



American National
Bankshares Inc.

***Exceeding
Your
Expectations***

Since 1909



2003 Annual Report

Your Guide

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2003 Annual Report

American National Bankshares Inc. is a bank holding company whose subsidiary is American National Bank and Trust Company. The bank offers a wide variety of retail, commercial, and trust banking services through its office locations in Danville, Martinsville, Pittsylvania County, Henry County, and Halifax County in Virginia and Caswell County in North Carolina. ANB Mortgage Corp. is a subsidiary of American National Bank and Trust Company, offering secondary market mortgage loans throughout the bank's market area. ANB Services Corp. is a subsidiary of the bank providing a full range of brokerage and investor services.

Annual Shareholders' Meeting

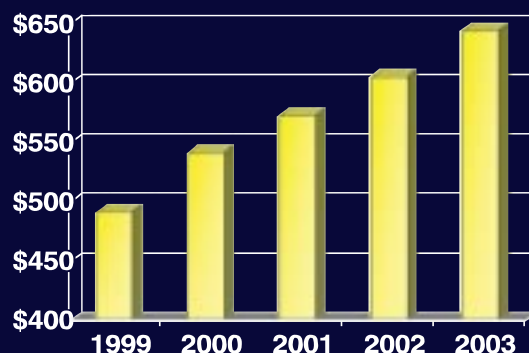
The Annual Meeting of Shareholders of American National Bankshares Inc. will be held Tuesday, April 27, 2004 at 11:30 a. m. at The Wednesday Club, 1002 Main Street, Danville, Virginia.

About The Report

This 2003 Annual Report is presented in a summary format to provide information regarding the performance of American National Bankshares Inc. in a manner which is meaningful and useful to the widest range of readers. The audited consolidated financial statements of American National Bankshares Inc. and subsidiaries and more detailed analytical information are contained in the American National Bankshares Inc. 2003 Annual Report on Form 10-K filed with the Securities and Exchange Commission.

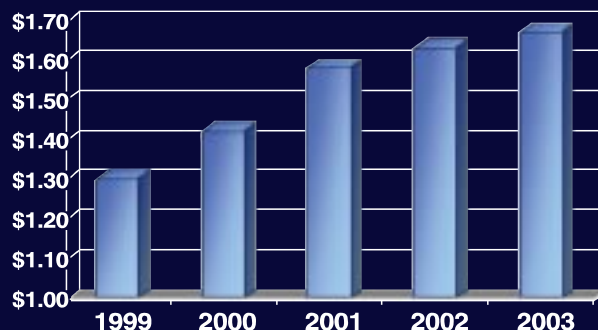
TOTAL ASSETS

(in millions)



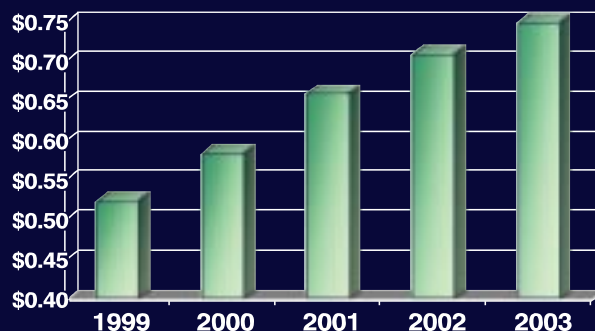
BASIC EARNINGS PER SHARE

(adjusted for stock split)



DIVIDENDS PER SHARE

(adjusted for stock split)



Financial Highlights

(in thousands, except per share amounts)

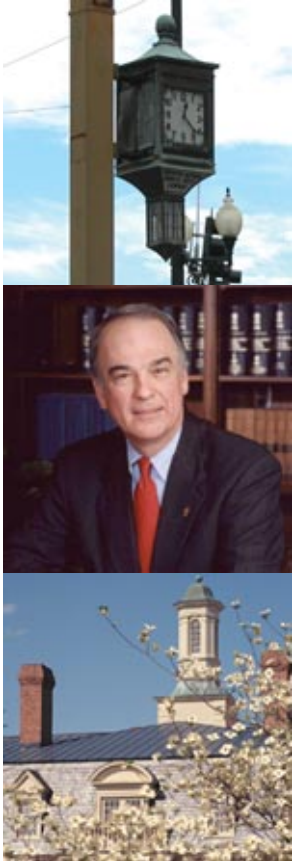
American National Bankshares Inc. and Subsidiary

Operations Information:	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>
Interest income:					
Interest on deposits in other banks	\$ 110	\$ 248	\$ 385	\$ 179	\$ 273
Securities	6,840	7,737	9,218	10,127	9,467
Loans	25,228	27,150	30,217	28,300	23,959
Total interest income	<u>32,178</u>	<u>35,135</u>	<u>39,820</u>	<u>38,606</u>	<u>33,699</u>
Interest expense	<u>9,391</u>	<u>12,310</u>	<u>17,502</u>	<u>17,343</u>	<u>14,736</u>
Net interest income	<u>22,787</u>	<u>22,825</u>	<u>22,318</u>	<u>21,263</u>	<u>18,963</u>
Provision for loan losses	920	873	1,015	1,020	670
Non-interest income	6,671	5,712	5,668	4,771	4,493
Non-interest expense	<u>15,111</u>	<u>14,285</u>	<u>13,614</u>	<u>12,923</u>	<u>11,542</u>
Income before income taxes	<u>13,427</u>	<u>13,379</u>	<u>13,357</u>	<u>12,091</u>	<u>11,244</u>
Income taxes	<u>3,914</u>	<u>3,918</u>	<u>3,942</u>	<u>3,415</u>	<u>3,320</u>
Net income	<u>\$ 9,513</u>	<u>\$ 9,461</u>	<u>\$ 9,415</u>	<u>\$ 8,676</u>	<u>\$ 7,924</u>
 Balance Sheet Information:					
Securities	\$ 207,479	\$ 163,824	\$ 156,791	\$ 162,929	\$ 166,272
Net loans	400,953	400,781	370,006	334,611	289,386
Total deposits	501,688	473,562	464,012	426,588	385,558
Shareholders' equity	71,931	70,736	65,397	63,338	56,719
Total assets	644,302	605,859	572,887	541,389	491,391
 Per Share Information:*					
Earnings - basic	\$ 1.67	\$ 1.63	\$ 1.58	\$ 1.42	\$ 1.30
Earnings - diluted	1.65	1.62	1.58	1.42	1.30
Dividends	0.75	0.71	0.66	0.585	0.525
Book value	12.71	12.24	11.23	10.45	9.29
 Ratios:					
Return on average assets	1.52%	1.63%	1.69%	1.70%	1.68%
Return on average shareholders' equity ..	13.52%	13.97%	14.49%	14.74%	14.17%
Average shareholders' equity/average assets	11.27%	11.64%	11.68%	11.54%	11.89%
Total risk-based capital/assets	15.99%	15.63%	15.56%	17.09%	17.79%
Dividend payout ratio	44.90%	43.52%	41.68%	41.07%	40.44%
Net charge-offs to average net loans	0.30%	0.15%	0.12%	0.13%	0.13%
Allowance for loan losses to period-end loans, net of unearned income	1.30%	1.38%	1.42%	1.40%	1.41%

*Per share amounts have been restated to reflect the impact of a 2-for-1 stock split effected in the form of a 100% stock dividend issued to shareholders July 15, 1999, with a record date of July 1, 1999.

MARKET PRICE OF THE CORPORATION'S COMMON STOCK

	<u>Nasdaq</u>			<u>Nasdaq</u>	
	<u>Closing Price</u>			<u>Closing Price</u>	
<u>2003</u>	<u>Low</u>	<u>High</u>	<u>2002</u>	<u>Low</u>	<u>High</u>
4th quarter	\$24.99	\$27.23	4th quarter	\$25.80	\$27.24
3rd quarter	\$24.77	\$28.11	3rd quarter	\$25.81	\$29.00
2nd quarter	\$22.87	\$25.96	2nd quarter	\$19.25	\$27.39
1st quarter	\$24.30	\$27.06	1st quarter	\$18.05	\$20.32



MESSAGE TO OUR SHAREHOLDERS

March 22, 2004

To Our Shareholders:

The year 2003 was very challenging as interest rates hit lows not seen since the 1950's and economic growth, nationally and regionally, remained sluggish. Nevertheless, it is my pleasure to report that we had record earnings for the ninth consecutive year. Diluted earnings per share rose to \$1.65 from \$1.62 in 2002. Net income was \$9.51 million, a slight increase from the \$9.46 million reported in 2002.

This success, I believe, is the result of exceeding the expectations of our customers. Since 1909, we have grown in size and profitability by building and maintaining relationships with our customers. We have done this by identifying their changing needs

and by not just meeting their expectations, but by exceeding those expectations.

For the first eight and a half decades, we concentrated on the Danville area market. Beginning in 1995, we expanded our market to include the contiguous areas around us. We have succeeded in these newer markets because of the people who have joined our team.

In the following pages, you will read about our various market areas and about the commitment our employees have shown to these communities. As a community bank, we believe in our communities. As an organization, we support our communities and, individually, our employees donate much time to civic endeavors. This is

another example of exceeding expectations.

I have been in the banking business for eleven years now. The most important thing that I have learned is that "people bank with people." We have been successful because of the people who work for American National. It is they who have built and maintained the relationships with our customers. It is they who have identified their changing needs. And it is they who have exceeded the customers' expectations. For this, I salute them. They make the difference!

We continue to grow. At December 31, 2003, total assets were \$644.3 million, up \$38.4 million or 6.3% from the prior year. Deposits and retail repurchase agreements increased



7.7% during the year. Unfortunately, we had significant paydowns in out-of-market participation loans which resulted in our overall loan growth being flat for the year. On a positive note, we experienced in-market loan growth in both our Martinsville-Henry County and South Boston-Halifax County market areas.

Banking organizations continue to be measured by return on average assets (ROA) and return on average equity (ROE). Our ROA for 2003 was 1.52%, keeping us in the category most consider as "high performing." At 13.52%, our ROE remains solid considering our strong capital position. Our shareholders' equity at year end was \$71.9 million, representing 11.2% of total assets.

As we have grown our loan portfolio to over \$400 million, we remain committed to strong credit quality. We are focused on containing the growth in non-performing loans, which rose above their historical averages. During 2003, we made significant investments in the credit risk management area which we believe will pay strong dividends in the future and position us for growth.

We are very pleased with our expense control and our non-interest income during 2003. A bank's efficiency ratio measures what percentage of revenue is consumed by expenses. Most banks consider an efficiency ratio of 55-60% to be commendable. Our efficiency ratio again was below 50%. (Remember that the

lower the number, the better.) Watching our expenses adds to the bottom line for our shareholders.

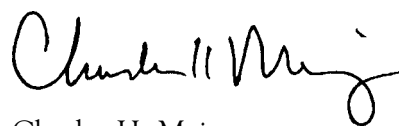
As rates and competitive factors caused our (and everyone else's) interest margin to shrink, non-interest income grows in importance. This includes income from trust, investor services, mortgage fees, service charges and other fees. We increased our non-interest income by 16.8 % during 2003.

We realize that dividends are important to our shareholders, especially with the changes in the tax law. We increased dividends again in the second quarter and the \$0.75 per share paid in 2003 represented a 5.6% increase over the \$0.71 paid in 2002. Based on the Corporation's average stock price in 2003, the dividend payment provided a 2.94% yield.

We worked hard to be successful in 2003. This year will be equally challenging. But I believe that, if we continue to focus on relationships with our customers and if we exceed their expectations, we will continue to grow and to increase earnings and we will continue to enhance your shareholder value.

Thank you for your continued support.

Very truly yours,



Charles H. Majors
President and
Chief Executive Officer

Senior Management Team

E. Budge Kent, Jr., Executive Vice President & Chief Trust and Investment Officer; **Jeffrey V. Haley**, Senior Vice President & Chief Administrative Officer; **Brad E. Schwartz**, Senior Vice President & Chief Financial Officer; **Dabney T. P. Gilliam, Jr.**, Senior Vice President, Senior Loan Officer & Chief Banking Officer; **R. Helm Dobbins**, Senior Vice President & Chief Credit Officer.





DANVILLE MARKET

significant consumer customer base who benefit from an array of retail and e-banking services. The product diversity that we offer enables us to customize a financial product mix to meet the needs of each customer. We also cater to a large number of commercial and small business customers who enjoy the local decisions and flexibility offered by a community bank.

In 2003, our Danville employees participated in Relay for Life, the American Heart Walk, the United Way Campaign process, the Festival in the Park, and much, much more. We are also extremely proud that we far exceeded our goal for employee contributions to the United Way of Danville/Pittsylvania County. The bank sponsored an Open House at the new Danville Life Saving Crew Training Center, two blood drives, and several events to promote the arts in our community. To promote the city beautification project, we gladly sponsor one of the Danville Interchange Garden Sites. Annually, we invite a respected economist to the area and host an "Economic Forecast for the Dan River Region" which is open to the public.

Market Facts

Population:	48,411
Total Bank Deposits: (in millions)	\$1,152
Our Deposit Market Share:	30.7%
Selected Major Business Employers:	
- Dan River	
- Goodyear	
- Danville Regional Medical Center	
- Nestle	
- Corning	

American National was established in 1909 to provide community banking services to the citizens of Danville. In the past 95 years, the bank has grown from a single office on Main Street in Danville to a network of 14 branch locations and 20 Automated Teller Machines in five different market areas. Though our growth has been significant, our focus of building relationships through quality financial services with exceptional customer service has not changed.

Danville is the home of our Main Office and six other branch locations. It is the hub of our organization and the financial services we provide. We have a

Our Trust and Investment Services Division, the only trust department in Danville, resides in our Main Office. Our subsidiaries, ANB Investor Services and ANB Mortgage Corp., are also headquartered in Danville.

It would be difficult to find a citizen of Danville who is not familiar with our bank, our signature chime clock and our commitment to the community. The bank has been and will continue to be a leader in charitable and civic support, whether it is financially or through the countless hours our employees devote each year to better the community where we work and live.

As our national economy begins to emerge from a recession, Danville still faces challenges related to unemployment and economic growth. That is why community leaders have committed themselves to finding solutions, such as the Institute for Advanced Learning and Research which will provide our community the opportunity to develop the technology and people necessary for an economic transformation. Our bank supports this endeavor. Success for American National is dependent on the viability of Danville and the other markets we serve. When our community succeeds, we succeed. When our community suffers, we suffer. That is why we maintain our commitment to Danville and the surrounding area.

PITTSYLVANIA COUNTY MARKET

American National has two offices in Pittsylvania County. The Gretna Office opened in 1995 and is located in the heart of Gretna on Main Street. We also added an ATM location at The Junction in Gretna this past year. Our Chatham Office, located on U.S. Highway 29, opened in 1999. Both offices are full-service and offer convenience to our consumer and commercial customers in Chatham, Gretna and the surrounding areas.

Our focus on community spirit is no different in Pittsylvania County. Our employees in Gretna and Chatham are involved with several different community organizations. As a group, they participated in Relay for Life, The American Heart Walk and the United Way Campaign.

The bank also supported the Chatham 5K Race. Proceeds from the race go to the local fire department and rescue squad.

The year 2003 proved to be an exciting time for Gretna as their high school football team

soared. The Hawks captured the State AA Championship. American National was pleased to join other area businesses in recognizing the team for their accomplishments.

Market Facts

Population: 61,745
Total Bank Deposits: \$259
(in millions)

Our Deposit Market Share: 22.2%

Selected Major Business Employers:

- Burlington Performance Wear
- Ennis Business Forms Inc.
- Intertape Inc.
- Techma USA

YANCEYVILLE, NC MARKET

Our Yanceyville Office, located on Main Street, and ATM were added to the American National family in 1996. The Yanceyville Office is special in that it is our only location outside the state of Virginia. It enables us to better serve our customers just over the border in North Carolina.

Many citizens of Yanceyville work in Danville so our locations in both areas offer major convenience. The majority of our Yanceyville customer base is comprised of consumer customers.

American National was pleased to help sponsor several community events in the

Yanceyville area in 2003, such as the Bright Leaf Hoe Down, Providence Spring Fling, and the Chamber Golf Tournament. Our employees also participated in the local Relay for Life event.

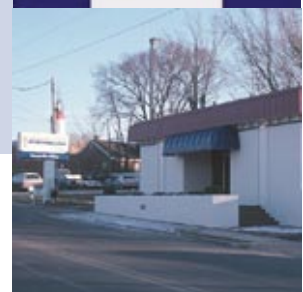
Market Facts

Population: 2,091
Total Bank Deposits: \$54
(in millions)

Our Deposit Market Share: 42%

Selected Major Business Employers:

- Royal Textiles
- Royal Park Uniform
- Wizard's Cauldron





MARTINSVILLE-HENRY COUNTY MARKET

American National has three office locations and five ATMs located in the Martinsville-Henry County area. The Main Office in Martinsville is located in the heart of town on East Main Street. Our Collinsville Office is located on Virginia Avenue. Opened in 2002, our 220 South Office is located in southern Henry County near the Martinsville Speedway. We also have an offsite ATM located in Liberty Fair Mall, and a new ATM was installed in Memorial Hospital last year. Our Office and ATM locations have been strategically located to offer optimum convenience to our customers.

Although we have only been in the market for eight years, our staff in Martinsville and Henry County have many years of financial service experience in the area. They understand that

customers need quality financial services, but also desire personalized customer service. Therefore, they are committed to being customer-focused and responsive as a community bank.

Our Martinsville and Henry County customers have taken advantage of our comprehensive menu of traditional banking and e-banking services. Small business and commercial customers have found our ability to keep both decisions and customer service local to be beneficial. Our consumer customers enjoy the quick, friendly service with no long lines when they visit our offices.

Our Trust and Investment Services Division and ANB Mortgage Corp. have offices located on East Main Street, adjacent to our Main Office in Martinsville. Our trust & mortgage loan officers are experienced in working in the area. They are dedicated to the bank's overall philosophy of relationship banking.

Our bank is also committed to providing positive leadership and support to the Martinsville-Henry County area. Our employees participate in the annual United Way Campaign, the Mental Health Association Angel Tree, and much more. We also invest in the community by contributing to the Piedmont Arts Association, MARC Workshop, YMCA and other civic and community organizations.

Market Facts

Population:	73,346
Total Bank Deposits:	\$1,054
(in millions)	
Our Deposit Market Share:	1.6%

Selected Major Business Employers:

- Stanley Furniture Co. Inc.
- American of Martinsville
- Bassett Furniture Industries
- Memorial Hospital
- Hooker Furniture

SOUTH BOSTON-HALIFAX COUNTY MARKET

In December of 2000, American National opened a full-service office with ATM in South Boston, VA. Our bank has been well received in South Boston and Halifax County by those who desire community-based banking relationships and personalized service.

Our South Boston Office, located on Halifax Road, is staffed with experienced financial service providers who are also natives of Halifax County. They are eager to provide the personalized customer service for which community banks like ours are well known, but also understand that today's customer needs a financial institution that also provides the latest in technology and financial services.

Our small business and commercial customers in the Halifax area have enjoyed our flexibility and quick, local decisions by local people. Our consumer customers have found that you can have the best of both worlds—community based, relationship banking and a wide selection of traditional and modern banking services. Our South Boston and Halifax County customers have not only benefited from traditional banking services, but also enjoy online banking, brokerage and investments, and trust banking services.

We are still fairly new in the South Boston and Halifax

Market Facts

Population: 37,074

Total Bank Deposits: \$466
(in millions)

Our Deposit Market Share: 2.3%

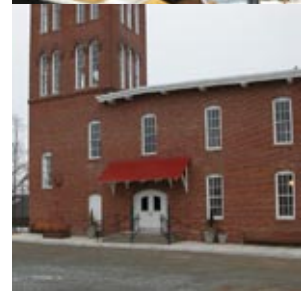
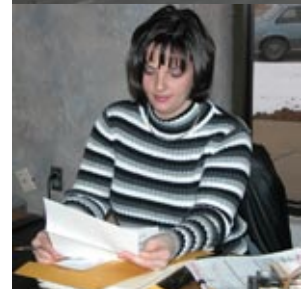
Selected Major Business Employers:

- Halifax Regional Health Systems
- Dollar General Distribution
- Huber Engineered Woods
- ABB Inc.
- Lasco Bathware
- Presto Products Company

County market so we have strived to gain name recognition in the area. We produced several television commercials which were aired on cablevision in 2003 to introduce our bank and our people to the area. We also placed a billboard on 58 East.

Our focus on serving the community is no different in South Boston and Halifax County. We are pleased to sponsor numerous community events and projects in the area. Last year, we invited an economist to speak to members of the Chamber of Commerce about the economic condition of the region. We are also happy to contribute to the restoration project at the Prizery.

We have enjoyed being part of the South Boston and Halifax County community and look forward to contributing to the well being of the area.



Consolidated Balance Sheets

December 31, 2003 and 2002

American National Bankshares Inc. and Subsidiary

	<u>2003</u>	<u>2002</u>
Assets		
Cash and due from banks	\$ 16,235,473	\$ 16,757,283
Interest-bearing deposits in other banks	1,651,598	6,720,335
Securities available for sale, at fair value	171,375,898	137,046,119
Securities held to maturity (market value of \$37,455,348 in 2003 and \$28,219,299 in 2002)	36,103,384	26,777,747
Total securities	<u>207,479,282</u>	<u>163,823,866</u>
Loans held for sale	560,153	1,285,020
Loans, net of unearned income	406,245,090	406,403,107
Less allowance for loan losses	(5,292,054)	(5,622,150)
Net loans	<u>400,953,036</u>	<u>400,780,957</u>
Bank premises and equipment, at cost, less accumulated depreciation of \$11,807,226 in 2003 and \$10,673,195 in 2002	7,717,896	8,167,476
Core deposit intangibles	934,054	1,383,870
Accrued interest receivable and other assets	8,770,209	6,940,494
Total assets	<u>\$ 644,301,701</u>	<u>\$ 605,859,301</u>

Liabilities and Shareholders' Equity

Liabilities:

Demand deposits – non-interest bearing	\$ 71,027,387	69,102,211
Demand deposits – interest bearing	69,053,315	62,679,718
Money market deposits	59,250,981	43,830,781
Savings deposits	83,030,520	73,410,623
Time deposits	219,325,638	224,539,145
Total deposits	<u>501,687,841</u>	<u>473,562,478</u>
Repurchase agreements	47,034,727	36,155,251
FHLB Borrowings	21,000,000	22,000,000
Accrued interest payable and other liabilities	2,648,508	3,405,913
Total liabilities	<u>572,371,076</u>	<u>535,123,642</u>

Shareholders' equity:

Preferred stock, \$5 par, 200,000 shares authorized, none outstanding	—	—
Common stock, \$1 par, 10,000,000 shares authorized, 5,660,419 shares outstanding at December 31, 2003 and 5,780,816 shares outstanding at December 31, 2002	5,660,419	5,780,816
Capital in excess of par value	9,435,955	9,571,508
Retained earnings	55,538,097	53,092,527
Accumulated other comprehensive income	1,296,154	2,290,808
Total shareholders' equity	<u>71,930,625</u>	<u>70,735,659</u>
Total liabilities and shareholders' equity	<u>\$ 644,301,701</u>	<u>\$ 605,859,301</u>

Consolidated Statements of Income

For The Years Ended December 31, 2003, 2002 and 2001
American National Bankshares Inc. and Subsidiary

	2003	2002	2001
Interest Income:			
Interest and fees on loans	\$ 25,227,958	\$ 27,149,521	\$ 30,216,549
Interest on deposits in other banks	109,903	248,270	385,019
Income on securities:			
Federal agencies	2,364,821	1,941,974	2,709,097
Mortgage-backed	1,315,703	2,351,830	2,723,146
State and municipal	1,961,091	1,887,506	1,916,297
Other investments	1,198,179	1,555,947	1,869,711
Total interest income	<u>32,177,655</u>	<u>35,135,048</u>	<u>39,819,819</u>
Interest Expense:			
Interest on deposits:			
Demand	225,270	416,924	494,930
Money market	477,819	775,051	1,318,002
Savings	712,599	1,048,564	1,176,704
Time	6,499,902	8,606,409	12,617,362
Interest on repurchase agreements	496,612	634,996	1,087,823
Interest on other borrowings	978,884	827,800	806,869
Total interest expense	<u>9,391,086</u>	<u>12,309,744</u>	<u>17,501,690</u>
Net Interest Income	22,786,569	22,825,304	22,318,129
Provision for Loan Losses	920,000	873,000	1,015,000
Net Interest Income After Provision			
For Loan Losses	<u>21,866,569</u>	<u>21,952,304</u>	<u>21,303,129</u>
Non-Interest Income:			
Trust and investment services	2,522,840	2,515,937	2,569,125
Service charges on deposit accounts	2,163,130	1,706,137	1,385,339
Other fees and commissions	913,937	816,360	749,072
Mortgage banking income	571,209	360,669	365,349
Securities gains (losses), net	115,115	39,334	367,035
Other income	385,622	273,281	231,998
Total non-interest income	<u>6,671,853</u>	<u>5,711,718</u>	<u>5,667,918</u>
Non-Interest Expense:			
Salaries	6,843,994	6,519,552	6,383,811
Pension and other employee benefits	1,814,108	1,470,682	1,390,591
Occupancy and equipment	2,512,588	2,459,647	2,316,282
Core deposit intangible amortization	449,816	449,816	449,816
Other	3,490,339	3,384,839	3,073,702
Total non-interest expense	<u>15,110,845</u>	<u>14,284,536</u>	<u>13,614,202</u>
Income Before Income Tax Provision	13,427,577	13,379,486	13,356,845
Income Tax Provision	3,914,187	3,918,191	3,941,474
Net Income	<u>\$ 9,513,390</u>	<u>\$ 9,461,295</u>	<u>\$ 9,415,371</u>
Net Income Per Common Share:			
Basic	\$ 1.67	\$ 1.63	\$ 1.58
Diluted	\$ 1.65	\$ 1.62	\$ 1.58
Average Common Shares Outstanding:			
Basic	5,702,625	5,800,302	5,949,811
Diluted	5,764,127	5,850,349	5,973,153

Board of Directors

American National Bankshares Inc.
American National Bank and Trust Company

Bill Barker, Jr.

President, Barklea, Inc., Danville, VA, tobacco warehouse.
Director since 1996. Committee(s) 1, 4

Richard G. Barkhouser

President, Barkhouser Motors, Inc., Danville, VA, automobile dealership. Director since 1980. Committee(s) 2, 4, 5, 6

Fred A. Blair

President, Blair Construction, Inc., Gretna, VA, commercial building contractor. Director since 1992. Committee(s) 1, 3, 4

Ben J. Davenport, Jr.

Chairman, First Piedmont Corporation, Chatham, VA, waste management. Director since 1992. Committee(s) 4, 5, 6

H. Dan Davis

Retired Executive Vice President of the Corporation. Director since 1996. Committee(s) 3, 4

Michael P. Haley

President and Chief Executive Officer, MW Manufacturers, Inc., Rocky Mount, VA, window manufacturing. Director since 2002. Committee(s) 1, 4

Lester A. Hudson, Jr.

Cato Professor of Leadership, McCall Graduate School of Business, Queens University of Charlotte, Charlotte, NC. Director since 1984. Committee(s) 4, 6

E. Budge Kent, Jr.

Executive Vice President of the Corporation and Executive Vice President & Chief Trust and Investment Officer of the Bank. Director since 1979. Committee(s) 7

Fred B. Leggett, Jr.

Retired Chairman and Chief Executive Officer, Leggett Stores, Danville, VA, retail department stores. Director since 1994. Committee(s) 4, 7

Dr. Franklin W. Maddux

President, Gamewood, Inc., Danville, VA, information technology services, Chairman, Danville Urologic Clinic, Danville, VA, health care. Director since 2002. Committee(s) 2, 4

Charles H. Majors

President and Chief Executive Officer of the Corporation and the Bank. Director since 1981. Committee(s) 7

Claude B. Owen, Jr.

Retired Chairman & Chief Executive Officer, DIMON Incorporated, Danville, VA, leaf tobacco dealer. Director since 1984. Committee(s) 2, 4, 5, 7

Director Emeritus

James A. Motley

Retired Chairman and Chief Executive Officer of the Corporation and the Bank. Director since 1975.

Committees: 1. Audit & Compliance; 2. Corporate Governance & Nominating; 3. Emergency Preparedness; 4. Loan Review; 5. President's Advisory; 6. Human Resources & Compensation; 7. Trust



Advisory Board South Boston-Halifax County

William W. Bennett, Jr.
Attorney

Gerald C. Burnett, MD
Physician

J. Brian Burton
*President J. E. Burton
Construction Co., Inc.*

James Edmunds, II
*Member, Halifax County
Board of Supervisors*

W. Joseph Ferguson, MD
Physician

Wanda B. Jeffress
*Vice President
Jeffress Funeral Home*

Chris A. Lumsden
*Chief Executive Officer,
Halifax Regional Health System*

Advisory Board Martinsville-Henry county

David W. Bowles
*Vice President,
Stanley Bowles Corp.*

James D. Coleman, Jr.
*President
R.S.B. Enterprises, Inc.*

Joseph C. Compton
*Vice President
Compton Wood Products Inc.*

Shirley A. Craven
*President
Adkins Construction Corp.*

Phillip G. Gardner
Attorney

Howard Grodensky
Manager, Dutch Inn

William F. Lemons
*President
W.F.L. Company, Inc.*

James K. Muehleck, DDS
Dentist

G. Ronald Pigg
*President
John Barnes Hardwood Dimensions*

Joseph A. Roach
*Chief Executive Officer
Memorial Hospital of Martinsville
and Henry County*

John E. Turner
*Co-owner
Riverside Tire Company*

Officers



American National Bankshares Inc.

E. Budge Kent, Jr.
Executive Vice President

Jeffrey V. Haley
Senior Vice President

Charles H. Majors
President & Chief Executive Officer

R. Helm Dobbins
Senior Vice President

Brad E. Schwartz
Senior Vice President
Secretary & Treasurer

Dabney T. P. Gilliam, Jr.
Senior Vice President

Carolyn H. Compton
Assistant Secretary



American National Bank AND TRUST COMPANY

Charles H. Majors
President & Chief Executive Officer

E. Budge Kent, Jr.
Executive Vice President & Chief Trust and Investment Officer

R. Helm Dobbins
Senior Vice President & Chief Credit Officer

Dabney T. P. Gilliam, Jr.
Senior Vice President & Chief Banking Officer

Jeffrey V. Haley
Senior Vice President & Chief Administrative Officer

Brad E. Schwartz
Senior Vice President, Cashier & Chief Financial Officer

Cheryl L. Clark
Vice President

L. Michael Coleman
Vice President

Michael L. Dance
Vice President

Ronnie C. Fowlkes
Vice President

Wayne D. Holley
Vice President

James R. Jefferson
Vice President & Controller

James H. Johnson, Jr.
Vice President & City Executive

E. C. Jordan
Vice President & City Executive

Ronnie F. Moore
Vice President

Phillip H. Strader
Vice President

John G. Wales
Vice President

Linda H. Coleman
Director of Internal Audit

William B. Stephens, Jr.
Director of Technology Development

Wayne M. Barker
Assistant Vice President

Thomas Y. Chandler
Assistant Vice President

Lloyd N. Mitchell
Assistant Vice President

Beverly A. Scruggs
Assistant Vice President

Barry J. Shields
Assistant Vice President

Mary H. Wertz
Assistant Vice President

Sean A. Brown
Banking Officer

Shirley O. Bryant
Banking Officer

Linda A. Conner
Banking Officer

Rita Cook-Raynor
Banking Officer

Janice O. England
Banking Officer

Robert S. Fuller
Banking Officer

Sue B. Hair
Banking Officer

Kaye S. Hayden
Banking Officer

Elaine T. Jones
Banking Officer

Todd S. Jones
Banking Officer

Doris A. Kendrick
Banking Officer

Jennifer S. Krantz
Banking Officer

Sandra H. Miller
Banking Officer

Mary S. Nester
Banking Officer

Gwen L. Smith
Banking Officer

Mary Jac Sparks
Banking Officer

William S. Via
Banking Officer

Allyson M. Bartley
Training Officer

Jane S. Baynes
Deposit Operations Manager

Carolyn H. Compton
Assistant to the President

Angela Dyer-Cannon
Senior Internal Auditor

Joseph T. Dykes
Collector

Brenda L. Gibson
Accounting Specialist

Donna M. Hankins
Human Resources Administrator

Robert A. Howard
Credit Analyst

Patricia T. Hudson
Accounting Specialist

Elizabeth S. Hylton
Marketing & Community Affairs Officer

Lisa G. Johnston
Internal Auditor

Randall J. McDaniel
Credit Administrator

Jillianne C. McGlamery
Accounting Specialist



Anne D. Moore
Loan Operations Officer

Betty C. Penick
Compliance Officer

Beth M. Searce
Loan Documentation Officer

Eugene A. Tate
Collector

Richard B. Waters
Systems Analyst

Lynne H. Cousins
Banking Associate

Frances H. Sam
Banking Associate

Bernetha W. Saunders
Banking Associate

Katherine P. Shelton
Banking Associate

Shirley J. Witt
Banking Associate



American National Bank AND TRUST COMPANY

Trust and Investment Services Division

John B. Hall, Jr.
Trust Officer

Lorrie K. Teegen
Trust Officer

David G. Komornick
Trust Officer

Loretta B. Aron
Assistant Trust Officer

William D. Shealy
Trust Investment Officer

Phyllis A. Wiles
Trust Operations Manager



A N B INVESTOR SERVICES

Thomas W. Freeze
Investment Consultant & Program Manager

Joanne C. Mann
Investment Consultant



A N B MORTGAGE CORP.

Thomas G. Tune
Mortgage Sales Manager

Patricia B. Burnett
Mortgage Operations Manager

Binnie Y. Davis
Loan Officer

Babette Hoffman-Price
Loan Officer



American National Bank AND TRUST COMPANY

Trust and Investment Services Division

“Where we help people plan and build their future.”

The Trust and Investment Services Division, with offices in Danville and Martinsville, is staffed by personnel with decades of trust and investment experience.



Personal attention is our focus in investment management and financial planning services. We offer a customized investment strategy designed to meet our customers' needs and long-term objectives. Estate planning, administration, and other core trust services provide convenience, simplification, coordination and continuity in administration of trusts and estates.

Our experienced trust officers, who are also Certified Trust and Financial Advisors (CTFA), are available for free initial consultations to determine ways to accomplish our customers' financial goals while minimizing taxes.



A N B MORTGAGE CORP.

ANB Mortgage Corp. offers a full range of secondary market home loans including Conventional, FHA, VA, and VHDA. With these programs, we have been successful in meeting the need of first-time homebuyers with VHDA no down payment or minimum down payment loans, and flexible VA and FHA low down payment products. The ability to offer fixed-rate products, at competitive market rates, has been exceedingly beneficial to our customers. All loans originated through the mortgage company are underwritten for sale on the secondary market.

ANB Mortgage originates loans through offices in Danville and Martinsville.



A N B INSURANCE SERVICES

Through an affiliation with Bankers Insurance, LLC, we are able to offer a full range of insurance products.

Bankers Insurance, established in 1999 to assist community banks in the sale of insurance to their customers, represents a broad range of insurance companies. Local, established agents are available at their office, located at 201 North Ridge Street in Danville, to assist customers with both their personal and business insurance needs.



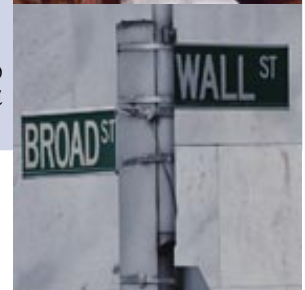
A N B INVESTOR SERVICES

ANB Investor Services, through an arrangement with UVEST Financial Services, offers a full range of investment options. Customers can choose from mutual funds and annuities or purchase individual stocks and bonds. We also offer corporate and individual retirement plans.

Our licensed investment consultants, Tommy Freeze and Joanne Mann, are available to help our customers make the best possible investment decisions in today's complex environment. They will analyze each customer's unique financial situation and create a customized investment portfolio that puts the customer's needs first.

The ANB Investor Services office is located in our Riverside Office in Danville, but regularly scheduled appointments are conducted in all of the bank's fourteen offices.

Securities offered through a partnership with Uvest Financial Services. Member SIPC/NASD. NOT FDIC INSURED. NO BANK GUARANTEE. MAY LOSE VALUE.



General Information

American National Bankshares Inc.



CONTACT INFORMATION

American National Bankshares Inc.
628 Main Street
P. O. Box 191
Danville, VA 24543
434-792-5111

WEBSITE

Please visit www.amnb.com for information concerning our products and services, news releases, and financial information.

SHAREHOLDER INFORMATION

Shareholders needing information on stock transfer requirements, lost certificates, dividends, and other shareholder matters, may contact Carolyn Compton, Assistant Secretary, at the address above, by phone at 434-773-2220 or by e-mail at comptonc@amnb.com.

DIVIDEND REINVESTMENT PLAN

For information on purchasing additional shares of American National Bankshares Inc. stock through the dividend-reinvestment plan, shareholders may contact Carolyn Compton, Assistant Secretary, at the address above, by phone at 434-773-2220, or by e-mail at comptonc@amnb.com.

STOCK LISTING

American National Bankshares Inc.'s common stock is listed on the Nasdaq National Market under the symbol "AMNB".

INVESTOR RELATIONS & FINANCIAL STATEMENTS

A copy of Form 10-K and quarterly reports on Form 10-Q, as filed with the Securities and Exchange Commission, are available without charge to shareholders upon written request and are also available on our website at www.amnb.com. Requests for this or other financial information about American National Bankshares Inc. should be directed to Brad E. Schwartz, Senior Vice President and Chief Financial Officer at the address above, by telephone at 434-773-2242, or by e-mail at schwartzb@amnb.com.

INDEPENDENT ACCOUNTANTS

Yount, Hyde & Barbour, P.C.
50 South Cameron Street
Winchester, VA 22601

EQUAL OPPORTUNITY EMPLOYER

American National Bankshares Inc. is an equal opportunity employer. All matters regarding recruiting, hiring, training, compensation, benefits, promotions, transfers and all other personnel policies will remain free from discriminatory practices.

Bank Offices

Main Office - 628 Main Street, Danville, VA 24541

Airport Office - 1407 South Boston Road, Danville, VA 24540

Chatham Office - 13880 U. S. Highway 29, Chatham, VA 24531

Collinsville Office - 2484 Virginia Avenue, Collinsville, VA 24078

Gretna Office - 109 Main Street, Gretna, VA 24557

Martinsville Office - 201 East Main Street, Martinsville, VA 24112

Nor-Dan Office - 239 Nor-Dan Drive, Danville, VA 24540

Riverside Office - 1081 Riverside Drive, Danville, VA 24541

South Boston Office - 3229 Halifax Road, South Boston, VA 24592

South Main Office - 1013 South Main Street, Danville, VA 24541

Tower Drive Office - 103 Tower Drive, Danville, VA 24540

West Main Office - 2016 West Main Street, Danville, VA 24541

Yanceyville Office - 173 Main Street, Yanceyville, NC 27379

220 South Office - 3810 Greensboro Road, Ridgeway, VA 24148

We have 20 convenient Automated Teller Machines (ATM) to serve you.

Trust and Investment Services Division

628 Main Street, Danville, VA 24541

201 East Main Street, Martinsville, VA 24112

ANB Investor Services

1081 Riverside Drive, Danville, VA 24540

ANB Mortgage Corp.

103 Tower Drive, Danville, VA 24540

201 East Main Street, Martinsville, 24112



American National
Bankshares Inc.

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