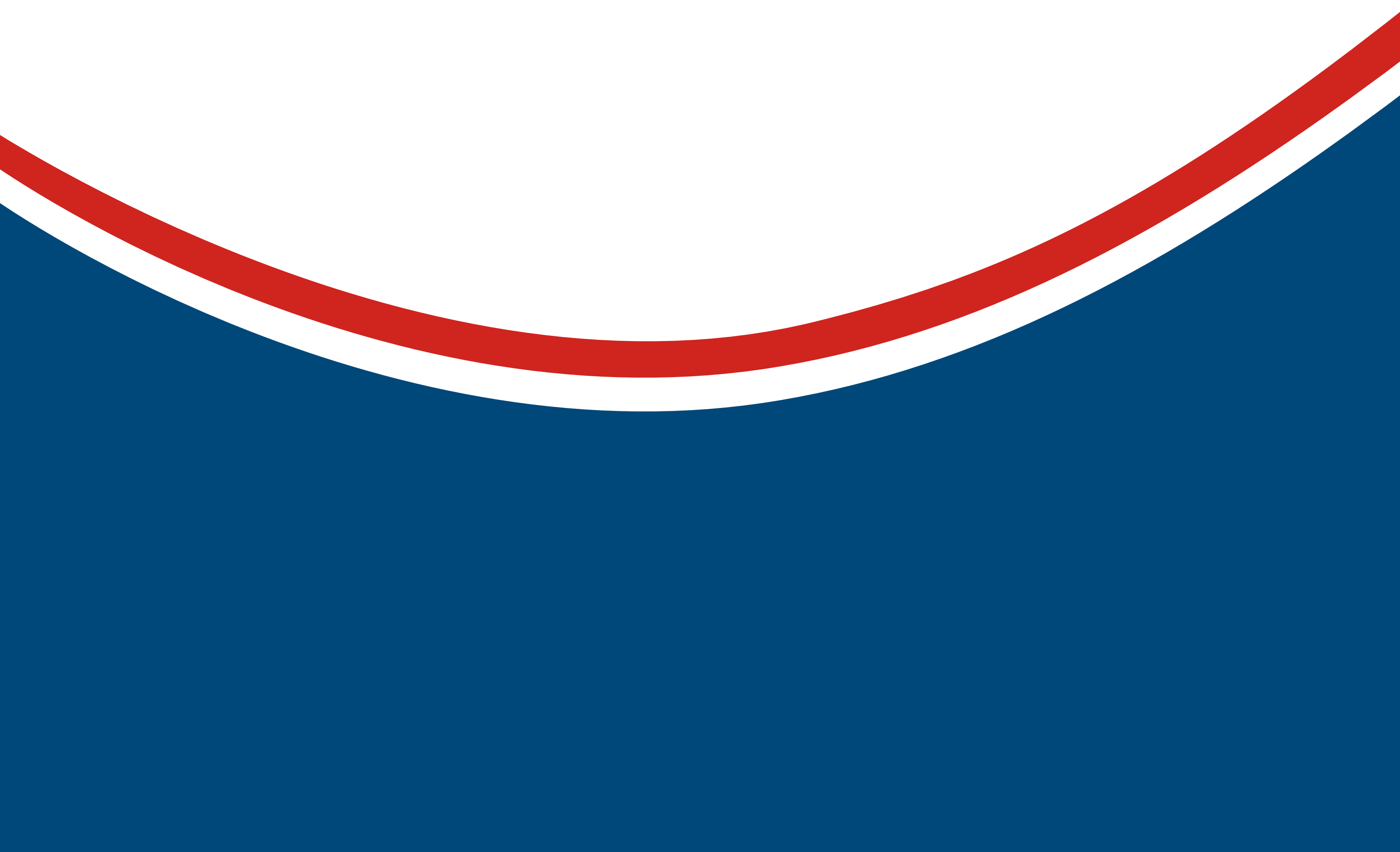
2010 ANNUAL REPORT
AMERIBANCSHARES, INC.

In 2010 American National Bank renewed our commitment to you – a promise of outstanding personal service from reliable, dependable employees dedicated to confidentiality and trust.



It goes without saying that these are difficult times for our industry. When economic conditions are tough, financial institutions are adversely impacted — delinquencies increase, bankruptcies rise and ultimately loan losses become more prevalent. States such as Georgia, Michigan, Florida, Nevada and California have seen numerous bank failures and Texas has not been immune to these difficulties either. Real estate values are declining in virtually every region of the country. Coupled with the fact that unemployment remains high, banks are seeing an increase in the number of problem assets. Washington, in its infinite wisdom, has only added to the burden by continuing to pass new regulations with which financial institutions must comply. For example, the Dodd-Frank Act of 2010 alone adds 2,319 pages of additional banking legislation. In a letter to President Obama recently, the American Bankers Association's new President and CEO Frank Keating wrote, "Banks have been put in a regulatory straight jacket that is being made tighter, restricting the ability of banks to lend to good customers or devote resources to lending and financial services." This added regulatory burden oftentimes results in greater expense as additional personnel are needed to maintain compliance with all the rules and regulations. This is all coming at a time when earnings are being adversely impacted by tighter interest margins, a substantial increase in FDIC insurance premiums, and a need to increase loan loss provisions as a result of these difficult times.

John B. "Bo" Stahler
President and CEO

In reviewing the financial highlights for American National Bank, 2010 was unfortunately not one of our better years. Earnings were down $855M from the prior year, a 25% decline. There were two primary reasons for the decline. In 2009 we elected to take nearly $1.1MM in gains on the sales of securities, while less than $100M in gains were realized in 2010. The result was a decrease in non-interest income of a like amount from the prior year. Secondly, we added $2.1MM to the Allowance for Loan Losses, an increase of $1.3MM. This large increase was a precautionary measure due to the fact we have a heavy concentration in real estate loans, much of which is classified as commercial real estate. While we have always maintained a heavy concentration in real estate lending, the housing and commercial real estate markets have both had more than their

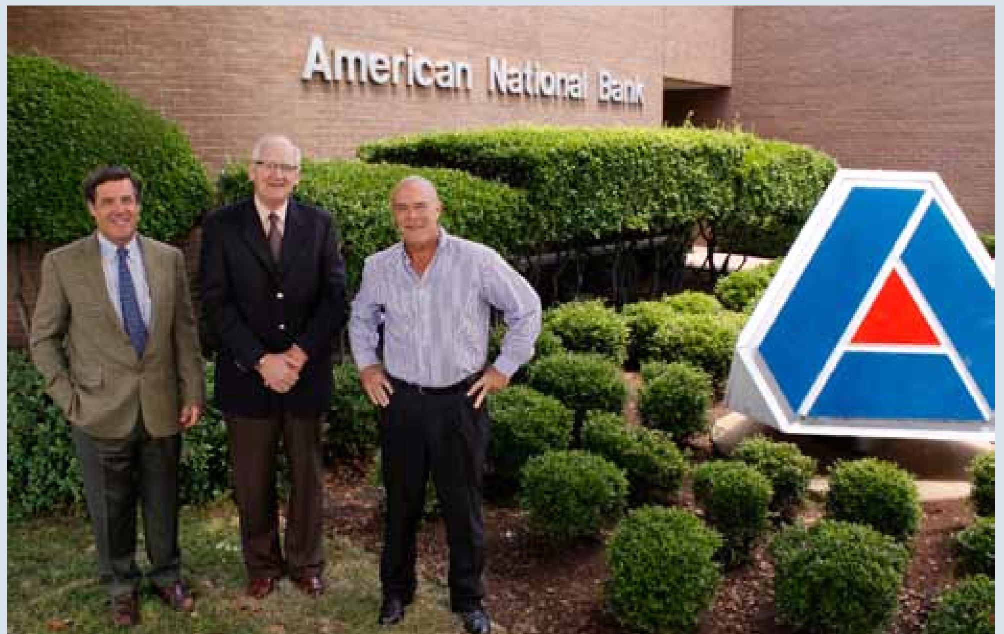
As tough as the past year was, we are very optimistic as we look forward to 2011.

share of negative press coverage. As a result, regulators are requiring banks with heavy real estate concentrations to increase loan loss provisions relative to their added risk. Our problem assets have, in fact, increased significantly over the past 12 months. Our foreclosures are much higher than normal, but **the Bank's exposure to actual loan losses remains at a very manageable level.** Historically, our losses have always been extremely low, and while we could potentially see some higher losses until the economy stabilizes, our problem credits have been identified and we are confident that any losses we may ultimately experience will be far less than the $5.7MM we have in reserve.

There are signs that the economy is starting to turn around and with that comes opportunities to improve the bottomline.

Despite the fact that 2010 was not one of our better years, there were some positives to draw upon. **Deposits at year-end were up in excess of $28MM, a gain of 7.6%, net interest income was up $2.1MM, an increase of 16.4%, and stockholders equity remains strong at more than $35MM.** With all the pressure from regulators to grow equity, however, the Board of Directors made the difficult decision to suspend the payment of cash dividends temporarily. As explained in an earlier letter, we anticipate this will be a short term situation and we look forward to reinstating the payment of dividends as soon as possible.

After many years of service, I must regretfully announce the resignation of two of our Directors. **Stan Rugeley** was one of the founding Directors of the Bank and **Harold Haynes** has been a member of the Board since 1980. While both will be missed, I am pleased to report that we have added three new Directors.



New Directors added to the Board, Ty Thacker, Kenny Bryant and Tommy Isbell

Senior Vice President Susan Russey (above) and Judy McLemore, Vice President/Manager at Archer Title of Texas (right) retired at the end of 2010

Kenny Bryant, Ty Thacker and Tommy Isbell are all successful businessmen bringing years of experience and knowledge to the Board. In addition, Senior Vice President **Susan Russey,** one of the 12 employees who started with the Bank when it opened in 1976, retired at year-end, as did **Judy McLemore.** Susan has been in charge of teller operations for many years and Judy has managed our Archer Title of Texas subsidiary since we acquired the operation in 2004. Both these ladies will also be greatly missed.

As tough as the past year was, we are very optimistic as we look forward to 2011. **The Bank's net interest margin continues to improve** although it is still not where it needs to be to maximize our profits to their fullest. **Our Mortgage and Trust Departments continue to produce excellent results** and **American National Leasing and Archer Title of Texas continue to show positive results as well.** There are signs that the economy is starting to turn around and with that comes opportunities to improve the bottomline. Richard Fisher, President of the Dallas Federal Reserve Bank, was recently asked by the Washington Post as to how much momentum he sees in the economy. His response was, "While we may not be moving at full cruising speed, we are at least moving forward." As a shareholder, you should feel a sense of comfort in knowing that we have experienced people in every department with many years of dedicated service. All of us here at American National Bank share a common goal to provide quality customer service while at the same time enhancing stockholder value.

With your support, American National Bank will continue to grow and prosper.

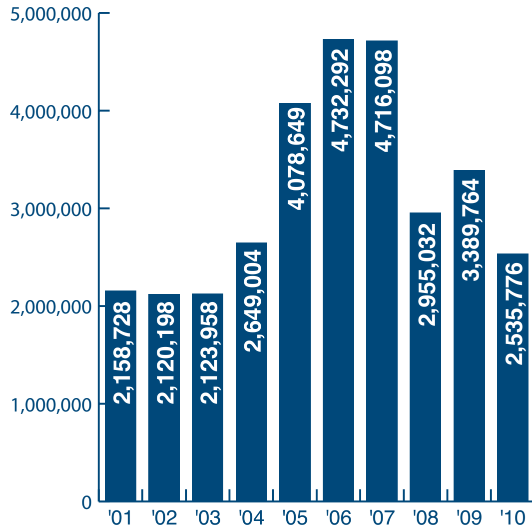
Bo Stahl

John B. "Bo" Stahler
President and CEO

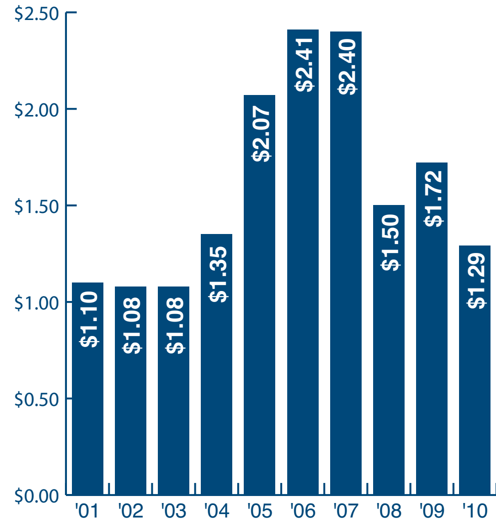
Financial Highlights

	Year Ended December 31,		
	2010	2009	% Change
Earnings			
Net Interest Income	15,239,650	13,097,722	+ 16.4
Provision For Loan Losses	2,117,000	816,500	+ 159.3
Non-Interest Income	9,028,024	10,163,708	- 11.2
Non-Interest Expense	18,790,737	17,661,520	+ 6.4
Net Income	2,535,776	3,389,764	- 25.2
Share Data			
Net Income	1.29	1.72	- 25.0
Dividends Paid	.68	.93	- 26.9
Book Value	17.15	17.33	- 1.0
Returns			
Return on Average Assets	.52	.79	- 34.2
Return on Average Equity	7.24	10.10	- 28.3
Financial Position at Year End			
Total Assets	465,727,926	481,537,648	- 3.3
Loans (Net)	303,977,783	311,399,260	- 2.4
Reserve for Loan Losses	5,738,372	3,695,862	+ 55.3
Deposits	400,421,708	372,247,596	+ 7.6
Equity	35,427,574	34,084,615	+ 3.9

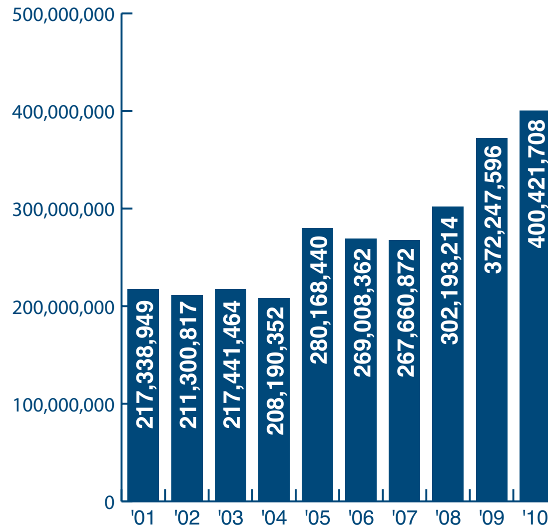
Consolidated Net Income



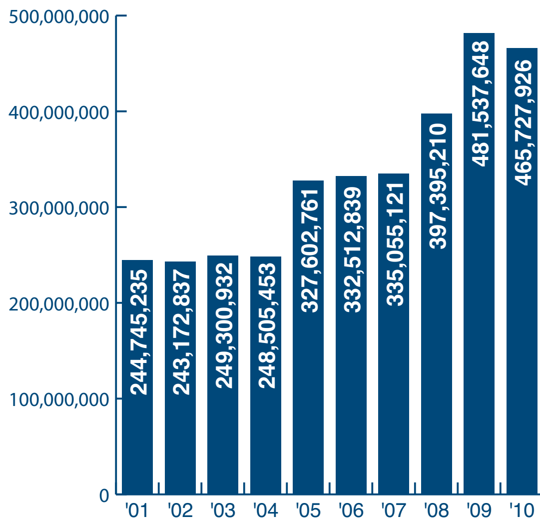
Earnings Per Share



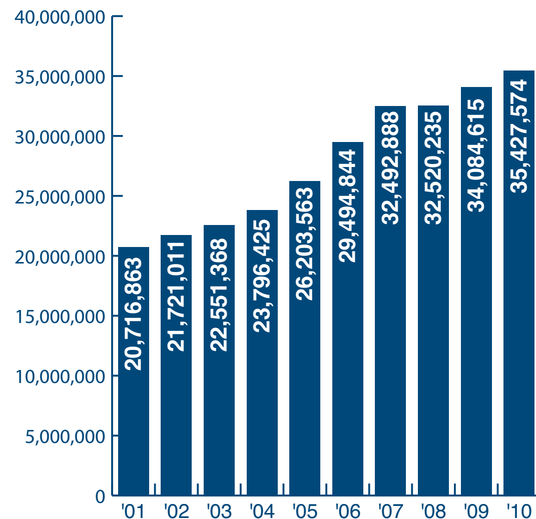
Year End Deposits



Year End Assets



Stockholders' Equity



Independent Auditor's Report

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

We have audited the accompanying consolidated balance sheets of AmeriBancShares, Inc. and Subsidiaries as of December 31, 2010 and 2009, and the related consolidated statements of income, changes in stockholders' equity, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of AmeriBancShares, Inc. and Subsidiaries as of December 31, 2010 and 2009, and the results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The consolidating schedules presented following the Notes to Consolidated Financial Statements are presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, results of operations, and cash flows of the individual companies. Such information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements, and in our opinion, is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

Payne & Smith, LLC

Payne & Smith, LLC

Wichita Falls, Texas
February 15, 2011

ASSETS	2010	2009
Cash and due from banks	$ 8,707,299	$ 13,472,762
Interest bearing deposits in banks	21,786,185	24,935,000
Federal funds sold		9,650,000
Total cash and cash equivalents	30,493,484	48,057,762
Securities available for sale	81,099,006	74,257,824
Other securities (approximate market value of $2,584,550 in 2010 and $3,083,350 in 2009)	2,584,550	3,083,350
Total investment securities	83,683,556	77,341,174
Mortgage loans held for sale	3,380,052	2,091,801
Loans	310,046,473	315,549,603
Less: Unearned discount	(330,318)	(454,481)
Allowance for loan losses	(5,738,372)	(3,695,862)
Loans, net	303,977,783	311,399,260
Premises and equipment, net	16,095,739	15,767,560
Accrued interest receivable	2,065,806	2,040,407
Goodwill	4,219,475	4,219,475
Intangible assets	195,384	390,769
Other assets	21,616,647	20,229,440
Total assets	$ 465,727,926	$ 481,537,648
LIABILITIES AND STOCKHOLDERS' EQUITY		
Deposits:		
Demand deposits	$ 21,901,873	$ 20,942,383
Savings deposits	146,680,304	138,606,456
Money market and NOW accounts	79,186,043	76,631,808
Time certificates of deposit	152,653,488	136,066,949
Total deposits	400,421,708	372,247,596
Federal funds purchased	500,000	500,000
Repurchase agreements	2,488,378	3,884,554
Other borrowed funds	12,342,399	56,363,818
Junior subordinated debentures	7,217,000	7,217,000
Accrued interest payable	272,517	358,785
Other liabilities	7,058,350	6,881,280
Total liabilities	430,300,352	447,453,033
Commitments and contingencies		
Stockholders' equity:		
Common stock (par value $2.50; 5,000,000 shares authorized, 2,114,430 issued and 2,065,430 outstanding at 2010 and 2,016,000 issued and 1,967,000 outstanding at 2009)	5,286,075	5,040,000
Surplus	13,059,785	10,878,386
Undivided profits and capital reserves	19,246,912	20,509,446
Treasury stock at cost (49,000 shares)	(882,000)	(882,000)
Unearned KSOP shares	(1,302,828)	(1,520,000)
Accumulated other comprehensive income (loss):		
Net unrealized depreciation on derivatives used for cash flow hedges, net of tax ($158,606) in 2010 and ($128,077) in 2009	(307,882)	(248,620)
Net unrealized appreciation on securities available for sale, net of tax of $168,718 in 2010 and $158,359 in 2009	327,512	307,403
Total stockholders' equity	35,427,574	34,084,615
Total liabilities and stockholders' equity	$ 465,727,926	$ 481,537,648

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

Consolidated Statements of Income

For the Years Ended December 31, 2010 and 2009

	2010	2009
Interest income:		
Interest and fees on loans	$ 17,254,927	$ 15,815,498
Interest on investment securities	2,354,556	2,407,359
Interest on interest bearing deposits in banks	139,366	66,280
Interest on federal funds sold		48,486
Total interest income	19,748,849	18,337,623
Interest expense:		
Interest on deposits:		
Savings	320,946	171,284
Money market and NOW accounts	481,052	567,362
Time	2,417,370	2,767,397
Total interest on deposits	3,219,368	3,506,043
Interest on federal funds purchased	1,287	4,986
Interest on repurchase agreements	7,285	9,899
Interest on other borrowed funds	883,814	1,325,860
Interest on Junior Subordinated Debentures	397,445	393,113
Total interest expense	4,509,199	5,239,901
Net interest income	15,239,650	13,097,722
Provision for loan losses	2,117,000	816,500
Net interest income after provision for loan losses	13,122,650	12,281,222
Other operating income:		
Service charges on deposit accounts	516,893	654,526
Trust fee income	3,771,806	3,643,966
Gain on sale of mortgage loans	1,430,953	1,663,452
Gain on sale of other real estate owned	169,603	
Gain on sale of securities	80,058	1,086,182
Rent income	935,052	832,928
Other, net	2,123,659	2,282,654
Total other operating income	9,028,024	10,163,708
Other operating expenses:		
Salaries and bonuses	6,843,485	6,578,866
Employee benefits	3,070,301	3,150,740
Premises and equipment	2,624,861	2,231,517
Advertising	381,868	310,330
Data processing expense	573,538	509,499
Printing, stationery and supplies	263,632	280,086
Professional fees	242,251	206,660
Other operating expenses	4,790,801	4,393,822
Total other operating expenses	18,790,737	17,661,520
Income before income taxes	3,359,937	4,783,410
Provision for income taxes	824,161	1,393,646
Net income	$ 2,535,776	$ 3,389,764
Net income per share of common stock	$ 1.29	$ 1.72

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

	Common Stock Number of Shares	Common Stock Amount	Surplus	Undivided Profits and Capital Reserves	Treasury Stock	Unearned KSOP Shares	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
Balance, January 1, 2009	2,016,000	$ 5,040,000	$ 10,878,386	$ 18,948,992	($ 882,000)	($1,520,000)	$ 54,857	$ 32,520,235
Comprehensive income:								
Net income				3,389,764				3,389,764
Other comprehensive income (loss):								
Net change in fair value of derivatives used for cash flow hedges, net of taxes of $47,957							93,093	93,093
Net change in unrealized appreciation on securities available for sale, net of taxes of ($45,935)							(89,167)	(89,167)
Total comprehensive income								3,393,690
Cash dividends, $.93 per common share				(1,829,310)				(1,829,310)
Balance December 31, 2009	2,016,000	5,040,000	10,878,386	20,509,446	(882,000)	(1,520,000)	58,783	34,084,615
Comprehensive income:								
Net income				2,535,776				2,535,776
Other comprehensive income (loss):								
Net change in fair value of derivatives used for cash flow hedges, net of taxes of ($30,529)							(59,262)	(59,262)
Net change in unrealized appreciation on securities available for sale, net of taxes of $10,359							20,109	20,109
Total comprehensive income								2,496,623
Unearned KSOP shares released			(33,276)			217,172		183,896
Stock dividends	98,430	246,075	2,214,675	(2,460,750)				
Cash dividends, $.68 per common share				(1,337,560)				(1,337,560)
Balance December 31, 2010	2,114,430	$ 5,286,075	$ 13,059,785	$ 19,246,912	($ 882,000)	($1,302,828)	$ 19,630	$ 35,427,574

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

Consolidated Statements of Cash Flows

For the Years Ended December 31, 2010 and 2009

	2010	2009
Cash flows from operating activities:		
Net income	$ 2,535,776	$ 3,389,764
Adjustments to reconcile net income to net cash provided by operations:		
Depreciation	1,645,382	1,453,337
Amortization of intangibles	195,385	195,385
Provision for loan losses	2,117,000	816,500
Provision for other real estate owned losses	277,750	150,000
Benefit from deferred taxes	(622,898)	(10,145)
Gain on sale of securities available for sale	(80,058)	(1,087,161)
Loss on sale of securities held to maturity		979
Gain on sale of mortgage loans	(1,430,953)	(1,663,452)
(Gain) loss on sale of other real estate owned	(169,603)	4,251
Gain on disposal of premises and equipment	(2,830)	(16,339)
Amortization of premium on investment securities	378,359	42,319
Accretion of discount on investment securities	(27,305)	(11,743)
Proceeds from sales of mortgage loans	80,244,505	97,702,005
Mortgage loans funded	(80,089,044)	(97,075,845)
(Increase) decrease in:		
Prepaid expenses	600,889	(1,938,942)
Accrued interest receivable	(25,397)	(178,512)
Income taxes receivable	16,861	(244,151)
Miscellaneous other assets	(472,664)	(463,545)
Increase (decrease) in:		
Accrued interest payable	(86,267)	(133,436)
Other taxes payable	(243,401)	25,820
Other accrued expenses	330,470	665,993
Net cash provided by operating activities	5,091,957	1,623,082
Cash flows from investing activities:		
Proceeds from maturities of securities available for sale	57,947,802	21,682,417
Proceeds from sale of securities available for sale	16,094,036	25,925,020
Proceeds from maturities of securities held to maturity		14,072
Proceeds from sale of securities held to maturity		115,984
Proceeds from sale of other securities	498,800	
Purchase of securities available for sale	(81,123,547)	(59,908,506)
Purchase of other securities		(805,500)
Purchase of cash value life insurance	(645,777)	(326,074)
Net (increase) decrease in loans	2,255,043	(33,132,502)
Purchase of premises and equipment	(2,409,706)	(2,995,790)
Proceeds from sale of premises and equipment	492,649	598,732
Proceeds from sale of other real estate owned	2,631,613	1,513,040
Net cash used in investing activities	(4,259,087)	(47,319,107)
Cash flows from financing activities:		
Net increase in deposits	28,174,112	70,054,382
Net decrease in federal funds purchased		(4,390,000)
Net decrease in repurchase agreements	(1,396,176)	(830,962)
Net increase (decrease) in other borrowed funds	(43,837,524)	16,592,821
Dividends paid	(1,337,560)	(1,829,310)
Net cash provided by (used in) financing activities	(18,397,148)	79,596,931
Net increase (decrease) in cash and cash equivalents	(17,564,278)	33,900,906
Cash and cash equivalents at beginning of period	48,057,762	14,156,856
Cash and cash equivalents at end of period	$ 30,493,484	$ 48,057,762

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

Note 1
SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES

The accounting and reporting policies of AmeriBancShares, Inc. and Subsidiaries ("the Company") conform to generally accepted accounting principles and prevailing practices within the banking industry. The Company carries its assets and liabilities principally on the historical cost basis and follows the accrual method of accounting.

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

Basis of Presentation: The accompanying consolidated financial statements include the accounts of AmeriBancShares, Inc. and its wholly-owned subsidiaries, ANB Realty Corp. and AmeriBancShares of Delaware, Inc. The financial statements also include American National Bank, which is a wholly-owned subsidiary of AmeriBancShares of Delaware, Inc. and American National Leasing Company and Archer Title of Texas, Inc., which are wholly owned subsidiaries of American National Bank. All significant intercompany transactions have been eliminated. The consolidated statements of income, changes in stockholders' equity, and cash flows include operations for the years ended December 31, 2010 and 2009.

Use of Estimates: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The determination of the adequacy of the allowance for loan losses is based on estimates that are particularly susceptible to significant changes in the economic environment and market conditions. In connection with the determination of the estimated losses on loans, management obtains independent appraisals for significant collateral.

The Company's loans are generally secured by specific items of collateral including real property, consumer assets and business assets. Although the Company has a diversified loan portfolio, a substantial portion of its debtors' ability to honor their contracts is dependent on local economic conditions in the real estate industry.

While management uses available information to recognize losses on loans, further reductions in the carrying amounts of loans may be necessary based on changes in local economic conditions. In addition, regulatory agencies, as an integral part of their examination process, periodically review the estimated losses on loans. Such agencies may require the Company to recognize additional losses based on their judgments about information available to them at the time of their examination.

Cash and Due From Banks: Included in cash and due from banks are legal reserve requirements which must be maintained on an average basis in the form of cash and balances due from the Federal Reserve and other banks.

Securities: Investment securities are classified into three categories: held-to-maturity (HTM), available-for-sale (AFS) and trading.

Securities classified as held-to-maturity, which are those the Company has the positive intent and ability to hold to maturity, are reported at amortized cost. Securities classified as available-for-sale may be sold in response to changes in interest rates, liquidity needs, and for other purposes. Available-for-sale securities are reported at fair value and include securities not classified as held-to-maturity or trading. Trading securities are those held principally for the purpose of selling in the near future and are carried at fair value. The Company currently has no trading securities.

Purchase premiums and discounts are recognized in interest income using the interest method over the terms of the securities. Unrealized holding gains and losses for available-for-sale securities are excluded from earnings and reported, net of any income tax effect, as a separate component of stockholders' equity. Realized gains and losses are reported in earnings based on the adjusted cost of the specific security sold.

Mortgage Loans Held for Sale: The mortgage loans held for sale are stated at the lower of cost or market. Such mortgage loans are aggregated by type for the purpose of valuation. Allowances which are necessary to reflect a reduction of the portfolio to the lower of cost or market are charged against income in the current period.

Loans and Allowance for Loan Losses: Loans are stated at the amount of unpaid principal, reduced by unearned discount and an allowance for loan losses. Interest on loans is calculated by using the simple interest method on daily balances of the principal amount outstanding. The allowance for loan losses is established through a provision for loan losses charged to expenses. Loans are charged against the allowance for loan losses when management believes that the collectibility of the principal is unlikely.

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

The allowance for loan losses is an amount that management believes will be adequate to absorb probable losses on existing loans that may become uncollectible, based on evaluations of the collectibility of loans and prior loan loss experience. The evaluations take into consideration such factors as changes in the nature and volume of the loan portfolio, overall portfolio quality, review of specific problem loans, and current economic conditions that may affect the borrowers' ability to pay.

Impaired loans are generally placed on nonaccrual when a loan is specifically determined to be impaired or when principal or interest is delinquent for 90 days or more. Any unpaid interest previously accrued on those loans is reversed from income. Interest income generally is not recognized on specific impaired loans unless the likelihood of further loss is remote. Interest payments received on such loans are applied as a reduction of the loan principal balance. Interest income on other impaired loans is recognized only to the extent of interest payments received.

Servicing: Servicing assets are recognized as separate assets when rights are acquired through purchase or through sale of financial assets. Capitalized servicing rights are reported in other assets and are amortized into noninterest income in proportion to, and over the period of, the estimated future net servicing income of the underlying financial assets. Servicing assets are evaluated for impairment based upon the fair value of the rights as compared to amortized cost. Impairment is determined by stratifying rights by predominant characteristics, such as interest rates and terms. Fair value is determined using prices for similar assets with similar characteristics, when available, or based upon discounted cash flows using market-based assumptions. Impairment is recognized through a valuation allowance for an individual stratum, to the extent that fair value is less than the capitalized amount for the stratum.

Other Real Estate Owned: Other real estate owned consists of real property acquired through foreclosure or deed in lieu of foreclosure. Other real estate owned, in the amount of $5,196,299 and $4,899,385 at December 31, 2010 and 2009, respectively, is carried at the lower of fair value minus estimated selling costs or cost. When property is acquired, the asset is recorded at its fair value and an allowance for estimated selling costs is provided. The allowance for other real estate owned is adjusted for increases or declines in the fair value of the assets; however, the allowance may not be reduced below zero.

Premises and Equipment, and Depreciation: Premises and equipment are recorded at cost. Expenditures for maintenance and repairs are expensed, while expenditures for significant renewals and betterments are capitalized. When property is disposed of, the cost of the property and the related accumulated depreciation are removed from the accounts. The Company has elected to provide for depreciation on the straight-line method for financial reporting purposes and accelerated method for tax purposes.

Income Taxes: The Company files a consolidated income tax return with its wholly-owned subsidiaries and their wholly-owned subsidiaries. Federal income tax expense or benefit has been allocated on a separate return basis.

Income taxes are provided for the tax effects of transactions reported in the financial statements and consist of taxes currently due plus deferred taxes related primarily to differences between the basis of accumulated depreciation and the allowance for loan losses for financial and income tax reporting. The deferred tax assets and liabilities represent the future tax return consequences of those differences, which will either be taxable or deductible when the assets and liabilities are recovered or settled.

Goodwill: During 2002, the Company eliminated the amortization of goodwill and now performs an annual impairment test for goodwill.

Intangible Assets: Intangible assets with a finite life are amortized over their estimated useful life. Intangible assets include core deposit intangibles acquired in acquisitions and are being amortized on a straight-line basis over ten years.

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

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

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

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

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

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

Net Income Per Common Share: Net income per common share is based on the weighted average number of common shares outstanding during the period.

Reclassification: For comparability, certain amounts in the 2009 financial statements have been reclassified, where appropriate, to conform with the financial presentation used in 2010.

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.

Comprehensive Income: Comprehensive income is included in the statement of changes in stockholders' equity and reported for all periods. 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 and the change in fair value of derivatives used for cash flow hedges.

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.

Subsequent Events: The Company has evaluated subsequent events for potential recognition and/or disclosure through the date these financial statements were issued.

Note 2
INVESTMENT SECURITIES

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

	December 31, 2010			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Market Value
Securities Available For Sale				
United States Agency securities	$ 56,249,810	$ 629,600	($ 213,237)	$ 56,666,173
Obligations of states and political subdivisions	14,655,682	136,804	(51,670)	14,740,816
Corporate bonds	8,319,636		(30,757)	8,288,879
Mortgage-backed securities	811,885	25,492		837,377
Equity securities	565,761			565,761
Totals	$ 80,602,774	$ 791,896	($ 295,664)	$ 81,099,006
Other securities	$ 2,584,550	$	$	$ 2,584,550

Note 2
INVESTMENT SECURITIES (Continued)

	December 31, 2009			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Market Value
Securities Available For Sale				
United States Agency securities	$ 61,762,245	$ 223,278	($ 35,288)	$ 61,950,235
Obligations of states and political subdivisions	11,121,783	274,234	(1,830)	11,394,187
Mortgage-backed securities	70,089	5,368		75,457
Equity securities	837,945			837,945
Totals	$ 73,792,062	$ 502,880	($ 37,118)	$ 74,257,824
Other securities	$ 3,083,350	$	$	$ 3,083,350

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

The amortized cost and estimated market value of debt securities at December 31, 2010, by contractual maturity, are shown below. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Securities Available for Sale		Securities to be Held to Maturity	
	Amortized Cost	Estimated Market Value	Amortized Cost	Estimated Market Value
Due in one year or less	$ 10,579,349	$ 10,528,181	$	$
Due after one year through five years	60,574,810	60,997,576		
Due after five years through ten years	2,320,980	2,384,865		
Due after ten years	5,749,989	5,785,246		
	79,225,128	79,695,868		
Mortgage-backed securities	811,885	837,377		
Equity securities	565,761	565,761		
Totals	$ 80,602,774	$ 81,099,006	$	$

Proceeds from sales of available for sale securities for the years ended December 31, 2010 and 2009 were approximately $16,094,036 and $25,925,020, respectively. Gross gains of $80,058 and $1,091,550 were realized on sales of available for sale securities during 2010 and 2009, respectively. No gross losses were realized on sales of available for sale securities during 2010. Gross losses of $4,389 were realized on sales of available for sale securities during 2009. During 2009, the Company sold held to maturity securities in which a substantial portion of the principal had previously been collected. Proceeds from sales of held to maturity securities for the year ended December 31, 2009, were approximately $115,984. No gross gains were realized on sales of held to maturity securities during 2009. Gross losses of $979 were realized on sales of held to maturity securities during 2009.There were no sales of held to maturity securities during 2010.

Investment securities with a recorded value of approximately $71,102,643 and $59,548,846 at December 31, 2010 and 2009, 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, 2010 are summarized as follows:

	Less than 12 Months		12 Months or More	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Securities Available for Sale				
United States Agency securities	$ 20,611,173	($ 213,237)	$	($)
State and political obligations	5,386,024	(51,670)		
Corporate bonds	8,288,879	(30,757)		
	$ 34,286,076	($ 295,664)	$	($)

Management evaluates securities for other-than-temporary impairment at least on a quarterly basis, and more frequently when economic or market concerns warrant such evaluation. Consideration is given to (1) the length of time and the extent to which the fair value has been less than cost, (2) the financial condition and near-term prospects of the issuer, and (3) the intent and ability of the Company to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value. At December 31, 2010 and 2009, certain securities have unrealized losses with aggregate depreciation from the Company's amortized cost basis. These unrealized losses are generally due to changes in interest rates. In analyzing an issuer's financial condition, management considers whether the securities are issued by the federal government or its agencies, whether downgrades by bond rating agencies have occurred, and industry analysts' reports. As management has the ability to hold debt securities until maturity, or for the foreseeable future if classified as available for sale, no declines are deemed to be other than temporary.

Note 3
LOANS AND ALLOWANCE FOR LOAN LOSSES

A summary of loan categories is as follows:

	December 31, 2010	December 31, 2009
Commercial and industrial	$ 39,066,647	$ 36,304,929
Real estate		
1-4 family construction	9,426,524	12,755,998
Construction, land development and other land	19,958,338	42,967,302
1-4 family residential	52,669,907	34,845,230
Multi-family residential	5,520,034	11,481,911
Nonfarm nonresidential - owner occupied	58,354,749	52,997,840
Nonfarm nonresidential - nonowner occupied	101,197,036	105,155,915
Farmland	8,347,164	1,644,283
Consumer	15,480,557	17,329,518
Overdrafts	25,517	66,677
Total loans	$ 310,046,473	$ 315,549,603

At December 31, 2010 and 2009, the Company had total commercial real estate loans of $194,456,681 and $225,358,966, respectively. Included in these amounts, the Company had construction, land development, and other land loans representing 69% and 139%, respectively, of total risk based capital at December 31, 2010 and 2009. The Company had non-owner occupied commercial real estate loans representing 322% and 430%, respectively, of total risk based capital at December 31, 2010 and 2009. Sound risk management practices and appropriate levels of capital are essential elements of a sound commercial real estate lending program (CRE). Concentrations of CRE exposures add a dimension of risk that compounds the risk inherent in individual loans. Interagency guidance on CRE concentrations describe sound risk management practices which include board and management oversight, portfolio management, management information systems, market analysis, portfolio stress testing and sensitivity analysis, credit underwriting standards, and credit risk review functions. Management believes it has implemented these practices in order to monitor its CRE. An institution which has reported loans for construction, land development, and other land loans representing 100% or more of total risk based capital, or total non-owner occupied commercial real estate loans representing 300% or more of the institutions total risk-based capital and the outstanding balance of commercial real estate loan portfolio has increased by 50% or more during the prior 36 months, may be identified for further supervisory analysis by regulators to assess the nature and risk posed by the concentration.

Mortgage loans serviced for others are not included in the accompanying consolidated balance sheets. The unpaid principal balances of mortgage loans serviced for others was $121,849,507 and $92,607,954 at December 31, 2010 and 2009, respectively. Custodial escrow balances maintained in connection with the foregoing loan servicing, and included in demand deposits, were approximately $445,341 and $331,857 at December 31, 2010 and 2009, respectively.

Note 3
LOANS AND ALLOWANCE FOR LOAN LOSSES (Continued)

Originated mortgage servicing rights capitalized at December 31, 2010 and 2009, are $997,263 and $734,218, respectively, and are included in other assets. The fair values of these rights were$1,094,452 and $954,973 at December 31, 2010 and 2009, respectively. The fair value of servicing rights was determined using a weighted average discount rate of 10.578% and a weighted average prepayment speed of 15.951%.

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

	2010	2009
Balance at beginning of year	$ 734,218	$ 310,013
Originations	389,429	468,814
Amortization	(126,384)	(105,630)
Impairments		61,021
Balance at end of year	$ 997,263	$ 734,218

The Company has identified impaired loans having carrying values of $13,396,647 and $1,167,159 at December 31, 2010 and 2009, respectively. The average recorded investment in impaired loans during 2010 and 2009 was $2,527,455 and $854,635, respectively. The total allowance for loan losses related to those loans was $618,153 and $31,000 on December 31, 2010 and 2009, respectively. Approximately $142,000 was recorded as interest income on impaired loans during 2010. No interest income was recorded on impaired loans during 2009. Interest income on impaired loans that was not recorded due to nonaccrual status was approximately $120,000 and $34,000 for 2010 and 2009, respectively. There were no material commitments to lend additional funds to debtors whose loans were classified as impaired as of December 31, 2010 or 2009. The Company has loans that are past due 90 days and greater that are still accruing interest in the amounts of $2,393,068 and $951,028 at December 31, 2010 and 2009, respectively.

Loan maturities and rate sensitivity of the loan portfolio at December 31, 2010 and 2009, including mortgage loans held for resale less loans on nonaccrual, are as follows:

	2010	2009
Fixed rate loans with a remaining maturity of:		
Three months or less	$ 24,785,752	$ 26,132,780
Over three months through twelve months	41,139,924	45,789,167
Over one year through five years	127,241,796	123,940,070
Over five years	44,188,205	40,485,334
Total fixed rate loans	$ 237,355,677	$ 236,347,351
Variable rate loans with a repricing frequency of:		
Quarterly or more frequently	$ 62,249,187	$ 69,986,491
Annually or more frequently, but less frequently than quarterly	3,190,977	2,546,169
Every five years or more frequently, but less frequently than annually	4,566,897	7,344,634
Less frequently than every five years		249,600
Total variable rate loans	$ 70,007,061	$ 80,126,894

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

	2010	2009
Balance at beginning of year	$ 3,695,862	$ 3,263,287
Provision for loan losses	2,117,000	816,500
Loans charged off	(79,205)	(390,122)
Recoveries of loans previously charged off	4,715	6,197
Balance at end of year	$ 5,738,372	$ 3,695,862

The allowance for financial statement purposes exceeded the federal income tax allowance by $5,040,382 and $2,997,871 at December 31, 2010 and 2009, respectively.

Note 4
PREMISES AND EQUIPMENT

A summary of premises, equipment and land improvements and related accumulated depreciation is as follows:

	Estimated Useful Lives	December 31, 2010	December 31, 2009
Land		$ 2,365,578	$ 2,365,578
Premises	5-40 years	10,973,771	10,213,923
Furniture, fixtures and equipment	3-10 years	8,213,291	8,842,100
Land improvements	5-20 years	463,355	443,745
Lease equipment	3 - 5 years	3,987,211	3,601,405
		26,003,206	25,466,751
Less accumulated depreciation		9,907,467	9,699,191
Totals		$ 16,095,739	$ 15,767,560

Depreciation expense amounted to $1,645,382 and $1,453,337 in 2010 and 2009, respectively.

A portion of the banking premises which the Company occupies is leased to certain tenants under month-to-month leases. Rental income totaled approximately $49,022 and $74,014 for the years ended December 31, 2010 and 2009, respectively.

Note 5
GOODWILL

Goodwill in the amount of $4,219,475 at December 31, 2010 and 2009, is included in the accompanying consolidated financial statements. In accordance with generally accepted accounting principles, the Company performs an annual impairment test for goodwill. At December 31, 2010 and 2009 management has determined that there is no impairment of goodwill.

Prior to the year ended December 31, 2002, goodwill was amortized over its estimated useful life. Accordingly, the amounts reflected for goodwill in the accompanying financial statements have been reduced by the relating accumulated amortization of $507,484.

Note 6
INTANGIBLE ASSETS

Intangible assets consist of core deposit intangibles acquired in a branch acquisition and are being amortized using the straight-line method over a period of 10 years. Assigned costs and accumulated amortization at December 31, 2010 and 2009 consisted of the following amounts:

	2010	2009
Gross amount	$ 1,138,163	$ 1,138,163
Accumulated amortization	(942,779)	(747,394)
	$ 195,384	$ 390,769

Changes in the carrying amount of intangibles during 2010 and 2009 are summarized as follows:

	2010	2009
Net intangible at January 1	$ 390,769	$ 586,154
Amortization expense	(195,385)	(195,385)
Net intangible at December 31	$ 195,384	$ 390,769

Note 7
DEPOSITS

Included in time deposits are certificates of deposit in amounts of $100,000 or more. The aggregate amount of short-term jumbo certificates of deposit, each with a minimum denomination of $100,000, was $59,061,737 and $62,222,504 at December 31, 2010 and 2009, respectively.

At December 31, 2010 and 2009, the scheduled maturities of certificates of deposit are as follows:

	December 31, 2010	December 31, 2009
Less than three months	$ 40,220,871	$ 45,767,823
Four to twelve months	56,754,195	61,654,638
One to five years	55,678,422	28,644,488
Totals	$ 152,653,488	$ 136,066,949

During 2006, the Company entered into a program in which certain eligible transaction deposits could be reclassed to savings deposits for regulatory reporting purposes and therefore reduce its reserve requirement with the Federal Reserve Bank. At December 31, 2010 the Company has reclassed $63,135,734 demand deposits and $70,864,613 NOW and Money Market deposits to savings deposits for regulatory reporting in connection with this program. At December 31, 2009 the Company has reclassed $60,406,854 demand deposits and $66,991,697 NOW and Money Market deposits to savings deposits.

Note 8
SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE

Securities sold under agreements to repurchase amounted to $2,488,378 and $3,884,554 at December 31, 2010 and 2009, respectively. The agreements are secured by U.S. Government Agency securities with a fair value of $2,541,185 at 2010 and $3,966,227 at 2009. The weighted average interest rate on these agreements was 0.25% at December 31, 2010 and 2009. The agreements of $2,488,378 at December 31, 2010 mature on January 3, 2011.

Note 9
OTHER BORROWED FUNDS

Included in other borrowed funds at December 31, 2010 and 2009, respectively, are the following:

	2010	2009
Advances from the Federal Home Loan Bank	$ 11,006,295	$ 54,843,818
KSOP note payable	1,336,104	1,520,000
	$ 12,342,399	$ 56,363,818

Advances from the Federal Home Loan Bank

Advances from the Federal Home Loan Bank amounted to $11,006,295 and $54,843,818, respectively, at December 31, 2010 and 2009. These borrowings are collateralized by one-to-four family residences. The Federal Home Loan Bank advances have fixed rates ranging from 3.63% to 5.63%. The advances were used to fund fixed interest rate loans to customers. As of December 31, 2010, aggregate annual scheduled repayments of Federal Home Loan Bank advances were as follows:

2011	$ 2,680,303
2012	2,253,950
2013	2,251,848
2014	197,990
2015	209,432
Thereafter	3,412,772
	$ 11,006,295

KSOP Note Payable

At December 31, 2010 and 2009, the Company's KSOP had a note payable in the amount of $1,336,104 and $1,520,000 respectively, with First National Bank of Chillicothe (a related party through a common director). The note was renewed on April 29, 2009 and currently bears interest at a rate of 5.50%. Seven annual payments of principal and interest in the amount of $267,496.33 are due beginning April 29, 2010. The note is secured by 45,000 shares of the Company's stock and matures on April 29, 2016.

Note 10
JUNIOR SUBORDINATED DEBENTURES

The junior subordinated debentures of $7,217,000 at December 31, 2010 and 2009 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, 2010 and 2009. Both the junior subordinated debentures and the related trust preferred securities yield an annual distribution rate of 3-month LIBOR plus 1.80% (2.10% at December 31, 2010 and 2.05% at December 31, 2009), are redeemable at various dates beginning in June, 2010 and mature in June, 2035.

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

The Board of Governors of the Federal Reserve System (Board) has determined that trust preferred securities are restrictive core capital elements in computing Tier I capital of bank holding companies. The Board has limited restrictive core capital elements (as defined) to 25% of core capital elements. Accordingly, the Company has included $7,000,000 of trust preferred securities in its Tier I capital computation at December 31, 2010 and 2009.

Note 11
INCOME TAXES

The provision for income taxes consists of the following:

	December 31, 2010	December 31, 2009
Current income tax expense:		
Federal and state	$ 1,447,059	$ 1,403,791
Deferred income tax expense (benefit) arising from:		
Excess of tax over financial accounting depreciation	185,210	194,718
Accounting for bad debt expense	(694,454)	(147,075)
Mortgage servicing valuation allowance		20,747
Federal Home Loan Bank stock dividends	2,754	3,740
Deferred compensation benefits	(159,498)	(135,668)
Deferred loan fee income	20,141	(25,684)
Goodwill amortization	105,484	106,700
Write down of other real estate owned	(82,535)	(27,623)
	(622,898)	(10,145)
Total income tax expense	$ 824,161	$ 1,393,646

The difference between the consolidated financial statement income tax expense and amounts computed by applying the statutory federal income tax rate of 34% to consolidated income before taxes is primarily attributable to investments in tax-exempt securities, tax-exempt increases in cash surrender value of life insurance, and certain other transactions.

Note 11
INCOME TAXES (Continued)

As of December 31, 2010 and 2009, there are no unused net operating losses or tax credits available for carryover to future periods for either financial reporting or tax reporting purposes.

A net deferred federal income tax asset of $1,451,675 and $808,608 at December 31, 2010 and 2009 respectively, is included in other assets. The accumulated tax effects of each type of income and expense item that gave rise to deferred taxes are as follows:

	December 31, 2010	December 31, 2009
Deferred tax assets:		
Excess of tax cost over		
financial cost for fixed assets	$ 98,173	$ 104,569
Allowance for loan losses	1,713,730	1,019,276
Deferred compensation benefits	1,792,350	1,632,852
Deferred loan fee income	82,871	103,012
Write down of other real estate owned	133,535	51,000
Net unrealized depreciation on derivatives used for cash flow hedges	158,606	128,077
Total deferred tax assets	3,979,265	3,038,786
Deferred tax liabilities:		
Depreciation	(1,228,805)	(1,049,991)
Federal Home Loan Bank stock dividends	(174,216)	(171,462)
Amortization	(955,850)	(850,366)
Net unrealized appreciation on securities available for sale	(168,719)	(158,359)
Total deferred tax liabilities	(2,527,590)	(2,230,178)
Total net deferred tax asset	$ 1,451,675	$ 808,608

Federal income taxes currently receivable of $278,975 and $295,836 at December 31, 2010 and 2009, respectively, are included in other assets.

Note 12
EMPLOYEE BENEFITS

KSOP PLAN

The Company maintains a leveraged employee stock ownership 401(k) plan ("KSOP"). The KSOP periodically borrows from unrelated lenders to acquire stock for future allocation to KSOP participants. The KSOP provides for voluntary employee salary reduction contributions, voluntary employee after-tax contributions, discretionary employer salary reduction matching contributions, and additional discretionary employer contributions which the Company uses to pay interest on KSOP debt and KSOP debt principal reductions as the Company desires to release unallocated KSOP shares to the KSOP participants.

As shares are released from collateral, the Company reports compensation expense equal to the current market price of the shares. KSOP expense for 2010 and 2009 was $361,076 and $411,292, respectively. Employee salary reduction contributions of $439,195 and $426,037 were made in 2010 and 2009, respectively.

DEFERRED COMPENSATION PLANS

The Company maintains individually designed supplemental income plan agreements ("agreements") with certain designated employees and directors. The agreements provide a deferred compensation benefit payable at retirement or death.

The liability under the agreements is recorded based upon the present value of the deferred compensation benefits. At December 31, 2010 and 2009, the Company's accrued liability under the agreements was $5,271,618 and $4,802,504, respectively.

In connection with the funding of the agreements, the Company has purchased life insurance policies that it believes will fund the benefits payable pursuant to the agreements. The Company is owner and beneficiary of the life insurance policies. Other assets at December 31, 2010 and 2009, respectively, include $8,998,790 and $8,428,610 in cash value of these life insurance policies.

Note 13
ON-BALANCE SHEET DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

Derivative Financial Instruments

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

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

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

Risk Management Policies – Hedging Instruments

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

Interest Rate Risk Management – Cash Flow Hedging Instruments

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

At December 31, 2010 and 2009, the information pertaining to outstanding interest rate swap agreements used to hedge variable rate debt is as follows:

	December 31, 2010	December 31, 2009
Notional amount	$ 7,000,000	$ 7,000,000
Weighted average pay rate	5.60%	5.60%
Weighted average receive rate	2.10%	2.10%
Weighted average maturity in years	2.25	3.25
Unrealized loss relating to interest rate swaps	$ 466,488	$ 376,697

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

At December 31, 2010 and 2009, the unrealized loss relating to interest rate swaps was recorded in other liabilities. Changes in the fair value of interest rate swaps designated as hedging instruments of the variability of cash flows associated with long-term debt are reported in other comprehensive income. These amounts subsequently are reclassified into interest expense as a yield adjustment in the same period in which the related interest on the long-term debt affects earnings. The net amount of other comprehensive income reclassified into interest expense during the year ended December 31, 2010 and 2009, was $245,880 and $194,466, respectively.

Risk management results for the year ended December 31, 2010 and 2009 related to the balance sheet hedging of long-term debt indicate that the hedges were 100 percent effective and that there was no component of the derivative instruments' gain or loss which was excluded from the assessment of hedge effectiveness.

Note 14
RELATED-PARTY TRANSACTIONS

At December 31, 2010 and 2009, 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 $9,699,300 and $4,263,868, respectively. During 2010, $6,977,215 of new loans were originated and repayments totaled $1,541,783. All such loans were made in the ordinary course of business. All loans included in such transactions were made on substantially the same terms, including interest rates and collateral requirements, as those prevailing at the time for comparable transactions with other persons and did not involve more than the normal risk of loss or present other unfavorable features.

Note 15
COMMITMENTS AND CONTINGENT LIABILITIES

The Company's financial statements do not reflect various commitments and contingent liabilities which arise in the normal course of business and which involve elements of credit risk, interest rate risk and liquidity risk. These commitments and contingent liabilities are commitments to extend credit and standby letters of credit. A summary of the Company's commitments and contingent liabilities at December 31, 2010 and 2009, are as follows:

	December 31, 2010	December 31, 2009
Commitments to extend credit	$ 43,470,681	$ 38,347,269
Standby letters of credit	2,493,254	3,511,307
Total	$ 45,963,935	$ 41,858,576

Commitments to extend credit, and standby letters of credit all include exposure to some credit loss in the event of nonperformance of the customer. The Company evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained if deemed necessary by the Company upon extension of credit is based on management's credit evaluation. Collateral held varies but may include accounts receivable, inventory, property, plant and equipment, and income-producing commercial properties. Because these instruments have fixed maturity dates, and because many of them expire without being drawn upon, they do not generally present any significant liquidity risk to the Company. The Company has not incurred any significant losses on its commitments in either 2010 or 2009.

The Company is a party to litigation and claims arising in the normal course of business. Management, after consultation with legal counsel, believes that the liabilities, if any, arising from such litigation and claims will not be material to the Company's financial position.

Note 16
CONCENTRATIONS OF CREDIT

Substantially all of the Company's loans, commitments, credit card arrangements and standby letters of credit have been granted to customers in the Company's market area. Most customers are depositors of the Company. Investments in state and municipal securities also involve governmental entities within the Company's market area. The concentrations of credit by type of loan are set forth in Note 3. The distribution of commitments to extend credit approximates the distribution of loans outstanding. Commercial and standby letters of credit were granted primarily to commercial borrowers.

The Company occasionally maintains deposits and federal funds sold in excess of federally insured limits. At December 31, 2010 the Company had $5,797,483 in due from banks and federal funds sold in excess of federally insured amounts. At December 31, 2009 the Company had $8,750,000 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, 2010 and 2009, total deposits include $69,632,596 and $66,305,200, respectively, from four customers. The customers' deposits are under no contractual obligation to the Company other than the maturity durations for various time certificates of deposit.

Note 17
FAIR VALUE DISCLOSURES

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

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

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

Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Level 2 assets include U.S. government and agency mortgage-backed debt securities, corporate securities, and municipal bonds.

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

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 at December 31, 2010 and 2009 are as follows:

December 31, 2010	Level 1	Level 2	Level 3
Available for sale securities (1)	$	$ 81,099,006	$
Impaired loans (2) (4)			5,697,000
Other real estate owned (OREO) (3) (4)			5,196,299
Interest Rate Swap (1)		(466,488)	

December 31, 2009	Level 1	Level 2	Level 3
Available for sale securities (1)	$	$ 74,257,824	$
Other real estate owned (OREO) (2) (3)			218,659
Impaired loans (2) (4)			4,899,385
Interest Rate Swap (1)		(376,697)	

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

Note 17
FAIR VALUE DISCLOSURES (Continued)

The estimated fair values of the Company's financial instruments at December 31, 2010 and 2009, are as follows:

	December 31, 2010		December 31, 2009	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets:				
Cash and short-term investments	$ 30,493,484	$ 30,469,000	$ 38,407,762	$ 38,436,000
Federal funds sold			9,650,000	9,650,000
Investment securities	83,683,556	83,683,556	77,341,174	77,341,174
Mortgage loans held for sale	3,380,052	3,380,052	2,091,801	2,091,801
Loans, net of unearned discount	309,716,155	308,773,000	315,095,122	317,565,000
Less allowance for loan losses	(5,738,372)	(5,738,372)	(3,695,862)	(3,695,862)
Loans, net of allowance	303,977,783	303,034,628	311,399,260	313,869,138
Accrued interest receivable	2,065,806	2,065,806	2,040,407	2,040,407
Financial liabilities:				
Deposits	400,421,708	401,872,000	372,247,596	373,018,000
Federal funds purchased	500,000	500,000	500,000	500,000
Repurchase agreements	2,488,378	2,488,378	3,884,554	3,884,554
Other borrowed funds	12,342,399	13,350,000	56,363,818	57,019,000
Junior Subordinated Debentures	7,217,000	7,217,000	7,217,000	7,217,000
Accrued interest payable	272,517	272,517	358,785	358,785
On-balance sheet derivative financial instruments:				
Interest rate swap agreements:				
Assets				
Liabilities	466,488	466,488	376,697	376,697
Off-balance sheet credit related financial instruments:				
Commitments to extend credit	0	0	0	0
Standby letters of credit	0	0	0	0

The following methods and assumptions were used to estimate the fair value of each class of financial instruments as disclosed herein. The values are for disclosure purposes only and have not affected the carrying values of the assets and liabilities on the balance sheet.

Cash and Short-Term Investments

For those short-term investments, the carrying amount is a reasonable estimate of fair value.

Investment Securities

For debt securities held as investments, fair value equals quoted market price, if available. If a quoted market price is not available, fair value is estimated using quoted market prices for similar securities.

Loan Receivables

For certain homogeneous categories of loans, such as some residential mortgages, credit card receivables, and other consumer loans, fair value is estimated using the quoted market prices for securities backed by similar loans, adjusted for differences in loan characteristics. The fair value of other types of loans is estimated by discounting the future cash flows using the current rates at which similar loans would be made to borrowers with similar credit ratings and for the same remaining maturities.

Deposit Liabilities

The fair value of demand deposits, savings accounts, and certain money market deposits is the amount payable on demand at the reporting date. The fair value of fixed maturity certificates of deposit is estimated using the rates currently offered for deposits of similar remaining maturities.

Other Borrowed Funds

The fair value of federal funds purchased is the amount payable upon demand at the reporting date. The fair value of the Federal Home Loan Bank advance is estimated by discounting the future cash flows using the current rates at which similar advances would be made to banks with similar credit ratings for the same remaining maturities.

Commitments to Extend Credit, Standby Letters of Credit and Financial Guarantees Written

The fair value of commitments is estimated using the fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements and the present creditworthiness of the counterparties. For fixed-rate loan commitments, fair value also considers the difference between the current levels of interest rates and the committed rates. The fair value of guarantees and letters of credit is based on fees currently charged for similar agreements or on the estimated cost to terminate them or otherwise settle the obligations with the counterparties at the reporting date.

Note 18
REGULATORY MATTERS

The Bank is subject to the dividend restrictions set forth by the Comptroller of the Currency. As discussed in Note 20, the Bank may not pay dividends without the prior approval of the Comptroller of the Currency.

The Bank is subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory, and possibly additional discretionary, actions by regulators that, if undertaken, could have a direct material effect on the consolidated financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank must meet specific capital guidelines that involve quantitative measures of their assets, liabilities, and certain off-balance-sheet items as calculated under regulatory accounting practices. The Bank's capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings and other factors.

Quantitative measures established by regulation to ensure capital adequacy require the Bank to maintain minimum amounts and ratios (set forth in the table below) of total and Tier I capital (as defined in the regulations) to risk-weighted assets (as defined), and of Tier I capital (as defined) to average assets (as defined). Management believes, as of December 31, 2010 and 2009, that the Bank meets all capital adequacy requirements to which it is subject.

As of December 31, 2010, the most recent notification from the Office of the Comptroller of the Currency categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized, the Bank must maintain minimum total risk-based, Tier I risk-based, and Tier I leverage ratios as set forth in the table. There are no conditions or events since that notification that management believes have changed the institution's category.

The Bank's actual capital amounts and ratios are also presented in the table.

Note 18
REGULATORY MATTERS (Continued)

	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
As of December 31, 2010:						
Total capital (to risk-weighted assets)						
American National Bank	$ 42,313,126	12.6%	≥ $26,907,840	≥ 8.0%	≥ $33,634,800	≥ 10.0%
Tier I capital (to risk-weighted assets)						
American National Bank	38,108,776	11.3%	≥13,453,920	≥ 4.0%	≥20,180,880	≥ 6.0%
Tier I capital (to average assets)						
American National Bank	38,108,776	7.9%	≥ 19,255,040	≥ 4.0%	≥ 24,068,800	≥ 5.0%
As of December 31, 2009:						
Total capital (to risk-weighted assets)						
American National Bank	$ 40,183,824	11.5%	≥ $27,870,640	≥ 8.0%	≥ $34,838,300	≥ 10.0%
Tier I capital (to risk-weighted assets)						
American National Bank	36,477,962	10.5%	≥13,935,320	≥ 4.0%	≥ 20,902,980	≥ 6.0%
Tier I capital (to average assets)						
American National Bank	36,477,962	8.0%	≥ 18,211,012	≥ 4.0%	≥ 22,763,765	≥ 5.0%

Note 19
STATEMENT OF CASH FLOWS

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

The Company uses the indirect method to present cash flows from operating activities. Other supplemental cash flow information for the years ended December 31, 2010 and 2009 is presented as follows (in thousands):

	December 31, 2010	December 31, 2009
Cash transactions:		
Interest expense paid	$ 4,595,467	$ 5,373,337
Federal income taxes paid	$ 1,408,520	$ 1,602,443
Noncash transactions:		
Net change in fair value of derivatives used for cash flow hedges	($ 89,791)	$ 141,050
Net unrealized appreciation on securities available for sale	$ 30,468	($ 135,102)

Note 20
SUBSEQUENT EVENTS

On February 15, 2011, the Board of Directors of the Bank entered into a Formal Written Agreement (Agreement) with the Office of the Comptroller of the Currency (OCC). The terms of the Agreement require the Bank to operate at all times in compliance with the articles of the Agreement.

Compliance Committee: Within ten days of the date of the Agreement, the Board shall appoint a Compliance Committee of at least five directors. The Compliance Committee with be responsible for monitoring and coordinating the Bank's adherence to the provisions of the Agreement.

Capital Plan and Higher Minimums: The Agreement stipulates the Bank maintain capital levels of (1) Tier 1 leverage capital at least equal to eight percent of adjusted total assets and (2) total risk based capital at least equal to twelve percent of risk-weighted assets. Additionally, within sixty days, the Board shall develop, implement, and thereafter ensure the Bank's adherence to a three year capital program.

Loan Portfolio Management: The Board shall within sixty days develop, implement, and thereafter ensure Bank adherence to a written program to improve the Bank's loan portfolio management. The Board shall ensure that the Bank has processes, personnel, and control systems to ensure implementation of and adherence to the program and systems developed.

Problem Loan Identification and Management: The Board shall within sixty days employ or designate a sufficiently experienced and qualified person(s) or firm to ensure the timely and independent identification of problem loans and leases. Additionally, the Board shall ensure the Bank is accurately analyzing and categorizing its problem loans and leases. The Board shall establish an on-going loan review system to review the Bank's loan and lease portfolios to assure the timely identification and categorization of problem credits.

Commercial Real Estate Concentration Risk Management: Within sixty days, the Board shall review, revise, and thereafter ensure Bank adherence to a written commercial real estate (CRE) concentration risk management program. The program shall be effective in reducing and managing concentrations of CRE credit.

Allowance for Loan and Lease Losses: The Board shall review the adequacy of the Bank's Allowance for Loan and Lease Losses (Allowance) and shall establish a program for the maintenance of an adequate Allowance. Additionally, the Allowance review shall further ensure that the methodology for calculating the Allowance is consistent with Generally Accepted Accounting Principles.

Strategic Plan: Within ninety days, the Board shall adopt, implement, and thereafter ensure Bank adherence to a written strategic plan for the Bank covering at least a three-year period. The plan shall establish objectives for the Bank's overall risk profile, earnings, performance, growth, liability structure, and capital adequacy.

Bank Secrecy Act: Within sixty days, the Board shall develop, implement, and thereafter ensure Bank adherence to a written program of policies and procedures to provide for compliancy with the Bank Secrecy Act. Additionally, within sixty days, the Board shall develop and implement a written program of policies and procedures to provide for the Bank's monitoring of all types of transactions.

Violations of Law: The Board shall immediately take all necessary steps to ensure that Bank management corrects each violation of law, rule or regulation cited in the March 31, 2010 examination. Quarterly progress reports shall include the date and manner in which each correction has been effected during the reporting period. Additionally, within thirty days, the Board shall implement procedures to ensure prevention of future violations of laws and regulations.

The Agreement requires the Board of Directors to submit quarterly progress reports to the Assistant Deputy Comptroller of the OCC. The Board of Directors' intent is to pursue vigorously full adherence with the articles of the Agreement.

Consolidating Balance Sheet
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Consolidating Statement of Income
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Consolidating Statement of Cash Flows
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Consolidating Balance Sheet

AmeriBancShares, Inc. and Subsidiaries, December 31, 2010

ASSETS	American National Leasing Co.	Archer Title of Texas, Inc.	American National Bank
Cash and due from banks, noninterest bearing	$ 398,187	$ 127,098	$ 8,163,193
Interest bearing deposits in banks			21,786,185
Total cash and cash equivalents	398,187	127,098	29,949,378
Securities available for sale			80,533,245
Other securities			4,001,635
Total investment securities			84,534,880
Mortgage loans held for sale			3,380,052
Loans	3,913,336		309,770,418
Less: Unearned discount	(330,318)		
Allowance for loan losses	(78,897)		(5,659,475)
Loans, net	3,504,121		304,110,943
Premises and equipment, net	2,735,865	941,369	12,418,505
Accrued interest receivable			3,922,582
Goodwill		19,615	4,199,860
Intangible assets			195,385
Other assets	44,451	6,279	19,835,057
Total assets	$ 6,682,624	$ 1,094,361	$ 462,546,642
LIABILITIES AND STOCKHOLDERS' EQUITY			
Deposits:			
Demand deposits	$	$	$ 22,449,782
Savings deposits			146,680,304
Money market and NOW accounts			79,186,043
Time certificates of deposit			152,653,488
Total deposits			400,969,617
Federal funds purchased			500,000
Repurchase agreements			2,488,378
Other borrowed funds	3,322,280	315,001	11,006,295
Junior Subordinated Debentures			
Accrued interest payable	1,742,045	114,821	272,517
Other liabilities	628,481	20,272	4,358,961
Total liabilities	5,692,806	450,094	419,595,768
Stockholders' equity:			
Common stock	1,000	1,000	1,680,000
Surplus			7,090,826
Undivided profits and capital reserves	988,818	643,267	33,852,536
Treasury stock at cost			
Unearned KSOP shares			
Accumulated other comprehensive income (loss):			
Net unrealized depreciation on derivatives used for cash flow hedges			
Net unrealized appreciation on securities available for sale			327,512
Total stockholders' equity	989,818	644,267	42,950,874
Total liabilities and stockholders' equity	$ 6,682,624	$ 1,094,361	$ 462,546,642

AmeriBancShares of Delaware, Inc.	ANB Realty Corp.	AmeriBancShares, Inc.	Reclassification and Elimination Entries	Consolidated
$ 4,106	$ 1,000	$ 561,624	($ 547,909)	$ 8,707,299
				21,786,185
4,106	1,000	561,624	(547,909)	30,493,484
		565,761		81,099,006
42,950,874		43,172,980	(87,540,939)	2,584,550
42,950,874		43,738,741	(87,540,939)	83,683,556
				3,380,052
			(3,637,281)	310,046,473
				(330,318)
				(5,738,372)
			(3,637,281)	303,977,783
				16,095,739
		90	(1,856,866)	2,065,806
				4,219,475
				195,385
		158,607	1,572,252	21,616,646
$ 42,954,980	$ 1,000	$ 44,459,062	($ 92,010,743)	$ 465,727,926
$	$	$	($ 547,909)	$ 21,901,873
				146,680,304
				79,186,043
				152,653,488
			(547,909)	400,421,708
				500,000
				2,488,378
		1,336,104	(3,637,281)	12,342,399
		7,217,000		7,217,000
			(1,856,866)	272,517
		478,384	1,572,252	7,058,350
		9,031,488	(4,469,804)	430,300,352
7,500	1,000	5,286,075	(1,690,500)	5,286,075
20,910,885	256,373	13,059,785	(28,258,084)	13,059,785
21,709,083	(256,373)	19,246,912	(56,937,331)	19,246,912
		(882,000)		(882,000)
		(1,302,828)		(1,302,828)
		(307,882)		(307,882)
327,512		327,512	(655,024)	327,512
42,954,980	1,000	35,427,574	(87,540,939)	35,427,574
$ 42,954,980	$ 1,000	$ 44,459,062	($ 92,010,743)	$ 465,727,926

Consolidating Statement of Income

AmeriBancShares, Inc. and Subsidiaries, December 31, 2010

	American National Leasing Co.	Archer Title of Texas, Inc.	American National Bank
Interest income:			
Interest and fees on loans	$ 292,477	$	$ 17,017,773
Interest on investment securities			2,353,474
Interest on interest bearing deposits in banks			139,366
Total interest income	292,477		19,510,613
Interest expense:			
Interest on deposits:			
Savings			320,946
Money market and NOW accounts			481,052
Time			2,417,370
Total interest on deposits			3,219,368
Interest on federal funds purchased			1,287
Interest on repurchase agreements			7,285
Interest on other borrowed funds	45,964	9,359	883,814
Interest on Junior Subordinated Debentures			
Total interest expense	45,964	9,359	4,111,754
Net interest income	246,513	(9,359)	15,398,859
Provision for loan losses	12,000		2,105,000
Net interest income after provision for loan losses	234,513	(9,359)	13,293,859
Other operating income:			
Service charges on deposit accounts			516,893
Trust fee income			3,774,096
Gain on sale of mortgage loans			1,430,953
Gain on sale of other real estate owned			169,603
Gain on sale of securities			80,058
Rent income			
Earnings from subsidiary			310,095
Other, net	915,049	1,189,136	1,009,486
Total other operating income	915,049	1,189,136	7,291,184
Other operating expenses:			
Salaries and bonuses	164,211	400,039	6,279,235
Employee benefits	25,069	77,271	2,967,961
Premises and equipment	20,121	63,923	2,595,777
Advertising	2,750	28,972	350,146
Data processing expense			573,538
Printing, stationery and supplies	2,784	16,681	244,167
Professional fees			242,251
Other operating expenses	724,134	337,375	3,728,677
Total other operating expenses	939,069	924,261	16,981,752
Income before income taxes	210,493	255,516	3,603,291
Provision for income taxes	68,999	86,915	803,998
Net income	$ 141,494	$ 168,601	$ 2,799,293

AmeriBancShares of Delaware, Inc.	ANB Realty Corp.	AmeriBancShares, Inc.	Reclassification and Elimination Entries	Consolidated
$	$	$	($ 55,323)	$ 17,254,927
		1,082		2,354,556
				139,366
		1,082	(55,323)	19,748,849
				320,946
				481,052
				2,417,370
				3,219,368
				1,287
				7,285
			(55,323)	883,814
		397,445		397,445
		397,445	(55,323)	4,509,199
		(396,363)		15,239,650
				2,117,000
		(396,363)		13,122,650
				516,893
			(2,290)	3,771,806
				1,430,953
				169,603
				80,058
			935,052	935,052
2,799,293		2,798,887	(5,908,275)	
			(990,012)	2,123,659
2,799,293		2,798,887	(5,965,525)	9,028,024
				6,843,485
				3,070,301
			(54,960)	2,624,861
				381,868
				573,538
				263,632
				242,251
615		2,290	(2,290)	4,790,801
615		2,290	(57,250)	18,790,737
2,798,678		2,400,234	(5,908,275)	3,359,937
(209)		(135,542)		824,161
$ 2,798,887	$	$ 2,535,776	($ 5,908,275)	$ 2,535,776

Consolidating Statement of Cash Flows

AmeriBancShares, Inc. and Subsidiaries, December 31, 2010

	American National Leasing Co.	Archer Title of Texas, Inc.	American National Bank
Cash flows from operating activities:			
Net income	$ 141,494	$ 168,601	$ 2,799,293
Adjustments to reconcile net income (loss) to net cash provided by (used in) operations:			
Depreciation	694,815	19,075	931,492
Amortization of intangibles			195,385
Provision for loan losses	12,000		2,105,000
Provision for other real estate owned losses			277,750
Provision for (benefit from) deferred taxes	95,347	267	(718,512)
Gain on sale of securities available for sale			(80,058)
Gain on sale of mortgage loans			(1,430,953)
Loss on sale of other real estate owned			(169,603)
(Gain) loss on disposal of premises and equipment	(7,205)		4,375
Amortization of premium on investment securities			378,359
Accretion of discount on investment securities			(27,305)
Proceeds from sales of mortgage loans			80,244,505
Mortgage loans funded			(80,089,044)
Unconsolidated earnings from subsidiaries			(310,095)
(Increase) decrease in:			
Prepaid expenses	(2,621)	2,412	601,098
Accrued interest receivable			(80,680)
Income taxes receivable			73,544
Miscellaneous other assets	65,943		(538,607)
Increase (decrease) in:			
Accrued interest payable	45,964	9,359	(86,267)
Other taxes payable			(250,044)
Other accrued expenses	(157,092)	669	486,893
Net cash provided by (used in) operating activities	888,645	200,383	4,316,526
Cash flows from investing activities:			
Proceeds from maturities of securities available for sale			57,947,802
Proceeds from sales of securities available for sale			15,821,746
Proceeds from sales of other securities			498,800
Purchase of securities available for sale			(81,123,441)
Purchase of cash value life insurance			(645,777)
Dividends received from subsidiaries			
Net decrease in loans	328,471		2,830,015
Purchase of premises and equipment	(1,140,856)	(1,592)	(1,267,258)
Proceeds from sale of premises and equipment	489,364		3,285
Proceeds from sale of other real estate owned			2,631,613
Net cash provided by (used in) investing activities	(323,021)	(1,592)	(3,303,215)
Cash flows from financing activities:			
Net increase in deposits			27,994,077
Net decrease in repurchase agreements			(1,396,176)
Net decrease in other borrowed funds	(450,000)	(453,443)	(43,837,524)
Dividends paid			(1,337,560)
Net cash provided by (used in) financing activities	(450,000)	(453,443)	(18,577,183)
Net increase (decrease) in cash and cash equivalents	115,624	(254,652)	(17,563,872)
Cash and cash equivalents at beginning of period	282,563	381,750	47,513,250
Cash and cash equivalents at end of period	$ 398,187	$ 127,098	$ 29,949,378

AmeriBancShares of Delaware, Inc.	ANB Realty Corp.	AmeriBancShares, Inc.	Reclassification and Elimination Entries	Consolidated
$ 2,798,887	$	$ 2,535,776	($ 5,908,275)	$ 2,535,776
				1,645,382
				195,385
				2,117,000
				277,750
				(622,898)
				(80,058)
				(1,430,953)
				(169,603)
				(2,830)
				378,359
				(27,305)
				80,244,505
				(80,089,044)
(2,799,293)		(2,798,887)	5,908,275	
				600,889
		(40)	55,323	(25,397)
		(56,683)		16,861
				(472,664)
			(55,323)	(86,267)
		6,643		(243,401)
				330,470
(406)		(313,191)		5,091,957
				57,947,802
		272,290		16,094,036
				498,800
		(106)		(81,123,547)
				(645,777)
1,337,560		1,337,560	(2,675,120)	
			(903,443)	2,255,043
				(2,409,706)
				492,649
				2,631,613
1,337,560		1,609,744	(3,578,563)	(4,259,087)
			180,035	28,174,112
				(1,396,176)
			903,443	(43,837,524)
(1,337,560)		(1,337,560)	2,675,120	(1,337,560)
(1,337,560)		(1,337,560)	3,758,598	(18,397,148)
(406)		(41,007)	180,035	(17,564,278)
4,512	1,000	602,631	(727,944)	48,057,762
$ 4,106	$ 1,000	$ 561,624	($ 547,909)	$ 30,493,484

Officers and Directors

Of American National Bank

OFFICERS

Administration

John B. "Bo" Stahler
President and CEO

Magan Catney
Administrative Officer

Loan Department

Dwight L. Berry
Executive Vice President

Steve Cookingham
Senior Vice President

Don Whatley
Senior Vice President

Kevin Goldstein
Vice President/Loans

Doris McGregor Steinberger
Vice President/Compliance Officer

Vickie Nason
Vice President/Credit and Collateral

Linda Musgrave
Assistant Vice President/Loans

Adam Whitmire
Assistant Vice President/Loans

Peggy Carr
Banking Officer

Vera Simons
Banking Officer

Lacey Slack
Banking Officer

Operations/Support Personnel

Roy T. Olsen
Senior Vice President of Operations & Cashier

Nancy Vannucci
Senior Vice President/Internal Auditor

Blake Andrews
Senior Vice President/Controller

J. Bradley Davidson
Vice President/Human Resources

Kenneth L. Haney
Assistant Vice President/Calling Officer

Klint M. Ostermann
Assistant Vice President

Nora Thornton
Assistant Vice President/Account Services

Andrew Walmer
Information Technology Officer

Delores Scarber
Banking Officer/Data Processing

Candice Stroud
Banking Officer

Trust and Investment Services

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Senior Vice President / Senior Trust Officer

Janice Adams
Vice President/Brokerage Services

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

Randy R. Martin, JD
Vice President/Trust Officer

Kevin O'Connell
Vice President/Trust Officer

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

Kelly J. Smith, CTFA
Vice President/Trust Officer

Linda Wilson
Vice President/Trust Officer

Paula Walmer
Assistant Vice President/Operations Manager

Jackye B. Hatley
Trust Officer/Trust Investment Advisor

Mortgage Loan Division/Elmwood Office

W.O. "Bill" Franklin
Senior Vice President

Donna Vaughn
Vice President

John Johnston
Assistant Vice President

Natalie Eubanks
Banking Officer

Chris Rogers
Banking Officer

Platinum Circle

Donna Adams
Coordinator/Administrative Officer

American National Leasing Company

Mike Cuba
Vice President

Downtown Office

John W. Kable
Senior Vice President/Branch Manager

Johnny Clark
Senior Vice President/Loans

Gail Natale
Vice President/Marketing

Karen Miller
Banking Officer

Marva Pieratt
Banking Officer

Iowa Park Office

Reanna Jones
Banking Officer/Branch Manager

Archer City Office

Flower Mound Office

Sam Wilson
Senior Vice President/Branch Manager

Jim Hendry
Senior Vice President/Loans

Joe D. Willard
Senior Vice President/Loans

Sara Knight
Banking Officer

Rosie Torrence
Banking Officer

Flower Mound Trust and Investment Services

Sharon L. Manley, CTFA
Vice President/Trust Officer

Archer Title of Texas, Inc.

Jean Taylor
Vice President/Manager

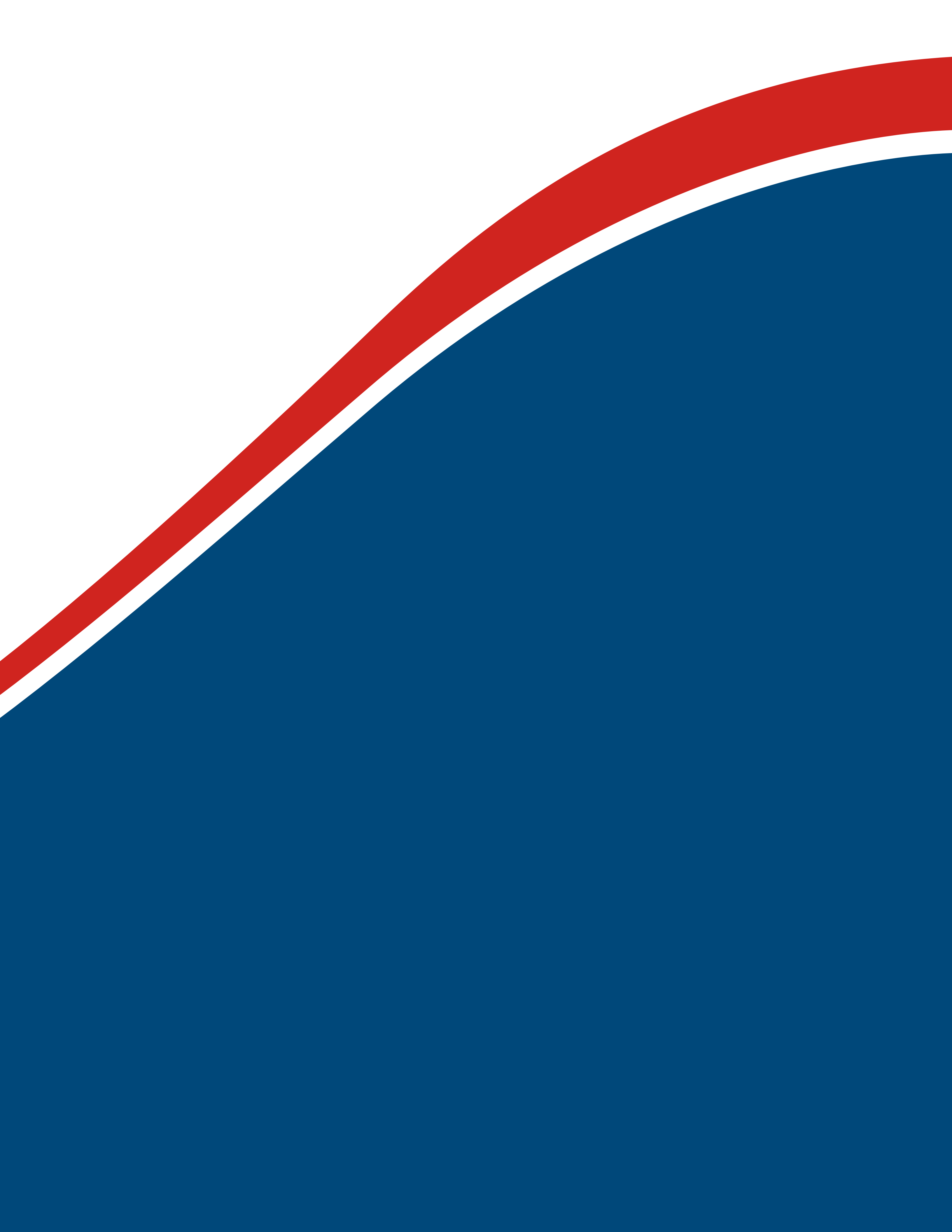
DIRECTORS

Dr. George Ritchie
Chairman of the Board

John B. "Bo" Stahler
President and CEO

Blake Andrews*
Dwight L. Berry
Kenny Bryant
Timothy G. Connolly*
W.O. Franklin*
Frank Gibson
Juliana Hanes
Harold Haynes
Tommy Isbell
Milburn Nutt
Bill Rowland
Stanley P. Rugeley
Robert Scott
Ty Thacker
Don Whatley*
Ben D. Woody

*Advisory Director



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