issuer's outstanding Common Stock.

All percentages set forth in this Schedule 13D are based upon the Issuer's reported 490,895,858 outstanding shares of Common Stock as reported in the Issuer's Form 10-Q for the quarterly period ended September 2, 2011.

(c) In the 60 days prior to this filing, the Reporting Persons

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purchased the following shares of Common Stock in the open market:

Reporting Person	Trade Date	Shares	Price/Share
ValueAct Master Fund	11/09/2011	700,000	\$27.42
	11/09/2011	100,000	\$27.48
	11/09/2011	800,000	\$27.36
	11/09/2011	600,000	\$27.53
	11/09/2011	800,000	\$27.85
	11/10/2011	200,000	\$27.96
	11/10/2011	100,000	\$27.96
	11/10/2011	100,000	\$27.86
	11/10/2011	150,000	\$27.93
	11/23/2011	208,600	\$25.98
	11/23/2011	100,000	\$25.99
	11/23/2011	200,000	\$25.96
	11/23/2011	200,000	\$25.95
	11/25/2011	100,000	\$25.95
	11/25/2011	100,000	\$25.95
	11/25/2011	100,000	\$25.99
	11/25/2011	100,000	\$25.99
	11/25/2011	100,000	\$25.95
	12/19/2011	200,000	\$27.76
	12/19/2011	379,000	\$27.80
	12/21/2011	250,000	\$27.51
	12/21/2011	250,000	\$27.78
	12/21/2011	250,000	\$27.62
	12/21/2011	100,000	\$27.75
	12/21/2011	250,000	\$27.96
	12/22/2011	100,000	\$27.82
	12/22/2011	150,000	\$27.87
	12/22/2011	121,000	\$27.84

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Reporting Person	Trade Date	Shares	Price/Share
ValueAct Master Fund	12/22/2011	150,000	\$27.87
	12/23/2011	50,000	\$27.99

(d) and (e) Not applicable.

Item 6. Contracts, Arrangements, Understandings or Relationships with Respect to Securities of the Issuer

Other than as described elsewhere in this Report and as previously reported, the Reporting Persons have no understandings, arrangements, relationships or contracts relating to the Issuer's Common Stock which are required to be described hereunder.

Item 7. Material to Be Filed as Exhibits

(1) Joint Filing Agreement.

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SIGNATURE

After reasonable inquiry and to the best of his knowledge and belief, the undersigned certifies that the information set forth in this statement is true, complete and correct.

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below on this Schedule 13D hereby constitutes and appoints Jeffrey W. Ubben, George F. Hamel, Jr., G. Mason Morfit and Allison Bennington, and each of them, with full power to act without the other, his or its true and lawful attorney-in-fact and agent, with full power of substitution and resubstitution, for him or it and in his or its name, place and stead, in any and all capacities (until revoked in writing) to sign any and all amendments to this Schedule 13D, and to file the same, with all exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary fully to all intents and purposes as he or it might or could do in person, thereby ratifying and confirming all that said attorneys-in-fact and agents or any of them, or their or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

ValueAct Capital Master Fund L.P., by  
VA Partners I, LLC, its General Partner

By: /s/ George F. Hamel, Jr.

Dated: December 23, 2011 George F. Hamel, Jr., Chief Operating Officer

VA Partners I, LLC

By: /s/ George F. Hamel, Jr.

Dated: December 23, 2011 George F. Hamel, Jr., Chief Operating Officer

ValueAct Capital Management, L.P., by  
ValueAct Capital Management, LLC its  
General Partner

By: /s/ George F. Hamel, Jr.

Dated: December 23, 2011 George F. Hamel, Jr., Chief Operating Officer

ValueAct Capital Management, LLC

By: /s/ George F. Hamel, Jr.

Dated: December 23, 2011 George F. Hamel, Jr., Chief Operating Officer

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ValueAct Holdings GP, LLC, its  
General Partner

By: /s/ George F. Hamel, Jr.

Dated: December 23, 2011

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George F. Hamel, Jr., Chief Operating Officer

ValueAct Holdings GP, LLC

By: /s/ George F. Hamel, Jr.

Dated: December 23, 2011

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George F. Hamel, Jr., Chief Operating Officer

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CUSIP NO. 00724F101

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Page 14 of 14

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Exhibit 1

JOINT FILING UNDERTAKING

The undersigned parties hereby agree that the Schedule 13D filed herewith (and any amendments thereto) relating to the Common Stock of Adobe Systems Incorporated, is being filed jointly on behalf of each of them with the Securities and Exchange Commission pursuant to Section 13(d) of the Securities Exchange Act of 1934, as amended.

ValueAct Capital Master Fund L.P., by  
VA Partners I, LLC, its General Partner

By: /s/ George F. Hamel, Jr.

Dated: December 23, 2011

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George F. Hamel, Jr., Chief Operating Officer

VA Partners I, LLC

By: /s/ George F. Hamel, Jr.

Dated: December 23, 2011

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George F. Hamel, Jr., Chief Operating Officer

ValueAct Capital Management, L.P., by  
ValueAct Capital Management, LLC its  
General Partner

By: /s/ George F. Hamel, Jr.

Dated: December 23, 2011

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George F. Hamel, Jr., Chief Operating Officer

ValueAct Capital Management, LLC

By: /s/ George F. Hamel, Jr.

Dated: December 23, 2011

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George F. Hamel, Jr., Chief Operating Officer

ValueAct Holdings, L.P., by

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ValueAct Holdings GP, LLC, its  
General Partner

By: /s/ George F. Hamel, Jr.

Dated: December 23, 2011

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George F. Hamel, Jr., Chief Operating Officer

ValueAct Holdings GP, LLC

By: /s/ George F. Hamel, Jr.

Dated: December 23, 2011

-----  
George F. Hamel, Jr., Chief Operating Officer

w Roman" SIZE="2">

Total securities

338,993 292,469

Loans held for sale

386 200

Loans covered by FDIC shared-loss agreement (Note 9)

189,270

Loans non covered

542,191 523,298

Total loans

731,461 523,298

Allowance for loan losses

(11,543) (6,939)

Net loans

719,918 516,359

FDIC indemnification asset (Note 10)

84,980

Bank premises and equipment

31,854 24,111

Other real estate owned, covered by FDIC shared-loss agreement

12,267

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Other real estate owned, non covered

412 223

Bank owned life insurance

6,349 6,300

Core deposit intangibles, net

18,865 17,163

Goodwill (Note 5)

37,184 37,184

Other assets

6,380 7,798

Total assets

\$1,342,489 \$1,030,240

**LIABILITIES**

Deposits:

Noninterest bearing

\$60,706 \$59,699

Interest bearing

1,044,651 746,649

Total deposits

1,105,357 806,348

Federal Home Loan Bank advances

37,900 37,900

Trust preferred capital notes

4,124 4,124

Other liabilities

23,069 17,465

Total liabilities

\$1,170,450 \$865,837



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<b>STOCKHOLDERS EQUITY</b>		
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	(988)	(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	145,289	146,076
Retained earnings	8,144	1,691
Accumulated other comprehensive income (loss)	662	(1,265)
<b>Total stockholders equity</b>	<b>\$ 172,039</b>	<b>\$ 164,403</b>
<b>Total liabilities and stockholders equity</b>	<b>\$ 1,342,489</b>	<b>\$ 1,030,240</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 MONTHS ENDED MARCH 31, 2009 AND 2008**

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

(unaudited)

	For the three months ended		BOE Predecessor	TFC Predecessor
	March 31, 2009 (Restated)	March 31, 2008	For the three months ended March 31, 2008 (Note 1)	For the three months ended March 31, 2008 (Note 1)
<b>Interest and dividend income</b>				
Interest and fees on non covered loans	\$ 8,457	\$	\$ 4,071	\$ 4,138
Interest and fees on FDIC covered loans	2,950			
Interest on federal funds sold	14		13	25
Interest on deposits in other banks	121			
Interest and dividends on securities				
Taxable	2,892	405	283	133
Nontaxable	757		332	
<b>Total interest income</b>	<b>15,191</b>	<b>405</b>	<b>4,699</b>	<b>4,296</b>
<b>Interest expense</b>				
Interest on deposits	6,118		2,000	1,963
Interest on federal funds purchased			17	
Interest on other borrowed funds	347		287	
<b>Total interest expense</b>	<b>6,465</b>		<b>2,304</b>	<b>1,963</b>
<b>Net interest income</b>	<b>8,726</b>	<b>405</b>	<b>2,395</b>	<b>2,333</b>
<b>Provision for loan losses</b>	<b>5,500</b>			<b>862</b>
<b>Net interest income after provision for loan losses</b>	<b>3,226</b>	<b>405</b>	<b>2,395</b>	<b>1,471</b>
<b>Noninterest income</b>				
Service charges on deposit accounts	571		275	250
Gain on SFSB transaction	16,204			
(Loss) gain on securities transactions, net	(48)		6	
Loss on sale of other real estate	(46)			
Other	427		246	13
<b>Total noninterest income</b>	<b>17,108</b>		<b>527</b>	<b>263</b>
<b>Noninterest expense</b>				
Salaries and employee benefits	4,426		1,284	1,401
Occupancy expenses	580		130	191
Equipment expenses	343		156	169
Legal fees	250		136	83
Professional fees	700		92	113

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Data processing fees	742		144	150
Amortization of intangibles	456			
Other operating expenses	1,891	220	515	350
Total noninterest expense	9,388	220	2,457	2,457
Income (loss) before income taxes	10,946	185	465	(723)
Income tax expense (benefit)	3,490	74	91	(244)
Net income (loss)	\$ 7,456	\$ 111	\$ 374	\$ (479)
Dividends accrued on preferred stock	218			
Accretion of discount on preferred stock	43			
Net income (loss) available to common stockholders	\$ 7,195	\$ 111	\$ 374	\$ (479)
Net income (loss) per share basic	\$ 0.34	\$ 0.01	\$ 0.31	\$ (0.10)
Net income (loss) per share diluted	\$ 0.34	\$ 0.01	\$ 0.31	\$ (0.10)
Weighted average number of shares outstanding				
basic	21,468	9,375	1,213	4,587
diluted	21,478	11,823	1,217	4,587

See accompanying notes to unaudited consolidated financial statements

**Table of Contents****COMMUNITY BANKERS TRUST CORPORATION****CONSOLIDATED STATEMENTS OF CASH FLOWS**

(dollars in thousands)

(unaudited)

	For the three months ended		BOE Predecessor	TFC Predecessor
	March 31, 2009	March 31, 2008	For the three months ended	For the three months ended
	(Restated)		March 31, 2009	March 31, 2008
			(Note 1)	(Note 1)
<b>Operating activities:</b>				
Net income (loss)	\$ 7,195	\$ 111	\$ 374	\$ (479)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:				
Depreciation and intangibles amortization	827	1	180	142
Provision for loan losses	5,500			862
Amortization of premiums and accretion of discounts, net	(2,573)		22	
Change in loans held for sale	(186)		(288)	
Net gain on SFSB transaction	(16,204)			
Stock-based compensation expense				22
Net (gain)/loss on sale of securities	48		(6)	
Net loss on sale of OREO	46			
Net (gain) on sale of loans			(98)	
Loss on write down of LLC membership			88	
Changes in assets and liabilities:				
(Increase)/decrease in other assets	18,062	(811)	257	(235)
Increase/(decrease) in accrued expenses and other liabilities	7,833	155	350	(358)
Net cash (used in) provided by operating activities	20,548	(544)	879	(46)
<b>Investing activities:</b>				
Proceeds from securities	30,201	495	1,638	11,800
Purchase of securities	(66,713)		(1,471)	(7,200)
Cash received from SFSB transaction	35,662			
Net increase in loans	(7,856)		(13,162)	(18,473)
Purchase of premises and equipment, net	(8,077)	(50)	(287)	(176)
Net cash (used in) provided by investing activities	(16,783)	445	(13,282)	(14,049)
<b>Financing activities:</b>				
Net increase (decrease) in noninterest bearing and interest bearing demand deposits	(7,988)		8,400	14,184
Net (decrease) in federal funds purchased			(3,152)	
Issuance of common stock			44	

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Cash paid to shareholders for converted shares				
Cash paid to reduce FHLB borrowings	(37,525)			
Increase in FHLB advances			7,500	
Cash paid to redeem shares related to asserted appraisal rights and retire warrants	(787)			
Cash dividends paid	(997)		(267)	
Net cash (used in) provided by financing activities	(47,297)		12,525	14,184
<b>Net increase (decrease) in cash and cash equivalents</b>	(43,532)	(99)	122	89
<b>Cash and cash equivalents:</b>				
Beginning of the period	\$ 128,433	\$ 162	\$ 4,100	\$ 4,311
End of the period	\$ 84,901	\$ 63	\$ 4,222	\$ 4,400

**Table of Contents****Supplemental disclosures of cash flow information:**

Interest paid	\$ 4,292	\$ 2,321	\$ 1,895
Income taxes paid	160	93	
Transfers of OREO property	189		
Transactions related to acquisition			
Increase in assets and liabilities:			
Loans, net	\$ 198,253	\$	
Other real estate owned	9,416		
Securities	4,954		
FDIC indemnification	84,584		
Fixed assets, net	37		
Other assets	6,318		
Deposits	302,756		
Borrowings	37,525		
Other liabilities	1,757		

See accompanying notes to unaudited consolidated financial statements

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**COMMUNITY BANKERS TRUST CORPORATION**

**NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**

**1. ORGANIZATION**

***General***

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 March 31, 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/A (Amendment No. 3) for the year ended December 31, 2008. 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 at March 31, 2009, and the results of its operations and its cash flows for the three months ended March 31, 2009 and 2008.

The statements and related notes have been prepared pursuant to the rules and regulations of the U.S. Securities and Exchange Commission (SEC). Accordingly, certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States (GAAP) are not presented pursuant to such rules and regulations, because the periods reported are not comparable.

***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 historical statements of operations for the three months ended March 31, 2008 and statements of cash flows for the three months ended March 31, 2008 of each of TFC and BOE have been presented.

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**2. ACCOUNTING POLICIES**

The accounting and reporting policies of the Company conform to 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. Operating results for the three month period ended March 31, 2009, are not necessarily indicative of the results that may be expected for the year ending December 31, 2009.

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 and the financial statements for the year ended December 31, 2008 have been restated.

The March 31, 2009 consolidated financial statements and accompanying notes have been restated for amendments to the original estimated values related to the acquisition of the Maryland operations.

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

The Company's financial statements are prepared in accordance with 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 either when 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.

**3. RECENT ACCOUNTING PRONOUNCEMENTS**

In September 2006, the Financial Accounting Standards Board (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. The *(Company/Bank)* adopted SFAS 157 on January 1, 2008. The FASB approved a one-year deferral for the implementation of the Statement for nonfinancial assets and liabilities that are recognized or disclosed at fair value in the financial statements on a nonrecurring basis. The Company adopted the provisions of SFAS 157 for nonfinancial assets and liabilities as of January 1, 2009 without a material impact on the consolidated financial statements.

In December 2007, the FASB issued Statement of Financial Accounting Standards No. 141(R), *Business Combinations* (SFAS 141(R)). The Standard significantly changed 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 April 2009, the FASB issued FSP FAS 141(R)-1, *Accounting for Assets Acquired and Liabilities Assumed in a Business Combination That Arise from Contingencies*. FSP FAS 141(R)-1 amends and clarifies SFAS 141(R) to address application issues on initial recognition and measurement, subsequent measurement and accounting, and disclosure of assets and liabilities arising from contingencies in a business combination. The FSP is effective for assets and liabilities arising from contingencies in business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. The Company does not expect the adoption of FSP FAS 141(R)-1 to have a material impact on its consolidated financial statements.

In April 2009, the FASB issued FSP FAS 157-4, *Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly*. FSP FAS 157-4 provides additional guidance for estimating

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fair value in accordance with SFAS 157 when the volume and level of activity for the asset or liability have significantly decreased. The FSP also includes guidance on identifying circumstances that indicate a transaction is not orderly. FSP FAS 157-4 is effective for interim and annual periods ending after June 15, 2009, and shall be applied prospectively. Earlier adoption is permitted for periods ending after March 15, 2009. The Company does not expect the adoption of FSP FAS 157-4 to have a material



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impact on its (consolidated) financial statements. In April 2009, the FASB issued FSP FAS 107-1 and APB 28-1, *Interim Disclosures about Fair Value of Financial Instruments*. FSP FAS 107-1 and APB 28-1 amends SFAS No. 107, *Disclosures about Fair Value of Financial Instruments*, to require disclosures about fair value of financial instruments for interim reporting periods of publicly traded companies as well as in annual financial statements. In addition, the FSP amends APB Opinion No. 28, *Interim Financial Reporting*, to require those disclosures in summarized financial information at interim reporting periods. The FSP is effective for interim periods ending after June 15, 2009, with earlier adoption permitted for periods ending after March 15, 2009. The Company does not expect the adoption of FSP FAS 107-1 and APB 28-1 to have a material impact on its consolidated financial statements.

In April 2009, the FASB issued FSP FAS 115-1 and FAS 124-2, *Recognition and Presentation of Other-Than-Temporary Impairments*. FSP FAS 115-1 and FAS 124-2 amend other-than-temporary impairment guidance for debt securities to make guidance more operational and to improve the presentation and disclosure of other-than-temporary impairments on debt and equity securities. The FSP does not amend existing recognition and measurement guidance related to other-than-temporary impairments of equity securities. FSP FAS 115-1 and FAS 124-2 are effective for interim and annual periods ending after June 15, 2009, with earlier adoption permitted for periods ending after March 15, 2009. The Company does not expect the adoption of FSP FAS 115-1 and FAS 124-2 to have a material impact on its consolidated financial statements.

In April 2009, the Securities and Exchange Commission issued Staff Accounting Bulletin No. 111 (SAB 111). SAB 111 amends and replaces SAB Topic 5.M. in the SAB Series entitled *Other Than Temporary Impairment of Certain Investments in Debt and Equity Securities*. SAB 111 maintains the SEC Staff's previous views related to equity securities and amends Topic 5.M. to exclude debt securities from its scope. The Company does not expect the implementation of SAB 111 to have a material impact on its consolidated financial statements.

## **4. MERGERS AND ACQUISITIONS**

### ***Business Combinations***

On May 31, 2008, the Company acquired each of TFC and BOE. The transaction with TFC was valued at \$53.0 million. Total consideration paid to TFC shareholders consisted of 6,544,840 shares of the Company's common stock issued. The transaction resulted in total assets acquired at May 31, 2008 of \$268.8 million, including \$241.9 million of loans, and liabilities assumed were \$241.7 million, including \$232.1 million of deposits. The transaction with BOE was valued at \$53.9 million. Total consideration paid to BOE shareholders consisted of 6,957,405 shares of the Company's common stock issued. This transaction resulted in total assets acquired at May 31, 2008 of \$317.6 million, including \$233.3 million of loans, and liabilities assumed were \$288.0 million, including \$256.4 million of deposits. Due to the mergers with each of TFC and BOE, the Company recorded approximately \$37.2 million in goodwill and \$15.0 million in core deposit intangibles as of May 31, 2008.

Immediately following the mergers with TFC and BOE, the Company operated TransCommunity Bank and the Bank as separate banking subsidiaries. TransCommunity Bank's offices operated under the Bank of Goochland, Bank of Powhatan, Bank of Louisa and Bank of Rockbridge division names. Effective July 31, 2008, TransCommunity Bank was consolidated into the Bank under the Bank's state charter. As a result, the Company was a one-bank holding company at the September 30, 2008 reporting date.

### ***Acquisition of Georgia Operations***

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. 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, Bank of Essex and the FDIC. 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. 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 required 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.

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The Company also acquired assets of \$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
<b>Total assets</b>	<b>\$ 87,471</b>

The loans acquired were those fully secured by deposit accounts. BOE did not purchase 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.

**Acquisition of Maryland Operations**

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. The transaction was consummated pursuant to a Purchase and Assumption Agreement, dated January 30, 2009, by and among the FDIC, as Receiver for SFSB, the Bank and the FDIC.

Pursuant to the terms of the Purchase and Assumption Agreement, the Bank assumed approximately \$303 million in deposits, all of which were deemed to be core deposits and maintain their current insurance coverage. The Bank also acquired approximately \$358 million in loans and other assets and agreed to provide loan servicing to SFSB's existing loan customers. The Bank bid a negative \$45 million for the net assets acquired.

The Bank has entered into shared-loss agreements with the FDIC with respect to certain covered assets acquired. See Notes 9 and 10 for additional information related to certain assets covered under the FDIC shared-loss agreements.

In relation to this acquisition, the Company followed the acquisition method of accounting as outlined in SFAS 141(R), *Business Combinations*. Management relied on external analyses by appraisers in determining the fair value of assets acquired and liabilities assumed. The following table provides the allocation of the negative bid in the financial statements, based on those analyses (dollars in thousands):

	<b>SFSB</b>
Negative bid on SFSB transaction	\$ 45,000
Adjustments to assets acquired and liabilities assumed:	
Fair value adjustments:	
Loans	(102,011)
Foreclosed real estate	(10,428)
FDIC Indemnification	84,584
Deposits	(1,455)
Core deposit intangible	2,158
Other adjustments	(1,644)
Net assets acquired, pre-tax	16,204
Deferred tax liability	(5,509)
Net assets acquired, net of tax	\$ 10,695

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<b>Fair value of assets acquired</b>	
Cash and cash equivalents	\$ 54,717
Investment securities	4,954
Loans receivable	198,253
Foreclosed real estate	9,416
FDIC Indemnification Asset	84,584
Other assets	6,318
Fair value of assets acquired	\$ 358,242
<b>Fair value of liabilities assumed</b>	
Deposits	\$ 302,756
FHLB advances	37,525
Deferred taxes	5,509
Other liabilities	1,757
Fair value of liabilities assumed	\$ 347,547
<b>Net assets acquired at fair value</b>	<b>\$ 10,695</b>

As a result of the acquisition of the operations of SFSB, the Company recorded a one-time gain of \$16.2 million in the first quarter of 2009.

The Company engaged two external firms to assess credit quality and fair market value of the loan portfolio. An external firm performed a 100% credit review on the entire portfolio and classified each of the loans into several homogenous pools of credit risk and levels of impairment. An external firm specializing in fair market valuations then used the credit review results to determine the current fair market as defined in SFAS No. 157, *Fair Value Measurements*. The fair value assessment was based on several measures, including asset quality, contractual interest rates, current market interest rates, and other underlying factors and the analysis divided the portfolio into the following segments:

Acquisition, development, and construction loans

Residential first mortgage loans

Consumer real estate loans

Commercial real estate loans

The following three general approaches were used in the valuation analyses the asset-based approach, the market approach, and the income approach.

Certificate of deposits (CDs) and the core deposit intangible (premium paid to acquire the core deposits of SFSB) were marked to market using a third-party analysis of cash flow, interest rate, maturity dates or weighted average life, balances, attrition rates, and current market rates.

The Company has reviewed certain contracts between SFSB and its vendors in order to identify any efficiencies from the merger through contract cancellation. Costs of cancelling certain contracts that are material would change the amount of the gain recorded.

Supplemental pro forma information reflecting the revenue and earnings of the combined entity for the current reporting period as though the acquisition date for the business combination had occurred at the beginning of the annual reporting period, and similar comparative information

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for the prior year, has not been disclosed. Management has determined that it is impracticable to provide this information due to a lack of reliability of financial information produced by SFSB prior to the acquisition and the costs that would be incurred to reproduce the information with an appropriate level of reliability.

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**5. GOODWILL AND INTANGIBLE ASSETS**

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.

Since the mergers in 2008, there has been further decline in economic conditions, which has significantly affected the banking sector and the Company's financial condition and results. The Company's average closing stock price during the first quarter of 2008 and 2009 was \$7.46 per share and \$3.28 per share, respectively, which represented a 56.03% decline. On the last business day prior to May 31, 2009, the closing stock price was \$3.10 per share.

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Goodwill will be assessed for potential impairment as of May 31, 2009, the one-year anniversary date of the formation of the Company.

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 and the financial statements for the year ended December 31, 2008 have been restated.

Core deposit intangible assets are amortized over the period of expected benefit, ranging from 2.6 to 9 years. Core deposit intangibles are recognized, amortized and evaluated for impairment as required by SFAS No. 142, *Goodwill and Other Intangible Assets*. Due to the mergers with TFC and BOE on May 31, 2008, the Company recorded approximately \$15.0 million in core deposit intangible assets. Core deposit intangibles related to the Georgia and Maryland transactions equaled \$3.1 million and \$2.2 million, respectively, and will be amortized over approximately 9 years.

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

	<b>December 31, 2008</b>		
	<b>Gross Carrying Value</b>	<b>Accumulated Amortization (In thousands)</b>	<b>Net Carrying Value</b>
Goodwill (restated)	\$ 37,184	\$	\$ 37,184
Core deposit intangibles	\$ 18,132	\$ 969	\$ 17,163
	<b>March 31, 2009</b>		
	<b>Gross Carrying Value</b>	<b>Accumulated Amortization (In thousands)</b>	<b>Net Carrying Value</b>
Goodwill	\$ 37,184	\$	\$ 37,184
Core deposit intangibles	\$ 20,290	\$ 1,425	\$ 18,865

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### **6. 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. The Company only utilizes third party vendors to provide fair value data for purposes of recording amounts related to the fair value measurements of its securities available for sale portfolio. An AICPA Statement on Auditing Standard Number 70 (SAS 70) report is obtained from the third party vendor on an annual basis. The third party vendor also utilizes a reputable pricing company for security market data. The third party vendor has controls and edits in place for month-to-month market checks and zero pricing. The Company makes no adjustments to the pricing service data received for its securities available for sale.

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 would include asset-backed securities in less liquid markets.

#### **Loans held for sale**

Loans held for sale are recorded at the lower of cost or fair value each reporting period, and are comprised of residential mortgages. These loans are held for a short period of time with the intention of being sold on the secondary market. Therefore, the fair value is determined on rates currently offered using observable market information, which does not deviate materially from the cost value. If there are any adjustments to record the loan at the lower of cost or market value, it would be reflected in the consolidated statements of income. It was determined that the cost value recorded at March 30, 2009 was similar to the fair value, and therefore no adjustment was necessary. Due to the observable market data available in pricing these loans held for sale, they were considered as Level 2.

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### **Loans**

Except for loans that the Company acquired in the SFSB transaction, 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 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, 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 March 31, 2009, substantially all of the impaired loans were evaluated based on the fair value of the collateral.



**Table of Contents****Other real estate owned**

Other real estate owned (OREO), including foreclosed assets, is adjusted to fair value upon transfer of the loans to foreclosed assets. Subsequently, OREO is 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 OREO 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.

**Goodwill**

See Note 5 for a description of valuation methodologies for goodwill.

**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.

	Total	March 31, 2009		Level 3
		Level 1	Level 2	
(In thousands)				
U.S. Treasury issue and U.S. government agencies	\$ 19,004	\$	\$ 19,004	\$
State, county, and municipal	68,073		68,073	
Corporate and other bonds	7,380		7,380	
Mortgage backed securities	94,663		94,663	
Financial stocks	1,393	1,393		
Investment securities available-for-sale	190,513	1,393	189,120	
Loans covered by FDIC shared-loss agreements	189,270			189,270
FDIC indemnification asset	84,980			84,980
Loans held for sale	386		386	
Total assets at fair value	\$ 465,149	\$ 1,393	\$ 189,506	\$ 274,250
Total liabilities at fair value	\$	\$	\$	\$

**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.

	Total	March 31, 2009		Level 3
		Level 1	Level 2	
(In thousands)				
Loans impaired loans with a valuation allowance	\$ 23,506	\$	\$ 19,173	\$ 4,333
Other real estate owned (OREO), covered by FDIC shared-loss agreement	12,267		1,320	10,947
Other real estate owned (OREO), non covered	412		412	
Total assets at fair value	\$ 36,185	\$	\$ 20,905	\$ 15,280

Total liabilities at fair value	\$	\$	\$	\$
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The Company had no Level 1 assets measured at fair value on a nonrecurring basis at March 31, 2009.

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SFAS 107, *Disclosures about Fair Value of Financial Instruments*, requires disclosure of the fair value of financial assets and financial liabilities, including those financial assets and financial liabilities that are not measured and reported at fair value on a recurring basis or non-recurring basis.

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 Corporation'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 Corporation.

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 Corporation's long-term borrowings are estimated using discounted cash flow analyses based on the Corporation's current incremental borrowing rates for similar types of borrowing arrangements.

### **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.



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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 March 31, 2009, the fair values of loan commitments and stand-by letters of credit were deemed to be immaterial.

The fair values and carrying values are as follows:

(dollars in thousands)	March 31, 2009	
	Carrying Value	Fair Value
<b>Financial assets:</b>		
Cash and cash equivalents	\$ 84,901	\$ 85,135
Securities available for sale	190,513	190,513
Securities held to maturity	143,464	145,331
Equity securities	5,016	5,016
Loans held for sale	386	386
Loans, non covered, net	530,648	531,441
Loans covered by FDIOC shared-loss agreement	189,270	189,270
FDIC indemnification asset	84,980	84,980
Accrued interest receivable	4,497	4,497
Goodwill	37,184	37,184
<b>Financial liabilities:</b>		
Deposits	1,105,357	1,113,476
Borrowings	42,024	42,651
Accrued interest payable	3,851	3,851

The Corporation 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 Corporation's financial instruments will change when interest rate levels change and that change may be either favorable or unfavorable to the Corporation. 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 Corporation's overall interest rate risk.

**7. SECURITIES**

Amortized costs and fair values of securities available for sale at March 31, 2009 were as follows:

	Amortized Cost	Gross Unrealized		Fair Value
		Gains	Losses	
(In thousands)				
U.S. Treasury issue and other U.S. Government agencies	\$ 18,670	\$ 460	\$	\$ 19,130
State, county and municipal	67,524	1,017	(617)	67,924
Corporates and other bonds	7,431	24	(75)	7,380
Mortgage backed securities	92,431	2,270	(15)	94,686
Other securities	1,472	51	(130)	1,393
Total	\$ 187,528	\$ 3,822	\$ (837)	\$ 190,513



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The fair value and gross unrealized losses for securities available for sale, totaled by the length of time that individual securities have been in a continuous gross unrealized loss position, at March 31, 2009 were as follows:

	Less than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
	(In thousands)					
U.S. Treasury issue and other U.S. Government agencies	\$ 25	\$	\$	\$	\$ 25	\$
State, county and municipal	14,359	(584)	399	(34)	14,758	(618)
Corporates and other bonds	5,045	(42)	574	(32)	5,619	(74)
Mortgage backed securities	2,492	(15)	2		2,494	(15)
Other securities			1,472	(130)	1,472	(130)
<b>Total</b>	<b>\$ 21,921</b>	<b>\$ (641)</b>	<b>\$ 2,447</b>	<b>\$ (196)</b>	<b>\$ 24,368</b>	<b>\$ (837)</b>

Management continually monitors the fair value and credit quality of the Company's investment portfolio. Furthermore, a third party vendor prepares a report for other than temporarily impaired evaluations. Management reviews this report monthly, and there were no investments considered other than temporarily impaired at March 31, 2009.

Amortized costs and fair values of securities held to maturity at March 31, 2009 were as follows:

	Amortized Cost	Gross Unrealized		Fair Value
		Gains	Losses	
	(In thousands)			
U.S. Treasury issue and other U.S. Government agencies	\$ 3,745	\$ 4	\$ (3)	\$ 3,746
State, county and municipal	13,117	391	(27)	13,481
Corporates and other bonds	1,041		(56)	985
Mortgage backed securities	125,561	1,716	(158)	127,119
<b>Total</b>	<b>\$ 143,464</b>	<b>\$ 2,111</b>	<b>\$ (244)</b>	<b>\$ 145,331</b>

The fair value and gross unrealized losses for securities held to maturity, totaled by the length of time that individual securities have been in a continuous gross unrealized loss position, at March 31, 2009 were as follows:

	Less than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
	(In thousands)					
U.S. Treasury issue and other U.S. Government agencies	\$ 745	\$ (3)	\$	\$	\$ 745	\$ (3)
State, county and municipal	2,231	(27)			2,231	(27)
Corporates and other bonds	985	(57)			985	(57)
Mortgage backed securities	29,870	(157)			29,870	(157)
<b>Total</b>	<b>\$ 33,831</b>	<b>\$ (244)</b>	<b>\$</b>	<b>\$</b>	<b>\$ 33,831</b>	<b>\$ (244)</b>

Management continually monitors the fair value and credit quality of the Company's investment portfolio. At March 31, 2009, all impairments of securities held to maturity are considered temporary as the unrealized losses are related to market risk and not credit risk. The Company does not intend to sell the securities and it is not likely that the company will be required to sell the security before recovery of its amortized cost. Issuers of the securities held to maturity and available for sale are of suitable credit quality and all of the securities are of investment grade.

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The Company's investment in Federal Home Loan Bank ( FHLB ) stock totaled \$3.7 million at March 31, 2009. FHLB stock is restricted since it is not actively traded on an exchange, and is owned solely by the FHLB and its member institutions. The Company records FHLB stock on a cost basis. When evaluating FHLB stock for impairment, its value is based on recovery of the par value rather than by recognizing temporary decline in value.



**Table of Contents****8. LOANS NON COVERED**

The Company's loan portfolio for loans not covered by the FDIC shared-loss agreement, at March 31, 2009 and December 31, 2008, was comprised of the following (dollars in thousands):

	<b>March 31, 2009</b>		<b>December 31, 2008</b>	
	<b>Non-covered loans</b>		<b>Non-covered loans</b>	
Open End 1-4 Family loans	\$ 29,388	5.42%	\$ 30,323	5.80%
1-4 Family First Liens	106,563	19.66%	99,284	18.98%
<b>Total residential 1-4 family</b>	<b>135,951</b>	<b>25.08%</b>	<b>129,607</b>	<b>24.78%</b>
Owner occupied nonfarm nonresidential	59,922	11.05%	63,218	12.09%
Non owner occupied nonfarm nonresidential	106,125	19.58%	93,872	17.95%
<b>Total commercial</b>	<b>166,047</b>	<b>30.63%</b>	<b>157,090</b>	<b>30.03%</b>
1-4 Family Construction	31,321	5.78%	36,277	6.93%
Other construction and land development	106,525	19.65%	103,238	19.74%
<b>Total construction</b>	<b>137,846</b>	<b>25.43%</b>	<b>139,515</b>	<b>26.67%</b>
Second mortgages	15,490	2.86%	15,599	2.98%
Multifamily	10,352	1.91%	9,370	1.79%
Agriculture	5,321	0.98%	5,143	0.98%
<b>Total real estate loans</b>	<b>471,007</b>	<b>86.89%</b>	<b>456,324</b>	<b>87.23%</b>
Agriculture loans	1,072	0.20%	988	0.19%
Commercial and industrial loans	45,749	8.44%	44,332	8.48%
<b>Total commercial loans</b>	<b>46,821</b>	<b>8.64%</b>	<b>45,320</b>	<b>8.67%</b>
<b>Total revolving credit and other consumer</b>	<b>13,997</b>	<b>2.58%</b>	<b>14,457</b>	<b>2.76%</b>
<b>All other loans</b>	<b>10,229</b>	<b>1.89%</b>	<b>7,005</b>	<b>1.34%</b>
<b>Gross loans</b>	<b>542,054</b>	<b>100.00%</b>	<b>523,106</b>	<b>100.0%</b>
Unearned income on loans	(731)		(780)	
Merger related fair value adjustment	868		972	
<b>Total non-covered loans</b>	<b>\$ 542,191</b>		<b>\$ 523,298</b>	

The following is a summary of information for impaired and nonaccrual loans at March 31, 2009, excluding FDIC covered assets (dollars in thousands):

Amount

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Impaired loans without a valuation allowance	\$ 18,907
Impaired loans with a valuation allowance	23,506
<b>Total impaired loans</b>	<b>\$ 42,413</b>
Valuation allowance related to impaired loans	\$ 4,333
Total nonaccrual loans	\$ 9,870
Total loans 90 days or more past due and still accruing	\$ 1,195
Average investment in impaired loans during the three months ending March 31, 2009	\$ 34,315
Interest income recognized on impaired loans	\$ 326
Interest income recognized on a cash basis on impaired loans	\$ 326

See *Management's Discussion and Analysis of Financial Condition and Results of Operations - Asset Quality* for additional information regarding impaired loans.

**Table of Contents****9. COVERED ASSETS**

The Company is applying the provisions of SOP 03-3 to all loans acquired in the SFSB acquisition (the covered loans ).

The following table reflects the contractual cash flows, cash flows expected at acquisition, and fair value of loans as of the acquisition date. These amounts were determined based upon the estimated remaining life of the covered loans, which includes the effects of prepayments.

(In Thousands)	At Acquisition Total Loans
Contractually required principal and interest at acquisition	\$ 431,081
Nonaccretable difference (expected losses of \$99,648 and foregone interest of \$72,157)	171,805
Cash flows expected to be collected at acquisition	\$ 259,276
Accretable yield (interest component of expected cash flows)	61,023
Basis in acquired loans at acquisition	\$ 198,253

As of January 1, 2009 there were no covered loans. As of March 31, 2009, the outstanding balance of the covered loans accounted for under SOP 03-3- is \$289,604. The carrying amount as of March 31, 2009 is comprised of the following.

(Dollars in Thousands)	March 31, 2009 Covered Loans	
Open End 1-4 Family Loans	\$ 8,481	4.48%
1-4 Family First Liens	132,674	70.10%
Total residential 1-4 family	141,155	74.58%
Owner occupied nonfarm nonresidential		0.00%
Non owner occupied nonfarm nonresidential	6,989	3.69%
Total commercial	6,989	3.69%
1-4 Family Construction	9,449	4.99%
Other construction and land dev.	21,281	11.25%
Total construction	30,730	16.24%
Second mortgages	9,785	5.17%
Multifamily		0.00%
Agriculture	250	0.13%
<b>Total real estate loans</b>	<b>188,909</b>	<b>99.81%</b>
Agriculture loans		0.00%
Commercial and industrial loans		0.00%

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<b>Total commercial loans</b>		<b>0.00%</b>
<b>Total revolving credit and other consumer</b>	<b>361</b>	<b>0.19%</b>
<b>Total covered loans</b>	<b>\$ 189,270</b>	<b>100.00%</b>

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The change in the accretable yield balance since January 1, 2009 is as follows:

	<b>Accretable Yield</b>
Balance at January 1, 2009	\$
Additions	61,023
Less Accretion	(2,950)
Reclassification from (to) Nonaccretable Yield	
<b>Balance at March 31, 2009</b>	<b>\$ 58,073</b>

These loans are not classified as nonperforming assets at March 31, 2009 as the loans are accounted for on a pooled basis and the pools are considered to be performing. Therefore, 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. There was no allowance for loan losses recorded on covered loans at March 31, 2009.

**10. SHARED-LOSS AGREEMENTS AND FDIC INDEMNIFICATION ASSET**

On January 30, 2009, the Company entered into a purchase and assumption agreement with shared-loss with the FDIC to assume all of the deposits and acquire certain assets of SFSB. Under the shared-loss agreements, the FDIC will reimburse the Bank for 80% of losses arising from covered loans and foreclosed real estate assets, on the first \$118 million of such covered loans and foreclosed real estate assets, and for 95% of losses on covered loans and foreclosed real estate assets thereafter. Under the shared-loss agreements, a loss on a covered loan or foreclosed real estate is defined generally as a realized loss incurred through a permitted disposition, foreclosure, short-sale or restructuring of the covered loan or foreclosed real estate. The reimbursements for losses on single family one-to-four residential mortgage loans are to be made monthly until the end of the month in which the tenth anniversary of the closing of the transaction occurs, and the reimbursements for losses on other covered assets are to be made quarterly until the end of the quarter in which the eighth anniversary of the closing of the transaction occurs. The shared-loss agreements provide for indemnification from the first dollar of losses without any threshold requirement. The reimbursable losses from the FDIC are based on the book value of the relevant loan as determined by the FDIC at the date of the transaction, January 30, 2009. New loans made after that date are not covered by the shared-loss agreements. The fair value of this loss sharing agreement is detailed below.

The Company is accounting for the shared-loss agreements as an indemnification asset pursuant to the guidance in SFAS 141(R) *Business Combinations*. The FDIC indemnification asset is measured separately from the covered loans and other real estate owned assets because it is not contractually embedded in the covered loan and other real estate owned assets and is not transferable should the Company choose to dispose of them. Fair value was estimated using projected cash flows available for loss sharing based on the credit adjustments estimated for each loan pool and OREO and the loss sharing percentages outlined in the Purchase and Assumption Agreements with the FDIC. These cash flows were discounted to reflect the uncertainty of the timing and receipt of the loss sharing reimbursement from the FDIC.

Because the acquired loans are subject to a FDIC loss sharing agreement and a corresponding Indemnification Asset exists to represent the value of expected payments from the FDIC, increases and decreases in loan accretable yield due to loss expectations will also have an impact to the accretable yield for the FDIC indemnification asset. Improvement in loss expectations will typically increase loan accretable yield and decrease the yield on the FDIC indemnification asset, and in some instances, result in an amortizable premium on the FDIC indemnification asset. Increases in loss expectations will typically be recognized as impairment in the current period through allowance for loan losses while resulting in additional non-interest income for the amount of the increase in the FDIC indemnification asset.

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The following tables present the balances of the FDIC indemnification asset related to the SDSB transaction at January 30, 2009 (the transaction date) and March 31, 2009:

<b>(In thousands)</b>	<b>January 30, 2009</b>
Anticipated realizable loss	\$ 108,756
Assumed loss sharing recovery percentage	approximately 80%
Estimated loss sharing value	86,988
Premium (discount)	(2,404)
FDIC indemnification asset	\$ 84,584
	<b>March 31, 2009</b>
Anticipated realizable loss remaining	\$ 109,080
Assumed loss sharing recovery percentage	approximately 80%
Estimated loss sharing value	87,264
Premium (discount)	(2,284)
FDIC indemnification asset	\$ 84,980

**Table of Contents****11. ALLOWANCE FOR LOAN LOSSES**

Activity in the allowance for loan losses, for the three months ended March 31, 2009 and 2008 (Predecessors), was comprised of the following:

(Dollars in thousands)	March 31, 2009	BOE Predecessor March 31, 2008	TFC Predecessor March 31, 2008
Beginning allowance	\$ 6,939	\$ 2,595	\$ 3,036
Provision for loan losses	5,500		862
Recoveries of loans charged off	39	23	
Loans charged off	(935)	(59)	(225)
Allowance at end of period	\$ 11,543	\$ 2,559	\$ 3,673

At March 31, 2009, total impaired loans equaled \$42.4 million, excluding FDIC covered assets. As required by the fair value accounting rules for the SFSB transaction in this quarter, no allowance for loan losses was recorded on loans acquired since the loans were recorded at fair value and adjusted for expected credit losses, less amounts to be reimbursed by the FDIC. For additional information regarding the accounting entries, see the Company's Current Report on Form 8-K/A (Amendment No. 1) filed on April 17, 2009, under Note 2 Description of the Pro Forma Purchase Accounting Adjustments.

The following table presents charge-offs and recoveries by loan category.

(dollars in thousands)	For the three months ended March 31, 2009			BOE Predecessor For the three months ended March 31, 2008			TFC Predecessor For the three months ended March 31, 2008		
	Charge-offs	Recoveries	Net Charge-offs	Charge-offs	Recoveries	Net Charge-offs	Charge-offs	Recoveries	Net Charge-offs
Open End 1-4 Family loans	\$ 282	\$	\$ 282	\$	\$	\$	\$	\$	\$
1-4 Family First Liens									
Total residential 1-4 family	282		282						
Owner occupied nonfarm nonresidential									
Non owner occupied nonfarm nonresidential									
Total commercial									
1-4 Family Construction	267	14	253						
Other construction and land development									
Total construction	267	14	253						
Second mortgages Multifamily	34		34						

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Agriculture

<b>Total real estate loans</b>	<b>34</b>		<b>34</b>						
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Agriculture loans

Commercial and industrial loans	250	1	249		2	(2)	185		185
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<b>Total commercial loans</b>	<b>833</b>	<b>15</b>	<b>818</b>		<b>2</b>	<b>(2)</b>	<b>185</b>		<b>185</b>
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<b>Total revolving credit and other consumer</b>	<b>102</b>	<b>24</b>	<b>78</b>	<b>59</b>	<b>21</b>	<b>38</b>	<b>40</b>		<b>40</b>
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All other loans

<b>Total non-covered loans</b>	<b>\$ 935</b>	<b>\$ 39</b>	<b>\$ 896</b>	<b>\$ 59</b>	<b>\$ 23</b>	<b>\$ 36</b>	<b>\$ 225</b>	<b>\$</b>	<b>\$ 225</b>
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**Table of Contents****12. DEPOSITS**

The following table provides interest-bearing deposit information by category for the dates indicated:

**Balance by deposit type**

Balance by deposit type	March 31, 2009	December 31, 2008
	(dollars in thousands)	
NOW	\$ 130,257	\$ 76,575
MMDA	73,053	55,200
Savings	55,782	34,688
Time deposits less than \$100,000	550,451	303,424
Time deposits greater than \$100,000	235,108	276,762
Total interest-bearing deposits	\$ 1,044,651	\$ 746,649

**13. EARNINGS PER SHARE**

Basic earnings per share ( EPS ) is computed by dividing net income or loss available to common stockholders by the weighted average number of shares outstanding during the period. Diluted EPS is computed using the weighted average number of common shares outstanding during the period, including the effect of all potentially dilutive potential common shares outstanding attributable to stock instruments.

	Income (Numerator)	Weighted Average Shares (Denominator)	Per Share Amount
	(Dollars and shares in thousands, except per share data)		
<b>For the three months ended March 31, 2009</b>			
Basic EPS	\$ 7,195	21,468	\$ 0.34
Effect of dilutive stock awards		10	
Diluted EPS	\$ 7,195	21,478	\$ 0.34
<b>For the three months ended March 31, 2008</b>			
Basic EPS	\$ 111	9,375	\$ 0.01
Effect of dilutive stock awards		2,448	
Diluted EPS	\$ 111	11,823	\$ 0.01

There were 9,015,151 shares in the Company available through options and warrants that were considered anti-dilutive at March 31, 2009.

**BOE Predecessor**

	Income (Numerator)	Weighted Average Shares (Denominator)	Per Share Amount
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(Dollars and shares in thousands, except per share data)			
For the three months ended March 31, 2008			
Basic EPS	\$ 374	1,213	\$ 0.31
Effect of dilutive stock awards		4	
Diluted EPS	\$ 374	1,217	\$ 0.31

**TFC Predecessor**

	Income (Numerator)	Weighted Average Shares (Denominator)	Per Share Amount
(Dollars and shares in thousands, except per share data)			
For the three months ended March 31, 2008			
Basic EPS	\$ (479)	4,587	\$ (0.10)
Effect of dilutive stock awards			
Diluted EPS	\$ (479)	4,587	\$ (0.10)

**Table of Contents****14. DEFINED BENEFIT PLAN**

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

**Components of Net Periodic Benefit Cost**

(In thousands)	Three Months Ended March 31, 2009	BOE Predecessor Three Months Ended March 31, 2008	TFC Predecessor Three Months Ended March 31, 2008
Service cost	\$ 92	\$ 93	Not applicable
Interest cost	81	77	
Expected return on plan assets	(53)	(80)	
Amortization of prior service cost	1	1	
Amortization of net obligation at transition	(1)	(1)	
Amortization of net loss	22	4	
Net periodic benefit cost	\$ 142	\$ 94	

At March 31, 2009, no employer contributions have been made for the plan year. The Company is currently analyzing the Defined Benefit Plan as well as other alternatives, such as enhancing its Defined Contribution Plan (401(k)). A determination during fiscal 2009 will be made for the current and future benefits for all full-time employees of the combined entities. The plan was frozen to new entrants prior to BOE's merger with the Company.

**15. SUBSEQUENT EVENTS**

On April 30, 2009, the Company's Board of Directors declared a quarterly dividend of \$0.04 per share with respect to the Company's outstanding common stock. The dividend will be payable on May 29, 2009 to shareholders of record at the close of business on May 18, 2009.

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### **Item 2. *Management's Discussion and Analysis of Financial Condition and Results of Operations.***

The following discussion and analysis of the financial condition at March 31, 2009 and results of operations of the Company for the three months ended March 31, 2009 should be read in conjunction with the Company's Consolidated Financial Statements and the accompanying Notes to Consolidated Financial Statements included in this report and in the Company's Annual Report on Form 10-K/A (Amendment No. 3) for the year ended December 31, 2008.

#### **Overview**

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, a Virginia state bank with 25 full-service offices in Virginia, Maryland and Georgia.

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 branches 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 Bank also operates two loan production offices, one in Fairfax, Virginia, and one in Cumming, Georgia.

The Company generates a significant amount of its income from the net interest income earned by the Bank. Net interest income is the difference between interest income and interest expense. Interest income depends on the amount of interest-earning assets outstanding during the period and the interest rates earned thereon. The Company's cost of funds is a function of the average amount of interest-bearing deposits and borrowed money outstanding during the period and the interest rates paid thereon. The quality of the assets further influences the amount of interest income lost on non-accrual loans and the amount of additions to the allowance for loan losses. Additionally, the Bank earns non-interest income from service charges on deposit accounts and other fee or commission-based services and products. Other sources of non-interest income can include gains or losses on securities transactions, gains from loans sales, transactions involving bank-owned property, and income from Bank Owned Life Insurance (BOLI) policies. The Company's income is offset by non-interest expense, which consists of goodwill impairment and other charges, salaries and benefits, occupancy and equipment costs, professional fees, and other operational expenses. The provision for loan losses and income taxes materially affect income.

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### Recent Developments

#### *General*

The Company was initially formed as a blank check company under the name Community Bankers Acquisition Corp. As a Targeted Acquisition Corporation<sup>SM</sup> or TAC<sup>SM</sup>, the Company was formed 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.

#### *Business Combinations*

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 transaction with TFC was valued at \$53.0 million. Total consideration paid to TFC shareholders consisted of 6,544,840 shares of the Company's common stock issued. The transaction resulted in total assets acquired at May 31, 2008 of \$268.8 million, including \$241.9 million of loans, and liabilities assumed were \$241.7 million, including \$232.1 million of deposits. The transaction with BOE was valued at \$53.9 million. Total consideration paid to BOE shareholders consisted of 6,957,405 shares of the Company's common stock issued. This transaction resulted in total assets acquired at May 31, 2008 of \$317.6 million, including \$233.3 million of loans, and liabilities assumed were \$288.0 million, including \$256.4 million of deposits. As a result of both mergers, the Company recorded \$37.2 million of goodwill and \$15.0 million of core deposit intangibles.

Immediately following the mergers with TFC and BOE, the Company operated TransCommunity Bank and Bank of Essex as separate banking subsidiaries. TransCommunity Bank's offices operated under the Bank of Goochland, Bank of Powhatan, Bank of Louisa and Bank of Rockbridge division names. Effective July 31, 2008, TransCommunity Bank was consolidated into Bank of Essex under Bank of Essex's state charter. As a result, the Company was a one-bank holding company at the September 30, 2008 reporting date.

#### *Acquisition of Georgia Operations*

On November 21, 2008, BOE acquired certain assets and assumed all deposit liabilities relating to four former branch offices of The Community Bank ( TCB ), a Georgia state-chartered bank. 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, Bank of Essex and the FDIC. 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. 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 required by these authoritative standards. Accordingly, the transaction was accounted for as an asset purchase.

Pursuant to the terms of the Purchase and Assumption Agreement, Bank of Essex 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. Bank of Essex did not purchase any additional loans as of December 31, 2008.

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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.

### ***Issuance of 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, respectively. 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.

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### ***Acquisition of Maryland Operations***

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. The transaction was consummated pursuant to a Purchase and Assumption Agreement, dated January 30, 2009, by and among the FDIC, as Receiver for SFSB, Bank of Essex and the FDIC.

Pursuant to the terms of the Purchase and Assumption Agreement, the Bank assumed approximately \$303 million in deposits, all of which were deemed to be core deposits and maintain their insurance coverage. Bank of Essex also acquired approximately \$358 million in loans and other assets and agreed to provide loan servicing to SFSB's existing loan customers. The Bank bid a negative \$45 million for the net assets acquired.

The Bank has entered into shared-loss agreements with the FDIC with respect to certain covered assets acquired.

Under the shared-loss agreements, the FDIC will reimburse the Bank for 80% of losses arising from covered loan assets, on the first \$118 million of all losses on such covered loans, and for 95% of losses on covered loans thereafter. Under the shared-loss agreements, a loss on a covered loan is defined generally as a realized loss incurred through a permitted disposition, foreclosure, short-sale or restructuring of the covered asset. As described below, the reimbursements for losses on single family one-to-four residential mortgage loans are to be made monthly until the end of the month in which the 10th anniversary of the closing of the transaction occurs, and the reimbursements for losses on other loans are to be made quarterly until the end of the quarter in which the fifth anniversary of the closing of the transaction occurs. The shared-loss agreements provide for indemnification from the first dollar of losses without any threshold requirement. The reimbursable losses from the FDIC are based on the book value of the relevant loan as determined by the FDIC at the date of the transaction, January 30, 2009. New loans made after that date are not covered by the shared-loss agreements.

As a result of the acquisition of the operations of SFSB, the Company recorded a one-time gain of \$16.2 million in the first quarter of 2009. See Note 4 to the Consolidated Financial Statements Mergers and Acquisitions.

### ***Restatement of Goodwill***

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 and the financial statements for the year ended December 31, 2008 have been restated.

### **Caution About Forward-Looking Statements**

The Company makes certain forward-looking statements in this Form 10-Q that are subject to risks and uncertainties. These forward-looking statements include statements regarding our profitability, liquidity, allowance for loan losses, interest rate sensitivity, market risk, growth strategy, and financial and other goals. These forward-looking statements are generally identified by phrases such as the Company expects, the Company believes or words of similar import.

These forward-looking statements are subject to significant uncertainties because they are based upon or are affected by factors, including, without limitation, the effects of and changes in the following:

general economic and market conditions, either nationally or locally;

the interest rate environment;

competitive pressures among banks and financial institutions or from companies outside the banking industry;

real estate values;

the quality or composition of the Company's loan or investment portfolios;



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the demand for deposit, loan, and investment products and other financial services;

the demand, development and acceptance of new products and services;

consumer profiles and spending and savings habits;

the securities and credit markets;

costs associated with the integration of banking and other internal operations;

the soundness of other financial institutions with which the Company does business;

inflation;

technology; and

legislative and regulatory requirements.

These factors and additional risks and uncertainties are described in the Company's Annual Report on Form 10-K for the year ended December 31, 2008 and other reports filed from time to time by the Company with the Securities and Exchange Commission.

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 following is a summary of the Company's critical accounting policies that are highly dependent on estimates, assumptions and judgments.

***Allowance for Loan and Lease Losses***

The allowance for loan and lease losses ( ALLL ) is maintained at a level that is appropriate to cover estimated credit losses on individually evaluated loans determined to be impaired, as well as estimated credit losses inherent in the remainder of the loan and lease portfolio. Since arriving at an appropriate ALLL involves a high degree of management judgment, an ongoing quarterly analysis to develop a range of estimated losses is utilized. In accordance with accounting principles generally accepted in the United States, best estimates within the range of potential credit loss to determine the appropriate ALLL is utilized. Credit losses are charged and recoveries are credited to the ALLL.

The Company utilizes an internal risk grading system for its loans. Those larger credits that exhibit probable or well defined credit weaknesses are subject to individual review. The borrower's cash flow, adequacy of collateral coverage, and other options available to the Company, including legal remedies, are evaluated. The review of individual loans includes those loans that are impaired as defined by SFAS 114, *Accounting by Creditors for Impairment of a Loan*. Collectability of both principal and interest when assessing the need for loss provision is considered. Historical loss rates are applied to other loans not subject to specific allocations. The loss rates are determined from historical net charge offs experienced by the Banks.

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Historical loss rates for commercial and retail loans are adjusted for significant factors that, in management's judgment, reflect the impact of any current conditions on loss recognition. Factors that are considered include delinquency trends, current economic conditions and trends, strength of supervision and administration of the loan portfolio, levels of underperforming loans, level of recoveries to prior year's charge offs, trend in loan losses, industry concentrations and their relative strengths, amount of unsecured loans and underwriting exceptions. These factors are reviewed quarterly and a weighted score is assigned depending on the level and extent of the risk. The total of each of these weighted factors is then applied against the applicable portion of the portfolio and the ALLL is adjusted to ensure an appropriate level.

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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 either when 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.

### ***Loans Acquired in a Transfer***

The Company's acquired loans from the SFSB acquisition (the covered loans ), subject to SFAS 141(R) *Business Combinations*, are recorded at fair value and no separate valuation allowance is recorded at the date of acquisition. SOP 03-3, *Loans and Debt Securities Acquired with Deteriorated Credit Quality* applies to loans acquired with evidence of deterioration of credit quality since origination acquired by completion of transfer for which it is probable, at acquisition, that the investor will be unable to collect all contractually required payments receivable. The Company is applying the provisions of SOP 03-3 to all loans acquired in the SFSB acquisition, not just the loans acquired with evidence of deterioration of credit quality since origination acquired by completion of transfer for which it is probable, at acquisition, that the investor will be unable to collect all contractually required payments receivable. The Company has grouped loans together based on common risk characteristics including product type, delinquency status and loan documentation requirements among others.

The Company makes an estimate of the total cash flows it expects to collect from a pool of loans, which includes undiscounted expected principal and interest. The excess of that amount over the fair value of the pool is referred to as accretable yield. Accretable yield is recognized as interest income on a constant yield basis over the life of the pool. The Company also determines each pool's contractual principal and contractual interest payments. The excess of that amount over the total cash flows it expects to collect from the pool is referred to as nonaccretable difference, which is not accreted into income. Judgmental prepayment assumptions are applied to both contractually required payments and cash flows expected to be collected at acquisition. Over the life of the loan or pool, the Company continues to estimate cash flows expected to be collected. Subsequent increases in expected or actual cash flows are first used to reverse any existing valuation allowance for that loan or pool. Any remaining increase in cash flows expected to be collected is recognized as an adjustment to the accretable yield with the amount of periodic accretion adjusted over the remaining life of the pool. Subsequent decreases in cash flows expected to be collected over the life of the pool are recognized as impairment in the current period through allowance for loan loss.

### ***Income Taxes***

The Company follows tax guidance, including the Financial Accounting Standards Board's (FASB) Interpretation No. 48, *Accounting for Uncertainty in Income Taxes- an interpretation of FASB Statement No. 109* (FIN 48). FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with FASB Statement No. 109, *Accounting for Income Taxes* (SFAS 109). In determining the appropriate level of income taxes to be recorded each reporting, management assesses the potential tax effects and records those amounts in both current and deferred tax accounts, whether may be an asset or liability. In addition, an income tax expense or benefit is determined, which is recorded on the consolidated income statement.

### ***Goodwill and Other Intangible Assets***

The Company adopted SFAS 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. As a result of the mergers with each of TFC and BOE at May 31, 2008, goodwill was initially recorded for \$39.5 million. Subsequently, adjustments were recorded to properly reflect goodwill on the financial statements. The Company will assess goodwill for impairment as of the one year anniversary date of the mergers, at May 31, 2009.

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 and the financial statements for the year ended December 31, 2008 have been restated.

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### **Financial Condition**

At March 31, 2009, the Company had total assets of \$1.342 billion, an increase of \$312.2 million or 30.31% from December 31, 2008. Non covered loans aggregated \$542.2 million at March 31, 2009 increasing \$18.9 million, or 3.61% from December 31, 2008. The Company's securities portfolio increased \$46.5 million, or 15.91% during the first quarter of 2009 to equal \$339.0 million. The Company had Federal funds sold of \$34.5 million at March 31, 2009 versus \$10.2 million at year-end 2008.

The increase in asset size was primarily due to the SFSB transaction in Maryland. At March 31, 2009, SFSB had total loans aggregating \$189.3 million and securities aggregating \$4.9 million and Federal funds sold of \$5.2 million. This comprised the most significant portion of the earning asset growth for the quarter. A FDIC indemnification asset of \$85.0 million was also created due to the SFSB acquisition.

The Company is required to account for the effect of market changes in the value of securities available-for-sale ( AFS ) under SFAS 115. The market value of the March 31, 2009 securities AFS portfolio was \$190.5 million at March 31, 2009, and the net unrealized gain on the AFS portfolio, net of taxes, was included as part of the accumulated other comprehensive income of \$1.8 million. Since December 31, 2008, the interest rate environment has experienced declining rates, and as a result the AFS portfolio shifted from a net unrealized loss of \$700,000 to a net unrealized gain of \$3.0 million, exclusive of taxes.

Total deposits at March 31, 2009 were \$1.105 billion at March 31, 2009 increasing \$299.0 million from December 31, 2008. Deposit growth was attributed to the SFSB transaction, which was concentrated in certificates of deposit. At March 31, 2009, SFSB total deposits aggregated \$296.9 million of which \$221.4 million were time deposits. The Company's total loans-to-deposits ratio was 66.17% at March 31, 2009 and 64.90% at December 31, 2008.

Stockholders' equity at March 31, 2009 was \$172.0 million and represented 12.81% of total assets. Stockholders' equity was \$164.4 million, or 15.96% of total assets at December 31, 2008.

### **Results of Operations**

#### ***Net Income***

Net income before dividends and accretion on preferred stock was \$7.5 million for the three months ended March 31, 2009, compared with \$111,000 for the same period in 2008. This net income for the current quarter does not include reductions for preferred stock dividends accrued and the accretion of the discount on preferred stock warrants; however, this is reflected as net income available to common stockholders and is included in earnings per share. For the three months ended March 31, 2009, net income available to common stockholders for was \$7.2 million, which represented \$0.34 per share on a fully diluted basis, versus \$0.01 per share on a fully diluted basis for the same period in 2008. Earnings were driven by a gain for the SFSB transaction, which equaled \$16.2 million, excluding taxes, and were related to the negative bid arrangement incorporated in the purchase and assumption agreement with the FDIC.

Non-accruing non covered loans were \$9.9 million at March 31, 2009, or 1.82% of total loans. Non covered loans past due 90 days or more and accruing interest were \$1.2 million at March 31, 2009. Net charge-offs on loans were \$896,000 for the three months ended March 31, 2009.

#### ***Net Interest Income***

The Company's results of operations are significantly affected by its ability to manage effectively the interest rate sensitivity and maturity of its interest-earning assets and interest-bearing liabilities. At March 31, 2009, the Company's interest-earning assets exceeded its interest-bearing liabilities by approximately \$36.7 million, compared with a \$137.9 million excess at December 31, 2008.

Net interest income was \$8.7 million for the three months ended March 31, 2009 compared with \$405,000 for the same period in 2008.

The net interest income is useful in determining the net interest margin and the net interest spread. The net interest margin is the net interest income for the reporting period divided by average earning assets for the same period. For the three months ended March 31, 2009, the net interest margin was 3.43%. The net interest spread is the difference between the yield on average earning assets and cost of funds associated with interest-bearing liabilities. For the three months ended March 31, 2009, the net interest spread was 3.25%.



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Components used in determining the net interest spread and the net interest margin, including yields on assets and costs of funds by category, are depicted in the following table:

**COMMUNITY BANKERS TRUST CORPORATION****NET INTEREST MARGIN ANALYSIS****AVERAGE BALANCE SHEET****FOR THE THREE MONTHS ENDED MARCH 31, 2009**

(Dollars in thousands)	Average Balance Sheet	Interest Income/ Expense	Average Rates Earned/ Paid
<b>ASSETS</b>			
FDIC covered loans, including fees	\$ 131,978	\$ 2,950	8.94%
Loans non covered, including fees	534,566	8,457	6.33%
Interest bearing bank balances	41,676	121	1.16%
Federal funds sold	16,647	14	0.34%
Securities (taxable)	262,720	2,892	4.40%
Securities (tax exempt) <sup>(1)</sup>	76,978	1,147	5.96%
Total earning assets	1,064,565	15,581	5.85%
Allowance for loan losses	(9,110)		
Non-earning assets	184,368		
<b>Total assets</b>	<b>\$ 1,239,823</b>		
<b>LIABILITIES AND STOCKHOLDERS EQUITY</b>			
Deposits:			
Demand			
Interest bearing	\$ 176,755	\$ 689	1.56%
Savings	48,174	160	1.33%
Time deposits	718,708	5,269	2.93%
Total deposits	943,637	6,118	2.59%
Other borrowed			
Federal Funds Purchased	268		
FHLB and Other	45,548	347	3.05%
Total interest-bearing liabilities	989,453	6,465	2.61%
Non-interest bearing deposits	60,101		
Other liabilities	24,914		
Total liabilities	1,074,468		
Stockholders equity	165,355		
<b>Total liabilities and stockholders equity</b>	<b>\$ 1,239,823</b>		
Net interest income		\$ 9,116	

Net interest spread	3.25%
Net interest margin	3.43%

<sup>(1)</sup> Income and yields are reported on a tax equivalent basis assuming a federal tax rate of 34%.

A net interest margin analysis is not provided for the three months ended March 31, 2008 since there were no operations for the Company or interest-bearing liabilities.

***Provision for Credit Losses***

The Company's provision for loan losses was \$5.5 million for the first quarter of 2009.

Significant provisions were made to the loan loss reserve during the three months ended March 31, 2009, as economic conditions continued to show signs of deterioration. The provisions during this period are attributable to downgraded credits and further insulation from the economic downturn. Management continues to monitor the loan portfolio closely and make appropriate adjustments using the Company's internal risk rating system. Provisions are primarily related to the loans originated with the Virginia

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operations. While the Maryland loan portfolio contains significant risk, it was considered in determining the initial fair value, which was reflected in adjustments recorded at the time of the SFSB transaction, less the FDIC guaranteed portion of losses on covered assets. Net-charge off activity has increased during recent quarters, a trend that is expected to continue until weakening economic conditions begin to subside. Please refer to the *Asset Quality* portion of this section for further analysis.

***Noninterest Income***

For the three months ended March 31, 2009, noninterest income was \$17.1 million including the gain on the SFSB transaction of \$16.2 million, compared with no noninterest income in the same period of 2008. Service charges on deposit accounts aggregated \$571,000 and other noninterest income was \$333,000.

As mentioned above, the Company recorded a one-time gain related to the negative bid for certain assets acquired and liabilities assumed from the SFSB transaction. The pre-tax gain of \$16.2 million for the quarter was the primary contributor towards earnings for the quarter.

***Noninterest Expenses***

For the three month period ended March 31, 2009, noninterest expenses were \$9.4 million. Salaries and employee benefits were \$4.4 million and represented the largest component of this category. Other overhead costs included other operating expenses of \$1.9 million, amortization of intangibles of \$456,000, occupancy expenses of \$580,000, equipment expense of \$343,000, data processing fees of \$742,000, professional fees of \$700,000, and legal fees of \$250,000.

Merger related expenses related to the SFSB transaction aggregated \$987,000 for the three months ended March 31, 2009. Of this amount, \$576,000 was related to various professional fees paid to complete the transaction. Additionally, one-time legal fees equaled \$135,000, conversion for bank card expenses equaled \$130,000 and other data processing conversion fees equaled \$98,000. These merger related costs were included throughout the line items presented as noninterest expense within the income statement, and not included as an aggregate amount within other operating expenses .

***Income Taxes***

Income tax expense was \$3.5 million for the three months ended March 31, 2009, compared with \$74,000 for the same period in 2008. The substantial increase in the income tax expense was the direct result of the gain associated with the SFSB transaction.

The Company had a deferred tax asset of approximately \$700,000 at March 31, 2009. Prior period net operating losses are a significant portion of the asset. Management has assessed the Company's ability to recognize these losses and has concluded that it is more likely than not that the Company will be able to fully utilize them within the statutory allowed timeframe, therefore a valuation allowance was not deemed necessary. This assessment considered factors such as earnings history, budgeted earnings for 2009 and beyond and the cost savings under the consolidation of the subsidiary banks.

***Supplemental Results of Operations Information for Predecessors***

The following information represents a discussion and analysis of the results of operations of each of the Company's predecessors for the three months ended March 31, 2008.

**TransCommunity Financial Corporation (TFC)**
***Results of Operations***

For the three months ended March 31, 2008, net loss was \$479,000, or \$.10 per share, resulting from a lower net interest margin, offset in part by lower overhead expenses.

Net interest income was \$2.3 million for the three months ended March 31, 2008. Net interest margin was 4.06%





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For the three months ended March 31, 2008, the Company's provision for loan losses was \$862,000. The increase in loan loss reserves was due to a combination of the provisions required to support loan growth, plus downgraded loans and seasoning of the loan portfolio.

For the three months ended March 31, 2008, noninterest income was \$263,000.

For the three months ended March 31, 2008, noninterest expenses were \$2.5 million. Salaries and employee benefits were \$1.4 million and represented 57.02% of all noninterest expenses for the quarter. Other overhead costs included other operating expenses of \$350,000, occupancy expenses of \$191,000, equipment expense of \$169,000, data processing fees of \$150,000, professional fees of \$113,000 and legal fees of \$83,000.

An income tax benefit of \$244,000 was recorded for the three months ended March 31, 2008.

### **BOE Financial Services of Virginia, Inc. (BOE)**

#### ***Results of Operations***

For the three months ended March 31, 2008, net income was \$374,000, or \$0.31 per share. Increases in net interest income and non-interest income were exceeded by increases in non-interest expenses primarily due to merger and branch expansion activities.

Net interest income was \$2.4 million for the three months ended March 31, 2008. Net interest margin was 3.72%.

For the three months ended March 31, 2008, the Company recorded no additions to its provision for loan losses.

For the three months ended March 31, 2008, noninterest income was \$527,000. Service charges on deposit accounts represented 52.18% of noninterest income.

For the three months ended March 31, 2008, noninterest expenses were \$2.5 million. Salaries and employee benefits were \$1.3 million and represented 52.26% of all noninterest expenses for the quarter. Other overhead costs included other operating expenses of \$515,000, equipment expense of \$156,000, data processing fees of \$144,000, occupancy expenses of \$130,000, legal fees of \$136,000, and professional fees of \$92,000.

An income tax expense of \$91,000 was recorded for the three months ended March 31, 2008.

#### ***Asset Quality***

The allowance for loan losses represents management's estimate of the amount appropriate to provide for probable losses inherent in the non-FDIC covered loan portfolio. Probable losses in the covered loans are incorporated in the fair market value analysis for the covered loans, and accordingly impact the covered loans balance and the FDIC indemnification asset balance, and not the allowance for loan losses. As such, the following asset quality information separates the covered loans from the non covered loans.

#### **Total Non Covered Loans**

The Company's asset quality is continually monitored, and the Company's management has established an allowance for loan losses that it believes is appropriate for the risk of loss inherent in the loan portfolio. Among other factors, management considers the Company's historical loss experience, the size and composition of the loan portfolio, the value and appropriateness of collateral and guarantors, non-performing credits and current and anticipated economic conditions. There are additional risks of future loan losses, which cannot be precisely quantified nor attributed to particular loans or classes of loans. Because those risks include general economic trends, as well as conditions affecting individual borrowers, the allowance for loan losses is an estimate. The allowance is also subject to regulatory examinations and determination as to appropriateness, which may take into account such factors as the methodology used to calculate the allowance and size of the allowance in comparison to peer companies identified by regulatory agencies.

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The Company maintains a list of loans that have potential weaknesses that may need special attention. This nonperforming loan list is used to monitor such loans and is used in the determination of the appropriateness of the Company's allowance for loan losses. At March 31, 2009, nonperforming assets, excluding FDIC covered assets, totaled \$11.5 million compared with \$5.2 million at December 31, 2008. Net loan charge-offs were \$896,000 for the three months ended March 31, 2009.

At March 31, 2009, nonaccrual loans, excluding FDIC covered assets, were \$9.9 million or 1.82% of total loans.

Nationally, industry concerns over asset quality have increased due in large part to issues related to subprime mortgage lending, declining real estate activity and general economic concerns. While the Company has experienced reduced residential real estate activity, the markets in which the Company operates indicate a weakened economic condition. While the Company incurred appropriate provisions for loan losses and thus an adequate level of allowance for loan losses, there has been continued deterioration in the quality of the loan portfolio. Residential loan demand has moderated somewhat, but the Company is still experiencing continued loan demand, particularly in commercial real estate. Management will continue to monitor delinquencies, risk rating changes, charge-offs, market trends and other indicators of risk in the Company's portfolio, particularly those tied to residential real estate, and adjust the allowance for loan losses accordingly.

The following table sets forth selected asset quality data, excluding FDIC covered assets, and ratios for the dates indicated:

(dollars in thousands)	March 31, 2009	December 31, 2008
Nonaccrual loans	\$ 9,870	\$ 4,534
Loans past due over 90 days	1,195	397
Other real estate owned	412	223
 Total nonperforming assets	 \$ 11,477	 \$ 5,154
 <b><u>Balances</u></b>		
Allowance for loan losses	\$ 11,543	\$ 6,939
Average loans during quarter, net of unearned income	\$ 534,566	\$ 511,042
Loans, net of unearned income	\$ 542,191	\$ 523,298
 <b><u>Ratios</u></b>		
Allowance for loan losses to loans	2.13%	1.33%
Allowance for loan losses to nonperforming assets	100.58%	134.63%
Nonperforming assets to loans & other real estate	2.12%	0.98%
Net charge-offs for quarter to average loans, annualized	0.26%	0.32%

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A further breakout of nonaccrual loans, excluding covered loans, at March 31, 2009 and December 31, 2008 is below:

(Dollars in Thousands)	March 31, 2009			December 31, 2008		
	Amount of Non Accrual	Non Covered Loans	Percentage of Non Covered Loans	Amount of Non Accrual	Non Covered Loans	Percentage of Non Covered Loans
Open End 1-4 Family Loans	\$ 12	\$ 29,388	0.04%	\$ 276	\$ 30,323	0.91%
1-4 Family First Liens	860	106,563	0.81%	318	99,284	0.32%
<b>Total residential 1-4 family</b>	<b>872</b>	<b>135,951</b>	<b>0.64%</b>	<b>594</b>	<b>129,607</b>	<b>0.46%</b>
Owner occupied nonfarm nonresidential	53	59,922	0.09%	200	63,218	0.32%
Non owner occupied nonfarm nonresidential	3,693	106,125	3.48%	582	93,872	0.62%
<b>Total commercial</b>	<b>3,746</b>	<b>166,047</b>	<b>2.26%</b>	<b>782</b>	<b>157,090</b>	<b>0.50%</b>
1-4 Family Construction	1,232	31,321	3.93%	1,194	36,277	3.29%
Other construction and land dev.	2,297	106,525	2.16%	461	103,238	0.45%
<b>Total construction</b>	<b>3,529</b>	<b>137,846</b>	<b>2.56%</b>	<b>1,655</b>	<b>139,515</b>	<b>1.19%</b>
Second mortgages	629	15,490	4.06%	497	15,599	3.19%
Multifamily		10,352	0.00%		9,370	0.00%
Agriculture	433	5,321	8.14%	433	5,143	8.42%
<b>Total real estate loans</b>	<b>9,209</b>	<b>471,007</b>	<b>1.96%</b>	<b>3,961</b>	<b>456,324</b>	<b>0.87%</b>
Agriculture loans	223	1,072	20.80%		988	0.00%
Commercial and industrial loans		45,749	0.00%	224	44,332	0.51%
<b>Total commercial loans</b>	<b>223</b>	<b>46,821</b>	<b>0.48%</b>	<b>224</b>	<b>45,320</b>	<b>0.49%</b>
Total revolving credit and other consumer	110	13,997	0.79%	25	14,457	0.17%
All other loans	328	10,229	3.21%	324	7,005	4.63%
<b>Gross loans</b>	<b>\$ 9,870</b>	<b>\$ 542,054</b>	<b>1.82%</b>	<b>\$ 4,534</b>	<b>\$ 523,106</b>	<b>0.87%</b>

**Total Delinquencies**

The following table presents a summary of non covered loans, greater than 30 days and less than 90 days past due at the dates indicated (dollars in thousands):

	March 31, 2009	December 31, 2008
30-89 Days Past Due	15,581	15,191
% of Non Covered Loans	2.87%	2.90%

**Covered Loans**

Covered loans are not classified as nonperforming assets at March 31, 2009 as the loans are accounted for on a pooled basis and the pools are considered to be performing. Therefore, 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. There was no allowance for loan losses recorded on covered loans at March 31, 2009.

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### *Impairments*

See Note 11 to the unaudited consolidated financial statements for information related to the allowance for loan losses. At March 31, 2009, total impaired loans equaled \$42.4 million, excluding FDIC covered assets.

Impaired loans, by definition, are loans where management believes that it is more likely than not that the borrower will not be able to fully meet its contractual obligations, including all principal and interest payments. Under our current internal loan grading system, this would include all loans adversely classified *substandard* or worse. These impaired loans have been determined through analysis, appraisals, or other methods used by management.

During the recent review of impaired loans, it was determined that loans risk graded as *watch/special mention* were included along with the listing of *substandard* or *doubtful* loans reported as impaired loans. *Watch/special mention* loans, by definition within the Bank's credit policy, are loans where management expects to be repaid under the contractual terms. Therefore, *watch/special mention* loans do not meet the definition of impaired loans.

In the original Form 10-Qs filed by the Company for 2009, management included all *watch/special mention* loans in addition to those deemed *substandard* and *doubtful* as impaired loans. Those loans internally rated *watch* or *special mention*, by definition within the Bank's credit policy, are loans that are expected to be repaid under the contractual terms and are not considered impaired. As a result, loans previously classified as impaired would have more accurately been reflected as detailed in the following table.

As previously reported:

<b>(dollars in thousands)</b>		<b>March 31, 2009</b>
Impaired with a valuation allowance		\$ 23,506
Impaired without a valuation allowance		57,213
<b>Total impaired loans</b>		<b>\$ 80,719</b>

Under the Company's new loan grading system:

<b>(dollars in thousands)</b>		<b>March 31, 2009</b>
Impaired with a valuation allowance		\$ 23,506
Impaired without a valuation allowance		18,907
<b>Total impaired loans</b>		<b>\$ 42,413</b>

The Company has restated its reporting of impaired loans in this report, and intends to consistently apply its internal loan risk rating system under the prescribed format in future reporting periods. The Company has determined that this application will not have, or would have had, a material impact on its financial statements.

### **Capital Requirements**

The determination of capital adequacy depends upon a number of factors, such as asset quality, liquidity, earnings, growth trends and economic conditions. The Company seeks to maintain a strong capital base to support its growth and expansion plans, provide stability to current operations and promote public confidence in the Company.

The federal banking regulators have defined three tests for assessing the capital strength and adequacy of banks, based on two definitions of capital. *Tier 1 Capital* is defined as a combination of common and qualifying preferred stockholders' equity less goodwill. *Tier 2 Capital* is defined as qualifying subordinated debt and a portion of the allowance for loan losses. *Total Capital* is defined as *Tier 1 Capital* plus *Tier 2*

Capital.

Three risk-based capital ratios are computed using the above capital definitions, total assets and risk-weighted assets and are measured against regulatory minimums to ascertain adequacy. All assets and off-balance sheet risk items are grouped into categories

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according to degree of risk and assigned a risk-weighting and the resulting total is risk-weighted assets. Tier 1 Risk-based Capital is Tier 1 Capital divided by risk-weighted assets. Total Risk-based Capital is Total Capital divided by risk-weighted assets. The Leverage ratio is Tier 1 Capital divided by total average assets.

At March 31, 2009, the Company's ratio of total capital to risk-weighted assets was 18.16%. The ratio of Tier 1 capital to risk-weighted assets was 16.96%, and the leverage ratio (Tier 1 capital to average adjusted total assets) was 9.97%. All three ratios exceed capital adequacy guidelines outlined by its regulator, and the Company is considered well-capitalized. At December 31, 2008, the Company's ratio of total capital to risk-weighted assets was 20.00%. The ratio of Tier 1 Capital to risk-weighted assets was 18.92%, and the leverage ratio (Tier 1 capital to average adjusted total assets) was 12.54%. The Company has trust preferred subordinated debt that qualifies as regulatory capital. This trust preferred debt has a 30-year maturity with a 5-year call option, and was issued at a rate of three month LIBOR plus 3.00%, and was priced at 4.46% in the first quarter of 2009.

## **Liquidity**

Liquidity represents the Company's ability to meet present and future financial obligations through either the sale or maturity of existing assets or the acquisition of additional funds through liability management. Liquid assets include cash, interest-bearing deposits with banks, federal funds sold, and certain investment securities. As a result of the Company's management of liquid assets and the ability to generate liquidity through liability funding, management believes that the Company maintains overall liquidity sufficient to satisfy its depositors' requirements and meet its customer's credit needs.

## **Off-Balance Sheet Arrangements and Contractual Obligations**

The Company is a party to financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of its clients and to reduce its own exposure to fluctuations in interest rates. 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 or notional amounts of those instruments reflect the extent of involvement the Company has in particular classes of financial instruments.

The Company'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.



**Table of Contents****Item 3. *Quantitative and Qualitative Disclosures About Market Risk***

There have been no material changes in market risk as of March 31, 2009 to the disclosures included in the Company's Annual Report on Form 10-K for the year ended December 31, 2008.

**Item 4. *Controls and Procedures*  
Disclosure Controls and Procedures**

At the end of the period covered by this Form 10-Q, the Company's management, with the participation of the Company's chief executive officer and chief financial officer (the Certifying Officers), conducted evaluations of the Company's disclosure controls and procedures. As defined under Section 13a-15(e) of the Securities Exchange Act of 1934, as amended (the Exchange Act), the term disclosure controls and procedures means controls and other procedures of an issuer that are designed to ensure that information required to be disclosed by the issuer in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Commission's rules and forms. Disclosure controls and procedures include without limitation, controls and procedures designed to ensure that information required to be disclosed by an issuer in the reports that it files or submits under the Exchange Act is accumulated and communicated to the issuer's management, including the Certifying Officers, to allow timely decisions regarding required disclosures.

Based on this evaluation, the Certifying Officers have concluded that the Company's disclosure controls and procedures were not effective to ensure that material information is recorded, processed, summarized and reported by management of the Company on a timely basis in order to comply with the Company's disclosure obligations under the Exchange Act and the rules and regulations promulgated thereunder. Such conclusion was believed to have been initially based on errors related to the accrual of certain costs related to the goodwill acquired through the Company's mergers with TFC and BOE. Following additional review, these officers have concluded that the errors related to accounting adjustments for subsidiary costs that were applied in the Company's two mergers. These officers believe that the corrections of these errors have been handled as contemplated by the requirement for disclosure controls and procedures under the Exchange Act.

**Internal Control over Financial Reporting**

The management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting. The Company's internal control over financial reporting is a process designed under the supervision of the Company's chief executive officer and chief financial officer to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Company's financial statements for external purposes in accordance with generally accepted accounting principles. In the Annual Report on Form 10-K for the year ended December 31, 2008, management's assessment of the effectiveness of the Company's internal control over financial reporting reported a material weakness regarding the accounting for non-routine transactions, as described below.

Subsequent to the filing of the Company's Quarterly Report on Form 10-Q for the period ended September 30, 2008, management identified errors related to the Company's accounting for subsidiary costs that were applied in the Company's mergers with TFC and BOE. The errors were based on the failure of the Company to reconcile merger-related goodwill on a regular basis and errors in the calculation of certain elements of goodwill and resulted in the entry of an amount in excess of the actual accrued merger costs. This material misstatement resulted in an overstatement of goodwill and retained earnings at September 30, 2008. It also resulted in an understatement of salaries and employee benefits expense and an overstatement of net income, each by \$375,000, for the three and nine months ended September 30, 2008. Other errors resulted in the reclassification of material amounts on the balance sheet related to the business combination.

During the evaluation of these accounting errors, the Certifying Officers concluded that they were the result of a material weakness in the Company's internal control over financial reporting with respect to the accounting for non-routine transactions. A material weakness is a significant deficiency (as defined in the Public Company Accounting Oversight Board's Auditing Standard No. 2), or combination of deficiencies, such that there is a reasonable possibility that a material misstatement in the annual or interim financial statements will not be prevented or detected on a timely basis by employees in the normal course of their work. Specifically, the Company's policies and procedures did not provide for timely review of significant non-routine transactions and related accounting entries.

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**Remediation Steps to Address Material Weakness**

As a result of the errors described above, the Company will restate certain financial statements included in its Quarterly Report on Form 10-Q for the period ended September 30, 2008. The errors occurred as a result of the miscalculations of accounting entries and did not result from any fraudulent activities. The errors were nonrecurring and noncash in nature. The Company continues to evaluate its financial accounting staff levels and expertise and is implementing appropriate oversight and review procedures. The Company believes that it is taking the necessary corrective actions to eliminate the material weakness.

There were no changes in the Company's internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) that occurred during the quarter ended March 31, 2009, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

**PART II. OTHER INFORMATION**

**Item 1. *Legal Proceedings***

There are no material pending legal proceedings, other than ordinary routine litigation incidental to the Company's business, to which the Company, including its subsidiaries, is a party or of which the property of the Company is subject.

**Item 1A. *Risk Factors***

At May 11, 2009, there were no material changes to the risk factors previously disclosed in the Company's Annual Report on Form 10-K for the year ended December 31, 2008.

**Item 2. *Unregistered Sales of Equity Securities and Use of Proceeds***

None.

**Item 3. *Defaults upon Senior Securities***

None.

**Item 4. *Submission of Matters to a Vote of Security Holders***

None.

**Item 5. *Other Information***

None

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**Item 6. Exhibits**

<b>Exhibit No.</b>	<b>Description</b>
2.1	Purchase and Assumption Agreement, dated at January 30, 2009, by and among the Federal Deposit Insurance Corporation, Receiver of Suburban Federal Savings Bank, Crofton, Maryland, Bank of Essex and the Federal Deposit Insurance Corporation(1)
31.1	Rule 13a-14(a)/15d-14(a) Certification for Chief Executive Officer*
31.2	Rule 13a-14(a)/15d-14(a) Certification for Chief Financial Officer*
31.3	Rule 13a-14(a)/15d-14(a) Certification for Chief Executive Officer (Amendment No. 1)**
31.4	Rule 13a-14(a)/15d-14(a) Certification for Chief Financial Officer (Amendment No. 1)**
32.1	Section 1350 Certifications**

\* Previously filed.

\*\* Filed herewith.

(1) Incorporated by reference to the Company's Current Report on Form 8-K filed on February 5, 2009 (File No. 001-32590).

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**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

COMMUNITY BANKERS TRUST CORPORATION  
(Registrant)

/s/ Bruce E. Thomas  
Bruce E. Thomas  
Executive Vice President and Chief Financial Officer

Date: January 13, 2011