AmeriBancShares, Inc.

2019 ANNUAL REPORT

Our Shareholders,

Upon reflecting over my fifty plus years in banking, I cannot remember a period of time more favorable for the financial industry than the past twelve years. As the economy experiences the longest period of expansion in history, I am pleased to announce that American National Bank & Trust has again reached levels of success never attained.

As reported by the financial statements on the following pages, total assets increased 20.9%; rising to another unprecedented level of $885 million. Total deposits increased 23.2% to $770 million, and loans increased 22.4% to $655 million. Net income increased 32.8% to $9.7 million, resulting in a 33.6% increase to earnings per share at $4.45. The return on assets was 1.22%. The return on average equity was 12.6%. Capital levels remain very strong at $88 million. In addition to the yearly earnings, a line of credit was established to fund future capital needs. Also, a new offering of stock to be purchased produced an additional $8 million in capital. The bank is extremely well capitalized and is positioned to head into the future in a very stable condition.

As stated above, the economy is in the longest recovery period in history. Following prudent business analytics, it is only natural to predict that the end of this cycle is indeed approaching. To prepare for such conditions, your Board of Directors has been very diligent to approve policies and procedures that insure that loan decisions are conservative, yet positive, strong capital positions are maintained, and multiple funding sources are in place to enhance the liquidity position of the bank should economic conditions deteriorate.

Not only is the bank highly profitable, well capitalized, and has branches in very desirable locations, the personnel quality is superior. Department heads are exceptional and succession planning is sound. Bank staff has grown to over two hundred highly motivated employees.

As seen throughout this report, our bank family is committed to the communities in which we operate and are very involved in many activities that enhance the quality of life for those around us. As we grow, we also have to say thank you and good luck in your retirement to to three outstanding officers this year. Nancy Vannucci, Marva Pieratt and Niki Converse all retired in 2019. Nancy served the Bank for forty years, Marva for thirty-one years and Niki for twenty-five years. All three women were extremely valuable to our organization and will be deeply missed. We wish all of them many years of health and happiness in retirement.

We look forward to 2020 with much excitement. Construction of our new Denton branch should be completed in late Fall. Further branch additions are not anticipated at the present time; however, should a positive prospect become available, the bank is positioned to take advantage of the opportunity. Projections for 2020 reflect a highly positive return on your investment. Management continues to focus on making prudent, conservative financial decisions for the bank, as we strive to maximize stockholder value.

As always, thank you for your continued trust and support.

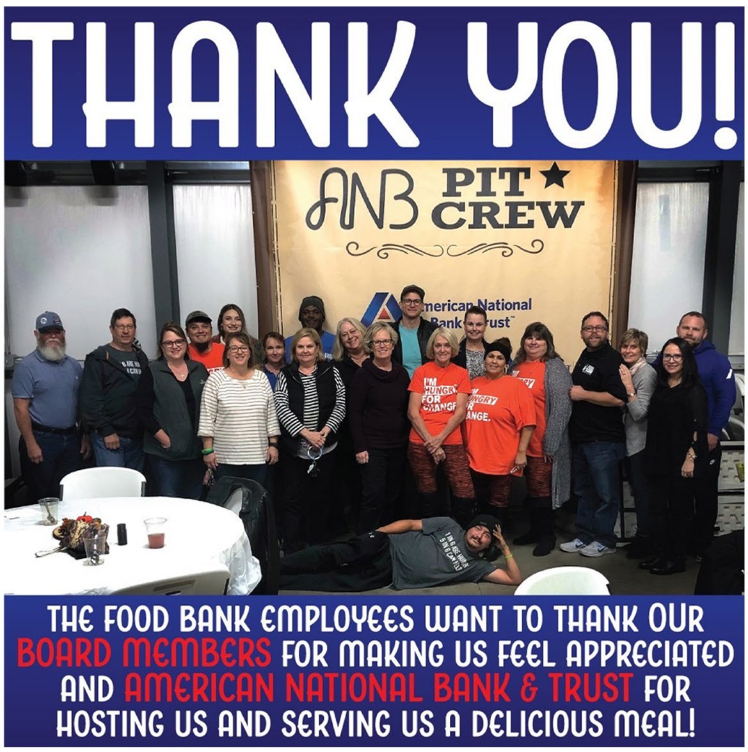
Dwight Berry, President & CEO

Supporting our communities.

At the heart, American National Bank and Trust is a community bank. Our employees live and work in the communities we serve. They have deep roots in their communities, and their familiarity is reflected in the business we conduct and the causes we choose to support as an institution.

Our corporate culture encourages giving back to the community. Across locations and branches, employees have worked with food banks, animal shelters, MS walks, Relay For Life, Hotter'N Hell 100, Miracle League and more.

From branch to branch, American National Bank and Trust continues to demonstrate our dedication to providing the best financial products and services to our customers right where they live and work.



We share in the responsibility of creating a better community in the way we provide loans to municipalities and nonprofit organizations, donations to qualified charities, and assistance to local housing authorities providing affordable housing for low-income families and senior citizens.

Our approach to serving our neighbors is and always will be based on our focus of Building Relationships One Customer at a Time.

In July our employees raised and donated $176 to the Beacon Lighthouse in Wichita Falls, TX, for our Fundraiser Friday!

Employees of American National Bank & Trust raised money for the River Bend Nature Center in Wichita Falls, TX, for one of our most recent Fundraiser Fridays!

Damon Whatley and Billy Hughes from American National Bank & Trust took home People's Choice in the Denton Cook-off!

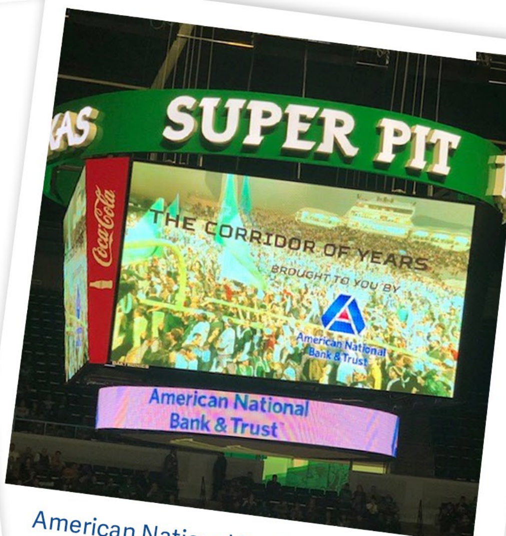
The Ladies of the Pit Crew recently served the attendees of the Hands to Hands Community Fund – A Night with Glenn Morshower.

Our Fort Worth employees and customers recently had a great time at the Fort Worth Stockyard Rodeo. We love being a part of this community!

Our "CASUAL FOR A CAUSE" program allows our American National Bank & Trust employees the ability to pay to wear jeans, and all proceeds will go to the chosen cause.

Our own Ryan Schroer represented American National Bank & Trust in Roanoke yesterday at the groundbreaking of the new G & A Consulting offices!

Sam and Sheryl had a wonderful Saturday night at the 14th Annual Flower Mound Rotary Vine and Dine Fundraiser event last weekend.



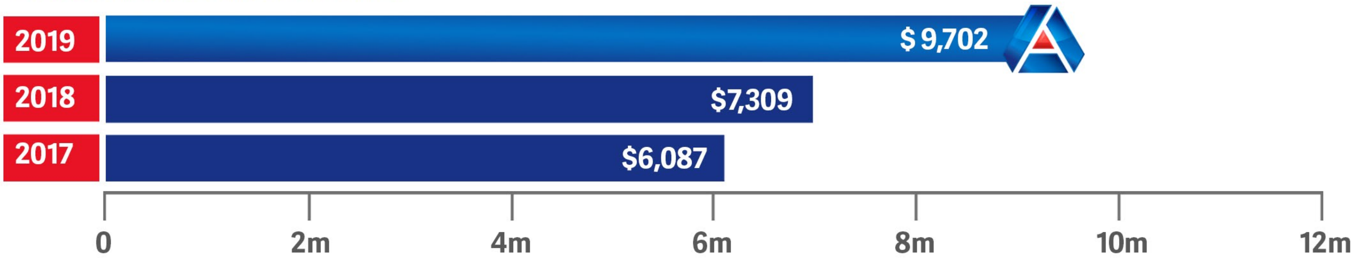
American National Bank & Trust is a proud supporter of the Univeristy of North Texas....Go Mean Green!

American National Bank & Trust Financial Highlights

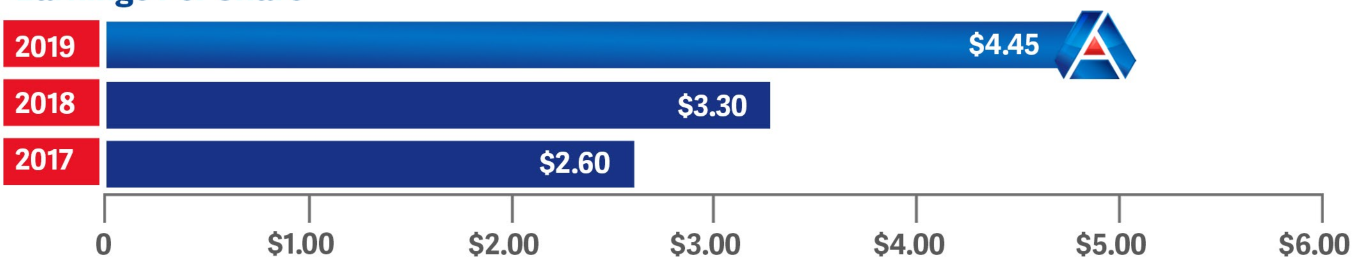
	YEAR ENDED DECEMBER 31, 2019	YEAR ENDED DECEMBER 31, 2018	%CHANGE
Demand Deposits	28,982	26,418	9.7%
Total Deposits	770,465	625,621	23.2%
Total Assets	885,411	732,600	20.9%
Total Loans (net)	655,044	535,199	22.4%
Allowance for Loan Losses	6,723	5,597	20.1%
Return on Earning Assets	4.67%	4.32%	8.1%
Cost of Funds	1.69%	1.27%	33.1%
Average Net Spread	2.98%	3.05%	-2.3%
Growth in Capital	17,901	1,101	1525.9%
Total Capital Beginning	70,109	69,008	1.6%
Total Capital Ending	88,010	70,109	25.5%
Interest Income	36,302	27,887	30.2%
Interest Expense	9,475	5,808	63.1%
Net Interest Income	26,827	22,079	21.5%
Non-Interest Income	13,086	11,426	14.5%
Non-Interest Expense	26,950	24,261	11.1%
Profit Before Provision	12,963	9,244	40.2%
Provision for Loan Losses	1,200	550	118.2%
Income Taxes	2,060	1,385	48.7%
Net Income	9,703	7,309	32.8%
Earnings Per Share	4.45	3.33	33.6%
Dividends Paid	0.50	0.55	-9.1%
Book Value	37.85	32.41	16.8%
Return on Average Assets	1.22%	1.08%	13.0%
Return on Average Equity	12.60%	10.69%	17.9%

American National Bank & Trust
Year End Statistics

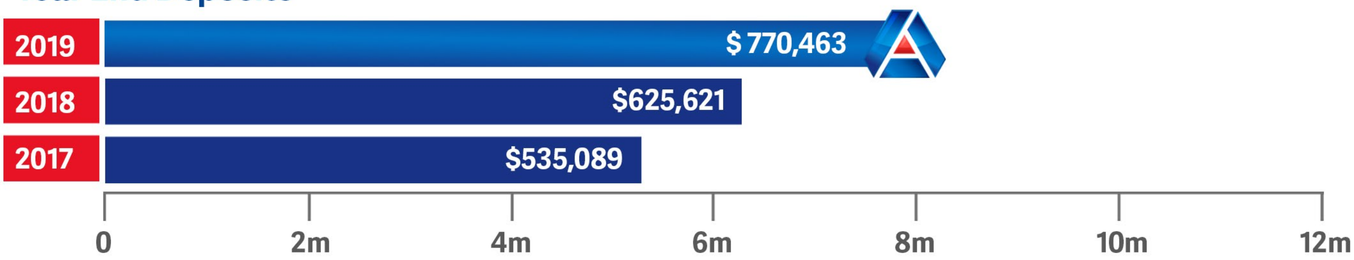
Consolidated Net Income



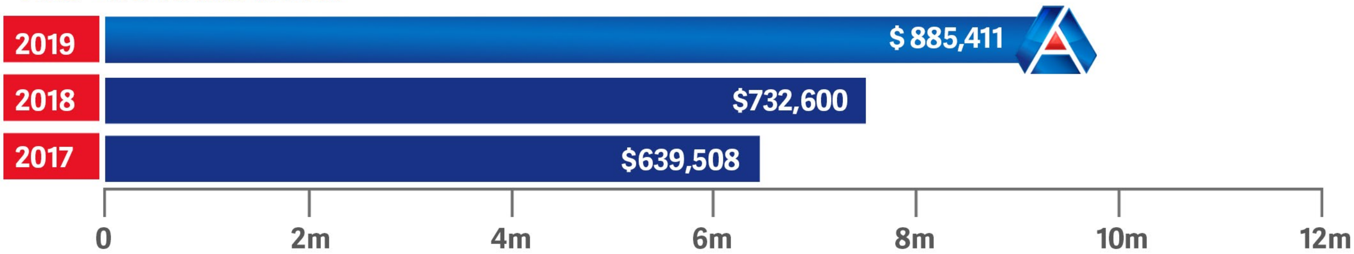
Earnings Per Share



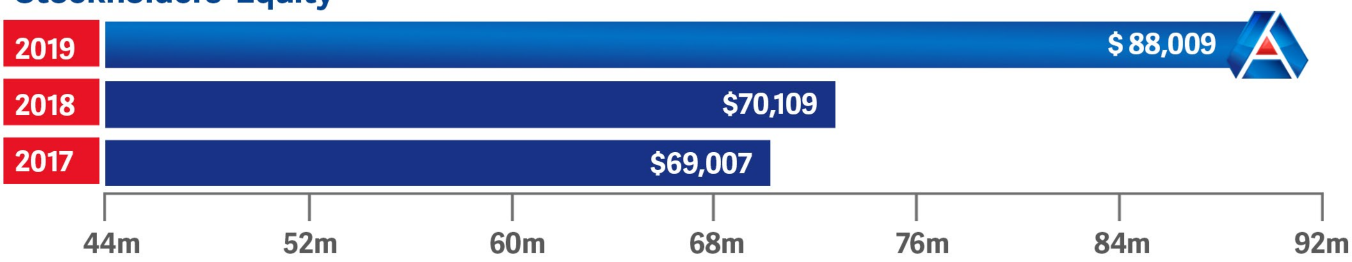
Year End Deposits



Year End Total Assets



Stockholders' Equity



AMERIBANCSHARES, INC.
AND SUBSIDIARIES

Consolidated Financial Statements
and Additional Information

December 31, 2019 and 2018

(With Independent Auditor's Report Thereon)

PAYNE & SMITH, LLC
Certified Public Accountants

Independent Auditor's Report

The Board of Directors
AmeriBancShares, Inc. and Subsidiaries
Wichita Falls, Texas

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of AmeriBancShares, Inc. and Subsidiaries (Company) which comprise the consolidated balance sheets as of December 31, 2019 and 2018 and the related consolidated statements of income, comprehensive income, changes in stockholders' equity and cash flows for the years then ended and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based upon 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 consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2019 and 2018, and the results of their operations and their cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Payne & Smith, LLC

March 9, 2020

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AMERIBANCSHARES, INC. AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2019 and 2018

(In thousands of dollars, except share amounts)

	2019	2018
ASSETS		
Cash and due from banks	$ 20,186	$ 12,523
Interest bearing deposits in banks	57,807	12,791
Total cash and equivalents	77,993	25,314
Securities available for sale	85,064	113,116
Mortgage loans held for sale	5,408	1,419
Loans, net	655,044	535,199
Premises and equipment, net	23,187	22,359
Accrued interest receivable	2,677	2,564
Goodwill	4,220	4,220
Cash surrender value of life insurance	22,515	19,672
Other securities	3,332	2,983
Other assets	5,971	5,754
Total assets	$ 885,411	$ 732,600
LIABILITIES AND STOCKHOLDERS' EQUITY		
Demand deposits	$ 28,982	$ 26,418
Savings deposits	311,410	261,882
Money market and NOW accounts	301,545	217,391
Time certificates of deposit	128,528	119,930
Total deposits	770,465	625,621
Securities sold under agreements to repurchase	790	1,025
Other borrowings	9,921	20,000
Junior subordinated debentures	7,217	7,217
Accrued interest payable	197	193
Other liabilities	8,811	8,435
Total liabilities	797,401	662,491
Commitments and contingencies	-	-
Stockholders' equity:		
Common stock (par value $2.50; 5,000,000, shares authorized, 2,480,820 and 2,321,360 issued at 2019 and 2018 and 2,325,338 and 2,163,710 outstanding at 2019 and 2018)	6,202	5,803
Surplus	26,035	18,473
Undivided profits	60,854	52,233
Treasury stock, at cost (155,482 and 157,650 shares at 2019 and 2018)	(4,952)	(5,036)
Unearned KSOP stock	(969)	-
Accumulated other comprehensive income (loss), net of tax expense (benefit) of $222 in 2019 and ($362) in 2018	840	(1,364)
Total stockholders' equity	88,010	70,109
Total liabilities and stockholders' equity	$ 885,411	$ 732,600

See accompanying notes to consolidated financial statements.

AMERIBANCSHARES, INC. AND SUBSIDIARIES

Consolidated Statements of Income

For the Years Ended December 31, 2019 and 2018

(In thousands of dollars, except earnings per share)

	2019	2018
Interest income:		
Interest and fees on loans	$ 32,878	$ 24,629
Interest on investment securities		
Taxable	1,979	1,536
Nontaxable	1,237	1,544
Interest on interest bearing deposits in banks	208	178
Total interest income	36,302	27,887
Interest expense:		
Interest on deposits	8,844	5,275
Interest on repurchase agreements	3	8
Interest on other borrowed funds	325	247
Interest on junior subordinated debentures	303	278
Total interest expense	9,475	5,808
Net interest income	26,827	22,079
Provision for loan losses	1,200	550
Net interest income after provision for loan losses	25,627	21,529
Other operating income:		
Service charges on deposit accounts	697	733
Trust fee income	5,315	5,550
Gain on sale of mortgage loans	2,226	1,016
Gain on sale of other real estate owned	23	-
Gain (loss) on sale of securities available for sale, net	151	(2)
Rent income	750	744
Other	3,924	3,385
Total other operating income	13,086	11,426
Other operating expenses:		
Salaries and employee benefits	16,943	14,997
Premises and equipment	2,397	2,343
Data processing expense	1,445	1,338
Other	6,165	5,583
Total other operating expenses	26,950	24,261
Income before income taxes	11,763	8,694
Provision for income taxes	2,060	1,385
Net income	$ 9,703	$ 7,309
Earnings per share	$ 4.45	$ 3.33

See accompanying notes to consolidated financial statements.

AMERIBANCSHARES, INC. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the Years Ended December 31, 2019 and 2018

(In thousands of dollars)

	2019	2018
Net income	$ 9,703	$ 7,309
Other comprehensive income (loss), net of tax:		
Change in net unrealized gain (loss) on securities available for sale, net of tax expense (benefit) of $616 and ($220) for 2019 and 2018, respectively	2,323	(832)
Less reclassification adjustment for (gains) losses on sales of securities available for sale, net of tax expense (benefit) of $32 and ($1) for 2019 and 2018, respectively	(119)	1
Total other comprehensive income (loss)	2,204	(831)
Total comprehensive income	$ 11,907	$ 6,478

See accompanying notes to consolidated financial statements.

AMERIBANCSHARES, INC. AND SUBSIDIARIES

Consolidated Statements of Changes in Stockholders' Equity

For the Years Ended December 31, 2019 and 2018

(In thousands of dollars)

	Common Stock	Surplus	Undivided Profits	Treasury Stock	Unearned KSOP Stock	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
Balance January 1, 2018	$ 5,803	$ 18,473	$ 46,147	$ (882)	$ -	$ (533)	$ 69,008
Net income	-	-	7,309	-	-	-	7,309
Purchase of treasury stock	-	-	-	(4,154)	-	-	(4,154)
Other comprehensive loss	-	-	-	-	-	(831)	(831)
Dividends ($.55 per common share)	-	-	(1,223)	-	-	-	(1,223)
Balance December 31, 2018	5,803	18,473	52,233	(5,036)	-	(1,364)	70,109
Net income	-	-	9,703	-	-	-	9,703
Sale of common stock	399	7,575	-	-	-	-	7,974
Sale of treasury stock	-	(13)	-	84	-	-	71
Unearned KSOP stock	-	-	-	-	(969)	-	(969)
Other comprehensive income	-	-	-	-	-	2,204	2,204
Dividends ($.50 per common share)	-	-	(1,082)	-	-	-	(1,082)
Balance December 31, 2019	$ 6,202	$ 26,035	$ 60,854	$ (4,952)	$ (969)	$ 840	$ 88,010

See accompanying notes to consolidated financial statements.

AMERIBANCSHARES, INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the Years Ended December 31, 2019 and 2018

(In thousands of dollars)

	2019	2018
Cash flows from operating activities:		
Net income	$ 9,703	$ 7,309
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	1,420	1,428
Provision for loan losses	1,200	550
Benefit from deferred taxes	(416)	(219)
(Gain) loss on sale of securities available for sale	(151)	2
Gain on sale of mortgage loans	(2,226)	(1,016)
Gain on sale of other real estate owned	(23)	-
Gain on sale of premises and equipment	(14)	(5)
Amortization of premium on investment securities	392	521
Accretion of discount on investment securities	(229)	(118)
Increase in cash surrender of life insurance	(684)	(547)
Proceeds from sales of mortgage loans	103,565	57,222
Mortgage loans funded	(105,326)	(56,373)
Change in:		
Prepaid expenses	(188)	37
Accrued interest receivable	(114)	(357)
Income taxes receivable	(36)	66
Miscellaneous other assets	(364)	(162)
Accrued interest payable	4	79
Income taxes payable	228	
Other taxes payable	5	4
Other accrued expenses	200	944
Net cash provided by operating activities	6,946	9,365
Cash flows from investing activities:		
Proceeds from maturities, calls and paydowns of securities available for sale	24,500	31,257
Proceeds from sale of securities available for sale	16,177	3,691
Purchase of securities available for sale	(9,848)	(24,914)
Purchase of other securities	(348)	(39)
Purchase of cash value life insurance	(2,159)	-
Net increase in loans	(122,200)	(111,582)
Purchase of premises and equipment	(2,878)	(1,491)
Proceeds from sale of premises and equipment	662	608
Proceeds from sale of other real estate owned	334	-
Net cash used in investing activities	(95,760)	(102,470)
Cash flows from financing activities:		
Net increase in deposits	144,844	90,531
Net (decrease) increase in repurchase agreements	(235)	436
Net decrease in other borrowings	(10,079)	-
Sale of common stock	7,974	-
Sale (purchase) of treasury stock	71	(4,154)
Dividends paid	(1,082)	(1,223)
Net cash provided by financing activities	141,493	85,590
Net increase (decrease) in cash and cash equivalents	52,679	(7,515)
Cash and cash equivalents at beginning of year	25,314	32,829
Cash and cash equivalents at end of year	$ 77,993	$ 25,314

See accompanying notes to consolidated financial statements.

1. Summary of Significant Accounting Policies

The accounting and reporting policies of AmeriBancShares, Inc. and Subsidiaries (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.

Business

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

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 & Trust, which is a wholly-owned subsidiary of AmeriBancShares of Delaware Inc. (ABDI) and American National Leasing Company, Archer Title of Texas, Inc., and AmNat Insurance Services, Inc., which are wholly-owned subsidiaries of American National Bank & Trust (together referred to as Bank). All significant intercompany transactions have been eliminated. The consolidated statements of income, changes in stockholders' equity, and cash flows include operations for the year ended December 31, 2019 and 2018.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that effect the reported amounts of assets and liabilities and disclosure on 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 debtor's 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 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.

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 may be 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 or held-to-maturity 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. Fees associated with originating loans, to the extent they exceed the direct origination costs are generally deferred and recognized over the life of the loan as an adjustment of yield.

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 and are accounted for on the cash-basis or cost-recovery method, until qualifying for return to accrual. A troubled debt restructured loan (TDR) is a loan which the Company, for reasons related to the borrower's financial difficulties, grants a concession to the borrower that the Company would not otherwise consider. The loan terms, which have been modified or restructured due to a borrower's financial difficulty, include, but are not limited to, a reduction in the stated interest rate; an extension of the maturity at an interest rate below current market; a reduction in the face amount of the debt; a reduction in the accrued interest; or reaging, extensions, deferrals, renewals, and rewrites. A TDR loan is considered impaired in the year of modification and will be assessed periodically for further impairment.

The allowance for loan losses is established through a provision for loan losses charged to expense, which represents management's best estimate of probable losses that have been incurred within the existing portfolio of loans. The allowance, in the judgment of management, is necessary to provide for estimated loan losses inherent in the loan portfolio. The allowance for loan losses includes allowance allocations calculated in accordance with ASC Topic 310, *Receivables* and allowance allocations calculated in accordance with ASC Topic 450, *Contingencies*. The level of the allowance reflects management's continuing evaluation of industry concentrations, specific credit risks, loan loss experience, current loan portfolio quality, present economic, political and regulatory conditions and unidentified losses inherent in the current loan portfolio, as well as trends in the foregoing. Portions of the allowance may be allocated for specific credits; however, the entire allowance is available for any credit that, in management's judgment, should be charged off. While management utilizes its best judgment and information available, the ultimate adequacy of the allowance is dependent upon a variety of factors beyond the Company's control, including the performance of the Company's loan portfolio, the economy, changes in interest rates and the view of the regulatory authorities toward loan classifications.

The Company's allowance for loan losses consists of three elements: (i) specific valuation allowances established for probable losses on specific loans; (ii) historical valuation allowances calculated based on historical loan loss experience for similar loans with similar characteristics and trends adjusted for general economic conditions and other qualitative risk factors both internal and external to the Company; and (iii) unallocated general valuation.

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 life of the underlying loan portfolio.

Goodwill

Goodwill represents the excess of the cost of businesses acquired over the fair value of the net assets acquired. At least annually or more frequently if circumstances dictate, management assesses qualitative factors to determine whether the existence of events and circumstances indicates that it is more likely than not that goodwill is impaired. If, after assessing the totality of events and circumstances, management concludes that it is not more likely than not that goodwill is impaired, then no further action is taken. If, however, management concludes otherwise, then the fair value of goodwill is determined and tested for impairment by comparing the fair value with the carrying amount in accordance with ASC Topic 350, Intangibles-Goodwill and Other.

Other Securities

Other securities consist of common stock in the Federal Reserve Bank, Federal Home Loan Bank, Independent Bankers Financial Corporation, Bankers Bancorp and an investment in a Special Purpose Entity (see Note 10). These nonmarketable equity securities are generally accounted for at cost and are evaluated at least quarterly for possible other-than-temporary impairment.

Revenue Recognition

Effective January 1, 2019, the Company adopted new policies related to revenue recognition with the adoption of Accounting Standards Update ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The implementation of the new standard did not have a material impact on the measurement or recognition of revenue. Results for reporting periods beginning after January 1, 2019 are presented under Topic 606, while prior period amounts were not adjusted and continue to be reported in accordance with accounting under Topic 605.

Topic 606 does not apply to revenue associated with financial instruments, including revenue from loans and securities. In addition, certain non-interest income streams such as fees associated with mortgage servicing rights, financial guarantees, derivatives, and certain credit card fees are also not in scope of the new guidance. Topic 606 is applicable to non-interest revenue streams, such as deposit related fees, interchange fees, merchant income, and brokerage and investment advisory service commissions. The recognition of these revenue streams did not change significantly upon adoption of Topic 606. Substantially all of the Company's revenue is generated from contracts with customers.

Income Taxes

AmeriBancShares, Inc. files a consolidated income tax return with its subsidiaries. Federal income tax expense or benefit has been allocated on a separate return basis.

Deferred tax assets and liabilities are reflected at currently enacted income tax rates applicable to the period in which the deferred tax assets and liabilities are expected to be realized or settled. As changes in tax laws or rates are enacted, deferred tax assets and liabilities are adjusted through the provision for income taxes. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized.

Accounting principles generally accepted in the United States of America require Company management to evaluate tax positions taken by the Company. Management evaluated the Company's tax positions and concluded that the Company had taken no uncertain tax positions that require recognition or disclosure in the consolidated financial statements. Therefore, no liability for tax penalties has been included in the consolidated financial statements. With few exceptions, the Company is no longer subject to income tax examinations by the U.S. federal, state, or local tax authorities for years before 2016.

Derivative Financial Instruments

Derivative financial instruments are recognized as assets and liabilities on the consolidated balance sheet and measured at fair value. From time to time, 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). At December 31, 2019 and 2018, the Company had no outstanding interest rate swap agreements.

Mortgage loan commitments that relate to the origination of a mortgage that will be held for sale upon funding are considered derivative instruments. Loan commitments that are derivatives are recognized at fair value on the consolidated balance sheet in other assets and other liabilities with changes in their fair values recorded in noninterest income. The fair value of those commitments was insignificant at December 31, 2019 and 2018.

Net Income Per Common Share

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

Comprehensive Income

Comprehensive income includes both net income and other comprehensive income (loss), which includes the change in unrealized gains and losses on securities available for sale.

Fair Values of Financial Instruments

ASC Topic 820, *Fair Value Measurements and Disclosures*, defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and requires certain disclosures about fair value measurements. In general, fair values of financial instruments are based upon quoted market prices, where available. If such quoted market prices are not available, fair value is based upon internally developed models that primarily use, as inputs, observable market-based parameters. Valuation adjustments may be made to ensure that financial instruments are recorded at fair value. These adjustments may include amounts to reflect counterparty credit quality and the Company's creditworthiness, among other things, as well as unobservable parameters. Any such valuation adjustments are applied consistently over time.

Transfer of Financial Assets

Transfers of financial assets are accounted for as sales when control over the assets has been surrendered. Control over transferred assets is deemed to be surrendered when (i) the assets have been isolated from the Company, (ii) the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets, and (iii) the Company does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity.

Subsequent Events

The Company has evaluated subsequent events and transactions for potential recognition or disclosure through March 9, 2020, the date these financial statements were available to be issued.

Accounting Pronouncement Adopted in 2018

In January 2016, the FASB issued ASU 2016-01 which eliminated the requirement to disclose the fair value of financial instruments measured at amortized cost for entities that are not public business entities. The new standard is effective for fiscal years beginning after December 15, 2018 with early adoption permitted. The Company early adopted the provisions which allow for the discontinuation of the fair value disclosures for financial instruments not measured at fair value as of January 1, 2018.

Reclassification

For comparability, certain amounts in the 2018 financial statements have been reclassified, where appropriate, to conform with the financial presentation used in 2019.

2. Recent Accounting Pronouncements

In February 2016, the FASB issued Accounting Standards Update 2016-02, *Leases (Topic 842)*. The amendment to the Leases topic of the Accounting Standards Codification was to revise certain aspects of recognition, measurement, presentation, and disclosure of leasing transactions. The amended guidance and subsequent updates require lessees recognize the following for all leases (with the exception of short-term leases) at the commencement date (i) A lease liability, which is the lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and (ii) A right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. Under the new guidance, lessor accounting is largely unchanged. The amendment will be effective for fiscal years beginning after December 15, 2020, including interim periods within those fiscal years. Earlier application is permitted. This statement is not expected to have a material impact on the Company's consolidated financial statements.

In June 2016, the FASB issued Accounting Standards Update 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments.* The update and subsequent updates require the measurement of all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts and requires enhanced disclosures related to the significant estimates and judgments used in estimating credit losses, as the credit quality and underwriting standards of an organization's portfolio. The guidance replaces the incurred loss model with a current expected loss model, which is referred to as the current expected credit loss (CECL) model. In addition, ASU 2016-13 amends the accounting for credit losses on available-for-sale debt securities and purchased financial assets with credit deterioration. In April 2019, The FASB issued Accounting Standards Update 2019-04, *Codification Improvements to Topic 326, Financial Instruments—Credit Losses (Topic 815), Derivatives and Hedging, and Financial Instruments* (*Topic 825*) to address certain codification improvements and to provide certain accounting policy electives related to accrued interest as well as the disclosure related to credit losses, among other things. In May 2019, the FASB issued Accounting Standards Update 2019-05, *Financial Instruments—Credit Losses* (*Topic 326*): *Targeted Transition Relief*, to provide transition relief in connection with the adoption of ASU 2016-03, whereby entities would have the option to irrevocably elect the fair value option for certain financial assets previously measured at amortized cost basis. The amendments for non-public business entities will be effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. Early adoption is permitted as of the fiscal year beginning after December 15, 2018. The Company has formed a CECL committee and is evaluating the impact this amendment will have on the Company's consolidated financial statements. The adoption of ASU 2016-13 is not expected to have a significant impact on the regulatory capital ratios. The ultimate impact of adoption could be significantly different than current expectation as modeling processes will be significantly influenced by the composition, characteristics and quality of the loan and securities portfolios as the prevailing economic conditions and forecasts as of that date, notwithstanding any further refinements to the expected credit loss models.

3. Investment Securities

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

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Market Value
Securities Available for Sale				
December 31, 2019:				
U.S. Treasury securities	$ 9,942	$ 17	$ -	$ 9,959
U.S. Government Agency securities	25,150	29	(11)	25,168
Municipal securities	44,726	1,007	(47)	45,686
Mortgage-backed securities	4,184	67	-	4,251
	$ 84,002	$ 1,120	$ (58)	$ 85,064
December 31, 2018:				
U.S. Treasury securities	$ 24,840	$ -	$ (112)	$ 24,728
U.S. Government Agency securities	25,254	-	(383)	24,871
Municipal securities	59,302	48	(1,232)	58,118
Mortgage-backed securities	5,446	-	(47)	5,399
	$ 114,842	$ 48	$ (1,774)	$ 113,116
Other Securities				
December 31, 2019	$ 3,332	$ -	$ -	$ 3,332
December 31, 2018	$ 2,983	$ -	$ -	$ 2,983

The amortized cost and estimated market value of debt and equity securities at December 31, 2019, 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	
	Amortized Cost	Estimated Market Value
Due in one year or less	$ 31,732	$ 31,749
Due after one year through five years	19,505	19,697
Due after five years through ten years	22,816	23,351
Due after ten years	5,765	6,016
	79,818	80,813
Mortgage-backed securities	4,184	4,251
	$ 84,002	$ 85,064

Proceeds from sales of available for sale securities for the years ended December 31, 2019 and 2018 were approximately $16,177,000 and $3,691,000, respectively. Gross gains of approximately $170,000 and $9,000 were realized on sales of available for sale securities during 2019 and 2018, respectively. Gross losses of $19,000 and $11,000 were realized on sales of available for sale securities during 2019 and 2018, respectively.

Investment securities with a recorded value of approximately $64,802,000 and $89,354,000 at December 31, 2019 and 2018, 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, 2019 and 2018 are summarized as follows (in thousands):

	Less than 12 Months		12 Months or More	
Securities Available for Sale	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
December 31, 2019:				
U.S. Government Agency securities	$ -	$ -	$ 14,979	$ (11)
Municipal securities	2,711	(10)	4,026	(37)
	$ 2,711	$ (10)	$ 19,005	$ (48)
December 31, 2018:				
U.S. Treasury securities	$ 4,974	$ (9)	$ 15	$ (103)
U.S. Government Agency securities	-	-	24,871	(383)
Municipal securities	23,196	(378)	26,731	(854)
Mortgage-backed securities	4,243	(25)	1,156	(22)
	$ 32,413	$ (412)	$ 52,773	$ (1,362)

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 (i) the length of time and the extent to which the fair value has been less than cost, (ii) the financial condition and near-term prospects of the issuer, and (iii) 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.

As of December 31, 2019, management does not have the intent to sell any of the securities classified as available for sale in the table above and believes that it is more likely than not that the Company will not have to sell any such securities before a recovery of cost. The unrealized losses are largely due to increases in market interest rates over the yields available at the time the underlying securities were purchased. The fair value is expected to recover as the bonds approach their maturity date or repricing date or if market yields for such investments decline. Management does not believe any of the securities are impaired due to reasons of credit quality. Accordingly, as of December 31, 2019 and 2018, management believes the impairments detailed in the table above are temporary and no impairment loss has been recorded in the Company's consolidated income statement.

4. Loans and Allowance for Loan Losses

A summary of loan categories is as follows (in thousands):

	2019	2018
Real estate:		
1-4 family construction	$ 22,101	$ 15,944
Construction, land development and other land	76,288	45,378
Revolving 1-4 family residential	319	320
1-4 family residential	79,784	69,312
Multi-family residential	28,706	21,121
Nonfarm nonresidential - owner occupied	68,281	65,081
Nonfarm nonresidential - nonowner occupied	245,739	173,597
Farmland	11,103	10,385
Total real estate	532,321	401,138
Agriculture	1,411	1,051
Commercial and industrial	39,005	50,172
Consumer	25,136	26,986
Municipal	749	1,061
Nondepository financial institutions	33,115	27,227
Lease financing receivables	21,073	19,058
Overdrafts	93	36
All other loans	10,539	15,272
	663,442	542,001
Unearned discount	(1,675)	(1,205)
Allowance for loan losses	(6,723)	(5,597)
	$ 655,044	$ 535,199

The Company extends commercial and consumer credit primarily to customers in the state of Texas. At December 31, 2019 and 2018, the majority of the Company's loans were collateralized with real estate. The real estate collateral provides an alternate source of repayment in the event of default by the borrower and may deteriorate in value during the time the credit is extended. The weakening of real estate markets may have an adverse effect on the Company's profitability and asset quality. If the Company were required to liquidate the collateral securing a loan to satisfy the debt during a period of reduced real estate values, earnings and capital could be adversely affected. Additionally, the Company has loans secured by inventory, accounts receivable, equipment, marketable securities, or other assets. The debtors' ability to honor their contracts on all loans is substantially dependent upon the general economic conditions of the region.

Sound risk management practices and appropriate levels of capital are essential elements of a sound commercial real estate lending program (CRE) for a financial institution. 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. At December 31, 2019 and 2018, the Bank had total commercial real estate loans of approximately $441,115,000 and $321,121,000 respectively. Included in these amounts, the Bank had construction, land development, and other land loans representing 93% and 76%, respectively, of total risk-based capital at December 31, 2019 and 2018. The Bank had non-owner occupied commercial real estate loans representing 354% and 318%, respectively, of total risk-based capital at December 31, 2019 and 2018.

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 approximately $269,400,000 and $236,620,000 at December 31, 2019 and 2018, respectively. Custodial escrow balances maintained in connection with the foregoing loan servicing, and included in demand deposits, were approximately $2,049,000 and $1,533,000 at December 31, 2019 and 2018, respectively.

Originated mortgage servicing rights capitalized at December 31, 2019 and 2018, are approximately $2,167,000 and $1,861,000, respectively, and are included in other assets. The fair values of these rights were approximately $2,415,000 and $2,462,000 at December 31, 2019 and 2018, respectively. The fair value of servicing rights was determined using a weighted average discount rate of 10.26% and 10.52% for 2019 and 2018, respectively, and a weighted average prepayment speed of 12.99% and 7.75% for 2019 and 2018, respectively.

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

	2019	2018
Balance at beginning of year	$ 1,861	$ 1,859
Origination	575	271
Amortization	(269)	(269)
Impairments	-	-
Balance at end of year	$ 2,167	$ 1,861

Loan maturities and rate sensitivity of the loan portfolio at December 31, 2019 and 2018, including mortgage loans held for sale less loans on nonaccrual, are as follows (in thousands):

	2019	2018
Fixed rate loans with a remaining maturity of:		
Three months or less	$ 37,572	$ 13,984
Over three months through twelve months	85,186	41,527
Over one year through five years	326,270	286,535
Over five years	86,812	72,998
Total fixed rate loans	$ 535,840	$ 415,044
Variable rate loans with a repricing frequency of:		
Quarterly or more frequently	$ 84,796	$ 91,282
Annually or more frequently, but less frequently than quarterly	1,333	1,256
Every five years or more frequently, but less frequently than annually	42,854	30,784
Less frequently than every five years	690	702
Total variable rate loans	$ 129,673	$ 124,024

Allowance for Loan Losses

An analysis of the allowance for loan losses for the years ended December 31, 2019 and 2018 is as follows (in thousands):

	Beginning Balance	Provisions	Charge-offs	Recoveries	Ending Balance
December 31, 2019:					
Real estate:					
1-4 family construction	$ 78	$ 152	$ -	$ -	$ 230
Construction, land development and other land	616	(115)	-	320	821
Revolving 1-4 family residential	1	-	-	-	1
1-4 family residential	846	36	(6)	5	881
Multi-family residential	160	51	-	-	211
Nonfarm nonresidential - owner occupied	721	(13)	-	-	708
Nonfarm nonresidential - nonowner occupied	1,922	624	-	-	2,546
Farmland	71	5	-	-	76
Total real estate	4,415	740	(6)	325	5,474
Agriculture	1	20	(13)	-	8
Commercial and industrial	692	297	(238)	-	751
Consumer	208	177	(146)	7	246
Municipal	1	-	-	-	1
Nondepository financial institutions	152	(24)	-	-	128
Lease financing receivable	81	7	(3)	-	85
Overdrafts	-	-	-	-	-
All other loans	47	(17)	-	-	30
	$ 5,597	$ 1,200	$ (406)	$ 332	$ 6,723
December 31, 2018:					
Real estate:					
1-4 family construction	$ 60	$ 18	$ -	$ -	$ 78
Construction, land development and other land	681	(65)	-	-	616
Revolving 1-4 family residential	1	-	-	-	1
1-4 family residential	725	124	(3)	-	846
Multi-family residential	95	65	-	-	160
Nonfarm nonresidential - owner occupied	639	82	-	-	721
Nonfarm nonresidential - nonowner occupied	1,764	158	-	-	1,922
Farmland	49	22	-	-	71
Total real estate	4,014	404	(3)	-	4,415
Agriculture	1	-	-	-	1
Commercial and industrial	616	76	-	-	692
Consumer	200	33	(32)	7	208
Municipal	1	-	-	-	1
Nondepository financial institutions	126	26	-	-	152
Lease financing receivable	78	3	-	-	81
Overdrafts	-	-	-	-	-
All other loans	39	8	-	-	47
	$ 5,075	$ 550	$ (35)	$ 7	$ 5,597

The Company's individual ALLL allocations are established for probable losses on specific loans. The Company's collective ALLL allocations are established based upon historical loss experience for similar loans with similar characteristics and on economic conditions and other qualitative risk factors both internal and external to the Company. The allocation of a portion of the allowance for loan losses to one category does not preclude its availability to absorb losses in other categories. Further information pertaining to the allowance for loan losses (ALLL) at December 31, 2019 and 2018 is as follows (in thousands):

	Loan Evaluation			ALLL Allocations		
	Individually	Collectively	Total	Individually	Collectively	Total ALLL
December 31, 2019:						
Real estate:						
1-4 family construction	$ -	$ 22,101	$ 22,101	$ -	$ 230	$ 230
Construction, land development and other land	-	76,288	76,288	-	821	821
Revolving 1-4 family residential	-	319	319	-	1	1
1-4 family residential	1,327	78,457	79,784	-	881	881
Multi-family residential	-	28,706	28,706	-	211	211
Nonfarm nonresidential - owner occupied	-	68,281	68,281	-	708	708
Nonfarm nonresidential - nonowner occupied	-	245,739	245,739	-	2,546	2,546
Farmland	126	10,977	11,103	-	76	76
Total real estate	1,453	530,868	532,321	-	5,474	5,474
Agriculture	-	1,411	1,411	-	8	8
Commercial and industrial	1,902	37,103	39,005	188	563	751
Consumer	38	25,098	25,136	-	246	246
Municipal	-	749	749	-	1	1
Nondepository financial institutions	-	33,115	33,115	-	128	128
Lease financing receivable	-	21,073	21,073	-	85	85
Overdrafts	-	93	93	-	-	-
All other loans	-	10,539	10,539	-	30	30
	$ 3,393	$ 660,049	$ 663,442	$ 188	$ 6,535	$ 6,723
December 31, 2018:						
Real estate:						
1-4 family construction	$ -	$ 15,944	$ 15,944	$ -	$ 78	$ 78
Construction, land development and other land	-	45,378	45,378	-	616	616
Revolving 1-4 family residential	-	320	320	-	1	1
1-4 family residential	840	68,472	69,312	-	846	846
Multi-family residential	-	21,121	21,121	-	160	160
Nonfarm nonresidential - owner occupied	-	65,081	65,081	-	721	721
Nonfarm nonresidential - nonowner occupied	-	173,597	173,597	-	1,922	1,922
Farmland	385	10,000	10,385	-	71	71
Total real estate	1,225	399,913	401,138	-	4,415	4,415
Agriculture	41	1,010	1,051	-	1	1
Commercial and industrial	2,964	47,208	50,172	134	558	692
Consumer	139	26,847	26,986	-	208	208
Municipal	-	1,061	1,061	-	1	1
Nondepository financial institutions	-	27,227	27,227	-	152	152
Lease financing receivable	-	19,058	19,058	-	81	81
Overdrafts	-	36	36	-	-	-
All other loans	-	15,272	15,272	-	47	47
	$ 4,369	$ 537,632	$ 542,001	$ 134	$ 5,463	$ 5,597

Past Due and Nonaccrual Loans

The following is a summary of past due and non-accrual loans at December 31, 2019 and 2018 (in thousands):

	Past Due 30-89 Days Still Accruing	Past Due 90 Day or More Still Accruing	Non-accrual	Total Past Due and Non-accrual
December 31, 2019:				
Real estate:				
1-4 family construction	$ 110	$ -	$ -	$ 110
Construction, land development and other land	-	-	-	-
Revolving 1-4 family residential	-	-	-	-
1-4 family residential	2,923	-	1,296	4,219
Multi-family residential	-	-	-	-
Nonfarm nonresidential - owner occupied	-	-	-	-
Nonfarm nonresidential - nonowner occupied	1,308	-	-	1,308
Farmland	486	-	126	612
Total real estate	4,827	-	1,422	6,249
Agriculture	-	-	-	-
Commercial and industrial	102	-	1,895	1,997
Consumer	2,807	-	20	2,827
Municipal	-	-	-	-
Nondepository financial institutions	-	-	-	-
Lease financing receivable	66	-	-	66
Overdrafts	-	-	-	-
All other loans	-	-	-	-
	$ 7,802	$ -	$ 3,337	$ 11,139
December 31, 2018:				
Real estate:				
1-4 family construction	$ 111	$ -	$ -	$ 111
Construction, land development and other land	-	-	-	-
Revolving 1-4 family residential	-	-	-	-
1-4 family residential	1,649	-	840	2,489
Multi-family residential	-	-	-	-
Nonfarm nonresidential - owner occupied	-	-	-	-
Nonfarm nonresidential - nonowner occupied	-	-	-	-
Farmland	-	-	385	385
Total real estate	1,760	-	1,225	2,985
Agriculture	-	-	41	41
Commercial and industrial	57	7	2,947	3,011
Consumer	2,727	-	139	2,866
Municipal	-	-	-	-
Nondepository financial institutions	-	-	-	-
Lease financing receivable	35	-	-	35
Overdrafts	-	-	-	-
All other loans	-	-	-	-
	$ 4,579	$ 7	$ 4,352	$ 8,938

Approximately $233,000 and $251,000 of additional interest would have been recognized if the loans on non-accrual had been on accrual status during 2019 and 2018, respectively.

Impaired Loans

Impaired loans may include loans modified in troubled debt restructurings where concessions have been granted to borrowers experiencing financial difficulties. Average impaired loans during 2019 and 2018 were approximately $3,648,000 and $4,773,000, respectively. Approximately $17,000 of interest income was recognized on impaired loans for each of the years ending December 31, 2019 and 2018, respectively. The following is a summary of information pertaining to impaired loans at December 31, 2019 and 2018 is as follows (in thousands):

	Impaired Loans with a Valuation Allowance			Impaired Loans without a Valuation Allowance		
	Recorded Investment	Unpaid Principal	Related Allowance	Recorded Investment	Unpaid Principal	Related Allowance
December 31, 2019:						
Real estate:						
1-4 family construction	$ -	$ -	$ -	$ -	$ -	$ -
Construction, land development and other land	-	-	-	-	-	-
Revolving 1-4 family residential	-	-	-	-	-	-
1-4 family residential	-	-	-	1,327	1,564	-
Multi-family residential	-	-	-	-	-	-
Nonfarm nonresidential - owner occupied	-	-	-	-	-	-
Nonfarm nonresidential - nonowner occupied	-	-	-	-	-	-
Farmland	-	-	-	126	190	-
Total real estate	-	-	-	1,453	1,754	-
Agriculture	-	-	-	-	-	-
Commercial and industrial	1,876	2,162	188	26	27	-
Consumer	-	-	-	38	63	-
Municipal	-	-	-	-	-	-
Nondepository financial institutions	-	-	-	-	-	-
Lease financing receivable	-	-	-	-	-	-
Overdrafts	-	-	-	-	-	-
All other loans	-	-	-	-	-	-
	$ 1,876	$ 2,162	$ 188	$ 1,517	$ 1,844	$ -
December 31, 2018:						
Real estate:						
1-4 family construction	$ -	$ -	$ -	$ -	$ -	$ -
Construction, land development and other land	-	-	-	-	-	-
Revolving 1-4 family residential	-	-	-	-	-	-
1-4 family residential	-	-	-	840	1,015	-
Multi-family residential	-	-	-	-	-	-
Nonfarm nonresidential - owner occupied	-	-	-	-	-	-
Nonfarm nonresidential - nonowner occupied	-	-	-	-	-	-
Farmland	-	-	-	385	406	-
Total real estate	-	-	-	1,225	1,421	-
Agriculture	-	-	-	41	48	-
Commercial and industrial	2,684	2,842	134	280	291	-
Consumer	-	-	-	139	166	-
Municipal	-	-	-	-	-	-
Nondepository financial institutions	-	-	-	-	-	-
Lease financing receivable	-	-	-	-	-	-
Overdrafts	-	-	-	-	-	-
All other loans	-	-	-	-	-	-
	$ 2,684	$ 2,842	$ 134	$ 1,685	$ 1,926	$ -

Troubled Debt Restructuring

Impaired loans include loans modified in troubled debt restructurings where concessions have been granted to borrowers experiencing financial difficulties. The restructuring of a loan is considered a troubled debt restructuring if both the borrower is experiencing financial difficulties and the creditor has granted a concession. Concessions may include interest rate reductions or below market interest rates, principal forgiveness, restructuring amortization schedules and other actions intended to minimize potential losses. At December 31, 2019 and 2018, the Company had TDRs totaling approximately $1,976,000 and $2,789,000, respectively. The Company had approximately $56,000 and $17,000 of performing TDRs at December 31, 2019 and 2018, respectively. During the year ended December 31, 2019, the Company had one loan totaling approximately $21,000 modified as a TDR. During the year ended December 31, 2018, the Company had two commercial loans totaling approximately $3,109,000 modified as TDRs. These restructuring in 2019 and 2018 did not significantly impact the Company's determination of the allowance for loan losses. During the years ended December 31, 2019 and 2018, the Company had no significant TDRs that subsequently defaulted within twelve months following their modification.

Credit Quality Information

The Company categorizes loans into risk categories based on relevant information about the ability of borrowers to service their debt, including: current financial information, historical payment experience, credit documentation, public information, and current economic trends, among other factors. The Company analyzes loans individually by classifying the loans as to credit risk. This analysis is performed on an ongoing basis. The Company uses the following definitions for risk ratings:

PASS: Loans classified as pass are loans with low to average risk.

SPECIAL MENTION: Loans classified as special mention have a potential weakness that deserves management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the loan or of the institution's credit position at some future date.

SUBSTANDARD: Loans classified as substandard are inadequately protected by the current net worth and paying capacity of the obligor or of the collateral pledged, if any. Loans so classified have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt. They are characterized by the distinct possibility that the institution will sustain some loss if the deficiencies are not corrected.

DOUBTFUL: Loans classified as doubtful have all the weaknesses inherent in those classified as substandard, with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, conditions, and values, highly questionable and improbable.

The risk category of loans by class of loans at December 31, 2019 and 2018 is as follows (in thousands):

	Pass	Special Mention	Substandard	Doubtful	Total
December 31, 2019:					
Real estate:					
1-4 family construction	$ 22,101	$ -	$ -	$ -	$ 22,101
Construction, land development and other land	76,288	-	-	-	76,288
Revolving 1-4 family residential	319	-	-	-	319
1-4 family residential	78,108	258	1,417	-	79,783
Multi-family residential	28,706	-	-	-	28,706
Nonfarm nonresidential - owner occupied	68,281	-	-	-	68,281
Nonfarm nonresidential - nonowner occupied	238,188	7,551	-	-	245,739
Farmland	10,977	-	126	-	11,103
Total real estate	522,968	7,809	1,543	-	532,320
Agriculture	1,411	-	-	-	1,411
Commercial and industrial	37,103	-	1,902	-	39,005
Consumer	25,099	-	38	-	25,137
Municipal	749	-	-	-	749
Nondepository financial institutions	33,115	-	-	-	33,115
Lease financing receivable	21,073	-	-	-	21,073
Overdrafts	93	-	-	-	93
All other loans	10,539	-	-	-	10,539
	$ 652,150	$ 7,809	$ 3,483	$ -	$ 663,442
December 31, 2018:					
Real estate:					
1-4 family construction	$ 15,944	$ -	$ -	$ -	$ 15,944
Construction, land development and other land	45,378	-	-	-	45,378
Revolving 1-4 family residential	320	-	-	-	320
1-4 family residential	67,954	267	1,091	-	69,312
Multi-family residential	21,121	-	-	-	21,121
Nonfarm nonresidential - owner occupied	65,081	-	-	-	65,081
Nonfarm nonresidential - nonowner occupied	173,597	-	-	-	173,597
Farmland	10,000	-	385	-	10,385
Total real estate	399,395	267	1,476	-	401,138
Agriculture	1,010	-	41	-	1,051
Commercial and industrial	47,208	-	2,964	-	50,172
Consumer	26,847	-	139	-	26,986
Municipal	1,061	-	-	-	1,061
Nondepository financial institutions	27,227	-	-	-	27,227
Lease financing receivable	19,058	-	-	-	19,058
Overdrafts	36	-	-	-	36
All other loans	15,272	-	-	-	15,272
	$ 537,114	$ 267	$ 4,620	$ -	$ 542,001

5. Premises and Equipment

A summary of premises, equipment and land improvements and related accumulated depreciation at December 31, 2019 and 2018 is as follows (in thousands):

	Estimated Useful Lives	2019	2018
Land		$ 4,737	$ 4,737
Premises	5-40 years	18,751	17,330
Furniture, fixtures and equipment	3-10 years	10,405	9,963
Land improvements	5-20 years	635	635
Lease equipment	3-5 years	4,163	4,167
		38,691	36,832
Less accumulated depreciation		15,504	14,473
Totals		$ 23,187	$ 22,359

Depreciation expense amounted to approximately $1,420,000 and $1,428,000 in 2019 and 2018, respectively.

6. Goodwill

Goodwill in the amount of approximately $4,220,000 at December 31, 2019 and 2018, is included in the accompanying consolidated financial statements. At December 31, 2019 and 2018, management has determined that it is not more likely than not that goodwill is impaired. 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 approximately $507,000.

7. Deposits

Included in time deposits are certificates of deposit in amounts of $250,000 or more. The aggregate amount of short-term jumbo certificates of deposit, each with a minimum denomination of $250,000, was approximately $20,992,000 and $16,446,000 at December 31, 2019 and 2018, respectively.

At December 31, 2019 and 2018, the scheduled maturities of certificates of deposit are as follows (in thousands):

	2019	2018
Less than three months	$ 38,189	$ 14,988
Four to twelve months	53,886	50,506
One to five years	36,298	54,287
Over five years	155	149
	$ 128,528	$ 119,930

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, 2019 the Company has reclassed $145,231,000 demand deposits and $136,991,000 NOW and Money Market deposits to savings deposits for regulatory reporting in connection with this program. At December 31, 2018 the Company has reclassed approximately $135,183,000 demand deposits and $99,789,000 NOW and Money Market deposits to savings deposits in connection with this program.

8. Securities Sold Under Agreements to Repurchase

Securities sold under agreements to repurchase amounted to approximately $790,000 and $1,025,000 at December 31, 2019 and 2018, respectively. The agreements are secured by U.S. Government Agency securities with a fair value of approximately $806,000 at 2019 and $1,046,000 at 2018. The weighted average interest rate on these agreements was 0.10% at both December 31, 2019 and 2018. The agreements of approximately $790,000 at December 31, 2019 mature on January 1, 2020 and are renewed daily as necessary under normal operations.

The average balances of securities sold under agreements to repurchase amounted to approximately $1,186,000 and $909,000, respectively, for the years ending December 31, 2019 and 2018.

9. Other Borrowings

Federal Home Loan Bank

Advances from the Federal Home Loan Bank (FHLB) are borrowings that are collateralized by a security agreement, which requires the borrowing bank to maintain a certain level of qualified first mortgage collateral in relation to the amount of outstanding debt. There were no outstanding advances as of December 31, 2019. As of December 31, 2018, the borrowing included a single advance in the amount of $20,000,000 which bore interest at a rate of 2.60% and matured on April 1, 2019. As of December 31, 2019, the Company has a Direct Letter of Credit in the amount of $40,000,000, which reduces the Company's available borrowing capacity and is being used to cover the pledging requirements for a local municipal depositor. The Direct Letter of Credit requires the Company to make quarterly fee payments based on the average outstanding balance of the municipality. The Direct Letter of Credit has a stated maturity date of June 30, 2020. At December 31, 2019 the Bank has additional unused borrowing capacity with the FHLB of approximately $218,325,000.

Nexbank

As of December 31, 2019, the Company has a revolving line of credit with Nexbank in the amount of $15,000,000 with an outstanding balance of $9,921,000. The line of credit requires monthly interest payments based on a variable interest rate of LIBOR plus 3.25%, with a floor of 5.25% (5.25% at December 31, 2019), with all unpaid principal and interest due at maturity on June 26, 2020.

Other

Additionally, the Bank has unused federal funds lines available from other commercial banks of approximately $25,000,000 at December 31, 2019.

10. Junior Subordinated Debentures

The junior subordinated debentures of approximately $7,217,000 at December 31, 2019 and 2018 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, 2019 and 2018. Both the junior subordinated debentures and the related trust preferred securities yield an annual distribution rate of 3-month LIBOR plus l.80% (3.69% at December 31, 2019 and 4.59% at December 31, 2018), 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 Dodd-Frank Act eliminated the use of trust preferred securities issued after May 19, 2010 as a component of Tier I capital for depository institution holding companies, such as the Company. However, because the Company had less than $15 billion of consolidated assets as June 30, 2011, the Company will be permitted to include any trust preferred securities issued before May 19, 2010 as an element of Tier I capital, but not be able to include any trust preferred securities issued after May 19, 2010 as a component of Tier I capital. Further, 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 is limited on the trust preferred securities which it can include in its Tier I capital.

11. Income Taxes

The provision for income taxes consists of the following (in thousands):

	2019	2018
Current income tax expense:		
Federal and state	$ 2,476	$ 1,604
Deferred income tax expense (benefit) arising from:		
Difference in tax and financial depreciation	98	103
Accounting for bad debt expense	(289)	(160)
Nonaccrual loan interest	(27)	(33)
Federal Home Loan Bank stock dividends	10	8
Deferred compensation benefits	(67)	(49)
Deferred loan fee income	(142)	(89)
Goodwill amortization	1	1
Write down of other real estate owned	-	-
Net deferred income tax benefit	(416)	(219)
Total income tax expense	$ 2,060	$ 1,385

The difference between the consolidated financial statement income tax expense and amounts computed by applying the statutory federal income tax rate of 21% to consolidated income before taxes for the year ended December 31, 2019 and 2018 is primarily attributable to interest income on tax-exempt securities and tax-exempt increases in cash surrender value of life insurance partially offset by certain nondeductible expenses for tax purposes.

A net deferred federal income tax asset of approximately $1,278,000 and $1,446,000 at December 31, 2019 and 2018, respectively, is included in other assets. The accumulated tax effect of each type of income and expense item that gave rise to deferred taxes are as follows (in thousands):

	2019	2018
Deferred tax assets		
Excess of tax over financial cost for fixed assets	$ 40	$ 33
Allowance for loan and lease losses	1,412	1,123
Deferred compensation benefits	1,557	1,490
Deferred loan fee income	314	172
Nonaccrual loan interest	91	64
Net unrealized depreciation on securities available for sale	-	362
Total deferred tax assets	3,414	3,244
Deferred tax liabilities		
Depreciation	(978)	(873)
Federal Home Loan Bank stock dividends	(54)	(44)
Amortization	(882)	(881)
Net unrealized appreciation on securities available for sale	(222)	-
Total deferred tax liabilities	(2,136)	(1,798)
Total net deferred tax asset	$ 1,278	$ 1,446

Federal income taxes currently payable op approximately $173,000 at December 31, 2019, are included in other liabilities. Federal income taxes currently receivable of approximately $21,000 at December 31, 2018, are included in other assets.

12. Employee Benefits

KSOP Plan

The Company maintains a leveraged employee stock ownership 401(k) plan (KSOP). The KSOP periodically borrows from various lenders to acquire stock for future allocation to KSOP participants. At December 31, 2019, the KSOP has a note payable to the Company of approximately $969,000. There were no amounts due the Company at December 31, 2018. 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 of December 31, 2019, there were 19,384 unallocated shares in the KSOP. There were no unallocated shares in the KSOP at December 31, 2018. Dividends paid on unallocated shares are paid to the KSOP and are recorded as compensation expense. As shares are released from collateral, the Company reports compensation expense equal to the current market price of the shares. KSOP expense for 2019 and 2018 was approximately $512,000 and $488,000, respectively. Employee salary reduction contributions of approximately $695,000 and $632,000 were made in 2019 and 2018, 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. Other liabilities at December 31, 2019 and 2018, include the Company's accrued liability under the agreements of approximately $7,347,000 and $7,060,000, 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. At December 31, 2019 and 2018, respectively, the Company had approximately $19,515,000 and $16,753,000 in cash surrender value related to these life insurance policies.

Stock Option Plan

In December 2018, the board of directors of the Company adopted the AmeriBancshares, Inc. 2018 Stock Option Plan (Plan). Under the provisions of the Plan, the maximum aggregate number of shares that may be issued pursuant to all awards shall not exceed 96,000 shares.

The Company had not issued any options under the Plan at December 31, 2018. On February 19, 2019, the Board of Directors issued 58,000 stock options to various members of management as provided under the terms of the Plan. The options issued have an exercise price per share of $41.00 and vest in four equal amounts every 6 months beginning June 30, 2019. These options expire on February 28, 2021.

A summary of option activity under the Option Plan as of December 31, 2019 and 2018 and changes during the years then ended are as follows:

	2019		2018	
	Option Price Per Share	Shares Under Option	Option Price Per Share	Shares Under Option
Outstanding at beginning of year	-	-	-	-
Granted during the year	$41.00	58,000	-	-
Exercised during the year	$41.00	(4,250)	-	-
Forfeited during the year	-	-	-	-
Outstanding at the end of year	$41.00	53,750	-	-
Exercisable at end of year		24,750		-
Weighted average remaining contractual life		1.13		-

A summary of the status of the Company's nonvested shares at December 31, 2019 and 2018 and the changes during the years then ended are as follows:

	2019		2018	
	Shares	Weighted Average Grant Fair Value	Shares	Weighted Average Grant Fair Value
Nonvested at January 1	-	$ -	-	$ -
Granted during the year	58,000	1.24	-	-
Vested during the year	(29,000)	1.24	-	-
Forfeited during the year	-	-	-	-
Nonvested at December 31	29,000	$ 1.24	-	$ -

The fair value of each option grant during 2019 and 2018 was estimated using the Black-Scholes option-pricing model with the following assumptions:

	2019	2018
Dividend yield	1.22%	-
Expected life	2 years	-
Expected volatility	2.15%	-
Risk-free interest rate	2.65%	-

The expected volatility is based upon historical volatility of commercially insured banks in the state of Texas. The risk-free interest rates for periods within the contractual life of the awards are based on the U.S. Treasury yield in effect at the date of the grant. The expected life is based on historical exercise experience. The dividend yield assumption is based on the dividend history of the Company.

13. Related Party Transactions

At December 31, 2019 and 2018, 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 $25,996,000 and $22,362,000, respectively. During 2019, $10,480,000 of new loans were originated and repayments totaled approximately $6,846,000. 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.

14. Commitments and Contingent Liabilities

The Company's financial statements do not reflect various commitments and contingent liabilities which arise in the normal course of business and which involve elements of credit risk, interest rate risk and liquidity risk. These commitments and contingent liabilities are commitments to extend credit and standby letters of credit. A summary of the Company's commitments and contingent liabilities at December 31, 2019 and 2018, are as follows (in thousands):

	2019	2018
Commitments to extend credit	$ 105,605	$ 77,784
Standby letters of credit	3,244	2,529
Total	$ 108,849	$ 80,313

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 2019 or 2018.

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 or results of operations.

15. Concentrations of Credit

Substantially all of the Company's loans, commitments, credit card arrangements and standby letters of credit have been granted to customers in the Company's market area. Most customers are depositors of the Company. Investments in state and municipal securities also involve governmental entities within the Company's market area. The concentrations of credit by type of loan are set forth in Note 4. 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, 2019 and 2018, the Company had approximately $54,603,000 and $628,000, respectively, in 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, 2019 and 2018, total deposits include approximately $135,756,000 and $78,101,000, respectively, from the five largest deposit customers. The customers' deposits are under no contractual obligation to the Company other than the maturity durations for various time certificates of deposit.

16. <u>Fair Value Disclosure</u>

The fair value of an asset or liability is the price that would be received to sell that asset or paid to transfer that liability in an orderly transaction occurring in the principal market (or most advantageous market in the absence of a principal market) for such asset or liability. In estimating fair value, the Bank utilizes valuation techniques that are consistent with the market approach, the income approach and/or the cost approach. Such valuation techniques are consistently applied. Inputs to valuation techniques include the assumptions that market participants would use in pricing an asset or liability. ASC Topic 820, *Fair Value Measurements and Disclosures*, establishes a fair value hierarchy for valuation inputs that gives the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The fair value hierarchy is as follows:

- *Level 1 Inputs* - Unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

- *Level 2 Inputs* - Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. These might include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability (such as interest rates, volatilities, prepayment speeds, credit risks, etc.) or inputs that are derived principally from or corroborated by market data by correlation or other means.

- *Level 3 Inputs* - Unobservable inputs for determining the fair values of assets or liabilities that reflect an entity's own assumptions about the assumptions that market participants would use in pricing the assets or liabilities.

In general, fair value is based upon quoted market prices, where available. If such quoted market prices are not available, fair value is based upon internally developed models that primarily use, as inputs, observable market-based parameters. Valuation adjustments may be made to ensure that financial instruments are recorded at fair value. These adjustments may include amounts to reflect counterparty credit quality and the Bank's creditworthiness, among other things, as well as unobservable parameters. Any such valuation adjustments are applied consistently over time. The Bank's valuation methodologies may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. While management believes the Bank's valuation methodologies are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date. Furthermore, the reported fair value amounts have not been comprehensively revalued since the presentation dates, and therefore, estimates of fair value after the balance sheet date may differ significantly from the amounts presented herein.

Assets and liabilities measured at fair value on a recurring basis at December 31, 2019 and 2018 were as follows (in thousands):

	Level 1	Level 2	Level 3
December 31, 2019:			
Available for sale securities	$ -	$ 85,064	$ -
December 31, 2018:			
Available for sale securities	$ -	$ 113,116	$ -

(1) Securities are measured at fair value on a recurring basis, generally monthly.

Certain financial and non-financial assets are measured at fair value on a non-recurring basis; that is, the instruments are not measured at fair value on an ongoing basis, but are subject to fair value adjustments in certain circumstances (for example, when there is evidence of impairment).

The following table summarizes financial assets and non-financial assets, measured at fair value on a non-recurring basis as of December 31, 2019 and 2018, segregated by the level of the valuation inputs within the fair value hierarchy utilized to measure fair value (in thousands):

	Level 1	Level 2	Level 3	Total Fair Value
December 31, 2019:				
Financial assets - impaired loans	$ -	$ -	$ 3,205	$ 3,205
Other real estate owned	-	1,064	-	1,064
December 31, 2018:				
Financial assets - impaired loans	$ -	$ -	$ 4,235	$ 4,235
Other real estate owned	-	1,190	-	1,190

During the years ended December 31, 2019 and 2018, certain impaired loans were remeasured and reported at fair value through a specific valuation allowance allocation of the allowance for possible loan losses based upon the fair value of the underlying collateral. For the years ended December 31, 2019 and 2018, impaired loans with a carrying value of approximately $3,393,000 and $4,369,000, respectively, were reduced by specific valuation allowance allocations totaling approximately $188,000 and $134,000, respectively, to a total reported fair value of approximately $3,205,000 and $4,235,000, respectively, based on collateral valuations utilizing Level 3 valuation inputs.

Foreclosed assets are valued at the time the loan is foreclosed upon and the asset is transferred to other real estate owned. The value is based primarily on third-party appraisals, less estimated costs to sell. Appraisals based upon comparable sales result in a Level 2 classification while appraisals based upon expected cash flows of the property result in a Level 3 classification. The appraisals are generally discounted based on management's historical knowledge, changes in market conditions from the time of valuation, and/or management's expertise and knowledge of the customer and customer's business. Other real estate owned is reviewed and evaluated on at least an annual basis for additional impairment and adjusted accordingly, based on the same factors identified above. The Company had no write-downs of other real estate owned for the years ended December 31, 2019 and 2018.

17. Stockholders' Equity and Regulatory Matters

The Bank is subject to regulatory capital requirements administered by federal banking agencies. Capital adequacy guidelines and prompt corrective action regulations, involve quantitative measures of assets, liabilities, and certain off-balance-sheet items as calculated under regulatory accounting practices. Capital amounts and classifications are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors. Failure to meet capital requirements can initiate regulatory action. The final rules implementing Basel Committee on Banking Supervision's capital guidelines for U.S. banks (Basel III rules) became effective for the Bank on January 1, 2015 with full compliance with all of the requirements being phased in over a multi-year schedule, and fully phased in on January 1, 2019. The net unrealized gain or loss on available for sale securities is not included in computing regulatory capital. Management believes as of December 31, 2019 and 2018, the Bank meets all capital adequacy requirements to which it is subject.

Prompt corrective action regulations for banking institutions provide five classifications: well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized, and critically undercapitalized, although these terms are not used to represent overall financial condition. If adequately capitalized, regulatory approval is required to accept brokered deposits. If undercapitalized, capital distributions are limited, as is asset growth and expansion, and capital restoration plans are required. At December 31, 2019, the most recent regulatory notifications categorized the Bank as well-capitalized under the regulatory framework for prompt corrective action. There are no conditions or events since that notification that management believes have changed the Bank's category.

Additionally, Basel III added a 2.5% "capital conservation buffer" which was designed for banking institutions to absorb losses during periods of economic stress. The implementation of the capital conservation buffer began on January 1, 2016 at the 0.625% level and was phased in over a four-year period (increased by 0.625% on each subsequent January 1, until it reached 2.5% on January 1, 2019). Banking institutions with capital ratios below the minimum for capital adequacy purposes plus the capital conservation buffer may face constraints on dividends, equity repurchases and executive compensation relative to the amount of the shortfall.

Actual and required capital amounts and ratios of the Bank at December 31, 2019 and 2018 are presented below (in thousands):

	Actual		Minimum Required for Capital Adequacy Purposes		Minimum for Capital Adequacy Purposes Plus Capital Conservation Buffer		Minimum to be Well Capitalized under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio
December 31, 2019:								
Total capital to risk weighted assets	$ 105,362	14.116%	$ 59,711	8.000%	$ 78,370	10.500%	$74,638	10.000%
Tier 1 (core) capital to risk weighted assets	98,628	13.214%	44,783	6.000%	63,442	8.500%	59,711	8.000%
Common Tier 1 (CET1)	98,628	13.214%	33,587	4.500%	52,247	7.000%	48,515	6.500%
Tier 1 (core) capital to average assets	98,628	11.542%	34,181	4.000%	34,181	4.000%	42,726	5.000%
December 31, 2018:								
Total capital to risk weighted assets	$ 80,624	13.289%	$ 48,536	8.000%	$ 59,912	9.875%	$60,671	10.000%
Tier 1 (core) capital to risk weighted assets	75,017	12.365%	36,402	6.000%	47,778	7.875%	48,536	8.000%
Common Tier 1 (CET1)	75,017	12.365%	27,302	4.500%	38,678	6.375%	39,436	6.500%
Tier 1 (core) capital to average assets	75,017	10.596%	28,318	4.000%	28,318	4.000%	35,397	5.000%

18. 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, 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, 2019 and 2018 is presented as follows (in thousands):

	2019	2018
Cash transactions:		
Interest expense paid	$ 9,471	$ 5,729
Federal income taxes paid	$ 2,282	$ 1,539
Noncash transactions:		
Net unrealized appreciation (depreciation) on securities available for sale	$ 2,788	$ (1,051)

PAYNE & SMITH, LLC
Certified Public Accountants

Independent Auditor's Report

On Additional Information

The Board of Directors
AmeriBancShares, Inc. and Subsidiaries

We have audited the consolidated financial statements of AmeriBancShares, Inc. and Subsidiaries as of and for the year ended December 31, 2019, and have issued our report thereon dated March 9, 2020, which contained an unmodified opinion on those consolidated financial statements. Our audit was performed for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information on pages 34, 35 and 36 is presented for the purpose of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Payne & Smith, LLC

March 9, 2020

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AMERIBANCSHARES, INC. AND SUBSIDIARIES

Consolidating Balance Sheet

December 31, 2019

(In thousands of dollars)

	American National Leasing Co	Archer Title of Texas	AMNAT Insurance Services	American National Bank & Trust	Ameri-BancShares of Delaware, Inc	ANB Realty Corp.	Ameri-BancShares Inc.	Reclassification and Eliminations Entries	Consolidated
ASSETS									
Cash and due from banks	$ 803	$ 870	$ 38	$ 20,186	$ -	$ 1	$ 2,067	$ (3,779)	$ 20,186
Interest bearing deposits in banks	-	-	-	57,807	-	-	-	-	57,807
Total cash and equivalents	803	870	38	77,993	-	1	2,067	(3,779)	77,993
Securities available for sale	-	-	-	85,064	-	-	-	-	85,064
Mortgage loans held for sale	-	-	-	5,408	-	-	-	-	5,408
Loans, net	19,285	-	-	652,299	-	-	-	(16,540)	655,044
Premises and equipment, net	2,935	1,361	-	18,891	-	-	-	-	23,187
Accrued interest receivable	-	-	-	5,238	-	-	-	(2,561)	2,677
Goodwill	-	20	-	4,200	-	-	-	-	4,220
Cash value of life insurance	-	-	-	22,515	-	-	-	-	22,515
Other securities	-	-	-	8,763	102,807	-	103,025	(211,263)	3,332
Other assets	157	16	-	4,522	-	-	1,025	251	5,971
Total assets	$ 23,180	$ 2,267	$ 38	$ 884,893	$ 102,807	$ 1	$ 106,117	$ (233,892)	$ 885,411
LIABILITIES AND STOCKHOLDERS' EQUITY									
Demand deposits	$ -	$ -	$ -	$ 32,761	$ -	$ -	$ -	$ (3,779)	$ 28,982
Savings deposits	-	-	-	311,410	-	-	-	-	311,410
Money market and NOW accounts	-	-	-	301,545	-	-	-	-	301,545
Time certificates of deposit	-	-	-	128,528	-	-	-	-	128,528
Total deposits	-	-	-	774,244	-	-	-	(3,779)	770,465
Securities sold under agreements to repurchase	-	-	-	790	-	-	-	-	790
Other borrowings	16,500	-	40	-	-	-	10,890	(17,509)	9,921
Junior subordinated debentures	-	-	-	-	-	-	7,217	-	7,217
Accrued interest payable	2,559	-	2	197	-	-	-	(2,561)	197
Other liabilities	690	46	-	6,855	-	-	-	1,220	8,811
Total liabilities	19,749	46	42	782,086	-	-	18,107	(22,629)	797,401
Commitments and contingencies	-	-	-	-	-	-	-	-	-
Stockholders' equity:									
Common stock	1	1	1	1,680	8	1	6,202	(1,692)	6,202
Surplus	-	-	-	27,995	41,815	256	26,035	(70,066)	26,035
Undivided profits	3,430	2,220	(5)	72,292	60,144	(256)	60,854	(137,825)	60,854
Treasury stock	-	-	-	-	-	-	(4,952)	-	(4,952)
Unearned KSOP stock							(969)		(969)
Accumulated other comprehensive income, net of tax expense	-	-	-	840	840	-	840	(1,680)	840
Total stockholders' equity	3,431	2,221	(4)	102,807	102,807	1	88,010	(211,263)	88,010
Total liabilities and stockholders' equity	$ 23,180	$ 2,267	$ 38	$ 884,893	$ 102,807	$ 1	$ 106,117	$ (233,892)	$ 885,411

See accompanying independent auditor’s report on additional information.

AMERIBANCSHARES, INC. AND SUBSIDIARIES

Consolidating Statement of Income and Comprehensive Income

For the Year ended December 31, 2019

(In thousands of dollars)

	American National Leasing Co	Archer Title of Texas	AMNAT Insurance Services	American National Bank & Trust	Ameri-BancShares of Delaware, Inc.	ANB Realty Corp.	Ameri-BancShares Inc.	Reclassification & Eliminations Entries	Consolidated
Interest income:									
Interest and fees on loans	$ 727	$ -	$ -	$ 32,420	$ -	$ -	$ -	$ (269)	$ 32,878
Interest on investment securities									
Taxable	-	-	-	1,979	-	-	-	-	1,979
Nontaxable	-	-	-	1,237	-	-	-	-	1,237
Interest on interest bearing deposits in banks	-	-	-	208	-	-	-	-	208
Total interest income	727	-	-	35,844	-	-	-	(269)	36,302
Interest expense:									
Interest on deposits	-	-	-	8,844	-	-	-	-	8,844
Interest on repurchase agreements	-	-	-	3	-	-	-	-	3
Interest on other borrowed funds	268	-	1	114	-	-	211	(269)	325
Interest on junior subordinated debentures	-	-	-	-	-	-	303	-	303
Total interest expense	268	-	1	8,961	-	-	514	(269)	9,475
Net interest income	459	-	(1)	26,883	-	-	(514)	-	26,827
Provision for loan losses	-	-	-	1,200	-	-	-	-	1,200
Net interest income after provision for loan losses	459	-	(1)	25,683	-	-	(514)	-	25,627
Other operating income:									
Service charges on deposit accounts	-	-	-	697	-	-	-	-	697
Trust fee income	-	-	-	5,315	-	-	-	-	5,315
Gain on sale of mortgage loans	-	-	-	2,226	-	-	-	-	2,226
Gain on sale of other real estate owned	-	-	-	23	-	-	-	-	23
Gain on sale of securities available for sale	-	-	-	151	-	-	-	-	151
Rent income	750	-	-	-	-	-	-	-	750
Earning from subsidiary	-	-	-	799	10,143	-	10,142	(21,084)	-
Other	75	1,990	4	1,927	-	-	-	(72)	3,924
Total other operating income	825	1,990	4	11,138	10,143	-	10,142	(21,156)	13,086
Other operating expenses									
Salaries and employee benefits	373	754	-	15,816	-	-	-	-	16,943
Premises and equipment	27	71	-	2,371	-	-	-	(72)	2,397
Data processing expense	-	-	-	1,445	-	-	-	-	1,445
Other	653	517	-	4,952	1	-	42	-	6,165
Total other operating expenses	1,053	1,342	-	24,584	1	-	42	(72)	26,950
Income before income taxes	231	648	3	12,237	10,142	-	9,586	(21,084)	11,763
Provision for (benefit from) income taxes	(53)	136	-	2,094	-	-	(117)	-	2,060
Net income	284	512	3	10,143	10,142	-	9,703	(21,084)	9,703
Other comprehensive income:									
Change in net unrealized gain on securities available for sale, net of taxes	-	-	-	2,323	-	-	-	-	2,323
Less reclassification adjustment for gains on sales of securities available for sale, net of taxes	-	-	-	(119)	-	-	-	-	(119)
Total other comprehensive income	-	-	-	2,204	-	-	-	-	2,204
Total comprehensive (loss) income	$ 284	$ 512	$ 3	$ 12,347	$ 10,142	$ -	$ 9,703	$ (21,084)	$ 11,907

See accompanying independent auditor's report on additional information.

AMERIBANCSHARES, INC. AND SUBSIDIARIES

Consolidating Statement of Cash Flows

For the Year ended December 31, 2019

(In thousands of dollars)

	American National Leasing Co	Archer Title of Texas	AMNAT Insurance Services	American National Bank & Trust	Ameri-BancShares of Delaware, In	ANB Realty Corp.	Ameri-BancShares Inc.	Reclassification and Eliminations Entries	Consolidated
Cash flows from operating activities:									
Net income	$ 284	$ 512	$ 3	$ 10,143	$ 10,142	$ -	$ 9,703	$ (21,084)	$ 9,703
Adjustments to reconcile net income to net cash provided by operating activities:									
Depreciation	587	7	-	826	-	-	-	-	1,420
Provision for loan losses	-	-	-	1,200	-	-	-	-	1,200
Benefit from deferred taxes	38	6	-	(460)	-	-	-	-	(416)
Gain on sale of securities available for sale	-	-	-	(151)	-	-	-	-	(151)
Gain on sale of mortgage loans	-	-	-	(2,226)	-	-	-	-	(2,226)
Gain on sale of other real estate owned	-	-	-	(23)	-	-	-	-	(23)
Gain on sale of premises and equipment	(11)	-	-	(3)	-	-	-	-	(14)
Amortization of premium on investment securities	-	-	-	392	-	-	-	-	392
Accretion of discount on investment securities	-	-	-	(229)	-	-	-	-	(229)
Increase in cash surrender value	-	-	-	(684)	-	-	-	-	(684)
Proceeds from sales of mortgage loans	-	-	-	103,565	-	-	-	-	103,565
Mortgage loans funded	-	-	-	(105,326)	-	-	-	-	(105,326)
Unconsolidated earnings from subsidiary	-	-	-	(799)	(10,143)	-	(10,142)	21,084	-
Change in:		-							
Prepaid expenses	(2)	5	-	(191)	-	-	-	-	(188)
Accrued interest receivable	-	-	-	(254)	-	-	-	140	(114)
Income taxes receivable	-	-	-	17	-	-	(53)	-	(36)
Miscellaneous other assets	4	2	-	(370)	-	-	-	-	(364)
Accrued interest payable	268	(129)	1	4	-	-	-	(140)	4
Income taxes payable	-	-	-	228	-	-	-	-	228
Other taxes payable	-	-	-	5	-	-	-	-	5
Other accrued expenses	87	11	-	102	-	-	-	-	200
Net cash provided by (used in) operating activities	1,255	414	4	5,766	(1)	-	(492)	-	6,946
Cash flows from investing activities:									
Proceeds from maturities, calls and paydowns of securities available for sale	-	-	-	24,500	-	-	-	-	24,500
Proceeds from sale of securities available for sale	-	-	-	16,177	-	-	-	-	16,177
Purchase of securities available for sale	-	-	-	(9,848)	-	-	-	-	(9,848)
Purchase of other securities	-	-	-	(348)	(15,000)	-	(15,000)	30,000	(348)
Purchase of cash value life insurance	-	-	-	(2,159)	-	-	-	-	(2,159)
Dividends received from subsidiaries	-	-	-	-	1,532	-	1,532	(3,064)	-
Net increase in loans	(1,548)	-	-	(120,883)	-	-	(969)	1,200	(122,200)
Purchase of premises and equipment	(1,014)	(12)	-	(1,852)	-	-	-	-	(2,878)
Proceeds from sale of premises and equipment	659	-	-	3	-	-	-	-	662
Proceeds from sale of other real estate owned	-	-	-	334	-	-	-	-	334
Net cash provided by (used in) investing activities	(1,903)	(12)	-	(94,076)	(13,468)	-	(14,437)	28,136	(95,760)
Cash flows from financing activities:									
Net increase in deposits	-	-	-	147,756	-	-	-	(2,912)	144,844
Net decrease in repurchase agreements	-	-	-	(235)	-	-	-	-	(235)
Net increase (decrease) in other borrowed funds	1,200	-	-	(20,000)	-	-	9,921	(1,200)	(10,079)
Sale of common stock	-	-	-	-	-	-	7,974	-	7,974
Sale of treasury stock	-	-	-	-	-	-	71	-	71
Paid in capital from parent	-	-	-	15,000	15,000	-	-	(30,000)	-
Dividends paid	-	-	-	(1,532)	(1,532)	-	(1,082)	3,064	(1,082)
Net cash provided by financing activities	1,200	-	-	140,989	13,468	-	16,884	(31,048)	141,493
Net increase (decrease) in cash and cash equivalents	552	402	4	52,679	(1)	-	1,955	(2,912)	52,679
Cash and cash equivalents at beginning of period	251	468	34	25,314	1	1	112	(867)	25,314
Cash and cash equivalents at end of period	$ 803	$ 870	$ 38	$ 77,993	$ -	$ 1	$ 2,067	$ (3,779)	$ 77,993

See accompanying independent auditor’s report on additional information.

American National Bank & Trust Officers & Directors

Officers Administration

Dwight L. Berry
President & CEO
Blake Andrews
Wichita Falls Market President / CFO
Meagan Swenson
Assistant VP / Marketing Coordinator / Merchant Services

Loan Department

Craig Berry
Executive Vice President/ Chief Lending Officer
Don Whatley
Executive Vice President/Commercial Lending
Bob Elmore
Senior Vice President / Loans
Kevin Goldstein
Senior Vice President / Loans / Marketing President
Damon Whatley
Senior Vice President / Loans
Lacey Slack
Senior Vice President / Chief Credit Officer
Karyn Wainscott
Vice President / Loan Operations
Rhona Kelton
Vice President / Loan Officer
Bryan Hines
Assistant Vice President / Loan Officer / Collections
Heather Harrison
Assistant Vice President / Credit Administration
Jennifer "Nikki" Morrison
Loan Officer
Toni Neal
Banking Officer

Operations and Support Personnel

Roy T. Olsen
Executive Vice President/ Cashier/ Human Resources Director
Nancy Vannucci
Senior Vice President/Internal Auditor
KyleTurnipseede
Vice President / Director of Treasury Management
Candace Stroud
Vice President / Teller Services
Andrew Walmer
Vice President / Information Security Officer
Patrick Martin
Vice President/ Assistant Cashier
Kimberly Box
Vice President / Internal Auditor
Camilo Canales
Assistant Vice President / Information Technology Officer
Jennifer Duncan
Assistant Vice President / BSA Officer
Gloria Garcia
Assistant Vice President/ Account Services
Raquel Gutierrez
Assistant Vice President/ HR Assistant
Cheyenne Patnode
Assistant Vice President/ Compliance Officer
Francis Ortiz
Banking Officer/CSR Manager
Ashley Wylie
Banking Officer/Training Officer

Trust & Investment Services

Jeffrey Schultz, CFA, CTFA
Executive Vice President/ Chief Investment Officer / Managing Director
Randy R. Martin, JD
Executive Vice President / Director of Fiduciary Services
Michael W. Boyle, CFIRS, CTFA
Senior Vice President / Director of Fiduciary Operations & Compliance
Kristin Morris, CTFA
Senior Vice President / Trust Officer
Kelly J. Smith, CTFA
Senior Vice President / Trust Officer
J. Scott Tucker, CTFA
Senior Vice President / Trust Officer
Linda Wilson
Senior Vice President / Trust Officer
Paula Walmer
Vice President
Curt Knobloch
Assistant Vice President / Investment Analyst
Eric M. Reed
Assistant Vice President / Investment Services
Jennifer Rea
Trust Compliance Officer
Belinda Blackwell
Trust Officer
Donna Brumbalow
Trust Officer
Nancy Bukowski
Trust Officer
Jackson Ford
Trust Officer
Melissa Miller
Trust Officer
Connie Shaw
Trust Officer
Melody Taylor
Trust Officer

Mortgage Loan Division Elmwood Office

J. Bradley Davidson
Executive Vice President/ Division Manager
Natalie Eubanks
Senior Vice President / Mortgage Operations Manager
Caroline Groves
Vice President /Marketing/ Loan Officer
Kathleen Roberts
Vice President / Loan Officer
Chris Rogers
Vice President / Loan Officer
Kenda Wolf
Vice President / Operations Assistant Manager
Benjamin Young
Banking Officer / Loan Officer
Angela Adams
Banking Officer / Lead Mortgage Processor
Marla Bailey
Banking Officer / Loan Officer
Karen Hill
Banking Officer
Ashley Gonzales
Administrative Officer / Closing Officer

Platinum Circle

Donna Adams
Adm. Officer/Coordinator

Downtown Office

Marva Pieratt
Vice President / Loans / Branch Manager
Mark Veitenheimer
Vice President / Loans
Amy Collier
Banking Officer

American National Bank & Trust Officers & Directors

Archer City Office
Evan Knobloch
Banking Officer / Branch Manager

Iowa Park Office
Utah Robertson
Banking Officer/ Branch Manager

Flower Mound Office
Sam Wilson
Market President
Joe D. Willard
Senior Vice President / Loans
Ryan Schroer
Senior Vice President / Loans / Chief Risk Officer
Olivia Bajaj
Vice President / Credit Officer
Barb Hoffmann
Banking Officer

Flower Mound Trust & Investment Services
Sheryl L. Kiser
Senior Vice President / Trust Officer

Flower Mound Mortgage Division
Steve Dixon
Vice President / Loan Officer

Chillicothe Office
Susan Madl
Vice President / Branch Manager / Compliance Officer
Cathy Young
Vice President / Assistant Cashier

Quanah Office
Sandy McAllister
Banking Officer / Branch Manager
Debra O'Neal
Banking Officer / Loan Officer

Dallas Loan Production Office
Richard Dopson
President / Dallas Region
William Maberry
Vice President / Loans
Dragana Alperin
Assistant Vice President/ Portfolio Manager

Fort Worth Office
Michael Winfrey
Market President
Ann Morris
Vice President / Loans
Christie Johnson
Credit Officer
Adella Dunn
Banking Officer

Fort Worth Trust & Investment Services
Darrin Salge, CFP, CTFA
Senior Vice President/Trust Officer
Shelly Cox
Trust Officer

Fort Worth Mortgage Division
Jill Winfrey
Vice President / Loan Officer
Kara Crum
Administrative Officer / Closing

Fort Worth Correspondent Banking
Craig Berry
Executive Vice President
Paul Scheurer
Senior Vice President

Denton Office
Marty Rivers
Market President
Aaron Newquist
Vice President / Loans
Jana Marshall
Vice President / Branch Manager
Stephanie Lamb
Assistant Vice President

Denton Mortgage Division
Matthew Morgan
Assistant Vice President / Loan Officer

Denton Trust & Investment Services
Sheryl L. Kiser
Senior Vice President / Trust Officer

American National Leasing Company
Mike Cuba
President
Alisha Bowers
Vice President / Leasing Officer
Billy Hughes
Vice President / Leasing Officer

Archer Title of Texas Inc.
Zachary Beck
President
Jean Taylor
Vice President

Directors
Mark Tucker
Chairman of the Board
Hank Anderson
Vice Chairman of the Board
Dwight Berry
President and CEO
Blake Andrews*
Zachary Beck*
Craig Berry*
Kenny Bryant
Mike Cuba*
Todd Davenport
Richard Dopson*
J. Bradley Davidson*
Charlie Gibson
Ken Hogan
Tommy Isbell
Randy R. Martin*
Richard Naylor
John Osborne
Marty Rivers*
Jeffrey Schultz*
Ty Thacker
Max Vordenbaum
Don Whatley
Michael Winfrey*
Sam Wilson*

Roy T. Olsen
Board Secretary

* Advisory Director

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