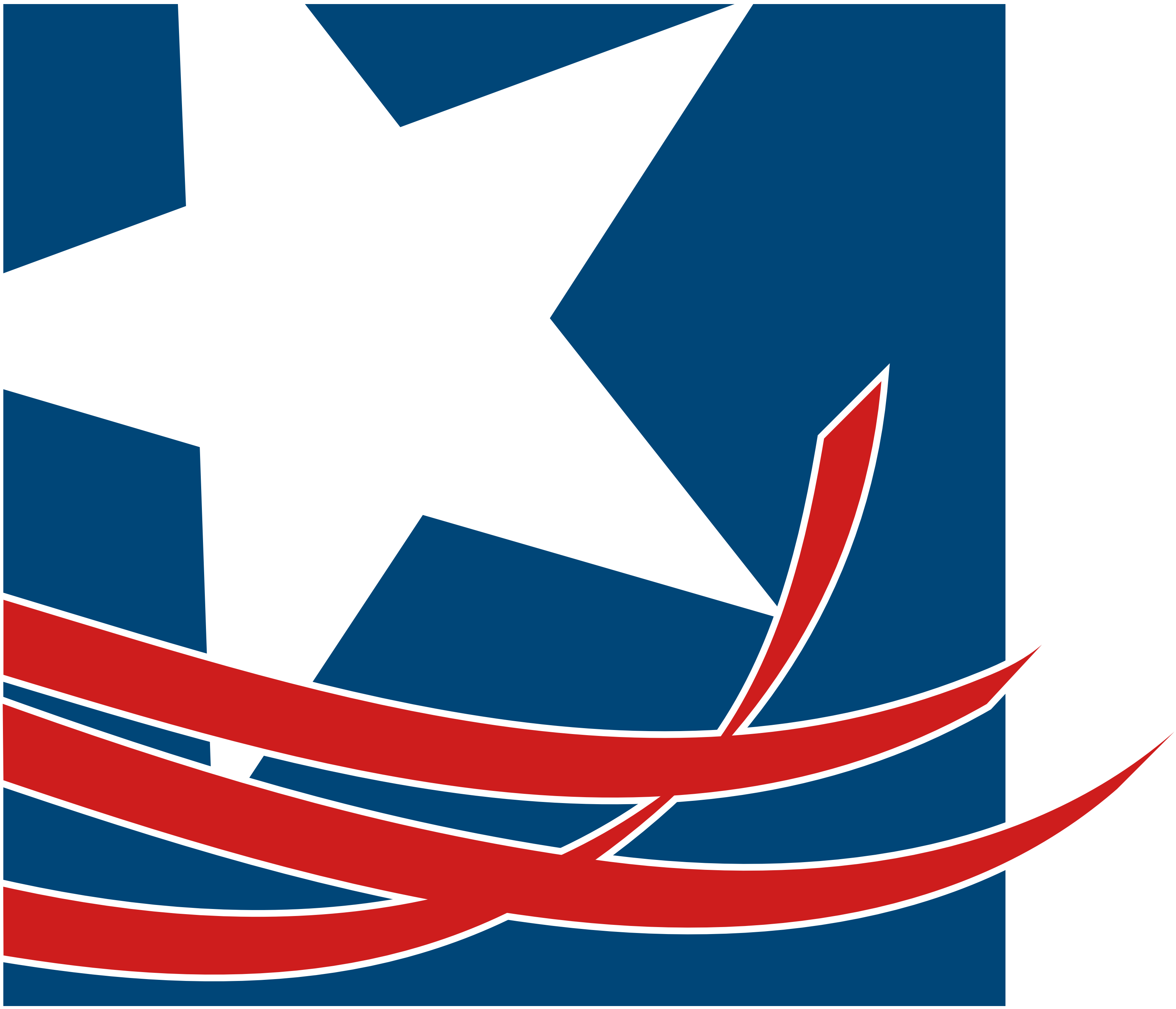
The American Way



National Pride.
Community Heart.

AmeriBancShares, Inc. 2002 Annual Report

A bank is a bank, is a bank.

Absolutely not!

We are so pleased that our community owned and operated independent bank has a philosophy of personal service. For instance, it is a known fact that virtually all of the large holding company banks have automated, recorded menus for answering the telephone, and thus exchange personal service for bottom-line "efficiency". We, too, have an automated, recorded menu to provide you with 24 hour banking services. But contrary to many of our competitors, we <u>do</u> answer our phones during normal banking hours with real people to direct you as soon as possible to the person who can help you. As we say in our ads… It's the American Way.

Another extremely important reflection of American National Bank's commitment is the investment we make to the communities we serve and which are so good to us. We invest money, of course, but just as important, we invest "people power".

As you look through this annual report, please notice the different contributions each of our banks have made to the neighborhoods they serve. It's an impressive list, and we are so proud of our people for giving of their time to help others.

"National Pride, Community Heart", is the theme of this year's annual report. I hope you will agree with me that our "Heart" is evident throughout the report.

Our "Pride" has always been conspicuous. The name and colors of American National Bank reflect that. Even in these tense and uncertain times, we must acknowledge how privileged we are to live in a country where individual freedom is of paramount importance.

Yet, our nation is experiencing some tough times and that reflects on our Bank's performance this past year. Low interest rates, a struggling economy, (individuals too), the uncertainty of our immediate future and the possibility of an upcoming war have created a malaise that has adversely affected our industry as a whole, and American National Bank in particular.

Even so, we did make in excess of $2,100,000 on a consolidated basis for the year. Unfortunately, we once again had to allocate more to the loan loss reserve than normal, primarily due to the fact we incurred a loss of nearly $750,000 on one commercial loan customer. That loss, coupled with the fact that the continuing drop in interest rates over the past 18 months has had a negative impact on our net interest margin, were the primary cause and effect for the Bank's earnings being less than anticipated.

While earnings were off, there were positive aspects of the Bank's performance for the year. Loan totals, for instance, grew in excess of 15% from the prior year, and most of the various deposit categories reflected nice increases as well. The Mortgage Loan Department had another stellar year, with total production in excess of $57 million, and while our Trust Department is feeling the effect of a weak stock market, the department nevertheless generated Trust fees of nearly $2,800,000.

In reviewing the consolidated financial statements, you will note that the leasing company had income before taxes of approximately $117,000, a significant improvement from the $32,000 loss incurred in 2001. This improvement is not as apparent due to the recognition of approximately $207,000 in tax expense during 2002 compared to a tax benefit of approximately $236,000 recognized in 2001. The change from a tax benefit in 2001 to a tax expense in 2002 is the result of timing differences related to book and tax depreciation and recognition of gains and losses from the sale of leasing equipment. In light of the above, we are encouraged by the improved operations in 2002 of the leasing company.

But what's in store for the year 2003 and beyond? Perhaps, at this point, it is not realistic to project our financial goals with any degree of certainty. I can tell you with great certainty, however, that we have "tightened our belts". And while lending will always be our "bread and butter", we continue to look at alternative ways to create profitability to insure the viability and long term success of your investment, as evidenced by the fact that fee income now accounts for over 30% of our total operating income. I am confident that our numbers will improve this year, and can assure you that the confidence you have placed with the Board of Directors, Officers and staff of American National Bank will continue to be rewarded. That will always be a number one priority.

To maintain that confidence, we will continue our pursuit of satisfying personal service, combined with an effective involvement in the communities we serve.

It's what makes us different.

It's what has made us successful.

John B. "Bo" Stahler
President and CEO

John B. "Bo" Stahler
President and CEO

American National Bank
Main Bank
Wichita Falls, Texas

American Heart Association

Walk for Life

ARC

United Way

Kiwanis

Christmas in April

Youth Operating Center

Midwestern State University

Women's Forum

American Legion

Cattle Baron's Ball

Race for the Cure

Meals on Wheels

TX-OK Junior Golf Tournament

Whisper of Hope

March of Dimes

Christmas Magic

Patsy's House

Oil Bowl

Red River Council for the Blind

Can-A-Rama Food Bank

Alzheimer's Association

Native American Heritage

National Hispanic Honor Society

Straight Street

Iwo Jima Survivors

ENJJPT Players

Hospice

Make-A-Wish Foundation

Turning Point

Crime Stoppers

	Year Ended December 31, 2002	2001	% Change	
Earnings				
Net Interest Income	7,861,942	7,211,472	+	9.0
Provision For Loan Losses	561,843	719,061	-	21.9
Non-Interest Income	6,565,087	6,345,926	+	3.5
Non-Interest Expense	10,722,710	10,051,264	+	6.7
Net Income	2,120,198	2,158,728	-	1.8
Share Data				
Net Income	1.08	1.10	-	1.8
Dividends Paid	.56	.52	+	7.7
Book Value	11.04	10.53	+	4.8
Returns				
Return on Average Assets	.87	.93	-	6.5
Return on Average Equity	9.94	10.63	-	6.5
Financial Position at Year End				
Total Assets	243,172,837	244,745,235	-	0.6
Loans (Net)	170,075,124	158,114,954	+	7.6
Reserve for Loan Losses	1,691,421	1,916,590	-	11.8
Deposits	211,300,817	217,338,949	-	2.8
Equity	21,721,011	20,716,863	+	4.9

American National Bank
Downtown Wichita Falls, Texas

Wichita Falls Performing Arts Alliance

Wichita Falls Symphony

Kemp Center for the Arts

Heritage Society

Martin Luther King Area Scholarship Fund

FallsFest

Backdoor Theatre

Wichita Falls Ballet Theatre

River Bend Nature Works

North Texas Vision of Wichita Falls

Iowa Park Consolidated Independent School District

Iowa Park Chamber of Commerce

Lion's Club

Little League Baseball

Iowa Park Athletic Booster Club

United Way

R.A.C.

Friendly Door

Whoop T Do

Park Fest

Iowa Park Volunteer Fire Department

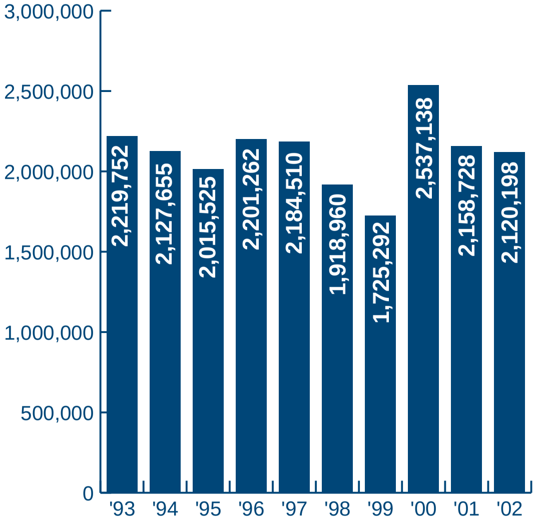
Iowa Park Police Department

American National Bank
Iowa Park, Texas

Year End Statistics

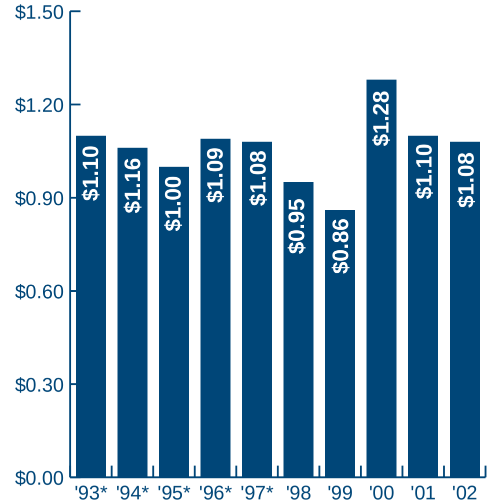
AmeriBancShares, Inc.

Consolidated Net Income

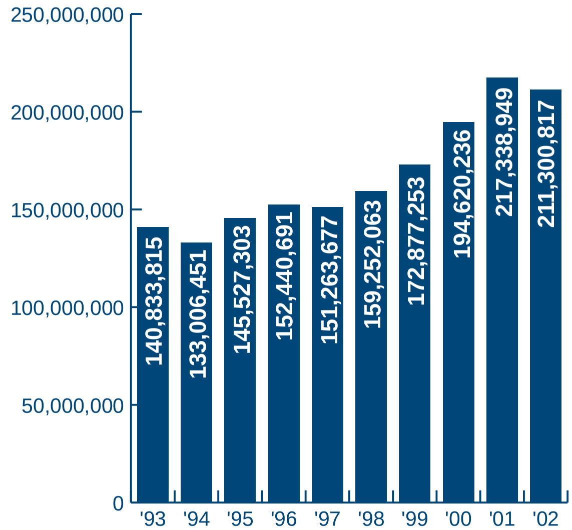


Earnings Per Share

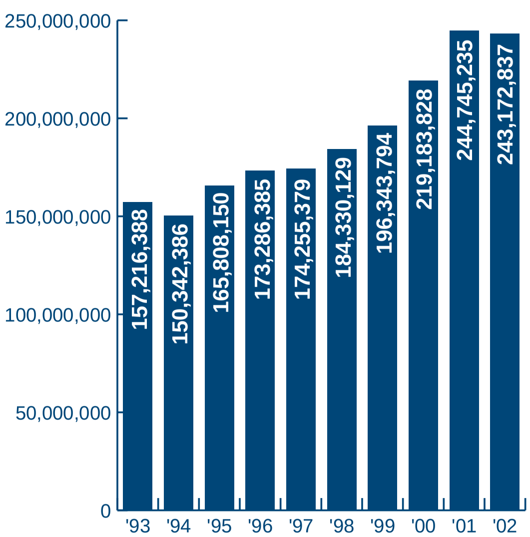
** adjusted to reflect AmeriBancShares, Inc. stock outstanding*



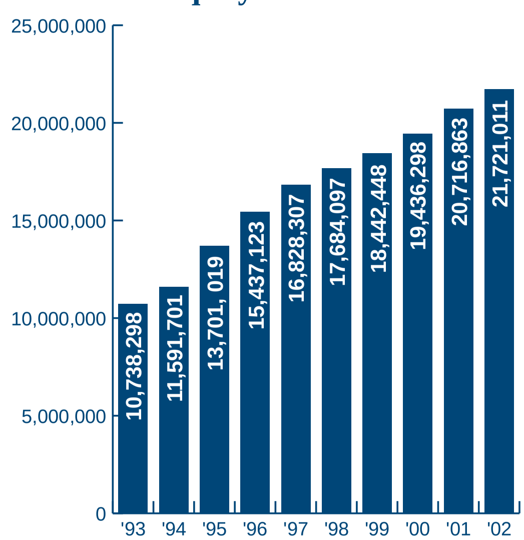
Year End Deposits



Year End Assets



Stockholders' Equity



American National Bank
Flower Mound, Texas

Flower Mound Chamber of Commerce

Lewisville Chamber of Commerce

Sponsor of the Annual Firehouse Rock Luncheon

All staff volunteers at Community & Chamber events:

- Lewisville Chamber Golf Tournament
- Flower Mound Chamber Golf Tournament
- Wild About Flower Mound Festival
- Fiesta Flower Mound

Table Sponsor for the annual Chamber Banquets

Lewisville Education Foundation

Rotary Club

Scholarships for Students

Grants for Teachers

United Way

YMCA

Lewisville Saddle Club

Little League Baseball Team Sponsor

Flower Mound Independent School District

Flower Mound Public Library

2002 Business of the Year

Leadership Flower Mound

American Heart Association

D.A.R.E. (Drug Awareness)

To the Board of Directors and Stockholders
of AmeriBancShares, Inc. and Subsidiaries

We have audited the accompanying consolidated balance sheet of **AmeriBancShares, Inc. and Subsidiaries** as of December 31, 2002, and the related consolidated statements of income, changes in stockholders' equity, and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. The financial statements of **AmeriBancShares, Inc. and Subsidiaries** as of December 31, 2001, were audited by other auditors whose report dated February 8, 2002, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the 2002 consolidated financial statements referred to above present fairly, in all material respects, the financial position of **AmeriBancShares, Inc. and Subsidiaries** as of December 31, 2002, and the results of their operations and their cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The consolidating schedules presented following the Notes to Consolidated Financial Statements are presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, results of operations, and cash flows of the individual companies. Such information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements, and in our opinion, is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

Payne Falkner Smith & Jones

Payne Falkner Smith & Jones, P.C.

Wichita Falls, Texas
February 19, 2003

Consolidated Balance Sheets

December 31, 2002 and 2001

ASSETS	2002	2001
Cash and due from banks, noninterest bearing	$ 9,932,902	$ 11,194,371
Time deposits in banks	1,198,000	
Federal funds sold	2,300,000	16,775,000
Total cash and cash equivalents	13,430,902	27,969,371
Securities available for sale	26,762,565	26,853,205
Securities to be held to maturity (approximate market value of $1,632,628 in 2002 and $2,646,765 in 2001)	1,578,323	2,574,441
Other securities (approximate market value of $918,450 in 2002 and $895,650 in 2001)	918,450	895,650
Total investment securities	29,259,338	30,323,296
Mortgage loans held for sale	2,454,629	1,915,949
Loans	172,254,081	161,266,296
Less: Unearned discount	(487,536)	(1,234,752)
Allowance for loan losses	(1,691,421)	(1,916,590)
Loans, net	170,075,124	158,114,954
Premises and equipment, net	14,181,950	13,567,357
Accrued interest receivable	1,115,835	1,253,917
Goodwill	4,155,760	4,155,760
Other assets	8,499,299	7,444,631
Total assets	$ 243,172,837	$ 244,745,235

LIABILITIES AND STOCKHOLDERS' EQUITY	2002	2001
Deposits:		
Demand deposits	$ 42,043,959	$ 45,789,871
Savings deposits	6,474,228	5,378,236
Money market and NOW accounts	58,661,987	53,255,134
Time certificates of deposit	104,120,643	110,915,708
Other time deposits		2,000,000
Total deposits	211,300,817	217,338,949
Federal funds purchased	2,340,000	3,320,000
Federal Home Loan Bank advances	4,237,561	473,871
Accrued interest payable	302,825	455,471
Other liabilities	3,270,623	2,440,081
Total liabilities	221,451,826	224,028,372
Commitments and contingencies		
Stockholders' equity:		
Common stock (par value $2.50; 5,000,000 shares authorized, 2,016,000 issued and 1,967,000 outstanding)	5,040,000	5,040,000
Surplus	10,878,386	10,878,386
Undivided profits and capital reserves	6,466,779	5,448,101
Treasury stock at cost (49,000 shares)	(882,000)	(882,000)
Accumulated other comprehensive income:		
Net unrealized appreciation on securities available for sale, net of tax of $112,224 in 2002 and $119,709 in 2001	217,846	232,376
Total stockholders' equity	21,721,011	20,716,863
Total liabilities and stockholders' equity	$ 243,172,837	$ 244,745,235

The accompanying Notes are an integral part of these financial statements.

Consolidated Statements of Income

For the Years Ended December 31, 2002 and 2001

	2002	2001
Interest income:		
Interest and fees on loans	$ 11,738,830	$ 12,672,385
Interest on investment securities	1,105,766	1,716,081
Interest on time deposits in banks	9,051	
Interest on federal funds sold	163,166	563,158
Total interest income	13,016,813	14,951,624
Interest expense:		
Interest on deposits:		
Savings	51,098	87,561
Money market and NOW accounts	678,275	1,190,146
Time	4,165,753	6,338,591
Total interest on deposits	4,895,126	7,616,298
Interest on federal funds purchased	48,684	94,260
Interest on Federal Home Loan Bank advances	211,061	29,594
Total interest expense	5,154,871	7,740,152
Net interest income	7,861,942	7,211,472
Provision for loan losses	561,843	719,061
Net interest income after provision for loan losses	7,300,099	6,492,411
Other operating income:		
Service charges on deposit accounts	750,557	697,329
Trust fee income	2,769,350	2,925,134
Gain on sale of mortgage loans	697,770	601,686
Rent income	1,632,901	1,618,106
Net gain on sale of available for sale securities	174,821	
Other, net	539,688	503,671
Total other operating income	6,565,087	6,345,926
Other operating expenses:		
Salaries and bonuses	3,934,592	3,747,240
Employee benefits	1,504,488	1,306,621
Premises and equipment	2,592,290	2,359,451
Advertising	232,112	222,398
Data processing expense	389,447	308,021
Printing, stationery and supplies	173,405	167,267
Professional fees	139,884	122,066
Other operating expenses	1,756,492	1,818,200
Total other operating expenses	10,722,710	10,051,264
Income before income taxes	3,142,476	2,787,073
Provision for income taxes	1,022,278	628,345
Net income	$ 2,120,198	$ 2,158,728
Net income per share of common stock	$ 1.08	$ 1.10

The accompanying Notes are an integral part of these financial statements.

Consolidated Statements of Changes in Stockholders' Equity

For the Years Ended December 31, 2002 and 2001

	Common Stock Number of Shares	Amount	Surplus	Undivided Profits and Capital Reserves	Treasury Stock	Accumulated Other Comprehensive Income	Total Stockholders' Equity
Balance, January 1, 2001	2,016,000	$ 5,040,000	$ 10,878,386	$ 4,312,213	($ 882,000)	$ 87,699	$ 19,436,298
Comprehensive income:							
Net income				2,158,728			2,158,728
Other comprehensive income:							
Net change in unrealized appreciation on securities available for sale, net of taxes of $74,531						144,677	144,677
Total comprehensive income							2,303,405
Cash dividends, $.52 per common share				(1,022,840)			(1,022,840)
Balance, December 31, 2001	2,016,000	5,040,000	10,878,386	5,448,101	(882,000)	232,376	20,716,863
Comprehensive income:							
Net income				2,120,198			2,120,198
Other comprehensive loss:							
Net change in unrealized appreciation on securities available for sale, net of taxes of ($7,485)						(14,530)	(14,530)
Total comprehensive income							2,105,668
Cash dividends, $.56 per common share				(1,101,520)			(1,101,520)
Balance, December 31, 2002	2,016,000	$ 5,040,000	$ 10,878,386	$ 6,466,779	($ 882,000)	$ 217,846	$ 21,721,011

The accompanying Notes are an integral part of these financial statements.

Consolidated Statements of Cash Flows

For the Years Ended December 31, 2002 and 2001

	2002	2001
Cash flows from operating activities:		
Net income	$ 2,120,198	$ 2,158,728
Adjustments to reconcile net income to net cash provided by operations:		
Depreciation	1,811,971	1,697,158
Amortization of intangibles		311,040
Provision for loan losses	561,843	719,061
Provision for losses on other real estate owned	114,500	10,000
Provision for (benefit from) deferred taxes	438,092	(189,898)
Gain on sale of available for sale securities	(174,821)	
Gain on sale of mortgage loans	(697,770)	(601,686)
Gain on sale of other real estate owned	(41,154)	
(Gain) loss on disposal of premises and equipment	2,026	(2,045)
Amortization of premium on investment securities	55,661	68,297
Accretion of discount on investment securities	(11,325)	(16,314)
Proceeds from sales of mortgage loans	36,446,803	40,821,566
Mortgage loans funded	(36,270,255)	(41,309,670)
(Increase) decrease in:		
Prepaid expenses	(703)	25,386
Accrued interest receivable	138,082	361,961
Income taxes receivable	34,430	(94,204)
Miscellaneous other assets	(108,683)	(383,194)
Increase (decrease) in:		
Accrued interest payable	(152,646)	(27,619)
Income taxes payable		(59,190)
Other taxes payable	28,183	36,602
Other accrued expenses	372,574	92,677
Net cash provided by operating activities	4,667,006	3,618,656
Cash flows from investing activities:		
Proceeds from maturities of securities available for sale	13,154,989	18,862,760
Proceeds from sale of securities available for sale	14,663,795	
Proceeds from maturities of securities held to maturity	992,323	2,516,207
Purchase of securities available for sale	(27,615,877)	(20,204,416)
Purchase of other securities	(22,800)	(37,000)
Purchase of cash value life insurance	(756,830)	(424,956)
Net increase in loans	(13,866,030)	(21,580,631)
Purchase of premises and equipment	(3,411,691)	(4,378,822)
Proceeds from sale of premises and equipment	1,054,101	1,499,035
Proceeds from sale of other real estate owned	958,507	
Net cash used in investing activities	(14,849,513)	(23,747,823)
Cash flows from financing activities:		
Net increase (decrease) in deposits	(6,038,132)	22,718,713
Net increase (decrease) in federal funds purchased	(980,000)	1,702,000
Net increase (decrease) in Federal Home Loan Bank advances	3,763,690	(50,893)
Dividends paid	(1,101,520)	(1,022,840)
Net cash provided by (used in) financing activities	(4,355,962)	23,346,980
Net increase (decrease) in cash and cash equivalents	(14,538,469)	3,217,813
Cash and cash equivalents at beginning of period	27,969,371	24,751,558
Cash and cash equivalents at end of period	$ 13,430,902	$ 27,969,371
Supplemental disclosures of cash flow information:		
Cash paid during the year for:		
Interest	$ 5,240,060	$ 7,777,174
Income taxes	989,962	935,485

The accompanying Notes are an integral part of these financial statements.

Notes to Consolidated Financial Statements

For the Years Ended December 31, 2002 and 2001

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES

The accounting and reporting policies of **AmeriBancShares, Inc. and Subsidiaries** ("the Company") conform to generally accepted accounting principles and prevailing practices within the banking industry. The Company carries its assets and liabilities principally on the historical cost basis and follows the accrual method of accounting.

Nature of Operations

The Company provides a variety of financial services to individual and business customers through its locations in Wichita Falls, Iowa Park and Flower Mound, Texas. The Company's primary deposit products are demand deposits, savings deposits, and certificates of deposit, and the primary lending products are commercial, real estate mortgages, and installment loans. The Company also provides trust services and vehicle and equipment leasing services to individual and business customers through its locations in Wichita Falls, Texas.

Basis of Presentation

The accompanying consolidated financial statements include the accounts of AmeriBancShares, Inc. and its wholly-owned subsidiaries, ANB Realty Corp. and AmeriBancShares of Delaware, Inc. The financial statements also include American National Bank, which is a wholly-owned subsidiary of AmeriBancShares of Delaware, Inc. and American National Leasing Company, which is a wholly owned subsidiary of American National Bank. All significant intercompany transactions have been eliminated. The consolidated statements of income, changes in stockholders' equity, and cash flows include operations for the years ended December 31, 2002 and 2001.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The determination of the adequacy of the allowance for loan losses is based on estimates that are particularly susceptible to significant changes in the economic environment and market conditions. In connection with the determination of the estimated losses on loans, management obtains independent appraisals for significant collateral.

The Company's loans are generally secured by specific items of collateral including real property, consumer assets and business assets. Although the Company has a diversified loan portfolio, a substantial portion of its debtors' ability to honor their contracts is dependent on local economic conditions in the real estate industry.

While management uses available information to recognize losses on loans, further reductions in the carrying amounts of loans may be necessary based on changes in local economic conditions. In addition, regulatory agencies, as an integral part of their examination process, periodically review the estimated losses on loans. Such agencies may require the Company to recognize additional losses based on their judgments about information available to them at the time of their examination.

Cash and Due From Banks

Included in cash and due from banks are legal reserve requirements which must be maintained on an average basis in the form of cash and balances due from the Federal Reserve and other banks.

Securities

In accordance with Statement of Financial Accounting Standards No. 115, "Accounting for Certain Debt and Equity Securities" (SFAS 115), securities are classified into three categories: held-to-maturity (HTM), available-for-sale (AFS) and trading.

Securities classified as held-to-maturity, which are those the Company has the positive intent and ability to hold to maturity, are reported at amortized cost. Securities classified as available-for-sale may be sold in response to changes in interest rates, liquidity needs, and for other purposes. Available-for-sale securities are reported at fair value and include securities not classified as held-to-maturity or trading. Trading securities are those held principally for the purpose of selling in the near future and are carried at fair value. The Company currently has no trading securities.

Purchase premiums and discounts are recognized in interest income using the interest method over the terms of the securities. Unrealized holding gains and losses for available-for-sale securities are excluded from earnings and reported, net of any income tax effect, as a separate component of stockholders' equity. Realized gains and losses are reported in earnings based on the adjusted cost of the specific security sold.

Mortgage Loans Held for Sale

The mortgage loans held for sale are stated at the lower of cost or market. Such mortgage loans are aggregated by type for the purpose of valuation. Allowances which are necessary to reflect a reduction of the portfolio to the lower of cost or market are charged against income in the current period.

Loans and Allowance for Loan Losses

Loans are stated at the amount of unpaid principal, reduced by unearned discount and an allowance for loan losses. Unearned discount on installment loans is recognized as income over the terms of the loans by using the sum-of-the-months' digits method. Interest on other loans is calculated by using the simple interest method on daily balances of the principal amount outstanding. The allowance for loan losses is established through a provision for loan losses charged to expenses. Loans are charged against the allowance for loan losses when management believes that the collectibility of the principal is unlikely. The allowance for loan losses is an amount that management believes will be adequate to absorb probable losses on existing loans that may become uncollectible, based on evaluations of the collectibility of loans and prior loan loss experience. The evaluations take into consideration such factors as changes in the nature and volume of the loan portfolio, overall portfolio quality, review of specific problem loans, and current economic conditions that may affect the borrowers' ability to pay.

Impaired loans are generally placed on nonaccrual when a loan is specifically determined to be impaired or when principal or interest is delinquent for 90 days or more. Any unpaid interest previously accrued on those loans is reversed from income. Interest income generally is not recognized on specific impaired loans unless the likelihood of further loss is remote. Interest payments received on such loans are applied as a reduction of the loan principal balance. Interest income on other impaired loans is recognized only to the extent of interest payments received.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES (CONT'D)

Servicing

Servicing assets are recognized as separate assets when rights are acquired through purchase or through sale of financial assets. Capitalized servicing rights are reported in other assets and are amortized into noninterest income in proportion to, and over the period of, the estimated future net servicing income of the underlying financial assets. Servicing assets are evaluated for impairment based upon the fair value of the rights as compared to amortized cost. Impairment is determined by stratifying rights by predominant characteristics, such as interest rates and terms. Fair value is determined using prices for similar assets with similar characteristics, when available, or based upon discounted cash flows using market-based assumptions. Impairment is recognized through a valuation allowance for an individual stratum, to the extent that fair value is less than the capitalized amount for the stratum.

Other Real Estate Owned

Other real estate owned consists of real property acquired through foreclosure or deed in lieu of foreclosure. The Company has adopted Statement of Position 92-3 entitled "Accounting for Foreclosed Assets." In accordance with this statement, other real estate owned, in the amount of $987,534 and $692,829 at December 31, 2002 and 2001 respectively, is carried at the lower of fair value minus estimated selling costs or cost. When property is acquired, the asset is recorded at its fair value and an allowance for estimated selling costs is provided. The allowance for other real estate owned is adjusted for increases or declines in the fair value of the assets; however, the allowance may not be reduced below zero.

Premises and Equipment, and Depreciation

Premises and equipment are recorded at cost. Expenditures for maintenance and repairs are expensed, while expenditures for significant renewals and betterments are capitalized. When property is disposed of, the cost of the property and the related accumulated depreciation are removed from the accounts. The Company has elected to provide for depreciation on the straight-line method for financial reporting purposes and accelerated method for tax purposes.

Income Taxes

The Company files a consolidated income tax return with its wholly-owned subsidiaries and their wholly-owned subsidiaries. Federal income tax expense or benefit has been allocated on a separate return basis.

Income taxes are provided for the tax effects of transactions reported in the financial statements and consist of taxes currently due plus deferred taxes related primarily to differences between the basis of accumulated depreciation and the allowance for loan losses for financial and income tax reporting. The deferred tax assets and liabilities represent the future tax return consequences of those differences, which will either be taxable or deductible when the assets and liabilities are recovered or settled.

Goodwill

During 2002, the Company fully implemented the provisions of SFAS No. 142, *Goodwill and Other Intangible Assets*, which eliminated the amortization of goodwill and required at a minimum the Company to perform an annual impairment test for goodwill. At December 31, 2002, Management has determined that there has been no impairment of recorded goodwill. Prior to 2002, goodwill was amortized on a straight-line basis over a period of fifteen years. Amortization expense of $306,980 is included in other operating expenses in the accompanying financial statements for the year ended December 31, 2001.

Net Income Per Common Share

Net income per common share is based on the weighted average number of common shares outstanding during the period.

Reclassification

For comparability, certain amounts in the 2001 financial statements have been reclassified, where appropriate, to conform with the financial presentation used in 2002.

Cash and Cash Equivalents

For purposes of recording cash flows, cash and cash equivalents include cash on hand, amounts due from banks, interest-bearing deposits in banks and federal funds sold. Generally, federal funds are purchased and sold for one-day periods.

Note 2 - INVESTMENT SECURITIES

The amortized cost and estimated market values of investments in debt securities are as follows:

	December 31, 2002			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Market Value
Securities Available For Sale				
United States Treasury securities	$ 9,999,472	$	$	$ 9,999,472
United States Agency securities	6,031,173	16,438	(37)	6,047,574
Obligations of states and political subdivisions	2,565,000	141,083		2,706,083
Corporate bonds	1,591,438	44,537		1,635,975
Mortgage-backed securities	6,245,412	128,156	(107)	6,373,461
Totals	$ 26,432,495	$ 330,214	($ 144)	$ 26,762,565
Securities to be Held to Maturity				
Obligations of states and political subdivisions	$ 119,458	$ 9,485	$	$ 128,943
Mortgage-backed securities	1,458,865	44,820		1,503,685
Totals	$ 1,578,323	$ 54,305	$	$ 1,632,628
Other securities	$ 918,450	$	$	$ 918,450

Note 2 - INVESTMENT SECURITIES (CONT'D)

	December 31, 2001			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Market Value
Securities Available For Sale				
United States				
Agency securities	$ 7,011,874	$ 180,229	($ 11,788)	$ 7,180,315
Obligations of states and political subdivisions	2,725,000	49,969	(33,702)	2,741,267
Mortgage-backed securities	10,264,247	167,680	(304)	10,431,623
Equity securities	6,500,000			6,500,000
Totals	$ 26,501,121	$ 397,878	($ 45,794)	$ 26,853,205
Securities to be Held to Maturity				
Obligations of states and political subdivisions	$ 329,484	$ 6,297	$	$ 335,781
Mortgage-backed securities	2,244,957	66,027		2,310,984
Totals	$ 2,574,441	$ 72,324	$	$ 2,646,765
Other securities	$ 895,650	$	$	$ 895,650

Other securities consist of common stock in the Federal Reserve Bank, Federal Home Loan Bank and Independent Bankers Financial Corporation and are carried at fair value.

The amortized cost and estimated market value of debt securities at December 31, 2002, by contractual maturity, are shown below. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Securities Available for Sale		Securities to be Held to Maturity	
	Amortized Cost	Estimated Market Value	Amortized Cost	Estimated Market Value
Due in one year or less	$ 10,169,472	$ 10,173,009	$	$
Due after one year through five years	8,562,611	8,670,716		
Due after five years through ten years	1,130,000	1,185,807	119,458	128,943
More than ten years	325,000	359,572		
	20,187,083	20,389,104	119,458	128,943
Mortgage-backed securities	6,245,412	6,373,461	1,458,865	1,503,685
Totals	$ 26,432,495	$ 26,762,565	$ 1,578,323	$ 1,632,628

Gross gains of approximately $174,821 were realized on sales of available for sale securities during 2002. There were no sales of securities during 2001.

Investment securities with a book value of approximately $12,658,519 and $23,267,480 at December 31, 2002 and 2001, respectively, were pledged to secure deposits and for other purposes as required by law.

Note 3 - LOANS AND ALLOWANCE FOR LOAN LOSSES

A summary of loan categories is as follows:

	December 31, 2002	December 31, 2001
Commercial and industrial	$ 28,735,979	$ 31,372,367
Real estate - other	105,478,455	91,097,586
Real estate - construction	20,551,076	20,183,709
Consumer - installment	17,391,057	18,599,715
Overdrafts	97,514	12,919
Total loans	$ 172,254,081	$ 161,266,296

The Company had no loans to borrowers engaged in similar activities which exceeded 5% of total assets at December 31, 2002 other than as disclosed above.

Mortgage loans serviced for others are not included in the accompanying consolidated balance sheets. The unpaid principal balances of mortgage loans serviced for others was $14,113,083 and $10,129,195 at December 31, 2002 and 2001, respectively. Custodial escrow balances maintained in connection with the foregoing loan servicing, and included in demand deposits, were approximately $40,191 and $42,469 at December 31, 2002 and 2001, respectively.

The Company accounts for mortgage servicing rights under SFAS 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities.* Originated mortgage servicing rights capitalized at December 31, 2002, are $108,334 and are included in other assets. The fair values of these rights were $108,334. The fair value of servicing rights was determined using discount rates ranging from 9.5% to 12% and prepayment speeds ranging from 11.7% to 28.6%, depending on the stratification of the specific right.

Impaired loans having carrying values of $1,248,808 and $1,258,477 at December 31, 2002 and 2001, respectively, have been recognized in conformity with SFAS 114 as amended by SFAS 118. The average recorded investment in impaired loans during 2002 and 2001 was $1,700,902 and $466,820, respectively. The total allowance for loan losses related to those loans was $94,656 and $485,288 on December 31, 2002 and 2001, respectively. No payments on these loans were recorded as interest income when received in 2002 or 2001. There were no material commitments to lend additional funds to debtors whose loans were classified as impaired as of December 31, 2002 or 2001.

Loan maturities and rate sensitivity of the loan portfolio at December 31, 2002 and 2001, including mortgage loans held for resale less loans on nonaccrual, are as follows:

	2002	2001
Fixed rate loans with a remaining maturity of:		
Three months or less	$ 3,137,215	$ 8,432,777
Over three months through twelve months	13,091,560	16,221,802
Over one year through five years	53,890,850	49,958,246
Over five years	13,148,747	15,778,740
Total fixed rate loans	$ 83,268,372	$ 90,391,565

Note 3 - LOANS AND ALLOWANCE FOR LOAN LOSSES (CONT'D)

	2002	2001
Variable rate loans with a repricing frequency of:		
Quarterly or more frequently	$ 80,474,436	$ 61,271,393
Annually or more frequently, but less frequently than quarterly	5,951,927	6,225,747
Every five years or more frequently, but less frequently than annually	3,157,690	3,818,063
Less frequently than every five years	607,477	217,000
Total variable rate loans	$ 90,191,530	$ 71,532,203

A summary of the changes in allowance for loan losses is as follows:

	2002	2001
Balance at beginning of year	$ 1,916,590	$ 1,418,538
Provision for loan losses	561,843	719,061
Loans charged off	(869,670)	(256,073)
Recoveries of loans previously charged off	82,658	35,064
Balance at end of year	$ 1,691,421	$ 1,916,590

The allowance for financial statement purposes exceeded the federal income tax allowance by $993,430 and $1,168,600 at December 31, 2002 and 2001, respectively.

Note 4 - PREMISES AND EQUIPMENT

A summary of premises, equipment and land improvements and related accumulated depreciation is as follows:

	Estimated Useful Lives	December 31, 2002	December 31, 2001
Land		$ 1,442,498	$ 1,472,998
Premises	5-40 years	7,301,237	7,001,188
Furniture, fixtures and equipment	3-10 years	4,674,559	4,542,694
Land improvements	5-20 years	532,028	481,446
Lease equipment	3 - 5 years	7,198,495	6,308,423
		21,148,817	19,806,749
Less accumulated depreciation		6,966,867	6,239,392
Totals		$ 14,181,950	$ 13,567,357

Depreciation expense amounted to $1,811,971 and $1,697,158 in 2002 and 2001, respectively.

Premises of $7,001,188 at December 31, 2001 includes $1,632,797 in construction costs related to an expansion of the Company's main facility.

Note 5 - DEPOSITS

Included in time deposits are certificates of deposit in amounts of $100,000 or more. The aggregate amount of short-term jumbo certificates of deposit, each with a minimum denomination of $100,000, was $37,914,018 and $45,091,184 at December 31, 2002 and 2001, respectively.

At December 31, 2002 and 2001, the scheduled maturities of certificates of deposit are as follows:

	December 31, 2002	December 31, 2001
Less than three months	$ 33,935,829	$ 52,125,347
Four to twelve months	37,672,923	31,151,781
One to five years	32,511,891	27,638,580
Totals	$ 104,120,643	$ 110,915,708

Note 6 - OTHER BORROWED FUNDS

Federal funds purchased are generally purchased on a daily basis. Other borrowed funds consist of Federal Home Loan Bank advances, secured by customer loans and mortgage-backed securities collateralized by one-to-four family residences. The Federal Home Loan Bank advance has a fixed interest rate of 4.19% and is to be repaid in forty-nine monthly installments with a balloon payment due February 1, 2007. The advance was used by the Company to fund fixed interest rate residential loans to its customers.

Note 7 - INCOME TAXES

The provision for income taxes consists of the following:

	December 31, 2002	December 31, 2001
Current income tax expense:		
Federal	$ 584,186	$ 818,243
Deferred income tax expense (benefit) arising from:		
Excess of tax over financial accounting depreciation	384,626	67,331
Accounting for bad debt expense	58,679	(176,138)
Writedown of other real estate owned	(23,460)	(3,400)
Federal Home Loan Bank stock dividends	7,752	12,580
Deferred compensation benefits	(102,434)	(92,636)
Deferred loan fee income	5,988	(1,357)
Goodwill amortization	105,700	
Organization costs	1,241	3,722
	438,092	(189,898)
Total income tax expense	$ 1,022,278	$ 628,345

The difference between the consolidated financial statement income tax expense and amounts computed by applying the statutory federal income tax rate of 34% to consolidated income before taxes is primarily attributable to investments in tax-exempt securities, tax-exempt increases in cash surrender value of life insurance, and certain other transactions.

Note 7 - INCOME TAXES (CONT'D)

As of December 31, 2002 and 2001, there are no unused net operating losses or tax credits available for carryover to future periods for either financial reporting or tax reporting purposes.

Net deferred federal income tax liabilities of $550,778 and $120,171 are included in other liabilities as of December 31, 2002 and 2001, respectively. The accumulated tax effects of each type of income and expense item that gave rise to deferred taxes are as follows:

	December 31, 2002	December 31, 2001
Deferred tax assets:		
Excess of tax cost over financial cost for fixed assets	$ 78,986	$ 278,035
Allowance for loan losses	338,645	397,324
Writedowns of other real estate owned	26,860	3,400
Deferred compensation benefits	614,584	512,150
Deferred loan fee income	29,597	35,585
Organization costs		1,241
Total deferred tax assets	1,088,672	1,227,735
Deferred tax liabilities:		
Depreciation	(1,313,585)	(1,128,008)
Federal Home Loan Bank stock dividends	(107,508)	(99,756)
Amortization	(106,133)	(433)
Net unrealized appreciation on securities available for sale	(112,224)	(119,709)
Total deferred tax liablilities	(1,639,450)	(1,347,906)
Total net deferred tax assets (liabilities)	($ 550,778)	($ 120,171)

Federal income taxes currently receivable of $59,774 and $94,204 at December 31, 2002 and 2001, respectively, are included in other assets.

The Company was not liable for state income taxes in 2002 or 2001.

Note 8 - PENSION PLAN

The Company maintains a leveraged employee stock ownership 401(k) plan ("KSOP"). The KSOP periodically borrows from unrelated lenders to acquire stock for future allocation to KSOP participants. The KSOP provides for voluntary employee salary reduction contributions, voluntary employee after-tax contributions, discretionary employer salary reduction matching contributions, and additional discretionary employer contributions which the Company uses to pay interest on KSOP debt and KSOP debt principal reductions as the Company desires to release unallocated KSOP shares to the KSOP participants.

As shares are released from collateral, the Company reports compensation expense equal to the current market price of the shares. KSOP expense for 2002 and 2001 was $181,418 and $190,363, respectively. Employee salary reduction contributions of $241,239 and $235,438 were made in 2002 and 2001, respectively.

Note 9 - DEFERRED COMPENSATION PLANS

The Company maintains individually designed supplemental income plan agreements ("agreements") with certain designated employees and directors. The agreements provide a deferred compensation benefit payable at retirement or death.

The liability under the agreements is recorded based upon the present value of the deferred compensation benefits. At December 31, 2002 and 2001, the Company's accrued liability under the agreements was $1,807,600 and $1,506,324, respectively.

In connection with the funding of the agreements, the Company has purchased life insurance policies that it believes will fund the benefits payable pursuant to the agreements. The Company is owner and beneficiary of the life insurance policies. Other assets at December 31, 2002 and 2001, respectively, include $4,966,118 and $4,298,509 in cash value of these life insurance policies.

Note 10 - RELATED-PARTY TRANSACTIONS

At December 31, 2002 and 2001, certain officers and directors, and companies in which they have a 10 percent or more beneficial ownership, were indebted to the Company in the aggregate amount of approximately $5,290,106 and $5,692,280, respectively. During 2002, $2,953,905 of new loans were originated and repayments totaled $3,356,079. All such loans were made in the ordinary course of business. All loans included in such transactions were made on substantially the same terms, including interest rates and collateral requirements, as those prevailing at the time for comparable transactions with other persons and did not involve more than the normal risk of loss or present other unfavorable features.

Note 11 - COMMITMENTS AND CONTINGENT LIABILITIES

The Company's financial statements do not reflect various commitments and contingent liabilities which arise in the normal course of business and which involve elements of credit risk, interest rate risk and liquidity risk. These commitments and contingent liabilities are commitments to extend credit and standby letters of credit. A summary of the Company's commitments and contingent liabilities at December 31, 2002 and 2001, are as follows:

	December 31, 2002	December 31, 2001
Commitments to extend credit	$ 20,950,805	$ 26,398,421
Standby letters of credit	2,845,729	1,277,353
Total	$ 23,796,534	$ 27,675,774

Commitments to extend credit, and standby letters of credit all include exposure to some credit loss in the event of nonperformance of the customer. The Company evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained if deemed necessary by the Company upon extension of credit is based on management's credit evaluation. Collateral held varies but may include accounts receivable, inventory, property, plant and equipment, and income-producing commercial properties. Because these instruments have fixed maturity dates, and because many of them expire without being drawn upon, they do not generally present any significant liquidity risk to the Company. The Company has not incurred any significant losses on its commitments in either 2002 or 2001.

Note 11 - COMMITMENTS AND CONTINGENT LIABILITIES (CONT'D)

The Company is a party to litigation and claims arising in the normal course of business. Management, after consultation with legal counsel, believes that the liabilities, if any, arising from such litigation and claims will not be material to the Company's financial position.

Note 12 - CONCENTRATIONS OF CREDIT

Substantially all of the Company's loans, commitments, credit card arrangements and standby letters of credit have been granted to customers in the Company's market area. Most customers are depositors of the Company. Investments in state and municipal securities also involve governmental entities within the Company's market area. The concentrations of credit by type of loan are set forth in Note 3. The distribution of commitments to extend credit approximates the distribution of loans outstanding. Commercial and standby letters of credit were granted primarily to commercial borrowers. As a matter of policy, the Company does not extend credit to any single borrower or group of related borrowers in excess of $2,758,000.

The Company occasionally maintains deposits and federal funds sold in excess of federally insured limits. Statement of Financial Accounting Standards No. 105 identifies these items as a concentration of credit risk requiring disclosure, regardless of the degree of risk. The risk is managed by maintaining all deposits in high quality financial institutions.

Note 13 - FAIR VALUE OF FINANCIAL INSTRUMENTS

The following methods and assumptions were used to estimate the fair value of each class of financial instruments as disclosed herein. The values are for disclosure purposes only and have not affected the carrying values of the assets and liabilities on the balance sheet.

Cash and Short-Term Investments

For those short-term investments, the carrying amount is a reasonable estimate of fair value.

Investment Securities

For debt securities held as investments, fair value equals quoted market price, if available. If a quoted market price is not available, fair value is estimated using quoted market prices for similar securities.

Loan Receivables

For certain homogeneous categories of loans, such as some residential mortgages, credit card receivables, 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.

Other Borrowed Funds

The fair value of federal funds purchased is the amount payable upon demand at the reporting date. The fair value of the Federal Home Loan Bank advance is estimated by discounting the future cash flows using the current rates at which similar advances would be made to banks with similar credit ratings for the same remaining maturities.

Commitments to Extend Credit, Standby Letters of Credit and Financial Guarantees Written

The fair value of commitments 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 the current levels of interest rates and the committed rates. The fair value of guarantees and 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.

The estimated fair values of the Company's financial instruments at December 31, 2002 and 2001, are as follows:

	December 31, 2002		December 31, 2001	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets:				
Cash and short-term investments	$ 11,130,902	$ 11,130,902	$ 11,194,371	$ 11,194,371
Federal funds sold	2,300,000	2,300,000	16,775,000	16,775,000
Investment securities	29,259,338	29,313,643	30,323,296	30,395,620
Mortgage loans held for sale	2,454,629	2,454,629	1,915,949	1,915,949
Loans, net of unearned discount	171,766,545	173,600,710	160,031,544	162,994,408
Less allowance for loan losses	(1,691,421)	(1,691,421)	(1,916,590)	(1,916,590)
Loans, net of allowance	170,075,124	171,909,289	158,114,954	161,077,818
Financial liabilities:				
Deposits	211,300,817	214,384,850	217,338,949	220,207,000
Federal funds purchased	2,340,000	2,340,000	3,320,000	3,320,000
Federal Home Loan Bank advances	4,237,561	4,561,000	473,871	473,871
Unrecognized financial instruments:				
Commitments to extend credit	0	0	0	0
Standby letters of credit	0	0	0	0

Note 14 - REGULATORY MATTERS

The Bank is subject to the dividend restrictions set forth by the Comptroller of the Currency. Under such restrictions, the Bank may not, without the prior approval of the Comptroller of the Currency, declare dividends in excess of the lesser of the current and prior two years'

Note 14 - REGULATORY MATTERS (CONT'D)

undistributed earnings or the amount by which total capital exceeds the minimum allowable capital. The dividends, as of December 31, 2002 that the Bank could declare without the approval of the Comptroller of the Currency amounted to approximately $2,874,347.

The Company and Bank are subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory, and possibly additional discretionary, actions by regulators that, if undertaken, could have a direct material effect on the consolidated financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Company and Bank must meet specific capital guidelines that involve quantitative measures of their assets, liabilities, and certain off-balance-sheet items as calculated under regulatory accounting practices. The Company's and Bank's capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings and other factors.

Quantitative measures established by regulation to ensure capital adequacy require the Company and Bank to maintain minimum amounts and ratios (set forth in the table below) of total and Tier I capital (as defined in the regulations) to risk-weighted assets (as defined), and of Tier I capital (as defined) to average assets (as defined). Management believes, as of December 31, 2002 and 2001, that the Company and Bank meet all capital adequacy requirements to which it is subject.

As of December 31, 2002, the most recent notification from the Office of the Comptroller of the Currency categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized, the Company and Bank must maintain minimum total risk-based, Tier I risk-based, and Tier I leverage ratios as set forth in the table. There are no conditions or events since that notification that management believes have changed the institution's category.

The Company's and Bank's actual capital amounts and ratios are also presented in the table.

	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
As of December 31, 2002:						
Total capital (to risk-weighted assets)						
Consolidated	$ 19,027,992	10.4%	≥ $ 14,589,040	≥ 8.0%	≥ $ 18,236,300	≥ 10.0%
American National Bank	$ 18,380,324	10.1%	≥ $ 14,537,200	≥ 8.0%	≥ $ 18,171,500	≥ 10.0%
Tier I capital (to risk-weighted assets)						
Consolidated	17,336,571	9.5%	≥ 7,294,520	≥ 4.0%	≥ 10,941,780	≥ 6.0%
American National Bank	16,689,010	9.2%	≥ 7,268,600	≥ 4.0%	≥ 10,902,900	≥ 6.0%
Tier I capital (to average assets)						
Consolidated	17,336,571	7.2%	≥ 9,608,736	≥ 4.0%	≥ 12,010,920	≥ 5.0%
American National Bank	16,689,010	7.0%	≥ 9,582,216	≥ 4.0%	≥ 11,977,770	≥ 5.0%

	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
As of December 31, 2001:						
Total capital (to risk-weighted assets)						
Consolidated	$ 18,245,317	10.6%	≥ $ 13,774,480	≥ 8.0%	≥ $ 17,218,100	≥ 10.0%
American National Bank	$ 17,620,839	10.3%	≥ $ 13,723,280	≥ 8.0%	≥ $ 17,154,100	≥ 10.0%
Tier I capital (to risk-weighted assets)						
Consolidated	16,328,727	9.5%	≥ 6,887,240	≥ 4.0%	≥ 10,330,860	≥ 6.0%
American National Bank	15,704,248	9.2%	≥ 6,861,640	≥ 4.0%	≥ 10,292,460	≥ 6.0%
Tier I capital (to average assets)						
Consolidated	16,328,727	7.1%	≥ 9,256,970	≥ 4.0%	≥ 11,571,212	≥ 5.0%
American National Bank	15,704,248	6.8%	≥ 9,231,252	≥ 4.0%	≥ 11,539,065	≥ 5.0%

Note 15 - MULTI-TIERED BANK HOLDING COMPANY STRUCTURE

On February 19, 1997, an application was filed with the Federal Reserve Bank to authorize the formation of a multi-tiered bank holding company structure consisting of a Texas based parent company, AmeriBancShares, Inc. and a Delaware based intermediate holding company, AmeriBancShares of Delaware, Inc. Upon receipt of proper authorization of the holding company structure from the Federal Reserve Bank, the stock of American National Bank ("the Bank") was transferred to AmeriBancShares of Delaware, Inc. with the stockholders of the Bank receiving three shares of AmeriBancShares, Inc. common stock in exchange for each share of Bank common stock. The transfer was effective May 1, 1997 and was accomplished by the formation of a new bank subsidiary by AmeriBancShares of Delaware, Inc., with an initial capitalization of $240,000. The new bank subsidiary was merged with the Bank and the surviving entity retained the name of the Bank. On May 1, 1997, AmeriBancShares, Inc. formed an additional subsidiary, ANB Realty Corp., to acquire and develop real estate in Flower Mound, Texas.

Consolidating Balance Sheet

AmeriBancShares, Inc. and Subsidiaries, December 31, 2002

	American National Leasing Co.	American National Bank
ASSETS		
Cash and due from banks, noninterest bearing	$ 33,073	$ 9,929,577
Time deposits in banks		1,198,000
Federal funds sold		2,300,000
Total cash and cash equivalents	33,073	13,427,577
Securities available for sale		26,762,565
Securities to be held to maturity		1,578,323
Other securities		918,450
Total investment securities		29,259,338
Mortgage loans held for sale		2,454,629
Loans	1,736,932	175,596,854
Less: Unearned discount	(230,888)	(256,648)
Allowance for loan losses	(107)	(1,691,314)
Loans, net	1,505,937	173,648,892
Premises and equipment, net	5,125,149	8,416,773
Accrued interest receivable		2,216,364
Other assets	342,753	12,371,288
Total assets	$ 7,006,912	$ 241,794,861
LIABILITIES AND STOCKHOLDERS' EQUITY		
Deposits:		
Demand deposits	$	$ 42,097,110
Savings deposits		6,474,228
Money market and NOW accounts		58,661,987
Time certificates of deposit		104,120,643
Total deposits		211,353,968
Federal funds purchased		2,340,000
Notes Payable	5,079,705	
Federal Home Loan Bank advances		4,237,561
Accrued interest payable	1,089,836	313,518
Other liabilities	881,899	2,476,364
Total liabilities	7,051,440	220,721,411
Stockholders' equity:		
Common stock	1,000	1,680,000
Surplus		2,090,826
Undivided profits and capital reserves	(45,528)	17,084,778
Treasury stock at cost		
Accumulated other comprehensive income:		
Net unrealized appreciation on securities available for sale		217,846
Total stockholders' equity	(44,528)	21,073,450
Total liabilities and stockholders' equity	$ 7,006,912	$ 241,794,861

AmeriBancShares of Delaware, Inc.	ANB Realty Corp.	AmeriBancShares, Inc.	Reclassification and Elimination Entries	Consolidated
$ 3,325	$ 6,223	$ 13,855	($ 53,151)	$ 9,932,902
				1,198,000
				2,300,000
3,325	6,223	13,855	(53,151)	13,430,902
				26,762,565
				1,578,323
21,073,450		21,701,137	(42,774,587)	918,450
21,073,450		21,701,137	(42,774,587)	29,259,338
				2,454,629
			(5,079,705)	172,254,081
				(487,536)
				(1,691,421)
			(5,079,705)	170,075,124
	640,028			14,181,950
			(1,100,529)	1,115,835
2,291	4,620	6,019	(71,912)	12,655,059
$ 21,079,066	$ 650,871	$ 21,721,011	($ 49,079,884)	$ 243,172,837
$	$	$	($ 53,151)	$ 42,043,959
				6,474,228
				58,661,987
				104,120,643
			(53,151)	211,300,817
				2,340,000
			(5,079,705)	
				4,237,561
			(1,100,529)	302,825
7,500	21,300		(116,440)	3,270,623
7,500	21,300		(6,349,825)	221,451,826
7,500	1,000	5,040,000	(1,689,500)	5,040,000
15,910,885	820,659	10,878,386	(18,822,370)	10,878,386
4,935,335	(192,088)	6,466,779	(21,782,497)	6,466,779
		(882,000)		(882,000)
217,846		217,846	(435,692)	217,846
21,071,566	629,571	21,721,011	(42,730,059)	21,721,011
$ 21,079,066	$ 650,871	$ 21,721,011	($ 49,079,884)	$ 243,172,837

Consolidating Statement of Income

AmeriBancShares, Inc. and Subsidiaries, December 31, 2002

	American National Leasing Co.	American National Bank
Interest income:		
Interest and fees on loans	$ 128,044	$ 11,795,364
Interest on investment securities		1,105,766
Interest on time deposits in banks		9,051
Interest on federal funds sold		163,166
Total interest income	128,044	13,073,347
Interest expense:		
Interest on deposits:		
Savings		51,098
Money market and NOW accounts		678,275
Time		4,165,753
Total interest on deposits		4,895,126
Interest on federal funds purchased		48,684
Interest on Federal Home Loan Bank advances		211,061
Interest on notes payable	184,578	
Total interest expense	184,578	5,154,871
Net interest income	(56,534)	7,918,476
Provision for loan losses	11,843	550,000
Net interest income after provision for loan losses	(68,377)	7,368,476
Other operating income:		
Service charges on deposit accounts		750,557
Trust fee income		2,769,350
Gain on sale of mortgage loans		697,770
Rent income	1,632,901	
Net gain on sale of available for sale securities		174,821
Earnings from subsidiary		(89,969)
Other, net	26,258	524,923
Total other operating income	1,659,159	4,827,452
Other operating expenses:		
Salaries and bonuses	133,244	3,801,348
Employee benefits	21,182	1,483,306
Premises and equipment	1,191,119	1,379,156
Advertising	4,808	227,304
Data processing expense		389,447
Printing, stationery and supplies	1,509	171,896
Professional fees	75	139,809
Other operating expenses	122,157	1,637,711
Total other operating expenses	1,474,094	9,229,977
Income before income taxes	116,688	2,965,951
Provision for income taxes	206,657	825,866
Net income	($ 89,969)	$ 2,140,085

AmeriBancShares of Delaware, Inc.	ANB Realty Corp.	AmeriBancShares, Inc.	Reclassification and Elimination Entries	Consolidated
$	$	$	($ 184,578)	$ 11,738,830
				1,105,766
				9,051
				163,166
			(184,578)	13,016,813
				51,098
				678,275
				4,165,753
				4,895,126
				48,684
				211,061
			(184,578)	
			(184,578)	5,154,871
				7,861,942
				561,843
				7,300,099
				750,557
				2,769,350
				697,770
				1,632,901
				174,821
2,140,085		2,120,198	(4,170,314)	
			(11,493)	539,688
2,140,085		2,120,198	(4,181,807)	6,565,087
				3,934,592
				1,504,488
	22,015			2,592,290
				232,112
				389,447
				173,405
				139,884
8,117			(11,493)	1,756,492
8,117	22,015		(11,493)	10,722,710
2,131,968	(22,015)	2,120,198	(4,170,314)	3,142,476
(2,760)	(7,485)			1,022,278
$ 2,134,728	($ 14,530)	$ 2,120,198	($ 4,170,314)	$ 2,120,198

Consolidating Statement of Cash Flows

AmeriBancShares, Inc. and Subsidiaries, December 31, 2002

	American National Leasing Co.	American National Bank
Cash flows from operating activities:		
Net income (loss)	($ 89,969)	$ 2,140,085
Adjustments to reconcile net income to net cash provided by operations:		
Depreciation	1,170,575	641,396
Provision for loan losses	11,843	550,000
Provision for losses on other real estate owned		114,500
Provision for deferred taxes	370,048	66,803
Gain on sale of available for sale securities		(174,821)
Gain on sale of mortgage loans		(697,770)
Gain on sale of other real estate owned		(41,154)
(Gain) loss on disposal of premises and equipment	7,540	(5,514)
Amortization of premium on investment securities		55,661
Accretion of discount on investment securities		(11,325)
Proceeds from sales of mortgage loans		36,446,803
Mortgage loans funded		(36,270,255)
Unconsolidated (earnings) loss from subsidiaries		89,969
(Increase) decrease in:		
Prepaid expenses	5,599	(6,302)
Accrued interest receivable		(47,787)
Income taxes receivable	(163,284)	119,591
Miscellaneous other assets	41,609	(146,792)
Increase (decrease) in:		
Accrued interest payable	184,578	(135,056)
Income taxes payable	(26,823)	108,941
Other taxes payable		28,183
Other accrued expenses	8,053	360,300
Net cash provided by (used in) operating activities	1,519,769	3,185,456
Cash flows from investing activities:		
Proceeds from maturities of securities available for sale		13,154,989
Proceeds from sales of securities available for sale		14,663,795
Proceeds from maturities of securities held to maturity		992,323
Purchase of securities available for sale		(27,615,877)
Purchase of other securities		(22,800)
Purchase of cash value life insurance		(756,830)
Cash paid to subsidiaries		
Dividends received from subsidiaries		
Net increase in loans	(311,719)	(13,712,311)
Purchase of premises and equipment	(2,278,953)	(1,132,738)
Proceeds from sale of premises and equipment	888,733	165,368
Proceeds from sale of other real estate owned		958,507
Net cash provided by (used in) investing activities	(1,701,939)	(13,305,574)
Cash flows from financing activities:		
Net decrease in deposits		(6,058,982)
Net decrease in federal funds purchased		(980,000)
Net increase in Federal Home Loan Bank advances		3,763,690
Net increase in other borrowed funds	158,000	
Capital contributions		
Dividends paid		(1,144,490)
Net cash provided by (used in) financing activities	158,000	(4,419,782)
Net increase (decrease) in cash and cash equivalents	(24,170)	(14,539,900)
Cash and cash equivalents at beginning of period	57,243	27,967,477
Cash and cash equivalents at end of period	$ 33,073	$ 13,427,577

AmeriBancShares of Delaware, Inc.	ANB Realty Corp.	AmeriBancShares, Inc.	Reclassification and Elimination Entries	Consolidated
$ 2,134,728	($ 14,530)	$ 2,120,198	($ 4,170,314)	$ 2,120,198
				1,811,971
				561,843
				114,500
113	12	1,116		438,092
				(174,821)
				(697,770)
				(41,154)
				2,026
				55,661
				(11,325)
				36,446,803
				(36,270,255)
(2,140,085)		(2,120,198)	4,170,314	
				(703)
			185,869	138,082
(825)	(4,637)		83,585	34,430
		(3,500)		(108,683)
			(202,168)	(152,646)
		1,467	(83,585)	
				28,183
3,500	721	(16,299)	16,299	372,574
(2,569)	(18,434)	(17,216)		4,667,006
				13,154,989
				14,663,795
				992,323
				(27,615,877)
				(22,800)
				(756,830)
		(17,000)	17,000	
1,144,490		1,140,490	(2,284,980)	
			158,000	(13,866,030)
				(3,411,691)
				1,054,101
				958,507
1,144,490		1,123,490	(2,109,980)	(14,849,513)
			20,850	(6,038,132)
				(980,000)
				3,763,690
			(158,000)	
	17,000		(17,000)	
(1,140,490)		(1,101,520)	2,284,980	(1,101,520)
(1,140,490)	17,000	(1,101,520)	2,130,830	(4,355,962)
1,431	(1,434)	4,754	20,850	(14,538,469)
1,894	7,657	9,101	(74,001)	27,969,371
$ 3,325	$ 6,223	$ 13,855	($ 53,151)	$ 13,430,902

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Of American National Bank

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Senior Vice President

William Patty
Assistant Vice President/Loans

Linda Musgrave
Assistant Vice President/Loans

Vicki Nason
Assistant Vice President/Credit and Collateral

Doris McGregor Steinberger
Assistant Vice President/Compliance Officer

Peggy Carr
Banking Officer

Vera Simons
Banking Officer

Trust and Investment Services
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Senior Vice President / Senior Trust Officer

Kevin Goldstein
Vice President/Security Sales/Primevest

Randy Martin
Vice President/Trust Officer

Linda Wilson
Vice President/Trust Officer

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Vice President/Trust Officer

Jeff Schultz
Vice President/Trust & Investments

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Assistant Vice President/Compliance

Brad Davidson
Assistant Vice President/Employee Benefits

Paula Walmer
Assistant Vice President/Operations Manager

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Senior Vice President

Cathy Patterson
Assistant Vice President

Donna Vaughn
Assistant Vice President

Maggie Johnson
Funding Officer

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Vice President/Manager

James H. Wright
Assistant Vice President

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Senior Vice President/Operations

Blake Andrews
Vice President/Controller

Nancy Vannucci
Vice President/Internal Auditor

Susan Cast
Vice President/Teller Operations

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Kenneth L. Haney
Assistant Vice President/Calling Officer

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Senior Vice President/Manager

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Senior Vice President/Loans

Gail Natale
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Marva Pieratt
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Ben D. Woody

**Advisory Director*

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