30

T H I R T Y

2006 ANNUAL REPORT
AmeriBancShares, Inc.

You will be pleased to learn that American National Bank's 30th year in business was a record year in terms of profitability. On a consolidated basis, AmeriBancShares, Inc. earned a total of $4,732,292 in 2006, an increase of 16% over the 2005 total, which was a record year in itself.

Excellent loan growth, coupled with an improved net interest margin, a tremendous increase in interest income from the investment portfolio, and fee income generated from trust activities, the gain on sale of mortgage loans, the rental income from leases generated by American National Leasing, and insurance premiums and fees provided by Archer Title of Texas, all contributed to the growth in earnings.

The combination of commercial and real estate loans continues to be the largest source of income generation. We were fortunate this past year to hire two new experienced Lending Officers at our Flower Mound branch, and by year-end the loan totals at the branch were in excess of $51MM, an increase of nearly $33MM from the previous year-end. The combined net loan totals of all locations as of 12/31/06 were $219,012,490, an increase of 19.4%. That represents a loan to deposit ratio of 81.4%, compared with a ratio of 65.5% at FYE 2005. Equally as important, loan losses for the year were less than $27M, and recoveries from prior year losses totaled in excess of $41M. Given the size of the loan portfolio, the small amount of losses is remarkable, and is a glowing testament to the expertise of our lending staff under the excellent leadership of Executive Vice President Dwight Berry, and their ability to manage a portfolio of both quantity and quality.

As you will recall, in 2005 we acquired the local deposits of Guaranty Bank of Texas, which amounted to approximately $60MM in new money. The influx in new deposits provided the Bank with some much needed liquidity. The long term strategy is to invest a majority of the new deposits in loans in order to maximize the return on the investment. However, that takes time. In the interim, the Bank's securities portfolio has grown dramatically, and virtually overnight. While the size of the portfolio has dropped since the Guaranty acquisition, and will continue to do so as we are able to convert securities into higher yielding loans, the income from the investment portfolio, because of its size, remains a major contributing factor to the Bank's profitability. In 2006 alone, the income from securities was just under $3.5MM, an increase of $1.9MM from the previous year.

Non-interest income generated from service charges on deposit accounts, trust fees, the gain on sale of mortgage loans, income generated from operating leases, insurance premiums and fees from Archer Title Company and miscellaneous other bank fees collectively totaled in excess of $7.3MM in 2006. The total represented nearly 27% of AmeriBancShares combined operating income. In fact, ANB's non-interest income as a percentage of average assets ranks within the top 5% of all banks in the country based on peer group size, which is defined as those banks with average assets between $300 million and $1 billion.

Because of the record earnings, we were able to raise our dividend pay-out to $.78 per share, an increase of $.05 per share, the 20th year in a row the annual dividend has been raised. Other significant barometers supporting the results for 2006 include a 12.5% increase in the book value of the holding company to $14.99 a share, a Return on Average Assets of 1.43%, and a Return on Average Equity of nearly 17%.

For 2007, several challenges await. If you exclude the Guaranty Bank acquisition, deposit growth has been declining the past couple of years. We must address this issue. Adding additional branches and/or the consideration of other acquisitions similar to the Guaranty Bank purchase must be studied, and at the same time we need to figure out a way to reverse the declining trend in deposits generated internally. We must keep the growth in operating expenses to a minimum, and continue to explore ways to grow revenues. The need for a third floor add-on at the main bank is quickly approaching, as several Departments have expansion needs that presently cannot be met. And we must remain cognizant of the need to develop new young bankers capable of moving into management positions as the need arises, in order to maintain the long term viability, and hopefully, the independence and local control of the Bank and its subsidiaries. Management and the Board recognize these challenges, but view them as opportunities as well. I am confident that American National's past 30 years of success will continue into the future with your support.

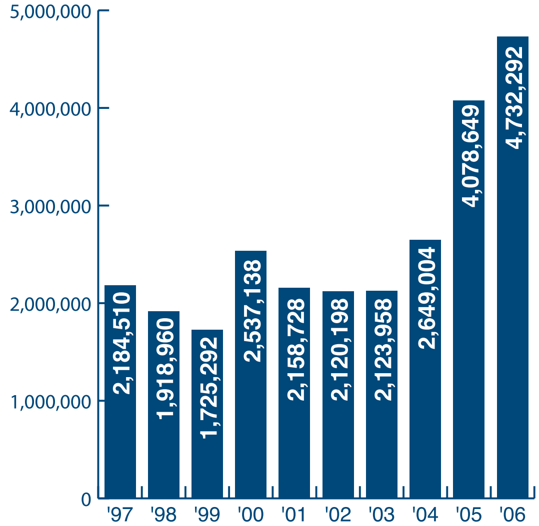
Bo Stahl

John B. "Bo" Stahler
President and CEO

Financial Highlights

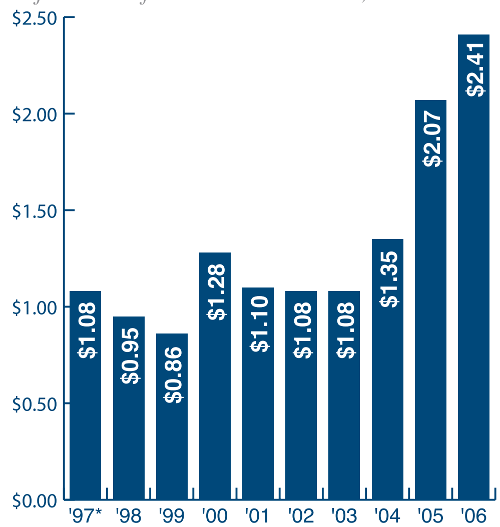
	Year Ended December 31, 2006	2005	% Change
Earnings			
Net Interest Income	13,231,989	10,880,725	+ 21.6
Provision For Loan Losses	285,000	190,000	+ 50.0
Non-Interest Income	7,348,798	7,276,849	+ 1.0
Non-Interest Expense	13,502,849	12,106,355	+ 11.5
Net Income	4,732,292	4,078,649	+ 16.0
Share Data			
Net Income	2.41	2.07	+ 16.4
Dividends Paid	.78	.73	+ 6.9
Book Value	14.99	13.32	+ 12.5
Returns			
Return on Average Assets	1.43	1.43	0.0
Return on Average Equity	16.97	16.25	+ 4.4
Financial Position at Year End			
Total Assets	332,512,839	327,602,761	+ 1.5
Loans (Net)	219,012,490	183,485,377	+ 19.4
Reserve for Loan Losses	2,614,270	2,314,075	+ 13.0
Deposits	269,008,362	280,168,440	- 4.0
Equity	29,494,844	26,203,563	+ 12.6

Consolidated Net Income

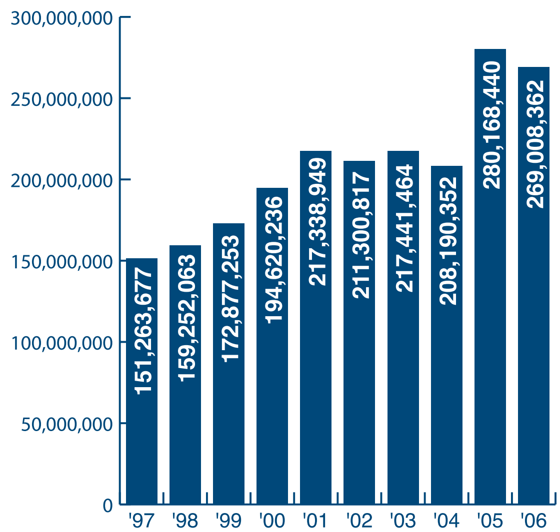


Earnings Per Share

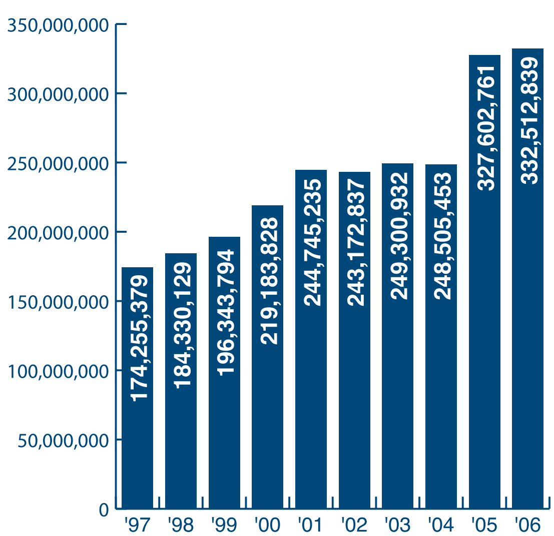
** adjusted to reflect AmeriBancShares, Inc. stock outstanding*



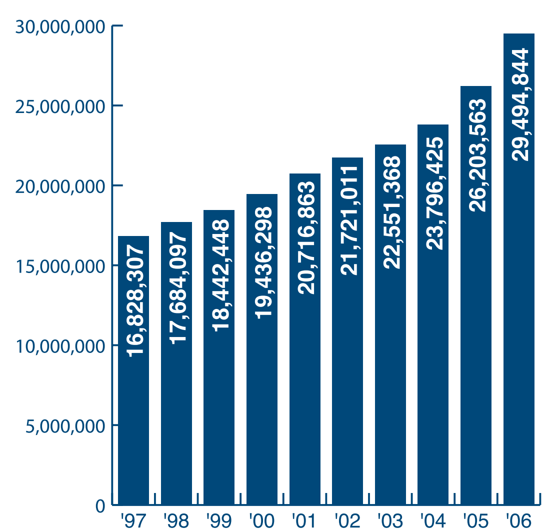
Year End Deposits



Year End Assets



Stockholders' Equity



Independent Auditor's Report

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

We have audited the accompanying consolidated balance sheets of AmeriBancShares, Inc. and Subsidiaries as of December 31, 2006 and 2005, and the related consolidated statements of income, changes in stockholders' equity, and cash flows for the years 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 audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of AmeriBancShares, Inc. and Subsidiaries as of December 31, 2006 and 2005, and the results of their operations and their cash flows for the years 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 Smith & Jones, P.C.

Payne Smith & Jones, P.C.

Wichita Falls, Texas
February 12, 2007

ASSETS	2006	2005
Cash and due from banks, noninterest bearing	$ 11,239,346	$ 17,701,542
Time deposits in banks	1,300,000	4,295,000
Federal funds sold	4,495,000	13,800,000
Total cash and cash equivalents	17,034,346	35,796,542
Securities available for sale	62,250,397	75,560,451
Securities to be held to maturity (approximate market value of $332,224 in 2006 and $415,379 in 2005)	334,505	413,052
Other securities (approximate market value of $1,240,325 in 2006 and $808,650 in 2005)	1,240,325	808,650
Total investment securities	63,825,227	76,782,153
Mortgage loans held for sale	1,205,813	1,259,354
Loans	222,172,858	186,186,036
Less: Unearned discount	(546,098)	(386,584)
Allowance for loan losses	(2,614,270)	(2,314,075)
Loans, net	219,012,490	183,485,377
Premises and equipment, net	12,590,467	12,557,504
Accrued interest receivable	2,061,106	1,802,723
Goodwill	4,219,475	4,219,475
Intangible assets	976,924	1,090,740
Other assets	11,586,991	10,608,893
Total assets	$ 332,512,839	$ 327,602,761

LIABILITIES AND STOCKHOLDERS' EQUITY	2006	2005
Deposits:		
Demand deposits	$ 30,337,257	$ 66,329,710
Savings deposits	74,533,632	8,789,297
Money market and NOW accounts	45,231,535	84,513,653
Time certificates of deposit	118,905,938	120,535,780
Total deposits	269,008,362	280,168,440
Federal funds purchased	9,405,159	1,950,000
Repurchase agreements	872,036	
Federal Home Loan Bank advances	11,492,633	7,969,770
Other borrowed funds	7,217,000	7,217,000
Accrued interest payable	398,224	301,362
Other liabilities	4,624,581	3,792,626
Total liabilities	303,017,995	301,399,198
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	14,641,432	11,443,400
Treasury stock at cost (49,000 shares)	(882,000)	(882,000)
Accumulated other comprehensive income (loss):		
Net unrealized depreciation on securities available for sale, net of tax of ($94,259) in 2006 and ($142,297) in 2005	(182,974)	(276,223)
Total stockholders' equity	29,494,844	26,203,563
Total liabilities and stockholders' equity	$ 332,512,839	$ 327,602,761

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

Consolidated Statements of Income

For the Years Ended December 31, 2006 and 2005

	2006	2005
Interest income:		
Interest and fees on loans	$ 15,979,371	$ 13,269,263
Interest on investment securities	3,494,626	1,582,945
Interest on time deposits in banks	138,311	94,572
Interest on federal funds sold	275,780	339,602
Total interest income	19,888,088	15,286,382
Interest expense:		
Interest on deposits:		
Savings	125,889	35,568
Money market and NOW accounts	859,176	565,301
Time	4,466,360	3,153,492
Total interest on deposits	5,451,425	3,754,361
Interest on federal funds purchased	258,738	79,782
Interest on repurchase agreements	5,195	
Interest on Federal Home Loan Bank advances	455,850	378,665
Interest on other borrowed funds	484,891	192,849
Total interest expense	6,656,099	4,405,657
Net interest income	13,231,989	10,880,725
Provision for loan losses	285,000	190,000
Net interest income after provision for loan losses	12,946,989	10,690,725
Other operating income:		
Service charges on deposit accounts	691,480	734,742
Trust fee income	3,474,169	3,321,398
Gain on sale of mortgage loans	572,113	648,614
Rent income	976,505	1,234,727
Other, net	1,634,531	1,337,368
Total other operating income	7,348,798	7,276,849
Other operating expenses:		
Salaries and bonuses	5,195,053	4,489,705
Employee benefits	2,491,071	1,987,527
Premises and equipment	2,317,092	2,438,669
Advertising	297,083	261,700
Data processing expense	478,161	508,477
Printing, stationery and supplies	235,493	205,585
Professional fees	151,217	131,277
Other operating expenses	2,337,679	2,083,415
Total other operating expenses	13,502,849	12,106,355
Income before income taxes	6,792,938	5,861,219
Provision for income taxes	2,060,646	1,782,570
Net income	$ 4,732,292	$ 4,078,649
Net income per share of common stock	$ 2.41	$ 2.07

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

Consolidated Statements of Changes in Stockholders' Equity

For the Years Ended December 31, 2006 and 2005

	Common Stock Number of Shares	Amount	Surplus	Undivided Profits and Capital Reserves	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
Balance, January 1, 2005	2,016,000	$ 5,040,000	$ 10,878,386	$ 8,800,661	($ 882,000)	($ 40,622)	$ 23,796,425
Comprehensive income:							
Net income				4,078,649			4,078,649
Other comprehensive loss:							
Net change in unrealized depreciation on securities available for sale, net of taxes of ($121,370)						(235,601)	(235,601)
Total comprehensive income							3,843,048
Cash dividends, $.73 per common share				(1,435,910)			(1,435,910)
Balance, December 31, 2005	2,016,000	5,040,000	10,878,386	11,443,400	(882,000)	(276,223)	26,203,563
Comprehensive income:							
Net income				4,732,292			4,732,292
Other comprehensive income:							
Net change in unrealized depreciation on securities available for sale, net of taxes of $48,038						93,249	93,249
Total comprehensive income							4,825,541
Cash dividends, $.78 per common share				(1,534,260)			(1,534,260)
Balance, December 31, 2006	2,016,000	$ 5,040,000	$ 10,878,386	$ 14,641,432	($ 882,000)	($ 182,974)	$ 29,494,844

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

Consolidated Statements of Cash Flows

For the Years Ended December 31, 2006 and 2005

	2006	2005
Cash flows from operating activities:		
Net income	$ 4,732,292	$ 4,078,649
Adjustments to reconcile net income to net cash provided by operations:		
Depreciation	1,358,135	1,523,978
Amortization of intangibles	115,616	49,223
Provision for loan losses	285,000	190,000
Benefit from deferred taxes	(224,104)	(354,587)
Gain on sale of mortgage loans	(572,113)	(648,614)
Gain on sale of other real estate owned		(14,403)
Loss on disposal of premises and equipment	18,461	8,502
Amortization of premium on investment securities	35,962	82,143
Accretion of discount on investment securities	(177,657)	(266,516)
Proceeds from sales of mortgage loans	38,025,923	42,649,978
Mortgage loans funded	(37,391,977)	(42,367,687)
(Increase) decrease in:		
Prepaid expenses	68,655	(14,614)
Accrued interest receivable	(258,383)	(573,473)
Income taxes receivable	(88,574)	
Miscellaneous other assets	333,765	(269,979)
Increase (decrease) in:		
Accrued interest payable	96,862	(16,636)
Income taxes payable	(7,836)	(84,917)
Other taxes payable	(232,499)	24,162
Other accrued expenses	1,072,291	212,376
Net cash provided by operating activities	7,189,819	4,207,585
Cash flows from investing activities:		
Proceeds from maturities of securities available for sale	30,256,664	34,167,763
Proceeds from sale of securities available for sale	398,289	196,565
Proceeds from maturities of securities held to maturity	78,609	143,658
Proceeds from sale of other securities		387,000
Purchase of securities available for sale	(17,061,980)	(89,234,299)
Purchase of other securities	(431,675)	(229,600)
Purchase of cash value life insurance	(550,757)	(623,089)
Proceeds from purchase of branch		55,454,334
Purchase of trust assets		(44,100)
Net increase in loans	(36,436,444)	(3,401,567)
Purchase of premises and equipment	(1,866,754)	(2,100,737)
Proceeds from sale of premises and equipment	506,313	1,542,830
Proceeds from sale of other real estate owned		84,325
Net cash used in investing activities	(25,107,735)	(3,656,917)
Cash flows from financing activities:		
Net increase (decrease) in deposits	(11,160,078)	15,170,380
Net increase in federal funds purchased	7,455,159	300,000
Net increase in repurchase agreements	872,036	
Net increase (decrease) in Federal Home Loan Bank advances	3,522,863	(2,825,763)
Proceeds from other borrowed funds		7,217,000
Dividends paid	(1,534,260)	(1,435,910)
Net cash provided by (used in) financing activities	(844,280)	18,425,707
Net increase (decrease) in cash and cash equivalents	(18,762,196)	18,976,375
Cash and cash equivalents at beginning of period	35,796,542	16,820,167
Cash and cash equivalents at end of period	$ 17,034,346	$ 35,796,542

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

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 and Flower Mound, 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 and Archer Title of Texas, Inc., which are wholly owned subsidiaries 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, 2006 and 2005.

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.

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 $541,253 at December 31, 2006, is carried at the lower of fair value minus estimated selling costs or cost. There was no other real estate

Note 1
SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES (Continued)

owned as of December 31, 2005. 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.

Intangible Assets

Intangible assets are reflected under the provisions of SFAS No. 142, *Goodwill and Other Intangible Assets,* which among other things, requires that intangible assets with a finite life be amortized over their estimated useful life. Intangible assets include core deposit intangibles acquired in acquisitions and are being amortized on a straight-line basis over ten years.

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 2005 financial statements have been reclassified, where appropriate, to conform with the financial presentation used in 2006.

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, 2006			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Market Value
Securities Available For Sale				
United States Agency securities	$48,916,259	$ 30,324	($ 122,843)	$ 48,823,740
Obligations of states and political subdivisions	6,475,000	24,026	(131,561)	6,367,465
Mortgage-backed securities	5,623,305	4,188	(81,367)	5,546,126
Equity Securities	1,513,066			1,513,066
Totals	$62,527,630	$ 58,538	($ 335,771)	$ 62,250,397
Securities to be Held to Maturity				
Obligations of states and political subdivisions	$ 119,871	$ 1,061	$	$ 120,932
Mortgage-backed securities	214,634		(3,342)	211,292
Totals	$ 334,505	$ 1,061	($ 3,342)	$ 332,224
Other securities	$ 1,240,325	$	$	$ 1,240,325

	December 31, 2005			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Market Value
Securities Available For Sale				
United States Agency securities	$59,289,895	$ 7,856	($ 226,489)	$ 59,071,262
Obligations of states and political subdivisions	8,000,000	31,672	(230,502)	7,801,170
Corporate bonds	499,620		(1,020)	498,600
Mortgage-backed securities	6,356,670	8,804	(8,841)	6,356,633
Equity securities	1,832,786			1,832,786
Totals	$75,978,971	$ 48,332	($ 466,852)	$ 75,560,451
Securities to be Held to Maturity				
Obligations of states and political subdivisions	$ 119,762	$ 2,498	$	$ 122,260
Mortgage-backed securities	293,290	244	(415)	293,119
Totals	$ 413,052	$ 2,742	($ 415)	$ 415,379
Other securities	$ 808,650	$	$	$ 808,650

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, 2006, 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.

Note 2
INVESTMENT SECURITIES (Continued)

	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	$ 22,623,389	$ 22,580,306	$	$
Due after one year through five years	22,310,159	22,223,052	119,871	120,932
Due after five years through ten years	10,457,711	10,387,847		
	55,391,259	55,191,205	119,871	120,932
Mortgage-backed securities	5,623,305	5,546,126	214,634	211,292
Equity securities	1,513,066	1,513,066		
Totals	$ 62,527,630	$ 62,250,397	$ 334,505	$ 332,224

Proceeds from sales of available for sale securities for the years ended December 31, 2006 and 2005 were approximately $398,289 and $196,565, respectively. No gross gains were realized on sales of available for sale securities during 2006 or 2005. No gross losses were realized on sales of available for sale securities during 2006 or 2005. There were no sales of held to maturity securities during 2006 or 2005.

Investment securities with a recorded value of approximately $32,116,772 and $37,256,083 at December 31, 2006 and 2005, respectively, were pledged to secure deposits and for other purposes as required by law.

Unrealized losses and fair value, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, as of December 31, 2006 are summarized as follows:

	Less than 12 Months		12 Months or More	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Securities Available for Sale				
United States Agency securities	$ 15,935,664	($ 56,430)	$21,865,092	($ 66,413)
Mortgage-backed securities	4,733,035	(70,132)	541,360	(11,235)
State and political obligations	134,797	(202)	5,573,641	(131,359)
	$ 20,803,496	($ 126,764)	$27,980,093	($ 209,007)
Securities Held to Maturity				
Mortgage-backed securities	$ 50,745	($ 582)	$ 160,549	($ 2,760)

Management evaluates securities for other-than-temporary impairment at least on a quarterly basis, and more frequently when economic or market concerns warrant such evaluation. Consideration is given to (1) the length of time and the extent to which the fair value has been less than cost, (2) the financial condition and near-term prospects of the issuer, and (3) the intent and ability of the Company to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value. At December 31, 2006, certain securities have unrealized losses with aggregate depreciation from the Company's amortized cost basis. These unrealized losses are generally due to changes in interest rates. In analyzing an issuer's financial condition, management considers whether the securities are issued by the federal government or its agencies, whether downgrades by bond rating agencies have occurred, and industry analysts' reports. As management has the ability to hold debt securities until maturity, or for the foreseeable future if classified as available for sale, no declines are deemed to be other than temporary.

Note 3
LOANS AND ALLOWANCE FOR LOAN LOSSES

A summary of loan categories is as follows:

	December 31,	
	2006	2005
Commercial and industrial	$ 31,731,237	$ 36,978,759
Real estate - other	148,167,531	103,189,620
Real estate - construction	26,492,596	29,707,697
Consumer - installment	15,738,532	16,277,968
Overdrafts	42,962	31,992
Total loans	$ 222,172,858	$ 186,186,036

The Company had no loans to borrowers engaged in similar activities which exceeded 5% of total assets at December 31, 2006 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 $46,625,450 and $44,603,033 at December 31, 2006 and 2005, respectively. Custodial escrow balances maintained in connection with the foregoing loan servicing, and included in demand deposits, were approximately $211,073 and $220,414 at December 31, 2006 and 2005, 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, 2006 and 2005, are $366,953 and $354,485, respectively, and are included in other assets. The fair values of these rights were $512,087 and $460,571 at December 31, 2006 and 2005, respectively. The fair value of servicing rights was determined using discount rates ranging from 9.5% to 12% and prepayment speeds ranging from 8% to 10%, depending on the stratification of the specific right.

Impaired loans having carrying values of $10,370 and $30,536 at December 31, 2006 and 2005, respectively, have been recognized in conformity with SFAS 114 as amended by SFAS 118. The average recorded investment in impaired loans during 2006 and 2005 was $190,831 and $592,840, respectively. The total allowance for loan losses related to those loans was $3,271 and $6,997 on December 31, 2006 and 2005, respectively. No payments on these loans were recorded as interest income when received in 2006 or 2005. There were no material commitments to lend additional funds to debtors whose loans were classified as impaired as of December 31, 2006 or 2005.

Loan maturities and rate sensitivity of the loan portfolio at December 31, 2006 and 2005, including mortgage loans held for resale less loans on nonaccrual, are as follows:

	2006	2005
Fixed rate loans with a remaining maturity of:		
Three months or less	$ 9,227,955	$ 8,315,530
Over three months through twelve months	15,947,770	19,581,785
Over one year through five years	38,535,843	37,053,243
Over five years	15,956,863	14,423,652
Total fixed rate loans	$ 79,668,431	$ 79,374,210
Variable rate loans with a repricing frequency of:		
Quarterly or more frequently	$ 129,153,702	$ 97,466,543
Annually or more frequently, but less frequently than quarterly	4,684,142	4,121,127
Every five years or more frequently, but less frequently than annually	7,344,884	4,542,703
Less frequently than every five years	2,517,142	1,910,271
Total variable rate loans	$ 143,699,870	$ 108,040,644

Note 3
LOANS AND ALLOWANCE FOR LOAN LOSSES (Continued)

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

	2006	2005
Balance at beginning of year	$ 2,314,075	$ 2,084,570
Provision for loan losses	285,000	190,000
Loans charged off	(26,409)	(87,100)
Recoveries of loans previously charged off	41,604	126,605
Balance at end of year	$ 2,614,270	$ 2,314,075

The allowance for financial statement purposes exceeded the federal income tax allowance by $1,913,084 and $1,616,084 at December 31, 2006 and 2005, 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, 2006	December 31, 2005
Land		$ 1,568,081	$ 1,568,081
Premises	5-40 years	8,689,660	8,612,404
Furniture, fixtures and equipment	3-10 years	6,202,924	5,793,486
Land improvements	5-20 years	638,430	585,389
Lease equipment	3 - 5 years	3,700,430	3,924,644
		20,799,525	20,484,004
Less accumulated depreciation		8,209,058	7,926,500
Totals		$ 12,590,467	$ 12,557,504

Depreciation expense amounted to $1,358,135 and $1,523,978 in 2006 and 2005, respectively.

A portion of the banking premises which the Company occupies is leased to certain tenants under month-to-month leases. Rental income totaled approximately $45,838 and $49,840 for the years ended December 31, 2006 and 2005, respectively.

Note 5
GOODWILL

Goodwill in the amount of $4,219,475 at December 31, 2006 and 2005, is included in the accompanying consolidated financial statements. Goodwill of $44,100 was added in 2005 attributable to the Company's purchase of certain customer trust accounts from an independent commercial bank. In accordance with the Statement of Financial Accounting Standard No 142, *"Goodwill and Other Intangible Assets"* (SFAS 142), the Company performs an annual impairment test for goodwill. At December 31, 2006 and 2005 management has determined that there is no impairment of goodwill.

Prior to the adoption of SFAS 142, goodwill was amortized over its estimated useful life. Accordingly, the amounts reflected for goodwill in the accompanying financial statements have been reduced by the relating accumulated amortization of $507,484.

Note 6
INTANGIBLE ASSETS

Intangible assets consist of core deposit intangibles acquired in a branch acquisition and are being amortized using the straight-line method over a period of 10 years. Assigned costs and accumulated amortization at December 31, 2006 and 2005 consisted of the following amounts:

	2006	2005
Gross amount	$ 1,138,163	$ 1,138,163
Accumulated amortization	(161,239)	(47,423)
	$ 976,924	$ 1,090,740

Changes in the carrying amount of intangibles during 2006 are summarized as follows:

	2006	2005
Net intangible at January 1	$ 1,090,740	$
Net value allocated for Guaranty branch purchase		1,138,163
Amortization expense	(113,816)	(47,423)
Net intangible at December 31	$ 976,924	$ 1,090,740

Note 7
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 $45,437,659 and $37,871,157 at December 31, 2006 and 2005, respectively.

At December 31, 2006 and 2005, the scheduled maturities of certificates of deposit are as follows:

	December 31, 2006	December 31, 2005
Less than three months	$ 44,260,026	$ 37,581,679
Four to twelve months	49,822,819	44,122,936
One to five years	24,823,093	38,717,850
Five to ten years		113,315
Totals	$118,905,938	$ 120,535,780

During 2006, the Company entered into a program in which certain eligible transaction deposits could be reclassed to savings deposits for regulatory reporting purposes and therefore reduce its reserve requirement with the Federal Reserve Bank. At December 31, 2006 the Company has reclassed $35,158,293 demand deposits and $27,780,817 NOW and Money Market deposits to savings deposits for regulatory reporting in connection with this program.

Note 8
SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE

Securities sold under agreements to repurchase amounted to $872,036 at December 31, 2006, mature on January 2, 2007 and are secured by U.S. Government Agency securities with a fair value of $898,000. The weighted average interest rate on these agreements was 4.275% at December 31, 2006.

Note 9
FEDERAL HOME LOAN BANK ADVANCES

Federal Home Loan Bank advances are secured by customer loans and mortgage-backed securities collateralized by one-to-four family residences. The Federal Home Loan Bank advances have fixed interest rates ranging from 3.81% to 5.74%. The advances were used by the Company to fund fixed interest rate loans to its customers. As of December 31, 2006, aggregate annual scheduled repayments of Federal Home Loan Bank advances were as follows:

2007	$ 6,478,244
2008	1,347,025
2009	1,402,045
2010	1,752,717
2011	512,602
	$ 11,492,633

Note 10
OTHER BORROWED FUNDS

The junior subordinated debentures of $7,217,000 at December 31, 2006 and 2005 represent amounts payable to a Special Purpose Entity (SPE) in conjunction with the Company's sponsorship of the SPE. The SPE has one issuance outstanding totaling $7,000,000 in trust preferred securities and $217,000 in common stock (wholly-owned by the Company) at December 31, 2006 and 2005. Both the junior subordinated debentures and the related trust preferred securities yield an annual distribution rate of 3-month LIBOR plus 1.80% (7.16% at December 31, 2006 and 6.29125% at December 31, 2005), are redeemable at various dates beginning in June, 2010 and mature in June, 2035.

The trust preferred securities are tax-advantaged issues that currently qualify as Tier I capital for the Company. Distributions on these securities are included as interest expense on other borrowed funds. The underlying trust is a statutory business trust organized for the sole purpose of issuing trust preferred securities and investing the proceeds thereof in junior subordinated debentures of the Company, the sole asset of the trust. The preferred trust securities of the trust represent preferred beneficial interests in the assets of the trust and are subject to mandatory redemption upon payment of the junior subordinated debentures held by the trust. The common securities of the trust are wholly-owned by the Company. The trust's ability to pay amounts due on the trust preferred securities is solely dependent upon the Company making payment on the related junior subordinated debentures. The Company's obligations under the junior subordinated debentures and other relevant trust agreements, in aggregate, constitute a full and unconditional guarantee by the Company of the trust's obligations under the trust preferred securities issued by the trust.

The Board of Governors of the Federal Reserve System (Board) has determined that trust preferred securities are restrictive core capital elements in computing Tier I capital of bank holding companies. The Board has limited restrictive core capital elements (as defined) to 25% of core capital elements. Accordingly, the Company has included $7,000,000 of trust preferred securities in its Tier I capital computation at December 31, 2006 and 2005.

Note 11
INCOME TAXES

The provision for income taxes consists of the following:

	December 31,	
	2006	2005
Current income tax expense:		
Federal and state	$ 2,284,750	$ 2,137,157
Deferred income tax expense (benefit) arising from:		
Excess of tax over financial accounting depreciation	(111,216)	(309,650)
Accounting for bad debt expense	(100,980)	(82,173)
Federal Home Loan Bank stock dividends	11,492	10,098
Deferred compensation benefits	(137,211)	(82,070)
Deferred loan fee income	7,111	3,175
Goodwill amortization	106,700	106,033
	(224,104)	(354,587)
Total income tax expense	$ 2,060,646	$ 1,782,570

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.

As of December 31, 2006 and 2005, there are no unused net operating losses or tax credits available for carryover to future periods for either financial reporting or tax reporting purposes.

A net deferred federal income tax asset of $409,699 and $233,633 at December 31, 2006 and 2005 respectively, is included in other assets. The accumulated tax effects of each type of income and expense item that gave rise to deferred taxes are as follows:

	December 31,	
	2006	2005
Deferred tax assets:		
Excess of tax cost over financial cost for fixed assets	$ 73,444	$ 35,208
Allowance for loan losses	650,449	549,469
Deferred compensation benefits	1,061,341	924,130
Deferred loan fee income	17,348	24,459
Net unrealized depreciation on securities available for sale	94,259	142,297
Total deferred tax assets	1,896,841	1,675,563
Deferred tax liabilities:		
Depreciation	(816,659)	(889,639)
Federal Home Loan Bank stock dividends	(140,216)	(128,724)
Amortization	(530,267)	(423,567)
Total deferred tax liabilities	(1,487,142)	(1,441,930)
Total net deferred tax asset	$ 409,699	$ 233,633

Federal income taxes currently receivable of $88,574 at December 31, 2006 are included in other assets. Federal income taxes currently payable of $7,836 at December 31, 2005 are included in other liabilities.

Note 12
EMPLOYEE BENEFITS

KSOP 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 2006 and 2005 was $502,099 and $408,976, respectively. Employee salary reduction contributions of $348,239 and $282,412 were made in 2006 and 2005, respectively.

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, 2006 and 2005, the Company's accrued liability under the agreements was $3,121,591 and $2,719,330, 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, 2006 and 2005, respectively, include $7,256,680 and $6,769,459 and in cash value of these life insurance policies.

Note 13
RELATED-PARTY TRANSACTIONS

At December 31, 2006 and 2005, 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 $6,072,706 and $5,074,675, respectively. During 2006, $1,669,681 of new loans were originated and repayments totaled $671,650. 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 14
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, 2006 and 2005, are as follows:

	December 31,	
	2006	2005
Commitments to extend credit	$ 47,810,502	$ 40,592,078
Standby letters of credit	3,668,363	3,518,498
Total	$ 51,478,865	$ 44,110,576

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 2006 or 2005.

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 15
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.

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. At December 31, 2006 the Company had due from banks and federal funds sold of approximately $12,111,231 which represent concentrations of credit in excess of federally insured amounts. The risk is managed by maintaining all deposits in high quality financial institutions.

Note 16
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.

Note 16
FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

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, 2006 and 2005, are as follows:

	December 31, 2006		December 31, 2005	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets:				
Cash and short-term investments	$ 12,539,346	$ 12,539,346	$ 21,996,542	$ 21,996,542
Federal funds sold	4,495,000	4,495,000	13,800,000	13,800,000
Investment securities	63,825,227	63,822,946	76,782,153	76,784,498
Mortgage loans held for sale	1,205,813	1,205,813	1,259,354	1,259,354
Loans, net of unearned discount	221,626,760	219,571,240	185,799,452	184,471,795
Less allowance for loan losses	(2,614,270)	(2,614,270)	(2,314,075)	(2,314,075)
Loans, net of allowance	219,012,490	216,956,970	183,485,377	182,157,720
Financial liabilities:				
Deposits	269,008,362	269,011,525	280,168,440	280,218,515
Federal funds purchased	9,405,159	9,405,159	1,950,000	1,950,000
Repurchase Agreements	872,036	872,036	0	0
Federal Home Loan Bank advances	11,492,633	11,309,000	7,969,770	7,972,000
Other borrowed funds	7,217,000	7,217,000	7,217,000	7,217,000
Unrecognized financial instruments:				
Commitments to extend credit	0	0	0	0
Standby letters of credit	0	0	0	0

Note 17
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' undistributed earnings or the amount by which total capital exceeds the minimum allowable capital. The dividends, as of December 31, 2006 that the Bank could declare without the approval of the Comptroller of the Currency amounted to approximately $7,641,567.

The Bank is 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 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 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 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, 2006 and 2005, that the Bank meets all capital adequacy requirements to which it is subject.

As of December 31, 2006, 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 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 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, 2006:						
Total capital (to risk-weighted assets)						
American National Bank	$ 31,808,107	13.4%	≥ $18,927,760	≥ 8.0%	≥ $23,659,700	≥ 10.0%
Tier I capital (to risk-weighted assets)						
American National Bank	29,183,837	12.3%	≥ 9,463,880	≥ 4.0%	≥ 14,195,820	≥ 6.0%
Tier I capital (to average assets)						
American National Bank	29,183,837	9.2%	≥ 12,761,625	≥ 4.0%	≥ 15,952,032	≥ 5.0%
As of December 31, 2005:						
Total capital (to risk-weighted assets)						
American National Bank	$ 27,918,896	13.4%	≥$16,635,920	≥8.0%	≥$20,794,900	≥10.0%
Tier I capital (to risk-weighted assets)						
American National Bank	25,594,821	12.3%	≥8,317,960	≥4.0%	≥12,476,940	≥6.0%
Tier I capital (to average assets)						
American National Bank	25,594,821	8.1%	≥12,666,160	≥4.0%	≥15,832,700	≥5.0%

Note 18
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.

Note 19
ACQUISITION OF GUARANTY BANK'S WICHITA FALLS BRANCH

On August 5, 2005, the Company purchased, in accordance with the terms of a Branch Purchase and Assumption Agreement, certain assets and liabilities of the Wichita Falls branch of Guaranty Bank. The transaction has been accounted for in accordance with SFAS No. 141, *"Business Combinations."*

A summary of the recorded amounts of assets acquired and liabilities assumed by the Company is as follows (in thousands):

Assets	
Loans	$ 341,609
Other assets	1,787
Total tangible assets acquired, net of cash received	343,396
Net cash received	55,454,334
Total tangible assets acquired	55,797,730
Liabilities	
Deposits	56,807,708
Other Liabilities	128,185
Total liabilities assumed	56,935,893
Liabilities assumed in excess of total tangible assets acquired	$ 1,138,163

The excess of liabilities assumed over the tangible assets acquired was recorded as a core deposit intangible of approximately $1,138,163 as of August 5, 2005.

Note 20
STATEMENT OF CASH FLOWS

The Company reports on a net basis its cash receipts and cash payments for time deposits accepted and repayments of those deposits, and loans made to customers and principal collections on those loans.

The Company uses the indirect method to present cash flows from operating activities. Other supplemental cash flow information for the years ended December 31, 2005 and 2004 is presented as follows (in thousands):

	December 31, 2006	December 31, 2005
Cash transactions:		
Interest expense paid	$ 6,559,237	$ 4,305,378
Federal income taxes paid	$ 2,381,161	$ 2,222,073
Noncash transactions:		
Net unrealized appreciation (depreciation) on securities available for sale	$ 141,286	($ 356,971)
Purchase of branch (more fully discussed in Note 19):		
Recorded amounts of tangible assets acquired, net of cash and cash equivalents	$	$ 343,396
Net cash received		55,454,334
Total tangible assets acquired		55,797,730
Liabilities assumed by the Company		56,935,893
Liabilities assumed in excess of tangible assets acquired	$	$ 1,138,163

Consolidating Balance Sheet

AmeriBancShares, Inc. and Subsidiaries, December 31, 2006

ASSETS	American National Leasing Co.	Archer Title of Texas, Inc.	American National Bank
Cash and due from banks, noninterest bearing	$ 89,623	$ 110,566	$ 11,237,208
Time deposits in banks			1,300,000
Federal funds sold			4,495,000
Total cash and cash equivalents	89,623	110,566	17,032,208
Securities available for sale			60,737,331
Securities to be held to maturity			334,505
Other securities			1,240,325
Total investment securities			62,312,161
Mortgage loans held for sale			1,205,813
Loans	3,461,874		222,351,708
Less: Unearned discount	(546,098)		
Allowance for loan losses	(115,308)		(2,498,962)
Loans, net	2,800,468		219,852,746
Premises and equipment, net	2,265,405	972,447	8,712,587
Accrued interest receivable			3,553,935
Goodwill		19,615	4,199,860
Intangible assets			976,924
Other assets	118,349	18,816	11,344,822
Total assets	$ 5,273,845	$ 1,121,444	$ 329,191,056
LIABILITIES AND STOCKHOLDERS' EQUITY			
Deposits:			
Demand deposits	$	$	$ 30,615,732
Savings deposits			74,533,632
Money market and NOW accounts			45,231,535
Time certificates of deposit			118,905,938
Total deposits			269,286,837
Federal funds purchased			9,405,159
Repurchase agreements			872,036
Federal Home Loan Bank advances			11,492,633
Other borrowed funds	2,772,280	868,444	
Accrued interest payable	1,443,153	42,489	412,024
Other liabilities	609,809	48,846	3,488,410
Total liabilities	4,825,242	959,779	294,957,099
Stockholders' equity:			
Common stock	1,000	1,000	1,680,000
Surplus			7,090,826
Undivided profits and capital reserves	447,603	160,665	25,646,105
Treasury stock at cost			
Accumulated other comprehensive loss:			
Net unrealized depreciation on securities available for sale			(182,974)
Total stockholders' equity	448,603	161,665	34,233,957
Total liabilities and stockholders' equity	$ 5,273,845	$ 1,121,444	$ 329,191,056

AmeriBancShares of Delaware, Inc.	ANB Realty Corp.	AmeriBancShares, Inc.	Reclassification and Elimination Entries	Consolidated
$ 2,138	$ 1,342	$ 76,944	($ 278,475)	$ 11,239,346
				1,300,000
				4,495,000
2,138	1,342	76,944	(278,475)	17,034,346
		1,513,066		62,250,397
				334,505
34,233,957		35,109,501	(69,343,458)	1,240,325
34,233,957		36,622,567	(69,343,458)	63,825,227
				1,205,813
			(3,640,724)	222,172,858
				(546,098)
				(2,614,270)
			(3,640,724)	219,012,490
	640,028			12,590,467
		6,613	(1,499,442)	2,061,106
				4,219,475
				976,924
12,691	17,203	5,720	69,390	11,586,991
$ 34,248,786	$ 658,573	$ 36,711,844	($ 74,692,709)	$ 332,512,839
$	$	$	($ 278,475)	$ 30,337,257
				74,533,632
				45,231,535
				118,905,938
			(278,475)	269,008,362
				9,405,159
				872,036
				11,492,633
		7,217,000	(3,640,724)	7,217,000
			(1,499,442)	398,224
	14,858		462,658	4,624,581
	14,858	7,217,000	(4,955,983)	303,017,995
7,500	1,000	5,040,000	(1,690,500)	5,040,000
20,910,885	889,159	10,878,386	(28,890,870)	10,878,386
13,513,375	(246,444)	14,641,432	(39,521,304)	14,641,432
		(882,000)		(882,000)
(182,974)		(182,974)	365,948	(182,974)
34,248,786	643,715	29,494,844	(69,736,726)	29,494,844
$ 34,248,786	$ 658,573	$ 36,711,844	($ 74,692,709)	$ 332,512,839

Consolidating Statement of Income

AmeriBancShares, Inc. and Subsidiaries, December 31, 2006

	American National Leasing Co.	Archer Title of Texas, Inc.	American National Bank
Interest income:			
Interest and fees on loans	$ 235,385	$	$ 15,962,348
Interest on investment securities			3,415,524
Interest on time deposits in banks			138,311
Interest on federal funds sold			275,780
Total interest income	235,385		19,791,963
Interest expense:			
Interest on deposits:			
Savings			125,889
Money market and NOW accounts			859,176
Time			4,466,360
Total interest on deposits			5,451,425
Interest on federal funds purchased			258,738
Interest on repurchase agreements			5,195
Interest on Federal Home Loan Bank advances			455,850
Interest on other borrowed funds	76,388	23,948	
Total interest expense	76,388	23,948	6,171,208
Net interest income	158,997	(23,948)	13,620,755
Provision for loan losses			285,000
Net interest income after provision for loan losses	158,997	(23,948)	13,335,755
Other operating income:			
Service charges on deposit accounts			691,480
Trust fee income			3,474,169
Gain on sale of mortgage loans			572,113
Rent income			
Earnings from subsidiary			177,237
Other, net	900,372	876,334	806,798
Total other operating income	900,372	876,334	5,721,797
Other operating expenses:			
Salaries and bonuses	130,868	337,297	4,726,888
Employee benefits	24,478	80,542	2,386,051
Premises and equipment	15,500	91,911	1,580,383
Advertising	2,518	21,549	273,016
Data processing expense			478,161
Printing, stationery and supplies	2,035	23,330	210,128
Professional fees			151,217
Other operating expenses	706,834	216,754	2,106,347
Total other operating expenses	882,233	771,383	11,912,191
Income before income taxes	177,136	81,003	7,145,361
Provision for income taxes	52,273	28,629	2,127,075
Net income	$ 124,863	$ 52,374	$ 5,018,286

AmeriBancShares of Delaware, Inc.	ANB Realty Corp.	AmeriBancShares, Inc.	Reclassification and Elimination Entries	Consolidated
$	$	$	($ 218,362)	$ 15,979,371
		79,102		3,494,626
				138,311
				275,780
		79,102	(218,362)	19,888,088
				125,889
				859,176
				4,466,360
				5,451,425
				258,738
				5,195
				455,850
		484,891	(100,336)	484,891
		484,891	(100,336)	6,656,099
		(405,789)	(118,026)	13,231,989
				285,000
		(405,789)	(118,026)	12,946,989
				691,480
				3,474,169
				572,113
			976,505	976,505
5,018,286		5,003,268	(10,198,791)	
			(948,973)	1,634,531
5,018,286		5,003,268	(10,171,259)	7,348,798
				5,195,053
				2,491,071
	14,858		614,440	2,317,092
				297,083
				478,161
				235,493
				151,217
7,898		4,780	(704,934)	2,337,679
7,898	14,858	4,780	(90,494)	13,502,849
5,010,388	(14,858)	4,592,699	(10,198,791)	6,792,938
(2,686)	(5,052)	(139,593)		2,060,646
$ 5,013,074	($ 9,806)	$ 4,732,292	($ 10,198,791)	$ 4,732,292

Consolidating Statement of Cash Flows

AmeriBancShares, Inc. and Subsidiaries, December 31, 2006

	American National Leasing Co.	Archer Title of Texas, Inc.	American National Bank
Cash flows from operating activities:			
Net income (loss)	$ 124,863	$ 52,374	$ 5,018,286
Adjustments to reconcile net income (loss) to net cash provided by (used in) operations:			
Depreciation	662,271	33,197	662,667
Amortization of intangibles		1,800	113,816
Provision for loan losses			285,000
Provision for (benefit from) deferred taxes	(70,956)	4,619	(157,767)
Gain on sale of mortgage loans			(572,113)
Loss on disposal of premises and equipment	10,038		8,423
Amortization of premium on investment securities			35,962
Accretion of discount on investment securities			(177,657)
Proceeds from sales of mortgage loans			38,025,923
Mortgage loans funded			(37,391,977)
Unconsolidated earnings from subsidiaries			(177,237)
(Increase) decrease in:			
Prepaid expenses	1,057	41,565	26,033
Accrued interest receivable			(350,296)
Income taxes receivable		6,931	(52,959)
Miscellaneous other assets	34,747	339,094	(40,076)
Increase (decrease) in:			
Accrued interest payable	76,374	23,948	88,984
Income taxes payable	(14,618)		(33,235)
Other taxes payable			(232,499)
Other accrued expenses	189,518	17,154	872,903
Net cash provided by (used in) operating activities	1,013,294	520,682	5,952,181
Cash flows from investing activities:			
Proceeds from maturities of securities available for sale			30,256,664
Proceeds from sales of securities available for sale			
Proceeds from maturities of securities held to maturity			78,609
Purchase of securities available for sale			(16,983,410)
Purchase of other securities			(431,675)
Purchase of cash value life insurance			(550,757)
Cash paid to subsidiaries			
Dividends received from subsidiaries			
Net increase in loans	(809,189)		(35,479,755)
Purchase of premises and equipment	(817,052)	(520,836)	(528,866)
Proceeds from sale of premises and equipment	506,313		
Net cash provided by (used in) investing activities	(1,119,928)	(520,836)	(23,639,190)
Cash flows from financing activities:			
Net increase (decrease) in deposits			(11,383,087)
Net increase in federal funds purchased			7,455,159
Net increase in repurchase agreements			872,036
Net decrease in Federal Home Loan Bank advances			3,522,863
Net increase (decrease) in other borrowed funds	(177,500)	30,000	
Capital contributions			
Dividends paid			(1,541,840)
Net cash provided by (used in) financing activities	(177,500)	30,000	(1,074,869)
Net increase (decrease) in cash and cash equivalents	(284,134)	29,846	(18,761,878)
Cash and cash equivalents at beginning of period	373,757	80,720	35,794,086
Cash and cash equivalents at end of period	$ 89,623	$ 110,566	$ 17,032,208

AmeriBancShares of Delaware, Inc.	ANB Realty Corp.	AmeriBancShares, Inc.	Reclassification and Elimination Entries	Consolidated
$ 5,013,074	($ 9,806)	$ 4,732,292	($ 10,198,791)	$ 4,732,292
				1,358,135
				115,616
				285,000
				(224,104)
				(572,113)
				18,461
				35,962
				(177,657)
				38,025,923
				(37,391,977)
(5,018,286)		(5,003,268)	10,198,791	
				68,655
		(531)	92,444	(258,383)
(2,686)	(5,052)	5,209	(40,017)	(88,574)
				333,765
			(92,444)	96,862
			40,017	(7,836)
				(232,499)
	(7,284)			1,072,291
(7,898)	(22,142)	(266,298)		$ 7,189,819
				30,256,664
		398,289		398,289
				78,609
		(78,570)		(17,061,980)
				(431,675)
				(550,757)
		(23,000)	23,000	
1,541,840		1,534,260	(3,076,100)	
			(147,500)	(36,436,444)
				(1,866,754)
				506,313
1,541,840		1,830,979	(3,200,600)	(25,107,735)
			223,009	(11,160,078)
				7,455,159
				872,036
				3,522,863
			147,500	
	23,000		(23,000)	
(1,534,260)		(1,534,260)	3,076,100	(1,534,260)
(1,534,260)	23,000	(1,534,260)	3,423,609	(844,280)
(318)	858	30,421	223,009	(18,762,196)
2,456	484	46,523	(501,484)	35,796,542
$ 2,138	$ 1,342	$ 76,944	($ 278,475)	$ 17,034,346

Officers and Directors

Of American National Bank

OFFICERS

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President and CEO

Magan Catney
Administrative Officer

Loan Department

Dwight L. Berry
Executive Vice President

Don Whatley
Senior Vice President

Doris McGregor Steinberger
Vice President/Compliance Officer

Vicki Nason
Vice President/Credit and Collateral

Linda Musgrave
Assistant Vice President/Loans

Peggy Carr
Banking Officer

Vera Simons
Banking Officer

Donna Stell
Banking Officer

Damon Whatley
Credit Officer

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Susan Cast
Senior Vice President/Teller Operations

Nancy Vannucci
Senior Vice President/Internal Auditor

Blake Andrews
Senior Vice President/Controller

Kenneth L. Haney
Assistant Vice President/Calling Officer

J. Bradley Davidson
Assistant Vice President/Human Resources

Nora Thornton
Banking Officer/New Accounts Supervisor

Andrew Walmer
Information Technology Officer

Trust and Investment Services

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Senior Vice President / Senior Trust Officer

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Vice President/Brokerage Services

Michael W. Boyle
Vice President/Trust Compliance Officer

Kevin Goldstein
Vice President/Trust Officer/Brokerage Services

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Trust Officer

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Vice President/Trust Officer

Linda Wilson
Vice President/Trust Officer

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Vice President/Trust Officer

Jeffrey S. Schultz
Vice President/Trust Investment Officer

Paula Walmer
Assistant Vice President/Operations Manager

Mortgage Loan Department

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Kathy Roberts
Vice President

Donna Vaughn
Vice President

John Johnston
Assistant Vice President

Natalie Eubanks
Banking Officer

Chris Rogers
Banking Officer

American National Leasing Company

Mike Cuba
Vice President

Downtown Office

Johnny Clark
Senior Vice President/Branch Manager

John W. Kable
Senior Vice President/Loans

Gail Natale
Marketing Director

Karen Miller
Banking Officer

Marva Pieratt
Banking Officer

Iowa Park Office

Reanna Jones
Banking Officer/Branch Manager

Flower Mound Office

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Senior Vice President/Branch Manager

Jim Hendry
Senior Vice President/Loans

Joe D. Willard
Senior Vice President/Loans

Sara Knight
Banking Officer

Flower Mound Trust and Investment Services

Sharon L. Manley
Vice President/Trust Officer

Flower Mound Mortgage Loan Department

Spencer Murphy
Vice President

American National Leasing Company, *Flower Mound*

E.B. Cloud
Leasing Agent

Archer Title of Texas, Inc.

Judy McLemore
Vice President/Manager

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Chairman of the Board

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Ben D. Woody

**Advisory Director*

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