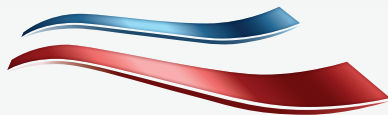


# TAKE ANOTHER LOOK



**AMERICAN NATIONAL**  
BANKSHARES INC.

**2014 SUMMARY ANNUAL REPORT**











TAKE

Each business day, the staff at American National performs a balancing act. While not as perilous as walking a tightrope without a net, the price that hangs in the balance is high: a customer relationship. *Or more than one. Perhaps, a lot of them.* This struggle for balance is between being in the business of providing personal, one-to-one service in a comfortable, traditional branch setting *and* extending our services to customers who connect and manage their account relationships with us through desktop computers, laptops, tablets and smartphones. Perhaps these customers never enter a branch. Maybe they never meet any of us in person.

If that is how some customers want to bank, we need to be in that business, too.

*And we are.*

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## ANOTHER LOOK

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With more than a century of experience behind us, we are committed to offering a high standard of personal service through our branch network. For many customers, it is why they came to us in the first place – to form a relationship with a local bank, with people who know them and know the place they call home. Some customers came to us with piggy banks filled with change and opened their first accounts, because their parents banked here. Some because their grandparents did. Perhaps even great-grandparents. These personal relationships run deep.

Just as much, we are committed to *continuing* to give people reasons to bank with us, because the products and services we offer are what they need *today*. While relationships will always be important, the day-to-day lives of our customers have changed and will continue to change. As technology provides solutions for getting things done more quickly and efficiently, the mandate falls to us to make those services available to our customers.

*And we do.*

Technology-driven products and services at American National include:



## Mobile Banking and Mobile Deposit

These services allow customers to bank and make deposits from their smartphones. From wherever they are with just a few clicks, balances can be checked, bills paid, deposits made and more.

## Online Mortgage Applications

Quickly and easily from anywhere, customers can get the process started for new mortgage loans. They'll simply go to [amnb.com](http://amnb.com), click on Mortgage Loans and "Apply Now" and it is as easy as 1-2-3. They can even come back to the application if the process is interrupted.



## Instant Issue Debit Cards

Gone are the days where customers waited to receive their debit cards in the mail and new PINs under separate cover. They can walk into an American National office and walk out with a new or replacement card in hand today, ready to do business.

## Rapid Deposit ATMs

Many of our ATMs are now "Rapid Deposit ATMs." With no envelope and no deposit slip, customers can deposit multiple checks and cash, and the ATM will total the deposit and provide a receipt. It's "in the bank," as we like to say.



## Card Watch Debit Card Alerts

To help manage and protect their checking account with us, customers download and use our Card Watch app to set balance and usage alerts for quick, easy notification if there is a change to or a transaction on their account that is outside of their established comfort zone.



*And more.*



Future plans call for American National to launch these products:

## **Apple Pay®**

Customers can make purchases with this leading-edge mobile payment service . . . your digital wallet provided by Apple and American National.

## **Europay, MasterCard® and Visa®**

Customers can enjoy chip and pin technology for their credit and debit cards, making it safer and easier to use with “no signature required.”

## **Online Deposit Account Opening**

Open and fund new accounts with us from the comfort of home or from anywhere in the world. Customers will be able to establish a first relationship with us, add a new account, or take advantage of a special interest rate or another opportunity.

## ***And we're not finished.***

That's what *we're* doing.

*Now*, this is what we ask of *you* . . .

# **TAKE ANOTHER LOOK *at American National.***

What we offer. Who we are. What we have accomplished.  
How we serve the community. If you are looking for a bank  
that has exactly what you need today, don't look any further.

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*The future is so much bigger  
than the past.*

**Tim Berners-Lee**  
Inventor, the World Wide Web



# FINANCIAL HIGHLIGHTS

(Amounts in thousands, except per share information and ratios)

## December 31,

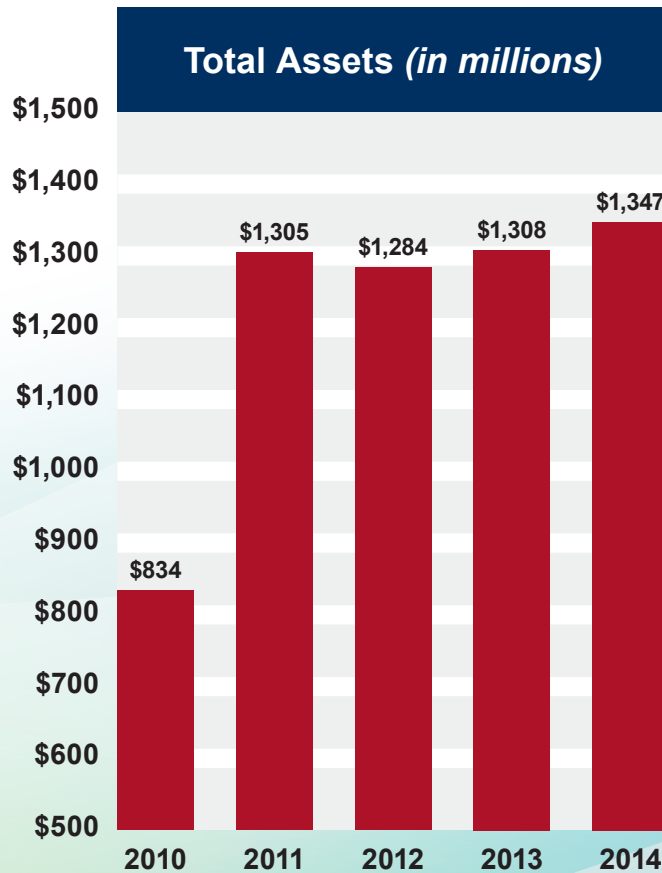
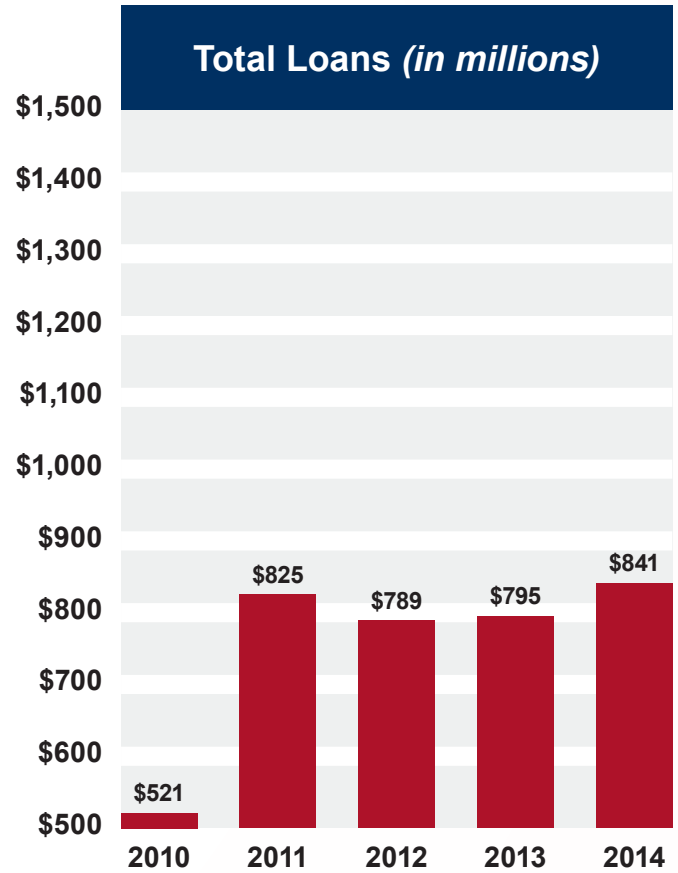
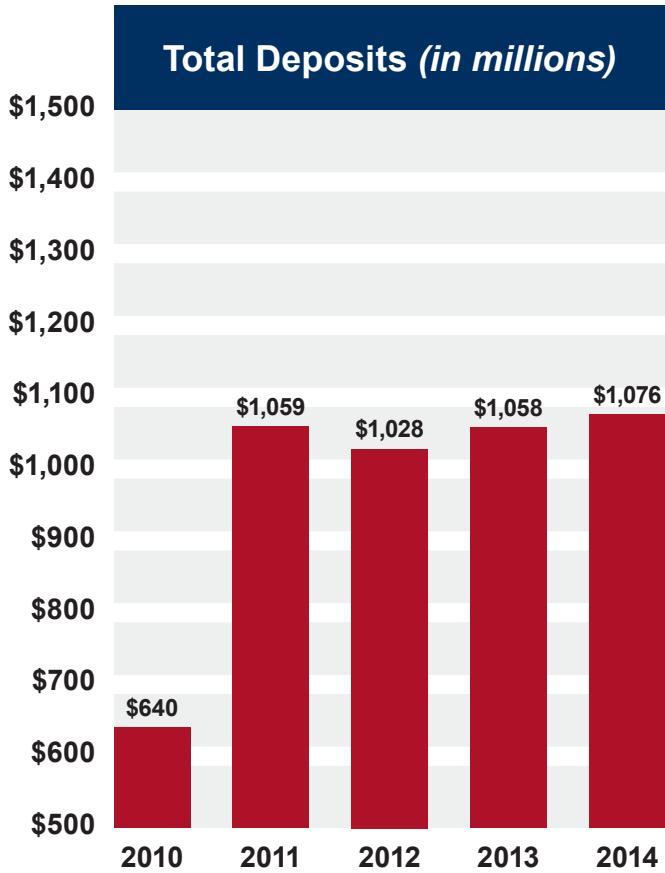
	2014	2013	2012	2011	2010
<b>Results of Operations:</b>					
Interest income	\$ 47,455	\$ 52,956	\$ 57,806	\$ 49,187	\$ 35,933
Interest expense	5,730	6,583	8,141	8,780	8,719
Net interest income	41,725	46,373	49,665	40,407	27,214
Provision for loan losses	400	294	2,133	3,170	1,490
Noninterest income	11,176	10,827	11,410	9,244	9,114
Noninterest expense	34,558	35,105	36,643	30,000	23,379
Income before income tax provision	17,943	21,801	22,299	16,481	11,459
Income tax provision	5,202	6,054	6,293	4,910	3,181
Net income	\$ 12,741	\$ 15,747	\$ 16,006	\$ 11,571	\$ 8,278
<b>Financial Condition:</b>					
Assets	\$ 1,346,492	\$ 1,307,512	\$ 1,283,687	\$ 1,304,706	\$ 833,664
Loans, net of unearned income	840,925	794,671	788,705	824,758	520,781
Securities	349,250	351,013	340,533	339,385	235,691
Deposits	1,075,837	1,057,675	1,027,667	1,058,754	640,098
Shareholders' equity	173,780	167,551	163,246	152,829	108,087
Shareholders' equity, tangible	132,692	125,349	119,543	107,335	84,299
<b>Per Share Information:</b>					
Earnings per share, basic	\$ 1.62	\$ 2.00	\$ 2.04	\$ 1.64	\$ 1.35
Earnings per share, diluted	1.62	2.00	2.04	1.64	1.35
Cash dividends paid	0.92	0.92	0.92	0.92	0.92
Book value	22.07	21.23	20.80	19.58	17.64
Book value, tangible	16.86	15.89	15.23	13.75	13.76
Weighted average shares outstanding, basic	7,867,198	7,872,870	7,834,351	6,982,524	6,123,870
Weighted average shares outstanding, diluted	7,877,576	7,884,561	7,845,652	6,989,877	6,131,650
<b>Selected Ratios:</b>					
Return on average assets	0.97%	1.20%	1.23%	1.07%	1.00%
Return on average equity <sup>1</sup>	7.40%	9.52%	10.08%	8.88%	7.59%
Return on average tangible equity <sup>2</sup>	10.31%	13.75%	15.25%	12.97%	10.05%
Dividend payout ratio	56.80%	46.03%	45.06%	55.50%	68.08%
Efficiency ratio <sup>3</sup>	63.41%	57.57%	58.23%	58.48%	61.53%
Net interest margin	3.66%	4.10%	4.44%	4.35%	3.78%
<b>Asset Quality Ratios:</b>					
Allowance for loan losses to period-end loans	1.48%	1.59%	1.54%	1.28%	1.62%
Allowance for loan losses to period-end non-performing loans	302.21%	248.47%	227.95%	76.76%	324.22%
Non-performing assets to total assets	0.46%	0.65%	0.90%	1.46%	0.76%
Net charge-offs to average loans	0.07%	(0.02)%	0.07%	0.16%	0.24%
<b>Capital Ratios:</b>					
Total risk-based capital ratio	17.86%	18.14%	17.00%	15.55%	19.64%
Tier 1 risk-based capital ratio	16.59%	16.88%	15.75%	14.36%	18.38%
Tier 1 leverage ratio	12.16%	11.81%	11.27%	10.32%	12.74%
Tangible equity to tangible assets ratio <sup>4</sup>	10.00%	9.91%	9.64%	8.52%	10.41%

<sup>1</sup>Return on average common equity is calculated by dividing net income available to common shareholders by average common equity.

<sup>2</sup>Return on average tangible common equity is calculated by dividing net income available to common shareholders plus amortization of intangibles tax effected by average common equity less average intangibles.

<sup>3</sup>The efficiency ratio is calculated by dividing noninterest expense excluding gains or losses on the sale of other real estate owned by net interest income including tax equivalent income on nontaxable loans and securities and excluding (a) gains or losses on securities and (b) gains or losses on sale of premises and equipment.

<sup>4</sup>Tangible equity to tangible assets ratio is calculated by dividing period-end common equity less period-end intangibles by period-end assets less period-end intangibles.



# CONSOLIDATED BALANCE SHEETS

(Dollars in thousands, except per share data)

December 31,

	2014	2013
<b>ASSETS</b>		
Cash and due from banks	\$ 29,272	\$ 19,808
Interest-bearing deposits in other banks	38,031	47,873
Securities available for sale, at fair value	344,716	346,124
Restricted stock, at cost	4,534	4,889
Loans held for sale	616	2,760
Loans, net of unearned income	840,925	794,671
Less allowance for loan losses	<u>(12,427)</u>	<u>(12,600)</u>
Net loans	<u>828,498</u>	<u>782,071</u>
Premises and equipment, net	23,025	23,674
Other real estate owned, net of valuation allowance of \$2,971 in 2014 and \$3,340 in 2013	2,119	3,422
Goodwill	39,043	39,043
Core deposit intangibles, net	2,045	3,159
Bank owned life insurance	15,193	14,746
Accrued interest receivable and other assets	19,400	19,943
Total assets	<u>\$ 1,346,492</u>	<u>\$ 1,307,512</u>
<b>LIABILITIES and SHAREHOLDERS' EQUITY</b>		
Liabilities:		
Demand deposits—noninterest bearing	\$ 254,458	\$ 229,347
Demand deposits—interest bearing	193,432	167,736
Money market deposits	174,000	185,270
Savings deposits	90,130	85,724
Time deposits	<u>363,817</u>	<u>389,598</u>
Total deposits	<u>1,075,837</u>	<u>1,057,675</u>
Customer repurchase agreements	53,480	39,478
Long-term borrowings	9,935	9,951
Trust preferred capital notes	27,521	27,419
Accrued interest payable and other liabilities	<u>5,939</u>	<u>5,438</u>
Total liabilities	<u>1,172,712</u>	<u>1,139,961</u>
Shareholders' equity:		
Preferred stock, \$5 par, 2,000,000 shares authorized, none outstanding	—	—
Common stock, \$1 par, 20,000,000 shares authorized, 7,873,474 shares outstanding at December 31, 2014, and 7,890,697 shares outstanding at December 31, 2013	7,872	7,891
Capital in excess of par value	57,650	58,050
Retained earnings	104,594	99,090
Accumulated other comprehensive income, net	<u>3,664</u>	<u>2,520</u>
Total shareholders' equity	<u>173,780</u>	<u>167,551</u>
Total liabilities and shareholders' equity	<u>\$ 1,346,492</u>	<u>\$ 1,307,512</u>

For the Years Ended December 31,

	2014	2013	2012
<b>Interest and Dividend Income:</b>			
Interest and fees on loans	\$ 39,257	\$ 44,817	\$ 49,189
Interest and dividends on securities:			
Taxable	3,775	3,530	4,044
Tax-exempt	3,971	4,213	4,280
Dividends	296	245	213
Other interest income	156	151	80
Total interest and dividend income	<u>47,455</u>	<u>52,956</u>	<u>57,806</u>
<b>Interest Expense:</b>			
Interest on deposits	4,654	5,460	6,843
Interest on short-term borrowings	9	40	150
Interest on long-term borrowings	325	329	335
Interest on trust preferred capital notes	742	754	813
Total interest expense	<u>5,730</u>	<u>6,583</u>	<u>8,141</u>
<b>Net Interest Income</b>	<u>41,725</u>	<u>46,373</u>	<u>49,665</u>
Provision for Loan Losses	400	294	2,133
<b>Net Interest Income after Provision for Loan Losses</b>	<u>41,325</u>	<u>46,079</u>	<u>47,532</u>
<b>Noninterest Income:</b>			
Trust fees	4,196	3,689	3,703
Service charges on deposit accounts	1,735	1,750	1,757
Other fees and commissions	1,903	1,864	1,768
Mortgage banking income	1,126	2,008	2,234
Securities gains, net	505	192	158
Other	1,711	1,324	1,790
Total noninterest income	<u>11,176</u>	<u>10,827</u>	<u>11,410</u>
<b>Noninterest Expense:</b>			
Salaries	14,688	14,059	15,785
Employee benefits	2,988	3,848	3,604
Occupancy and equipment	3,727	3,614	3,951
FDIC assessment	647	647	692
Bank franchise tax	901	745	690
Core deposit intangible amortization	1,114	1,501	1,935
Data processing	1,448	1,248	512
Software	1,019	923	1,028
Foreclosed real estate, net	240	1,523	528
Merger-related expenses	780	-	19
Other	7,006	6,997	7,899
Total noninterest expense	<u>34,558</u>	<u>35,105</u>	<u>36,643</u>
<b>Income before income taxes</b>	<u>17,943</u>	<u>21,801</u>	<u>22,299</u>
Income taxes	5,202	6,054	6,293
<b>Net Income</b>	<u>\$ 12,741</u>	<u>\$ 15,747</u>	<u>\$ 16,006</u>
<b>Net Income Per Common Share:</b>			
Basic	\$ 1.62	\$ 2.00	\$ 2.04
Diluted	\$ 1.62	\$ 2.00	\$ 2.04
<b>Average Common Shares Outstanding:</b>			
Basic	7,867,198	7,872,870	7,834,351
Diluted	7,877,576	7,884,561	7,845,652







**AMERICAN NATIONAL**  
**BANKSHARES INC.**

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