AmeriBancShares, Inc.

2012 ANNUAL REPORT

Start dreaming again.

Start dreaming again.

Yes, that is our new advertising slogan and hope for 2013 and our banking family invites you to likewise, "Start dreaming again."

It is ironic that 2012 was such an outstanding year for AmeriBancShares as the bank enjoyed a profit plateau that has been reached only two other times during its existence, all while the national news was continually forecasting negativity. Simultaneously, many Americans were wringing their hands worrying about wars, national debt issues, unemployment, social security doubts, and increased governmental intrusion into their lives, both at home and at work. With those thoughts in mind, one might ask, "How did AmeriBancShares profits excel in such a hostile banking climate in 2012?"

First and foremost, the bank employs an extremely talented and committed staff. The depth of our management team is extraordinary and as a result of a team effort, operating expenses in 2012 were reduced 7% for a savings of $1.45 million dollars.

Overall, at the holding company level, a profit of $4.7 million dollars was earned for the year ending December 31, 2012. This special achievement represents a 52% ($1.63 million dollar) increase in earnings over 2011.

It should be noted that $1.5 million dollars of the 2012 profit is attributable to our mortgage department closing $118.4 million in real estate transactions. Further, our trust department finished another great year with $1.3 million in profits. Another shining star in 2012 was our wholly-owned subsidiary American National Leasing Company which under the direction of President Mike Cuba, and Vice President Stewart Cobb, a break out growth record of 84% was achieved.

Stockholders' equity increased to $44.3 million dollars, representing a 13% increase for the year. Further, return on assets was very respectable at 1.05% while return on average equity measured 11.15%. Even with the payment of a special dividend of $.25 per share, our capital levels, which are considered so crucial to the measurement of safety and soundness of banks, reached 8.81% (tier 1) and 14.44% (risk based). Both of these percentages are considered extremely strong by all banking and governmental standards.

As it was with all conventional community banks in 2012, our bank experienced lower loan demand. Generating and retaining high quality loans is an extreme challenge nationwide and competition is intense. As always, our lending staff works tirelessly and successfully to reduce classified asset levels, thus, minimizing losses. This factor further emphasizes the importance of our diversification in ancillary sources of income such as trust and investment services, leasing, mortgage lending, and complete title services.

Board Governance continues to be a strong force in our banking operation because a talented, hard-working bank board is a must in today's environment. Our Board is diversified with expertise in oil and gas, real estate, general business, insurance, legal, investments, as well as tax and accounting. The Board is actively involved with management in


Hank Anderson and Mark Tucker

charting our future course. Two new Directors Hank Anderson, Attorney at Law, and Mark Tucker, Certified Public Accountant, were welcomed in 2012. Their expertise and energy is greatly appreciated.

Strategic planning is ongoing with high expectations for future growth in our Flower Mound branch. In 2012 our mortgage department, under the guidance of Sr. Vice President Bill Franklin, was expanded to Flower Mound. Vice President Carolyn Moore joined our banking family during the year and is rapidly growing the mortgage operation there. Additionally, under the guidance of Sr. Vice President Tim Connolly, Vice President Darrin Salge was employed in 2012 to advance our trust and investment operation in Flower Mound. We are pleased to welcome these two individuals as we seek to increase our presence in the metroplex. As stated at the beginning of this letter, let us all "Start dreaming again." We have a great team of very skillfull dedicated people, which is well positioned to obtain substantial success in the future for our shareholders, our customers, the communities in which we serve, as well as our banking family. We are committed to explore opportunities, analyze potential, and proceed incessantly to insure that your investment in AmeriBancShares continues to be both profitable and secure.

Thanks to all of you for your investment and your confidence.

Dwight L. Berry
President and CEO

FINANCIAL HIGHLIGHTS

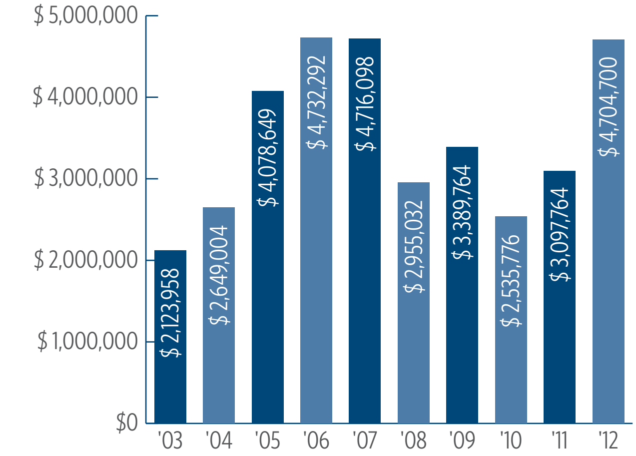
	YEAR ENDED DECEMBER 31, 2012	YEAR ENDED DECEMBER 31, 2011	% CHANGE
Demand Deposits	27,692,649	27,323,471	1.35%
Total Deposits	397,132,392	400,613,311	-0.87%
Total Assets	463,478,243	468,477,419	-1.07%
Total Loans (net)	251,423,895	257,906,316	-2.51%
Reserve for Loan Losses	5,484,883	5,818,488	-5.73%
Return on Earning Assets	3.92%	4.18%	-0.26%
Cost of Funds	0.53%	0.84%	-0.31%
Average Net Spread	3.39%	3.34%	0.05%
Growth in Capital	5,070,468	3,830,669	32.37%
Total Capital Beginning	39,258,243	35,427,574	
Total Capital Ending	44,328,711	39,258,243	12.92%

Interest Income	16,899,342	17,836,303	-5.25%
Interest Expense	1,900,863	2,975,015	-36.11%
Net Interest Income	14,998,479	14,861,288	0.92%
Non-Interest Income	10,070,914	8,719,182	15.50%
Non-Interest Expense	18,512,284	18,941,988	-2.27%
Profit Before Provision	6,557,109	4,638,482	41.36%
Provision for Loan Losses	30,500	387,000	-92.12%
Income Taxes	1,821,909	1,153,718	57.92%
Net Income	4,704,700	3,097,764	51.87%

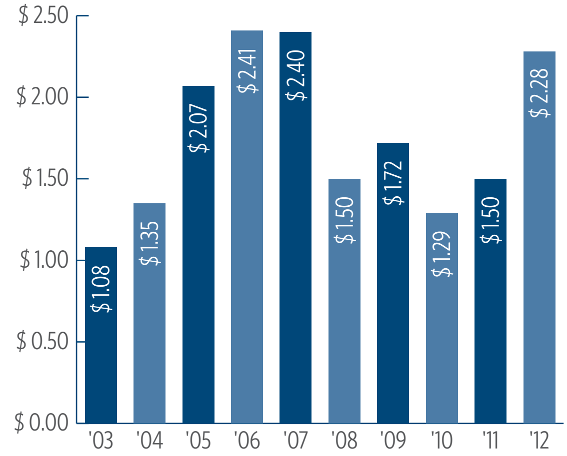
Earnings Per Share	2.28	1.50	52.00%
Dividends Paid	0.25	0.00	
Book Value	21.46	19.01	12.89%

Return on Average Assets	1.05	0.68	54.41%
Return on Average Equity	11.15	8.28	34.66%

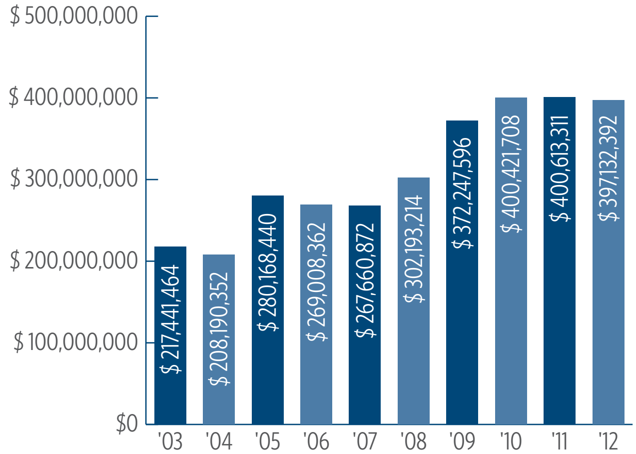
CONSOLIDATED NET INCOME



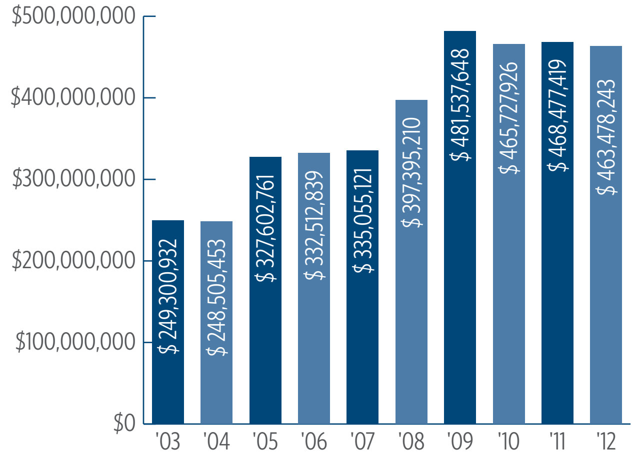
EARNINGS PER SHARE



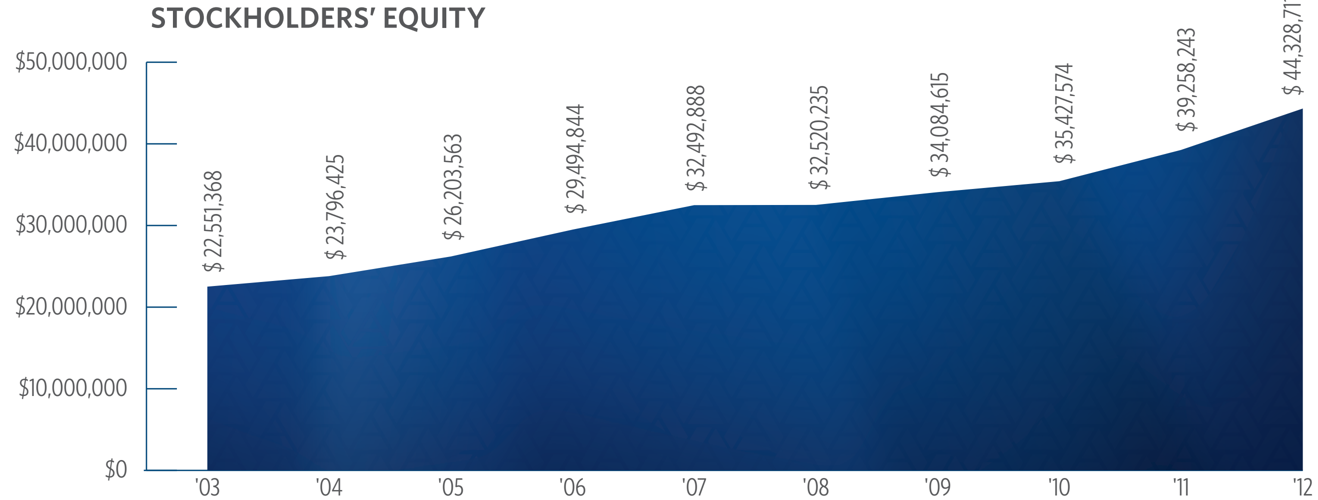
YEAR END DEPOSITS



YEAR END ASSETS



STOCKHOLDERS' EQUITY



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

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheet of AmeriBancShares, Inc. and Subsidiaries (Company) as of December 31, 2012 and 2011 and the related consolidated statements of income and comprehensive income, changes in stockholders' equity and cash flows for the years then ended and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based upon our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of AmeriBancShares, Inc. and Subsidiaries as of December 31, 2012 and 2011, 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 as a whole. The consolidating schedules presented following the Notes to Consolidated Financial Statements are presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Payne & Smith, LLC

February 12, 2013

CONSOLIDATED BALANCE SHEETS
December 31, 2012 and 2011

ASSETS	2012	2011
Cash and due from banks	$ 21,566,899	$ 16,965,683
Interest bearing deposits in banks	41,850,633	40,459,795
Total cash and equivalents	63,417,532	57,425,478
Securities available for sale	102,052,661	105,643,113
Securities to be held to maturity (approximate market value of $806,212 in 2012 and $0 in 2011)	800,000	–
Other securities (approximate market value of $839,250 in 2012 and $1,273,350 in 2011)	839,250	1,273,350
Total investments	103,691,911	106,916,463
Mortgage loans held for sale	3,378,704	3,330,820
Loans	258,233,010	264,226,240
Unearned discount	(1,324,232)	(501,436)
Allowance for loan losses	(5,484,883)	(5,818,488)
Net loans	251,423,895	257,906,316
Premises and equipment, net	15,282,802	15,608,975
Accrued interest receivable	1,564,331	1,637,393
Goodwill	4,219,975	4,219,975
Other assets	20,499,093	21,431,999
Total assets	$ 463,478,243	$ 468,477,419

LIABILITIES AND STOCKHOLDERS' EQUITY		
Demand deposits	$ 27,692,649	$ 27,323,471
Savings deposits	186,997,772	156,415,802
Money market and NOW accounts	85,534,339	97,928,760
Time certificates of deposit	96,907,632	118,945,278
Total deposits	397,132,392	400,613,311
Federal funds purchased	500,000	500,000
Repurchase agreements	4,291,565	4,595,607
Other borrowed funds	3,001,915	9,468,125
Junior subordinated debentures	7,217,000	7,217,000
Accrued interest payable	70,742	132,291
Other liabilities	6,935,918	6,692,842
Total liabilities	419,149,532	429,219,176
Stockholders' Equity		
Common Stock (par value $2.50; 5,000,000 shares authorized, 2,114,430 issued and 2,065,430 outstanding at 2012 and 2011)	5,286,075	5,286,075
Surplus	13,024,304	13,036,584
Undivided profits	26,533,018	22,344,676
Treasury stock at cost (49,000 shares)	(882,000)	(882,000)
Unearned KSOP stock	(868,485)	(1,085,657)
Accumulated other comprehensive income (loss):		
Net unrealized depreciation on derivatives used for cash flow hedges, net of tax ($20,303) in 2012 and ($93,781) in 2011	(39,412)	(182,045)
Net unrealized appreciation on securities available for sale, net of tax of $656,927 in 2012 and $381,526 in 2011	1,275,211	740,610
Total stockholders' equity	44,328,711	39,258,243
Total liabilities and stockholders' equity	$ 463,478,243	$ 468,477,419

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

	2012	2011
INTEREST INCOME:		
Interest and fees on loans	$ 14,736,591	$ 15,700,569
Interest on investment securities	2,011,150	1,994,472
Interest on interest bearing deposits in banks	151,601	141,262
Total interest income	16,899,342	17,836,303
INTEREST EXPENSE:		
Interest on deposits	1,335,488	2,133,566
Interest on federal funds purchased	37	231
Interest on repurchase agreements	4,104	5,625
Interest on other borrowed funds	160,523	438,149
Interest on Junior Subordinated Debentures	400,711	397,444
Total interest expense	1,900,863	2,975,015
Net interest income	14,998,479	14,861,288
Provision for loan losses	30,500	387,000
Net interest income after provision for loan losses	14,967,979	14,474,288
OTHER OPERATING INCOME:		
Service charges on deposit accounts	632,724	568,690
Trust fee income	4,007,218	3,858,116
Gain on sale of mortgage loans	2,341,200	1,231,983
Gain on sale of other real estate owned	–	123,447
Gain on sale of securities	48,619	4,106
Rent income	805,714	858,450
Other, net	2,235,439	2,074,390
Total other operating income	10,070,914	8,719,182
OTHER OPERATING EXPENSES:		
Salaries and employee benefits	10,499,096	10,195,309
Premises and equipment	2,179,460	2,353,809
Data processing expense	696,250	617,732
Other operating expenses	5,137,478	5,775,138
Total other operating expenses	18,512,284	18,941,988
Income before income taxes	6,526,609	4,251,482
Provision for income taxes	1,821,909	1,153,718
Net income	$ 4,704,700	$ 3,097,764
OTHER COMPREHENSIVE INCOME (LOSS):		
Change in net unrealized gain/loss on securities available for sale, net of taxes of $275,401 in 2012 and $212,808 in 2011	583,220	417,204
Less reclassification adjustment for gains on sales of securities available for sale	(48,619)	(4,106)
	534,601	413,098
Change in fair value of derivatives used for cash flow hedges, net of taxes of $73,478 in 2012 and $64,825 in 2011	142,633	125,837
Total other comprehensive income	677,234	538,935
Total comprehensive income	$ 5,381,934	$ 3,636,699
Net income per share of common stock	$ 2.28	$ 1.50

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, 2011	2,114,430	$5,286,075	$13,059,785	$19,246,912	($882,000)	($1,302,828)	$19,630	$35,427,574
Net income	–	–	–	3,097,764	–	–	–	3,097,764
Other comprehensive income	–	–	–	–	–	–	538,935	538,935
Unearned KSOP share released	–	–	(23,201)	–	–	217,171	–	193,970
Cash dividends	–	–	–	–	–	–	–	–
Balance December 31, 2011	2,114,430	$5,286,075	$13,036,584	$22,344,676	($882,000)	($1,085,657)	$558,565	$39,258,243
Net income	–	–	–	4,704,700	–	–	–	4,704,700
Other comprehensive income	–	–	–	–	–	–	677,234	677,234
Unearned KSOP share released	–	–	(12,280)	–	–	217,172	–	204,892
Cash dividends, $.25 per common share	–	–	–	(516,358)	–	–	–	(516,358)
Balance December 31, 2012	2,114,430	$5,286,075	$13,024,304	$26,533,018	($882,000)	($868,485)	$1,235,799	$44,328,711

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

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 4,704,700	$ 3,097,764
Adjustments to reconcile net income to net cash provided by operations:		
Depreciation	1,592,446	1,681,423
Amortization of intangibles	-	195,384
Provision for loan losses	30,500	387,000
Provision for other real estate owned losses	92,191	324,826
Provision for deferred taxes	6,106	360,697
Gain on sale of securities available for sale	(48,619)	(4,106)
Gain on sale of mortgage loans	(2,341,200)	(1,231,983)
Gain (loss) on sale of other real estate owned	104,450	(123,447)
Gain on sale of premises and equipment	(13,451)	(17,330)
Amortization of premium on investment securities	700,872	579,594
Accretion of discount on investment securities	(1,979)	(67,730)
Proceeds from sales of mortgage loans	108,074,626	65,406,370
Mortgage loans funded	(105,769,000)	(64,113,650)
(Increase) decrease in:		
Prepaid expenses	717,423	736,710
Accrued interest receivable	73,061	428,413
Income taxes receivable	167,358	(26,738)
Miscellaneous other assets	(438,615)	(174,404)
Increase (decrease) in:		
Accrued interest payable	(61,549)	(140,226)
Other taxes payable	25,003	21,614
Other accrued expenses	(239,377)	(196,452)
Net cash provided by operating activities	7,374,946	7,123,729
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from maturing securities available for sale	32,786,711	37,780,618
Proceeds from sale of securities available for sale	7,837,984	8,085,090
Proceeds from sale of other securities	436,600	1,317,500
Purchase of securities available for sale	(36,874,515)	(70,291,669)
Purchase of securities to be held to maturity	(800,000)	-
Purchase of other securities	(2,500)	(6,300)
Purchase of cash value life insurance	(546,435)	(508,539)
Net decrease in loans	5,651,687	38,393,547
Purchase of premises and equipment	(2,052,510)	(1,831,464)
Proceeds from sale of premises and equipment	807,779	630,548
Proceeds from sale of other real estate owned	1,934,945	6,620,405
Net cash provided by investing activities	9,179,746	20,189,736
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net increase (decrease) in deposits	(3,480,919)	191,603
Net increase (decrease) in repurchase agreements	(304,042)	2,107,229
Net decrease in other borrowed funds	(6,261,319)	(2,680,303)
Dividends paid	(516,358)	-
Net cash used in financing activities	(10,562,638)	(381,471)
Net increase in cash and cash equivalents	5,992,054	26,931,994
Cash and cash equivalents at beginning of period	57,425,478	30,493,484
Cash and cash equivalents at end of period	$ 63,417,532	$ 57,425,478

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, real estate title 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, 2012 and 2011.

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.

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

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

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

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

OTHER REAL ESTATE OWNED: Other real estate owned consists of real property acquired through foreclosure or deed in lieu of foreclosure. Other real estate owned, in the amount of $4,310,268 and $5,653,930 at December 31, 2012 and 2011, 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 2011 financial statements have been reclassified, where appropriate, to conform with the financial presentation used in 2012.

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 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, 2012	AMORTIZED COST	GROSS UNREALIZED GAINS	GROSS UNREALIZED LOSSES	ESTIMATED MARKET VALUE
Securities Available For Sale				
United States Agency securities	$ 70,673,779	$ 565,800	($ 6,600)	$ 71,232,979
Municipal securities	19,680,363	1,272,110	(12,931)	20,939,542
Corporate bonds	5,280,224	71,651	(3,950)	5,347,925
Mortgage-backed securities	4,412,240	46,058	–	4,458,298
Equity securities	73,917	–	–	73,917
Totals	$ 100,120,523	$ 1,955,619	($ 23,481)	$ 102,052,661
Securities Held to Maturity				
Municipal securities	$ 800,000	$17,932	($11,720)	$ 806,212
Totals	$ 800,000	$17,932	($11,720)	$ 806,212
Other securities	$ 839,250	–	–	$ 839,250

DECEMBER 31, 2011	AMORTIZED COST	GROSS UNREALIZED GAINS	GROSS UNREALIZED LOSSES	ESTIMATED MARKET VALUE
Securities Available For Sale				
United States Agency securities	$ 81,762,045	$ 662,320	($ 35,525)	$ 82,388,840
Municipal securities	17,163,731	808,927	(214,460)	17,758,198
Corporate bonds	5,227,975	–	(105,475)	5,122,500
Mortgage-backed securities	52,776	6,349	–	59,125
Equity securities	314,450	–	–	314,450
Totals	$ 104,520,977	$ 1,477,596	($ 355,460)	$ 105,643,113
Other securities	$ 1,273,350	–	–	$ 1,273,350

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).

The amortized cost and estimated market value of debt securities at December 31, 2012, 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	$ 25,514,931	$ 25,750,226	$ 25,000	$ 24,817
Due after one year through five years	52,632,483	53,088,694	200,000	193,229
Due after five years through ten years	8,293,269	8,495,662	375,000	373,580
Due after ten years	9,193,683	10,185,864	200,000	214,586
	$ 95,634,366	$ 97,520,446	$ 800,000	$ 806,212
Mortgage-backed securities	4,412,240	4,458,298	–	–
Equity securities	73,917	73,917	–	–
Totals	$ 100,120,523	$ 102,052,661	$ 800,000	$ 806,212

Proceeds from sales of available for sale securities for the years ended December 31, 2012 and 2011 were approximately $7,837,984 and $8,085,090, respectively. Gross gains of $48,619 and $4,106 were realized on sales of available for sale securities during 2012 and 2011, respectively. No gross losses were realized on sales of available for sale securities during 2012 or 2011.

Investment securities with a recorded value of approximately $74,585,460 and $70,727,046 at December 31, 2012 and 2011, 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, 2012 and 2011 are summarized as follows:

DECEMBER 31, 2012	LESS THAN 12 MONTHS		12 MONTHS OR MORE	
	FAIR VALUE	UNREALIZED LOSSES	FAIR VALUE	UNREALIZED LOSSES
SECURITIES AVAILABLE FOR SALE				
United States Agency securities	$ 4,993,400	($ 6,600)	$ –	$ –
Municipal securities	2,875,677	(12,931)	–	–
Corporate bonds	2,703,475	(3,950)	–	–
	$ 10,572,552	($ 23,481)	$ –	$ –
SECURITIES HELD TO MATURITY				
Municipal securities	$ 438,280	($ 11,720)	–	–
	$ 438,280	($ 11,720)	$ –	$ –

DECEMBER 31, 2011	LESS THAN 12 MONTHS		12 MONTHS OR MORE	
	FAIR VALUE	UNREALIZED LOSSES	FAIR VALUE	UNREALIZED LOSSES
SECURITIES AVAILABLE FOR SALE				
United States Agency securities	$ 15,321,650	($ 35,525)	$ –	$ –
Municipal securities	6,533,665	(214,460)	–	–
Corporate bonds	5,122,500	(105,475)	–	–
	$ 26,977,815	($ 355,460)	$ –	$ –

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, 2012 and 2011, 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 intent and 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, 2012	DECEMBER 31, 2011
Real estate		
1-4 family construction	$ 1,493,944	$ 1,574,106
Construction, land development and other land	6,177,698	10,307,979
Revolving 1-4 family residential	831,170	797,392
1-4 family residential	46,827,837	47,505,045
Multi-family residential	3,076,164	2,750,028
Nonfarm nonresidential - owner occupied	50,695,587	44,936,419
Nonfarm nonresidential - nonowner occupied	97,130,865	109,083,441
Farmland	4,361,565	2,607,026
Commercial and industrial	17,544,710	21,665,714
Consumer	13,555,884	10,378,836
All other loans	3,549,247	7,230,019
Lease financing receivable	12,954,280	5,367,446
Overdrafts	34,059	22,789
Total loans	$ 258,233,010	$ 264,226,240

At December 31, 2012 and 2011, the Company had total commercial real estate loans of $158,574,258 and $168,651,973, respectively. Included in these amounts, the Company had construction, land development, and other land loans representing 15% and 26%, respectively, of total risk based capital at December 31, 2012 and 2011. The Company had non-owner occupied commercial real estate loans representing 217% and 272%, respectively, of total risk based capital at December 31, 2012 and 2011. 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.

The Company extends commercial and consumer credit primarily to customers in the state of Texas. At December 31, 2012 and 2011 the majority of the Company's loans were collateralized with real estate. The real estate collateral provides an alternate source of repayment in the event of default by the borrower, and may deteriorate in value during the time the credit is extended. The weakening of real estate markets may have an adverse effect on the Company's profitability and asset quality. If the Company were required to liquidate the collateral securing a loan to satisfy the debt during a period of reduced real estate values, earnings and capital could be adversely affected. Additionally, the Company has loans secured by inventory, accounts receivable, equipment, marketable securities, or other assets. The debtors' ability to honor their contracts on all loans is substantially dependent upon the general economic conditions of the region.

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 $185,432,983 and $142,517,067 at December 31, 2012 and 2011, respectively. Custodial escrow balances maintained in connection with the foregoing loan servicing, and included in demand deposits, were approximately $913,842 and $684,362 at December 31, 2012 and 2011, respectively.

Originated mortgage servicing rights capitalized at December 31, 2012 and 2011, are $1,498,580 and $1,136,605, respectively, and are included in other assets. The fair values of these rights were $1,617,161 and $1,152,393 at December 31, 2012 and 2011, respectively. The fair value of servicing rights was determined using a weighted average discount rate of 11.56% and 11.59% for 2012 and 2011, respectively, and a weighted average prepayment speed of 11.291% and 14.184% for 2012 and 2011, respectively.

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

	2012	2011
Balance at beginning of year	$ 1,136,605	$ 997,263
Origination	615,962	317,349
Amortization	(253,987)	(178,007)
Impairments	–	–
Balance at end of year	$ 1,498,580	$ 1,136,605

Loan maturities and rate sensitivity of the loan portfolio at December 31, 2012 and 2011, including mortgage loans held for resale less loans on nonaccrual, are as follows:

	2012	2011
Fixed rate loans with a remaining maturity of:		
Three months or less	$ 26,979,029	$ 21,036,135
Over three months through twelve months	30,750,633	30,944,655
Over one year through five years	115,214,355	124,903,322
Over five years	47,099,353	39,835,281
Total fixed rate loans	$ 220,043,370	$ 216,719,393
Variable rate loans with a repricing frequency of:		
Quarterly or more frequently	$ 28,732,754	$ 36,126,890
Annually or more frequently, but less frequently than quarterly	2,546,043	2,756,867
Every five years or more frequently, but less frequently than annually	5,357,838	7,468,303
Less frequently than every five years	180,519	95,759
Total variable rate loans	$ 36,817,154	$ 46,447,819

An analysis of the allowance for loan losses for the years ended December 31, 2012 and 2011 is as follows:

DECEMBER 31, 2012	BEGINNING BALANCE	PROVISION	CHARGE-OFFS	RECOVERIES	ENDING BALANCE
Real Estate					
1-4 family construction	$ 83,113	($ 76,327)	$ –	$ 16,968	$ 23,754
Construction, land development and other land	103,582	437,435	(329,246)	–	211,771
Revolving 1-4 family residential	–	–	–	–	–
1-4 family residential	61,472	28,805	(180,808)	135,982	45,451
Multi-family residential	–	–	–	–	–
Nonfarm nonresidential - owner occupied	–	–	–	–	–
Nonfarm nonresidential - nonowner occupied	560,870	(80,328)	–	–	480,542
Farmland	–	–	–	–	–
Commercial and industrial	17,332	28,309	(2,840)	2,933	45,734
Consumer	11,409	7,407	(10,436)	2,463	10,843
All other loans	–	–	–	–	–
Lease financing receivable	33,815	(33,400)	(549)	1,428	1,294
Overdrafts	–	–	–	–	–
Unallocated	4,946,895	(281,401)	–	–	4,665,494
Balances for year ended December 31, 2012	$ 5,818,488	$ 30,500	($ 523,879)	$ 159,774	$ 5,484,883

DECEMBER 31, 2011	BEGINNING BALANCE	PROVISION	CHARGE-OFFS	RECOVERIES	ENDING BALANCE
Real Estate					
1-4 family construction	$ 395,927	($ 149,134)	($ 323,780)	$ 160,100	$ 83,113
Construction, land development and other land	–	103,582	–	–	103,582
Revolving 1-4 family residential	–	–	–	–	–
1-4 family residential	334,093	(151,927)	(138,258)	17,564	61,472
Multi-family residential	–	–	–	–	–
Nonfarm nonresidential - owner occupied	–	–	–	–	–
Nonfarm nonresidential - nonowner occupied	–	560,870	–	–	560,870
Farmland	–	–	–	–	–
Commercial and industrial	88,003	(70,671)	–	–	17,332
Consumer	9,231	4,727	(16,136)	13,587	11,409
All other loans	–	–	–	–	–
Lease financing receivable	27,784	25,992	(21,969)	2,008	33,815
Overdrafts	–	–	–	–	–
Unallocated	4,883,334	63,561	–	–	4,946,895
Balances for year ended December 31, 2011	$ 5,738,372	$ 387,000	($ 500,143)	$ 193,259	$ 5,818,488

The allocation of a portion of the allowance for loan losses to one category does not preclude its availability to absorb losses in other categories.

Further information pertaining to the allowance for loan losses (ALLL) at December 31, 2012 and 2011 follows:

DECEMBER 31, 2012	**LOAN IMPAIRMENT EVALUATION**			**ALLL IMPAIRMENT ALLOCATIONS**		
	INDIVIDUALLY	**COLLECTIVELY**	**TOTAL LOANS**	**INDIVIDUALLY**	**COLLECTIVELY**	**TOTAL ALLL**
Real Estate						
1-4 family construction	$ –	$ 1,493,944	$ 1,493,944	$ –	$ 23,754	$ 23,754
Construction, land development and other land	1,166,085	5,011,613	6,177,698	78,462	133,309	211,771
Revolving 1-4 family	–	831,170	831,170	–	–	–
1-4 family residential	1,377,083	45,450,754	46,827,837	–	45,451	45,451
Multi-family residential	–	3,076,164	3,076,164	–	–	–
Nonfarm nonresidential - owner occupied	1,063,011	49,632,576	50,695,587	–	–	–
Nonfarm nonresidential - nonowner occupied	3,695,930	93,434,935	97,130,865	480,542	–	480,542
Farmland	–	4,361,565	4,361,565	–	–	–
Commercial and industrial	62,672	17,482,038	17,544,710	30,000	15,734	45,734
Consumer	2,739	13,553,145	13,555,884	–	10,843	10,843
All other loans	–	3,549,247	3,549,247	–	–	–
Lease financing receivable	–	12,954,280	12,954,280	–	1,294	1,294
Overdrafts	–	34,059	34,059	–	–	–
Unallocated	–	–	–	–	4,665,494	4,665,494
	$ 7,367,520	$ 250,865,490	$ 258,233,010	$ 589,004	$ 4,895,879	$ 5,484,883

DECEMBER 31, 2011	**LOAN IMPAIRMENT EVALUATION**			**ALLL IMPAIRMENT ALLOCATIONS**		
	INDIVIDUALLY	**COLLECTIVELY**	**TOTAL LOANS**	**INDIVIDUALLY**	**COLLECTIVELY**	**TOTAL ALLL**
Real Estate						
1-4 family construction	$ –	$ 1,574,106	$ 1,574,106	$ –	$ 83,113	$ 83,113
Construction, land development and other land	1,114,266	9,193,713	10,307,979	103,582	–	103,582
Revolving 1-4 family	–	797,392	797,392	–	–	–
1-4 family residential	1,512,882	45,992,163	47,505,045	6,281	55,191	61,472
Multi-family residential	–	2,750,028	2,750,028	–	–	–
Nonfarm nonresidential - owner occupied	1,152,961	43,783,458	44,936,419	–	–	–
Nonfarm nonresidential - nonowner occupied	7,473,055	101,610,386	109,083,441	560,870	–	560,870
Farmland	–	2,607,026	2,607,026	–	–	–
Commercial and industrial	–	21,665,714	21,665,714	–	17,332	17,332
Consumer	7,172	10,371,664	10,378,836	–	11,409	11,409
All other loans	–	7,230,019	7,230,019	–	–	–
Lease financing receivable	–	5,367,446	5,367,446	–	33,815	33,815
Overdrafts	–	22,789	22,789	–	–	–
Unallocated	–	–	–	–	4,946,895	4,946,895
	$ 11,260,336	$ 252,965,904	$ 264,226,240	$ 670,733	$ 5,147,755	$ 5,818,488

The Company's individual ALLL allocations are established for probable losses on specific loans. The Bank's collective ALLL allocations are established based upon historical loss experience for similar loans with similar characteristics. The Company's unallocated portion of ALLL is determined based on general economic conditions and other qualitative risk factors both internal and external to the Company.

Past Due Loans

The following is a summary of past due and non-accrual loans at December 31, 2012 and 2011:

DECEMBER 31, 2012		PAST DUE 90 DAYS OR MORE		
	30-89 DAYS PAST DUE	STILL ACCRUING	NON-ACCRUAL	TOTAL PAST DUE
Real Estate				
1-4 family construction	$ –	$ –	$ –	$ –
Construction, land development and other land	–	–	1,029,600	1,029,600
Revolving 1-4 family	–	–	–	–
1-4 family residential	1,517,253	–	1,377,083	2,894,336
Multi-family residential	–	–	–	–
Nonfarm nonresidential - owner occupied	–	–	1,063,011	1,063,011
Nonfarm nonresidential - nonowner occupied	–	–	1,216,086	1,216,086
Farmland	–	–	–	–
Commercial and industrial	91,222	–	62,672	153,894
Consumer	856,356	–	2,739	859,095
All other loans	–	–	–	–
Lease financing receivable	1,555	–	–	1,555
Overdrafts	–	–	–	–
	$ 2,466,386	$ –	$ 4,751,191	$ 7,217,577

DECEMBER 31, 2011		PAST DUE 90 DAYS OR MORE		
	30-89 DAYS PAST DUE	STILL ACCRUING	NON-ACCRUAL	TOTAL PAST DUE
Real Estate				
1-4 family construction	$ –	$ –	$ –	$ –
Construction, land development and other land	120,170	657,909	730,135	1,508,214
Revolving 1-4 family	–	–	–	–
1-4 family residential	890,705	56,527	328,931	1,276,163
Multi-family residential	–	–	–	–
Nonfarm nonresidential - owner occupied	–	–	1,152,961	1,152,961
Nonfarm nonresidential - nonowner occupied	–	–	2,166,425	2,166,425
Farmland	–	–	–	–
Commercial and industrial	13,618	–	–	13,618
Consumer	661,213	–	11,396	672,609
All other loans	–	–	–	–
Lease financing receivable	–	–	–	–
Overdrafts	–	–	–	–
	$ 1,685,706	$ 714,436	$ 4,389,848	$ 6,789,990

Impaired Loans

The following is a summary of information pertaining to impaired loans at December 31, 2012 and 2011 is as follows:

DECEMBER 31, 2012	IMPAIRED LOAN WITH A VALUATION ALLOWANCE			IMPAIRED LOAN WITHOUT A VALUATION ALLOWANCE		
	RECORDED INVESTMENT	UNPAID PRINCIPAL	RELATED ALLOWANCE	RECORDED INVESTMENT	UNPAID PRINCIPAL	RELATED ALLOWANCE
Real Estate						
1-4 family construction	$ –	$ –	$ –	$ –	$ –	$ –
Construction, land development and other land	136,485	136,485	78,462	1,029,600	1,029,600	–
1-4 family residential	–	–	–	1,377,083	1,377,083	–
Multi-family residential	–	–	–	–	–	–
Nonfarm nonresidential - owner occupied	–	–	–	1,063,011	1,063,011	–
Nonfarm nonresidential - nonowner occupied	3,695,930	3,695,930	480,542	–	–	–
Commercial and industrial	62,672	62,672	30,000	–	–	–
Consumer	–	–	–	2,739	2,739	–
All other loans	–	–	–	–	–	–
Lease financing receivable	–	–	–	–	–	–
Overdrafts	–	–	–	–	–	–
Balance at December 31, 2012	$ 3,895,087	$ 3,895,087	$ 589,004	$ 3,472,433	$ 3,472,433	$ –

DECEMBER 31, 2011	IMPAIRED LOAN WITH A VALUATION ALLOWANCE			IMPAIRED LOAN WITHOUT A VALUATION ALLOWANCE		
	RECORDED INVESTMENT	UNPAID PRINCIPAL	RELATED ALLOWANCE	RECORDED INVESTMENT	UNPAID PRINCIPAL	RELATED ALLOWANCE
Real Estate						
1-4 family construction	$ –	$ –	$ –	$ –	$ –	$ –
Construction, land development and other land	811,882	811,882	103,582	302,384	302,384	–
1-4 family residential	1,512,882	1,512,882	6,281	–	–	–
Multi-family residential	–	–	–	–	–	–
Nonfarm nonresidential - owner occupied	–	–	–	1,152,961	1,152,961	–
Nonfarm nonresidential - nonowner occupied	5,306,630	5,306,630	560,870	2,166,425	2,166,425	–
Commercial and industrial	–	–	–			–
Consumer	–	–	–	7,172	7,172	–
All other loans	–	–	–	–	–	–
Lease financing receivable	–	–	–	–	–	–
Overdrafts	–	–	–	–	–	–
Balance at December 31, 2011	$ 7,631,394	$ 7,631,394	$ 670,733	$ 3,628,942	$ 3,628,942	$ –

Additional information pertaining to impaired loans is as follows:

	2012	2011
Average impaired loans	$10,977,713	$6,335,743
Interest income recognized on impaired loans	$398,196	$287,520
Additional interest income that would have been recognized if the loans had been on the accrual basis	$252,042	$463,115

Troubled Debt Restructuring

Impaired loans include loans modified in troubled debt restructurings where concessions have been granted to borrowers experiencing financial difficulties. The restructuring of a loan is considered a troubled debt restructuring if both the borrower is experiencing financial difficulties and the creditor has granted a concession. Concessions may include interest rate reductions or below market interest rates, principal forgiveness, restructuring amortization schedules and other actions intended to minimize potential losses. The Company had no significant TDR's during the periods ending December 31, 2012 and 2011.

Credit Quality Information

The Company categorizes loans into risk categories based on relevant information about the ability of borrowers to service their debt, including: current financial information, historical payment experience, credit documentation, public information, and current economic trends, among other factors. The Company analyzes loans individually by classifying the loans as to credit risk. This analysis includes loans with an outstanding balance greater than $100,000 and non-homegeneous loans, such as commercial and commercial real estate loans. This analysis is performed on an ongoing basis. The Company uses the following definitions for risk ratings:

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

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

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

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

The risk category of loans by class of loans at December 31, 2012 and 2011 is as follows:

DECEMBER 31, 2012	PASS	SPECIAL MENTION	SUBSTANDARD	DOUBTFUL	TOTAL
Real Estate					
1-4 family construction	$ 1,493,944	$ –	$ –	$ –	$ 1,493,944
Construction, land development and other land	4,798,766	212,847	1,166,085	–	6,177,698
Revolving 1-4 family	831,170	–	–	–	831,170
1-4 family residential	43,122,151	1,337,533	2,368,153	–	46,827,837
Multi-family residential	3,076,164	–	–	–	3,076,164
Nonfarm nonresidential - owner occupied	49,632,576	–	1,063,011	–	50,695,587
Nonfarm nonresidential - nonowner occupied	83,585,600	–	13,545,265	–	97,130,865
Farmland	4,361,565	–	–	–	4,361,565
Commercial and industrial	17,358,761	84,227	101,722	–	17,544,710
Consumer	13,542,363	–	13,521	–	13,555,884
All other loans	3,549,247	–	–	–	3,549,247
Lease financing receivable	12,954,280	–	–	–	12,954,280
Overdrafts	34,059	–	–	–	34,059
	$ 238,340,646	$ 1,634,607	$ 18,257,757	$ –	$ 258,233,010

DECEMBER 31, 2011	PASS	SPECIAL MENTION	SUBSTANDARD	DOUBTFUL	TOTAL
Real Estate					
1-4 family construction	$ 1,503,456	$ –	$ 70,650	$ –	$ 1,574,106
Construction, land development and other land	7,231,036	387,847	2,689,096	–	10,307,979
Revolving 1-4 family	797,392	–	–	–	797,392
1-4 family residential	43,687,255	263,249	3,554,541	–	47,505,045
Multi-family residential	2,750,028	–	–	–	2,750,028
Nonfarm nonresidential - owner occupied	43,783,458	–	1,152,961	–	44,936,419
Nonfarm nonresidential - nonowner occupied	95,442,280	441,425	13,199,736	–	109,083,441
Farmland	2,607,026	–	–	–	2,607,026
Commercial and industrial	20,671,246	958,468	36,000	–	21,665,714
Consumer	10,345,605	–	33,231	–	10,378,836
All other loans	7,230,019	–	–	–	7,230,019
Lease financing receivable	5,367,446	–	–	–	5,367,446
Overdrafts	22,789	–	–	–	22,789
	$ 241,439,036	$ 2,050,989	$ 20,736,215	$ –	$ 264,226,240

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, 2012	DECEMBER 31, 2011
Land		$ 2,370,579	$ 2,370,579
Premises	5-40 years	11,153,532	11,153,532
Furniture, Fixtures & Equip	3-10 years	7,932,773	8,173,572
Land Improvements	5-20 years	463,355	463,355
Lease Equipment	3-5 years	3,723,664	3,863,779
		25,643,903	26,024,817
Less Accumulated Depreciation		10,361,101	10,415,842
Totals		$ 15,282,802	$ 15,608,975

Depreciation expense amounted to $1,592,446 and $1,681,423 in 2012 and 2011, respectively.

NOTE 5: GOODWILL

Goodwill in the amount of $4,219,975 at December 31, 2012 and 2011, 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, 2012 and 2011 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. In 2011, amortization expense in the amount of $195,384 resulted in the full amortization of the initial core deposit intangible of $1,138,163.

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 $56,725,477 and $72,025,804 at December 31, 2012 and 2011, respectively.

At December 31, 2012 and 2011, the scheduled maturities of certificates of deposit are as follows:

	DECEMBER 31, 2012	DECEMBER 31, 2011
Less than three months	$ 24,109,478	$ 34,077,179
Four to twelve months	36,664,300	46,743,771
One to five years	36,130,372	38,124,328
Over five years	3,482	–
Totals	$ 96,907,632	$ 118,945,278

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, 2012 the Company has reclassed $95,746,727 demand deposits and $74,292,423 NOW and Money Market deposits to savings deposits. At December 31, 2011 the Company has reclassed $72,251,272 demand deposits and $69,804,935 NOW and Money Market deposits to savings deposits for regulatory reporting in connection with this program.

NOTE 8: SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE

Securities sold under agreements to repurchase amounted to $4,291,565 and $4,595,607 at December 31, 2012 and 2011, respectively. The agreements are secured by U.S. Government Agency securities with a fair value of $4,378,951 at 2012 and $4,689,836 at 2011. The weighted average interest rate on these agreements was 0.10% and 0.15% at December 31, 2012 and 2011, respectively. The agreements of $4,291,565 at December 31, 2012 mature on January 2, 2013 and are renewed daily as necessary under normal operations.

NOTE 9: OTHER BORROWED FUNDS

Included in other borrowed funds at December 31, 2012 and 2011, respectively, are the following:

	2012	2011
Advances from the Federal Home Loan Bank	$ 2,064,673	$ 8,325,992
KSOP note payable	937,242	1,142,133
	$ 3,001,915	$ 9,468,125

Advances from the Federal Home Loan Bank

Advances from the Federal Home Loan Bank amounted to $2,064,673 and $8,325,992, respectively, at December 31, 2012 and 2011. These borrowings are collateralized by one-to-four family residences. The Federal Home Loan Bank advances have fixed rates ranging from 3.63% to 3.90%. The advances were used to fund fixed interest rate loans to customers and mature in 2013.

KSOP Note Payable

At December 31, 2012 and 2011, the Company's KSOP had a note payable in the amount of $937,242 and $1,142,133 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 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, 2012 and 2011 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, 2012 and 2011. Both the junior subordinated debentures and the related trust preferred securities yield an annual distribution rate of 3-month LIBOR plus 1.80% ($2.11% at December 31, 2012 and 2.33% at December 31, 2011), are redeemable at various dates beginning in June, 2010 and mature in June, 2035.

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

The Dodd-Frank Act eliminated the use of trust preferred securities issued after May 19, 2010 as a component of Tier 1 capital for depository institution holding companies, such as the Company. However, because the Company had less than $15 billion of consolidated assets as June 30, 2011, the Company will be permitted to include any trust preferred securities issued before May 19, 2010 as an element of Tier 1 capital, but not be able to include any trust preferred securities issued after May 19, 2010 as a component of Tier 1 capital. Further, the Board of Governors of the Federal Reserve System (Board) has determined that trust preferred securities are restrictive core capital elements in computing Tier I capital of bank holding companies. The Board has limited restrictive core capital elements (as defined) to 25% of core capital elements. Accordingly, the Company is limited on the trust preferred securities which it can include in its Tier I capital.

NOTE 11: INCOME TAXES

The provision for income taxes consists of the following:

	DECEMBER 31, 2012	DECEMBER 31, 2011
Current income tax expense		
Federal and state	$ 1,815,803	$ 793,021
Deferred income tax expense (benefit) arising from:		
Excess of tax over financial accounting depreciation	(59,431)	160,909
Accounting for bad debt expense	113,425	(27,239)
Federal Home Loan Bank stock dividends	(122,267)	2,142
Deferred compensation benefits	(59,386)	100,400
Deferred loan fee income	22,195	23,897
Goodwill amortization	105,372	105,373
Write down of other real estate owned	6,198	(4,785)
Net deferred income tax expense	6,106	360,697
Total Income Tax Expense	$ 1,821,909	$ 1,153,718

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.

As of December 31, 2012 and 2011, 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 $458,361 and $813,346 at December 31, 2012 and 2011 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, 2012	DECEMBER 31, 2011
Deferred tax assets		
Excess of tax cost over financial cost for fixed assets	$ 95,334	$ 108,914
Allowance for loan losses	1,627,544	1,740,969
Deferred compensation benefits	1,751,336	1,691,950
Deferred loan fee income	36,779	58,974
Write down of other real estate owned	132,122	138,320
Net unrealized depreciation on derivatives used for cash flow hedges	20,303	93,781
Total deferred tax assets	3,663,418	3,832,908
Deferred tax liabilities		
Depreciation	(1,327,444)	(1,400,455)
Federal Home Loan Bank stock dividends	(54,091)	(176,358)
Amortization	(1,166,595)	(1,061,223)
Net unrealized appreciation on securities available for sale	(656,927)	(381,526)
Total deferred tax liabilities	(3,205,057)	(3,019,562)
Total net deferred tax asset	$ 458,361	$ 813,346

Federal income taxes currently receivable of $130,616 and $305,713 at December 31, 2012 and 2011, 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 2012 and 2011 was $353,306 and $377,459, respectively. Employee salary reduction contributions of $381,875 and $396,366 were made in 2012 and 2011, 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, 2012 and 2011, the Company's accrued liability under the agreements was $5,144,469 and $4,976,325, 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, 2012 and 2011, respectively, include $9,908,151 and $9,440,078 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, 2012 and 2011, the information pertaining to outstanding interest rate swap agreements used to hedge variable rate debt is as follows:

	DECEMBER 31, 2012	DECEMBER 31, 2011
Notional amount	$ 7,000,000	$ 7,000,000
Weighted average pay rate	5.60%	5.60%
Weighted average receive rate	2.11%	2.35%
Weighted average maturity in years	.25	1.25
Unrealized loss relating to interest rate swaps	$ 59,716	$ 275,826

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 and mature in March 2013.

At December 31, 2012 and 2011, 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, 2012 and 2011, was $238,342 and $248,320, respectively.

Risk management results for the year ended December 31, 2012 and 2011 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, 2012 and 2011, 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 $13,541,147 and $15,537,760, respectively. During 2012, $5,893,133 of new loans were originated and repayments totaled $7,889,746. 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, 2012 and 2011, are as follows:

	DECEMBER 31, 2012	DECEMBER 31, 2011
Commitments to extend credit	$ 24,166,464	$ 32,638,711
Standby letters of credit	$ 3,565,953	$ 3,463,869
Total	$ 27,732,417	$ 36,102,580

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 2012 or 2011.

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, 2012 the Company had $20,173,000 in due from banks and federal funds sold in excess of federally insured amounts. At December 31, 2011 the Company had $14,407,556 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, 2012 and 2011, total deposits include $51,446,558 and $68,469,415, 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, 2012 and 2011 are as follows:

DECEMBER 31, 2012	LEVEL 1	LEVEL 2	LEVEL 3
Available for sale securities (1)	$ –	$ 102,052,661	$ –
Impaired loans (2) (3)	–	–	3,306,083
Interest Rate Swap (1)	–	(59,716)	–
DECEMBER 31, 2011	**LEVEL 1**	**LEVEL 2**	**LEVEL 3**
Available for sale securities (1)	$ –	$ 105,643,113	$ –
Impaired loans (2) (3)	–	–	6,960,661
Interest Rate Swap (1)	–	(275,826)	–

(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) Fair value of Impaired loans is measured on a nonrecurring basis.

The estimated fair values of the Company's financial instruments at December 31, 2012 and 2011, are as follows:

	DECEMBER 31, 2012		DECEMBER 31, 2011	
	CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE
Finanical Assets:				
Cash and short-term investments	$ 63,417,532	$ 63,417,532	$ 57,425,478	$ 57,425,478
Investment securities	103,691,911	103,698,123	106,916,463	106,916,463
Mortgage loans held for sale	3,378,704	3,378,704	3,330,820	3,330,820
Loans, net of discount	256,908,778	258,424,000	263,724,804	270,818,000
Less allowance for loan losses	(5,484,883)	(5,484,883)	(5,818,488)	(5,818,488)
Loans, net of allowance	251,423,895	252,939,117	257,906,316	264,999,512
Accrued interest receivable	1,564,331	1,564,331	1,637,393	1,637,393
Financial Liabilities:				
Deposits	397,132,392	398,086,000	400,613,311	401,894,000
Federal funds purchased	500,000	500,000	500,000	500,000
Repurchase agreements	4,291,565	4,291,565	4,595,607	4,595,607
Other borrowed funds	3,001,915	3,012,000	9,468,125	10,396,000
Junior Subordinated Debentures	7,217,000	7,217,000	7,217,000	7,217,000
Accrued interest payable	70,742	70,742	132,291	132,291
On-Balance Sheet Derivative Financial Instruments:				
Interest rate swap agreements				
Assets	–	–	–	–
Liabilities	59,716	59,716	275,826	275,826
Off-Balance Sheet Credit Related Financial Instruments:				
Commitments to extend credit	–	–	–	–
Standby letters of credit	–	–	–	–

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.

Interest Rate Swap
The fair value of interest rate swaps are primarily based on quoted market prices of instruments with similar terms as those represented by the swap agreements.

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.

The Company has no non-financial assets or non-financial liabilities measured on a non-recurring basis. Certain non-financial assets measured at fair value include other real estate owned (upon initial acquisition and subsequent impairment). Other real estate owned, upon initial acquisition, is remeasured and reported at fair value through a charge-off to the allowance for loan losses and certain other real estate owned, subsequent to its initial recognition, is remeasured at fair value through a write-down included in other non-interest expense. The fair value of other real estate owned is estimated using Level 2 inputs based on observable market data.

The following table presents other real estate that was remeasured during 2012 and 2011 and reported at fair value:

	2012	2011
Other Real Estate Remeasured at Initial Acquisition:		
Carrying value prior to measurement	$ 1,133,351	$ 7,617,853
Charge-offs recognized in the allowance for loan losses	(345,428)	(462,038)
	$ 787,923	$ 7,155,815
Other Real Estate Remeasured Subsequent to Initial Acquisition:		
Carrying value prior to measurement	$ 927,969	$ 2,603,572
Write-downs included in other non-interest expense	(92,191)	(324,826)
	$ 835,778	$ 2,278,746

NOTE 18: REGULATORY MATTERS

The Bank is subject to the dividend restrictions set forth by the Comptroller of the Currency. As discussed in Note 19, 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, 2012 and 2011, that the Bank meets all capital adequacy requirements to which it is subject.

As of December 31, 2012, the most recent notification from the Office of the Comptroller of the Currency categorized the Bank as adequately 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 below, and not be subject to any written agreement, order or capital directive, or prompt corrective action directive issued by the OCC pursuant to section 8 of the FDI Act, the International Lending Supervision Act of 1983, or section 38 of the FDI Act, or any regulation thereunder, to meet and maintain a specific capital level for any capital measure. As discussed in Note 19, the Bank is currently under a written formal agreement which requires it to maintain specific capital levels for Tier 1 leverage capital at least equal to 8% of adjusted total assets and total risk based capital at least equal to 12% of risk weighted assets.

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

	ACTUAL		FOR CAPITAL ADEQUACY PURPOSES		TO BE WELL CAPITALIZED UNDER PROMPT CORRECTIVE ACTION PROVISIONS	
	AMOUNT	RATIO	AMOUNT	RATIO	AMOUNT	RATIO
As of December 31, 2012:						
Total capital (to risk-weighted assets)						
American National Bank	$ 49,798,969	17.0%	≥ 23,470,394	≥ 8.0%	≥ 29,337,993	≥ 10.0%
Tier I capital (to risk-weighted assets)						
American National Bank	$ 46,109,156	15.7%	≥ 11,735,197	≥ 4.0%	≥ 17,602,796	≥ 6.0%
Tier I capital (to average assets)						
American National Bank	$ 46,109,156	10.5%	≥ 17,569,261	≥ 4.0%	≥ 21,961,576	≥ 5.0%
As of December 31, 2011:						
Total capital (to risk-weighted assets)						
American National Bank	$ 45,423,799	15.2%	≥ 24,147,920	≥ 8.0%	≥ 30,184,900	≥ 10.0%
Tier I capital (to risk-weighted assets)						
American National Bank	$ 41,650,686	13.9%	≥ 12,073,960	≥ 4.0%	≥ 18,110,940	≥ 6.0%
Tier I capital (to average assets)						
American National Bank	$ 41,650,686	9.3%	≥ 17,911,486	≥ 4.0%	≥ 22,389,358	≥ 5.0%

NOTE 19: FORMAL AGREEMENT

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.

NOTE 20: STATEMENT OF CASH FLOWS

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

The Company uses the indirect method to present cash flows from operating activities. Other supplemental cash flow information for the years ended December 31, 2012 and 2011 is presented as follows:

	DECEMBER 31, 2012	DECEMBER 31, 2011
Cash Transactions:		
Interest expense paid	$ 1,962,412	$ 3,115,241
Federal income taxes paid	$ 1,595,704	$ 774,759
Noncash Transactions:		
Net change in fair value of derivatives used for cash flow hedges	$ 216,110	$ 192,662
Net unrealized appreciation on securities available for sale	$ 810,001	$ 625,905

ASSETS	AMERICAN NATIONAL LEASING CO.	ARCHER TITLE OF TEXAS	AMERICAN NATIONAL BANK
Cash and due from banks	$ 45,151	$ 190,270	$ 21,443,523
Interest bearing deposits in banks	–	–	41,850,633
Total cash and equivalents	45,151	190,270	63,294,156
Securities available for sale	–	–	101,978,744
Securities to be held to maturity	–	–	800,000
Other securities	–	–	2,874,511
Total investments	–	–	105,653,255
Mortgage loans held for sale	–	–	3,378,704
Loans	12,954,281	–	256,016,010
Unearned discount	(1,324,232)	–	0
Allowance for loan losses	(102,316)	–	(5,382,567)
Net loans	11,527,733	–	250,633,443
Premises and equipment, net	2,825,191	1,135,560	11,322,051
Accrued interest receivable	–	–	3,496,840
Goodwill	–	20,115	4,199,860
Other assets	60,650	9,852	19,158,115
Total assets	14,458,725	1,355,797	461,136,424
LIABILITIES AND STOCKHOLDERS' EQUITY			
Demand deposits	–	–	28,303,355
Savings deposits	–	–	186,997,772
Money market and NOW accounts	–	–	85,534,339
Time certificates of deposit	–	–	96,907,632
Total deposits	–	–	397,743,098
Federal funds purchased	–	–	500,000
Repurchase agreements	–	–	4,291,565
Other borrowed funds	10,422,280	315,001	2,064,673
Junior subordinated debentures	–	–	–
Accrued interest payable	1,814,290	119,509	70,742
Other liabilities	862,115	29,066	4,712,146
Total liabilities	13,098,685	463,576	409,382,224
Stockholders' Equity			
Common Stock	1,000	1,000	1,680,000
Surplus	–	–	7,090,826
Undivided profits	1,359,040	891,221	41,708,163
Treasury stock	–	–	–
Unearned KSOP stock	–	–	–
Unrealized gain (loss) - Interest Swap	–	–	–
Unrealized gain (loss) - AFS	–	–	1,275,211
Total stockholders' equity	1,360,040	892,221	51,754,200
Total liabilities and stockholders' equity	$ 14,458,725	$ 1,355,797	$ 461,136,424

AMERIBANCSHARES OF DELAWARE, INC.	ANB REALTY CORP.	AMERIBANCSHARES INC.	RECLASSIFICATION AND ELIMINATION ENTRIES	CONSOLIDATED
$ 3,376	$ 1,000	$ 494,285	($ 610,706)	$ 21,566,899
–	–	–	–	41,850,633
3,376	1,000	494,285	(610,706)	63,417,532
–	–	73,917	–	102,052,661
–	–	–	–	800,000
51,754,200	–	51,975,576	(105,765,037)	839,250
51,754,200	–	52,049,493	(105,765,037)	103,691,911
–	–	–	–	3,378,704
–	–	–	(10,737,281)	258,233,010
–	–	–	–	(1,324,232)
–	–	–	–	(5,484,883)
–	–	–	(10,737,281)	251,423,895
–	–	–	–	15,282,802
–	–	1,290	(1,933,799)	1,564,331
–	–	–	–	4,219,975
–	–	20,304	1,250,172	20,499,093
51,757,576	1,000	52,565,372	(117,796,651)	463,478,243
–	–	–	(610,706)	27,692,649
–	–	–	–	186,997,772
–	–	–	–	85,534,339
–	–	–	–	96,907,632
–	–	–	(610,706)	397,132,392
–	–	–	–	500,000
–	–	–	–	4,291,565
–	–	937,242	(10,737,281)	3,001,915
–	–	7,217,000	–	7,217,000
–	–	–	(1,933,799)	70,742
–	–	82,419	1,250,172	6,935,918
–	–	8,236,661	(12,031,614)	419,149,532
7,500	1,000	5,286,075	(1,690,500)	5,286,075
20,910,885	256,373	13,024,304	(28,258,084)	13,024,304
29,563,980	(256,373)	26,533,018	(73,266,031)	26,533,018
–	–	(882,000)	–	(882,000)
–	–	(868,485)	–	(868,485)
–	–	(39,412)	–	(39,412)
1,275,211	–	1,275,211	(2,550,422)	1,275,211
51,757,576	1,000	44,328,711	(105,765,037)	44,328,711
$ 51,757,576	$ 1,000	$ 52,565,372	($ 117,796,651)	$ 463,478,243

	AMERICAN NATIONAL LEASING CO.	ARCHER TITLE OF TEXAS	AMERICAN NATIONAL BANK
INTEREST INCOME:			
Interest and fees on loans	$ 380,267	$ –	$ 14,397,340
Interest on investment securities	–	–	2,010,406
Interest on interest bearing deposits in banks	–	–	151,601
Total Interest Income	380,267	–	16,559,347
INTEREST EXPENSE:			
Interest on deposits	–	–	1,335,488
Interest on federal funds purchased	–	–	37
Interest on repurchase agreements	–	–	4,104
Interest on other borrowed funds	39,178	1,838	160,523
Interest on Junior Subordinated Debentures	–	–	–
Total interest expense	39,178	1,838	1,500,152
Net interest income	341,089	(1,838)	15,059,195
Provision for loan losses	30,500	–	–
Net interest income after provision for loan losses	310,589	(1,838)	15,059,195
OTHER OPERATING INCOME			
Service charges on deposit accounts	–	–	632,724
Trust fee income	–	–	4,007,763
Gain on sale of mortgage loans	–	–	2,341,200
Net realized gains on sales of AFS securities	–	–	48,619
Rent income	805,714	–	–
Earnings from subsidiary	–	–	350,895
Other, net	55,442	1,050,774	1,192,723
Total other operating income	861,156	1,050,774	8,573,924
OTHER OPERATING EXPENSES:			
Salaries and employee benefits	241,164	427,327	9,830,605
Premises and equipment	18,980	83,466	2,140,514
Data processing expense	–	–	696,250
Other operating expenses	685,846	328,722	4,059,293
Total other operating expenses	945,990	839,515	16,726,662
Income before income taxes	225,755	209,421	6,906,457
Provision for income taxes	8,310	75,971	1,895,432
Net income	$ 217,445	$ 133,450	$ 5,011,025
OTHER COMPREHENSIVE INCOME (LOSS):			
Change in net unrealized gain/loss on securities available for sale, net of taxes of $275,401 in 2012	–	–	583,220
Less reclassification adjustment for gains on sales of securities available for sale	–	–	(48,619)
			534,601
Change in fair value of derivatives used for cash flow hedges, net of taxes of $73,478 in 2012	–	–	–
Total other comprehensive income	–	–	534,601
Total comprehensive income	$ 217,445	$ 133,450	$ 5,545,626

AMERIBANCSHARES OF DELAWARE, INC.	ANB REALTY CORP.	AMERIBANCSHARES INC.	RECLASSIFICATION AND ELIMINATION ENTRIES	CONSOLIDATED
$ –	$ –	$ –	($ 41,016)	$ 14,736,591
–	–	744	–	2,011,150
–	–	–	–	151,601
–	–	744	(41,016)	16,899,342
–	–	–	–	1,335,488
–	–	–	–	37
–	–	–	–	4,104
–	–	–	(41,016)	160,523
–	–	400,711	–	400,711
–	–	400,711	(41,016)	1,900,863
–	–	(399,967)	–	14,998,479
–	–	–	–	30,500
–	–	(399,967)	–	14,967,979
–	–	–	–	632,724
–	–	–	(545)	4,007,218
–	–	–	–	2,341,200
–	–	–	–	48,619
–	–	–	–	805,714
5,011,025	–	5,010,678	(10,372,598)	–
–	–	–	(63,500)	2,235,439
5,011,025	–	5,010,678	(10,436,643)	10,070,914
–	–	–	–	10,499,096
–	–	–	(63,500)	2,179,460
–	–	–	–	696,250
526	–	63,636	(545)	5,137,478
526	–	63,636	(64,045)	18,512,284
5,010,499	–	4,547,075	(10,372,598)	6,526,609
(179)	–	(157,625)	–	1,821,909
$ 5,010,678	–	$ 4,704,700	($ 10,372,598)	$ 4,704,700
583,220	–	583,220	(1,166,440)	583,220
(48,619)	–	(48,619)	97,238	(48,619)
534,601		534,601	(1,069,202)	534,601
–	–	142,633	–	142,633
534,601	–	677,234	(1,069,202)	677,234
$ 5,545,279	–	$ 5,381,934	($ 11,441,800)	$ 5,381,934

	AMERICAN NATIONAL LEASING CO.	ARCHER TITLE OF TEXAS	AMERICAN NATIONAL BANK
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	$ 217,445	$ 133,450	$ 5,011,025
Adjustments to reconcile net income to net cash provided by operations:			
Depreciation	643,994	28,048	920,404
Provision for loan losses	30,500	–	–
Provision for other real estate owned losses	–	–	92,191
Provision for (benefit from) deferred taxes	(53,768)	146	59,728
Gain on securities available for sale	–	–	(48,619)
Gain on sale of mortgage loans	–	–	(2,341,200)
Loss on sale of other real estate owned	–	–	104,450
(Gain)/Loss on sale of premises and equipment	(26,491)	–	13,040
Amortization of premium on investment securities	–	–	700,872
Accretion of discount on investment securities	–	–	(1,979)
Proceeds from sales of mortgage loans	–	–	108,074,626
Mortgage loans funded	–	–	(105,769,000)
Unconsolidated earnings from subsidiary	–	–	(350,895)
(Increase) decrease in:			
Prepaid expenses	5,234	(10,097)	722,286
Accrued interest receivable	–	–	32,778
Income taxes receivable	–	–	167,358
Miscellaneous other assets	3,873	4,473	(446,961)
Increase (decrease) in:			
Accrued interest payable	39,178	1,838	(61,549)
Other taxes payable	–	–	17,263
Other accrued expenses	(42,283)	(778)	(196,316)
Net cash provided by (used in) operating activities	817,682	157,080	6,699,502
CASH FLOWS FROM INVESTING ACTIVITIES:			
Proceeds from maturing securities available for sale	–	–	32,786,711
Proceeds from sales of securities available for sale	–	–	7,597,450
Proceeds from other securities	–	–	436,600
Purchase of securities available for sale	–	–	(36,874,515)
Purchase of securities to be held to maturity	–	–	(800,000)
Purchase of other securities	–	–	(2,500)
Purchase of cash value life insurance	–	–	(546,435)
Dividends received from subsidiaries	–	–	–
Net (increase) decrease in loans	(6,763,158)	–	5,964,845
Purchase of premises and equipment	(1,581,232)	(8,397)	(462,881)
Proceeds from sale of premises and equipment	807,779	–	–
Proceeds from sale of other real estate owned	–	–	1,934,945
Net cash provided by (used in) investing activities	(7,536,611)	(8,397)	10,034,220
CASH FLOWS FROM FINANCING ACTIVITIES:			
Net decrease in deposits	–	–	(3,239,602)
Net decrease in repurchase agreements	–	–	(304,042)
Net increase / (decrease) in other borrowed funds	6,450,000	–	(6,261,319)
Dividends paid	–	–	(516,358)
Net cash provided by (used in) financing activities	6,450,000	–	(10,321,321)
Net increase / (decrease) in cash and cash equivalents	(268,929)	148,683	6,412,401
Cash and cash equivalents at beginning of period	314,080	41,587	56,881,755
Cash and cash equivalents at end of period	$ 45,151	$ 190,270	$ 63,294,156

AMERIBANCSHARES OF DELAWARE, INC.	ANB REALTY CORP.	AMERIBANCSHARES INC.	RECLASSIFICATION AND ELIMINATION ENTRIES	CONSOLIDATED
$ 5,010,678	$ –	$ 4,704,700	($ 10,372,598)	$ 4,704,700
–	–	–	–	1,592,446
–	–	–	–	30,500
–	–	–	–	92,191
–	–	–	–	6,106
–	–	–	–	(48,619)
–	–	–	–	(2,341,200)
–	–	–	–	104,450
–	–	–	–	(13,451)
–	–	–	–	700,872
–	–	–	–	(1,979)
–	–	–	–	108,074,626
–	–	–	–	(105,769,000)
(5,011,025)	–	(5,010,678)	10,372,598	–
–	–	–	–	717,423
–	–	(733)	41,016	73,061
–	–	–	–	167,358
–	–	–	–	(438,615)
–	–	–	(41,016)	(61,549)
–	–	7,740	–	25,003
–	–	–	–	(239,377)
(347)	–	(298,971)	–	7,374,946
–	–	–	–	32,786,711
–	–	240,534	–	7,837,984
–	–	–	–	436,600
–	–	–	–	(36,874,515)
–	–	–	–	(800,000)
–	–	–	–	(2,500)
–	–	–	–	(546,435)
516,358	–	516,358	(1,032,716)	–
–	–	–	6,450,000	5,651,687
–	–	–	–	(2,052,510)
–	–	–	–	807,779
–	–	–	–	1,934,945
516,358	–	756,892	5,417,284	9,179,746
–	–	–	(241,317)	(3,480,919)
–	–	–	–	(304,042)
–	–	–	(6,450,000)	(6,261,319)
(516,358)	–	(516,358)	1,032,716	(516,358)
(516,358)	–	(516,358)	(5,658,601)	(10,562,638)
(347)	–	(58,437)	(241,317)	5,992,054
3,723	1,000	552,722	(369,389)	57,425,478
$ 3,376	$ 1,000	$ 494,285	($ 610,706)	$ 63,417,532

OFFICERS

ADMINISTRATION
Dwight L. Berry
President and CEO
Magan Catney
Administrative Officer

LOAN DEPARTMENT
John W. Kable
Executive Vice President / Loans
Don Whatley
Senior Vice President / Loans
Damon Whatley
Vice President / Loans
Doris McGregor Steinberger
Vice President / Compliance Officer
Vickie Nason
Vice President / Credit and Collateral
Linda Musgrave
Vice President / Loans
Lacey Slack
Vice President / Credit Officer
Adam Whitmire
Assistant Vice President / Loans
Peggy Carr
Banking Officer
Vera Simons
Banking Officer
Rhona Kelton
Banking Officer
Judy Mitchell
Banking Officer
Toni Neal
Banking Officer

OPERATIONS / SUPPORT PERSONNEL
Roy T. Olsen
Senior Vice President / Cashier / Human Resources
Nancy Vannucci
Senior Vice President / Internal Auditor
Blake Andrews
Senior Vice President / Controller
Gail Natale
Vice President / Marketing
Klint M. Ostermann
Vice President / Operations
Kenneth L. Haney
Assistant Vice President / Calling Officer
Candace Stroud
Assistant Vice President / Teller Services
Jessica Mitchell
BSA Officer
Andrew Walmer
Information Technology Officer
Delores Scarber
Banking Officer / Data Processing
Karen Baker
Banking Officer

TRUST AND INVESTMENT SERVICES
Timothy G. Connolly, CTFA
Senior Vice President / Senior Trust Officer
Jeffrey S. Schultz, CFA, CTFA
Senior Vice President / Chief Investment Officer
Randy R. Martin, JD
Senior Vice President / Trust Officer
Linda Wilson
Senior Vice President / Trust Officer
Janice Adams
Vice President / Brokerage Services
Michael W. Boyle, CFIRS
Vice President / Trust Compliance Officer
Kevin O'Connell
Vice President / Trust Officer
Kelly J. Smith, CTFA
Vice President / Trust Officer
Paula Walmer
Vice President / Operations Manager
Carol Cox
Trust Officer

MORTGAGE LOAN DIVISION ELMWOOD OFFICE
W.O. "Bill" Franklin
Senior Vice President / Mortgage Lending
J. Bradley Davidson
Vice President / Mortgage Lending
Donna Vaughn
Vice President / Mortgage Lending
Natalie Eubanks
Assistant Vice President
John R. Johnston
Assistant Vice President
Chris Rogers
Assistant Vice President
Angela Haisten
Banking Officer
Rebecca Lammers
Banking Officer

PLATINUM CIRCLE
Donna Adams
Administrative Officer / Coordinator

AMERICAN NATIONAL LEASING COMPANY
Mike Cuba
President
Stewart Cobb
Vice President

DOWNTOWN OFFICE
Marva Pieratt
Assistant Vice President / Branch Manager
Amy Collier
Banking Officer

IOWA PARK OFFICE
Roy T. Olsen
Senior Vice President/Branch Manager

ARCHER CITY OFFICE
Amos Deerinwater
Branch Manager

FLOWER MOUND OFFICE
Sam Wilson
Senior Vice President / Branch Manager
Joe D. Willard
Senior Vice President / Loans
Sara Knight
Banking Officer
Rosie Torrence
Banking Officer

FLOWER MOUND MORTGAGE LOAN DIVISION
Carolyn Moore
Vice President / Mortgage Loans

FLOWER MOUND TRUST AND INVESTMENT SERVICES
Darrin Salge, CFP
Vice President / Trust Officer

ARCHER TITLE OF TEXAS, INC.
W.O. "Bill" Franklin
President
Jean Taylor
Vice President / Manager

DIRECTORS

Dr. George Ritchie
Chairman of the Board

Dwight L. Berry
President and CEO

Hank Anderson
Blake Andrews*
Kenny Bryant
Timothy G. Connolly*
W.O. Franklin*
Juliana Hanes
Tommy Isbell
John W. Kable*
Milburn Nutt
Robert Scott
Ty Thacker
Mark Tucker
Max Vordenbaum*
Don Whatley*
Ben D. Woody

*Advisory Director

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

www.amnat.com