AmeriBancShares, Inc.

AMERICAN NATIONAL BANK & TRUST™

2024 ANNUAL REPORT

amnat.com

To Our Shareholders

Thank you for being a shareholder of AmeriBancShares, Inc.

2024 was another great year for AmeriBancShares, Inc. While our annual growth rates from 2020 through 2023 averaged approximately 25%, we purposely slowed our growth to a rate of 6.80% for 2024 through a deliberate and strategic process. The slower growth pace for 2024, albeit exceeding industry standards, enabled us to ensure that capital levels remained strong and supportive of the Bank's underlying assets and risk profile. Our net loans increased approximately 10% from 2023 to 2024 while our total deposits increased at a similar percentage rate (9.40%) over the comparable period. We achieved our second most profitable year ever with net income of $13.8 million, despite record interest expense of $73.8 million (an increase of $19.8 million or approximately 37% over 2023) and provisioning $2.8 million in credit loss expense for loans. Return on earning assets was a respectable 5.9% and return on average equity was 7.3%. We began 2024 with the federal funds target rate range at 5.25% to 5.50% and ended it with the federal funds target rate range at 4.25% to 4.50%, thus reflecting a 100 basis point gradual rate cut by the Federal Open Markets Committee (FOMC). Each 25 basis point cut in the federal funds target rate reduces our interest expense by approximately $1.6 million on an annualized basis. Seemingly, the FOMC policy for 2025 will be that of a more moderate change in rates than what has been experienced over the past twenty-four months. Should controlled softening continue, we can expect our cost of funds to slowly decline in tandem.

Additionally, our loans continue to reprice at higher rates than were initially contracted at four to five years ago, resulting, together with the lower cost of funds, in an increased net interest margin. Budgeted net income for 2025, while not reflective of any additional interest rate changes, is anticipated to be greater than any year we have previously experienced.

We continue to expand our presence in the DFW Metropolitan area, as the construction of our two beautiful new branches in Dallas and Roanoke are scheduled for completion in April 2025. Staffing is already in place and both facilities should be fully functional by May 2025. Regulatory approval for full-service branch operations has been obtained; thus, all services the Bank has to offer, including, but not limited to, trust and mortgage activities will be provided.

Brad Davidson, Executive Vice President Mortgage Lending, has excelled at expanding the mortgage division of the Bank into the DFW Metropolitan area, as monthly production levels have exceeded $30 million in volume. This level of production has driven profitability for the Bank and is expected to continue to do so.

Jeff Schultz, Executive Vice President Chief Investment Officer, has been very successful at further expanding our trust services into the DFW and Houston Metropolitan areas. Under his leadership, our trust department has grown to a level that has us ranked as the 13th largest trust function in the State of Texas and 2nd in the category of revenue growth. The department currently manages over $2.5 billion in assets.

Judy Leveridge, Senior Vice President Chief Risk Officer, recently joined our Bank. She comes to us with a high level of experience and knowledge, and has provided tremendous support in regulatory relations and overall operational efficiency.

Also joining the Bank this past year was David Layton as Senior Vice President Director of Branding and Marketing for the entire organization. David has been an integral part of developing and enhancing our marketing efforts with respect to lending and deposit gathering activities throughout all areas in which the Bank operates.

We are extremely pleased and grateful for the addition of these special individuals who will definitely enhance the Bank's ability to continue to provide exceptional customer service.

As an investor in our Bank, we greatly appreciate and value your continued support. For, without you, we would not be where we are or where we are headed. Management continues to deploy any necessary resources to ensure that AmeriBancShares, Inc. remains well positioned to continue to provide a highly positive return for you and your investment. 2025 is expected to afford many opportunities for growth and profitability. Thank you for your investment and your trust.

Dwight Berry
President & CEO

Financial Highlights

(In thousands of dollars, except share amounts)

	YEAR ENDED December 31, 2024	YEAR ENDED December 31, 2023	% CHANGE
Demand Deposits	$343,943	$301,496	14.08%
Total Deposits	$2,034,121	$1,859,186	9.41%
Total Assets	$2,285,123	$2,139,791	6.79%
Total Loans (net)	$1,759,721	$1,595,338	10.30%
Allowance for Credit Losses	$19,018	$19,934	-4.60%
Allowance to Gross Loans*	1.08%	1.24%	-12.90%
Return on Earning Assets*	5.96%	5.41%	10.17%
Cost of Funds*	3.61%	3.06%	17.97%
Net Interest Margin*	2.64%	2.61%	1.15%
Leverage Ratio*	9.97%	9.85%	1.22%
Growth in Capital	$13,085	$5,042	159.52%
Total Capital Beginning	$154,772	$149,730	3.37%
Total Capital Ending	$167,857	$154,772	8.45%
Interest Income	$128,171	$99,693	28.57%
Interest Expense	$73,827	$54,033	36.63%
Net Interest Income	$54,344	$45,660	19.02%
Non-Interest Income	$23,782	$19,034	24.95%
Non-Interest Expense	$58,380	$49,727	17.40%
Profit Before Credit Loss Expense	$19,746	$14,967	31.93%
Credit Loss Expense - Loans	$2,800	$-	100.00%
Income Taxes	$3,097	$2,658	16.52%
Net Income	$13,849	$12,309	12.51%
Earnings Per Share	$4.89	$4.32	13.23%
Dividends Paid	$0.50	$0.50	-0.67%
Book Value	$59.36	$54.75	8.42%
Return on Average Assets*	0.72%	0.75%	-3.63%
Return on Average Equity*	7.33%	7.22%	1.51%

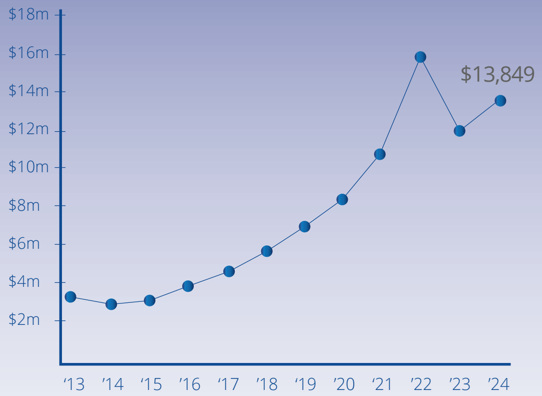
*Bank only


Roanoke, TX

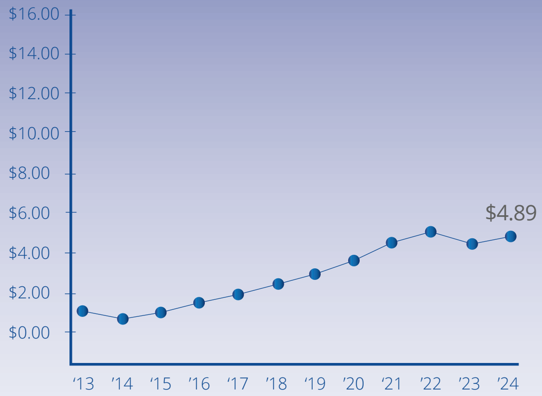

Dallas, TX

Year End Statistics (In thousands of dollars, except share amounts)

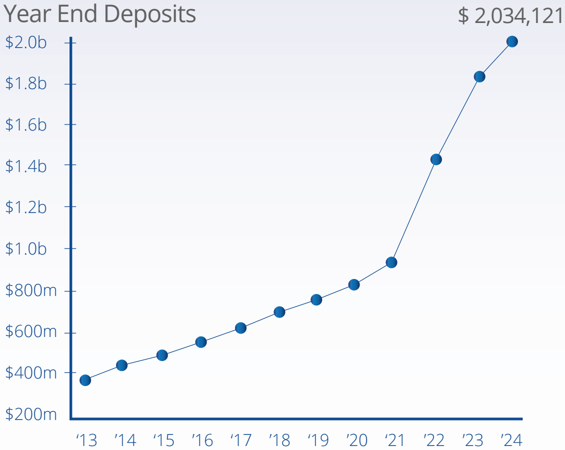
Consolidated Net Income



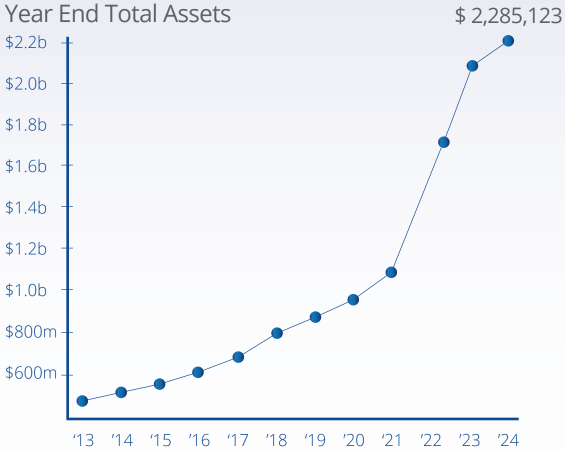
Earnings Per Share



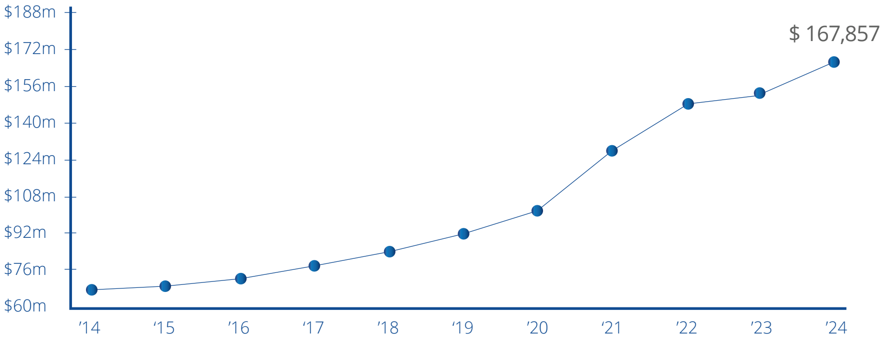
Year End Deposits



Year End Total Assets



Stockholders' Equity



Trust, it's our last name®

Mission Statement

American National Bank & Trust will be the best locally-owned bank in the markets we serve. We define "best" by delivering the highest quality products and services to our target customers, operating in a safe and sound manner, and providing superior shareholder value and returns.

Vision Statement

To be the best bank in Town!

Core Values

Empowered professional bankers
Unparalleled community leadership
Active and committed local ownership
Absolutely outstanding customer service
The highest integrity and level of corporate standards
Development and retention of knowledgeable associates

DIRECTORS

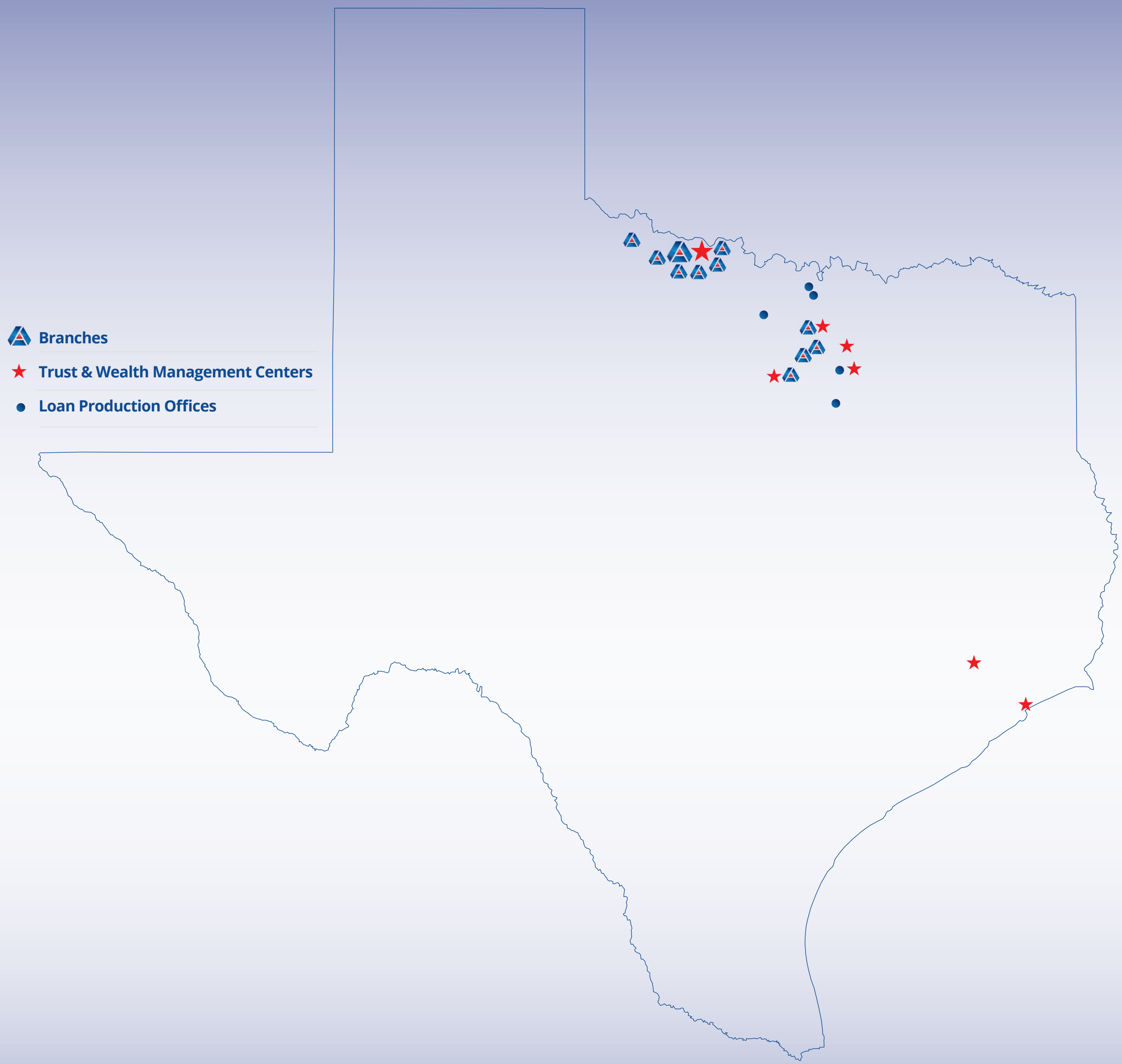
Mark Tucker - Chairman of the Board
Todd Davenport - Vice-Chairman of the Board
Dwight Berry - President and CEO

Hank Anderson
Blake Andrews*
Zachary Beck*
Craig Berry
Terry Brockett*
Kenny Bryant
J. Bradley Davidson*
Richard Dopson*

Charlie Gibson
Ken Hogan
Tommy Isbell
Craig Korbuly*
Randy R. Martin*
Kenton McKeehan*
Richard Naylor
John Osborne

Hogan Page*
Marty Rivers*
Jeffrey Schultz*
Ty Thacker
Max Vordenbaum
Don "Bubba" Whatley
Michael Winfrey*

*Advisory Director


Branches
Trust & Wealth Management Centers
Loan Production Offices

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AMERIBANCSHARES, INC.
AND SUBSIDIARIES

Consolidated Financial Statements
and Additional Information

December 31, 2024 and 2023

(With Independent Auditor's Report Thereon)

PAYNE & SMITH, LLC
Certified Public Accountants

Independent Auditor's Report

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

Report on the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of AmeriBancShares, Inc. and Subsidiaries (Company), which comprise the consolidated balance sheets as of December 31, 2024 and 2023 and the related consolidated statements of income, comprehensive income, changes in stockholders' equity and cash flows for the years then ended and the related notes to the consolidated financial statements. In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of AmeriBancShares, Inc. and Subsidiaries as of December 31, 2024 and 2023, and the results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with auditing standards generally accepted in the United States of America, the Company's internal control over financial reporting as of December 31, 2024, including controls over the preparation of regulatory financial statements in accordance with the instructions for the Consolidated Reports of Condition and Income (Call Report), and the Parent Company Only Financial Statements for Small Holding Companies (FR Y-9SP), based on criteria established in the *Internal Control-Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and our report dated March 27, 2025 expressed an adverse opinion thereon.

Basis for Opinion

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

Adoption of New Accounting Standard

As discussed in Note 1 to the consolidated financial statements, on January 1, 2023, the Company changed its accounting method for estimating losses from the incurred loss methodology (Incurred Loss) to the current expected credit loss (CECL) methodology by adopting new accounting guidance under ASC Topic 326, *Financial Instruments-Credit Losses*.

Management's Responsibility for the Consolidated Financial Statements

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

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

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

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

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

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards*, we have also issued reports dated March 27, 2025 on our consideration of the Company's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of the reports on internal control over financial reporting is to describe the scope of our testing of internal control over financial reporting relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances to provide an opinion on the effectiveness of the entity's internal control over financial reporting. The purpose of the reports on compliance is to describe the scope of our testing on compliance and the results of that testing, but not to provide an opinion on the effectiveness of the entity's compliance with provisions of laws, regulations, contracts, grant agreements and other matters. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Company's internal control over financial reporting and compliance.

Payne & Smith, LLC

March 27, 2025

AMERIBANCSHARES, INC. AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2024 and 2023

(In thousands of dollars, except share amounts)

	2024	2023
ASSETS		
Cash and due from banks	$ 143,315	$ 201,587
Interest bearing deposits in banks	173,977	143,845
Total cash and equivalents	317,292	345,432
Securities available for sale	96,104	101,020
Mortgage loans held for sale	15,854	3,606
Loans, net	1,743,867	1,591,732
Premises and equipment, net	50,540	37,123
Accrued interest receivable	7,117	6,780
Goodwill	4,220	4,220
Cash surrender value of life insurance	30,819	29,045
Other securities	4,941	7,161
Other assets	14,369	13,672
Total assets	$ 2,285,123	$ 2,139,791
LIABILITIES AND STOCKHOLDERS' EQUITY		
Demand deposits	$ 343,943	$ 301,496
Savings deposits	42,640	44,467
Money market and NOW accounts	945,675	951,567
Time certificates of deposit	701,863	561,656
Total deposits	2,034,121	1,859,186
Securities sold under agreements to repurchase	-	1,152
Other borrowings	5,000	50,000
Senior unsecured notes payable	49,364	49,275
Junior subordinated debentures	7,217	7,217
Accrued interest payable	2,814	2,161
Other liabilities	18,750	16,028
Total liabilities	2,117,266	1,985,019
Commitments and contingencies	-	-
Stockholders' equity:		
Common stock (par value $2.50; 5,000,000, shares authorized, 2,940,742 shares issued at both 2024 and 2023 and 2,827,881 and 2,826,927 outstanding at 2024 and 2023)	7,352	7,352
Surplus	55,288	55,277
Undivided profits	117,428	104,994
Treasury stock, at cost (112,861 and 113,815 shares at 2024 and 2023)	(5,014)	(5,077)
Notes rceivable secured by common stock	(3,280)	(2,733)
Accumulated other comprehensive loss, net of tax benefit of $1,041 in 2024 and $1,340 in 2023	(3,917)	(5,041)
Total stockholders' equity	167,857	154,772
Total liabilities and stockholders' equity	$ 2,285,123	$ 2,139,791

See accompanying notes to consolidated financial statements.

AMERIBANCSHARES, INC. AND SUBSIDIARIES

Consolidated Statements of Income

For the Years Ended December 31, 2024 and 2023

(In thousands of dollars, except earnings per share)

	2024	2023
Interest income:		
Interest and fees on loans	$ 109,486	$ 85,754
Interest on investment securities:		
Taxable	7,211	6,138
Nontaxable	789	847
Interest on interest bearing deposits in banks	10,685	6,954
Total interest income	128,171	99,693
Interest expense:		
Interest on deposits	70,505	50,553
Interest on repurchase agreements	1	1
Interest on other borrowed funds	2,799	2,981
Interest on junior subordinated debentures	522	498
Total interest expense	73,827	54,033
Net interest income	54,344	45,660
Credit loss expense-loans	2,800	-
Net interest income after credit loss expense-loans	51,544	45,660
Other operating income:		
Service charges on deposit accounts	582	542
Trust fee income	11,766	9,561
Gain on sale of mortgage loans	3,675	1,648
Loan servicing fees	1,025	1,130
Title insurance premiums	1,348	1,486
Rent income	595	649
Other	4,791	4,018
Total other operating income	23,782	19,034
Other operating expenses:		
Salaries and employee benefits	37,235	32,446
Premises and equipment	4,052	3,873
Data processing expense	4,342	2,560
Other	12,751	10,848
Total other operating expenses	58,380	49,727
Income before income taxes	16,946	14,967
Provision for income taxes	3,097	2,658
Net income	$ 13,849	$ 12,309
Earnings per share	$ 4.89	$ 4.32

See accompanying notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income

For the Years Ended December 31, 2024 and 2023

(In thousands of dollars)

	2024	2023
Net income	$ 13,849	$ 12,309
Other comprehensive income, net of tax:		
Change in net unrealized loss on securities available for sale, net of tax expense of $299 and $350 for 2024 and 2023, respectively	1,124	1,318
Total comprehensive income	$ 14,973	$ 13,627

See accompanying notes to consolidated financial statements.

AMERIBANCSHARES, INC. AND SUBSIDIARIES

Consolidated Statements of Changes in Stockholders' Equity

For the Years Ended December 31, 2024 and 2023

(In thousands of dollars)

	Common Stock	Surplus	Undivided Profits	Treasury Stock	Notes Receivable Secured by Common Stock	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
Balance December 31, 2022	$ 7,352	$ 55,286	$ 98,831	$ (3,804)	$ (1,576)	$ (6,359)	$ 149,730
Cumulative effect of change in accounting principle	-	-	(4,721)	-	-	-	(4,721)
Balance at January 1,2023 (as adjusted for change in accounting principle)	7,352	55,286	94,110	(3,804)	(1,576)	(6,359)	145,009
Net income	-	-	12,309	-	-	-	12,309
Sale of treasury stock	-	(9)	-	1,279	(1,157)	-	113
Purchase of treasury stock	-	-	-	(2,552)	-	-	(2,552)
Other comprehensive loss	-	-	-	-	-	1,318	1,318
Dividends ($.50 per common share)	-	-	(1,425)	-	-	-	(1,425)
Balance December 31, 2023	7,352	55,277	104,994	(5,077)	(2,733)	(5,041)	154,772
Net income	-	-	13,849	-	-	-	13,849
Sale of treasury stock	-	11	-	563	(574)	-	-
Purchase of treasury stock	-	-	-	(500)	-	-	(500)
Repayment of notes receivable	-	-	-	-	27	-	27
Other comprehensive income	-	-	-	-	-	1,124	1,124
Dividends ($.50 per common share)	-	-	(1,415)	-	-	-	(1,415)
Balance December 31, 2024	$ 7,352	$ 55,288	$ 117,428	$ (5,014)	$ (3,280)	$ (3,917)	$ 167,857

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

For the Years Ended December 31, 2024 and 2023

(In thousands of dollars)

	2024	2023
Cash flows from operating activities:		
Net income	$ 13,849	$ 12,309
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	1,824	1,873
Credit loss expense-loans	2,800	-
Benefit from deferred taxes	(198)	(141)
Gain on sale of mortgage loans	(3,675)	(1,648)
Amortization of mortgage servicing rights	338	349
Gain on sale of premises and equipment	(31)	(30)
Gain on sale of other real estate owned	(22)	-
Net (accretion) amortization on securities available for sale	(450)	63
Amortization of debt issue costs	89	89
Increase in cash surrender value of life insurance	(966)	(882)
Proceeds from sales of mortgage loans	197,039	83,320
Mortgage loans funded	(205,612)	(82,323)
Mortgage servicing rights capitalized	(171)	(286)
Change in:		
Accrued interest receivable	(337)	(2,176)
Other assets	(1,314)	(948)
Accrued interest payable	653	1,247
Income taxes payable and other accrued expenses	2,826	1,465
Net cash provided by operating activities	6,642	12,281
Cash flows from investing activities:		
Proceeds from maturities, calls and paydowns of securities available for sale	376,126	276,256
Purchase of securities available for sale	(369,337)	(274,832)
Net redemption (purchase) of other securities	2,219	(2,019)
Purchase of cash value life insurance	(808)	-
Decrease in notes receivable secured by common stock	27	-
Net increase in loans	(155,348)	(233,607)
Proceeds from sales of other real estate owned	702	-
Purchase of premises and equipment	(15,803)	(2,379)
Proceeds from sale of premises and equipment	572	846
Net cash used in investing activities	(161,650)	(235,735)
Cash flows from financing activities:		
Net increase in deposits	174,935	369,465
Net decrease in repurchase agreements	(1,152)	(467)
Net (decrease) increase in other borrowings	(45,000)	50,000
Sale of treasury stock	-	230
Purchase of treasury stock	(500)	(2,552)
Dividends paid	(1,415)	(1,425)
Net cash provided by financing activities	126,868	415,251
Net (decrease) increase in cash and cash equivalents	(28,140)	191,797
Cash and cash equivalents at beginning of year	345,432	153,635
Cash and cash equivalents at end of year	$ 317,292	$ 345,432

See accompanying notes to consolidated financial statements.

1. Summary of Significant Accounting Policies

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

Business

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

The accompanying consolidated financial statements include the accounts of AmeriBancShares, Inc. and its wholly-owned subsidiaries, ANB Realty Corp. and AmeriBancShares of Delaware, Inc. The financial statements also include American National Bank & Trust, which is a wholly-owned subsidiary of AmeriBancShares of Delaware Inc. (ABDI) and American National Leasing Company, Archer Title of Texas, Inc., and AmNat Insurance Services, Inc., which are wholly-owned subsidiaries of American National Bank & Trust (together referred to as Bank). All significant intercompany transactions have been eliminated.

Accounting Standard Adopted in 2023

On January 1, 2023, the Company adopted ASU 2016-13 *Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* (ASC 326). This standard replaced the incurred loss methodology (Incurred Loss) with an expected loss methodology that is referred to as the current expected credit loss (CECL) methodology. CECL requires an estimate of credit losses for the remaining estimated life of the financial asset using historical experience, current conditions, and reasonable and supportable forecasts and generally applies to financial assets measured at amortized cost, including loan receivables and held to maturity debt securities, and some off-balance sheet credit exposures such as unfunded commitments to extend credit. Financial assets measured at amortized cost will be presented at the net amount expected to be collected by using an allowance for credit losses. Purchased credit deteriorated (PCD) loans will receive an initial allowance at the acquisition date that represents an adjustment to the amortized cost basis of the loan, with no impact to earnings.

The Company adopted ASC 326 and all related subsequent amendments thereto effective January 1, 2023 using the modified retrospective approach for all financial assets measured at amortized cost and off-balance sheet credit exposures. The transition adjustment of the adoption of CECL included an increase to the allowance for credit losses-loans of approximately $4,576,000 which is presented as a reduction to net loans outstanding, and an increase to the allowance for credit losses-unfunded loan commitments of approximately $1,400,000, which is recorded within other liabilities. The Company recorded a net decrease to retained earnings of approximately $4,721,000 as of January 1, 2023 for the cumulative effect of adopting CECL, which reflects the transition adjustments noted above, net of the applicable deferred tax assets recorded.

Use of Estimates

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

The determination of the adequacy of the allowance for credit losses-loans 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 credit losses on loans, management obtains independent appraisals for significant collateral.

Material estimates that are particularly susceptible to significant change in the near-term relate to the determination of the allowance for credit losses and valuation of other real estate owned. While management uses available information to recognize losses on securities, loans, and other real estate owned, future provisions may be necessary based on changes in local economic conditions. In addition, banking regulators, as an integral part of their examination process, periodically review the Company's allowance for credit losses and other real estate losses and they may require the Company to record additional provisions for losses based on their judgment about information available to them at the time of their examination.

The Company's loans are generally secured by specific items of collateral including real property, consumer assets and business assets. Although the Company has a diversified loan portfolio, a substantial portion of its debtor's ability to honor their contracts is dependent on local economic conditions in the real estate industry. While management uses available information to recognize losses on loans, further reductions in the carrying amounts of loans may be necessary based on changes in local economic conditions.

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.

Securities

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

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

Interest income includes amortization of purchase premiums or discounts. Premiums and discounts on securities are generally amortized on the level-yield method without anticipating prepayments, except for mortgage-backed securities where prepayments are anticipated. Premiums on callable debt securities are amortized to their earliest call date. Gains and losses on sales are recorded on the trade date and determined using the specific identification method.

A debt security is placed on nonaccrual status at the time any principal or interest payments become 90 days delinquent. Interest accrued but not received for a security placed on nonaccrual is reversed against interest income. No accrued interest was reversed against interest income during the years ended December 31, 2024 and 2023.

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

Loans

The Company grants commercial, real estate, and consumer loans to customers. The ability of the Company's debtors to honor their contracts are dependent upon the real estate and general economic conditions in this area.

Loans that management has the intent and ability to hold for the foreseeable future or until maturity or pay-off generally are reported at their outstanding unpaid principal balances adjusted for charge offs, the allowance for credit losses-loans, and any deferred fees or costs on originated loans. Interest income is accrued on the unpaid principal balance. Fees associated with originating loans to the extent they exceed the direct loan origination costs are generally deferred and recognized over the life of the loan as an adjustment to yield.

Loans are considered past due if the required principal and interest payments have not been received as of the date such payments were due. Loans are placed on nonaccrual status when, in management's opinion, the borrower may be unable to meet payment obligations as they become due, as well as when required by regulatory provisions. In determining whether or not a borrower may be unable to meet payment obligations for each class of loans, management considers the borrower's debt service capacity through the analysis of current financial information, if available, and/or current information with regards to the Company's collateral position. Regulatory provisions would typically require the placement of a loan on nonaccrual status if (i) principal or interest has been in default for a period of 90 days or more unless the loan is both well secured and in the process of collection or (ii) full payment of principal and interest is not expected. Loans may be placed on nonaccrual status regardless of whether or not such loans are considered past due. When interest accrual is discontinued, all unpaid accrued interest is reversed. Interest income on nonaccrual loans is recognized only to the extent that cash payments are received in excess of principal due. A loan may be returned to accrual status when all the principal and interest amounts contractually due are brought current and future principal and interest amounts contractually due are reasonably assured, which is typically evidenced by a sustained period (at least six months) of repayment performance by the borrower.

Allowance for Credit Losses (ACL)

As discussed in the Accounting Standard Adopted in 2023 caption, the Company adopted *Accounting Standards Update (ASU) 2016-13, Financial Instruments-Credit Losses (ASC 326): Measurement of Credit Losses on Financial Instruments*, on January 1, 2023. In connection with the adoption of *ASC 326*, the Company revised certain accounting policies to align its significant accounting policies with the requirements of the new standard. The revised accounting policies are described below.

Allowance For Credit Losses (ACL)-Available for Sale Securities

For available for sale securities in an unrealized loss position, the Company assesses whether (i) the Company intends to sell or (ii) it is more likely than not that the Company will be required to sell the security before recovery of its amortized cost basis. If either case is affirmative, any previously recognized allowances are charged-off and the security's amortized cost is written down to fair value through income. If neither case is affirmative, the security is evaluated to determine whether the decline in fair value has resulted from credit losses or other factors. In making this assessment, management considers the extent to which fair value is less than amortized cost, any changes to the rating of the security by a rating agency and any adverse conditions specifically related to the security, among other factors. If this assessment indicates that a credit loss exists, the present value of cash flows expected to be collected from the security are compared to the amortized cost basis of the security. If the present value of cash flows expected to be collected is less than the amortized cost basis, a credit loss exists and an ACL is recorded for the credit loss, limited by the amount that the fair value is less than the amortized cost basis. Any impairment that has not been recorded through an ACL is recognized in other comprehensive income. Adjustments to the ACL are reported in the income statement as a component of credit loss expense, if applicable. Management has made the accounting policy election to exclude accrued interest receivable on available for sale securities from the estimate of credit losses. Available for sale securities are charged-off against the allowance or, in the absence of any allowance, written down through income when deemed uncollectible by management or when either of the aforementioned criteria regarding intent or requirement to sell is met.

Allowance for Credit Losses (ACL)-Loans

The ACL on loans is a contra-asset valuation account, calculated in accordance with ASC 326, that is deducted from the amortized cost basis of loans to present the best estimate of the net amount expected to be collected. Loans are charged-off against the allowance when deemed uncollectible. Adjustments to the allowance are reported in the income statement as a component of credit loss expense. The Company has made the accounting policy election to exclude accrued interest receivable on loans from the estimate of credit losses. The Company estimates the allowance balance using relevant available information, from internal and external sources, relating to past events, current conditions, and reasonable and supportable forecasts. Historical credit loss experience provides the basis for the estimation of expected credit losses. Adjustments to historical loss information are made for differences in current loan-specific risk characteristics such as differences in underwriting standards, portfolio mix, delinquency level, or term, as well as for changes in environmental conditions, such as changes in unemployment rates, property values, or other relevant factors. Further information regarding the policies and methodology used to estimate the ACL on loans is presented in Note 4.

Allowance For Credit Losses (ACL) Off-Balance Sheet Credit Exposures

The Company maintains a separate ACL on off-balance sheet credit exposures, including unfunded loan commitments, financial guarantees, and letters of credit, which is included in other liabilities on the balance sheet, unless the obligation is unconditionally cancellable. The relating ACL is calculated in accordance with ASC 326 and is adjusted as a provision for (or reversal of) credit loss expense. The estimate includes consideration of the likelihood that funding will occur and an estimate of expected credit losses on commitments expected to be funded over the estimated life of such commitments. The allowance is calculated using the same aggregate reserve rates calculated for the funded portion of the loan segment and applied to the amount of commitments expected to fund.

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.

Servicing

Servicing assets are recognized as separate assets when rights are acquired through purchase or through sale of financial assets. Capitalized servicing rights are reported in other assets and are amortized into noninterest income in proportion to, and over the period of, the estimated life of the underlying loan portfolio.

Leases

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

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

Goodwill

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

At December 31, 2024 and 2023, the Company evaluated recent potential triggering events that might be indicators that goodwill was impaired. Based on this evaluation, the Company concluded that goodwill was not more than likely impaired as of that date.

Other Securities

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

Other securities also include an investment in a Special Purpose Entity (see Note 12). The investment is carried at cost, minus any impairment, if any, plus or minus observable price changes in orderly transactions from similar investments.

Income Taxes

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

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

Accounting principles generally accepted in the United States of America require Company management to evaluate tax positions taken by the Company. Management evaluated the Company's tax positions and concluded that the Company had taken no uncertain tax positions that require recognition or disclosure in the consolidated financial statements. Therefore, no liability for tax penalties has been included in the consolidated financial statements. With few exceptions, the Company is no longer subject to income tax examinations by the U.S. federal, state, or local tax authorities for years before 2021.

Derivative Financial Instruments

Derivative financial instruments are recognized as assets and liabilities on the consolidated balance sheet and measured at fair value. From time to time, the Company uses interest rate swap agreements to hedge various exposures or to modify interest rate characteristics of various balance sheet accounts. Interest rate swaps are contracts in which a series of interest rate flows are exchanged over a prescribed period. The notational amount on which the interest payments are based is not exchanged. These swap agreements are derivative instruments and generally convert a portion of the Company's variable rate debt to a fixed rate (cash flow hedge). At December 31, 2024 and 2023, the Company had no outstanding interest rate swap agreements.

Mortgage loan commitments that relate to the origination of a mortgage that will be held for sale upon funding are considered derivative instruments. Loan commitments that are derivatives are recognized at fair value on the consolidated balance sheet in other assets and other liabilities with changes in their fair values recorded in noninterest income. The fair value of those commitments was insignificant at December 31, 2024 and 2023.

Net Income Per Common Share

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

Revenue Recognition

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

Comprehensive Income

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

Fair Values of Financial Instruments

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

Transfer of Financial Assets

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

Subsequent Events

The Company has evaluated subsequent events and transactions for potential recognition or disclosure through March 27, 2025, the date these consolidated financial statements were available to be issued.

Reclassification

For comparability, certain amounts in the 2023 financial statements have been reclassified, where appropriate, to conform with the financial presentation used in 2024.

2. Recent Accounting Pronouncements

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

In March 2023, the FASB issued Accounting Standards Update 2023-02, *Investments-Equity Method and Joint Ventures (Topic 323); Accounting for Investments in Tax Credit Structures Using the Proportional Amortization Method.* The update is intended to improve the accounting and disclosures for investments in tax credit structures. ASU 2023-02 allows entities to elect to account for qualifying tax equity investments using the proportional amortization method, regardless of the program giving rise to the related income tax credits. Previously, this method was only available for qualifying tax equity investments in low-income housing tax credit structures. The amendments are effective for PBEs for fiscal years beginning after December 15, 2023 and interim periods within those fiscal years. For all other entities, the amendments are effective for fiscal years beginning after December 15, 2024 and interim periods within those fiscal years. Early adoption is permitted. The adoption of ASU 2023-02 is not expected to have a material impact on the Company's consolidated financial statements.

In March 2024, the FASB issued Accounting Standards Update 2024-01, *Compensation-Stock Compensation (Topic 718); Scope Application of Profits Interest and Similar Awards.* The amendments in this update are to improve generally accepted accounting principles by adding an illustrative example to demonstrate how an entity should apply the scope guidance to determine whether a profits interest award and similar awards should be accounted for in accordance with Topic 718. The amendments in this update related to the scope application issue apply to all reporting entities that account for profits interest awards as compensation to employees or nonemployees in return for goods or services. The amendments are effective for PBEs for fiscal years beginning after December 15, 2024 and interim periods within those fiscal years. For all other entities, the amendments are effective for fiscal years beginning after December 15, 2025 and interim periods within those fiscal years. Early adoption is permitted. The adoption of ASU 2024-01 is not expected to have a material impact on the Company's consolidated financial statements.

3. Investment Securities

The amortized cost, gross unrealized gains and losses and estimated fair values of the Company's investment securities as classified in the accompanying consolidated balance sheet are as follows (in thousands):

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Securities Available for Sale				
December 31, 2024:				
U.S. Treasury securities	$ 9,863	$ 13	$ -	$ 9,876
U.S. Government Agency securities	27,159	-	(1,270)	25,889
Municipal securities	27,458	2	(710)	26,750
Mortgage-backed securities	20,582	-	(1,853)	18,729
Corporate securities	16,000	-	(1,140)	14,860
	$ 101,062	$ 15	$ (4,973)	$ 96,104
December 31, 2023:				
U.S. Treasury securities	$ 4,946	$ -	$ (1)	$ 4,945
U.S. Government Agency securities	32,149	-	(2,218)	29,931
Municipal securities	31,160	34	(411)	30,783
Mortgage-backed securities	23,146	-	(2,092)	21,054
Corporate securities	16,000	-	(1,693)	14,307
	$ 107,401	$ 34	$ (6,415)	$ 101,020

Accrued interest receivable on securities available for sale totaled approximately $508,000 and $674,000 at December 31, 2024 and 2023, respectively, and is included in accrued interest receivable in the accompanying consolidated balance sheets. Accrued interest is excluded from the estimate of credit losses.

Substantially all of the U.S. Treasury securities, U.S. Government Agency securities, and mortgage-backed securities included in the above table were issued by U.S. government entities and agencies. These securities are either explicitly or implicitly guaranteed by the U.S. government, are highly rated by major rating agencies, and have a long history of no credit losses. Substantially all of the securities in the municipal securities portfolio were issued by the State of Texas or political subdivisions or agencies within the State of Texas. Substantially all of the corporate securities are investments in various banking organizations. At December 31, 2024 and 2023, there were no holdings of securities of any one issuer other than the U.S. Government and its agencies in an amount greater than 10% of shareholders' equity.

Investment securities with recorded values of approximately $72,062,000 and $79,442,000 at December 31, 2024 and 2023, respectively, were pledged to secure deposits and for other purposes as required by law.

Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties. The amortized cost and estimated fair value of debt securities at December 31, 2024, by contractual maturity, are shown below (in thousands):

	Securities Available for Sale	
	Amortized Cost, Net	Fair Value
Due in one year or less	$ 24,037	$ 23,735
Due from one year to five years	35,454	33,994
Due from five years to ten years	20,989	19,646
Due after ten years	-	-
	80,480	77,375
Mortgage-backed securities	20,582	18,729
	$ 101,062	$ 96,104

There were no sales of available for sale securities during 2024 and 2023

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, 2024 and 2023 are summarized as follows for securities available for sale (in thousands):

	Less than 12 Months		12 Months or More	
Securities Available for Sale	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
December 31, 2024:				
U.S. Government Agency securities	$ -	$ -	$ 25,888	$ (1,270)
Municipal securities	3,244	(82)	20,095	(628)
Mortgage-backed securities	-	-	18,729	(1,853)
Corporate securities	-	-	14,860	(1,140)
	$ 3,244	$ (82)	$ 79,572	$ (4,891)
December 31, 2023:				
U.S. Treasury securities	$ 4,946	$ (1)	$ -	$ -
U.S. Government Agency securities	4,976	(23)	24,955	(2,195)
Municipal securities	2,731	(9)	19,122	(402)
Mortgage-backed securities	-	-	21,054	(2,092)
Corporate securities	2,272	(228)	12,035	(1,465)
	$ 14,925	$ (261)	$ 77,166	$ (6,154)

As of December 31, 2024 and 2023, no allowance for credit losses has been recognized on available sale securities in an unrealized loss position as management believes the impairments detailed in the table above are temporary and does not believe any of the securities are impaired due to credit quality. This is based upon an analysis of the underlying risk characteristics, including credit ratings, and other qualitative factors related to the available for sale securities and in consideration of the Company's historical credit loss experience and internal forecasts. The issuers of these securities continue to make timely principal and interest payments under the contractual terms of the securities. As of December 31, 2024, management does not have the intent to sell any of the securities classified as available for sale in the table above and believes that it is more likely than not that the Company will not have to sell any such securities before a recovery of cost. The unrealized losses are largely due to increases in market interest rates over the yields available at the time the underlying securities were purchased. The fair value is expected to recover as the bonds approach their maturity or repricing date or if market yields for such investments decline.

4. Loans and Allowance for Credit Losses-Loans

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

	2024	2023
Real estate:		
1-4 family construction	$ 116,195	$ 72,878
Construction, land development and other land	134,310	136,575
Revolving 1-4 family residential	-	112
1-4 family residential	319,465	257,520
Multi-family residential	56,517	52,175
Nonfarm nonresidential - owner occupied	159,279	168,206
Nonfarm nonresidential - nonowner occupied	691,045	628,951
Farmland	31,776	37,604
Total real estate	1,508,587	1,354,021
Agriculture	725	2,392
Commercial and industrial	100,727	100,757
Consumer	16,890	18,192
Municipal	221	252
Nondepository financial institutions	79,103	87,833
Lease financing receivables	45,930	30,824
Overdrafts	52	30
All other loans	15,753	20,035
	1,767,988	1,614,336
Unearned discount	(5,103)	(2,670)
Allowance for credit losses-loans	(19,018)	(19,934)
	$ 1,743,867	$ 1,591,732

The Company extends commercial and consumer credit primarily to customers in the state of Texas. At December 31, 2024 and 2023, the majority of the Company's loans were collateralized with real estate. The real estate collateral provides an alternate source of repayment in the event of default by the borrower and may deteriorate in value during the time the credit is extended. The weakening of real estate markets may have an adverse effect on the Company's profitability and asset quality. If the Company were required to liquidate the collateral securing a loan to satisfy the debt during a period of reduced real estate values, earnings and capital could be adversely affected. Additionally, the Company has loans secured by inventory, accounts receivable, equipment, marketable securities, or other assets. The debtors' ability to honor their contracts on all loans is substantially dependent upon the general economic conditions of the region.

Sound risk management practices and appropriate levels of capital are essential elements of a sound commercial real estate lending program (CRE) for a financial institution. Concentrations of CRE exposures add a dimension of risk that compounds the risk inherent in individual loans. Interagency guidance on CRE concentrations describe sound risk management practices which include board and management oversight, portfolio management, management information systems, market analysis, portfolio stress testing and sensitivity analysis, credit underwriting standards, and credit risk review functions. Management believes it has implemented these practices in order to monitor its CRE. An institution which has reported loans for construction, land development, and other land loans representing 100% or more of total risk based capital, or total non-owner occupied commercial real estate loans representing 300% or more of the institutions total risk-based capital and the outstanding balance of commercial real estate loan portfolio has increased by 50% or more during the prior 36 months, may be identified for further supervisory analysis by regulators to assess the nature and risk posed by the concentration. At December 31, 2024 and 2023, the Bank had total commercial real estate loans of approximately $1,157,346,000 and $1,058,785,000, respectively. Included in these amounts, the Bank had construction, land development, and other land loans representing 101% and 93%, respectively, of total risk-based capital at December 31, 2024 and 2023. The Bank had non-owner occupied commercial real estate loans representing 401% and 394%, respectively, of total risk-based capital at December 31, 2024 and 2023.

Loan maturities and rate sensitivity of the loan portfolio at December 31, 2024 and 2023, including mortgage loans held for sale less loans on nonaccrual, are as follows (in thousands):

	2024	2023
Fixed rate loans with a remaining maturity of:		
Three months or less	$ 102,016	$ 69,786
Over three months through twelve months	183,493	128,994
Over one year through five years	602,509	693,338
Over five years	192,747	205,883
Total fixed rate loans	$ 1,080,765	$ 1,098,001
Variable rate loans with a repricing frequency of:		
Quarterly or more frequently	$ 260,852	$ 175,357
Annually or more frequently, but less frequently than quarterly	40,532	33,960
Every five years or more frequently, but less frequently than annually	372,979	284,310
Less frequently than every five years	10,260	21,794
Total variable rate loans	$ 684,623	$ 515,421

Accrued Interest Receivable

Accrued interest receivable on loans totaled approximately $6,532,000 and $6,108,000 at December 31, 2024 and 2023, respectively, and is included in accrued interest receivable in the accompanying consolidated balance sheets. Accrued interest is excluded from the estimate of credit losses.

Nonaccrual Loans

Loans are considered past due if the required principal and interest payments have not been received as of the date such payments were due. Loans are placed on nonaccrual status when, in management's opinion, the borrower may be unable to meet payment obligations as they become due, as well as when required by regulatory provisions.

Nonaccrual loans, segregated by class of loans at December 31, 2024 and 2023 is as follows, (in thousands):

	December 31, 2024		December 31, 2023	
	Total Nonaccrual	Nonaccrual with No Credit Loss Allowance	Total Nonaccrual	Nonaccrual with No Credit Loss Allowance
Real estate:				
1-4 family construction	$ 594	$ 594	$ 192	$ 192
Construction, land development, and other lan	3,430	3,430	-	-
1-4 family residential	7,373	7,373	2,954	2,954
Multi-family residential	-	-	-	-
Nonfarm nonresidential - owner occupied	-	-	-	-
Nonfarm nonresidential - nonowner occupied	1,488	1,488	-	-
Farmland	-	-	-	-
Total real estate	12,885	12,885	3,146	3,146
Agriculture	-	-	-	-
Commercial and industrial	5,569	1,965	1,345	1,221
Consumer	-	-	29	29
Municipal	-	-	-	-
Nondepository financial institutions	-	-	-	-
Lease financing receivables	-	-	-	-
Overdrafts	-	-	-	-
All other loans	-	-	-	-
	$ 18,454	$ 14,850	$ 4,520	$ 4,396

The Company recognized approximately $243,000 and $10,000 of income on nonaccrual loans during the years ending December 31, 2024 and 2023, respectively. Additionally, the Company reversed approximately $690,000 and $110,000 of interest income against accrued interest receivable during the years ended December 31, 2024 and 2023, respectively.

Collateral-Dependent Loans

The Company has certain loans for which repayment is dependent upon the operation or sale of collateral, as the borrower is experiencing financial difficulty. The underlying collateral can vary based upon the type of loan. The following provides more detail about the types of collateral that secure collateral dependent loans:

- Commercial real estate loans can be secured by either owner occupied commercial real estate or non-owner occupied investment commercial real estate. Typically, owner occupied commercial real estate loans are secured by office buildings, warehouses, manufacturing facilities and other commercial and industrial properties occupied by operating companies. Non-owner occupied commercial real estate loans are generally secured by office buildings and complexes, retail facilities, multifamily complexes, land under development, industrial properties, as well as other commercial or industrial real estate.

- Residential real estate loans are typically secured by first mortgages, and in some cases could be secured by a second mortgage.

- Home equity lines of credit are generally secured by second mortgages on residential real estate property.

- Commercial loans are generally secured by accounts receivable, inventory, equipment and other business assets.

- Consumer loans are generally secured by automobiles, motorcycles, recreational vehicles and other personal property. Some consumer loans are unsecured and have no underlying collateral.

The following table details the amortized cost of collateral-dependent loans as of December 31, 2024 and 2023, (in thousands):

	2024	2023
Real estate:		
1-4 family construction	$ 594	$ 192
Construction, land development, and other land	3,430	-
1-4 family residential	7,373	2,954
Multifamily residential	-	-
Nonfarm nonresidential owner occupied	-	-
Nonfarm nonresidential nonowner occupied	1,488	-
Farmland	-	-
Total real estate	12,885	3,146
Agriculture	-	-
Commercial and industrial	5,569	1,345
Consumer	-	29
Municipal	-	-
Nondepository financial institutions	-	-
Lease financing receivable	-	-
Overdrafts	-	-
All other loans	-	-
	$ 18,454	$ 4,520

Loan Modifications

At December 31, 2024 and 2023, the Company had loans that were both experiencing financial difficulty and modified totaling approximately $459,000 and $489,000, respectively. The Company had not allocated any specific reserves in regard to these loans at December 31, 2024 or 2023. The Company had no loans modified during 2024 or 2023. There were no significant loans that had been previously modified that subsequently defaulted during the years ended December 31, 2024 and 2023. The Company is not committed to lend additional funds to debtors whose loans have been modified.

Loans in Process of Foreclosure

At December 31, 2024 or 2023, the Company had no loans for which foreclosure proceedings were in process.

Past Due Loans

The following is a summary of past due loans that continue to accrue interest at December 31, 2024 and 2023 (in thousands):

	30-59 Days Past Due	60-89 Days Past Due	Past Due 90 Days or More	Total
December 31, 2024:				
Real estate:				
1-4 family construction	$ 3,218	$ 692	$ -	$ 3,910
Construction, land development and other land	-	74	-	74
Revolving 1-4 family residential	-	-	-	-
1-4 family residential	3,479	2,072	333	5,884
Multi-family residential	823	-	-	823
Nonfarm nonresidential - owner occupied	8,931	-	-	8,931
Nonfarm nonresidential - nonowner occupied	-	-	-	-
Farmland	308	232	-	540
Total real estate	16,759	3,070	333	20,162
Agriculture	-	-	-	-
Commercial and industrial	37	-	-	37
Consumer	1,518	22	-	1,540
Municipal	-	-	-	-
Nondepository financial institutions	-	-	-	-
Lease financing receivable	194	67	-	261
Overdrafts	-	-	-	-
All other loans	-	-	-	-
	$ 18,508	$ 3,159	$ 333	$ 22,000
December 31, 2023:				
Real estate:				
1-4 family construction	$ 3,226	$ -	$ -	$ 3,226
Construction, land development and other land	3,241	-	-	3,241
Revolving 1-4 family residential	-	-	-	-
1-4 family residential	2,237	630	226	3,093
Multi-family residential	932	-	-	932
Nonfarm nonresidential - owner occupied	12	-	-	12
Nonfarm nonresidential - nonowner occupied	-	-	-	-
Farmland	501	-	-	501
Total real estate	10,149	630	226	11,005
Agriculture	1,097	-	-	1,097
Commercial and industrial	7,596	-	-	7,596
Consumer	1,396	86	-	1,482
Municipal	-	-	-	-
Nondepository financial institutions	-	-	-	-
Lease financing receivable	462	63	-	525
Overdrafts	-	-	-	-
All other loans	-	-	-	-
	$ 20,700	$ 779	$ 226	$ 21,705

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. 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 Company'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 Company 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.

As of December 31, 2024 and 2023, and based on the most recent analysis performed, the risk category of loans by class of loans is as follows (in thousands):

	Pass	Special Mention	Substandard	Doubtful	Total
December 31, 2024:					
Real estate:					
1-4 family construction	$ 115,601	$ -	$ 594	$ -	$ 116,195
Construction, land development and other land	130,880	-	3,430	-	134,310
1-4 family residential	311,498	499	7,468	-	319,465
Multi-family residential	56,517	-	-	-	56,517
Nonfarm nonresidential - owner occupied	150,348	8,931	-	-	159,279
Nonfarm nonresidential - nonowner occupied	672,749	9,734	8,562	-	691,045
Farmland	31,776	-	-	-	31,776
Total real estate	1,469,369	19,164	20,054	-	1,508,587
Agriculture	725	-	-	-	725
Commercial and industrial	78,835	16,972	1,316	3,604	100,727
Consumer	16,890	-	-	-	16,890
Municipal	221	-	-	-	221
Nondepository financial institutions	79,103	-	-	-	79,103
Lease financing receivable	45,930	-	-	-	45,930
Overdrafts	52	-	-	-	52
All other loans	15,753	-	-	-	15,753
	$ 1,706,878	$ 36,136	$ 21,370	$ 3,604	$ 1,767,988
December 31, 2023:					
Real estate:					
1-4 family construction	$ 72,878	$ -	$ -	$ -	$ 72,878
Construction, land development and other land	136,383	-	192	-	136,575
Revolving 1-4 family residential	112	-	-	-	112
1-4 family residential	253,990	477	3,053	-	257,520
Multi-family residential	52,175	-	-	-	52,175
Nonfarm nonresidential - owner occupied	168,206	-	-	-	168,206
Nonfarm nonresidential - nonowner occupied	621,768	-	7,183	-	628,951
Farmland	37,604	-	-	-	37,604
Total real estate	1,343,116	477	10,428	-	1,354,021
Agriculture	2,392	-	-	-	2,392
Commercial and industrial	99,412	-	1,345	-	100,757
Consumer	18,163	-	29	-	18,192
Municipal	252	-	-	-	252
Nondepository financial institutions	87,833	-	-	-	87,833
Lease financing receivable	30,824	-	-	-	30,824
Overdrafts	30	-	-	-	30
All other loans	20,035	-	-	-	20,035
	$ 1,602,057	$ 477	$ 11,802	$ -	$ 1,614,336

Allowance For Credit Losses (ACL)-Loans

The allowance for credit losses-loans represents management's best estimate of current expected credit losses on loans considering available information, from internal and external sources, relevant to assessing collectability over the loans' contractual terms, adjusted for expected prepayments. Credit loss expense related to loans reflects the totality of actions taken on all loans for a particular period including any necessary increases or decreases in the allowance related to changes in credit loss expectations associated with specific loans or pools of loans. 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 appropriateness of the allowance is dependent upon a variety of factors beyond the Company's control, including the performance of the loan portfolio, the economy, changes in interest rates and the view of the regulatory authorities toward loan classifications.

Management may also adjust its assumptions to account for differences between expected and actual losses from period to period. The variability of management's assumptions could alter the ACL on loans materially and impact future results of operations and financial condition. The loss estimation models and methods used to determine the allowance for credit losses are continually refined and enhanced.

Methodology

The Company is utilizing a third-party model to tabulate its estimate of current expected credit losses, using a weighted average remaining maturity (WARM) methodology. In accordance with ASC 326, the Company has segmented its loan portfolio based on similar risk characteristics which include type/purpose of the loans, underlying collateral and historical credit loss patterns.

The allowance is comprised of three distinct reserve components: (1) specific reserves related to loans individually evaluated, (2) quantitative reserves related to loans collectively evaluated, and (3) qualitative reserves related to loans collectively evaluated. A summary of the methodology the Company employs with respect to each of these components in order to evaluate the overall adequacy of the allowance for credit losses is as follows:

Specific Reserve for Loans Individually Evaluated

The Company identifies loan relationships that may have credit weaknesses. Such loan relationships are identified primarily through the analysis of loan evaluations and past due loan reports. Each loan so identified is then individually evaluated to determine whether it is probable that the Company will be unable to collect all amounts due in accordance with the contractual terms of the underlying loan agreement. The Company performs an analysis based on the fair value of the loan's collateral, which is generally determined utilizing current appraisals, less estimated selling costs if the loan is collateral dependent or the present value of expected future cash flows from the loan discounted at the loans effective interest rate. A specific reserve is established in an amount equal to the excess, if any, of the recorded investment in the loan over the fair value of its underlying collateral, less estimated costs to sell.

Quantitative Reserve for Loans Collectively Evaluated

The Company stratifies the loan portfolio into loan pools. Quantitative reserves relative to each loan pool are established using an allocation equaling 100% of the respective pool's average 12 month historical net loan charge-off rate (determined based upon the most recent twelve quarters) which is applied to the aggregate recorded investment of loans collectively evaluated over the estimated life of the pool.

Qualitative Reserve for Loans Collectively Evaluated

Management qualitatively adjusts model results for risk factors that are not considered within the modeling processes but are nonetheless relevant in assessing the expected credit losses within the loan pools. These qualitative factors (Q-Factors) and other qualitative adjustments may increase or decrease the estimate of expected credit losses by a calculated percentage or amount based upon the estimated level of risk. The various risks that may be considered in making Q-Factor and other qualitative adjustments include, among other things, the impact of (i) changes in lending policies and procedures, including changes in underwriting standards and practices for collections, write-offs, and recoveries, (ii) actual and expected changes in international, national, regional, and local economic and business conditions and developments that affect the collectability of the loan pools, (iii) changes in the nature and volume of the loan pools and in the terms of the underlying loans, (iv) changes in the experience, ability, and depth of the lending management and staff, (v) changes in volume and severity of past due financial assets, the volume of nonaccrual assets, and the volume and severity of adversely classified or graded assets, (vi) changes in the quality of the credit review function, (vii) changes in the value of the underlying collateral for loans that are non-collateral dependent, (viii) the existence, growth, and effect of any concentrations of credit and (ix) other factors such as the regulatory, legal and technological environments; competition; and events such as natural disasters or health pandemics. The qualitative adjustment factor for each loan pool is then applied over the expected life of the pool.

The following table presents details of the ACL-loans segregated by loan portfolio segment as of December 31, 2024 and 2023 (in thousands):

	Modeled Expected Credit Losses	Q-Factor and Other Qualitative Adjustments	Specific Allocations	Total
December 31, 2024:				
Real estate:				
1-4 family construction	$ 141	$ 690	$ -	$ 831
Construction, land development and other land	303	1,676	-	1,979
Revolving 1-4 family residential	-	-	-	-
1-4 family residential	356	1,584	-	1,940
Multi-family residential	101	268	-	369
Nonfarm nonresidential - owner occupied	249	940	-	1,189
Nonfarm nonresidential - nonowner occupied	1,108	6,394	-	7,502
Farmland	14	170	-	184
Total real estate	2,272	11,722	-	13,994
Agriculture	1	2	-	3
Commercial and industrial	672	1,758	1,802	4,232
Consumer	211	123	-	334
Municipal	-	-	-	-
Nondepository financial institutions	-	265	-	265
Lease financing receivable	7	88	-	95
Overdrafts	-	-	-	-
All other loans	59	36	-	95
	$ 3,222	$ 13,994	$ 1,802	$ 19,018
December 31, 2023:				
Real estate:				
1-4 family construction	$ 113	$ 603	$ -	$ 716
Construction, land development and other land	320	1,787	-	2,107
Revolving 1-4 family residential	-	-	-	-
1-4 family residential	387	1,971	-	2,358
Multi-family residential	116	358	-	474
Nonfarm nonresidential - owner occupied	306	1,360	-	1,666
Nonfarm nonresidential - nonowner occupied	1,148	7,409	-	8,557
Farmland	23	310	-	333
Total real estate	2,413	13,798	-	16,211
Agriculture	2	5	-	7
Commercial and industrial	677	1,846	27	2,550
Consumer	248	156	-	404
Municipal	-	-	-	-
Nondepository financial institutions	-	496	-	496
Lease financing receivable	7	125	-	132
Overdrafts	-	-	-	-
All other loans	70	64	-	134
	$ 3,417	$ 16,490	$ 27	$ 19,934

Allowance for Credit Losses-Loans

An analysis of the allowance for credit losses-loans for the years ended December 31, 2024 and 2023 is as follows (in thousands):

	Beginning Balance	Cumulative Effect of Change in Accounting Principle	Credit Loss Expense (Reversal)	Charge-offs	Recoveries	Ending Balance
December 31, 2024:						
Real estate:						
1-4 family construction	$ 716	$ -	$ 115	$ -	$ -	$ 831
Construction, land development and other la	2,107	-	(128)	-	-	1,979
Revolving 1-4 family residential	-	-	-	-	-	-
1-4 family residential	2,358	-	(418)	-	-	1,940
Multi-family residential	474	-	(105)	-	-	369
Nonfarm nonresidential - owner occupied	1,666	-	(477)	-	-	1,189
Nonfarm nonresidential - nonowner occupie	8,557	-	(1,055)	-	-	7,502
Farmland	333	-	(149)	-	-	184
Total real estate	16,211	-	(2,217)	-	-	13,994
Agriculture	7	-	(4)	-	-	3
Commercial and industrial	2,550	-	5,356	(3,693)	19	4,232
Consumer	404	-	(27)	(49)	6	334
Municipal	-	-	-	-	-	-
Nondepository financial institutions	496	-	(231)	-	-	265
Lease financing receivable	132	-	(38)	-	1	95
Overdrafts	-	-	-	-	-	-
All other loans	134	-	(39)	-	-	95
	$ 19,934	$ -	$ 2,800	$ (3,742)	$ 26	$ 19,018
December 31, 2023:						
Real estate:						
1-4 family construction	$ 818	$ (53)	$ (49)	$ -	$ -	$ 716
Construction, land development and other la	1,627	317	163	-	-	2,107
Revolving 1-4 family residential	1	(1)	-	-	-	-
1-4 family residential	1,888	218	252	-	-	2,358
Multi-family residential	528	2	(56)	-	-	474
Nonfarm nonresidential - owner occupied	1,847	(46)	(135)	-	-	1,666
Nonfarm nonresidential - nonowner occupie	6,872	1,954	(269)	-	-	8,557
Farmland	147	157	29	-	-	333
Total real estate	13,728	2,548	(65)	-	-	16,211
Agriculture	5	2	-	-	-	7
Commercial and industrial	1,031	1,434	136	(78)	27	2,550
Consumer	170	275	(44)	(3)	6	404
Municipal	1	(1)	-	-	-	-
Nondepository financial institutions	294	230	(28)	-	-	496
Lease financing receivable	192	(23)	14	(51)	-	132
Overdrafts	-	-	-	-	-	-
All other loans	36	111	(13)	-	-	134
	$ 15,457	$ 4,576	$ -	$ (132)	$ 33	$ 19,934

5. Premises and Equipment

A summary of premises, equipment and land improvements and related accumulated depreciation at December 31, 2024 and 2023 is as follows (in thousands):

	Estimated Useful Lives	2024	2023
Land		$ 6,792	$ 6,792
Premises	5-40 years	26,323	26,267
Furniture, fixtures and equipment	3-10 years	12,993	12,370
Land improvements	5-20 years	893	893
Lease equipment	3-5 years	3,315	3,632
		50,316	49,954
Less accumulated depreciation		20,776	19,745
		29,540	30,209
Construction in progress		21,000	6,914
Totals		$ 50,540	$ 37,123

The majority of construction in progress at December 31, 2024 consists of costs associated with the construction of two branch buildings in the DFW Metropolitan area. Remaining costs to complete as of December 31, 2024 are estimated to be approximately $4,750,000.

Depreciation expense amounted to approximately $1,824,000 and $1,873,000 in 2024 and 2023, respectively.

6. Mortgage Servicing Rights

Mortgage loans serviced for others are not included in the accompanying consolidated balance sheets. The unpaid principal balances of mortgage loans serviced for others was approximately $385,936,000 and $405,984,000 at December 31, 2024 and 2023, respectively. Custodial escrow balances maintained in connection with the foregoing loan servicing, and included in demand deposits, were approximately $2,405,000 and $3,650,000 at December 31, 2024 and 2023, respectively.

Originated mortgage servicing rights capitalized at December 31, 2024 and 2023, are approximately $2,855,000 and $3,021,000, respectively, and are included in other assets in the accompanying consolidated balance sheets. The fair values of these rights were approximately $5,560,000 and $5,444,000 at December 31, 2024 and 2023, respectively. The fair value of servicing rights was determined using a weighted average discount rate of 10.25% for both 2024 and 2023, and a weighted average conditional prepayment rate of 5.50% for both 2024 and 2023.

A summary of the changes in servicing rights during 2024 and 2023 is as follows (in thousands):

	2024	2023
Balance at beginning of year	$ 3,021	$ 3,084
Origination	172	286
Amortization	(338)	(349)
Impairments	-	-
Balance at end of year	$ 2,855	$ 3,021

7. Goodwill

Goodwill in the amount of approximately $4,220,000 at December 31, 2024 and 2023, is included in the accompanying consolidated financial statements. At December 31, 2024 and 2023, management has determined that it is not more likely than not that goodwill is impaired. Prior to the year ended December 31, 2002, goodwill was amortized over its estimated useful life. Accordingly, the amounts reflected for goodwill in the accompanying financial statements have been reduced by the relating accumulated amortization of approximately $507,000.

8. Deposits

Included in time deposits are certificates of deposit in amounts of $250,000 or more. The aggregate amount of short-term jumbo certificates of deposit, each with a minimum denomination of $250,000, was approximately $235,501,000 and $119,017,000 at December 31, 2024 and 2023, respectively.

At December 31, 2024 and 2023, the scheduled maturities of certificates of deposit are as follows (in thousands):

	2024	2023
Less than three months	$ 202,448	$ 65,140
Four to twelve months	415,393	329,647
One to five years	82,506	165,210
Over five years	1,516	1,659
	$ 701,863	$ 561,656

Deposits which exceed the FDIC insurance limit of $250,000 at December 31, 2024 amounted to approximately $818,258,000.

9. Securities Sold Under Agreements to Repurchase

Securities sold under agreements to repurchase amounted to approximately $1,152,000 at December 31, 2023. The agreements were predominantly secured by U.S. Government Agency securities with a fair value of approximately $2,500,000 at December 31, 2023. The weighted average interest rate on these agreements was 0.10% at December 31, 2023. The agreements in the aggregate amount of approximately $1,152,000 at December 31, 2023 matured on January 1, 2024 and were renewed daily as necessary under normal operations.

There were no securities sold under repurchase agreements at December 31, 2024.

The average balances of securities sold under agreements to repurchase amounted to approximately $905,000 and $1,300,000, respectively, for the years ending December 31, 2024 and 2023.

10. Other Borrowings

Federal Home Loan Bank

Advances from the Federal Home Loan Bank (FHLB) are borrowings that are collateralized by a security agreement, which requires the borrowing bank to maintain a certain level of qualified first mortgage collateral in relation to the amount of outstanding debt. Outstanding advances amounted to $50,000,000 at December 31, 2023. There were no outstanding advances at December 31, 2024. Outstanding advances at December 31, 2023 consisted of FHLB Dallas Owns the Option (FOTO) advances. These advances were callable by the FHLB on the 16th day of each quarter after November 16, 2023, were fixed at 3.35%, and had a maturity date of August 16, 2033. On May 16, 2024, the FHLB called the existing advance.

At both December 31, 2024 and 2023, the Bank has certain Direct Letters of Credit outstanding in the aggregate amounts of $197,571,000 and $312,495,000, respectively. These Direct Letters of Credit reduce the Bank's available borrowing capacity and are being used to cover the pledging requirements for certain local municipal depositors. The Direct Letter of Credit agreements require the Bank to make quarterly fee payments based on the average outstanding balance of the municipalities. At December 31, 2024, the Direct Letters of Credit have stated maturity dates ranging from February 10, 2025 through February 1, 2026.

At December 31, 2024, the Bank has additional unused borrowing capacity with the FHLB of approximately $594,761,000.

Nexbank

At both December 31, 2024 and 2023, the Company has a revolving line of credit with Nexbank in the maximum amount of $30,000,000. The outstanding balance under this agreement was $5,000,000 at December 31, 2024. There was no outstanding balance under this agreement at December 31, 2023. The line of credit is collateralized by all issued and outstanding common stock of the Bank and requires monthly interest payments based on a variable interest rate of the Wall Street Journal Prime Rate (7.50% at December 31, 2024) with a floor of 4.00%, with all unpaid principal and interest due at maturity on June 24, 2025.

Other

Additionally, the Bank has unused federal funds lines available from other commercial banks of approximately $25,000,000 at December 31, 2024.

11. Senior Unsecured Notes Payable

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

	2024	2023
Senior unsecured notes payable	$ 50,000	$ 50,000
Less debt issue costs	(888)	(888)
Add accumulated amortization of debt issue costs	252	163
Balances oustanding	$ 49,364	$ 49,275

Debt issue costs in net amounts of approximately $636,000 and $725,000 at December 31, 2024 and 2023, respectively, are being amortized over the life of the senior unsecured notes payable. Amortization expense of approximately $89,000 for each of the years ended December 31, 2024 and 2023 has been included as a component of interest expense in the accompanying consolidated financial statements.

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

The junior subordinated debentures of approximately $7,217,000 at December 31, 2024 and 2023 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, 2024 and 2023. Both the junior subordinated debentures and the related trust preferred securities yield an annual distribution rate of 3-month SOFR plus l.80% (6.42% at December 31, 2024 and 7.45% at December 31, 2023), are redeemable at various dates beginning in June, 2010 and mature in June, 2035.

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

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

13. Income Taxes

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

	2024	2023
Current income tax expense:		
Federal and state	$ 3,295	$ 2,799
Deferred income tax expense (benefit) arising from:		
Difference in tax and financial depreciation	(154)	(75)
Accounting for bad debt expense	192	21
Nonaccrual loan interest	(185)	(19)
Federal Home Loan Bank and other stock dividends	(18)	25
Deferred compensation benefits	(69)	(90)
Deferred loan fee income	36	(3)
Net deferred income tax benefit	(198)	(141)
Total income tax expense	$ 3,097	$ 2,658

The difference between the consolidated financial statement income tax expense and amounts computed by applying the statutory federal income tax rate of 21% to consolidated income before taxes for the years ended December 31, 2024 and 2023 is primarily attributable to interest income on tax-exempt securities and tax-exempt increases in cash surrender value of life insurance partially offset by certain nondeductible expenses for tax purposes.

A net deferred federal income tax asset of approximately $6,194,000 and $6,295,000 at December 31, 2024 and 2023, respectively, is included in other assets. The accumulated tax effect of each type of income and expense item that gave rise to deferred taxes are as follows (in thousands):

	2024	2023
Deferred tax assets		
Excess of tax over financial cost for fixed assets	$ 41	$ 41
Allowance for loan and lease losses	3,994	4,186
Deferred compensation benefits	2,000	1,931
Deferred loan fee income	567	603
Nonaccrual loan interest	286	101
Unfunded commitments	294	294
Unrealized depreciation on securities available for sale	1,041	1,340
Total deferred tax assets	8,223	8,496
Deferred tax liabilities		
Depreciation	(1,007)	(1,161)
Federal Home Loan Bank stock dividends	(140)	(158)
Amortization	(882)	(882)
Total deferred tax liabilities	(2,029)	(2,201)
Total net deferred tax asset	$ 6,194	$ 6,295

Federal income taxes currently receivable of approximately $851,000 at December 31, 2024 are included in other assets. Federal income taxes currently payable of approximately $292,000 at December 31, 2023 are included in other liabilities.

In connection with the adoption of ASC 326 referred to in Note 1, the Company recognized a deferred tax asset of approximately $1,255,000 regarding the increase in the allowance for credit losses-loans and allowance for credit losses-off balance sheet exposures effective January 1, 2023.

14. Employee Benefits

KSOP Plan

The Company maintains an employee stock ownership 401(k) plan (KSOP). The KSOP periodically borrows from various lenders to acquire stock for future allocation to KSOP participants. At December 31, 2024 and 2023, the KSOP had no borrowings outstanding. 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.

At December 31, 2024 and 2023, all unallocated shares have been allocated to the KSOP's participants. Dividends paid on unallocated shares are paid to the KSOP and are recorded as compensation expense. As shares are released from collateral, the Company reports compensation expense equal to the current market price of the shares. KSOP expense for 2024 and 2023 was approximately $948,000 and $840,000, respectively. Employer matching salary contributions of approximately $249,000 and $149,000 were made in 2024 and 2023, respectively.

Deferred Compensation Plans

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

The Company's obligation under the agreements is recorded based upon the present value of the deferred compensation benefits. The Company's provision for expense under these agreements was approximately $859,000 and $917,000 for 2024 and 2023, respectively. The relating accrued liability under the agreements was approximately $9,445,000 and $9,115,000 at December 31, 2024 and 2023, respectively.

In connection with the funding of the agreements, the Company has purchased life insurance policies that it believes will fund the benefits payable pursuant to the agreements. The Company is owner and beneficiary of the life insurance policies. At December 31, 2024 and 2023, respectively, the Company had approximately $27,405,000 and $25,702,000 in cash surrender value related to these life insurance policies.

Stock Option Plans

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

Plan Description	Grant Date	Shares Approved	Strike Price	Expiration
2023 Plan	April 23, 2024	46,000	$ 68.37	January 31, 2026
2022 Plan	March 21, 2023	39,750	$ 70.05	January 31, 2025
2021 Plan	May 16, 2022	74,000	$ 70.00	January 31, 2024
2020 Supplemental Plan	July 1, 2021	6,000	$ 59.00	January 31, 2023
2020 Plan	March 16, 2021	66,000	$ 50.00	January 31, 2023

The above options vest in four equal amounts every six months beginning each June 30 for the 2023, 2022, 2021, and 2020 Plans and in three equal amounts every six months beginning December 31, 2021 for the 2020 Supplemental Plan.

A summary of option activity under the Option Plans as of December 31, 2024 and 2023 and changes during the years then ended are as follows:

	2024		2023	
	Option Price Per Share	Shares Under Option	Option Price Per Share	Shares Under Option
Outstanding at beginning of year	$70.00 to $70.05	111,750	$50.00 to $70.00	132,500
Granted during the year	$68.37	46,000	$70.05	39,750
Exercised during the year	$70.00	(8,200)	$51.45	(58,500)
Forfeited during the year	$70.00 to $70.05	(64,800)	$50.00	(2,000)
Outstanding at the end of year	$68.37 to $70.05	84,750	$70.00 to $70.05	111,750
Exercisable at end of year		61,750		91,875
Weighted average remaining contractual life (in months)		7.51		5.27

A summary of the status of the Company's nonvested shares at December 31, 2024 and 2023 and the changes during the years then ended are as follows:

	2024		2023	
	Shares	Weighted Average Grant Fair Value	Shares	Weighted Average Grant Fair Value
Nonvested at January 1	19,875	$ 3.59	37,000	$ 1.83
Granted during the year	46,000	4.68	39,750	3.59
Vested during the year	(41,875)	4.19	(56,875)	2.45
Forfeited during the year	(1,000)	3.59	-	-
Nonvested at December 31	23,000	$ 4.68	19,875	$ 3.59

The fair value of each option grant during 2024 and 2023 was estimated using the Black-Scholes option-pricing model with the following assumptions:

	2024	2023
Dividend yield	1.22%	1.22%
Expected life	2.08 years	2.08 years
Expected volatility	6.52%	5.70%
Risk-free interest rate	4.86%	3.59%

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

In connection with the exercise of a portion of the above stock options (in addition to a portion of stock options previously exercised), certain stock option holders executed notes payable to the Company in lieu of cash payments for the exercise of their stock options. A summary of stock options exercised under these conditions is as follows as of and for the years ended December 31, 2024, and 2023 (dollar amounts in thousands):

	2024		2023	
	Shares	Amount	Shares	Amount
Oustanding at beginning of year	49,000	$ 2,485	29,000	$ 1,445
Additional borrowings	8,200	574	20,000	1,040
Repayments	-	-	-	-
Outstanding at end of year	57,200	$ 3,059	49,000	$ 2,485

Additionally, the Company permitted the financing of the related tax due under the exercise of these stock options which collectively amounted to approximately $221,000 and $248,000 at December 31, 2024 and 2023, respectively. Both the stock option notes and the related tax notes call for quarterly interest payments at the applicable federal rate in effect on the exercise date (1.30% to 4.25%) and mature on various dates beginning on April 15, 2032 through April 15, 2034.

15. Related Party Transactions

At December 31, 2024 and 2023, 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 $13,818,000 and $12,932,000, respectively. During 2024, $4,734,000 of new loans were originated and repayments totaled approximately $3,848,000. Additionally, unfunded commitments related to these loans amounted to approximately $1,700,000 at December 31, 2024 and 2023. 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.

16. Financial Instruments

The Company is a party to financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit and standby letters of credit. Those instruments involve, to varying degrees, elements of credit risk in excess of the amount recognized in the consolidated balance sheets.

The Company's exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to extend credit and standby letters of credit is represented by the contractual amount of those instruments. The Company uses the same credit policies in making commitments and conditional obligations as it does for on-balance sheet instruments. At December 31, 2024 and 2023, the approximate amounts of these financial instruments were as follows (in thousands):

	2024	2023
Commitments to extend credit	$ 286,660	$ 341,737
Standby letters of credit	7,341	6,973
Total	$ 294,001	$ 348,710

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments may expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. Management evaluates each customer's credit worthiness 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 of the counterparty.

Standby letters of credit are conditional commitments issued by the Company to guarantee the performance of a customer to a third party. Standby letters of credit generally have fixed expiration dates or other termination clauses and may require payment of a fee. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers. The Company's policy for obtaining collateral and the nature of such collateral is essentially the same as that involved in making commitments to extend credit.

Allowance For Credit Losses (ACL) Off-Balance Sheet Credit Exposures

The ACL on off-balance sheet credit exposures is included in other liabilities in the accompanying consolidated balance sheets. The ACL is calculated in accordance with ASC 326, representing expected credit losses over the contractual period for which the Company are exposed to credit risk resulting from a contractual obligation to extend credit. No allowance is recognized if the Company has the unconditional right to cancel the obligation. Off-balance sheet credit exposures primarily consist of amounts available under outstanding lines of credit and letters of credit detailed in the table above. For the period of exposure, the estimate of expected credit losses considers both the likelihood that funding will occur and the amount expected to be funded over the estimated remaining life of the commitment or other off-balance sheet exposure. The likelihood and expected amount of funding are based on historical utilization rates. The amount of the allowance represents management's best estimate of expected credit losses on commitments expected to be funded over the contractual life of the commitment. Estimating credit losses on amounts expected to be funded uses the same methodology as described for loans in Note 4 as if such commitments were funded.

In connection with the adoption of ASC 326 discussed in Note 1, the Company made an adjustment effective January 1, 2023 of $1,400,000 related to the allowance for credit losses for off-balance sheet credit exposures. The Company recognized no credit loss expense on off-balance sheet credit exposures during 2024 and 2023. At December 31, 2024 and 2023, the Company had approximately $1,400,000 in the allowance for credit losses on off-balance sheet credit exposures.

17. Commitments and Contingent Liabilities

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

18. Concentrations of Credit

Substantially all of the Company's loans, commitments, credit card arrangements and standby letters of credit have been granted to customers in the Company's market area. Most customers are depositors of the Company. Investments in state and municipal securities also involve governmental entities within the Company's market area. The concentrations of credit by type of loan are set forth in Note 4. The distribution of commitments to extend credit approximates the distribution of loans outstanding. Commercial and standby letters of credit were granted primarily to commercial borrowers.

The Company occasionally maintains deposits and federal funds sold in excess of federally insured limits.

At December 31, 2024 and 2023, the Company had approximately $104,800,000 and $84,100,000, respectively, in due from banks and federal funds sold in excess of federally insured amounts. The risk is managed by maintaining all deposits in high quality financial institutions.

At December 31, 2024 and 2023, total deposits include approximately $200,258,000 and $216,450,000, respectively, from the five largest deposit customers. The customers' deposits are under no contractual obligation to the Company other than the maturity durations for various time certificates of deposit.

19. Fair Value Disclosure

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

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

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

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

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

Assets and liabilities measured at fair value on a recurring basis at December 31, 2024 and 2023 were as follows (in thousands):

	Level 1	Level 2	Level 3
December 31, 2024:			
Available for sale securities	$ 9,876	$ 86,228	$ -
December 31, 2023:			
Available for sale securities	$ 4,945	$ 96,075	$ -

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

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

The following table summarizes financial assets and non-financial assets, measured at fair value on a non-recurring basis as of December 31, 2024 and 2023, segregated by the level of the valuation inputs within the fair value hierarchy utilized to measure fair value (in thousands):

	Level 1	Level 2	Level 3	Total Fair Value
December 31, 2024:				
Financial assets - loans	$ -	$ -	$ 1,802	$ 1,802
December 31, 2023:				
Financial assets - loans	$ -	$ -	$ 97	$ 97
Other real estate owned	-	679	-	679

During the years ended December 31, 2024 and 2023, certain loans were remeasured and reported at fair value through a specific valuation allowance allocation of the allowance for credit losses-loans based upon the fair value of the underlying collateral. For the year ended December 31, 2024, loans with a carrying value of $3,604,000 were reduced by specific valuation allowance allocations of approximately $1,802,000 to a total reported fair value of $1,802,000, based on collateral valuations utilizing Level 3 valuation inputs. For the year ended December 31, 2023, loans with a carrying value of $124,000 were reduced by specific valuation allowance allocations of approximately $27,000 to a total reported value of $97,000, based on collateral valuations utilizing Level 3 valuation inputs

Foreclosed assets are valued at the time the loan is foreclosed upon and the asset is transferred to other real estate owned. The value is based primarily on third-party appraisals, less estimated costs to sell. Appraisals based upon comparable sales result in a Level 2 classification while appraisals based upon expected cash flows of the property result in a Level 3 classification. The appraisals are generally discounted based on management's historical knowledge, changes in market conditions from the time of valuation, and/or management's expertise and knowledge of the customer and customer's business. Other real estate owned is reviewed and evaluated on at least an annual basis for additional impairment and adjusted accordingly, based on the same factors identified above. There were no acquisitions of other real estate owned during the year ended December 31, 2024. During the year ended December 31, 2023, there were acquisitions of other real estate owned of approximately $496,000. During 2024 and 2023, there were no write downs of other real estate owned.

20. Stockholders' Equity and Regulatory Matters

The Bank is subject to regulatory capital requirements administered by federal banking agencies. Capital adequacy guidelines and prompt corrective action regulations, involve quantitative measures of assets, liabilities, and certain off-balance sheet items as calculated under regulatory accounting practices. Capital amounts and classifications are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors. Failure to meet capital requirements can initiate regulatory action. The net unrealized gain or loss on available for sale securities is not included in computing regulatory capital. Management believes as of December 31, 2024 and 2023, the Bank meets all capital adequacy requirements to which it is subject.

Prompt corrective action regulations for banking institutions provide five classifications: well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized, and critically undercapitalized, although these terms are not used to represent overall financial condition. If adequately capitalized, regulatory approval is required to accept brokered deposits. If undercapitalized, capital distributions are limited, as is asset growth and expansion, and capital restoration plans are required. At December 31, 2024, the most recent regulatory notifications categorized the Bank as well-capitalized under the regulatory framework for prompt corrective action. There are no conditions or events since that notification that management believes have changed the Bank's category.

Actual and required capital amounts and ratios of the Bank at December 31, 2024 and 2023 are presented below (in thousands):

			Minimum Required for Capital Adequacy Purposes		Minimum to be Well Capitalized under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
December 31, 2024:						
Total capital to risk weighted assets	$ 249,073	13.43%	$ 148,409	8.00%	$185,512	10.00%
Tier 1 (core) capital to risk weighted assets	228,655	12.33%	111,307	6.00%	148,409	8.00%
Common Tier 1 (CET1)	228,655	12.33%	83,480	4.50%	120,583	6.50%
Tier 1 (core) capital to average assets	228,655	9.97%	91,773	4.00%	114,717	5.00%
December 31, 2023:						
Total capital to risk weighted assets	$ 225,768	13.17%	$ 137,112	8.00%	$171,390	10.00%
Tier 1 (core) capital to risk weighted assets	204,434	11.93%	102,834	6.00%	137,112	8.00%
Common Tier 1 (CET1)	204,434	11.93%	77,126	4.50%	111,404	6.50%
Tier 1 (core) capital to average assets	204,434	9.85%	83,032	4.00%	103,790	5.00%

21. Statement of Cash Flows

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

The Company uses the indirect method to present cash flows from operating activities. Other supplemental cash flow information for the years ended December 31, 2024 and 2023 is presented as follows (in thousands):

	2024	2023
Cash transactions:		
Interest expense paid	$ 73,211	$ 52,786
Income taxes paid	$ 4,392	$ 2,936
Noncash transactions:		
Net unrealized appreciation (depreciation) on securities available for sale	$ 1,422	$ 1,669
Financing of stock option exercise through the execution of notes payable	$ 574	$ 1,157
Loans foreclosed upon to other real estate owned	$ -	$ 496

PAYNE & SMITH, LLC
Certified Public Accountants

Independent Auditor's Report

On Additional Information

The Board of Directors
AmeriBancShares, Inc. and Subsidiaries

We have audited the consolidated financial statements of AmerBancshares, Inc. and Subsidiaries as of and for the year ended December 31, 2024 and our report thereon dated March 27, 2025, which expressed an unmodified opinion on those financial statements, appears on page 1 and 2. Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information on pages 39, 40 and 41 is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, results of operations, and cash flows of the individual companies, and is not a required part of the consolidated financial statements. The consolidating information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Report on Other Regulatory Requirements

In accordance with *Government Auditing Standards*, we have also issued reports dated March 27, 2025 on our consideration of the Company's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of the reports on internal control over financial reporting is to describe the scope of our testing of internal control over financial reporting relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances to provide an opinion on the effectiveness of the entity's internal control over financial reporting. The purpose of the reports on compliance is to describe the scope of our testing on compliance and the results of that testing, but not to provide an opinion on the effectiveness of the entity's compliance with provisions of laws, regulations, contracts, grant agreements and other matters. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Company's internal control over financial reporting and compliance.

Payne & Smith, LLC

March 27, 2025

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

AMERIBANCSHARES, INC. AND SUBSIDIARIES

Consolidating Balance Sheet

December 31, 2024

(In thousands of dollars)

	Ameri-BancShares, Inc.	ANB Realty Corp.	Ameri-BancShares of Delaware	American National Bank & Trust	Archer Title of Texas	American National Leasing Co	AMNAT Insurance Services	Reclassification and Eliminations Entries	Consolidated
ASSETS									
Cash and due from banks	$ 1,193	$ 1	$ 3	$ 143,315	$ 248	$ 286	$ 65	$ (1,796)	$ 143,315
Interest bearing deposits in banks	-	-	-	173,977	1,364	27	-	(1,391)	173,977
Total cash and equivalents	1,193	1	3	317,292	1,612	313	65	(3,187)	317,292
Securities available for sale	-	-	-	96,104	-	-	-	-	96,104
Mortgage loans held for sale	-	-	-	15,854	-	-	-	-	15,854
Loans, net	-	-	-	1,731,921	-	40,595	-	(28,649)	1,743,867
Premises and equipment, net	-	-	-	45,233	2,938	2,369	-	-	50,540
Accrued interest receivable	22	-	-	11,386	-	-	-	(4,291)	7,117
Goodwill	-	-	-	4,200	20	-	-	-	4,220
Cash value of life insurance	-	-	-	30,819	-	-	-	-	30,819
Other securities	228,336	-	228,116	15,223	-	-	-	(466,734)	4,941
Other assets	356	-	-	12,904	24	1,085	-	-	14,369
Total assets	$ 229,907	$ 1	$228,119	$ 2,280,936	$ 4,594	$44,362	$ 65	$ (502,861)	$ 2,285,123
LIABILITIES AND STOCKHOLDERS' EQUITY									
Demand deposits	$ -	$ -	$ -	$ 345,739	$ -	$ -	$ -	$ (1,796)	$ 343,943
Savings deposits	-	-	-	42,640	-	-	-	-	42,640
Money market and NOW accounts	-	-	-	947,066	-	-	-	(1,391)	945,675
Time certificates of deposit	-	-	-	701,863	-	-	-	-	701,863
Total deposits	-	-	-	2,037,308	-	-	-	(3,187)	2,034,121
Other borrowings	5,000	-	-	-	-	28,649	-	(28,649)	5,000
Senior unsecured notes payable	49,364	-	-	-	-	-	-	-	49,364
Junior subordinated debentures	7,217	-	-	-	-	-	-	-	7,217
Accrued interest payable	469	-	-	2,345	-	4,291	-	(4,291)	2,814
Other liabilities	-	-	-	13,166	63	5,521	-	-	18,750
Total liabilities	62,050	-	-	2,052,819	63	38,461	-	(36,127)	2,117,266
Commitments and contingencies	-	-	-	-	-	-	-	-	-
Stockholders' equity:									
Common stock	7,352	1	8	1,680	1	1	1	(1,692)	7,352
Surplus	55,288	256	105,926	92,106	-	-	-	(198,288)	55,288
Undivided profits	117,428	(256)	126,102	138,248	4,530	5,900	64	(274,588)	117,428
Treasury stock	(5,014)	-	-	-	-	-	-	-	(5,014)
Notes receivable secured by common stock	(3,280)	-	-	-	-	-	-	-	(3,280)
Accumulated other comprehensive loss, net of tax benefit	(3,917)	-	(3,917)	(3,917)	-	-	-	7,834	(3,917)
Total stockholders' equity	167,857	1	228,119	228,117	4,531	5,901	65	(466,734)	167,857
Total liabilities and stockholders' equity	$ 229,907	$ 1	$228,119	$ 2,280,936	$ 4,594	$44,362	$ 65	$ (502,861)	$ 2,285,123

See accompanying independent auditor's report on additional information.

AMERIBANCSHARES, INC. AND SUBSIDIARIES

Consolidating Statement of Income and Comprehensive Income

For the Year ended December 31, 2024

(In thousands of dollars)

	AmerI-BancShares, Inc.	ANB Realty Corp	Ameri-BancShares of Delaware, Inc.	American National Bank & Trust	Archer Title of Texas	American National Leasing Co.	AMNAT Insurance Services	Reclassification & Eliminations Entries	Consolidated
Interest income:									
Interest and fees on loans	$ -	$ -	$ -	$ 108,411	$ -	$ 1,881	$ -	$ (806)	$ 109,486
Interest on investment securities:									
Taxable	-	-	-	7,211	-	-	-	-	7,211
Nontaxable	-	-	-	789	-	-	-	-	789
Interest on interest bearing deposits in banks	27	-	-	10,685	10	-	-	(37)	10,685
Total interest income	27	-	-	127,096	10	1,881	-	(843)	128,171
Interest expense:									
Interest on deposits	-	-	-	70,542	-	-	-	(37)	70,505
Interest on repurchase agreements	-	-	-	1	-	-	-	-	1
Interest on other borrowed funds	2,178	-	-	621	-	806	-	(806)	2,799
Interest on junior subordinated debentures	522	-	-	-	-	-	-	-	522
Total interest expense	2,700	-	-	71,164	-	806	-	(843)	73,827
Net interest income	(2,673)	-	-	55,932	10	1,075	-	-	54,344
Credit loss expense-loans	-	-	-	2,800	-	-	-	-	2,800
Net interest income after credit loss expense-loans	(2,673)	-	-	53,132	10	1,075	-	-	51,544
Other operating income:									
Service charges on deposit accounts	-	-	-	582	-	-	-	-	582
Trust fee income	-	-	-	11,766	-	-	-	-	11,766
Gain on sale of mortgage loans	-	-	-	3,675	-	-	-	-	3,675
Loan servicing fees	-	-	-	1,025	-	-	-	-	1,025
Title insurance premiums	-	-	-	-	1,348	-	-	-	1,348
Rent income	-	-	-	-	-	595	-	-	595
Earnings from subsidiaries	14,216	-	14,216	1,124	-	-	-	(29,556)	-
Dividends from subsidiaries	1,700	-	1,700	-	-	-	-	(3,400)	-
Other	88	-	-	3,851	697	93	80	(18)	4,791
Total other operating income	16,004	-	15,916	22,023	2,045	688	80	(32,974)	23,782
Other operating expenses									
Salaries and employee benefits	-	-	-	35,652	1,187	396	-	-	37,235
Premises and equipment	-	-	-	3,887	150	33	-	(18)	4,052
Data processing expense	-	-	-	4,342	-	-	-	-	4,342
Other	31	-	-	11,609	539	571	1	-	12,751
Total other operating expenses	31	-	-	55,490	1,876	1,000	1	(18)	58,380
Income before income taxes	13,300	-	15,916	19,665	179	763	79	(32,956)	16,946
Provision for (benefit from) income taxes	(549)	-	-	3,749	40	(160)	17	-	3,097
Net income	13,849	-	15,916	15,916	139	923	62	(32,956)	13,849
Other comprehensive income:									
Change in net unrealized loss on securities available for sale, net of taxes	1,124	-	1,124	1,124	-	-	-	(2,248)	1,124
Total other comprehensive income	1,124	-	1,124	1,124	-	-	-	(2,248)	1,124
Total comprehensive income	$ 14,973	$ -	$ 17,040	$ 17,040	$ 139	$ 923	$ 62	$ (35,204)	$ 14,973

See accompanying independent auditor's report on additional information.

AMERIBANCSHARES, INC. AND SUBSIDIARIES

Consolidating Statement of Cash Flows

For the Year ended December 31, 2024

(In thousands of dollars)

	Ameri-BancShares, Inc.	ANB Realty Corp	Ameri-BancShares, of Delaware, Inc.	American National Bank & Trust	Archer Title of Texas	American National Leasing Co.	AMNAT Insurance Services	Reclassification and Eliminations Entries	Consolidated
Cash flows from operating activities:									
Net income	$ 13,849	$ -	$ 15,916	$ 15,916	$ 139	$ 923	$ 62	$ (32,956)	$ 13,849
Adjustments to reconcile net income to net cash provided by (used in) operating activities:									
Depreciation	-	-	-	1,321	84	419	-	-	1,824
Credit loss expense-loans	-	-	-	2,800	-	-	-	-	2,800
Benefit from deferred taxes	-	-	-	(94)	(8)	(96)	-	-	(198)
Gain on sale of mortgage loans	-	-	-	(3,675)	-	-	-	-	(3,675)
Amortization of mortgage servicing rights	-	-	-	338	-	-	-	-	338
Gain on sale of premises and equipment	-	-	-	(17)	-	(14)	-	-	(31)
Gain on sale of other real estate owned	-	-	-	(22)	-	-	-	-	(22)
Net accretion on securities available for sale	-	-	-	(450)	-	-	-	-	(450)
Amortization of debt issue costs	89	-	-	-	-	-	-	-	89
Increase in cash surrender value of life insurance	-	-	-	(966)	-	-	-	-	(966)
Proceeds from sales of mortgage loans	-	-	-	197,039	-	-	-	-	197,039
Mortgage loans funded	-	-	-	(205,612)	-	-	-	-	(205,612)
Mortgage servicing rights capitalized	-	-	-	(171)	-	-	-	-	(171)
Unconsolidated earnings from subsidiary	(15,916)	-	(15,916)	(1,124)	-	-	-	32,956	-
Change in:									
Accrued interest receivable	(7)	-	-	(1,136)	-	-	-	806	(337)
Other assets	769	-	-	(1,666)	(5)	(412)	-	-	(1,314)
Accrued interest payable	-	-	-	653	-	806	-	(806)	653
Income taxes payable and other accrued expenses	-	-	-	(1,699)	5	4,520	-	-	2,826
Net cash (used in) provided by operating activities	(1,216)	-	-	1,435	215	6,146	62	-	6,642
Cash flows from investing activities:									
Proceeds from maturities, calls and paydowns of securities available for sale	-	-	-	376,126	-	-	-	-	376,126
Purchase of securities available for sale	-	-	-	(369,337)	-	-	-	-	(369,337)
Net (purchase) redemption of other securities	(10,000)	-	(10,000)	2,219	-	-	-	20,000	2,219
Purchase of cash value of life insurance	-	-	-	(808)	-	-	-	-	(808)
Dividends received from subsidiaries	1,700	-	1,700	-	-	-	-	(3,400)	-
Decrease in notes receivable secured by common stock	27	-	-	-	-	-	-	-	27
Net increase in loans	-	-	-	(148,659)	-	(13,088)	-	6,399	(155,348)
Proceeds from sales of other real estate owned	-	-	-	702	-	-	-	-	702
Purchase of premises and equipment	-	-	-	(15,168)	(8)	(627)	-	-	(15,803)
Proceeds from sale of premises and equipment	-	-	-	25	-	547	-	-	572
Net cash used in investing activities	(8,273)	-	(8,300)	(154,900)	(8)	(13,168)	-	22,999	(161,650)
Cash flows from financing activities:									
Net increase in deposits	-	-	-	168,177	-	-	-	6,758	174,935
Net decrease in repurchase agreements	-	-	-	(1,152)	-	-	-	-	(1,152)
Net increase (decrease) in other borrowings	5,000	-	-	(50,000)	-	6,399	-	(6,399)	(45,000)
Purchase of treasury stock	(500)	-	-	-	-	-	-	-	(500)
Paid in capital from parent company	-	-	10,000	10,000	-	-	-	(20,000)	-
Dividends paid	(1,415)	-	(1,700)	(1,700)	-	-	-	3,400	(1,415)
Net cash provided by financing activities	3,085	-	8,300	125,325	-	6,399	-	(16,241)	126,868
Net (decrease) increase in cash and cash equivalents	(6,404)	-	-	(28,140)	207	(623)	62	6,758	(28,140)
Cash and cash equivalents at beginning of period	7,597	1	3	345,432	1,405	936	3	(9,945)	345,432
Cash and cash equivalents at end of period	$ 1,193	$ 1	$ 3	$ 317,292	$ 1,612	$ 313	$ 65	$ (3,187)	$ 317,292

See accompanying independent auditor's report on additional information.