Strong

And Getting

STRONGER.

2008 Annual Report
AmeriBancShares, Inc.

John B. "Bo" Stahler
President and CEO

2008 will go down in history as one of the most turbulent years in the global economy. Who would have thought that corporate giants such as AIG, General Motors, Citigroup and others could approach the brink of financial ruin, that a corporation the size of Lehman Brothers could actually fail, or that a single individual could mastermind a massive fraud resulting in billions of dollars in losses to investors worldwide? And frankly, 2009 does not appear to be much better. The United States remains in economic turmoil as unemployment continues to rise, the housing market is faced with record foreclosures, Wall Street is in the midst of its worst downturn in decades, and the Federal Government is faced with funding billions of dollars in stimulus packages in an effort to turn the economy around, but at this point anyway, to no avail. Not a pretty picture by any stretch of the imagination.

However, I am pleased to report that American National Bank remains well capitalized and strong. That is not to say we have not been immune to the current economic situation. Our earnings in 2008 were down approximately $1.8MM from the prior year as the Federal Reserve dropped interest rates to record lows, making it impossible for us to maintain an acceptable net interest margin. The margin squeeze resulted in our net interest income being down in excess of $1.7MM, <u>virtually the same amount as the decline in earnings.</u> While we had anticipated some of the decline in earnings, none of us could have forecast the rapid decline in rates the Fed initiated in an effort to boost consumer spending.

The good news is that despite the decline in earnings, American National Bank is "STRONG… and GETTING STRONGER" as our commercials of late have indicated. To illustrate, please refer to page 4 of the Annual Report entitled Financial Highlights, which summarizes the overall performance of the Bank for 2008. The data shows that our loan totals continue to grow, up $51MM as of year-end, a gain of 22%, and deposits were up $35MM in comparison with the December 31, 2007 total, an increase of 13%. Much has been written of late that banks are not lending money. I submit to you that community banks continue to lend and, in our case, *at a record level.* Just as important, if not more so, is that the quality of our loan portfolio remains excellent. While we are quickly approaching $300MM in loans, loan losses for the year were less than $130M, and we had recoveries of loans previously charged off nearly $157M, so in effect we had net recoveries for the year. Enough cannot be said about the expertise and quality of our lending staff, as year after year they continue to grow the loan totals with minimal losses. Because of the tremendous increase in our loan activity, we did allocate $415M to the Provision for Loan Losses, bringing the year-end total to nearly $3.3MM.

Strong
And Getting
STRONGER.

President’s Message
Continued

Fee income continues to be a significant portion of our gross revenue as well, as 29.2% of the $27MM in gross operating income was fee driven. Trust fee income accounted for nearly 50% of the total, but the gain on sale of mortgage loans, service charges on deposit accounts, and rent income derived from American National Leasing all added significantly to the total.

2009 will be another challenging year. The economy remains in dire straits, consumer confidence is at an all time low, and much uncertainty remains. Assuming interest rates remain low as we anticipate, it will be difficult to improve on our earnings picture as our net interest margin will continue to be squeezed. This is, however, a short term problem, as eventually rates will move up at which time we will be well positioned to get our earnings back to a more normal level. In the mean time, credit quality, as always, will be monitored closely, along with our desire to maintain quality service to our customers.

We have much to be thankful for at American National Bank.

Along that line, we have moved our Mortgage Loan Department and Archer Title Company to a new location at the corner of Elmwood and Maplewood. Combining those two operations under one roof is a positive move as the two operations are so closely related. Their move will also allow us to remodel both the Main Bank and the Archer Title Building, which has become necessary as our staff continues to grow.

We have much to be thankful for at American National Bank. We are the largest community bank in the area, we remain locally owned and operated, and we have a wonderful and dedicated staff with many years of experience to serve the banking needs of our customers, who continue to support us year after year. Our commitment to you is to continue to enhance your shareholder value while maintaining prudent and sound banking practices.

Bo Stahl

John B. “Bo” Stahler
President & CEO

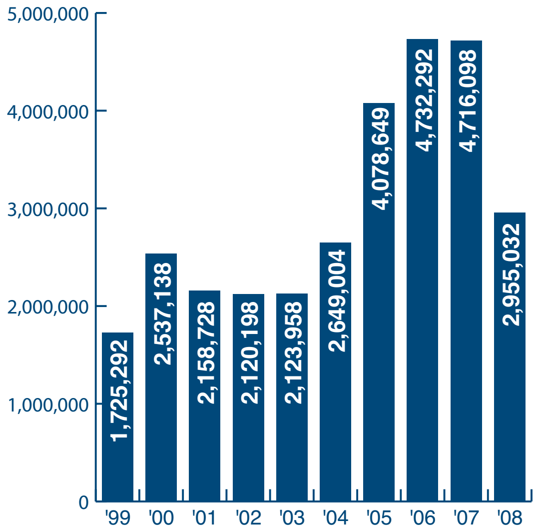
Right: The new home of the Mortgage Loan Division and Archer Title of Texas, Inc. At the corner of Maplewood and Elmwood Avenue North


American National Bank

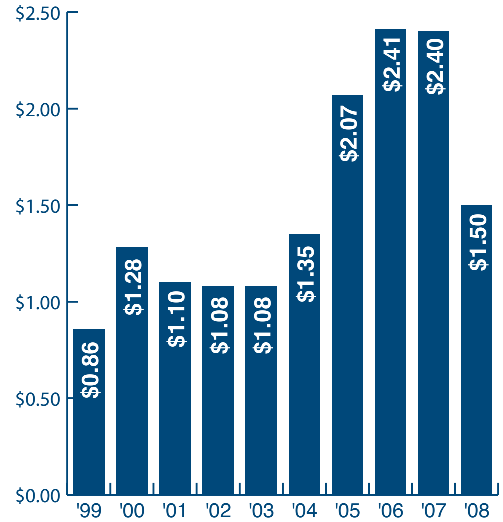
Financial Highlights

	Year Ended December 31, 2008	2007	% Change
Earnings			
Net Interest Income	12,437,032	14,147,895	- 12.1
Provision For Loan Losses	415,000	348,000	+ 19.3
Non-Interest Income	7,918,162	8,052,969	- 1.7
Non-Interest Expense	15,766,094	15,026,569	+ 4.5
Net Income	2,955,032	4,716,098	- 37.3
Share Data			
Net Income	1.50	2.40	- 37.5
Dividends Paid	.88	.83	+ 6.0
Book Value	16.53	16.52	+ 0.1
Returns			
Return on Average Assets	.81	1.44	- 43.8
Return on Average Equity	9.06	15.04	- 39.8
Financial Position at Year End			
Total Assets	397,395,210	335,055,121	+ 18.6
Loans (Net)	284,618,930	233,795,444	+ 21.7
Reserve for Loan Losses	3,263,287	2,817,822	+ 15.8
Deposits	302,193,214	267,660,872	+ 12.9
Equity	32,520,235	32,492,888	+ 0.1

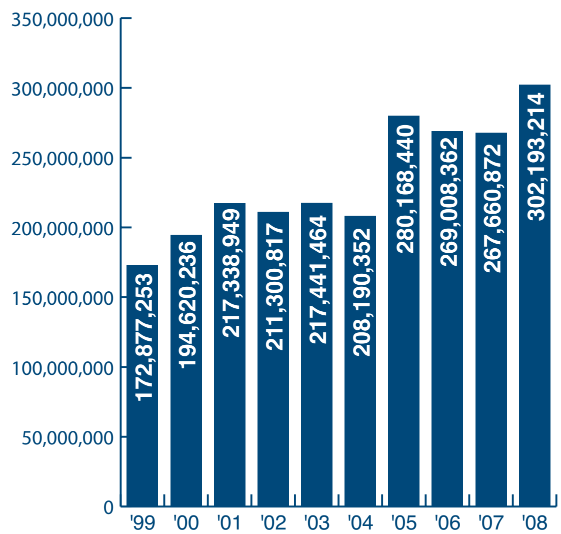
Consolidated Net Income



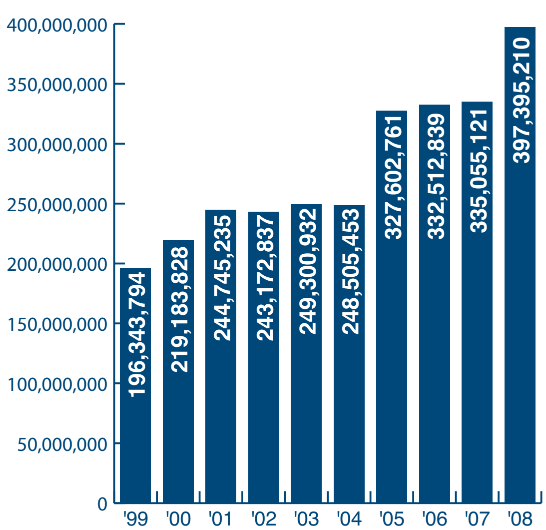
Earnings Per Share



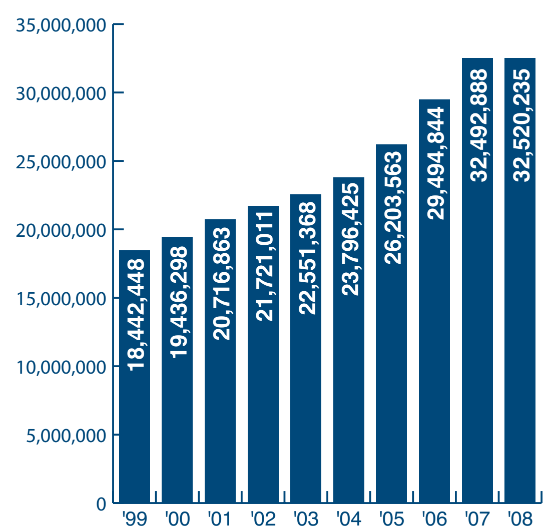
Year End Deposits



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, 2008 and 2007, 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, 2008 and 2007, 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 16, 2009

ASSETS	2008	2007
Cash and due from banks	$ 12,560,856	$ 11,209,973
Time deposits in banks	1,596,000	800,000
Federal funds sold		12,300,000
Total cash and cash equivalents	14,156,856	24,309,973
Securities available for sale	61,035,295	42,799,222
Securities to be held to maturity (approximate market value of $128,514 in 2008 and $272,718 in 2007)	131,011	274,101
Other securities (approximate market value of $2,277,850 in 2008 and $1,083,550 in 2007)	2,277,850	1,083,550
Total investment securities	63,444,156	44,156,873
Mortgage loans held for sale	1,046,117	759,815
Loans	288,373,980	237,130,534
Less: Unearned discount	(491,763)	(517,268)
Allowance for loan losses	(3,263,287)	(2,817,822)
Loans, net	284,618,930	233,795,444
Premises and equipment, net	14,845,280	12,960,947
Accrued interest receivable	1,861,895	1,923,149
Goodwill	4,219,475	4,219,475
Intangible assets	586,154	781,539
Other assets	12,616,347	12,147,906
Total assets	$ 397,395,210	$ 335,055,121

LIABILITIES AND STOCKHOLDERS' EQUITY		
Deposits:		
Demand deposits	$ 21,565,860	$ 19,469,927
Savings deposits	100,957,086	86,748,147
Money market and NOW accounts	63,137,965	44,290,719
Time certificates of deposit	116,532,303	117,152,079
Total deposits	302,193,214	267,660,872
Federal funds purchased	4,890,000	8,969,609
Repurchase agreements	4,715,516	3,368,147
Other borrowed funds	39,770,997	10,144,975
Junior Subordinated Debentures	7,217,000	7,217,000
Accrued interest payable	492,221	401,069
Other liabilities	5,596,027	4,800,561
Total liabilities	364,874,975	302,562,233
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	18,948,992	17,724,920
Treasury stock at cost (49,000 shares)	(882,000)	(882,000)
Unearned KSOP shares	(1,520,000)	(330,000)
Accumulated other comprehensive income (loss):		
Net unrealized depreciation on derivatives used for cash flow hedges, net of tax $176,034	(341,713)	
Net unrealized appreciation on securities available for sale, net of tax of $204,294 in 2008 and $31,724 in 2007	396,570	61,582
Total stockholders' equity	32,520,235	32,492,888
Total liabilities and stockholders' equity	$ 397,395,210	$ 335,055,121

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

Consolidated Statements of Income

For the Years Ended December 31, 2008 and 2007

	2008	2007
Interest income:		
Interest and fees on loans	$ 16,347,332	$ 18,932,830
Interest on investment securities	2,621,937	2,628,638
Interest on time deposits in banks	73,335	45,823
Interest on federal funds sold	118,897	219,916
Total interest income	19,161,501	21,827,207
Interest expense:		
Interest on deposits:		
Savings	136,302	130,955
Money market and NOW accounts	769,158	859,974
Time	4,181,602	5,103,456
Total interest on deposits	5,087,062	6,094,385
Interest on federal funds purchased	121,305	440,221
Interest on repurchase agreements	35,112	89,838
Interest on other borrowed funds	1,010,944	538,097
Interest on Junior Subordinated Debentures	470,046	516,771
Total interest expense	6,724,469	7,679,312
Net interest income	12,437,032	14,147,895
Provision for loan losses	415,000	348,000
Net interest income after provision for loan losses	12,022,032	13,799,895
Other operating income:		
Service charges on deposit accounts	572,572	576,377
Trust fee income	3,900,103	3,806,167
Gain on sale of mortgage loans	582,874	666,212
Rent income	789,611	817,636
Other, net	2,073,002	2,186,577
Total other operating income	7,918,162	8,052,969
Other operating expenses:		
Salaries and bonuses	6,213,707	5,807,224
Employee benefits	2,891,720	2,923,402
Premises and equipment	1,827,231	1,694,446
Advertising	315,238	326,540
Data processing expense	485,411	459,186
Printing, stationery and supplies	245,626	259,235
Professional fees	214,520	171,242
Other operating expenses	3,572,641	3,385,294
Total other operating expenses	15,766,094	15,026,569
Income before income taxes	4,174,100	6,826,295
Provision for income taxes	1,219,068	2,110,197
Net income	$ 2,955,032	$ 4,716,098
Net income per share of common stock	$ 1.50	$ 2.40

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

Consolidated Statements of Changes in Stockholders' Equity

For the Years Ended December 31, 2008 and 2007

	Common Stock Number of Shares	Amount	Surplus	Undivided Profits and Capital Reserves	Treasury Stock	Unearned KSOP Shares	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
Balance, January 1, 2007	2,016,000	$ 5,040,000	$ 10,878,386	$ 14,641,432	($ 882,000)	$	($ 182,974)	$ 29,494,844
Comprehensive income:								
Net income				4,716,098				4,716,098
Other comprehensive income:								
Net change in unrealized appreciation (depreciation) on securities available for sale, net of taxes of $125,983							244,556	244,556
Total comprehensive income								4,960,654
Net change in unearned compensation under KSOP						(330,000)		(330,000)
Cash dividends, $.83 per common share				(1,632,610)				(1,632,610)
Balance, December 31, 2007	2,016,000	5,040,000	10,878,386	17,724,920	(882,000)	(330,000)	61,582	32,492,888
Comprehensive income:								
Net income				2,955,032				2,955,032
Other comprehensive income (loss):								
Net change in fair value of derivatives used for cash flow hedges, net of taxes of ($176,034)							(341,713)	(341,713)
Net change in unrealized appreciation on securities available for sale, net of taxes of $172,570							334,988	334,988
Total comprehensive income								2,948,307
Net change in unearned compensation under KOSP						(1,190,000)		(1,190,000)
Cash dividends, $.88 per common share				(1,730,960)				(1,730,960)
Balance, December 31, 2008	2,016,000	$ 5,040,000	$ 10,878,386	$ 18,948,992	($ 882,000)	($1,520,000)	$ 54,857	$ 32,520,235

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

Consolidated Statements of Cash Flows

For the Years Ended December 31, 2008 and 2007

	2008	2007
Cash flows from operating activities:		
Net income	$ 2,955,032	$ 4,716,098
Adjustments to reconcile net income to net cash provided by operations:		
Depreciation	1,285,584	1,279,063
Amortization of intangibles	197,185	197,185
Provision for loan losses	415,000	348,000
Provision for other real estate owned losses	68,757	
Benefit from deferred taxes	(240,482)	(272,823)
Gain on sale of mortgage loans	(582,874)	(666,212)
(Gain) loss on sale of other real estate owned	26,953	(16,294)
Gain on disposal of premises and equipment	(9,868)	(8,438)
Amortization of premium on investment securities	42,505	4,026
Accretion of discount on investment securities	(9,564)	(80,563)
Proceeds from sales of mortgage loans	37,692,586	49,068,444
Mortgage loans funded	(37,410,801)	(47,984,511)
(Increase) decrease in:		
Prepaid expenses	(21,807)	(142,104)
Accrued interest receivable	61,254	137,957
Income taxes receivable	61,297	(24,408)
Miscellaneous other assets	111,580	(32,167)
Increase (decrease) in:		
Accrued interest payable	91,152	2,845
Other taxes payable	226,112	40,000
Other accrued expenses	786,096	135,980
Net cash provided by operating activities	5,745,697	6,702,078
Cash flows from investing activities:		
Proceeds from maturities of securities available for sale	29,161,849	43,049,246
Proceeds from sale of securities available for sale	80,677	339,047
Proceeds from maturities of securities held to maturity	143,123	60,453
Proceeds from sale of other securities		308,875
Purchase of securities available for sale	(47,004,018)	(23,490,091)
Purchase of other securities	(977,300)	(152,100)
Purchase of cash value life insurance	(523,268)	(537,034)
Net increase in loans	(52,962,883)	(15,102,677)
Purchase of premises and equipment	(3,649,319)	(2,757,244)
Proceeds from sale of premises and equipment	494,483	1,123,324
Proceeds from sale of other real estate owned	832,678	328,947
Net cash provided by (used in) investing activities	(74,403,978)	3,170,746
Cash flows from financing activities:		
Net increase (decrease) in deposits	34,532,342	(1,347,490)
Net decrease in federal funds purchased	(4,079,609)	(435,550)
Net increase in repurchase agreements	1,347,369	2,496,111
Net increase (decrease) in other borrowed funds	28,436,022	(1,677,658)
Dividends paid	(1,730,960)	(1,632,610)
Net cash provided by (used in) financing activities	58,505,164	(2,597,197)
Net increase (decrease) in cash and cash equivalents	(10,153,117)	7,275,627
Cash and cash equivalents at beginning of period	24,309,973	17,034,346
Cash and cash equivalents at end of period	$ 14,156,856	$ 24,309,973

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, Archer City 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, 2008 and 2007.

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. Interest on 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.

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

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. Other real estate owned, in the amount of $1,039,398 and $228,600 at December 31, 2008 and 2007, 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.

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.

Derivative Financial Instruments: Derivative financial instruments are recognized as assets and liabilities on the consolidated balance sheet and measured at fair value.

Interest Rate Swap Agreements: For asset/liability management purposes, the Company uses interest rate swap agreements to hedge various exposures or to modify interest rate characteristics of various balance sheet accounts. Interest rate swaps are contracts in which a series of interest rate flows are exchanged over a prescribed period. The notational amount on which the interest payments are based is not exchanged. These swap agreements are derivative instruments and generally convert a portion of the Company's variable-rate debt to a fixed rate (cash flow hedge).

The effective portion of the gain or loss on a derivative designated and qualifying as a cash flow hedging instrument is initially reported as a component of other comprehensive income and subsequently reclassified into earnings in the same period or periods during which the hedged transaction affects earnings. The ineffective portion of the gain or loss on the derivative instrument, if any, is recognized currently in earnings.

For cash flow hedges, the net settlement (upon close-out or termination) that offsets changes in the value of the hedged debt is deferred and amortized into net interest income over the life of the hedged debt.

Interest rate derivative financial instruments receive hedge accounting treatment only if they are designated as a hedge and are expected to be, and are, effective in substantially reducing interest rate risk arising from the assets and liabilities identified as exposing the Company to risk. Those derivative financial instruments that do not meet specified hedging criteria would be recorded at fair value with changes in fair value recorded in income. If periodic assessment indicates derivatives no longer provide an effective hedge, the derivative contracts would be closed out and settled, or classified as a trading activity.

Cash flows resulting from the derivative financial instruments that are accounted for as hedges of assets and liabilities are classified in the cash flow statement in the same category as the cash flows of the items being hedged.

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 2007 financial statements have been reclassified, where appropriate, to conform with the financial presentation used in 2008.

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.

Fair values of Financial Instruments: In September 2006, the FASB issued Statement No. 157, *Fair Value Measurements.* This Statement defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. This Statement establishes a fair value hierarchy about the assumptions used to measure fair value and clarifies assumptions about risk and the effect of a restriction on the sale or use of an asset. The standard is effective for fiscal years beginning after November 15, 2007. In February 2008, the FASB issued Staff Position (FSP) 157-2, *Effective Date of FASB Statement No. 157.* This FSP delays the effective date of FAS 157 for all nonfinancial assets and nonfinancial liabilities, except those that are recognized or disclosed at fair value on a recurring basis to fiscal years beginning after November 15, 2008, and interim periods within those fiscal years. In October 2008, the FASB issued Staff Position (FSP) 157-3, *Determining the Fair Value of a Financial Asset when the Market for That Asset Is Not Active.* This FSP clarifies the application of FAS 157 in a market that is not active. The impact of the adoption of this Statement and related Staff Positions in 2008 did not have a material impact on the Company's consolidated financial position or results of operations.

Note 2
INVESTMENT SECURITIES

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

	December 31, 2008			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Market Value
Securities Available For Sale				
United States Agency securities	$ 22,001,772	$ 215,378	$	$ 22,217,150
Obligations of states and political subdivisions	7,840,000	11,975	(351,900)	7,500,075
Mortgage-backed securities	29,407,878	734,957	(9,546)	30,133,289
Equity Securities	1,184,781			1,184,781
Totals	$ 60,434,431	$ 962,310	($ 361,446)	$ 61,035,295
Securities to be Held to Maturity				
Mortgage-backed securities	$ 131,011	$	($ 2,497)	$ 128,514
Totals	$ 131,011	$	($ 2,497)	$ 128,514
Other securities	$ 2,277,850	$	$	$ 2,277,850

Note 2
INVESTMENT SECURITIES (Continued)

	December 31, 2007			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Market Value
Securities Available For Sale				
United States Agency securities	$ 21,187,581	$ 64,450	($ 6,169)	$ 21,245,862
Obligations of states and political subdivisions	5,785,000	20,450	(82,424)	5,723,026
Mortgage-backed securities	14,491,133	107,223	(10,224)	14,588,132
Equity securities	1,242,202			1,242,202
Totals	$ 42,705,916	$ 192,123	($ 98,817)	$ 42,799,222
Securities to be Held to Maturity				
Obligations of states and political subdivisions	$ 119,986	$	($ 12)	$ 119,974
Mortgage-backed securities	154,115		(1,371)	152,744
Totals	$ 274,101	$	($ 1,383)	$ 272,718
Other securities	$ 1,083,550	$	$	$ 1,083,550

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, 2008, 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	$ 1,205,000	$ 1,194,554	$	$
Due after one year through five years	17,161,772	17,136,636		
Due after five years through ten years	11,475,000	11,386,035		
	29,841,772	29,717,225		
Mortgage-backed securities	29,407,878	30,133,289	131,011	128,514
Equity securities	1,184,781	1,184,781		
Totals	$ 60,434,431	$ 61,035,295	$ 131,011	$ 128,514

Proceeds from sales of available for sale securities for the years ended December 31, 2008 and 2007 were approximately $80,677 and $339,047, respectively. No gross gains were realized on sales of available for sale securities during 2008 or 2007. No gross losses were realized on sales of available for sale securities during 2008 or 2007. There were no sales of held to maturity securities during 2008 or 2007.

Investment securities with a recorded value of approximately $33,031,307 and $31,171,453 at December 31, 2008 and 2007, 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, 2008 are summarized as follows:

	Less than 12 Months		12 Months or More	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Securities Available for Sale				
Mortgage-backed securities	$	($)	$ 394,709	($ 9,546)
State and political obligations	6,488,181	(346,819)	364,919	(5,081)
	$ 6,488,181	($ 346,819)	$ 759,628	($ 14,627)
Securities Held to Maturity				
Mortgage-backed securities	$ 34,403	($ 641)	$ 94,111	($ 1,856)
	$ 34,403	($ 641)	$ 94,111	($ 1,856)

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, 2008, 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, 2008	December 31, 2007
Commercial and industrial	$ 34,821,378	$ 33,664,310
Real estate - other	199,781,232	159,342,186
Real estate - construction	36,916,880	29,598,056
Consumer - installment	16,821,322	14,320,520
Overdrafts	33,168	205,462
Total loans	$ 288,373,980	$ 237,130,534

The Company had no loans to borrowers engaged in similar activities which exceeded 5% of total assets at December 31, 2008 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 $47,657,588 and $46,515,217 at December 31, 2008 and 2007, respectively. Custodial escrow balances maintained in connection with the foregoing loan servicing, and included in demand deposits, were approximately $183,105 and $254,758 at December 31, 2008 and 2007, 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, 2008 and 2007, are $310,013 and $373,430, respectively, and are included in other assets. The fair values of these rights were $310,013 and $538,321 at December 31, 2008 and 2007, respectively. The fair value of servicing rights was determined using discount rates ranging from 12% to 15% and prepayment speeds ranging from 5.59% to 25.50%, depending on the stratification of the specific right.

Note 3
LOANS AND ALLOWANCE FOR LOAN LOSSES (Continued)

A summary of the changes in servicing rights is as follows:

		2008		2007
Balance at beginning of year	$	373,430	$	366,953
Originations		58,240		53,983
Amortization	(	60,636)	(	47,506)
Impairments	(	61,021)		
Balance at end of year	$	310,013	$	373,430

There were no impaired loans as of December 31, 2008. Impaired loans having carrying values of $142,534 at December 31, 2007 have been recognized in conformity with SFAS 114 as amended by SFAS 118. The average recorded investment in impaired loans during 2008 and 2007 was $401,921 and $42,272, respectively. The total allowance for loan losses related to those loans was $20,350 on December 31, 2007. No payments on these loans were recorded as interest income when received in 2008 or 2007. There were no material commitments to lend additional funds to debtors whose loans were classified as impaired as of December 31, 2008 or 2007.

Loan maturities and rate sensitivity of the loan portfolio at December 31, 2008 and 2007, including mortgage loans held for resale less loans on nonaccrual, are as follows:

		2008		2007
Fixed rate loans with a remaining maturity of:				
Three months or less	$	10,914,840	$	9,181,841
Over three months through twelve months		12,889,810		14,985,435
Over one year through five years		44,985,379		38,734,273
Over five years		37,253,250		24,625,147
Total fixed rate loans	$	106,043,279	$	87,526,696
Variable rate loans with a repricing frequency of:				
Quarterly or more frequently	$	170,467,514	$	136,016,743
Annually or more frequently, but less frequently than quarterly		3,323,496		4,475,851
Every five years or more frequently, but less frequently than annually		9,179,251		7,449,581
Less frequently than every five years		406,557		2,278,944
Total variable rate loans	$	183,376,818	$	150,221,119

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

		2008		2007
Balance at beginning of year	$	2,817,822	$	2,614,270
Provision for loan losses		415,000		348,000
Loans charged off	(	126,464)	(	154,707)
Recoveries of loans previously charged off		156,929		10,259
Balance at end of year	$	3,263,287	$	2,817,822

The allowance for financial statement purposes exceeded the federal income tax allowance by $2,565,297 and $2,119,831 at December 31, 2008 and 2007, 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, 2008		December 31, 2007
Land		$	2,318,748	$	2,318,748
Premises	5-40 years		10,060,102		8,898,326
Furniture, fixtures and equipment	3-10 years		7,560,399		6,737,067
Land improvements	5-20 years		490,575		442,707
Lease equipment	3 - 5 years		3,309,150		3,073,343
			23,738,974		21,470,191
Less accumulated depreciation			8,893,694		8,509,244
Totals		$	14,845,280	$	12,960,947

Depreciation expense amounted to $1,285,584 and $1,279,063 in 2008 and 2007, 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 $74,974 and $70,421 for the years ended December 31, 2008 and 2007, respectively.

Note 5
GOODWILL

Goodwill in the amount of $4,219,475 at December 31, 2008 and 2007, is included in the accompanying consolidated financial statements. 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, 2008 and 2007 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, 2008 and 2007 consisted of the following amounts:

		2008		2007
Gross amount	$	1,138,163	$	1,138,163
Accumulated amortization	(	552,009)	(	356,624)
	$	586,154	$	781,539

Changes in the carrying amount of intangibles during 2008 and 2007 are summarized as follows:

		2008		2007
Net intangible at January 1	$	781,539	$	976,924
Amortization expense	(	195,385)	(	195,385)
Net intangible at December 31	$	586,154	$	781,539

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 $39,705,779 and $44,056,220 at December 31, 2008 and 2007, respectively.

At December 31, 2008 and 2007, the scheduled maturities of certificates of deposit are as follows:

	December 31, 2008	December 31, 2007
Less than three months	$ 42,771,245	$ 46,213,729
Four to twelve months	45,835,173	43,524,290
One to five years	27,880,863	27,410,557
Five to ten years	45,022	3,503
Totals	$ 116,532,303	$ 117,152,079

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, 2008 the Company has reclassed $56,836,966 demand deposits and $34,189,109 NOW and Money Market deposits to savings deposits for regulatory reporting in connection with this program. At December 31, 2007 the Company has reclassed $48,723,160 demand deposits and $28,967,266 NOW and Money Market deposits to savings deposits.

Note 8
SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE

Securities sold under agreements to repurchase amounted to $4,715,516 and $3,368,147 at December 31, 2008 and 2007, respectively. The agreements are secured by U.S. Government Agency securities with a fair value of $4,815,806 at 2008 and $3,436,785 at 2007. The weighted average interest rate on these agreements was 0.00% at December 31, 2008 and 2.95% at December 31, 2007. The agreements of $4,715,516 at December 31, 2008 mature on January 2, 2009.

Note 9
OTHER BORROWED FUNDS

Included in other borrowed funds at December 31, 2008 and 2007, respectively, are the following:

	2008	2007
Advances from the Federal Home Loan Bank	$ 38,250,997	$ 9,814,975
KSOP note payable	1,520,000	330,000
	$ 39,770,997	$ 10,144,975

Advances from the Federal Home Loan Bank

Advances from the Federal Home Loan Bank amounted to $38,250,997 and $9,814,975, respectively, at December 31, 2008 and 2007. These borrowings are collateralized by one-to-four family residences. The Federal Home Loan Bank advances have fixed rates ranging from 2.80% to 5.63%. The advances were used to fund fixed interest rate loans to customers. As of December 31, 2008, aggregate annual scheduled repayments of Federal Home Loan Bank advances were as follows:

2009	$ 13,407,179
2010	13,837,523
2011	2,680,303
2012	2,253,950
2013	2,251,848
Thereafter	3,820,194
	$ 38,250,997

KSOP Note Payable

At December 31, 2008, the Company's KSOP had two notes payable in the amount of $330,000 and $1,190,000 with First National Bank of Chillicothe (a related party through a common director). The notes bear interest at the stated prime rate (3.25% at December 31, 2008). The $330,000 note is secured by 10,000 shares of the Company's stock and matures on January 16, 2009. The $1,190,000 note is secured by 35,000 shares of the Company's stock and matures on June 4, 2009.

Note 10
JUNIOR SUBORDINATED DEBENTURES

The junior subordinated debentures of $7,217,000 at December 31, 2008 and 2007 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, 2008 and 2007. Both the junior subordinated debentures and the related trust preferred securities yield an annual distribution rate of 3-month LIBOR plus 1.80% (3.80% at December 31, 2008 and 7.49% at December 31, 2007), 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, 2008 and 2007.

Note 11
INCOME TAXES

The provision for income taxes consists of the following:

	December 31, 2008	December 31, 2007
Current income tax expense:		
Federal and state	$ 1,459,550	$ 2,383,020
Deferred income tax expense (benefit) arising from:		
Excess of tax over financial accounting depreciation	116,093	(108,604)
Accounting for bad debt expense	(151,458)	(70,294)
Mortgage servicing valuation allowance	(20,747)	
Federal Home Loan Bank stock dividends	11,458	16,048
Deferred compensation benefits	(234,220)	(201,623)
Deferred loan fee income	(44,930)	(15,050)
Goodwill amortization	106,699	106,700
Write down of other real estate owned	(23,377)	
	(240,482)	(272,823)
Total income tax expense	$ 1,219,068	$ 2,110,197

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 11

INCOME TAXES (Continued)

As of December 31, 2008 and 2007, 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 $800,485 and $556,539 at December 31, 2008 and 2007 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, 2008	December 31, 2007
Deferred tax assets:		
Excess of tax cost over financial cost for fixed assets	$ 104,095	$ 123,115
Allowance for loan losses	872,201	720,743
Mortgage servicing valuation allowance	20,747	
Deferred compensation benefits	1,497,184	1,262,964
Deferred loan fee income	77,328	32,398
Write down of other real estate owned	23,377	
Net unrealized depreciation on derivatives used for cash flow hedges	176,034	
Total deferred tax assets	2,770,966	2,139,220
Deferred tax liabilities:		
Depreciation	(854,799)	(757,726)
Federal Home Loan Bank stock dividends	(167,722)	(156,264)
Amortization	(743,666)	(636,967)
Net unrealized appreciation on securities available for sale	(204,294)	(31,724)
Total deferred tax liabilities	(1,970,481)	(1,582,681)
Total net deferred tax asset	$ 800,485	$ 556,539

Federal income taxes currently receivable of $51,685 and $112,982 at December 31, 2008 and 2007, respectively, are included in other assets.

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 2008 and 2007 was $386,334 and $552,882, respectively. Employee salary reduction contributions of $384,442 and $358,509 were made in 2008 and 2007, 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, 2008 and 2007, the Company's accrued liability under the agreements was $4,403,481 and $3,714,598, 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, 2008 and 2007, respectively, include $8,173,063 and $7,723,021 in cash value of these life insurance policies.

Note 13
ON-BALANCE SHEET DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

Derivative Financial Instruments

The Company has stand alone derivative financial instruments in the form of interest rate swap agreements, which derive their value from underlying interest rates. These transactions involve both credit and market risk. The notional amounts are amounts on which calculations, payments, and the value of the derivative are based. Notional amounts do not represent direct credit exposures. Direct credit exposure is limited to the net difference between the calculated amounts to be received and paid, if any. Such difference, which represents the fair value of the derivative instruments, is reflected on the Company's balance sheet as other assets and other liabilities.

The Company is exposed to credit-related losses in the event of nonperformance by the counterparties to these agreements. The Company controls the credit risk of its financial contracts through credit approvals, limits and monitoring procedures, and does not expect any counterparties to fail their obligations. The Company deals only with primary dealers.

Derivative instruments are generally either negotiated OTC contracts or standardized contracts executed on a recognized exchange. Negotiated OTC derivative contracts are generally entered into between two counterparties that negotiate specific agreement terms, including the underlying instrument, amount, exercise prices and maturity.

Risk Management Policies – Hedging Instruments

The primary focus of the Company's asset/liability management program is to monitor the sensitivity of the Company's net portfolio value and net income under varying interest rate scenarios to take steps to control its risks. On a quarterly basis, the Company simulates the net portfolio value and net income expected to be earned over a twelve-month period following the date of simulation. The simulation is based on a projection of market interest rates at varying levels and estimates the impact of such market rates on the levels of interest-earning assets and interest-bearing liabilities during the measurement period. Based upon the outcome of the simulation analysis, the Company considers the use of derivatives as a means of reducing the volatility of net portfolio value and projected net income within certain ranges of projected changes in interest rates. The Company evaluates the effectiveness of entering into any derivative instrument agreement by measuring the cost of such an agreement in relation to the reduction in net portfolio value and net income volatility within an assumed range of interest rates.

Note 13
ON-BALANCE SHEET DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES (Continued)

Interest Rate Risk Management – Cash Flow Hedging Instruments

The Company uses long-term variable rate debt as a source of funds for use in the Company's lending and investment activities and other general business purposes. These debt obligations expose the Company to variability in interest payments due to changes in interest rates. If interest rates increase, interest expense increases. Conversely, if interest rates decrease, interest expense decreases. Management believes it is prudent to limit the variability of a portion of its interest payments and, therefore, generally hedges a portion of its variable-rate interest payments. To meet this objective, management enters into interest rate swap agreements whereby the Company receives variable interest rate payments and makes fixed interest rate payments during the contract period.

At December 31, 2008 and 2007, the information pertaining to outstanding interest rate swap agreements used to hedge variable rate debt is as follows:

	December 31, 2008	December 31, 2007
Notional amount	$ 7,000,000	$
Weighted average pay rate	5.60%	
Weighted average receive rate	3.80%	
Weighted average maturity in years	4.25	
Unrealized loss relating to interest rate swaps	$ 517,746	$

These agreements provided for the Company to receive payments at a variable rate determined by a specified index (three month LIBOR +1.80%) in exchange for making payments at a fixed rate.

At December 31, 2008 and 2007, the unrealized loss relating to interest rate swaps was recorded in other liabilities. There were no derivative contracts at December 31, 2007. Changes in the fair value of interest rate swaps designated as hedging instruments of the variability of cash flows associated with long-term debt are reported in other comprehensive income. These amounts subsequently are reclassified into interest expense as a yield adjustment in the same period in which the related interest on the long-term debt affects earnings. The net amount of other comprehensive income reclassified into interest expense during the year ended December 31, 2008 was $55,535.

Risk management results for the year ended December 31, 2008 related to the balance sheet hedging of long-term debt indicate that the hedges were 100 percent effective and that there was no component of the derivative instruments' gain or loss which was excluded from the assessment of hedge effectiveness.

As of December 31, 2008, approximately $70,000 of losses reported in other comprehensive income related to the interest rate swaps were expected to be reclassified into interest expense as a yield adjustment of the hedged borrowings during the twelve-month period ending December 31, 2009.

Note 14
RELATED-PARTY TRANSACTIONS

At December 31, 2008 and 2007, 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 $4,287,918 and $4,832,937, respectively. During 2008, $943,356 of new loans were originated and repayments totaled $1,488,375. 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 15
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, 2008 and 2007, are as follows:

	December 31, 2008	December 31, 2007
Commitments to extend credit	$ 32,762,730	$ 44,671,549
Standby letters of credit	3,730,217	4,299,706
Total	$ 36,492,947	$ 48,971,255

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 2008 or 2007.

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 16
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, 2008 the Company had no due from banks and federal funds sold in excess of federally insured amounts. The risk is managed by maintaining all deposits in high quality financial institutions.

Note 17
FAIR VALUE DISCLOSURES

Effective January 1, 2008, the Company adopted SFAS No. 157, "Fair Value Measurements" ("SFAS 157"). SFAS 157 defines fair value, establishes a framework for measuring fair value under GAAP and enhances disclosures about fair value measurements. Fair value is defined under SFAS 157 as the price that would be received for an asset or paid to transfer a liability (an exit price) in the principal market for the asset or liability in an orderly transaction between market participants on the measurement date. The adoption of SFAS 157 did not have an impact on the financial statements except for the expanded disclosures noted below.

Fair market values of financial instruments are based on the fair value hierarchy. The standard describes three levels of inputs that may be used to measure fair value as provided below.

Level I Quoted prices in active markets for identical assets or liabilities. Level 1 assets and liabilities include only those that are highly liquid and are actively traded in over-the-counter markets.

Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Level 2 assets include U.S. government and agency mortgage-backed debt securities, corporate securities, and municipal bonds. This category also includes impaired loans and OREO where collateral values have been based on third party appraisals, and derivative assets and liabilities where values are based on internal cash flow models supported by market data inputs.

Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques and at least one significant model assumption is unobservable. Level 3 financial instruments also include those for which the determination of fair values requires significant management judgment or estimation.

Assets and liabilities measured at fair value at December 31, 2008 are as follows:

	Fair Value Measurements Using		
	Level 1	Level 2	Level 3
Available for sale securities (1)	$	$ 61,035,295	$
Mortgage servicing rights (1)		310,013	
Other real estate owned (OREO) (2) (3)		1,1039,338	
Interest Rate Swap (1)		(517,746)	

(1) Available for sale securities, mortgage servicing rights, and the interest rate swap are measured at fair value on a recurring basis, generally monthly.
(2) Other real estate owned is transferred from loans to OREO at market establishing a new basis.
(3) Fair value of OREO is measured on a nonrecurring basis.

Note 17
FAIR VALUE DISCLOSURES (Continued)

The estimated fair values of the Company's financial instruments at December 31, 2008 and 2007, are as follows:

	December 31, 2008		December 31, 2007	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets:				
Cash and short-term investments	$ 14,156,856	$ 14,194,000	$ 12,009,973	$ 12,009,973
Federal funds sold			12,300,000	12,300,000
Investment securities	63,444,156	63,441,659	44,156,873	44,155,490
Mortgage loans held for sale	1,046,117	1,046,117	759,815	759,815
Loans, net of unearned discount	287,882,217	306,377,000	236,613,266	236,586,789
Less allowance for loan losses	(3,263,287)	(3,263,287)	(2,817,822)	(2,817,822)
Loans, net of allowance	284,618,930	303,133,713	233,795,444	233,768,967
Accrued interest receivable	1,861,895	1,861,895	1,923,149	1,923,149
Financial liabilities:				
Deposits	302,193,214	303,635,000	267,660,872	268,216,080
Federal funds purchased	4,890,000	4,890,000	8,969,609	8,969,609
Repurchase agreements	4,715,516	4,715,516	3,368,147	3,368,147
Other borrowed funds	39,770,997	41,301,000	10,144,975	10,878,000
Junior Subordinated Debentures	7,217,000	7,217,000	7,217,000	7,217,000
Accrued interest payable	492,221	492,221	401,069	401,069
On-balance sheet derivative financial instruments:				
Interest rate swap agreements:				
Assets				
Liabilities	517,746	517,746	0	0
Off-balance sheet credit related financial instruments:				
Commitments to extend credit	0	0	0	0
Standby letters of credit	0	0	0	0

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 17
FAIR VALUE DISCLOSURES (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.

Note 18
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, 2008 that the Bank could declare without the approval of the Comptroller of the Currency amounted to approximately $8,402,886.

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, 2008 and 2007, that the Bank meets all capital adequacy requirements to which it is subject.

As of December 31, 2008, 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.

Note 18
REGULATORY MATTERS (Continued)

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, 2008:						
Total capital (to risk-weighted assets)						
American National Bank	$ 37,780,027	12.4%	≥ $24,333,760	≥ 8.0%	≥ $30,417,200	≥ 10.0%
Tier I capital (to risk-weighted assets)						
American National Bank	34,506,740	11.3%	≥12,166,880	≥ 4.0%	≥18,250,320	≥ 6.0%
Tier I capital (to average assets)						
American National Bank	34,506,740	9.1%	≥ 15,245,975	≥ 4.0%	≥ 19,507,468	≥ 5.0
As of December 31, 2007:						
Total capital (to risk-weighted assets)						
American National Bank	$ 35,606,852	14.4%	≥ $19,822,320	≥ 8.0%	≥ $24,777,900	≥ 10.0%
Tier I capital (to risk-weighted assets)						
American National Bank	32,779,030	13.2%	≥ 9,911,160	≥ 4.0%	≥ 14,866,740	≥ 6.0%
Tier I capital (to average assets)						
American National Bank	32,779,030	10.1%	≥ 13,008,920	≥ 4.0%	≥ 16,261,150	≥ 5.0%

Note 19
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 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, 2008 and 2007 is presented as follows (in thousands):

	December 31, 2008	December 31, 2007
Cash transactions:		
Interest expense paid	$ 6,633,317	$ 7,676,467
Federal income taxes paid	$ 1,347,130	$ 2,407,428
Noncash transactions:		
Net change in fair value of derivatives used for cash flow hedges	($ 517,747)	$
Net unrealized appreciation on securities available for sale	$ 507,558	$ 370,539
Loan proceeds for KSOP	$ 1,190,000	$ 330,000

Consolidating Balance Sheet
Pages 30-31

Consolidating Statement of Income
Pages 32-33

Consolidating Statement of Cash Flows
Pages 34-35

Consolidating Balance Sheet

AmeriBancShares, Inc. and Subsidiaries, December 31, 2008

ASSETS	American National Leasing Co.	Archer Title of Texas, Inc.	American National Bank
Cash and due from banks, noninterest bearing	$ 154,545	$ 237,684	$ 12,018,765
Time deposits in banks			1,596,000
Total cash and cash equivalents	154,545	237,684	13,614,765
Securities available for sale			59,850,514
Securities to be held to maturity			131,011
Other securities			3,104,258
Total investment securities			63,085,783
Mortgage loans held for sale			1,046,117
Loans	4,254,797		288,409,906
Less: Unearned discount	(491,763)		
Allowance for loan losses	(109,922)		(3,153,365)
Loans, net	3,653,112		285,256,541
Premises and equipment, net	2,350,266	988,412	11,506,602
Accrued interest receivable			3,583,816
Goodwill		19,615	4,199,860
Intangible assets			586,154
Other assets	71,968	14,829	12,411,869
Total assets	$ 6,229,891	$ 1,260,540	$ 395,291,507
LIABILITIES AND STOCKHOLDERS' EQUITY			
Deposits:			
Demand deposits	$	$	$ 21,981,511
Savings deposits			100,957,086
Money market and NOW accounts			63,137,965
Time certificates of deposit			116,532,303
Total deposits			302,608,865
Federal funds purchased			4,890,000
Repurchase agreements			4,715,516
Other borrowed funds	3,522,280	768,443	38,250,997
Junior Subordinated Debentures			
Accrued interest payable	1,630,516	91,730	441,961
Other liabilities	389,018	45,036	4,644,227
Total liabilities	5,541,814	905,209	355,551,566
Stockholders' equity:			
Common stock	1,000	1,000	1,680,000
Surplus			7,090,826
Undivided profits and capital reserves	687,077	354,331	30,572,545
Treasury stock at cost			
Unearned KSOP shares			
Accumulated other comprehensive income (loss):			
Net unrealized depreciation on derivatives used for cash flow hedges			
Net unrealized appreciation on securities available for sale			396,570
Total stockholders' equity	688,077	355,331	39,739,941
Total liabilities and stockholders' equity	$ 6,229,891	$ 1,260,540	$ 395,291,507

	AmeriBancShares of Delaware, Inc.	ANB Realty Corp.	AmeriBancShares, Inc.	Reclassification and Elimination Entries	Consolidated
	$ 2,091	$ 1,000	$ 562,422	($ 415,651)	$ 12,560,856
					1,596,000
	2,091	1,000	562,422	(415,651)	14,156,856
			1,184,781		61,035,295
					131,011
	39,739,941		39,960,032	(80,526,381)	2,277,850
	39,739,941		41,144,813	(80,526,381)	63,444,156
					1,046,117
				(4,290,723)	288,373,980
					(491,763)
					(3,263,287)
				(4,290,723)	284,618,930
					14,845,280
			325	(1,722,246)	1,861,895
					4,219,475
					586,154
			176,033	(58,352)	12,616,347
	$ 39,742,032	$ 1,000	$ 41,883,593	($ 87,013,353)	$ 397,395,210
	$	$	$	($ 415,651)	$ 21,565,860
					100,957,086
					63,137,965
					116,532,303
				(415,651)	302,193,214
					4,890,000
					4,715,516
			1,520,000	(4,290,723)	39,770,997
			7,217,000		7,217,000
			50,260	(1,722,246)	492,221
			576,098	(58,352)	5,596,027
			9,363,358	(6,486,972)	364,874,975
	7,500	1,000	5,040,000	(1,690,500)	5,040,000
	20,910,885	256,373	10,878,386	(28,258,084)	10,878,386
	18,427,077	(256,373)	18,948,992	(49,784,657)	18,948,992
			(882,000)		(882,000)
			(1,520,000)		(1,520,000)
			(341,713)		(341,713)
	396,570		396,570	(793,140)	396,570
	39,742,032	1,000	32,520,235	(80,526,381)	32,520,235
	$ 39,742,032	$ 1,000	$ 41,883,593	($ 87,013,353)	$ 397,395,210

Consolidating Statement of Income

AmeriBancShares, Inc. and Subsidiaries, December 31, 2008

	American National Leasing Co.	Archer Title of Texas, Inc.	American National Bank
Interest income:			
Interest and fees on loans	$ 300,926	$	$ 16,159,583
Interest on investment securities			2,595,464
Interest on time deposits in banks			73,335
Interest on federal funds sold			118,897
Total interest income	300,926		18,947,279
Interest expense:			
Interest on deposits:			
Savings			136,302
Money market and NOW accounts			769,158
Time			4,181,602
Total interest on deposits			5,087,062
Interest on federal funds purchased			121,305
Interest on repurchase agreements			35,112
Interest on other borrowed funds	91,889	21,288	1,010,944
Interest on Junior Subordinated Debentures			
Total interest expense	91,889	21,288	6,254,423
Net interest income	209,037	(21,288)	12,692,856
Provision for loan losses			415,000
Net interest income after provision for loan losses	209,037	(21,288)	12,277,856
Other operating income:			
Service charges on deposit accounts			572,572
Trust fee income			3,904,237
Gain on sale of mortgage loans			582,874
Rent income			
Earnings from subsidiary			180,072
Other, net	752,295	931,603	1,232,079
Total other operating income	752,295	931,603	6,471,834
Other operating expenses:			
Salaries and bonuses	148,290	382,512	5,682,905
Employee benefits	23,669	86,235	2,781,816
Premises and equipment	17,273	96,778	1,766,544
Advertising	14,405	21,135	279,698
Data processing expense			485,411
Printing, stationery and supplies	2,202	22,434	220,990
Professional fees			214,520
Other operating expenses	558,586	217,647	2,786,796
Total other operating expenses	764,425	826,741	14,218,680
Income before income taxes	196,907	83,574	4,531,010
Provision for income taxes	71,994	28,415	1,274,066
Net income	$ 124,913	$ 55,159	$ 3,256,944

AmeriBancShares of Delaware, Inc.	ANB Realty Corp.	AmeriBancShares, Inc.	Reclassification and Elimination Entries	Consolidated
$	$	$	($ 113,177)	$ 16,347,332
		26,473		2,621,937
				73,335
				118,897
		26,473	(113,177)	19,161,501
				136,302
				769,158
				4,181,602
				5,087,062
				121,305
				35,112
			(113,177)	1,010,944
		470,046		470,046
		470,046	(113,177)	6,724,469
		(443,573)		12,437,032
				415,000
		(443,573)		12,022,032
				572,572
			(4,134)	3,900,103
				582,874
			789,611	789,611
3,256,944		3,250,600	(6,687,616)	
			(842,975)	2,073,002
3,256,944		3,250,600	(6,745,114)	7,918,162
				6,213,707
				2,891,720
			(53,364)	1,827,231
				315,238
				485,411
				245,626
				214,520
9,612		4,134	(4,134)	3,572,641
9,612		4,134	(57,498)	15,766,094
3,247,332		2,802,893	(6,687,616)	4,174,100
(3,268)		(152,139)		1,219,068
$ 3,250,600	$	$ 2,955,032	($ 6,687,616)	$ 2,955,032

Consolidating Statement of Cash Flows

AmeriBancShares, Inc. and Subsidiaries, December 31, 2008

	American National Leasing Co.	Archer Title of Texas, Inc.	American National Bank
Cash flows from operating activities:			
Net income	$ 124,913	$ 55,159	$ 3,256,944
Adjustments to reconcile net income (loss) to			
net cash provided by (used in) operations:			
Depreciation	522,133	47,090	716,361
Amortization of intangibles		1,800	195,385
Provision for loan losses			415,000
Provision for other real estate owned losses			68,757
Provision for (benefit from) deferred taxes	35,040	(1,233)	(274,289)
Gain on sale of mortgage loans			(582,874)
Loss on sale of other real estate owned			26,953
(Gain) loss on disposal of premises and equipment	(10,689)		821
Amortization of premium on investment securities			42,505
Accretion of discount on investment securities			(9,564)
Proceeds from sales of mortgage loans			37,692,586
Mortgage loans funded			(37,410,801)
Unconsolidated earnings from subsidiaries			(180,072)
(Increase) decrease in:			
Prepaid expenses	721	(2,040)	(20,488)
Accrued interest receivable			(55,379)
Income taxes receivable			(1,425)
Miscellaneous other assets	3,557	5,715	102,308
Increase (decrease) in:			
Accrued interest payable	91,889	21,287	40,892
Other taxes payable			226,112
Other accrued expenses	61,840	(2,840)	727,096
Net cash provided by operating activities	829,404	124,938	4,976,828
Cash flows from investing activities:			
Proceeds from maturities of securities available for sale			29,161,849
Proceeds from sales of securities available for sale			
Proceeds from maturities of securities held to maturity			143,123
Purchase of securities available for sale			(46,980,761)
Purchase of other securities			(977,300)
Purchase of cash value life insurance			(523,268)
Dividends received from subsidiaries			
Net increase in loans	(392,923)		(52,869,960)
Purchase of premises and equipment	(1,293,508)	(11,276)	(2,344,535)
Proceeds from sale of premises and equipment	479,805		14,678
Proceeds from sale of other real estate owned			832,678
Net cash used in investing activities	(1,206,626)	(11,276)	(73,543,496)
Cash flows from financing activities:			
Net increase in deposits			33,907,073
Net decrease in federal funds purchased			(4,079,609)
Net increase in repurchase agreements			1,347,369
Net increase in other borrowed funds	300,000		28,436,022
Dividends paid			(1,730,960)
Net cash provided by financing activities	300,000		57,879,895
Net increase (decrease) in cash and cash equivalents	(77,222)	113,662	(10,686,773)
Cash and cash equivalents at beginning of period	231,767	124,022	24,301,538
Cash and cash equivalents at end of period	$ 154,545	$ 237,684	$ 13,614,765

AmeriBancShares of Delaware, Inc.	ANB Realty Corp.	AmeriBancShares, Inc.	Reclassification and Elimination Entries	Consolidated
$ 3,250,600	$	$ 2,955,032	($ 6,687,616)	$ 2,955,032
				1,285,584
				197,185
				415,000
				68,757
				(240,482)
				(582,874)
				26,953
				(9,868)
				42,505
				(9,564)
				37,692,586
				(37,410,801)
(3,256,944)		(3,250,600)	6,687,616	
				(21,807)
		3,456	113,177	61,254
		62,722		61,297
				111,580
		50,261	(113,177)	91,152
				226,112
				786,096
(6,344)		(179,129)		5,745,697
				29,161,849
		80,677		80,677
				143,123
		(23,257)		(47,004,018)
				(977,300)
				(523,268)
1,730,960		1,730,960	(3,461,920)	
			300,000	(52,962,883)
				(3,649,319)
				494,483
				832,678
1,730,960		1,788,380	(3,161,920)	(74,403,978)
			625,269	34,532,342
				(4,079,609)
				1,347,369
			(300,000)	28,436,022
(1,730,960)		(1,730,960)	3,461,920	(1,730,960)
(1,730,960)		(1,730,960)	3,787,189	58,505,164
(6,344)		(121,709)	625,269	(10,153,117)
8,435	1,000	684,131	(1,040,920)	24,309,973
$ 2,091	$ 1,000	$ 562,422	($ 415,651)	$ 14,156,856

Officers and Directors

Of American National Bank

OFFICERS

Administration

John B. "Bo" Stahler
President and CEO

Magan Catney
Administrative Officer

Loan Department

Dwight L. Berry
Executive Vice President

Steve Cookingham
Senior Vice President

Don Whatley
Senior Vice President

Doris McGregor Steinberger
Vice President/Compliance Officer

Vickie Nason
Vice President/Credit and Collateral

Linda Musgrave
Assistant Vice President/Loans

Peggy Carr
Banking Officer

Vera Simons
Banking Officer

Operations/Support Personnel

Roy T. Olsen
Senior Vice President/Cashier

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

Klint M. Ostermann
Assistant Vice President

Nora Thornton
Banking Officer/New Accounts Supervisor

Andrew Walmer
Information Technology Officer

Candice Stroud
Banking Officer

Trust and Investment Services

Timothy G. Connolly
Senior Vice President / Senior Trust Officer

Janice Adams
Vice President/Brokerage Services

Michael W. Boyle
Vice President/Trust Compliance Officer

Kevin Goldstein
Vice President/Trust Officer/Brokerage Services

Randy R. Martin
Vice President/Trust Officer

Jeffrey S. Schultz
Vice President/Trust Investment Officer

Kelly J. Smith
Vice President/Trust Officer

Linda Wilson
Vice President/Trust Officer

Paula Walmer
Assistant Vice President/Operations Manager

Jackye B. Hatley
Trust Officer/Trust Investment Advisor

Mortgage Loan Division/Elmwood Office

W.O. "Bill" Franklin
Senior Vice President

Kathy Roberts
Vice President

Donna Vaughn
Vice President

John Johnston
Assistant Vice President

Natalie Eubanks
Banking Officer

Chris Rogers
Banking Officer

Platinum Circle

Donna Adams
Coordinator/Administrative 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
Vice President/Marketing

Karen Miller
Banking Officer

Marva Pieratt
Banking Officer

Iowa Park Office

Reanna Jones
Banking Officer/Branch Manager

Archer City Office

Jason Allen
Branch Manager

Flower Mound Office

Sam Wilson
Senior Vice President/Branch Manager

Jim Hendry
Senior Vice President/Loans

Joe D. Willard
Senior Vice President/Loans

Sara Knight
Banking Officer

Rosie Torrence
Banking Officer

Flower Mound Trust and Investment Services

Sharon L. Manley
Vice President/Trust Officer

Flower Mound Mortgage Loan Department

Spencer Murphy
Vice President

Archer Title of Texas, Inc.

Judy McLemore
Vice President/Manager

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