Growing together

AmeriBancShares, Inc.
Annual Report

American National Bank & Trust™

2022

To Our Shareholders

It is a pleasure to serve you as shareholders of AmeriBancShares, Inc. **I am pleased to report that 2022 was another record breaking year for our bank. As of December 31, 2022, total assets increased 25% to $1.711 billion for the year. Total deposits grew 24.9% and loans advanced an unprecedented 45.6%. Net income increased 7.6% to $16.15 million advancing capital levels 16.4% to $149.8 million. Asset quality remains very stable as a result of consistent and stringent underwriting policies and procedures in place. With such dynamic loan growth it is mandatory that credit quality remains exceptional.**

We continue to expand the bank's presence in the Dallas – Fort Worth area. Our plans for construction of a new facility at the corner of North Dallas Tollway and Forest Ln in Dallas are progressing and construction should begin in summer 2023. Land has been purchased in Roanoke and plans are being made to begin construction there in the future. A temporary full service branch has been opened at 409 N. Oak St., Ste. 200, in Roanoke. Operating for less than a year, it has been very impressive as to how quickly Market President Hogan Page, and Senior Vice President Laura Craig, along with their entire staff, have reached a profitable level, and are experiencing substantial growth. A mortgage loan production office has also been opened at 508 W. Main, in Gunter, as we continue to increase our footprint in the North Dallas corridor.

All ancillary departments of the bank continue to report positive earnings. Expansion of the Trust function into the Houston and Dallas markets has proven very beneficial. Total assets under management have eclipsed $1.8 billion, resulting in the generation of substantial fee income. Our established offices in Fort Worth, Dallas, and Denton continue to grow and contribute significantly to the overall bank performance. Wichita Falls area branches continue to be our solid base for operations.

2023 will be more of a challenge to exceptional profitability as previously experienced as net interest margins will be squeezed due to the dramatic increase in interest rates over the past months. Management continues to emphasize pristine credit quality in the loan and investment portfolio.

Your investment in AmeriBancshares, Inc. continues to be very stable. Capital levels are very strong, profitability is high, reserves are above adequate, and asset quality is exceptional. The Board of Directors remains directly involved in decisions of the bank as management pledges to offer comprehensive banking services at stable levels.

Dwight Berry

Dwight Berry
President & CEO

2022 Together with Amnat

At American National Bank & Trust, **we are committed to supporting our local communities. Not only do we provide financial service opportunities to our customers and potential customers in the areas we serve, but we support many of our non-profit community partners in multiple ways.**


Midwestern State University - MSU Texas


Hospice of Wichita Falls - New Inpatient Facility

Wichita Falls Chamber of Commerce

YMCA of Wichita Falls

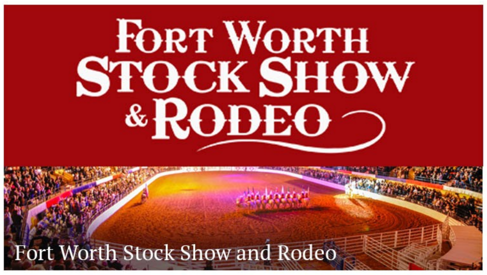
Many on our staff serve as non-profit board members, chamber of council members and volunteers to numerous organizations. During the past two years, bank employees in the Wichita Falls area have delivered over 2,500 meals to residents through Meals on Wheels. The Bank has provided capital resources to non-profit organizations such as Hospice of Wichita Falls, YMCA, and the Wichita Falls Chamber of Commerce for building, operational and technology assistance. Since the year 2000, the Bank has awarded scholarship opportunities through Midwestern State University totaling $680,000. In addition, the Bank has created an endowment fund for the Texas Tech School of Banking to provide educational opportunities to students wishing to explore a career in the financial services industry.


Children's Advocacy Center for North Texas


American Cancer Society - Denton County

PediPlace
MAKING HEALTHCARE A REALITY FOR EVERY KID

PediPlace, Lewisville, Texas



Fort Worth Stock Show and Rodeo

Fort Worth Ducks Unlimited

St. Jude Childrens Hospital

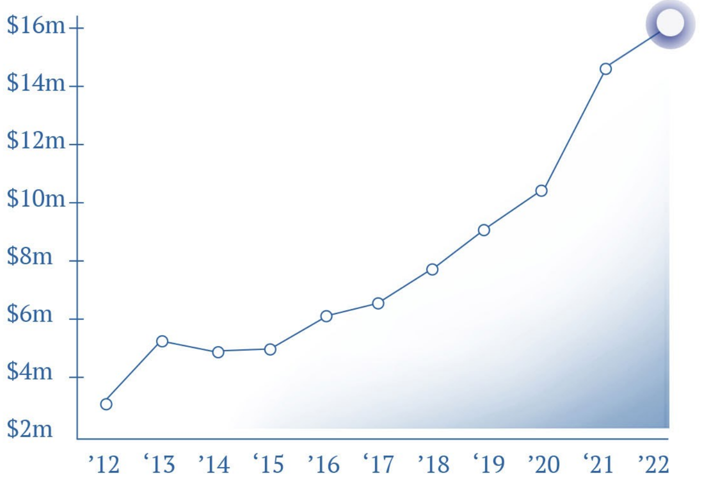
Financial Highlights

	YEAR ENDED DECEMBER 31, 2022	YEAR ENDED DECEMBER 31, 2021	%CHANGE
Demand Deposits	43,307	45,069	-3.91%
Total Deposits	1,489,721	1,192,457	24.93%
Total Assets	1,711,057	1,369,236	24.96%
Total Loans (net)	1,365,982	938,093	45.61%
Allowance for Loan Losses	15,457	13,039	18.54%
Return on Earning Assets	4.23%	3.40%	24.49%
Cost of Funds	1.37%	0.54%	154.36%
Average Net Spread	2.86%	2.86%	0.00%
Growth in Capital	21,021	30,190	-30.37%
Total Capital Beginning	128,709	98,519	30.64%
Total Capital Ending	149,730	128,709	16.33%
Interest Income	63,047	44,493	41.70%
Interest Expense	16,288	5,466	197.99%
Net Interest Income	46,759	39,027	19.81%
Non-Interest Income	17,233	18,559	-7.14%
Non-Interest Expense	41,812	37,750	10.76%
Profit Before Provision	22,180	19,836	11.82%
Provision for Loan Losses	2,500	1,290	93.80%
Income Taxes	3,524	3,526	-0.06%
Net Income	16,156	15,020	7.56%
Earnings Per Share	5.76	6.28	-8.32%
Dividends Paid	0.52	0.48	8.44%
Book Value	52.96	49.59	6.79%
Return on Average Assets	1.15%	1.29%	-10.63%
Return on Average Equity	9.88%	11.73%	-15.78%

Year End Statistics

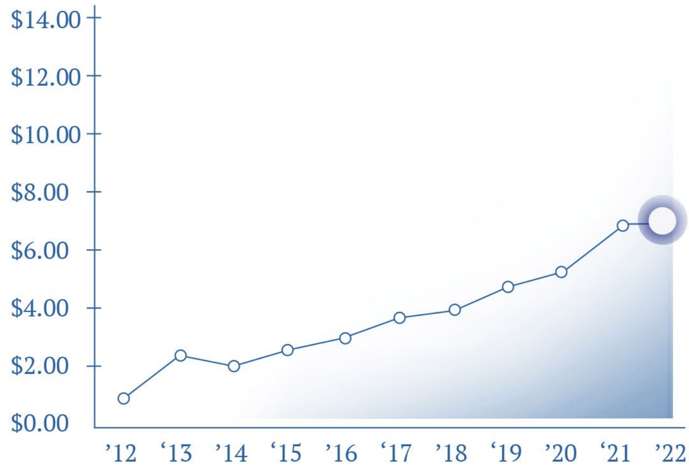
Consolidated Net Income

Total: $16,155,586



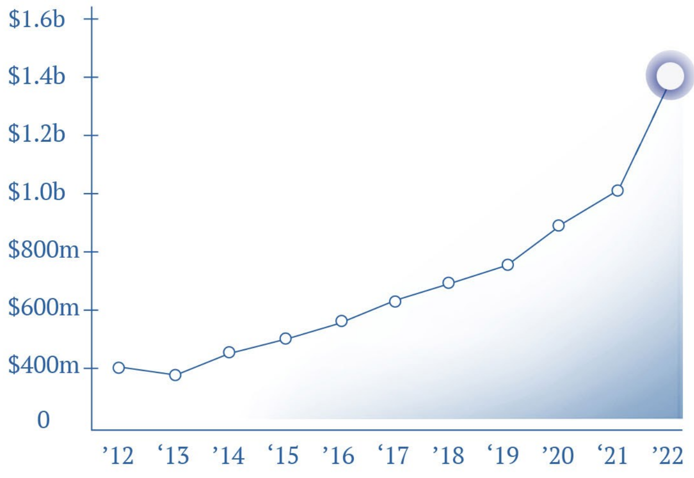
Earnings Per Share

Total: $5.76



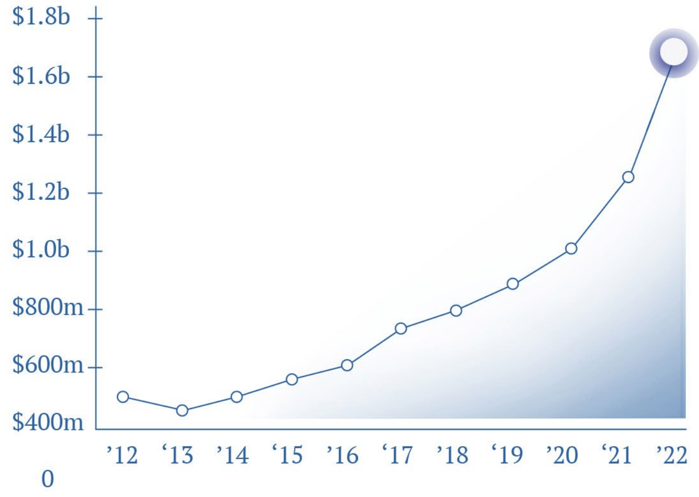
Year End Deposits

Total: $1,489,721,000



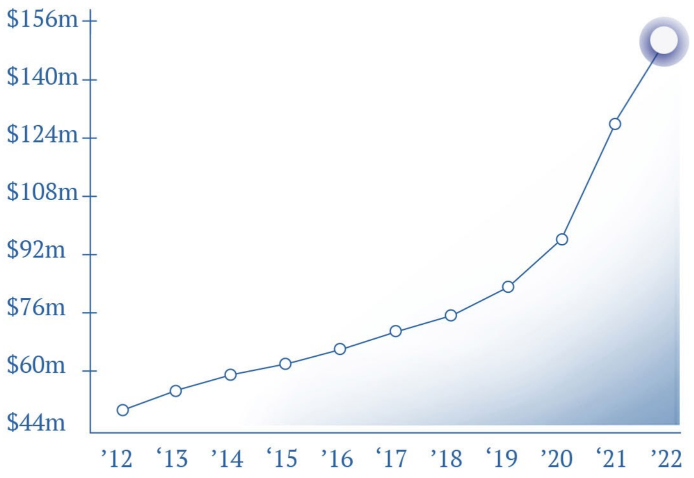
Year End Total Assets

Total: $1,711,057



Stockholders' Equity

Total: $149,730,000



AMERIBANCSHARES, INC.
AND SUBSIDIARIES

Consolidated Financial Statements
and Additional Information

December 31, 2022 and 2021

(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

Opinion

We have audited the accompanying consolidated financial statements of AmeriBancShares, Inc. and Subsidiaries (Company), which comprise the consolidated balance sheets as of December 31, 2022 and 2021 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. 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, 2022 and 2021, and the results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with auditing standards generally accepted in the United States of America, the Company's internal control over financial reporting as of December 31, 2022, including controls over the preparation of regulatory financial statements in accordance with the instructions for the Consolidated Reports of Condition and Income (Call Report), and the Parent Company Only Financial Statements for Small Holding Companies (FR Y-9SP), based on criteria established in the *Internal Control-Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and our report dated March 28, 2023 expressed an unmodified opinion thereon.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Management's Responsibility for the Consolidated 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditor's Responsibility for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

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In performing an audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.

- Obtain an understanding of the Company's internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards*, we have also issued reports dated March 28, 2023 on our consideration of the Company's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of the reports on internal control over financial reporting is to describe the scope of our testing of internal control over financial reporting relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances to provide an opinion on the effectiveness of the entity's internal control over financial reporting. The purpose of the reports on compliance is to describe the scope of our testing on compliance and the results of that testing, but not to provide an opinion on the effectiveness of the entity's compliance with provisions of laws, regulations, contracts, grant agreements and other matters. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Company's internal control over financial reporting and compliance.

Payne & Smith, LLC

March 28, 2023

AMERIBANCSHARES, INC. AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2022 and 2021

(In thousands of dollars, except share amounts)

	2022	2021
ASSETS		
Cash and due from banks	$ 47,032	$ 161,055
Interest bearing deposits in banks	106,603	91,991
Total cash and equivalents	153,635	253,046
Securities available for sale	100,837	100,495
Mortgage loans held for sale	2,955	1,040
Loans, net	1,363,027	938,093
Premises and equipment, net	37,432	31,549
Accrued interest receivable	4,606	2,846
Goodwill	4,220	4,220
Cash surrender value of life insurance	28,163	25,534
Other securities	5,143	4,104
Other assets	11,039	8,309
Total assets	$ 1,711,057	$ 1,369,236
LIABILITIES AND STOCKHOLDERS' EQUITY		
Demand deposits	$ 43,307	$ 45,069
Savings deposits	461,201	464,106
Money market and NOW accounts	744,099	538,958
Time certificates of deposit	241,114	144,324
Total deposits	1,489,721	1,192,457
Securities sold under agreements to repurchase	1,619	170
Senior unsecured notes payable	49,186	-
Other borrowings	-	27,921
Junior subordinated debentures	7,217	7,217
Accrued interest payable	914	100
Other liabilities	12,670	12,662
Total liabilities	1,561,327	1,240,527
Commitments and contingencies	-	-
Stockholders' equity:		
Common stock (par value $2.50; 5,000,000, shares authorized, 2,940,742 and 2,725,936 issued at 2022 and 2021 and 2,829,885 and 2,595,645 outstanding at 2022 and 2021)	7,352	6,815
Surplus	55,286	41,635
Undivided profits	98,831	84,087
Treasury stock, at cost (110,857 and 130,291 shares at 2022 and 2021)	(3,804)	(3,971)
Unearned KSOP stock	-	(327)
Notes rceivable secured by common stock	(1,576)	-
Accumulated other comprehensive (loss) income, net of tax (benefit) expense of ($1,691) in 2022 and $125 in 2021	(6,359)	470
Total stockholders' equity	149,730	128,709
Total liabilities and stockholders' equity	$ 1,711,057	$ 1,369,236

See accompanying notes to consolidated financial statements.

AMERIBANCSHARES, INC. AND SUBSIDIARIES

Consolidated Statements of Income

For the Years Ended December 31, 2022 and 2021

(In thousands of dollars, except earnings per share)

	2022	2021
Interest income:		
Interest and fees on loans	$ 57,717	$ 42,155
Interest on investment securities		
Taxable	3,079	1,252
Nontaxable	894	963
Interest on interest bearing deposits in banks	1,357	123
Total interest income	63,047	44,493
Interest expense:		
Interest on deposits	14,272	4,442
Interest on repurchase agreements	1	1
Interest on other borrowed funds	1,778	884
Interest on junior subordinated debentures	237	139
Total interest expense	16,288	5,466
Net interest income	46,759	39,027
Provision for loan losses	2,500	1,290
Net interest income after provision for loan losses	44,259	37,737
Other operating income:		
Service charges on deposit accounts	602	622
Trust fee income	7,668	6,734
Gain on sale of mortgage loans	1,757	4,226
Loan servicing fees	1,062	1,026
Title insurance premiums	2,284	2,199
Rent income	672	692
Other	3,188	3,060
Total other operating income	17,233	18,559
Other operating expenses:		
Salaries and employee benefits	27,812	24,377
Premises and equipment	3,490	3,113
Data processing expense	1,879	2,388
Loss on sale of other real estate owned	-	7
Other	8,631	7,865
Total other operating expenses	41,812	37,750
Income before income taxes	19,680	18,546
Provision for income taxes	3,524	3,526
Net income	$ 16,156	$ 15,020
Earnings per share	$ 5.76	$ 6.28

See accompanying notes to consolidated financial statements.

AMERIBANCSHARES, INC. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the Years Ended December 31, 2022 and 2021

(In thousands of dollars)

	2022	2021
Net income	$ 16,156	$ 15,020
Other comprehensive loss, net of tax:		
Change in net unrealized gain (loss) on securities available for sale, net of tax benefit of $1,816 and $241 for 2022 and 2021, respectively	(6,829)	(907)
Less reclassification adjustment for gains on sales of securities available for sale, net of tax expense	-	-
Total other comprehensive loss	(6,829)	(907)
Total comprehensive income	$ 9,327	$ 14,113

See accompanying notes to consolidated financial statements.

AMERIBANCSHARES, INC. AND SUBSIDIARIES

Consolidated Statements of Changes in Stockholders' Equity

For the Years Ended December 31, 2022 and 2021

(In thousands of dollars)

	Common Stock	Surplus	Undivided Profits	Treasury Stock	Unearned KSOP Stock	Notes Receivable Secured by Common Stock	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
Balance January 1, 2021	$ 6,207	$ 26,137	$ 70,242	$ (4,806)	$ (638)	$ -	$ 1,377	$ 98,519
Net income	-	-	15,020	-	-	-	-	15,020
Sale of common stock	608	15,661	-	-	-	-	-	16,269
Sale of treasury stock	-	(163)	-	835	-	-	-	672
KSOP stock earned	-	-	-	-	311	-	-	311
Other comprehensive loss	-	-	-	-	-	-	(907)	(907)
Dividends ($.50 per common share)	-	-	(1,175)	-	-	-	-	(1,175)
Balance December 31, 2021	6,815	41,635	84,087	(3,971)	(327)	-	470	128,709
Net income	-	-	16,156	-	-	-	-	16,156
Sale of common stock	537	13,504	-	-	-	-	-	14,041
Sale of treasury stock	-	147	-	1,417	-	(1,576)	-	(12)
Purchase of treasury stock	-	-	-	(1,250)	-	-	-	(1,250)
KSOP stock earned	-	-	-	-	327	-	-	327
Other comprehensive loss	-	-	-	-	-	-	(6,829)	(6,829)
Dividends ($.50 per common share)	-	-	(1,412)	-	-	-	-	(1,412)
Balance December 31, 2022	$ 7,352	$ 55,286	$ 98,831	$ (3,804)	$ -	$ (1,576)	$ (6,359)	$ 149,730

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

For the Years Ended December 31, 2022 and 2021

(In thousands of dollars)

	2022	2021
Cash flows from operating activities:		
Net income	$ 16,156	$ 15,020
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	1,859	1,727
Provision for loan losses	2,500	1,290
Benefit from deferred taxes	(677)	(28)
Gain on sale of mortgage loans	(1,757)	(4,226)
Amortization of mortgage servicing rights	430	671
Loss on sale of other real estate owned	-	7
Gain on sale of premises and equipment	(46)	(16)
Amortization (net of accretion) on securities available for sale	241	365
Amortization of debt issue costs	74	-
Increase in cash surrender value of life insurance	(827)	(106)
Gain on surrender of cash value of life insurance	(274)	-
Proceeds from sales of mortgage loans	80,950	157,847
Mortgage loans funded	(81,108)	(146,930)
Mortgage servicing rights capitalized	(382)	(945)
Change in:		
Accrued interest receivable	(1,759)	581
Income taxes receivable	(351)	(271)
Miscellaneous other assets	(157)	402
Accrued interest payable	814	(35)
Income taxes payable	481	1,325
Other accrued expenses	(135)	794
Net cash provided by operating activities	16,032	27,472
Cash flows from investing activities:		
Proceeds from maturities, calls and paydowns of securities available for sale	78,797	379,681
Purchase of securities available for sale	(88,025)	(387,631)
Purchase of other securities	(1,040)	(604)
Purchase of cash value life insurance	(2,793)	(2,159)
Proceeds from redemption of cash value life insurance	1,265	-
Net increase in loans	(427,353)	(144,502)
Purchase of premises and equipment	(8,384)	(4,864)
Proceeds from sale of premises and equipment	688	660
Proceeds from sale of other real estate owned	-	878
Net cash used in investing activities	(446,845)	(158,541)
Cash flows from financing activities:		
Net increase in deposits	297,264	243,431
Net increase (decrease) in repurchase agreements	1,449	(1,028)
Net increase in senior unsecured notes payable	49,112	-
Net (decrease) increase in other borrowings	(27,921)	8,925
Sale of common stock	14,041	16,269
Sale of treasury stock	119	672
Purchase of treasury stock	(1,250)	-
Dividends paid	(1,412)	(1,175)
Net cash provided by financing activities	331,402	267,094
Net (decrease) increase in cash and cash equivalents	(99,411)	136,025
Cash and cash equivalents at beginning of year	253,046	117,021
Cash and cash equivalents at end of year	$ 153,635	$ 253,046

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, Dallas, Fort Worth and Flower Mound, Texas. The Company's primary deposit products are demand deposits, savings deposits, and certificates of deposit, and the primary lending products are commercial, real estate mortgages, and consumer 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.

Use of Estimates

The preparation of consolidated 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 consolidated 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.

Effective March 26, 2020, the FRB reduced the reserve requirement ratio to zero percent in an effort to support lending to households and businesses impacted by the COVID-19 pandemic.

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.

Fair value of investment securities is determined based on methodologies in accordance with generally accepted accounting principles. Fair values are volatile and may be influenced by a number of factors, including market interest rates, prepayment speeds, discount rates and yield curves. Fair values for investment securities are based on quoted market prices, where available. If quoted market prices are not available, fair values are based on the quoted prices of similar instruments or an estimate of fair value by using a range of fair value estimates in the market place as a result of the illiquid market specific to the type of security.

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 re-aging, 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.

Leases

Leases are classified as operating or finance leases at the lease commencement date. The Company leases certain office facilities and office equipment under operating leases. The Company also owns certain office facilities which are leased to outside parties under operating lessor leases; however, such leases are not significant. In 2022, the Company adopted certain accounting standard updates related to accounting for leases as further discussed below. Under the new standards, for operating leases other than those considered to be short-term, the Company recognizes lease right-of-use assets and related lease liabilities. Such amounts, if applicable, are reported as components of premises and equipment and other liabilities, respectively, in the consolidated balance sheet. The Company does not recognize short-term operating leases on the balance sheet (leases with terms of 12 months or less).

Lease payments over the expected term are discounted using the risk-free interest rate election. The Company considers renewal and termination options in the determination of the term of the lease. If it is reasonably certain that a renewal or termination option will be exercised, the effects of such options are included in the determination of the expected lease term. The Company has elected to treat property leases that include both lease and non-lease components in a contract as a single lease component.

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.

As of December 31, 2022, the Company evaluated recent potential triggering events that might be indicators that goodwill was impaired. Based on this evaluation, the Company concluded that goodwill was not more than likely impaired as of that date.

Other Securities

Other securities include Federal Reserve Bank stock, Federal Home Loan Bank stock, and Bankers Bancorp stock. These are restricted equity securities, in that they can only be sold back to the respective institution or another member institution at par. Therefore they are less liquid than other marketable equity securities. The Company views its investment in restricted stock as a long-term investment. Accordingly, when evaluating for impairment, the value is determined based on the ultimate recovery of the par value, rather than recognizing temporary declines in fair value. No impairment has been recorded on these securities.

Other securities also include an investment in a Special Purpose Entity (see Note 11). The investment is carried at cost, minus any impairment, if any, plus or minus observable price changes in orderly transactions from similar investments.

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 2019.

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, 2022 and 2021, 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, 2022 and 2021.

Net Income Per Common Share

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

Revenue Recognition

In general, for revenue not associated with financial instruments, guarantees and lease contracts, the Company applies the following steps when recognizing revenue from contracts with customers: (i) identify the contract, (ii) identify the performance obligations, (iii) determine the transaction price, (iv) allocate the transaction price to the performance obligations and (v) recognize revenue when a performance obligation is satisfied. The Company's contracts with customers are generally short term in nature, typically due within one year or less or cancellable by the Company or the customer upon a short notice period. Performance obligations for customer contracts are generally satisfied at a single point in time, typically when the transaction is complete, or over time. For performance obligations satisfied over time, the Company primarily uses the output method, directly measuring the value of the products/ services transferred to the customer, to determine when performance obligations have been satisfied. The Company typically receives payment from customers and recognizes revenue concurrent with the satisfaction of performance obligations. In most cases, this occurs within a single financial reporting period. For payments received in advance of the satisfaction of performance obligations, revenue recognition is deferred until such time as the performance obligations have been satisfied. In cases where the Company has not received payment despite satisfaction of performance obligations, an estimate of the amount due in the period performance obligations have been satisfied is accrued. For contracts with variable components, only amounts for which collection is probable are accrued. The Company generally acts in a principal capacity, on its own behalf, in most of its contracts with customers. In such transactions, revenue and the related costs to provide the services on a gross basis are accrued. In some cases, the Company may act in an agent capacity, deriving revenue through assisting other entities in transactions with customers. In such transactions, revenue and the related costs to provide services are recognized on a net basis. These transactions recognized on a net basis primarily relate to fees derived from customers' use of various interchange and ATM/ debit card networks.

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 28, 2023, the date these consolidated financial statements were available to be issued.

Reclassification

For comparability, certain amounts in the 2021 financial statements have been reclassified, where appropriate, to conform with the financial presentation used in 2022.

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 is effective for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years. Earlier application is permitted. In November 2021, the FASB issued Accounting Standards Update 2021-09, *Leases (Topic 842), Discount Rate for Lessees That Are Not Public Business Entities.* The update provides lessees that are not public business entities with a practical expedient that allows them to elect, as an accounting policy, to use a risk-free rate as the discount rate for all leases by making the risk-free rate election by class of underlying asset. The amendment requires that when the rate implicit in the lease is readily determinable for any individual lease, the lessee use that rate. Entities that have not yet adopted *Topic 842* are required to adopt the amendments in this update when they adopt *Topic 842*. The adoption of ASU 2016-02 and ASU 2021-09 did not 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. 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. Upon adoption of the standard effective January 1, 2023, the Company recorded an increase of approximately $5,976,000 to the allowance for loan losses and allowance for unfunded commitments. Additionally, after considering the tax effects, the Company recorded a decrease in retained earnings of approximately $4,721,000 through a one-time cumulative adjustment. The adoption of ASU 2016-13 is not expected to have a significant impact on the Company's regulatory ratios.

In January 2017, the FASB issued Accounting Standards Update 2017-04, *Intangibles-Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment.* The update simplifies the measurement of goodwill impairment by eliminating the requirement that an entity compute the implied fair value of goodwill based on the fair values of its assets and liabilities to measure impairment. Instead, goodwill impairment will be measured as the difference between the fair value of the reporting unit and the carrying value of the reporting unit. ASU 2017-04 is effective for fiscal years beginning after December 15, 2022. Early application is permitted. The adoption of ASU 2017-04 is not expected to have a material impact on the Company's consolidated financial statements.

In August 2020, the FASB issued Accounting Standards Update 2020-08, *Codification Improvements to Subtopic 310-20, Receivables-Nonrefundable Fees and Other Costs.* The update clarifies the accounting for the amortization of purchase premiums for callable debt securities with multiple call dates. ASU 2020-08 is effective for PBEs in fiscal years beginning after December 15, 2020. For all other entities, ASU 2020-08 is effective for fiscal years beginning after December 15, 2021. Early application is permitted. The adoption of ASU 2020-08 did not have a material impact on the Company's consolidated financial statements.

In November 2021, the FASB issued Accounting Standards Update 2021-10, *Government Assistance (Topic 832); Disclosures by Business Entities about Government Assistance.* The update was issued to increase the transparency of government assistance including the disclosure of (1) the types of assistance, (2) an entity's accounting for the assistance, and (3) the effect of the assistance on an entity's financial statements. The amendments are effective for periods beginning after December 15, 2021. The adoption of ASU 2021-10 did not have a material impact on the Company's consolidated financial statements.

In March 2022, the FASB issued Accounting Standards Update 2022-02, *Financial Instruments-Credit Losses (Topic 326); Trouble Debt Restructurings and Vintage Disclosures.* The amendments in this update require an entity measure and record the lifetime expected credit losses on an asset within the scope upon origination or acquisition and, accordingly, credit losses from loans modified as troubled debt restructurings (TDRs) have been incorporated into the allowance for credit losses. The amendments relate to all entities after they have adopted ASU 2016-13. The amendments eliminate the TDR recognition and measurement guidance and instead require an entity evaluate whether the modification represents a new loan or a continuation of an existing loan. Public Business Entities (PBEs) are required to disclose current-period writeoffs by year of origination for financing receivables and net investments in leases. For entities that have adopted ASU 2016-13, the amendments are effective for fiscal years beginning after December 15, 2022. For entities that have not updated ASU 2016-13, the effective dates are the same as the effective dates in Update 2016-13. The adoption of ASU 2022-02 is not expected to have a material impact on the Company's consolidated financial statements.

In June 2022, the FASB issued Accounting Standards Update 2022-03, *Fair Value Measurement (Topic 820); Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions.* The amendments in this update clarify that a contractual restriction on the sale of an equity security is not considered part of the unit of account of the equity security and, therefore, is not considered in measuring fair value. The amendments also require certain disclosures for equity securities subject to contractual sale restrictions: (1) the fair value of equity securities subject to contractual sale restrictions reflected in the balance sheet, (2) the nature and remaining duration of the restriction(s), (3) the circumstances that could cause a lapse in the restriction(s). The amendments are affective for PBEs for fiscal years beginning after December 15, 2023 and interim periods within those fiscal years. For all other entities, the amendments are effective for fiscal years beginning after December 15, 2024 and interim periods within those fiscal years. Early adoption is permitted. The adoption of ASU 2022-03 is not expected to have a material impact on the Company's consolidated financial statements.

3. Investment Securities

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

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Market Value
Securities Available for Sale				
December 31, 2022:				
U.S. Government Agency securities	$ 32,140	$ -	$ (3,078)	$ 29,062
Municipal securities	35,342	4	(846)	34,500
Mortgage-backed securities	25,405	-	(2,513)	22,892
Corporate securities	16,000	-	(1,617)	14,383
	$ 108,887	$ 4	$ (8,054)	$ 100,837
December 31, 2021:				
U.S. Treasury securities	$ 5,023	$ 7	$ -	$ 5,030
U.S. Government Agency securities	32,131	-	(302)	31,829
Municipal securities	37,681	1,012	(51)	38,642
Mortgage-backed securities	12,065	63	(177)	11,951
Corporate securities	13,000	94	(51)	13,043
	$ 99,900	$ 1,176	$ (581)	$ 100,495

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. The amortized cost and estimated fair value of debt securities at December 31, 2022, by contractual maturity, are shown below (in thousands):

	Securities Available for Sale	
	Amortized Cost	Fair Value
Due in one year or less	$ 8,628	$ 8,500
Due from one year to five years	44,674	41,214
Due from five years to ten years	30,180	28,231
Due after ten years	-	-
	83,482	77,945
Mortgage-backed securities	25,405	22,892
	$ 108,887	$ 100,837

There were no sales of available for sale securities during 2022 and 2021.

Investment securities with recorded values of approximately $82,547,000 and $73,226,000 at December 31, 2022 and 2021, 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, 2022 and 2021 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, 2022:				
U.S. Government Agency securities	$ -	$ -	$ 29,062	$ (3,078)
Municipal securities	28,824	(578)	3,064	(268)
Mortgage-backed securities	13,943	(1,343)	8,949	(1,170)
Corporate securities	9,081	(919)	5,302	(698)
	$ 51,848	$ (2,840)	$ 46,377	$ (5,214)
December 31, 2021:				
U.S. Government Agency securities	$ 21,893	$ (237)	$ 4,935	$ (65)
Municipal securities	2,649	(21)	737	(30)
Mortgage-backed securities	9,978	(177)	-	-
Corporate securities	5,949	(51)	-	-
	$ 40,469	$ (486)	$ 5,672	$ (95)

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, 2022, 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, 2022 and 2021, management believes the impairments detailed in the table above are temporary and no impairment loss has been recorded in the Company's consolidated statements of income.

4. Loans and Allowance for Loan Losses

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

	2022	2021
Real estate:		
1-4 family construction	$ 62,761	$ 24,614
Construction, land development and other land	130,112	98,675
Revolving 1-4 family residential	239	227
1-4 family residential	163,801	86,837
Multi-family residential	59,580	45,841
Nonfarm nonresidential - owner occupied	160,239	92,184
Nonfarm nonresidential - nonowner occupied	574,066	481,596
Farmland	19,453	10,650
Total real estate	1,170,251	840,624
Agriculture	1,905	1,643
Commercial and industrial	90,570	43,724
Consumer	18,272	24,602
Municipal	314	380
Nondepository financial institutions	60,282	10,542
Lease financing receivables	30,052	26,396
Overdrafts	18	36
All other loans	9,111	5,030
	1,380,775	952,977
Unearned discount	(2,291)	(1,845)
Allowance for loan losses	(15,457)	(13,039)
	$ 1,363,027	$ 938,093

The Company extends commercial and consumer credit primarily to customers in the state of Texas. At December 31, 2022 and 2021, 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.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (Cares Act) was passed into law. Among other provisions, the Cares Act created the Paycheck Protection Program (PPP) for loans to small businesses to pay certain payroll, group health care benefit costs and qualifying mortgage, rent and utility payments. The PPP is administered by the Small Business Administration (SBA). A second legislative act was passed into law on April 24, 2020 to provide additional funding to the PPP. These first-draw loans had a contractual maturity of two years. Following new coronavirus stimulus legislation passed in December 2020, the SBA began accepting applications for second-draw PPP loans in January 2021 and closed the process on March 31, 2021. These second-draw loans had a contractual maturity of five years. All loans issued under the PPP have an interest rate of 1%. Under the PPP, a borrower may have a portion or all of its loan forgiven if the proceeds were for qualified expenditures within a "covered period." Loans deemed to meet the PPP criteria for loan forgiveness are reimbursed by the SBA. During 2022, the Company received reimbursement from the SBA of approximately $4,534,000. No PPP loans were funded by the Company during 2022, as the Program had expired. During 2021, the Company funded approximately $15,956,000 of PPP loans and received reimbursement from the SBA of approximately $44,252,000. At December 31, 2022 and 2021, the Company had outstanding PPP loans of approximately $198,000 and $4,732,000, respectively, included in commercial loans. Management believes substantially all PPP loans outstanding at December 31, 2022 and 2021 meet the criteria for loan forgiveness and expect to receive future reimbursement from the SBA.

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, 2022 and 2021, the Bank had total commercial real estate loans of approximately $986,758,000 and $742,910,000, respectively. Included in these amounts, the Bank had construction, land development, and other land loans representing 92% and 73%, respectively, of total risk-based capital at December 31, 2022 and 2021. The Bank had non-owner occupied commercial real estate loans representing 393% and 387%, respectively, of total risk-based capital at December 31, 2022 and 2021.

Loan maturities and rate sensitivity of the loan portfolio at December 31, 2022 and 2021, including mortgage loans held for sale less loans on nonaccrual, are as follows (in thousands):

	2022	2021
Fixed rate loans with a remaining maturity of:		
Three months or less	$ 32,777	$ 28,281
Over three months through twelve months	119,593	85,064
Over one year through five years	666,580	459,029
Over five years	171,088	155,043
Total fixed rate loans	$ 990,038	$ 727,417
Variable rate loans with a repricing frequency of:		
Quarterly or more frequently	$ 145,713	$ 86,279
Annually or more frequently, but less frequently than quarterly	3,949	837
Every five years or more frequently, but less frequently than annually	221,400	122,672
Less frequently than every five years	21,126	15,688
Total variable rate loans	$ 392,188	$ 225,476

Allowance for Loan Losses

An analysis of the allowance for loan losses for the years ended December 31, 2022 and 2021 is as follows (in thousands):

	Beginning Balance	Provision	Charge-offs	Recoveries	Ending Balance
December 31, 2022:					
Real estate:					
1-4 family construction	$ 509	$ 309	$ -	$ -	$ 818
Construction, land development and other land	1,612	15	-	-	1,627
Revolving 1-4 family residential	1	-	-	-	1
1-4 family residential	1,242	646	-	-	1,888
Multi-family residential	511	17	-	-	528
Nonfarm nonresidential - owner occupied	1,309	538	-	-	1,847
Nonfarm nonresidential - nonowner occupied	6,838	34	-	-	6,872
Farmland	113	34	-	-	147
Total real estate	12,135	1,593	-	-	13,728
Agriculture	8	(3)	-	-	5
Commercial and industrial	270	828	(67)	-	1,031
Consumer	294	(117)	(12)	5	170
Municipal	2	(1)	-	-	1
Nondepository financial institutions	80	214	-	-	294
Lease financing receivable	217	(17)	(8)	-	192
Overdrafts	-	-	-	-	-
All other loans	33	3	-	-	36
	$ 13,039	$ 2,500	$ (87)	$ 5	$ 15,457
December 31, 2021:					
Real estate:					
1-4 family construction	$ 313	$ 526	$ (330)	$ -	$ 509
Construction, land development and other land	1,581	31	-	-	1,612
Revolving 1-4 family residential	1	-	-	-	1
1-4 family residential	1,160	82	(25)	25	1,242
Multi-family residential	642	(131)	-	-	511
Nonfarm nonresidential - owner occupied	1,100	209	-	-	1,309
Nonfarm nonresidential - nonowner occupied	4,893	1,945	-	-	6,838
Farmland	82	31	-	-	113
Total real estate	9,772	2,693	(355)	25	12,135
Agriculture	8	-	-	-	8
Commercial and industrial	1,322	(1,053)	-	1	270
Consumer	292	19	(24)	7	294
Municipal	9	(7)	-	-	2
Nondepository financial institutions	427	(347)	-	-	80
Lease financing receivable	191	28	(2)	-	217
Overdrafts	-	-	-	-	-
All other loans	76	(43)	-	-	33
	$ 12,097	$ 1,290	$ (381)	$ 33	$ 13,039

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, 2022 and 2021 is as follows (in thousands):

	Loan Evaluation			ALLL Allocations		
	Individually	Collectively	Total	Individually	Collectively	Total ALLL
December 31, 2022:						
Real estate:						
1-4 family construction	$ -	$ 62,761	$ 62,761	$ -	$ 818	$ 818
Construction, land development and other land	-	130,112	130,112	-	1,627	1,627
Revolving 1-4 family residential	-	239	239	-	1	1
1-4 family residential	1,276	162,525	163,801	-	1,888	1,888
Multi-family residential	-	59,580	59,580	-	528	528
Nonfarm nonresidential - owner occupied	-	160,239	160,239	-	1,847	1,847
Nonfarm nonresidential - nonowner occupied	-	574,066	574,066	-	6,872	6,872
Farmland	1,799	17,654	19,453	-	147	147
Total real estate	3,075	1,167,176	1,170,251	-	13,728	13,728
Agriculture	-	1,905	1,905	-	5	5
Commercial and industrial	250	90,320	90,570	152	879	1,031
Consumer	6	18,266	18,272	-	170	170
Municipal	-	314	314	-	1	1
Nondepository financial institutions	-	60,282	60,282	-	294	294
Lease financing receivable	-	30,052	30,052	-	192	192
Overdrafts	-	18	18	-	-	-
All other loans	-	9,111	9,111	-	36	36
	$ 3,331	$ 1,377,444	$ 1,380,775	$ 152	$ 15,305	$ 15,457
December 31, 2021:						
Real estate:						
1-4 family construction	$ -	$ 24,614	$ 24,614	$ -	$ 509	$ 509
Construction, land development and other land	-	98,675	98,675	-	1,612	1,612
Revolving 1-4 family residential	-	227	227	-	1	1
1-4 family residential	1,062	85,775	86,837	-	1,242	1,242
Multi-family residential	-	45,841	45,841	-	511	511
Nonfarm nonresidential - owner occupied	-	92,184	92,184	-	1,309	1,309
Nonfarm nonresidential - nonowner occupied	-	481,596	481,596	-	6,838	6,838
Farmland	1,799	8,851	10,650	-	113	113
Total real estate	2,861	837,763	840,624	-	12,135	12,135
Agriculture	-	1,643	1,643	-	8	8
Commercial and industrial	81	43,643	43,724	-	270	270
Consumer	16	24,586	24,602	-	294	294
Municipal	-	380	380	-	2	2
Nondepository financial institutions	-	10,542	10,542	-	80	80
Lease financing receivable	-	26,396	26,396	-	217	217
Overdrafts	-	36	36	-	-	-
All other loans	-	5,030	5,030	-	33	33
	$ 2,958	$ 950,019	$ 952,977	$ -	$ 13,039	$ 13,039

Past Due and Nonaccrual Loans

The following is a summary of past due and non-accrual loans at December 31, 2022 and 2021 (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, 2022:				
Real estate:				
1-4 family construction	$ 1,736	$ -	$ -	$ 1,736
Construction, land development and other land	172	-	-	172
Revolving 1-4 family residential	-	-	-	-
1-4 family residential	4,056	124	1,248	5,428
Multi-family residential	-	-	-	-
Nonfarm nonresidential - owner occupied	9,445	-	-	9,445
Nonfarm nonresidential - nonowner occupied	1,970	-	-	1,970
Farmland	103	-	-	103
Total real estate	17,482	124	1,248	18,854
Agriculture	-	-	-	-
Commercial and industrial	1,869	-	250	2,119
Consumer	1,516	-	6	1,522
Municipal	-	-	-	-
Nondepository financial institutions	-	-	-	-
Lease financing receivable	445	-	-	445
Overdrafts	-	-	-	-
All other loans	-	-	-	-
	$ 21,312	$ 124	$ 1,504	$ 22,940
December 31, 2021:				
Real estate:				
1-4 family construction	$ 26	$ -	$ -	$ 26
Construction, land development and other land	-	-	-	-
Revolving 1-4 family residential	-	-	-	-
1-4 family residential	1,294	552	1,033	2,879
Multi-family residential	-	-	-	-
Nonfarm nonresidential - owner occupied	-	-	-	-
Nonfarm nonresidential - nonowner occupied	-	-	-	-
Farmland	-	-	-	-
Total real estate	1,320	552	1,033	2,905
Agriculture	-	-	-	-
Commercial and industrial	35	-	81	116
Consumer	173	-	10	183
Municipal	-	-	-	-
Nondepository financial institutions	-	-	-	-
Lease financing receivable	-	-	-	-
Overdrafts	-	-	-	-
All other loans	-	-	-	-
	$ 1,528	$ 552	$ 1,124	$ 3,204

Approximately $43,000 and $68,000 of additional interest would have been recognized if the loans on non-accrual had been on accrual status during 2022 and 2021, respectively. As stated in Note 1, there were approximately $610,000 of loans related to COVID-19 deferments at December 31, 2021, that are not included in the above schedules. There were no loans in such status at December 31, 2022.

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 2022 and 2021 were approximately $2,917,000 and $3,396,000, respectively. Approximately $16,000 and $237,000 of interest income was recognized on impaired loans for the years ending December 31, 2022 and 2021, respectively. The following is a summary of information pertaining to impaired loans at December 31, 2022 and 2021 (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, 2022:						
Real estate:						
1-4 family construction	$ -	$ -	$ -	$ -	$ -	$ -
Construction, land development and other land	-	-	-	-	-	-
Revolving 1-4 family residential	-	-	-	-	-	-
1-4 family residential	-	-	-	1,276	1,506	-
Multi-family residential	-	-	-	-	-	-
Nonfarm nonresidential - owner occupied	-	-	-	-	-	-
Nonfarm nonresidential - nonowner occupied	-	-	-	-	-	-
Farmland	-	-	-	1,799	1,799	-
Total real estate	-	-	-	3,075	3,305	-
Agriculture	-	-	-	-	-	-
Commercial and industrial	152	152	152	98	111	-
Consumer	-	-	-	6	14	-
Municipal	-	-	-	-	-	-
Nondepository financial institutions	-	-	-	-	-	-
Lease financing receivable	-	-	-	-	-	-
Overdrafts	-	-	-	-	-	-
All other loans	-	-	-	-	-	-
	$ 152	$ 152	$ 152	$ 3,179	$ 3,430	$ -
December 31, 2021:						
Real estate:						
1-4 family construction	$ -	$ -	$ -	$ -	$ -	$ -
Construction, land development and other land	-	-	-	-	-	-
Revolving 1-4 family residential	-	-	-	-	-	-
1-4 family residential	-	-	-	1,062	1,297	-
Multi-family residential	-	-	-	-	-	-
Nonfarm nonresidential - owner occupied	-	-	-	-	-	-
Nonfarm nonresidential - nonowner occupied	-	-	-	-	-	-
Farmland	-	-	-	1,799	1,799	-
Total real estate	-	-	-	2,861	3,096	-
Agriculture	-	-	-	-	-	-
Commercial and industrial	-	-	-	81	88	-
Consumer	-	-	-	16	19	-
Municipal	-	-	-	-	-	-
Nondepository financial institutions	-	-	-	-	-	-
Lease financing receivable	-	-	-	-	-	-
Overdrafts	-	-	-	-	-	-
All other loans	-	-	-	-	-	-
	$ -	$ -	$ -	$ 2,958	$ 3,203	$ -

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, 2022 and 2021, the Company had TDRs totaling approximately $2,341,000 and $1,885,000, respectively. The Company had approximately $1,827,000 and $1,834,000 of performing TDRs at December 31, 2022 and 2021, respectively. During the year ended December 31, 2022, the Company had one loan in the approximate amount of $468,000 modified as a TDR. During the year ended December 31, 2021, the Company had one loan in the approximate amount of $1,799,000 modified as a TDR. These restructurings in 2022 and 2021 did not significantly impact the Company's determination of the allowance for loan losses. During the years ended December 31, 2022 and 2021, 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, 2022 and 2021 is as follows (in thousands):

	Pass	Special Mention	Substandard	Doubtful	Total
December 31, 2022:					
Real estate:					
1-4 family construction	$ 62,761	$ -	$ -	$ -	$ 62,761
Construction, land development and other land	130,112	-	-	-	130,112
Revolving 1-4 family residential	239	-	-	-	239
1-4 family residential	161,949	500	1,352	-	163,801
Multi-family residential	59,580	-	-	-	59,580
Nonfarm nonresidential - owner occupied	152,941	-	7,298	-	160,239
Nonfarm nonresidential - nonowner occupied	574,066	-	-	-	574,066
Farmland	19,453	-	-	-	19,453
Total real estate	1,161,101	500	8,650	-	1,170,251
Agriculture	1,905	-	-	-	1,905
Commercial and industrial	90,320	-	250	-	90,570
Consumer	18,266	-	6	-	18,272
Municipal	314	-	-	-	314
Nondepository financial institutions	60,282	-	-	-	60,282
Lease financing receivable	30,052	-	-	-	30,052
Overdrafts	18	-	-	-	18
All other loans	9,111	-	-	-	9,111
	$ 1,371,369	$ 500	$ 8,906	$ -	$ 1,380,775
December 31, 2021:					
Real estate:					
1-4 family construction	$ 24,614	$ -	$ -	$ -	$ 24,614
Construction, land development and other land	98,675	-	-	-	98,675
Revolving 1-4 family residential	227	-	-	-	227
1-4 family residential	85,276	421	1,140	-	86,837
Multi-family residential	45,841	-	-	-	45,841
Nonfarm nonresidential - owner occupied	84,764	7,420	-	-	92,184
Nonfarm nonresidential - nonowner occupied	474,127	-	7,469	-	481,596
Farmland	8,851	1,799	-	-	10,650
Total real estate	822,375	9,640	8,609	-	840,624
Agriculture	1,643	-	-	-	1,643
Commercial and industrial	43,643	-	81	-	43,724
Consumer	24,586	6	10	-	24,602
Municipal	380	-	-	-	380
Nondepository financial institutions	10,542	-	-	-	10,542
Lease financing receivable	26,396	-	-	-	26,396
Overdrafts	36	-	-	-	36
All other loans	5,030	-	-	-	5,030
	$ 934,631	$ 9,646	$ 8,700	$ -	$ 952,977

5. Premises and Equipment

A summary of premises, equipment and land improvements and related accumulated depreciation at December 31, 2022 and 2021 is as follows (in thousands):

	Estimated Useful Lives	2022	2021
Land		$ 6,792	$ 6,652
Premises	5-40 years	26,209	26,191
Furniture, fixtures and equipment	3-10 years	11,945	11,286
Land improvements	5-20 years	495	635
Lease equipment	3-5 years	3,998	4,061
		49,439	48,825
Less accumulated depreciation		18,488	17,276
		30,951	31,549
Construction in progress		6,481	-
Totals		$ 37,432	$ 31,549

Depreciation expense amounted to approximately $1,859,000 and $1,727,000 in 2022 and 2021, respectively.

6. Mortgage Servicing Rights

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 $413,196,000 and $417,877,000 at December 31, 2022 and 2021, respectively. Custodial escrow balances maintained in connection with the foregoing loan servicing, and included in demand deposits, were approximately $2,817,000 and $2,489,000 at December 31, 2022 and 2021, respectively.

Originated mortgage servicing rights capitalized at December 31, 2022 and 2021, are approximately $3,084,000 and $3,132,000, respectively, and are included in other assets. The fair values of these rights were approximately $5,572,000 and $4,392,000 at December 31, 2022 and 2021, respectively. The fair value of servicing rights was determined using a weighted average discount rate of 11.25% and 10.25% for 2022 and 2021, respectively, and a weighted average conditional prepayment rate of 5.89% and 9.11% for 2022 and 2021, respectively.

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

	2022	2021
Balance at beginning of year	$ 3,132	$ 2,858
Origination	382	945
Amortization	(430)	(671)
Impairments	-	-
Balance at end of year	$ 3,084	$ 3,132

7. Goodwill

Goodwill in the amount of approximately $4,220,000 at December 31, 2022 and 2021, is included in the accompanying consolidated financial statements. At December 31, 2022 and 2021, 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.

8. 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 $69,062,000 and $30,857,000 at December 31, 2022 and 2021, respectively.

At December 31, 2022 and 2021, the scheduled maturities of certificates of deposit are as follows (in thousands):

	2022	2021
Less than three months	$ 34,185	$ 34,623
Four to twelve months	127,133	54,001
One to five years	78,033	55,684
Over five years	1,763	16
	$ 241,114	$ 144,324

During 2006, the Company entered into a program in which certain eligible transaction deposits could be reclassified to savings deposits for regulatory reporting purposes and therefore reduce its reserve requirement with the Federal Reserve Bank (FRB). At December 31, 2022, the Company has reclassified $240,651,000 demand deposits and $172,042,000 NOW and Money Market deposits to savings deposits for regulatory reporting in connection with this program. At December 31, 2021, the Company has reclassified approximately $241,920,000 demand deposits and $172,699,000 NOW and Money Market deposits to savings deposits in connection with this program.

Notwithstanding the reduction in the reserve requirement ratio to zero percent, as discussed under the cash and cash equivalents caption in Note 1, the Company continues to utilize this program in the event the FRB reinstates the reserve requirement.

9. Securities Sold Under Agreements to Repurchase

Securities sold under agreements to repurchase amounted to approximately $1,619,000 and $170,000 at December 31, 2022 and 2021, respectively. The agreements are secured by U.S. Government Agency securities with a fair value of approximately $2,575,000 at December 31, 2022 and $2,390,000 at December 31, 2021. The weighted average interest rate on these agreements was 0.10% at both December 31, 2022 and 2021. The agreements of approximately $1,619,000 at December 31, 2022 matured on January 1, 2022 and were renewed daily as necessary under normal operations.

The average balances of securities sold under agreements to repurchase amounted to approximately $900,000 and $624,000, respectively, for the years ending December 31, 2022 and 2021.

10. 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, 2022 or 2021. As of both December 31, 2022 and 2021, the Bank has certain Direct Letters of Credit outstanding in the aggregate amounts of $65,150,000 and $100,000,000, respectively. These Direct Letters of Credit reduce the Bank's available borrowing capacity and are being used to cover the pledging requirements for certain local municipal depositors. The Direct Letter of Credit agreements require the Bank to make quarterly fee payments based on the average outstanding balance of the municipalities. The Direct Letters of Credit have stated maturity dates ranging from June 30, 2023 through April 19, 2024. At December 31, 2022, the Bank has additional unused borrowing capacity with the FHLB of approximately $506,577,000. See also Note 20.

Federal Reserve Bank

In conjunction with its participation in the Small Business Administration's Paycheck Protection Program (PPP), the Bank entered into a borrowing arrangement with the Federal Reserve Bank (FRB) whereby certain PPP loans the Bank had already funded were indirectly liquidated through return advances from the FRB. This borrowing arrangement, more commonly referred to as the Paycheck Protection Program Liquidity Facility (PPPLF), allowed eligible lenders to borrow from the FRB (on a non-recourse basis) at a fixed interest rate of 0.35%. Only PPP loans guaranteed by the Small Business Administration (SBA) were eligible to serve as collateral for the facility. Repayment terms and maturity dates matched those of the underlying PPP loans pledged; however, maturity dates could have been accelerated if certain of the underlying PPP loans went into default (and the eligible borrower sells the PPP loan to the SBA to realize on the guarantee) or if any of the underlying PPP loans pledged were forgiven by the SBA before their maturity dates. The outstanding balance of these advances at December 31, 2020 of approximately $4,074,000 was paid in full in March 2021.

Senior Unsecured Notes Payable

At March 18, 2022, the Company completed a senior unsecured notes offering in the amount of $50,000,000 effectively refinancing its existing other borrowings with an unpaid principal balance of approximately $27,921,000 at December 31, 2021. The senior unsecured notes call for semi-annual interest payments beginning September 30, 2022 at a fixed rate of 3.75% and are redeemable beginning on March 31, 2027 (at which time they convert to a floating rate of three-month SOFR plus 201 basis points payable quarterly). The notes mature March 31, 2032. At December 31, 2022, debt issue costs of approximately $814,000 are netted against the outstanding principal due of $50,000,000. The debt issue costs are being amortized over the life of the senior unsecured notes payable.

Nexbank

At both December 31, 2022 and 2021, the Company has a revolving line of credit with Nexbank in the maximum amount of $30,000,000. The outstanding balances at December 31, 2021 was approximately $27,921,000. There was no outstanding balance under this agreement at December 31, 2022. The line of credit is collateralized by all issued and outstanding common stock of the Bank and requires monthly interest payments based on a variable interest rate of LIBOR plus 3.25%, with a floor of 4.00% (8.00% at December 31, 2022), with all unpaid principal and interest due at maturity on June 24, 2023.

Other

Additionally, the Bank has unused federal funds lines available from other commercial banks of approximately $25,000,000 at December 31, 2022.

11. <u>Junior Subordinated Debentures</u>

The junior subordinated debentures of approximately $7,217,000 at December 31, 2022 and 2021 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, 2022 and 2021. Both the junior subordinated debentures and the related trust preferred securities yield an annual distribution rate of 3-month LIBOR plus l.80% (6.57% at December 31, 2022 and 2.01% at December 31, 2021), 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.

12. Income Taxes

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

	2022	2021
Current income tax expense:		
Federal and state	$ 4,201	$ 3,554
Deferred income tax expense (benefit) arising from:		
Difference in tax and financial depreciation	12	207
Accounting for bad debt expense	(508)	(197)
Nonaccrual loan interest	(14)	(11)
Federal Home Loan Bank and other stock dividends	4	71
Deferred compensation benefits	(69)	(116)
Deferred loan fee income	(102)	18
Net deferred income tax (benefit) expense	(677)	(28)
Total income tax expense	$ 3,524	$ 3,526

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 years ended December 31, 2022 and 2021 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 $5,249,000 and $2,757,000 at December 31, 2022 and 2021, 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):

	2022	2021
Deferred tax assets		
Excess of tax over financial cost for fixed assets	$ 41	$ 41
Allowance for loan and lease losses	3,246	2,738
Deferred compensation benefits	1,841	1,772
Deferred loan fee income	600	498
Nonaccrual loan interest	82	68
Unrealized depreciation on securities available for sale	1,690	-
Total deferred tax assets	7,500	5,117
Deferred tax liabilities		
Depreciation	(1,236)	(1,224)
Federal Home Loan Bank stock dividends	(133)	(129)
Amortization	(882)	(882)
Unrealized appreciation on securities available for sale	-	(125)
Total deferred tax liabilities	(2,251)	(2,360)
Total net deferred tax asset	$ 5,249	$ 2,757

Federal income taxes currently payable of approximately $545,000 and $417,000 at December 31, 2022 and 2021, respectively, are included in other liabilities.

13. 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, 2021, the KSOP had a note payable to the Company in the approximate amounts of $327,000. This note was paid in full during 2022. 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, 2021, there were 12,462 unallocated shares in the KSOP. At December 31, 2022, all unallocated shares have been allocated to the KSOP's participants. 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 2022 and 2021 was approximately $1,024,000 and $1,063,000, respectively. Employee salary reduction contributions of approximately $1,114,000 and $997,000 were made in 2022 and 2021, 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 Company's obligation under the agreements is recorded based upon the present value of the deferred compensation benefits. The Company's provision for expense under these agreements was approximately $813,000 and $989,000 for 2022 and 2021, respectively. The relating accrued liability under the agreements was approximately $8,687,000 and $8,362,000 at December 31, 2022 and 2021, 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, 2022 and 2021, respectively, the Company had approximately $24,898,000 and $22,360,000 in cash surrender value related to these life insurance policies.

Stock Option Plans

The board of directors of the Company has adopted the following stock option plans:

Plan Description	Grant Date	Shares Approved	Strike Price	Expiration
2021 Plan	May 16, 2022	74,000	$ 70.00	January 31, 2024
2020 Supplemental Plan	July 1, 2021	6,000	$ 59.00	January 31, 2023
2020 Plan	March 16, 2021	66,000	$ 50.00	January 31, 2023
2019 Plan	January 21, 2020	58,000	$ 49.80	January 31, 2022
2018 Plan	February 19, 2019	58,000	$ 41.00	January 31, 2021

The above options vest in four equal amounts every six months beginning each June 30 for the 2021, 2020, 2019, and 2018 Plans and in three equal amounts every six months beginning December 31, 2021 for the 2020 Supplemental Plan.

A summary of option activity under the Option Plans as of December 31, 2022 and 2021 and changes during the years then ended are as follows:

	2022		2021	
	Option Price Per Share	Shares Under Option	Option Price Per Share	Shares Under Option
Outstanding at beginning of year	$49.80 to $59.00	117,000	$41.00 to $49.80	103,000
Granted during the year	$70.00	74,000	$50.00 to $59.00	72,000
Exercised during the year	$49.90	(54,500)	$41.28	(48,000)
Forfeited during the year	$50.00	(4,000)	$49.88	(10,000)
Outstanding at the end of year	$50.00 to $70.00	132,500	$49.80 to $59.00	117,000
Exercisable at end of year		95,500		82,000
Weighted average remaining contractual life		7.70		7.87

A summary of the status of the Company's nonvested shares at December 31, 2022 and 2021 and the changes during the years then ended are as follows:

	2022		2021	
	Shares	Weighted Average Grant Fair Value	Shares	Weighted Average Grant Fair Value
Nonvested at January 1	35,000	$ 0.36	27,000	$ 1.24
Granted during the year	74,000	1.83	72,000	0.37
Vested during the year	(70,000)	1.14	(62,000)	0.46
Forfeited during the year	(2,000)	0.37	(2,000)	0.37
Nonvested at December 31	37,000	$ 1.83	35,000	$ 0.36

The fair value of each option grant during 2022 and 2021 was estimated using the Black-Scholes option-pricing model with the following assumptions:

	2022	2021
Dividend yield	1.22%	1.22%
Expected life	2.08 years	2.08 years
Expected volatility	5.70%	5.90%
Risk-free interest rate	2.58%	1.48% to 1.59%

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.

During 2022, certain stock option holders executed notes payable to the Company in lieu of cash payments for the exercise of their stock options under the 2019 and 2020 Plans. Collectively, stock options to own 29,000 shares of the Company's stock were exercised in this manner resulting in an aggregate amount financed of approximately $1,445,000. Additionally, the Company permitted the financing of the related tax due under the exercise of these stocks options which amounted to approximately $131,000. Both the stock option notes and the related tax notes call for quarterly interest payments at the applicable federal rate in effect on the exercise date (1.30%) and mature on April 15, 2032.

14. Related Party Transactions

At December 31, 2022 and 2021, 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 $14,457,000 and $15,677,000, respectively. During 2022, $735,000 of new loans were originated and repayments totaled approximately $1,955,000. Additionally, unfunded commitments related to these loans amounted to approximately $1,290,000 at December 31, 2022. 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.

15. Commitments and Contingent Liabilities

The Company's consolidated 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, 2022 and 2021, are as follows (in thousands):

	2022	2021
Commitments to extend credit	$ 309,674	$ 246,741
Standby letters of credit	7,961	6,774
Total	$ 317,635	$ 253,515

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 2022 or 2021.

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.

16. Concentrations of Credit

Substantially all of the Company's loans, commitments, credit card arrangements and standby letters of credit have been granted to customers in the Company's market area. Most customers are depositors of the Company. Investments in state and municipal securities also involve governmental entities within the Company's market area. The concentrations of credit by type of loan are set forth in Note 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, 2022 and 2021, the Company had approximately $76,100,000 and $85,000,000, 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, 2022 and 2021, total deposits include approximately $193,157,000 and $166,446,000, 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.

17. Fair Value Disclosure

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 Company 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 Company's creditworthiness, among other things, as well as unobservable parameters. Any such valuation adjustments are applied consistently over time. The Company'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 Company'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, 2022 and 2021 were as follows (in thousands):

	Level 1	Level 2	Level 3
December 31, 2022:			
Available for sale securities	$ -	$ 100,837	$ -
December 31, 2021:			
Available for sale securities	$ -	$ 100,495	$ -

(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, 2022 and 2021, 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, 2022:				
Financial assets - impaired loans	$ -	$ -	$ 3,179	$ 3,179
Other real estate owned	-	183	-	183
December 31, 2021:				
Financial assets - impaired loans	$ -	$ -	$ 2,958	$ 2,958
Other real estate owned	-	183	-	183

During the years ended December 31, 2022 and 2021, 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 year ended December 31, 2022, impaired loans with a carrying value of $3,331,000 were reduced by specific valuation allowance allocation totaling $152,000, to a total reported fair value of $3,179,000 based on collateral valuations utilizing Level 3 valuation inputs. For the year ended December 31, 2021, impaired loans with a carrying value of approximately $2,958,000 with no specific valuation allowance allocated was 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. During the year ended December 31, 2021, there were acquisitions of other real estate owned of approximately $274,000. There were no acquisitions of other real estate owned during the year ended December 31, 2022. The Company charged down other real estate owned approximately $330,000 during 2021. During 2022, there were no write downs of other real estate owned.

18. 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 net unrealized gain or loss on available for sale securities is not included in computing regulatory capital. Management believes as of December 31, 2022 and 2021, 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, 2022, 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.

Basel III added a 2.5% "capital conservation buffer" which was designed for banking institutions to absorb losses during periods of economic stress. 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, 2022 and 2021 are presented below (in thousands):

			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, 2022:								
Total capital to risk weighted assets	$ 210,392	13.84%	$ 121,621	8.00%	$ 159,628	10.50%	$152,026	10.00%
Tier 1 (core) capital to risk weighted assets	194,925	12.82%	91,216	6.00%	129,222	8.50%	121,621	8.00%
Common Tier 1 (CET1)	194,925	12.82%	68,412	4.50%	106,418	7.00%	98,817	6.50%
Tier 1 (core) capital to average assets	194,925	11.57%	67,403	4.00%	67,403	4.00%	84,253	5.00%
December 31, 2021:								
Total capital to risk weighted assets	$ 168,285	15.46%	$ 87,090	8.00%	$ 114,305	10.50%	$108,862	10.00%
Tier 1 (core) capital to risk weighted assets	155,236	14.26%	65,317	6.00%	92,533	8.50%	87,090	8.00%
Common Tier 1 (CET1)	155,236	14.26%	48,988	4.50%	76,204	7.00%	70,760	6.50%
Tier 1 (core) capital to average assets	155,236	11.96%	51,932	4.00%	51,932	4.00%	64,915	5.00%

19. Statement of Cash Flows

The Company reports on a net basis its cash receipts and cash payments for time deposits accepted and repayments of those deposits, 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, 2022 and 2021 is presented as follows (in thousands):

	2022	2021
Cash transactions:		
Interest expense paid	$ 15,477	$ 5,501
Federal income taxes paid	$ 4,020	$ 2,440
Noncash transactions:		
Net unrealized depreciation on securities available for sale	$ (8,645)	$ (1,148)
Financing of stock option exercise through the execution of notes payable	$ 1,445	$ -
Loans foreclosed upon to other real estate owned	$ -	$ 274
Chargeoffs of other real owned	$ -	$ (330)

20. Subsequent Events

On March 3, 2023, the Company executed a FOTO (Federal Home Loan Bank Dallas Owns the Option) advance in the amount of $25,000,000. The advance calls for monthly interest payments at a fixed rate of 2.89% with principal due at maturity, March 3, 2038. The advance is collateralized, in part, by the Company's blanket lien (as more fully discussed in Note 10) and is callable by the Federal Home Loan Bank at any quarter end on or subsequent to June 5, 2023.

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 AmerBancshares, Inc. and Subsidiaries as of and for the year ended December 31, 2022 and our report thereon dated March 28, 2023, which expressed an unmodified opinion on those financial statements, appears on page 1 and 2. Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information on pages 37, 38 and 39 is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, results of operations, and cash flows of the individual companies, and is not a required part of the consolidated financial statements. The consolidating 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 consolidating 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 consolidating information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Report on Other Regulatory Requirements

In accordance with *Government Auditing Standards*, we have also issued reports dated March 28, 2023 on our consideration of the Company's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of the reports on internal control over financial reporting is to describe the scope of our testing of internal control over financial reporting relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances to provide an opinion on the effectiveness of the entity's internal control over financial reporting. The purpose of the reports on compliance is to describe the scope of our testing on compliance and the results of that testing, but not to provide an opinion on the effectiveness of the entity's compliance with provisions of laws, regulations, contracts, grant agreements and other matters. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Company's internal control over financial reporting and compliance.

Payne & Smith, LLC

March 28, 2023

12240 Inwood Rd. • Suite 220 • Dallas, TX 75244 • 214 / 363-9927 • Fax 214 / 363-9980

AMERIBANCSHARES, INC. AND SUBSIDIARIES

Consolidating Balance Sheet

December 31, 2022

(In thousands of dollars)

	Ameri-BancShares, Inc.	ANB Realty Corp.	Ameri-BancShares of Delaware	American National Bank & Trust	Archer Title of Texas	American National Leasing Co	AMNAT Insurance Services	Reclassification and Eliminations Entries	Consolidated
ASSETS									
Cash and due from banks	$ 13,807	$ 1	$ 3	$ 47,032	$ 1,243	$ 363	$ 1	$ (15,418)	$ 47,032
Interest bearing deposits in banks	-	-	-	106,603	-	41	-	(41)	106,603
Total cash and equivalents	13,807	1	3	153,635	1,243	404	1	(15,459)	153,635
Securities available for sale	-	-	-	100,837	-	-	-	-	100,837
Mortgage loans held for sale	-	-	-	2,955	-	-	-	-	2,955
Loans, net	-	-	-	1,358,370	-	27,657	-	(23,000)	1,363,027
Premises and equipment, net	-	-	-	31,349	3,103	2,980	-	-	37,432
Accrued interest receivable	5	-	-	7,614	-	-	-	(3,013)	4,606
Goodwill	-	-	-	4,200	20	-	-	-	4,220
Cash value of life insurance	-	-	-	28,163	-	-	-	-	28,163
Other securities	192,172	-	191,952	13,933	-	-	-	(392,914)	5,143
Other assets	749	-	-	10,437	16	585	-	(617)	11,170
Total assets	$ 206,733	$ 1	$191,955	$ 1,711,493	$ 4,382	$31,626	$ 1	$ (435,003)	$ 1,711,188
LIABILITIES AND STOCKHOLDERS' EQUITY									
Demand deposits	$ -	$ -	$ -	$ 58,725	$ -	$ -	$ -	$ (15,418)	$ 43,307
Savings deposits	-	-	-	461,201	-	-	-	-	461,201
Money market and NOW accounts	-	-	-	744,140	-	-	-	(41)	744,099
Time certificates of deposit	-	-	-	241,114	-	-	-	-	241,114
Total deposits	-	-	-	1,505,180	-	-	-	(15,459)	1,489,721
Securities sold under areements to repurchase	-	-	-	1,619	-	-	-	-	1,619
Senior unsecured notes payable	49,186	-	-	-	-	-	-	-	49,186
Other borrowings	-	-	-	-	-	23,000	-	(23,000)	-
Junior subordinated debentures	7,217	-	-	-	-	-	-	-	7,217
Accrued interest payable	469	-	-	445	-	3,013	-	(3,013)	914
Other liabilities	-	-	-	12,297	75	915	-	(617)	12,670
Total liabilities	56,872	-	-	1,519,541	75	26,928	-	(42,089)	1,561,327
Commitments and contingencies	-	-	-	-	-	-	-	-	-
Stockholders' equity:									
Common stock	7,352	1	8	1,680	1	1	1	(1,692)	7,352
Surplus	55,286	256	95,926	82,106	-	-	-	(178,288)	55,286
Undivided profits	98,831	(256)	102,380	114,525	4,306	4,697	-	(225,652)	98,831
Treasury stock	(3,804)	-	-	-	-	-	-	-	(3,804)
Notes receivable secured by common stock	(1,445)	-	-	-	-	-	-	-	(1,445)
Accumulated other comprehensive, loss, net of tax benefit	(6,359)	-	(6,359)	(6,359)	-	-	-	12,718	(6,359)
Total stockholders' equity	149,861	1	191,955	191,952	4,307	4,698	1	(392,914)	149,861
Total liabilities and stockholders' equity	$ 206,733	$ 1	$191,955	$ 1,711,493	$ 4,382	$31,626	$ 1	$ (435,003)	$ 1,711,188

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, 2022

(In thousands of dollars)

	AmerI-BancShares, Inc.	ANB Realy Corp	Ameri-BancShares of Delaware, Inc.	American National Bank & Trust	Archer Title of Texas	American National Leasing Co.	AMNAT Insurance Services	Reclassification & Eliminations Entries	Consolidated
Interest income:									
Interest and fees on loans	$ 16	$ -	$ -	$ 56,996	$ -	$ 913	$ -	$ (208)	$ 57,717
Interest on investment securities:									
Taxable	19	-	-	3,060	-	-	-	-	3,079
Nontaxable	-	-	-	894	-	-	-	-	894
Interest on interest bearing deposits in banks	-	-	-	1,357	-	-	-	-	1,357
Total interest income	35	-	-	62,307	-	913	-	(208)	63,047
Interest expense:									
Interest on deposits	-	-	-	14,272	-	-	-	-	14,272
Interest on repurchase agreements	-	-	-	1	-	-	-	-	1
Interest on other borrowed funds	1,778	-	-	-	-	208	-	(208)	1,778
Interest on junior subordinated debentures	237	-	-	-	-	-	-	-	237
Total interest expense	2,015	-	-	14,273	-	208	-	(208)	16,288
Net interest income	(1,980)	-	-	48,034	-	705	-	-	46,759
Provision for loan losses	-	-	-	2,500	-	-	-	-	2,500
Net interest income after provision for loan losses	(1,980)	-	-	45,534	-	705	-	-	44,259
Other operating income:									
Service charges on deposit accounts	-	-	-	602	-	-	-	-	602
Trust fee income	-	-	-	7,668	-	-	-	-	7,668
Gain on sale of mortgage loans	-	-	-	1,757	-	-	-	-	1,757
Loan servicing fees	-	-	-	1,062	-	-	-	-	1,062
Title insurance premiums	-	-	-	-	2,284	-	-	-	2,284
Rent income	-	-	-	-	-	672	-	-	672
Earnings from subsidiaries	17,710	-	17,710	1,024	-	-	-	(36,444)	-
Other	18	-	-	2,378	744	63	3	(18)	3,188
Total other operating income	17,728	-	17,710	14,491	3,028	735	3	(36,462)	17,233
Other operating expenses									
Salaries and employee benefits	-	-	-	26,107	1,274	431	-	-	27,812
Premises and equipment	-	-	-	3,322	158	28	-	(18)	3,490
Data processing expense	-	-	-	1,879	-	-	-	-	1,879
Other	5	-	-	7,192	816	616	2	-	8,631
Total other operating expenses	5	-	-	38,500	2,248	1,075	2	(18)	41,812
Income before income taxes	15,743	-	17,710	21,525	780	365	1	(36,444)	19,680
Provision for (benefit from) income taxes	(413)	-	-	3,815	158	(36)	-	-	3,524
Net income	16,156	-	17,710	17,710	622	401	1	(36,444)	16,156
Other comprehensive loss:									
Change in net unrealized loss on securities available for sale, net of taxes	(6,829)	-	(6,829)	(6,829)	-	-	-	13,658	(6,829)
Total other comprehensive loss	(6,829)	-	(6,829)	(6,829)	-	-	-	13,658	(6,829)
Total comprehensive income	$ 9,327	$ -	$ 10,881	$ 10,881	$ 622	$ 401	$ 1	$ (22,786)	$ 9,327

See accompanying independent auditor's report on additional information.

AMERIBANCSHARES, INC. AND SUBSIDIARIES

Consolidating Statement of Cash Flows

For the Year ended December 31, 2022

(In thousands of dollars)

	Ameri-BancShares, Inc.	ANB Realty Corp	Ameri-BancShares, of Delaware, Inc.	American National Bank & Trust	Archer Title of Texas	American National Leasing Co.	AMNAT Insurance Services	Reclassification and Eliminations Entries	Consolidated
Cash flows from operating activities:									
Net income	$ 16,156	$ -	$ 17,710	$ 17,710	$ 622	$ 401	$ 1	$ (36,444)	$ 16,156
Adjustments to reconcile net income to net cash provided by (used in) operating activities:									
Depreciation	-	-	-	1,250	87	522	-	-	1,859
Provision for loan losses	-	-	-	2,500	-	-	-	-	2,500
Benefit from deferred taxes	-	-	-	(689)	9	3	-	-	(677)
Gain on sale of mortgage loans	-	-	-	(1,757)	-	-	-	-	(1,757)
Amortization of mortgage servicing rights	-	-	-	430	-	-	-	-	430
Gain on sale of premises and equipment	-	-	-	(34)	-	(12)	-	-	(46)
Net amortization on securities available for sale	-	-	-	241	-	-	-	-	241
Amortization of debt issue costs	74	-	-	-	-	-	-	-	74
Increase in cash surrender value of life insurance	-	-	-	(827)	-	-	-	-	(827)
Gain on surrender of cash value of life insurance	-	-	-	(274)	-	-	-	-	(274)
Proceeds from sales of mortgage loans	-	-	-	80,950	-	-	-	-	80,950
Mortgage loans funded	-	-	-	(81,108)	-	-	-	-	(81,108)
Mortgage servicing rights capitalized	-	-	-	(382)	-	-	-	-	(382)
Unconsolidated earnings from subsidiary	(17,710)	-	(17,710)	(1,024)	-	-	-	36,444	-
Change in:									
Accrued interest receivable	(5)	-	-	(1,960)	-	-	-	206	(1,759)
Income tax receivable	(413)	-	-	-	-	62	-	-	(351)
Miscellaneous other assets	(131)	-	-	127	2	(155)	-	-	(157)
Accrued interest payable	469	-	-	345	-	208	(2)	(206)	814
Income taxes payable	-	-	-	657	(176)	-	-	-	481
Other accrued expenses	-	-	-	(150)	-	15	-	-	(135)
Net cash provided by (used in) operating activities	(1,560)	-	-	16,005	544	1,044	(1)	-	16,032
Cash flows from investing activities:									
Proceeds from maturities, calls and paydowns of securities available for sale	-	-	-	78,797	-	-	-	-	78,797
Purchase of securities available for sale	-	-	-	(88,025)	-	-	-	-	(88,025)
Purchase of other securities	(22,000)	-	(22,000)	(1,040)	-	-	-	44,000	(1,040)
Purchase of cash value life insurance	-	-	-	(2,793)	-	-	-	-	(2,793)
Proceeds from redemption of cash value of life insurance	-	-	-	1,265	-	-	-	-	1,265
Net (increase) decrease in loans	327	-	-	(427,177)	-	(3,463)	-	2,960	(427,353)
Purchase of premises and equipment	-	-	-	(7,165)	(86)	(1,133)	-	-	(8,384)
Proceeds from sale of premises and equipment	-	-	-	51	-	637	-	-	688
Net cash provided by (used in) investing activities	(21,673)	-	(22,000)	(446,087)	(86)	(3,959)	-	46,960	(446,845)
Cash flows from financing activities:									
Net increase in deposits	-	-	-	307,222	-	-	-	(9,958)	297,264
Net decrease in repurchase agreements	-	-	-	1,449	-	-	-	-	1,449
Net increase in senior unsecured notes payable	49,112	-	-	-	-	-	-	-	49,112
Net increase (decrease) in other borrowings	(27,921)	-	-	-	-	3,000	(40)	(2,960)	(27,921)
Sale of common stock	14,041	-	-	-	-	-	-	-	14,041
Sale of treasury stock	119	-	-	-	-	-	-	-	119
Purchase of treasury stock	(1,250)	-	-	-	-	-	-	-	(1,250)
Paid in capital from parent	-	-	22,000	22,000	-	-	-	(44,000)	-
Dividends paid	(1,412)	-	-	-	-	-	-	-	(1,412)
Net cash provided by (used in) financing activities	32,689	-	22,000	330,671	-	3,000	(40)	(56,918)	331,402
Net increase (decrease) in cash and cash equivalents	9,456	-	-	(99,411)	458	85	(41)	(9,958)	(99,411)
Cash and cash equivalents at beginning of period	4,351	1	3	253,046	785	319	42	(5,501)	253,046
Cash and cash equivalents at end of period	$ 13,807	$ 1	$ 3	$ 153,635	$ 1,243	$ 404	$ 1	$ (15,459)	$ 153,635

See accompanying independent auditor’s report on additional information.

Officers & Directors

Officers Administration

Dwight L. Berry
President & CEO
Blake Andrews, CPA
Wichita Falls Market President / COO
Craig Korbuly, CPA
Executive Vice President / CFO
Meagan Swenson
Assistant VP / Marketing Coordinator / Merchant Services

Loan Department

Craig Berry
Executive Vice President / Chief Lending Officer
Don "Bubba" Whatley
Executive Vice President / Commercial Lending
Bob Elmore
Senior Vice President / Loans
Lacey Slack
Senior Vice President / Chief Credit Officer / CRA Officer
Damon Whatley
Senior Vice President / Loans
Alisha Gunn
Vice President / Loan Administration
Rhona Kelton
Vice President / Credit Administration
Heather Harrison
Vice President / Loan Officer
Evan Knobloch
Assistant Vice President / Credit Analyst
Taylor Crook
Banking Officer
Toni Neal
Banking Officer
Christopher Nelson
Credit Officer
Noah Mabry
Collection Officer

Operations and Support

Roy T. Olsen
Executive Vice President / Cashier / Human Resources Director
Elaine McKinney, CPA
Senior Vice President / Auditor
Camilo Canales
Vice President / Information Technology Officer
Jennifer Duncan
Vice President / BSA Officer
Betty "Jo" Fox
Vice President / Finance
Shelly Gray
Vice President / Teller Services
Donna Heaton
Vice President / Human Resources Manager
Shannon Killingsworth
Vice President / Deposit Services Operations
Patrick Martin
Vice President / Assistant Cashier / Deposit Operations
Cheyenne Patnode
Vice President
Kyle Turnipseede
Vice President / Treasury Management Director
Karyn Wainscott
Vice President / Finance
Andrew Walmer
Vice President / Information Security Officer
Cathy Young
Vice President / Assistant Cashier / Treasury
Gloria Garcia
Assistant Vice President / Quality Control
Alyson Gwen
Assistant Vice President / Data Processing
Francis Ortiz
Assistant Vice President / Call Center Manager
Ashley Wylie
Assistant Vice President / Lobby Services
Mary Cuba
Banking Officer
Michael Eakins
Banking Officer
Terry Smith
Banking Officer

Wichita Falls 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
Paula Walmer
Senior Vice President / Trust Officer
Jackson Ford, CFP, CTFA
Vice President / Trust Officer
Curt Knobloch
Vice President/Investment Officer
Eric M. Reed
Vice President/Cetera Investment Service
Jennifer Rea, CFIRS
Trust Compliance Officer
Belinda Blackwell
Trust Officer
Donna Brumbalow
Trust Officer
Nancy Bukowski
Trust Officer
Melody Taylor
Trust Officer
Miki Tucker
Trust Officer

Officers & Directors

Houston Trust & Investment Services

Jennifer Bryson
Senior Vice President / Trust Officer
Diana Owens, JD
Senior Vice President / Trust Officer
Matthew Harry
Assistant Vice President / Trust Officer

Mortgage Loan Division Elmwood Office

J. Bradley Davidson
Executive Vice President / Division Manager
Natalie Eubanks
Senior Vice President / Mortgage Operations Manager
Kimberly Box
Vice President / Mortgage Compliance
Angela Adams
Vice President / Lead Mortgage Processor
Marla Bailey
Vice President
Ashley Gonzales
Vice President / Closing
Raquel Gutierrez
Vice President / Servicing
Griselda Lopez
Assistant Vice President / Loan Officer
Jessica Lyons
Assistant Vice President / Loan Officer Servicing
Kayla Payne
Assistant Vice President / Underwriter
Reagan Bates
Banking Officer / Loan Officer
Karen Hill
Banking Officer
Sandy Lindsey
Banking Officer
Lindsey McShan
Banking Officer
Sharon Monson
Banking Officer
Terry Ortiz
Banking Officer
Victoria Villastrigo
Banking Officer
Carolyn Wellman
Underwriting Officer

Downtown Office

Mark Veitenheimer
Vice President / Branch Manager / Loans
Amy Collier
Assistant Vice President / Assistant Branch Manager

Archer City Office

Straton Boone
Banking Officer / Branch Manager

Iowa Park Office

Blake Andrews
Wichita Falls Market President / COO
Amanda Propst
Banking Officer

Flower Mound Office

Ryan Schroer, CPA
Market President / Loans / Chief Risk Officer
Olivia Bajaj
Senior Vice President / Credit Officer
Andy Crane
Senior Vice President / Loans
Joe D. Willard
Senior Vice President / Loans
Nathan DeBord
Vice President / Branch Manager
Greyson Falgout
Banking Officer
Mayra Scheer
Banking Officer / Teller

Flower Mound Trust & Investment Services

Sheryl L. Kiser
Senior Vice President / Trust Officer

Flower Mound Mortgage Division

Steve Dixon
Vice President / Loan Officer
Zachariah Weed
Banking Officer

Chillicothe Office

Susan Madl
Vice President / Branch Manager / Compliance Officer

Quanah Office

Travis Garrett
Assistant Vice President / 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 / Business Development Officer
Amy Robertson
Banking Officer

Dallas Trust & Investment Services

Melissa Hill, CTFA
Senior Vice President / Trust Officer

Fort Worth Office

Michael Winfrey
Market President
Matt Tucker
Senior Vice President / Loans
Christie Johnson
Vice President / Credit Officer
Adella Dunn
Assistant Vice President / Portfolio Manager

Officers & Directors

Fort Worth Trust & Investment Services

Darrin Salge, CFP, CTFA
Senior Vice President / Trust Officer
Shelly Cox
Trust Officer

Fort Worth Mortgage Division

Michael Bruegel
Senior Vice President / Loan Officer
Joshua Mayo
Vice President / Loan Officer
Jill Winfrey
Vice President / Loan Officer
Kara Crum
Assistant Vice President / Underwriting Officer
Jennifer Wardlaw-Tufo
Assistant Vice President
Allison Schubert
Banking Officer

Fort Worth Correspondent Banking

Craig Berry
Executive Vice President
Paul Scheurer
Senior Vice President

Fort Worth SBA Lending

David Green
Senior Vice President / Loans
Deandra Stevenson
Banking Officer

Denton Office

Marty Rivers
Market President
Aaron Newquist
Senior Vice President / Loans
Jana Marshall
Vice President / Branch Manager
Stephanie Lamb
Assistant Vice President / Compliance
Austin Anderson
Assistant Vice President /Business Development Officer
Garrett Bockman
Vice President / Loans
Josh Herron
Banking Officer/Assistant Branch Manager
Megan Poeschl
Banking Officer / Loan Portfolio Manager

Denton Trust & Investment Services

Sheryl L. Kiser
Senior Vice President / Trust Officer

Denton Mortgage Division

Barry Wolzen
Vice President / Mortgage Loan Officer
Jeffrey Doyle
Mortgage Loan Officer
Tom Phillips
Mortgage Loan Officer

Roanoke Office

Hogan Page
Market President
Brandie Lewis
Assistant Vice President/Branch Manager

Roanoke Mortgage Division

Laura Craig
Senior Vice President
Evelyn Grove
Banking Officer
Brooke Carpenter
Banking Officer

American National Leasing Company

Mike Cuba
President
Alisha Bowers
Vice President / Leasing Officer

American National Title of Texas

Zachary Beck
President
Jean Taylor
Vice President / Escrow Manager
Margaret Harney
Vice President / Title Examination Manager
Bobby Faulkner
Banking Officer
Marianna Dowdy
Banking Officer
Toni Strickland
Banking Officer
Allyson Moore
Banking Officer / Manager Henrietta Abstract
Amy Parker
Banking Officer

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
J. Bradley Davidson*
Richard Dopson*
Charlie Gibson
Ken Hogan
Tommy Isbell
Randy R. Martin*
Richard Naylor
John Osborne
Marty Rivers*
Jeffrey Schultz*
Ty Thacker
Max Vordenbaum
Don "Bubba" Whatley
Michael Winfrey*

AmeriBancShares, Inc.
Annual Report

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Archer City, TX 76351
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(940) 574-2292 fax

CHILLICOTHE BRANCH
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Chillicothe, TX 79225
(940) 852-5161 main
(940) 852-5727 fax

DALLAS LPO
17440 Dallas Pkwy Ste 203
Dallas, TX 75287
(214) 974-6033 main
(214) 974-6032 fax

DENTON BRANCH
120 S. Carroll Blvd
Denton, TX 76201
(940) 310-6910 main
(940) 322-2249 fax

FLOWER MOUND BRANCH
1201 Cross Timbers Road
Flower Mound, TX 75028
(972) 874-7600 main
(972) 355-7645 fax

FORT WORTH BRANCH
1500 West 7th Street
Fort Worth, TX 76102
(817) 505-1530 main
(817) 505-1534 fax

GUNTER MORTGAGE LPO
508 W Main
Gunter TX 75058
(972) 483-5495 main

IOWA PARK BRANCH
219 W. Park
Iowa Park, TX 76367
(940) 592-4321 main
(940) 592-5163 fax

QUANAH BRANCH
111 W. 4th St.
Quanah, TX 79252
(940) 663-5387 main
(940) 663-5380 fax

ROANOKE BRANCH
409 N. Oak St., Ste., 200
Roanoke, TX 76262
(469) 960-2030 main
(469) 960-2022 fax

WICHITA FALLS LOCATIONS

MAIN BRANCH
2732 Midwestern Parkway
Wichita Falls, TX 76308
(940) 397-2300 main
(940) 397-2414 fax

DOWNTOWN BRANCH
825 Scott Avenue
Wichita Falls, TX 76301
(940) 723-0172 main
(940) 761-4054 fax

ELMWOOD BRANCH
1920 Elmwood Ave N.
Wichita Falls, TX 76308
(940) 397-2333 main
(940) 691-2043 fax

ELMWOOD DRIVE-THRU
1925 Elmwood Ave N.
Wichita Falls, TX 76308
Hours: M – F 8:00 – 6:00
Saturday 8:00 – 12:00