

# Letter to Community Bankers Trust Corporation Shareholders

Dear Shareholder:

2008 was a challenging year for our country, our industry and our bank, and I am certain for many of our shareholders. Surrounded by all of the noise that some would describe as the worst economic cycle since the Great Depression, including declining real estate values, declining investment values, significant unemployment, accelerating bank failures, declining margins, and increases in foreclosures and non-performing loans, we have tried to stay focused on moving our company forward. Although our operating results were not what we had hoped they would be, we had many positive achievements and believe we are positioning ourselves to take advantage of future opportunities in the marketplace.

Following the announcements of the Community Bankers Acquisition Corp., BOE Financial Services of Virginia, Inc. and TransCommunity Financial Corporation mergers in the fall of 2007, we successfully consolidated the three companies on May 31, 2008, to form the current Community Bankers Trust Corporation. The subsidiaries of the company at that time were Bank of Essex and TransCommunity Bank. In July, TransCommunity Bank was merged into Bank of Essex, resulting in a Virginia

based community banking platform with approximately \$700 million in assets, \$500 million in loans, \$500 million in deposits and \$150 million in capital. In October, we successfully integrated the operating systems of the two banks, resulting in a single operating platform for the company.

In November, we acquired the branches and core deposits of a community bank located just east of Atlanta, Georgia from the Federal Deposit Insurance Company (FDIC). This acquisition provided an entrance into a new market without taking on any additional direct credit risks from loans, while improving our liquidity from the core deposits. The bank was organized in 1946 and consists of four branches in and around Loganville, Georgia with \$250 million in core community deposits. Our conclusion that the deposits were core was further supported by less than two percent runoff initially after takeover, followed by growth in core deposits since January 2009. Unfortunately, immediately following our acquisition, yields from the bond market contracted dramatically, making spreads very difficult. However, we are well positioned to fund loan growth when the economy recovers and begins expansion.

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Due to the fact that the companies came together in 2008, there are no meaningful comparisons to be made for the prior year. However, at the end of the year the company had assets of \$1.029 billion, deposits of \$806 million, loans of \$523 million, securities of \$292 million, and stockholders equity of \$164 million. Net operating income, which covers twelve months for Community Bankers Trust Corporation and seven months for the Bank of Essex operating subsidiary, was \$1.2 million. The provision for loan losses during that seven month period was \$2.6 million, resulting in an allowance for loan loss reserve of \$6.9 million or 1.33% of loans at year end. Our credit quality held relatively firm with less than 1% in non-performing assets, but it is not without its weaknesses. Due to last year's downward interest rate moves by the Federal Reserve, aggressive deposit pricing from weakened large market competitors, measures to enhance our liquidity and our overall asset sensitivity (our loans re-priced downward faster than our deposits), net interest margin was less than desirable at 3.61%. We expect to see continued downward pressure on margins in 2009 due to the same factors.

In December, we accepted \$17.7 million of capital funding from the United States Department

of the Treasury by issuing 17,680 shares of preferred stock to the Treasury. As part of its purchase of the Series A Preferred Stock, the Treasury received a warrant to purchase 780,000 shares of the company's common stock at an initial per share exercise price of \$3.40. This issuance was a difficult decision for our board due to the potential uncertainty of government interference. However, our board felt at the time that it was the right thing to do. We were pleased to be recognized by the Treasury as being a healthy bank and to be selected to participate in the program. The funding further enhanced our strong balance sheet, taking an already extremely well capitalized risk-based capital ratio from 17.28% to 20.00% and providing us with an opportunity to do our part in loosening up the credit markets. This money was not a "bailout" for our bank and many other community banks as portrayed by the media and politicians. We will pay a 5% annual dividend to the government, and this expense is not tax deductible. Furthermore, our name has appeared on lists describing how the government has already realized a return on its capital investment in our company.

In January of this year, we entered another new market when we acquired a \$300 million failed bank from the FDIC that was

headquartered in the greater Baltimore-Washington corridor. The bank had been in business since 1955 and consists of seven locations in that market averaging approximately \$43 million in deposits per branch. This market is just across the Potomac River approximately 80 miles north of our bank subsidiary headquarters in Tappahannock. We have agreed to take on its troubled loan portfolio in exchange for a \$45 million discount and a loss-share arrangement with the FDIC. We understand this endeavor will take time but we believe it will provide profitability and opportunity for our company over time.

Taking into account the two FDIC transactions, we are now a \$1.35 billion in assets single-bank holding company headquartered in the greater Richmond, Virginia market, operating under the Bank of Essex charter with approximately \$840 million in loans, \$1.12 billion of deposits (almost all core) and \$164 million in equity. We remain well capitalized and very liquid. We operate thirteen full service banking facilities from Virginia's Chesapeake Bay to the Shenandoah Valley under the Bank of Essex, Bank of Goochland, Bank of Powhatan, Bank of Louisa and Bank of Rockbridge brand names; four branches in the greater Atlanta, Georgia market under the Essex Bank brand name; and seven

## that is prepared and well suited to meet the demands of operating in this challenging environment.”

branches in the greater Baltimore/ Washington, D.C. metro area under the Essex Bank brand name. We are proud of these accomplishments, especially in such an unsettled time.

We would like to tell you that 2009 will be an easier year or less eventful, but we do not believe that to be the case. As a company, we have much to do to complete the integration of our acquisitions into our operating systems. In June of this year, we are slated to convert the Georgia branches over to our data processing operating system, and we plan to convert the Maryland branches in August. With these integrations, we will begin to recognize cost savings and efficiencies to help make our company more competitive. We now have significant excess liquidity, which should permit us to reduce our deposit pricing to mid-market rates and improve our margin. We need and want to make loans. We have not seen the demand from qualified borrowers that we would like to see, and we expect continued softening in our credit portfolio as we move through this credit cycle but believe we are properly positioned and will weather the storm.

While the overall Virginia economy has weakened, it is still performing better than our national economy and many other regions of the

country, with a lower overall unemployment rate and less of a decline in our housing markets. We would expect this trend to continue. We would like to find an appropriate Virginia merger or acquisition opportunity to help us fill out and expand our Virginia franchise. We expect to look at additional FDIC opportunities to further prudently leverage our capital. We are planning for continued significant growth in both assets and operations through acquisitions. However, we expect our organic growth to be modest at best for the remainder of 2009.

We are building an internal platform to absorb this anticipated growth. In that regard, we have made numerous significant hires to add to our team and help us successfully manage the growth of the company. We have hired a very respected and seasoned management team led by a Regional President to oversee our Georgia operations. Several members of the group spent many years managing the north Georgia market for Regions Bank. We have hired a very respected and experienced banker who previously served as Chief Credit Officer for a local community bank and for many years in a senior management position with Provident Bank to serve as our Maryland Regional President.

We have also hired both a former President and a former Chief Credit Officer of a local community bank that was recently sold to serve as Chief Administrative Officer and Chief Credit Officer of the bank subsidiary. We believe that, through these and other additions to our team and the further integration of our systems, we are building a platform and an experienced management team that is prepared and well suited to meet the demands of operating in this challenging environment and to take advantage of future opportunities as they present themselves.

Internally, we continue to be focused on preserving our culture as a community bank, stressing personalized customer service, focusing on local deposit gathering and local lending and meeting the total banking needs of our customers. In our heart and soul, we are a community bank that cares about our local communities and the people in them because we live in these same communities. That mission has not changed since 1926.

The industry has many pressing issues and is far from righting itself. There continues to be over-capacity which leads to irrational pricing on both loans and deposits. This situation, combined with

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the Federal Reserve forcing rates down in an effort to stimulate the economy, is negatively impacting the margins of all banks. Even as a community bank, we are not immune. Until the foreclosure crisis is behind the industry and the ensuing foreclosure inventory is liquidated, we believe the lending and earnings environment for banks, including our own, will be challenged. We believe that this environment could also lead to further stress in the values of commercial real estate. Throughout 2008 and into 2009, we have been prudent in making provisions for future loan losses and we will continue to do so.

Though the challenges will be great, we remain confident of our

future and we believe that we are in the right place, with the right management and the right balance sheet to succeed. We expect 2009 could prove to be more challenging for the industry than 2008. However, we are hopeful, given all that we have positively achieved in 2008 and the platform that we have built for the future, we will be in an opportunistic position when the economic conditions improve.

This has been a tough year for all of us. We want to take this opportunity to thank all of our employees who have worked extremely hard to make it possible to integrate these companies, get us where we are today, and help manage this company through

a very challenging economic environment. We also want to thank our directors for their wisdom and guidance and our shareholders for their continued support. May we all see signs of hope for our industry and our great country in 2009.



George M. Longest, Jr.  
CEO



Alexander F. Dillard, Jr.  
Chairman