The American Spirit

John B. "Bo" Stahler
President and CEO

One year ago in my message to you our shareholders I indicated that 2009 would be an extremely challenging year. I could not have been more accurate with my observation. Faced with higher unemployment, continued depressed interest margins, and an overall lack of optimism from the general public with respect to the economy, it was a tough banking environment to say the least. In spite of all the negativity, however, American National Bank did have a good year.

On a consolidated basis, we earned nearly $3.4MM, a 14.7% increase over the prior year. Although interest income was down approximately $800M from the 2008 total, interest expense decreased even more, resulting in a gain of $600M in net interest income. In addition, other operating income was up significantly. **Our Mortgage Loan Department**, under the outstanding leadership of Senior Vice President Bill Franklin, **had a record year,** as the gain on the sale of mortgage loans totaled $1.7MM. The total represented an increase of more than $1MM over 2008. Much of the gain was attributed to homeowners taking advantage of the low interest rates to refinance their mortgage. Unfortunately, the refinancing business for the most part has come to a halt, so we will not be able to expect similar results going forward. We also elected to take nearly $1.1MM in securities gains during the course of the year, which contributed to the increase in other operating income as well.

In spite of all the negativity, however, American National Bank did have a good year.

While management was able to control overhead expense for the most part, there were a couple of expense categories that were higher than anticipated. Each of the increases were in direct correlation to the current economic climate. To begin with, much has been written about the number of bank failures and the government assistance provided to several of the so called "too big too fail" financial institutions which put tremendous pressure on the bank insurance fund. While American National Bank and most other community banks around the country did not get involved in sub prime lending, a major cause of the problem, we nevertheless became part of the solution, as FDIC insurance premiums increased dramatically. In our case, the cost was up $605M from the prior year. Because it will take a long time to build the deposit insurance fund back to the necessary level, our premiums will remain high for many years to come. Secondly, while the overall quality of our loan portfolio remains strong, we have seen an increase in the number of problem loans, several of which have resulted in foreclosure. Management is confident that the potential for loss on the foreclosed properties is not material, but pending their disposition they are assets of the Bank and there are costs associated with holding them, including taxes, insurance and maintenance. As a result, occupancy expense was up $270M, an increase of 23.6%. And finally, we had a marked increase in the Allowance for Loan Losses. Part of the increase was necessary as our loan totals continue to grow, but in addition, we increased the balance even more as a precautionary measure to make certain the provision remains sufficient during these difficult economic times.

Overall, **2009 was a successful year from a financial standpoint. Total deposits** at year-end **were up $70MM** from the December 31, 2008 total, **a gain of 23%**, and as I mentioned, we continue to experience good loan demand. Even more important, **net income was up $435M from the prior year, and for the 23rd consecutive year we were able to increase our dividend.** Please refer to pages 4 and 5 of the report to review the year-end highlights.

The financials only tell part of the story of American National Bank, however. It is a given that the 150 plus employees who work here share a common goal of providing quality service for our ever growing customer base while at the same time enhancing shareholder value in a safe and sound manner. What is oftentimes overlooked, though, is that our employees also donate their personal time in volunteer service to the communities we serve. **This is what we call “The American Spirit.”** As an organization, we recognize that the Bank has an obligation to contribute financial support to the many charitable and non-profit organizations that could not survive without broad based community support. Over the years, American National Bank has contributed to the capital fund campaigns of such organizations as Hospice of Wichita Falls, United Regional Health Care Center, the Food Bank, and Faith Mission to name just a few. We also provide several thousand dollars in scholarships to Midwestern State University on an annual basis, and assist with the operating budgets of such non-profits as the North Texas Rehabilitation Center, United Way, and most recently, Hands to Hands. But equally as important, many on our staff serve on the Boards of these various organizations and assist with their fund drives. We also have one employee who volunteers his time coaching a soccer team, another one is a mentor in the Big Brothers/Big Sisters program, and still others are mentors with Partners in Education. We even have one member of the staff who serves on the Wichita Falls Independent School District Board. We are extremely proud of all these people and their willingness to give of their time in support of these worthwhile causes.

While I believe we are still a year or two away from getting our interest margins back to a level where we can maximize our earnings, we are nevertheless forecasting another productive and profitable year, and you have my assurance that the entire staff is committed to maintaining the safety and soundness of your investment. Your continued support will be greatly appreciated.

John B. “Bo” Stahler
President & CEO

The financials only tell part of the story of American National Bank.

The American
Spirit

The American Spirit shines with these organizations

Hospice of Wichita Falls

United Regional Health Care Center

Wichita Falls Area Food Bank

Faith Mission

Meals on Wheels

Midwestern State University

North Texas Rehabilitation Center

United Way

Hands to Hands

Big Brothers/ Big Sisters

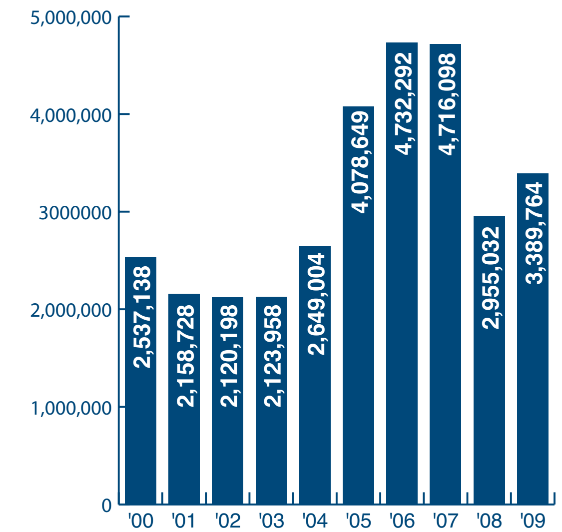
Partners in Education

Wichita Falls Independent School District

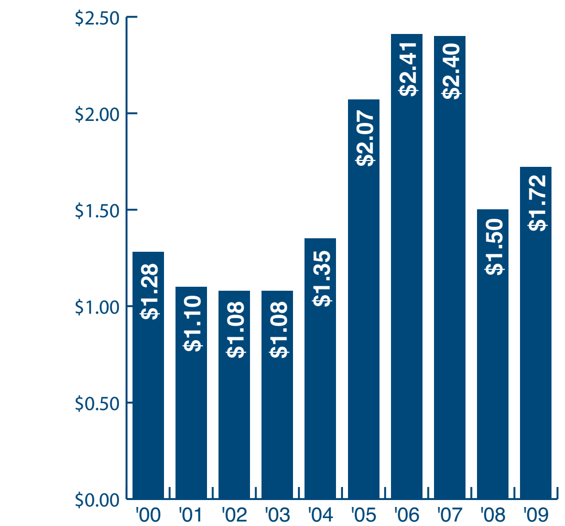
Community support is represented at the Main Bank by our horses “Spirit” and “Honor,” painted by local artist Mary Helen Maskill.

	Year Ended December 31, 2009	2008	% Change
Earnings			
Net Interest Income	13,097,722	12,437,032	+ 5.3
Provision For Loan Losses	816,500	415,000	+ 96.7
Non-Interest Income	10,163,708	7,918,162	+ 28.4
Non-Interest Expense	17,661,520	15,766,094	+ 12.0
Net Income	3,389,764	2,955,032	+ 14.7
Share Data			
Net Income	1.72	1.50	+ 14.7
Dividends Paid	.93	.88	+ 5.7
Book Value	17.33	16.53	+ 4.8
Returns			
Return on Average Assets	.79	.81	- 1.3
Return on Average Equity	10.10	9.06	+ 11.5
Financial Position at Year End			
Total Assets	481,537,648	397,395,210	+ 21.2
Loans (Net)	311,399,260	284,618,930	+ 9.4
Reserve for Loan Losses	3,695,862	3,263,287	+ 13.3
Deposits	372,247,596	302,193,214	+ 23.2
Equity	34,084,615	32,520,235	+ 4.8

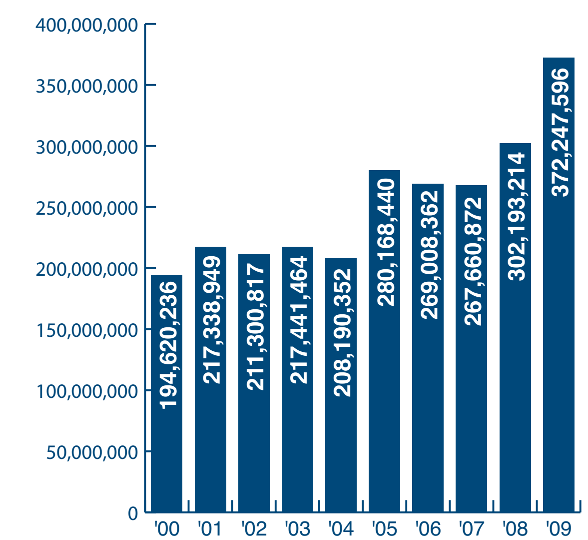
Consolidated Net Income



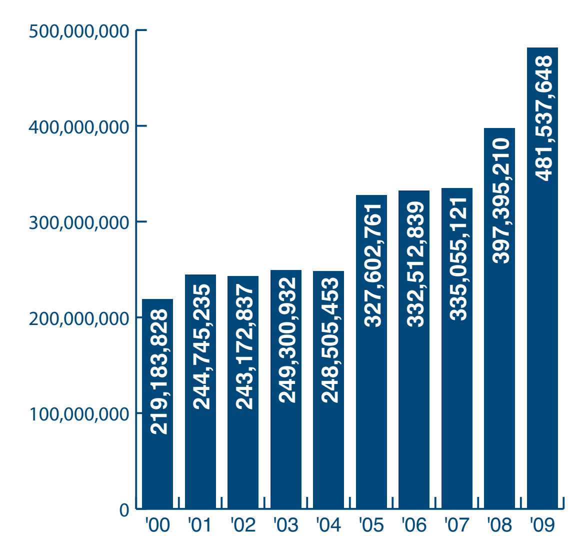
Earnings Per Share



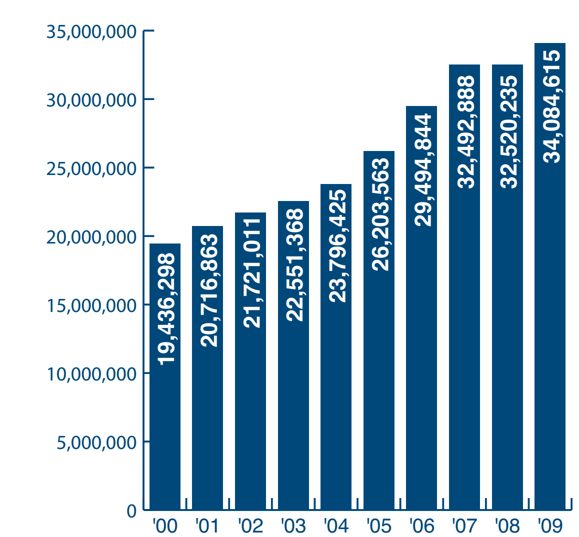
Year End Deposits



Year End Assets



Stockholders' Equity



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, 2009 and 2008, 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, 2009 and 2008, 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, LLC

Payne & Smith, LLC

Wichita Falls, Texas
February 12, 2010

ASSETS	2009	2008
Cash and due from banks	$ 13,472,762	$ 12,560,856
Time deposits in banks	5,787,000	1,596,000
Federal funds sold	28,798,000	
Total cash and cash equivalents	48,057,762	14,156,856
Securities available for sale	74,257,824	61,035,295
Securities to be held to maturity (approximate market value of $128,514 in 2008)		131,011
Other securities (approximate market value of $3,083,350 in 2009 and $2,277,850 in 2008)	3,083,350	2,277,850
Total investment securities	77,341,174	63,444,156
Mortgage loans held for sale	2,091,801	1,046,117
Loans	315,549,603	288,373,980
Less: Unearned discount	(454,481)	(491,763)
Allowance for loan losses	(3,695,862)	(3,263,287)
Loans, net	311,399,260	284,618,930
Premises and equipment, net	15,767,560	14,845,280
Accrued interest receivable	2,040,407	1,861,895
Goodwill	4,219,475	4,219,475
Intangible assets	390,769	586,154
Other assets	20,229,440	12,616,347
Total assets	$ 481,537,648	$ 397,395,210
LIABILITIES AND STOCKHOLDERS' EQUITY		
Deposits:		
Demand deposits	$ 20,942,383	$ 21,565,860
Savings deposits	138,606,456	100,957,086
Money market and NOW accounts	76,631,808	63,137,965
Time certificates of deposit	136,066,949	116,532,303
Total deposits	372,247,596	302,193,214
Federal funds purchased	500,000	4,890,000
Repurchase agreements	3,884,554	4,715,516
Other borrowed funds	56,363,818	39,770,997
Junior Subordinated Debentures	7,217,000	7,217,000
Accrued interest payable	358,785	492,221
Other liabilities	6,881,280	5,596,027
Total liabilities	447,453,033	364,874,975
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	20,509,446	18,948,992
Treasury stock at cost (49,000 shares)	(882,000)	(882,000)
Unearned KSOP shares	(1,520,000)	(1,520,000)
Accumulated other comprehensive income (loss):		
Net unrealized depreciation on derivatives used for cash flow hedges, net of tax $128,077 in 2009 and $176,034 in 2008	(248,620)	(341,713)
Net unrealized appreciation on securities available for sale, net of tax of $158,359 in 2009 and $204,294 in 2008	307,403	396,570
Total stockholders' equity	34,084,615	32,520,235
Total liabilities and stockholders' equity	$ 481,537,648	$ 397,395,210

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

Consolidated Statements of Income

For the Years Ended December 31, 2009 and 2008

	2009	2008
Interest income:		
Interest and fees on loans	$ 15,815,498	$ 16,347,332
Interest on investment securities	2,407,359	2,621,937
Interest on time deposits in banks	66,280	73,335
Interest on federal funds sold	48,486	118,897
Total interest income	18,337,623	19,161,501
Interest expense:		
Interest on deposits:		
Savings	171,284	136,302
Money market and NOW accounts	567,362	769,158
Time	2,767,397	4,181,602
Total interest on deposits	3,506,043	5,087,062
Interest on federal funds purchased	4,986	121,305
Interest on repurchase agreements	9,899	35,112
Interest on other borrowed funds	1,325,860	1,010,944
Interest on Junior Subordinated Debentures	393,113	470,046
Total interest expense	5,239,901	6,724,469
Net interest income	13,097,722	12,437,032
Provision for loan losses	816,500	415,000
Net interest income after provision for loan losses	12,281,222	12,022,032
Other operating income:		
Service charges on deposit accounts	654,526	572,572
Trust fee income	3,643,966	3,900,103
Gain on sale of mortgage loans	1,663,452	582,874
Gain on sale of securities	1,086,182	
Rent income	832,928	789,611
Other, net	2,282,654	2,073,002
Total other operating income	10,163,708	7,918,162
Other operating expenses:		
Salaries and bonuses	6,578,866	6,213,707
Employee benefits	3,150,740	2,891,720
Premises and equipment	2,231,517	1,827,231
Advertising	310,330	315,238
Data processing expense	509,499	485,411
Printing, stationery and supplies	280,086	245,626
Professional fees	206,660	214,520
Other operating expenses	4,393,822	3,572,641
Total other operating expenses	17,661,520	15,766,094
Income before income taxes	4,783,410	4,174,100
Provision for income taxes	1,393,646	1,219,068
Net income	$ 3,389,764	$ 2,955,032
Net income per share of common stock	$ 1.72	$ 1.50

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

Consolidated Statements of Changes in Stockholders' Equity

For the Years Ended December 31, 2009 and 2008

	Common Stock Number of Shares	Common Stock Amount	Surplus	Undivided Profits and Capital Reserves	Treasury Stock	Unearned KSOP Shares	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
Balance, January 1, 2008	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
Comprehensive income:								
Net income				3,389,764				3,389,764
Other comprehensive income (loss):								
Net change in fair value of derivatives used for cash flow hedges, net of taxes of $47,957							93,093	93,093
Net change in unrealized appreciation on securities available for sale, net of taxes of ($45,935)							(89,167)	(89,167)
Total comprehensive income								3,393,690
Cash dividends, $.93 per common share				(1,829,310)				(1,829,310)
Balance December 31, 2009	2,016,000	$ 5,040,000	$ 10,878,386	$ 20,509,446	($ 882,000)	($1,520,000)	$ 58,783	$ 34,084,615

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

	2009	2008
Cash flows from operating activities:		
Net income	$ 3,389,764	$ 2,955,032
Adjustments to reconcile net income to net cash provided by operations:		
Depreciation	1,453,337	1,285,584
Amortization of intangibles	195,385	197,185
Provision for loan losses	816,500	415,000
Provision for other real estate owned losses	150,000	68,757
Benefit from deferred taxes	(10,145)	(240,482)
Gain on sale of securities available for sale	(1,087,161)	
Loss on sale of securities held to maturity	979	
Gain on sale of mortgage loans	(1,663,452)	(582,874)
Loss on sale of other real estate owned	4,251	26,953
Gain on disposal of premises and equipment	(16,339)	(9,868)
Amortization of premium on investment securities	42,319	42,505
Accretion of discount on investment securities	(11,743)	(9,564)
Proceeds from sales of mortgage loans	97,702,005	37,692,586
Mortgage loans funded	(97,075,845)	(37,410,801)
(Increase) decrease in:		
Prepaid expenses	(1,938,942)	(21,807)
Accrued interest receivable	(178,512)	61,254
Income taxes receivable	(244,151)	61,297
Miscellaneous other assets	(463,545)	111,580
Increase (decrease) in:		
Accrued interest payable	(133,436)	91,152
Other taxes payable	25,820	226,112
Other accrued expenses	665,993	786,096
Net cash provided by operating activities	1,623,082	5,745,697
Cash flows from investing activities:		
Proceeds from maturities of securities available for sale	21,682,417	29,161,849
Proceeds from sale of securities available for sale	25,925,020	80,677
Proceeds from maturities of securities held to maturity	14,072	143,123
Proceeds from sale of securities held to maturity	115,984	
Purchase of securities available for sale	(59,908,506)	(47,004,018)
Purchase of other securities	(805,500)	(977,300)
Purchase of cash value life insurance	(326,074)	(523,268)
Net increase in loans	(33,132,502)	(52,962,883)
Purchase of premises and equipment	(2,995,790)	(3,649,319)
Proceeds from sale of premises and equipment	598,732	494,483
Proceeds from sale of other real estate owned	1,513,040	832,678
Net cash used in investing activities	(47,319,107)	(74,403,978)
Cash flows from financing activities:		
Net increase in deposits	70,054,382	34,532,342
Net decrease in federal funds purchased	(4,390,000)	(4,079,609)
Net increase (decrease) in repurchase agreements	(830,962)	1,347,369
Net increase in other borrowed funds	16,592,821	28,436,022
Dividends paid	(1,829,310)	(1,730,960)
Net cash provided by financing activities	79,596,931	58,505,164
Net increase (decrease) in cash and cash equivalents	33,900,906	(10,153,117)
Cash and cash equivalents at beginning of period	14,156,856	24,309,973
Cash and cash equivalents at end of period	$ 48,057,762	$ 14,156,856

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, 2009 and 2008.

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: Investment 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 $4,899,385 and $1,039,398 at December 31, 2009 and 2008, 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 eliminated the amortization of goodwill and now performs an annual impairment test for goodwill.

Intangible Assets: Intangible assets with a finite life are 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 2008 financial statements have been reclassified, where appropriate, to conform with the financial presentation used in 2009.

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, 2009			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Market Value
Securities Available For Sale				
United States Agency securities	$ 61,762,245	$ 223,278	($ 35,288)	$ 61,950,235
Obligations of states and political subdivisions	11,121,783	274,234	(1,830)	11,394,187
Mortgage-backed securities	70,089	5,368		75,457
Equity securities	837,945			837,945
Totals	$ 73,792,062	$ 502,880	($ 37,118)	$ 74,257,824
Other securities	$ 3,083,350	$	$	$ 3,083,350

	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)

Other securities consist of common stock in the Federal Reserve Bank, Federal Home Loan Bank, Independent Bankers Financial Corporation and an investment in a Special Purpose Entity (see Note 10) and are carried at fair value.

The amortized cost and estimated market value of debt securities at December 31, 2009, 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	$ 3,169,822	$ 3,231,582	$	$
Due after one year through five years	63,947,423	64,090,178		
Due after five years through ten years	1,690,275	1,737,573		
Due after ten years	4,076,508	4,285,089		
	72,884,028	73,344,422		
Mortgage-backed securities	70,089	75,457		
Equity securities	837,945	837,945		
Totals	$ 73,792,062	$ 74,257,824	$	$

Proceeds from sales of available for sale securities for the years ended December 31, 2009 and 2008 were approximately $25,925,020 and $80,677, respectively. Gross gains of $1,091,550 were realized on sales of available for sale securities during 2009. No gross gains were realized on sales of available for sale securities during 2008. Gross losses of $4,389 were realized on sales of available for sale securities during 2009. No gross losses were realized on sales of available for sale securities during 2008. During 2009, the Company sold held to maturity securities in which a substantial portion of the principal had previously been collected. Proceeds from sales of held to maturity securities for the year ended December 31, 2009, were approximately $115,984. No gross gains were realized on sales of held to maturity securities during 2009. Gross losses of $979 were realized on sales of held to maturity securities during 2009.There were no sales of held to maturity securities during 2008.

Investment securities with a recorded value of approximately $59,213,586 and $33,031,307 at December 31, 2009 and 2008, 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, 2009 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	$ 24,790,585	($ 35,288)	$	($)
State and political obligations	264,706	(294)	1,578,462	(1,536)
	$ 25,055,291	($ 35,582)	$ 1,578,462	($ 1,536)

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, 2009 and 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.

Notes to Consolidated Financial Statements
For the Years Ended December 31, 2009 and 2008 (Continued)

Note 3
LOANS AND ALLOWANCE FOR LOAN LOSSES

A summary of loan categories is as follows:

	December 31, 2009	December 31, 2008
Commercial and industrial	$ 36,304,929	$ 34,821,378
Real estate		
1-4 family construction	12,755,998	12,333,387
Construction, land development and other land	42,967,302	50,540,960
1-4 family residential	34,845,230	45,458,044
Multi-family residential	11,481,911	11,920,085
Nonfarm nonresidential - owner occupied	52,997,840	43,244,644
Nonfarm nonresidential - nonowner occupied	105,155,915	71,542,832
Farmland	1,644,283	1,658,160
Consumer	17,329,518	16,821,322
Overdrafts	66,677	33,168
Total loans	$ 315,549,603	$ 288,373,980

At December 31, 2009 and 2008, the Company had total commercial real estate loans of $225,358,966 and $189,581,908, respectively. Included in these amounts, the Company had construction, land development, and other land loans representing 139% and 166%, respectively, of total risk based capital at December 31, 2009 and 2008. The Company had non-owner occupied commercial real estate loans representing 430% and 387%, respectively, of total risk based capital at December 31, 2009 and 2008. Sound risk management practices and appropriate levels of capital are essential elements of a sound commercial real estate lending program (CRE). Concentrations of CRE exposures add a dimension of risk that compounds the risk inherent in individual loans. Interagency guidance on CRE concentrations describe sound risk management practices which include board and management oversight, portfolio management, management information systems, market analysis, portfolio stress testing and sensitivity analysis, credit underwriting standards, and credit risk review functions. Management believes it has implemented these practices in order to monitor its CRE. An institution which has reported loans for construction, land development, and other land loans representing 100% or more of total risk based capital, or total non-owner occupied commercial real estate loans representing 300% or more of the institutions total risk-based capital and the outstanding balance of commercial real estate loan portfolio has increased by 50% or more during the prior 36 months, may be identified for further supervisory analysis by regulators to assess the nature and risk posed by the concentration.

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 $92,607,954 and $47,657,588 at December 31, 2009 and 2008, respectively. Custodial escrow balances maintained in connection with the foregoing loan servicing, and included in demand deposits, were approximately $331,857 and $183,105 at December 31, 2009 and 2008, respectively.

Originated mortgage servicing rights capitalized at December 31, 2009 and 2008, are $734,218 and $310,013, respectively, and are included in other assets. The fair values of these rights were $954,973 and $310,013 at December 31, 2009 and 2008, respectively. The fair value of servicing rights was determined using a weighted average discount rate of 8.054% and a weighted average prepayment speed of 16.722%.

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

	2009	2008
Balance at beginning of year	$ 310,013	$ 373,430
Originations	468,814	58,240
Amortization	(105,630)	(60,636)
Impairments	61,021	(61,021)
Balance at end of year	$ 734,218	$ 310,013

Note 3
LOANS AND ALLOWANCE FOR LOAN LOSSES (Continued)

The Company has identified impaired loans having carrying values of $1,167,159 at December 31, 2009. There were no impaired loans as of December 31, 2008. The average recorded investment in impaired loans during 2009 and 2008 was $854,635 and $401,921, respectively. The total allowance for loan losses related to those loans was $31,000 on December 31, 2009. No payments on these loans were recorded as interest income when received in 2009 or 2008. There were no material commitments to lend additional funds to debtors whose loans were classified as impaired as of December 31, 2009 or 2008.

Loan maturities and rate sensitivity of the loan portfolio at December 31, 2009 and 2008, including mortgage loans held for resale less loans on nonaccrual, are as follows:

	2009	2008
Fixed rate loans with a remaining maturity of:		
Three months or less	$ 26,132,780	$ 10,914,840
Over three months through twelve months	45,789,167	12,889,810
Over one year through five years	123,940,070	44,985,379
Over five years	40,485,334	37,253,250
Total fixed rate loans	$ 236,347,351	$ 106,043,279
Variable rate loans with a repricing frequency of:		
Quarterly or more frequently	$ 69,986,491	$ 170,467,514
Annually or more frequently, but less frequently than quarterly	2,546,169	3,323,496
Every five years or more frequently, but less frequently than annually	7,344,634	9,179,251
Less frequently than every five years	249,600	406,557
Total variable rate loans	$ 80,126,894	$ 183,376,818

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

	2009	2008
Balance at beginning of year	$ 3,263,287	$ 2,817,822
Provision for loan losses	816,500	415,000
Loans charged off	(390,122)	(126,464)
Recoveries of loans previously charged off	6,197	156,929
Balance at end of year	$ 3,695,862	$ 3,263,287

The allowance for financial statement purposes exceeded the federal income tax allowance by $2,997,871 and $2,565,297 at December 31, 2009 and 2008, respectively.

Notes to Consolidated Financial Statements
For the Years Ended December 31, 2009 and 2008 (Continued)

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, 2009	December 31, 2008
Land		$ 2,365,578	$ 2,318,748
Premises	5-40 years	10,213,923	10,060,102
Furniture, fixtures and equipment	3-10 years	8,842,100	7,560,399
Land improvements	5-20 years	443,745	490,575
Lease equipment	3 - 5 years	3,601,405	3,309,150
		25,466,751	23,738,974
Less accumulated depreciation		9,699,191	8,893,694
Totals		$ 15,767,560	$ 14,845,280

Depreciation expense amounted to $1,453,337 and $1,285,584 in 2009 and 2008, 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 $74,014 and $74,974 for the years ended December 31, 2009 and 2008, respectively.

Note 5
GOODWILL

Goodwill in the amount of $4,219,475 at December 31, 2009 and 2008, is included in the accompanying consolidated financial statements. In accordance with generally accepted accounting principles, the Company performs an annual impairment test for goodwill. At December 31, 2009 and 2008 management has determined that there is no impairment of goodwill.

Prior to the year ended December 31, 2002, 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, 2009 and 2008 consisted of the following amounts:

	2009	2008
Gross amount	$ 1,138,163	$ 1,138,163
Accumulated amortization	(747,394)	(552,009)
	$ 390,769	$ 586,154

Changes in the carrying amount of intangibles during 2009 and 2008 are summarized as follows:

	2009	2008
Net intangible at January 1	$ 586,154	$ 781,539
Amortization expense	(195,385)	(195,385)
Net intangible at December 31	$ 390,769	$ 586,154

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 $62,222,504 and $39,705,779 at December 31, 2009 and 2008, respectively.

At December 31, 2009 and 2008, the scheduled maturities of certificates of deposit are as follows:

	December 31, 2009	December 31, 2008
Less than three months	$ 45,767,823	$ 42,771,245
Four to twelve months	61,654,638	45,835,173
One to five years	28,644,488	27,880,863
Five to ten years		45,022
Totals	$ 136,066,949	$ 116,532,303

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, 2009 the Company has reclassed $60,406,854 demand deposits and $66,991,697 NOW and Money Market deposits to savings deposits for regulatory reporting in connection with this program. 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.

Note 8
SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE

Securities sold under agreements to repurchase amounted to $3,884,554 and $4,715,516 at December 31, 2009 and 2008, respectively. The agreements are secured by U.S. Government Agency securities with a fair value of $3,966,227 at 2009 and $4,815,806 at 2008. The weighted average interest rate on these agreements was 0.25% at December 31, 2009 and 00.0% at December 31, 2008. The agreements of $3,884,554 at December 31, 2009 mature on January 4, 2010.

Note 9
OTHER BORROWED FUNDS

Included in other borrowed funds at December 31, 2009 and 2008, respectively, are the following:

	2009	2008
Advances from the Federal Home Loan Bank	$ 54,843,818	$ 38,250,997
KSOP note payable	1,520,000	1,520,000
	$ 56,363,818	$ 39,770,997

Advances from the Federal Home Loan Bank

Advances from the Federal Home Loan Bank amounted to $54,843,818 and $38,250,997, respectively, at December 31, 2009 and 2008. These borrowings are collateralized by one-to-four family residences. The Federal Home Loan Bank advances have fixed rates ranging from 0.61% to 5.63%. The advances were used to fund fixed interest rate loans to customers. As of December 31, 2009, aggregate annual scheduled repayments of Federal Home Loan Bank advances were as follows:

2010	$ 23,837,523
2011	22,680,303
2012	2,253,950
2013	2,251,848
2014	197,990
Thereafter	3,622,204
	$ 54,843,818

Notes to Consolidated Financial Statements
For the Years Ended December 31, 2009 and 2008 (Continued)

KSOP Note Payable

At December 31, 2009 and 2008, the Company's KSOP had a note payable in the amount of $1,520,000 with First National Bank of Chillicothe (a related party through a common director). The note was renewed on April 29, 2009 and currently bears interest at a rate of 5.50%. Seven annual payments of principal and interest in the amount of $267,496.33 are due beginning April 29, 2010. The note is secured by 45,000 shares of the Company's stock and matures on April 29, 2016.

Note 10
JUNIOR SUBORDINATED DEBENTURES

The junior subordinated debentures of $7,217,000 at December 31, 2009 and 2008 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, 2009 and 2008. Both the junior subordinated debentures and the related trust preferred securities yield an annual distribution rate of 3-month LIBOR plus 1.80% (2.05% at December 31, 2009 and 3.80% at December 31, 2008), 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, 2009 and 2008.

Note 11
INCOME TAXES

The provision for income taxes consists of the following:

	December 31, 2009	December 31, 2008
Current income tax expense:		
Federal and state	$ 1,403,791	$ 1,459,550
Deferred income tax expense (benefit) arising from:		
Excess of tax over financial accounting depreciation	194,718	116,093
Accounting for bad debt expense	(147,075)	(151,458)
Mortgage servicing valuation allowance	20,747	(20,747)
Federal Home Loan Bank stock dividends	3,740	11,458
Deferred compensation benefits	(135,668)	(234,220)
Deferred loan fee income	(25,684)	(44,930)
Goodwill amortization	106,700	106,699
Write down of other real estate owned	(27,623)	(23,377)
	(10,145)	(240,482)
Total income tax expense	$ 1,393,646	$ 1,219,068

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.

Notes to Consolidated Financial Statements
For the Years Ended December 31, 2009 and 2008 (Continued)

Note 11
INCOME TAXES (Continued)

As of December 31, 2009 and 2008, 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 $808,608 and $800,485 at December 31, 2009 and 2008 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, 2009	December 31, 2008
Deferred tax assets:		
Excess of tax cost over		
financial cost for fixed assets	$ 104,569	$ 104,095
Allowance for loan losses	1,019,276	872,201
Mortgage servicing valuation allowance		20,747
Deferred compensation benefits	1,632,852	1,497,184
Deferred loan fee income	103,012	77,328
Write down of other real estate owned	51,000	23,377
Net unrealized depreciation on derivatives used for cash flow hedges	128,077	176,034
Total deferred tax assets	3,038,786	2,770,966
Deferred tax liabilities:		
Depreciation	(1,049,991)	(854,799)
Federal Home Loan Bank stock dividends	(171,462)	(167,722)
Amortization	(850,366)	(743,666)
Net unrealized appreciation on securities available for sale	(158,359)	(204,294)
Total deferred tax liabilities	(2,230,178)	(1,970,481)
Total net deferred tax asset	$ 808,608	$ 800,485

Federal income taxes currently receivable of $295,836 and $51,685 at December 31, 2009 and 2008, 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 2009 and 2008 was $411,292 and $386,334, respectively. Employee salary reduction contributions of $426,037 and $384,442 were made in 2009 and 2008, 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, 2009 and 2008, the Company's accrued liability under the agreements was $4,802,504 and $4,403,481, 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, 2009 and 2008, respectively, include $8,428,610 and $8,173,063 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, 2009 and 2008, the information pertaining to outstanding interest rate swap agreements used to hedge variable rate debt is as follows:

	December 31, 2009	December 31, 2008
Notional amount	$ 7,000,000	$ 7,000,000
Weighted average pay rate	5.60%	5.60%
Weighted average receive rate	2.10%	3.80%
Weighted average maturity in years	3.25	4.25
Unrealized loss relating to interest rate swaps	$ 376,697	$ 517,747

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, 2009 and 2008, the unrealized loss relating to interest rate swaps was recorded in other liabilities. 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, 2009 and 2008, was $194,466 and $55,535, respectively.

Risk management results for the year ended December 31, 2009 and 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.

Note 14
RELATED-PARTY TRANSACTIONS

At December 31, 2009 and 2008, 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 $4,263,868 and $4,287,918, respectively. During 2009, $1,044,237 of new loans were originated and repayments totaled $1,068,287. 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.

Notes to Consolidated Financial Statements
For the Years Ended December 31, 2009 and 2008 (Continued)

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, 2009 and 2008, are as follows:

	December 31, 2009	December 31, 2008
Commitments to extend credit	$ 38,347,269	$ 32,762,730
Standby letters of credit	3,511,307	3,730,217
Total	$ 41,858,576	$ 36,492,947

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 2009 or 2008.

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. At December 31, 2009 the Company had $8,750,000 in due from banks and federal funds sold in excess of federally insured amounts. 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.

At December 31, 2009, total deposits include $66,305,200 from four customers. The customers' deposits are under no contractual obligation to the Company other than the maturity durations for various time certificates of deposit.

Note 17
FAIR VALUE DISCLOSURES

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair values of the Company's financial instruments were determined based on the fair value hierarchy which requires the Company to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair values. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Company's estimates for market assumptions. These two types of inputs create the following fair value hierarchy

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.

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, 2009 are as follows:

	Fair Value Measurements Using		
	Level 1	Level 2	Level 3
Available for sale securities (1)	$	$ 74,257,824	$
Mortgage servicing rights (1)		734,218	
Impaired loans (2) (4)			218,659
Other real estate owned (OREO) (3) (4)			4,899,385
Interest Rate Swap (1)		(376,697)	

(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) Impaired loans have been measured for impairment at the fair value of the loans collateral
(3) Other real estate owned is transferred from loans to OREO at fair value establishing a new basis.
(4) Fair value of Impaired loans and OREO is measured on a nonrecurring basis.

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)			1,039,398
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 fair value establishing a new basis.
(3) Fair value of Impaired loans and 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, 2009 and 2008, are as follows:

	December 31, 2009		December 31, 2008	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets:				
Cash and short-term investments	$ 19,259,762	$ 19,288,000	$ 14,156,856	$ 14,194,000
Federal funds sold	28,798,000	28,798,000		
Investment securities	77,341,174	77,341,174	63,444,156	63,441,659
Mortgage loans held for sale	2,091,801	2,091,801	1,046,117	1,046,117
Loans, net of unearned discount	315,095,122	317,565,000	287,882,217	306,377,000
Less allowance for loan losses	(3,695,862)	(3,695,862)	(3,263,287)	(3,263,287)
Loans, net of allowance	311,399,260	313,869,138	284,618,930	303,133,713
Accrued interest receivable	2,040,407	2,040,407	1,861,895	1,861,895
Financial liabilities:				
Deposits	372,247,596	373,018,000	302,193,214	303,635,000
Federal funds purchased	500,000	500,000	4,890,000	4,890,000
Repurchase agreements	3,884,554	3,884,554	4,715,516	4,715,516
Other borrowed funds	56,363,818	57,019,000	39,770,997	41,301,000
Junior Subordinated Debentures	7,217,000	7,217,000	7,217,000	7,217,000
Accrued interest payable	358,785	358,785	492,221	492,221
On-balance sheet derivative financial instruments:				
Interest rate swap agreements:				
Assets				
Liabilities	376,697	376,697	517,747	517,747
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, 2009 that the Bank could declare without the approval of the Comptroller of the Currency amounted to approximately $6,744,698.

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, 2009 and 2008, that the Bank meets all capital adequacy requirements to which it is subject.

As of December 31, 2009, 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.

Notes to Consolidated Financial Statements
For the Years Ended December 31, 2009 and 2008 (Continued)

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, 2009:						
Total capital (to risk-weighted assets) American National Bank	$ 40,048,027	11.5%	≥ $27,892,763	≥ 8.0%	≥ $34,865,954	≥ 10.0%
Tier I capital (to risk-weighted assets) American National Bank	36,342,165	10.4%	≥13,946,382	≥ 4.0%	≥ 20,919,572	≥ 6.0%
Tier I capital (to average assets) American National Bank	32,342,165	8.0%	≥ 18,281,744	≥ 4.0%	≥ 22,852,180	≥ 5.0%
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

Note 19
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, 2009 and 2008 is presented as follows (in thousands):

	December 31, 2009	December 31, 2008
Cash transactions:		
Interest expense paid	$ 5,373,337	$ 6,633,317
Federal income taxes paid	$ 1,602,443	$ 1,347,130
Noncash transactions:		
Net change in fair value of derivatives used for cash flow hedges	$ 141,050	($ 517,747)
Net unrealized appreciation on securities available for sale	($ 135,102)	$ 507,558
Loan proceeds for KSOP		$ 1,190,000

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, 2009

ASSETS	American National Leasing Co.	Archer Title of Texas, Inc.	American National Bank	AmeriBancShares of Delaware, Inc.	ANB Realty Corp.	AmeriBancShares, Inc.	Reclassification and Elimination Entries	Consolidated
Cash and due from banks, noninterest bearing	$ 282,563	$ 381,750	$ 12,928,250	$ 4,512	$ 1,000	$ 602,631	($ 727,944)	$ 13,472,762
Time deposits in banks			5,787,000					5,787,000
Federal funds sold			28,798,000					28,798,000
Total cash and cash equivalents	282,563	381,750	47,513,250	4,512	1,000	602,631	(727,944)	48,057,762
Securities available for sale			73,419,879			837,945		74,257,824
Other securities			4,190,340	41,469,032		41,691,544	(84,267,566)	3,083,350
Total investment securities			77,610,219	41,469,032		42,529,489	(84,267,566)	77,341,174
Mortgage loans held for sale			2,091,801					2,091,801
Loans	4,397,204		315,693,122				(4,540,723)	315,549,603
Less: Unearned discount	(454,481)							(454,481)
Allowance for loan losses	(98,130)		(3,597,732)					(3,695,862)
Loans, net	3,844,593		312,095,390				(4,540,723)	311,399,260
Premises and equipment, net	2,718,308	958,852	12,090,400					15,767,560
Accrued interest receivable			3,841,901			49	(1,801,543)	2,040,407
Goodwill		19,615	4,199,860					4,219,475
Intangible assets			390,769					390,769
Other assets	161,446	8,691	18,954,859			128,077	976,367	20,229,440
Total assets	$ 7,006,910	$ 1,368,908	$ 478,788,449	$ 41,473,544	$ 1,000	$ 43,260,246	($ 90,361,409)	$ 481,537,648
LIABILITIES AND STOCKHOLDERS' EQUITY								
Deposits:								
Demand deposits	$	$	$ 21,670,327	$	$	$	($ 727,944)	$ 20,942,383
Savings deposits			138,606,456					138,606,456
Money market and NOW accounts			76,631,808					76,631,808
Time certificates of deposit			136,066,949					136,066,949
Total deposits			372,975,540				(727,944)	372,247,596
Federal funds purchased			500,000					500,000
Repurchase agreements			3,884,554					3,884,554
Other borrowed funds	3,772,280	768,443	54,843,818			1,520,000	(4,540,723)	56,363,818
Junior Subordinated Debentures						7,217,000		7,217,000
Accrued interest payable	1,696,080	105,463	358,785				(1,801,543)	358,785
Other liabilities	690,226	19,336	4,756,720			438,631	976,367	6,881,280
Total liabilities	6,158,586	893,242	437,319,417			9,175,631	(6,093,843)	447,453,033
Stockholders' equity:								
Common stock	1,000	1,000	1,680,000	7,500	1,000	5,040,000	(1,690,500)	5,040,000
Surplus			7,090,826	20,910,885	256,373	10,878,386	(28,258,084)	10,878,386
Undivided profits and capital reserves	847,324	474,666	32,390,803	20,247,756	(256,373)	20,509,446	(53,704,176)	20,509,446
Treasury stock at cost						(882,000)		(882,000)
Unearned KSOP shares						(1,520,000)		(1,520,000)
Accumulated other comprehensive income (loss):								
Net unrealized depreciation on derivatives used for cash flow hedges						(248,620)		(248,620)
Net unrealized appreciation on securities available for sale			307,403	307,403		307,403	(614,806)	307,403
Total stockholders' equity	848,324	475,666	41,469,032	41,473,544	1,000	34,084,615	(84,267,566)	34,084,615
Total liabilities and stockholders' equity	$ 7,006,910	$ 1,368,908	$ 478,788,449	$ 41,473,544	$ 1,000	$ 43,260,246	($ 90,361,409)	$ 481,537,648

Consolidating Statement of Income

AmeriBancShares, Inc. and Subsidiaries, December 31, 2009

	American National Leasing Co.	Archer Title of Texas, Inc.	American National Bank	AmeriBancShares of Delaware, Inc.	ANB Realty Corp.	AmeriBancShares, Inc.	Reclassification and Elimination Entries	Consolidated
Interest income:								
Interest and fees on loans	$ 300,718	$	$ 15,594,076	$	$	$	($ 79,296)	$ 15,815,498
Interest on investment securities			2,405,427			1,932		2,407,359
Interest on time deposits in banks			66,280					66,280
Interest on federal funds sold			48,486					48,486
Total interest income	300,718		18,114,269			1,932	(79,296)	18,337,623
Interest expense:								
Interest on deposits:								
Savings			171,284					171,284
Money market and NOW accounts			567,362					567,362
Time			2,767,397					2,767,397
Total interest on deposits			3,506,043					3,506,043
Interest on federal funds purchased			4,986					4,986
Interest on repurchase agreements			9,899					9,899
Interest on other borrowed funds	65,563	13,733	1,325,860				(79,296)	1,325,860
Interest on Junior Subordinated Debentures						393,113		393,113
Total interest expense	65,563	13,733	4,846,788			393,113	(79,296)	5,239,901
Net interest income	235,155	(13,733)	13,267,481			(391,181)		13,097,722
Provision for loan losses	16,500		800,000					816,500
Net interest income after provision for loan losses	218,655	(13,733)	12,467,481			(391,181)		12,281,222
Other operating income:								
Service charges on deposit accounts			654,526					654,526
Trust fee income			3,647,066				(3,100)	3,643,966
Gain on sale of mortgage loans			1,663,452					1,663,452
Gain on sale of securities			1,086,182					1,086,182
Rent income							832,928	832,928
Earnings from subsidiary			280,582	3,656,568		3,649,989	(7,587,139)	
Other, net	794,198	1,141,065	1,235,279				(887,888)	2,282,654
Total other operating income	794,198	1,141,065	8,567,087	3,656,568		3,649,989	(7,645,199)	10,163,708
Other operating expenses:								
Salaries and bonuses	158,669	410,463	6,009,734					6,578,866
Employee benefits	29,413	83,742	3,037,585					3,150,740
Premises and equipment	18,473	87,598	2,180,406				(54,960)	2,231,517
Advertising	5,660	26,782	277,888					310,330
Data processing expense			509,499					509,499
Printing, stationery and supplies	1,179	29,517	249,390					280,086
Professional fees			206,660					206,660
Other operating expenses	601,718	307,131	3,475,005	9,968		3,100	(3,100)	4,393,822
Total other operating expenses	815,112	945,233	15,946,167	9,968		3,100	(58,060)	17,661,520
Income before income taxes	197,741	182,099	5,088,401	3,646,600		3,255,708	(7,587,139)	4,783,410
Provision for income taxes	37,494	61,764	1,431,833	(3,389)		(134,056)		1,393,646
Net income	$ 160,247	$ 120,335	$ 3,656,568	$ 3,649,989	$	$ 3,389,764	($ 7,587,139)	$ 3,389,764

Consolidating Statement of Cash Flows

AmeriBancShares, Inc. and Subsidiaries, December 31, 2009

	American National Leasing Co.	Archer Title of Texas, Inc.	American National Bank	AmeriBancShares of Delaware, Inc.	ANB Realty Corp.	AmeriBancShares, Inc.	Reclassification and Elimination Entries	Consolidated
Cash flows from operating activities:								
Net income	$ 160,247	$ 120,335	$ 3,656,568	$ 3,649,989	$	$ 3,389,764	($ 7,587,139)	$ 3,389,764
Adjustments to reconcile net income (loss) to								
net cash provided by (used in) operations:								
Depreciation	570,484	40,042	842,811					1,453,337
Amortization of intangibles			195,385					195,385
Provision for loan losses	16,500		800,000					816,500
Provision for other real estate owned losses			150,000					150,000
Provision for (benefit from) deferred taxes	173,179	(3,195)	(180,129)					(10,145)
Gain on sale of securities available for sale			(1,087,161)					(1,087,161)
Loss on sale of securities held to maturity			979					979
Gain on sale of mortgage loans			(1,663,452)					(1,663,452)
Loss on sale of other real estate owned			4,251					4,251
(Gain) loss on disposal of premises and equipment	(16,339)							(16,339)
Amortization of premium on investment securities			42,319					42,319
Accretion of discount on investment securities			(11,743)					(11,743)
Proceeds from sales of mortgage loans			97,702,005					97,702,005
Mortgage loans funded			(97,075,845)					(97,075,845)
Unconsolidated earnings from subsidiaries			(280,582)	(3,656,568)		(3,649,989)	7,587,139	
(Increase) decrease in:								
Prepaid expenses	(1,341)	5,913	(1,943,514)					(1,938,942)
Accrued interest receivable			(258,085)			276	79,297	(178,512)
Income taxes receivable			(242,690)			(1,461)		(244,151)
Miscellaneous other assets	(50,357)	225	(413,413)					(463,545)
Increase (decrease) in:								
Accrued interest payable	65,564	13,733	(83,176)			(50,260)	(79,297)	(133,436)
Other taxes payable			20,777			5,043		25,820
Other accrued expenses	128,028	(22,505)	560,470					665,993
Net cash provided by (used in) operating activities	1,045,965	154,548	735,775	(6,579)		(306,627)		1,623,082
Cash flows from investing activities:								
Proceeds from maturities of securities available for sale			21,682,417					21,682,417
Proceeds from sales of securities available for sale			25,576,920			348,100		25,925,020
Proceeds from maturities of securities held to maturity			14,072					14,072
Proceeds from sales of securities held to maturity			115,984					115,984
Purchase of securities available for sale			(59,907,242)			(1,264)		(59,908,506)
Purchase of other securities			(805,500)					(805,500)
Purchase of cash value life insurance			(326,074)					(326,074)
Dividends received from subsidiaries				1,838,310		1,829,310	(3,667,620)	
Net increase in loans	(207,981)		(33,174,521)				250,000	(33,132,502)
Purchase of premises and equipment	(1,558,698)	(10,482)	(1,426,610)					(2,995,790)
Proceeds from sale of premises and equipment	598,732							598,732
Proceeds from sale of other real estate owned			1,513,040					1,513,040
Net cash provided by (used in) investing activities	(1,167,947)	(10,482)	(46,737,514)	1,838,310		2,176,146	(3,417,620)	(47,319,107)
Cash flows from financing activities:								
Net increase in deposits			70,366,675				(312,293)	70,054,382
Net decrease in federal funds purchased			(4,390,000)					(4,390,000)
Net decrease in repurchase agreements			(830,962)					(830,962)
Net increase in other borrowed funds	250,000		16,592,821				(250,000)	16,592,821
Dividends paid			(1,838,310)	(1,829,310)		(1,829,310)	3,667,620	(1,829,310)
Net cash provided by (used in) financing activities	250,000		79,900,224	(1,829,310)		(1,829,310)	3,105,327	79,596,931
Net increase in cash and cash equivalents	128,018	144,066	33,898,485	2,421		40,209	(312,293)	33,900,906
Cash and cash equivalents at beginning of period	154,545	237,684	13,614,765	2,091	1,000	562,422	(415,651)	14,156,856
Cash and cash equivalents at end of period	$ 282,563	$ 381,750	$ 47,513,250	$ 4,512	$ 1,000	$ 602,631	($ 727,944)	$ 48,057,762

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

Kevin Goldstein
Vice President/Loans

Doris McGregor Steinberger
Vice President/Compliance Officer

Vickie Nason
Vice President/Credit and Collateral

Linda Musgrave
Assistant Vice President/Loans

Adam Whitmire
Assistant Vice President/Loans

Peggy Carr
Banking Officer

Vera Simons
Banking Officer

Operations/Support Personnel
Roy T. Olsen
Senior Vice President of Operations & Cashier

Susan Russey
Senior Vice President/Teller Operations

Nancy Vannucci
Senior Vice President/Internal Auditor

Blake Andrews
Senior Vice President/Controller

J. Bradley Davidson
Vice President/Human Resources

Kenneth L. Haney
Assistant Vice President/Calling Officer

Klint M. Ostermann
Assistant Vice President

Nora Thornton
Banking Officer/New Accounts Supervisor

Andrew Walmer
Information Technology Officer

Delores Scarber
Banking Officer/Data Processing

Candice Stroud
Banking Officer

Trust and Investment Services
Timothy G. Connolly, CTFA
Senior Vice President / Senior Trust Officer

Janice Adams
Vice President/Brokerage Services

Michael W. Boyle, CFIRS
Vice President/Trust Compliance Officer

Randy R. Martin, JD
Vice President/Trust Officer

Kevin O'Connell
Vice President/Trust Officer

Jeffrey S. Schultz,CFA
Vice President/Trust Investment Officer

Kelly J. Smith, CTFA
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

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

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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

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Vice President/Trust Officer

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AmeriBancShares, Inc.
P.O. Box 4477 • Wichita Falls, Texas 76308-0477