

ANNUAL  
REPORT  
2016

ON COURSE FOR THE  
**FUTURE**



**AMERICAN NATIONAL**  
BANKSHARES INC.

Every journey starts with a destination in mind. Throughout that journey, you reach milestones that mark your progress. Thus far, our journey has been fantastic.

As we take a moment to review our progress in 2016 and our prospects for 2017, we want to begin by introducing our operating theme: **“On Course for the Future.”**

With this theme, we not only acknowledge the foundation we have in place, the progress we have made, and the strength of our team shepherding us forward, but we also turn our gaze to what lies before us. As we move forward on our “Course for the Future,” we have one goal in mind: to uphold our community bank roots and mission to engage our clients and serve our community.

American National Bankshares has an exciting and historic story to tell, and our journey into the future is indeed on course!

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## AMERICAN NATIONAL

American National Bankshares Inc. is a bank holding company with assets of \$1.7 billion. Headquartered in Danville, Va., it is the holding company of American National Bank and Trust Company (the “Bank”), a community bank serving Virginia and North Carolina through 26 banking offices. In addition, the Bank manages \$781 million through its Trust & Investment Services division. The Bank provides a full array of financial products and services, including personal and business banking, trust and investment services, and mortgage and insurance services. Electronic banking solutions range from a convenient Automated Teller Machine (ATM) network and debit cards to real-time Online Banking with Bill Pay, Mobile Banking with Mobile Deposit, mobile Debit Card alerts and Telephone Banking. Chartered in 1909, the Bank is entering its 109th year of operation. It has grown from a single office on Main Street in Danville to a progressive multi-state, regional financial institution. The focus on building relationships through quality financial services with exceptional customer service has remained constant. The Bank operates under a strong community bank philosophy and is a leader in charitable and civic support in all its markets. Many Bank employees serve on the boards of civic organizations throughout the Bank’s market area.

100626



April 3, 2017

## TO OUR SHAREHOLDERS:

I am pleased to make this report to you. 2016 was yet another exciting year with significant growth in earnings, loans and deposits, as well as the entrance into two new market areas. Net income was up 8.4%, loan growth was 15.8%, and deposits grew 8.6%. In September, we announced that we were entering the Roanoke, Virginia, and Winston-Salem, North Carolina, markets.

Our net income for the year was \$16.3 million compared to \$15 million for 2015 net income. Basic and per common share was \$1.89 for the 2016 period compared to \$1.73 for 2015.

Our capital ratios remain strong and continue to exceed all regulatory minimums. In 2016, we worked to deploy our capital more effectively and efficiently to maximize shareholder return while maintaining capital ratios that are well above regulatory requirements. For the year ended December 31, 2016, average shareholders' equity to average assets was 12.64%. Our book value per common share was \$23.37 compared to \$22.95 on December 31, 2015.

We are pleased that the market price of our stock closed on December 31, 2016, at \$34.80, compared to the December 31, 2015, closing price of \$25.61. While the stock market was up generally at year end, we believe our stock price was impacted significantly by the growth discussed above and by the excellent work by our great team of employees, led by Jeff Haley and his talented executive group.

We also have a strong and effective Board of Directors. They do an outstanding job of representing the shareholders by providing strategic policy leadership and management oversight. You should be proud of them. I am proud to work with them.

I wish to recognize one director who will be retiring at the annual meeting of shareholders in May. Ben Davenport has been a director since 1992 and will be retiring pursuant to our directors' retirement policy. While we will miss his long and valuable service as a director, we are pleased that he will continue as a Director Emeritus during the next year.

We know the importance of your investment in our company, and we appreciate your support. We work hard to manage the company prudently and appropriately.

Very truly yours,

A handwritten signature in blue ink that reads "Charles H. Majors". The signature is written in a cursive style and is located below the "Very truly yours," text.

Charles H. Majors  
Chairman of the Board  
American National Bankshares Inc.  
American National Bank and Trust Company



April 3, 2017

## TO OUR SHAREHOLDERS:

The year 2016 proved to be very positive and productive for American National, both financially and strategically. Charley Majors outlined our financial success in his letter to you, so I will focus my comments on our strategic accomplishments following the conclusion of our 108th year of community banking.

Our bank has a three-year strategic plan that guides our efforts and focal points, and each year we fine-tune that plan based on changes that occur in our industry and our markets. One of our key strategic goals is growth. In September, we announced that we were entering the Roanoke, Virginia, and Winston-Salem, North Carolina, markets. Each of these markets represents areas where our commitment to community banking values, local decision-making and strong leadership will bring energy and growth to our company.

We are excited to have strong teams in place in both Roanoke and Winston-Salem. Early results for these operations are very encouraging. Both of these new markets are contiguous to our existing footprints, and we believe they will provide us with strong growth opportunities in both the short and long term.

While new growth is exciting, the steady growth of legacy markets is also important. We were pleased to see the de novo markets in Roanoke and Winston-Salem start strong and are equally happy to report that our legacy markets grew both loans and deposits as well.

An additional strategic priority is our commitment to the communities we serve. The “Course for the Future” theme is our commitment to community-style banking. It is at the heart of our organization, and I see many members of our staff bringing this theme to life in significant ways.

We have a mix of homegrown talent and newly infused expertise through recently hired team members. We believe this staffing combination brings energy and vitality and ensures that organizational knowledge about how we



**THREE-YEAR STOCK** (12/31 Closing Price)



**TOTAL REVENUE** (In millions, before interest and taxes)

“ I BELIEVE 2017 WILL BRING NEW OPPORTUNITIES THAT WILL AFFIRM WE ARE ‘ON COURSE FOR THE FUTURE.’ ”



### NET INTEREST MARGIN



### RISK-BASED CAPITAL RATIO

do community banking continues and evolves. Our team is second to none and a key element of our success.

In addition to planning for growth and committing to our communities, we also focus a significant amount of time on strategic succession planning. To that end, in December our chief credit officer, Helm Dobbins, announced his retirement effective March 30, 2017. Through his long tenure at the bank, Helm wrote an important chapter in the book of American National Bank history by developing a credit infrastructure that served us very well through the recent economic downturn. I would like to thank Helm for the work he did for our company; but more importantly, I would like to thank him for his friendship.

As progress continues to keep us “On Course for the Future” in 2017, the year ahead is indeed bright and full of opportunity. Leveraging our connected

footprint brings sustainable and consistent opportunity to positively impact the financial lives of our clients and strengthen the communities in which we serve.

Our team is composed of people from all walks of life that come together for a common purpose which is to serve our customers. That service takes the shape of community leadership roles, exceptional customer service, and community involvement. With each passing year, it becomes more apparent that our most important asset is our people. We have employees who have been with us many years and then we have new employees who have joined us during 2016. They are dedicated, experienced and professional and they performed again at a high level to produce these strong results for you. I commend all of our employees for their work and their loyalty to this organization, and I believe 2017 will bring new opportunities that will affirm we are “On Course for the Future.”

Very truly yours,

Jeffrey V. Haley  
President and Chief Executive Officer  
American National Bankshares Inc.  
American National Bank and Trust Company

# FINANCIAL HIGHLIGHTS

As of December 31. (Amounts in thousands, except per share information and ratios)

	2016	2015	2014	2013	2012
<b>Results of Operations:</b>					
Interest income	\$ 56,170	\$ 55,169	\$ 47,455	\$ 52,956	\$ 57,806
Interest expense	6,316	5,904	5,730	6,583	8,141
Net interest income	49,854	49,265	41,725	46,373	49,665
Provision for loan losses	250	950	400	294	2,133
Noninterest income	13,505	13,287	11,176	10,827	11,410
Noninterest expense	39,801	40,543	34,558	35,105	36,643
Income before income tax provision	23,308	21,059	17,943	21,801	22,299
Income tax provision	7,007	6,020	5,202	6,054	6,293
Net income	16,301	\$ 15,039	\$ 12,741	\$ 15,747	\$ 16,006
<b>Financial Condition:</b>					
Assets	\$ 1,678,638	\$ 1,547,599	\$ 1,346,492	\$ 1,307,512	\$ 1,283,687
Loans, net of unearned income	1,164,821	1,005,525	840,925	794,671	788,705
Securities	352,726	345,661	349,250	351,013	340,533
Deposits	1,370,640	1,262,660	1,075,837	1,057,675	1,027,667
Shareholders' equity	201,380	197,835	173,780	167,551	163,246
Shareholders' equity, tangible	155,789	151,280	132,692	125,349	119,543
<b>Per Share Information:</b>					
Earnings per share, basic	\$ 1.89	\$ 1.73	\$ 1.62	\$ 2.00	\$ 2.04
Earnings per share, diluted	1.89	1.73	1.62	2.00	2.04
Cash dividends paid	0.96	0.93	0.92	0.92	0.92
Book value	23.37	22.95	22.07	21.23	20.80
Book value, tangible	18.08	17.55	16.86	15.89	15.23
Weighted average shares outstanding, basic	8,611,507	8,680,502	7,867,198	7,872,870	7,834,351
Weighted average shares outstanding, diluted	8,621,241	8,688,450	7,877,576	7,884,561	7,845,652
<b>Selected Ratios:</b>					
Return on average assets	1.02%	0.99%	0.97%	1.20%	1.23%
Return on average equity <sup>1</sup>	8.07%	7.65%	7.40%	9.52%	10.08%
Return on average tangible equity <sup>2</sup>	10.85%	10.62%	10.31%	13.75%	15.25%
Dividend payout ratio	50.71%	53.65%	56.80%	46.03%	45.06%
Efficiency ratio <sup>3</sup>	61.47%	63.81%	63.41%	57.57%	58.23%
Net interest margin	3.52%	3.69%	3.66%	4.10%	4.44%
<b>Asset Quality Ratios:</b>					
Allowance for loan losses to period-end loans	1.10%	1.25%	1.48%	1.59%	1.54%
Allowance for loan losses to period-end non-performing loans	360.39%	242.09%	302.21%	248.47%	227.95%
Non-performing assets to total assets	0.29%	0.48%	0.46%	0.65%	0.90%
Net charge-offs to average loans	0.00%	0.08%	0.07%	(0.02)%	0.07%
<b>Capital Ratios:</b>					
Total risk-based capital ratio	14.81%	16.34%	17.86%	18.14%	17.00%
Common equity tier 1 capital ratio	11.77%	12.88%	n/a	n/a	n/a
Tier 1 risk-based capital ratio	13.83%	15.23%	16.59%	16.88%	15.75%
Tier 1 leverage ratio	11.67%	12.05%	12.16%	11.81%	11.27%
Tangible equity to tangible assets ratio <sup>4</sup>	9.54%	10.08%	10.00%	9.91%	9.64%

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

<sup>2</sup> Return on average tangible 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.

# PERFORMANCE GRAPHS

The charts say it all... progress forward and increased assets, deposits and loans PLUS an increase in total households. Our current legacy markets are producing, and our new opportunity markets are producing, too!

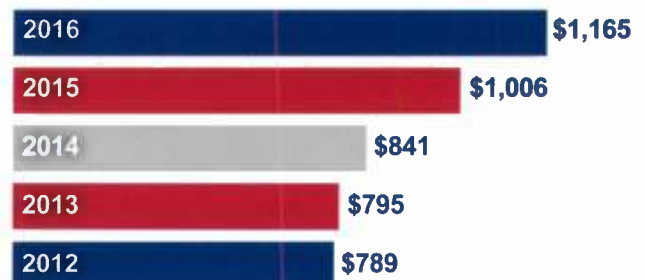
## TOTAL ASSETS (in millions)



## TOTAL DEPOSITS (in millions)



## TOTAL LOANS (in millions)



# CONSOLIDATED BALANCE SHEETS

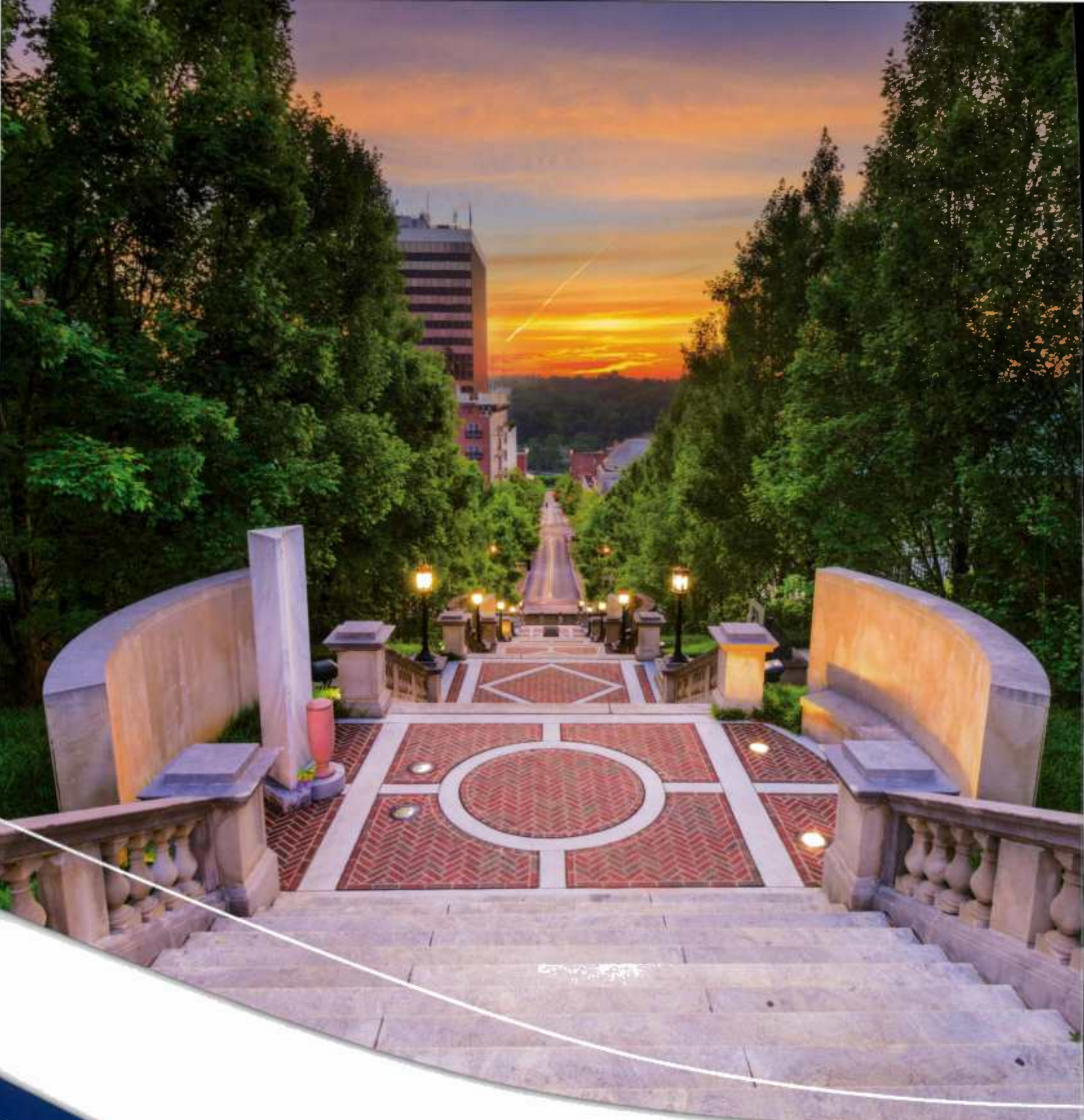
*As of December 31. (Dollars in thousands, except for share data)*

	2016	2015
<b>Assets:</b>		
Cash and due from banks	\$ 20,268	\$ 19,352
Interest-bearing deposits in other banks	32,939	75,985
Securities available for sale, at fair value	346,502	340,349
Restricted stock, at cost	6,224	5,312
Loans held for sale	5,996	3,266
Loans, net of unearned income	1,164,821	1,005,525
Less allowance for loan losses	(12,801)	(12,601)
Net Loans	1,152,020	992,924
Premises and equipment, net	25,439	23,567
Other real estate owned, net of valuation allowance of \$192 in 2016 and \$329 in 2015	1,328	2,184
Goodwill	43,872	43,872
Core deposit intangibles, net	1,719	2,683
Bank owned life insurance	18,163	17,658
Accrued interest receivable and other assets	24,168	20,447
Total assets	\$ 1,678,638	\$ 1,547,599
<b>Liabilities and Shareholders' Equity:</b>		
<b>Liabilities:</b>		
Demand deposits—noninterest bearing	\$ 378,600	\$ 322,442
Demand deposits—interest bearing	209,430	227,030
Money market deposits	283,035	200,495
Savings deposits	120,720	115,383
Time deposits	378,855	397,310
Total deposits	1,370,640	1,262,600
<b>Short-term borrowings:</b>		
Customer repurchase agreements	39,166	40,611
Other short-term borrowings	20,000	—
Long-term borrowings	9,980	9,958
Junior subordinated debt	27,724	27,622
Accrued interest payable and other liabilities	9,748	8,913
Total liabilities	1,477,258	1,349,764
Commitments and Contingencies		
<b>Shareholders' equity:</b>		
Preferred stock, \$5 par, 2,000,000 shares authorized, none outstanding	—	—
Common stock \$1 par, 20,000,000 shares authorized, 8,618,051 shares outstanding at December 31, 2016, and 8,622,007 shares outstanding at December 31, 2015	8,578	8,605
Capital in excess of par value	75,076	75,375
Retained earnings	119,600	111,565
Accumulated other comprehensive income, net	(1,874)	2,290
Total shareholders' equity	201,380	197,835
Total liabilities and shareholders' equity	\$ 1,678,638	\$ 1,547,599



# CONSOLIDATED STATEMENTS OF INCOME

	2016	2015	2014
<b>Interest and Dividend Income:</b>			
Interest and fees on loan	\$ 47,971	\$ 46,860	\$ 39,257
Interest on federal funds sold	—	6	—
Interest and dividends on securities:			
Taxable	4,454	4,072	3,775
Tax-exempt	3,135	3,681	3,971
Dividends	334	346	296
Other interest income	276	204	156
<b>Total interest and dividend income</b>	<b>56,170</b>	<b>55,169</b>	<b>47,455</b>
<b>Interest Expense:</b>			
Interest on deposits	5,103	4,811	4,654
Interest on short-term borrowings	10	9	9
Interest on long-term borrowings	325	324	325
Interest on junior subordinated debt	878	760	742
<b>Total interest expense</b>	<b>6,316</b>	<b>5,904</b>	<b>5,730</b>
<b>Net Interest Income:</b>	49,854	49,265	41,725
Provision for Loan Losses	250	950	400
<b>Net Interest Income after Provision for Loan Losses:</b>	<b>49,604</b>	<b>48,315</b>	<b>41,325</b>
<b>Noninterest Income:</b>			
Trust fees	3,791	3,935	4,196
Service charges on deposit accounts	2,048	2,066	1,735
Other fees and commissions	2,680	2,377	1,903
Mortgage banking income	1,713	1,320	1,126
Securities gains, net	836	867	505
Brokerage fees	843	946	643
Income from Small Business Investment Companies	463	912	176
Other	1,131	864	892
<b>Total noninterest income</b>	<b>13,505</b>	<b>13,287</b>	<b>11,176</b>
<b>Noninterest Expense:</b>			
Salaries	17,568	16,554	14,688
Employee benefits	4,264	4,311	2,988
Occupancy and equipment	4,246	4,425	3,727
FDIC assessment	647	750	647
Bank franchise tax	995	898	901
Core deposit intangible amortization	964	1,201	1,114
Data processing	1,828	1,725	1,448
Software	1,143	1,158	1,019
Other real estate owned, net	336	99	240
Merger-related expenses	—	1,998	780
Other	7,810	7,424	7,006
<b>Total noninterest expense</b>	<b>39,801</b>	<b>40,543</b>	<b>34,558</b>
<b>Income before income taxes</b>	<b>23,308</b>	<b>21,059</b>	<b>17,943</b>
Income taxes	7,007	6,020	5,202
<b>Net Income</b>	<b>\$ 16,301</b>	<b>\$ 15,039</b>	<b>\$ 12,741</b>
<b>Net Income Per Common Share:</b>			
Basic	\$ 1.89	\$ 1.73	\$ 1.62
Diluted	\$ 1.89	\$ 1.73	\$ 1.62
<b>Average Common Shares Outstanding:</b>			
Basic	8,611,507	8,680,502	7,867,198
Diluted	8,621,241	8,688,450	7,877,576



**“ 2016 WAS YET ANOTHER EXCITING YEAR WITH SIGNIFICANT GROWTH IN EARNINGS, LOANS AND DEPOSITS AS WELL AS THE ENTRANCE INTO TWO NEW MARKET AREAS.”**

**-CHARLES MAJORS, CHAIRMAN**



# ON COURSE FOR THE FUTURE

We have charted a “Course for the Future” on a strong foundation of loyal customers and staff and a historical economic impact for our communities that builds confidence. To succeed in these efforts requires a strong bond, and American National Bankshares and our operating subsidiary American National Bank and Trust Company shares that bond with our staff, communities and future. There is a clear path to and connection between the communities we call home and the growth and prosperity of our organization. Because while there are many types of banks – international, national, regional, local – we believe the best fit for our communities we serve and our organization is that of a “community bank” where our actions and benefits apply to our local community. Loans we grant enable small business success and the achievement of home ownership. The deposits we accept increase the value of our customer financial holdings, making them safe and easily accessible. The financial planning and investing we complete provides a clear financial future of customers and businesses.

*On Course for the Future* is a carefully articulated strategy that leverages our strengths, maximizes our opportunities, and inclusively engages key stakeholders in our success. Record loan growth, new markets, new

staff leaders, and vibrant new products and services to meet our customers’ needs are both testaments to our community banking focus and a guide for future success. The American National Bank brand, the instant thought one has about our bank, provides a strong backdrop for working with our communities, introducing ourselves to new customers and ensuring we have a playbook to which every member of our team subscribes. Our brand is 108 years in the making and represents a solid and successful past; an engaging present; and a future full of hope, opportunity and wonder.

We believe that certain traits underscore our connection between the communities we serve and the community banking heritage we share.

#### **AMONG THESE ARE:**

- CONSISTENT GROWTH
- SUSTAINABLE PROGRESS
- ENGAGED COMMUNITIES
- COMMUNITY LEADERSHIP ROLES FOR STAFF
- REINVESTMENT IN OUR LOCAL MARKETS
- PROGRESSIVE VISION, CONSERVATIVE APPLICATION



“OUR BANK HAS A THREE-YEAR STRATEGIC PLAN THAT GUIDES OUR EFFORTS AND FOCAL POINTS. EACH YEAR WE FINE-TUNE IT BASED ON OUR MARKETS AND INDUSTRY CHANGES.”

-JEFF HALEY, PRESIDENT AND CEO



# A PROGRESSIVE YEAR

2016 proved to be a successful year in our financial statements, service to our customers, commitment of our staff, and work in our communities. American National Bank's progressive, consistent and sustainable outcomes are based on years of work and our 108-year history. The recent strategic planning and subsequent development of a tactical strategy to implement that plan have placed our organization on the course for the future.

In 2016, we released many new products, enhanced several services, launched new market areas, and refined customer service processes all designed to provide our customers a better way to bank.

## **SOME OF OUR 2016 ADDITIONS:**

### • **OPENING ACT**

We launched the Opening Act which allows customers the freedom to open a new checking or savings account online at AMNB.com. Customers can access Opening Act through our website or directly through their online banking. Account opening convenience now extends to anywhere and anytime.

### • **EMV CHIP CARDS**

The new EMV chip cards provide an enhanced layer of security and protection for our cardholders. The new technology creates safety and confidence in your ANB card for everyday use.

### • **NEW ATM**

We also created additional convenient access through our new ATM placed at our Guildford College branch. The 24-access and capability of the new ATM increase a customer's ability to get cash, transfer funds, and much more.

### • **TREASURY MANAGEMENT SERVICES EXPANSION**

Lastly, our Treasury Management Services for our commercial customers expanded our capabilities and grew significantly in 2016, almost doubling our service footprint. Access to these services greatly enhances our customers' ability to manage their funds efficiently and effectively.

# OUR ROADMAP

Our roadmap for success and to stay “On Course for the Future” relies on maintaining the close relationships between our bankers and customers. Being knowledgeable about our customer needs, technology preferences, and service requirements ensures that we deliver products and services tailored to their needs. Whether it be a small-business owner looking for a start-up loan, a corporation looking for health insurance, a new family looking for their first home, or a student seeking a checking account, we can meet those needs with a smiling face, warm welcome and the time and attentive listening of a true community bank.

We have grown our footprint in communities served by maintaining a focus on helping people manage their finances easier and more effectively. Most importantly, we have maintained the service

our customers expect and the local decisions and community engagement that is our hallmark.

In 2016, we announced two key growth opportunities with de novo market introductions into Roanoke, Virginia, and Winston-Salem, North Carolina. These markets are contiguous to current markets and allow our growth to follow a pattern of similar communities where we are located and provide access to new, growing areas. We added two teams of experienced bankers representing 19 staff positions that immediately brought benefit to the bank as a result of their existing relationships, expertise and experience in the local communities. We continue to creatively look for outlets for growth that allow our community banking model to shine and our customer base to enjoy greater access and convenience.

STRONG COMMUNITY +

ANB'S COMMUNITY BANKING DELIVERY +

STAFF EXPERTISE AND EXPERIENCE +

STRONG FINANCIAL PERFORMANCE +

COMMUNITY ENGAGEMENT =

ON COURSE FOR THE  
FUTURE



# OUR FOCUS

## COMMERCIAL

Growing and expanding, center of excellence, two new markets, full service lenders, local decisions.

## TRUST AND INVESTMENT

New leadership, \$781 million in managed assets, full product suite, tailored planning, experience and expertise.

## INSURANCE

Personal, business and health coverage; Bankers Insurance is one of the largest independent agencies in Virginia.

## PERSONAL BANKING

Focus on core deposits, new relationships, 26 offices, excellent customer service, new access tools and technology.

## MORTGAGE LENDING

Loan growth, flexible programs, local decisions, in-house processing.

## FINANCIAL PERFORMANCE

Consistent growth, strong capital ratio, progressive earnings, strong credit culture.

# OUR COMMUNITIES

## VIRGINIA

### DANVILLE

#### Main

628 Main Street  
Danville, VA 24541

#### Nor-Dan

239 Nor-Dan Drive  
Danville, VA 24540

#### Piedmont Drive

445 Mount Cross Road  
Danville, VA 24540

#### Airport

1407 South Boston Road  
Danville, VA 24540

### BEDFORD

207 North Bridge Street  
Bedford, VA 24523

### CHATHAM

13880 U.S. Highway 29  
Chatham, VA 24531

### COLLINSVILLE

2484 Virginia Avenue  
Collinsville, VA 24078

### GRETNA

109 North Main Street  
Gretna, VA 24557

### HARDY

#### Westlake

12930  
Booker T Washington Hwy  
Hardy, VA 24101

### LOVINGSTON

150 Front Street  
Lovingson, VA 22949

### LYNCHBURG

#### Graves Mill

1646 Graves Mill Road  
Lynchburg, VA 24502

#### Timberlake

20479 Timberlake Road  
Lynchburg, VA 24502

### MARTINSVILLE

900 Liberty Street  
Martinsville, VA 24112

### RIDGEWAY / 220 SOUTH

3810 Greensboro Road  
Ridgeway, VA 24148

### ROANOKE

3000 Ogden Road  
Roanoke, VA 24018

### ROCKY MOUNT

400 Old Franklin Turnpike,  
Suite 100  
Rocky Mount, VA 24151

### SOUTH BOSTON

3609 Old Halifax Road  
South Boston, VA 24592

### UNION HALL

#### Southlake

25 Southlake Drive  
Union Hall, VA 24176  
Phone: (540)576-1218

## NORTH CAROLINA

### BURLINGTON

#### South Church Street

3101 South Church Street  
Burlington, NC 27215

#### Cum Park Plaza

2214 North Church Street  
Burlington, NC 27217

### Village at Brookwood

1840 Brookwood Avenue  
Burlington, NC 27215

### GRAHAM

842 South Main Street  
Graham, NC 27253

### GREENSBORO

#### Green Valley Road

703 Green Valley Road,  
Suite 101  
Greensboro, NC 27408

#### Guilford College

5509-A West Friendly Avenue,  
Suite 102  
Greensboro, NC 27410

### MEBANE

1008 Mebane Oaks Road  
Mebane, NC 27302

### YANCEYVILLE

173 Main Street  
Yanceyville, NC 27379

### WINSTON-SALEM

110 Oakwood Dr Suite 510  
Winston-Salem, NC 27103





# OUR OPPORTUNITY

The Piedmont Valley, the Triad and our surrounding footprint comprise a wealth of economic activity and vitality. From world-renowned universities to major retailers, manufacturers and leaders in aviation healthcare and more, they all call our region home. The opportunity provided by the presence of these companies includes employment, development of feeder companies, stable economic impact, community infrastructure and an improved quality of life for the entire community.

For American National Bank, our size and commitment to personalized service yield a strong banking partner with flexible products and services and local management decisions that provide key support. As our communities grow and reinvest in themselves, we are at the epicenter of the financial community and continually provide an opportunity for business to prosper, fund growth and expansion, and hire a growing and solid workforce.





# OUR COMMITMENT

Connecting with our communities is both a commitment of our organization and a fundamental part of who we are as a team of associates working for American National Bank. We live, work and raise families in the communities we serve.

That connection creates a bond that sustains both the community and our staff along with the bank. Strong communities make great places to live for our staff and an excellent banking environment for our bank.

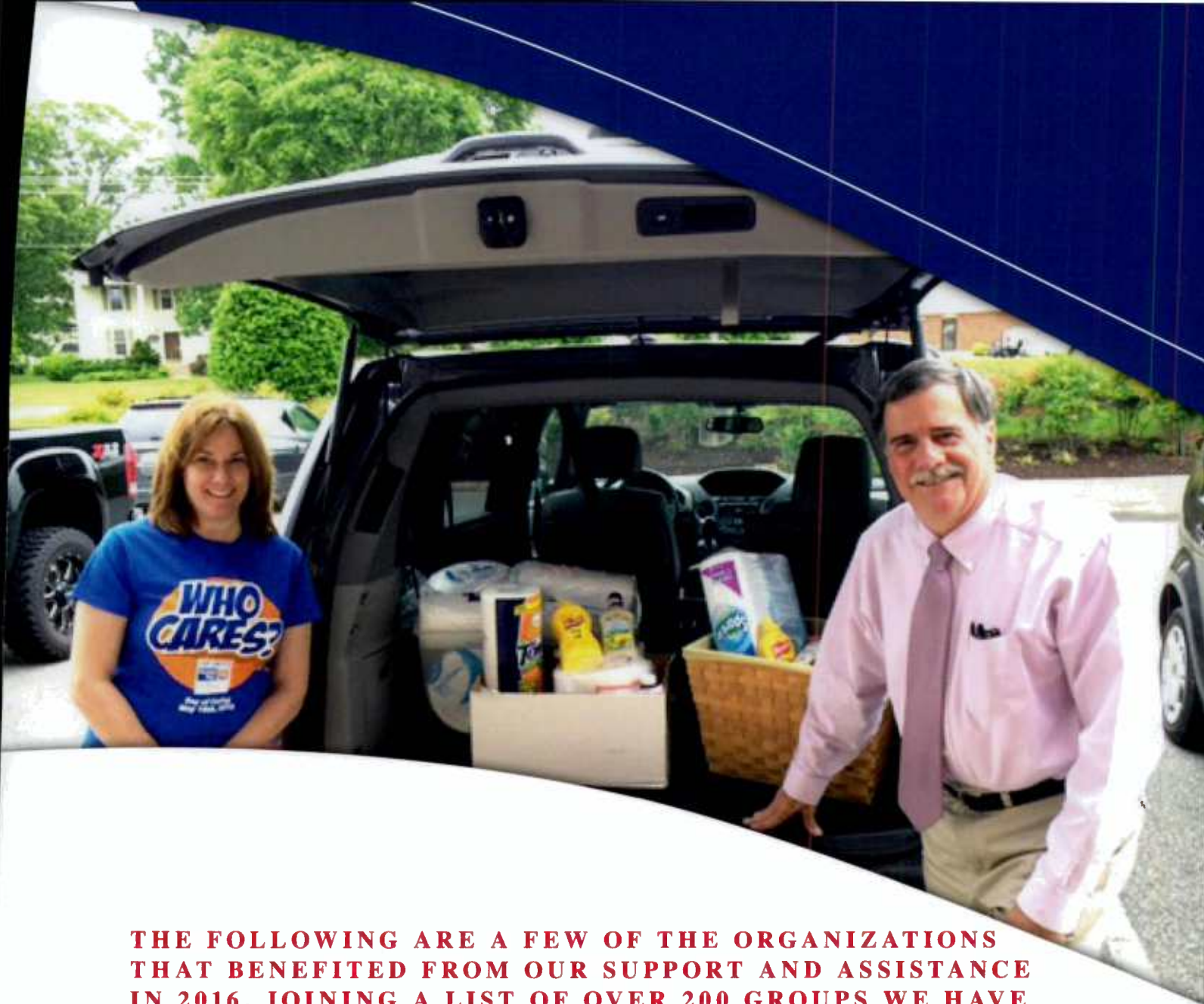
In 2016, we again demonstrated our commitment through hard work, leadership participation by our team in community organizations and by dollars contributed to help those organizations succeed.

As a bank, covering our 19 communities served, American National Bankshares contributed support in:

- 24 local organization projects
- Financial education across all markets
- Hundreds of community service hours by our staff
- Numerous leadership roles by our staff and more

We are proud of our commitment, but more importantly stand proud with each organization to support and cheer their success. As the saying goes, it takes a village to raise a child and effect positive change — and we are happily part of that village!





**THE FOLLOWING ARE A FEW OF THE ORGANIZATIONS THAT BENEFITED FROM OUR SUPPORT AND ASSISTANCE IN 2016, JOINING A LIST OF OVER 200 GROUPS WE HAVE RECENTLY SUPPORTED:**

- 9th Annual Dentistry from the Heart Event
- Alamance Community College
- Alamance County Economic Development Foundation
- Bassett High School
- Danville YMCA
- Future of the Piedmont Foundation
- Graham Area Business Association
- Goodwill Industries
- Habitat for Humanity
- Martinsville/Henry County National Society of Black Engineers
- Piedmont VA Dental Health Foundation
- United Way of Alamance County
- United Way of Caswell County
- United Way of Central VA
- United Way of Danville/Pittsylvania County
- United Way of Franklin County
- United Way of Greensboro
- United Way of Halifax/South Boston
- United Way of Henry County/Martinsville
- VBA Education Foundation
- YMCA of Alamance County
- YMCA of Greensboro

# EXECUTIVE LEADERSHIP As of January 1, 2017

**Jeffrey V. Haley**  
*President*  
*Chief Executive Officer*

**Ramsey Hamadi**  
*Executive Vice President*  
*Chief Administrative Officer*

**William W. Traynham**  
*Executive Vice President*  
*Chief Financial Officer*

**R. Helm Dobbins**  
*Executive Vice President*  
*Chief Credit Officer*  
*(retired March 30, 2017)*

**H. Gregg Strader**  
*Executive Vice President*  
*Chief Banking Officer*

## BOARD OF DIRECTORS As of January 1, 2017

### BOARD OF DIRECTORS

**Fred A. Blair**  
*Chief Executive Officer*  
Blair Construction Inc.  
Gretna, VA  
Director since 1992  
Committees 1, 5, 6

**Michael P. Haley**  
*Retired Advisor*  
Fenway Partners  
New York, NY  
Director since 2002  
Committees 1, 2, 4, 6, 8

**Franklin W. Maddux, M.D.**  
*Chief Medical Officer*  
Executive Vice President for  
Clinical & Scientific Affairs  
Fresenius Medical Care North  
America Waltham, MA  
Director since 2002  
Committees 1, 3, 6

**Dan M. Pleasant**  
*Chief Operating Officer*  
The Dewberry Companies Inc.  
Fairfax, VA  
Director since 2011  
Committees 4, 6, 8

**Frank C. Crist Jr., D.D.S.**  
*President*  
Brady & Crist Dentists Inc.  
Lynchburg, VA  
Director since 2006  
Committees 3, 5, 6

**Charles S. Harris**  
*Executive Vice President*  
Averett University  
Danville, VA  
Director since 2008  
Committees 5, 6

**Charles H. Majors**  
*Chairman of the Board*  
American National Bankshares  
Inc. and American National  
Bank and Trust Company  
Danville, VA  
Director since 1981  
Committee 7

**Joel R. Shepherd**  
*President*  
Virginia Home Furnishings Inc.  
220 Self Storage Inc.  
Roanoke, VA  
Director since 2015  
Committees 6, 8

**Ben J. Davenport Jr.**  
*Chairman*  
First Piedmont Corporation  
Davenport Energy Inc.  
Chatham, VA  
Director since 1992  
Committees 2, 4, 6

**F. D. Hornaday III**  
*President & Chief Executive  
Officer*  
Knit Wear Fabrics Inc.  
Burlington, NC  
Director since 2011  
Committees 3, 6, 7

**Claude B. Owen Jr.**  
*Retired Chairman & Chief  
Executive Officer* DIMON Inc.  
Danville, VA  
Director since 1984  
Committees 2, 3, 6, 7, 8

### COMMITTEES:

1. Audit
2. Chief Executive Officer's Advisory
3. Corporate Governance and Nominating
4. Human Resources and Compensation
5. Risk and Compliance
6. Stock Grant and Option
7. Trust
8. Capital Management

**Jeffrey V. Haley**  
*President & Chief Executive  
Officer*  
American National Bankshares  
Inc. and American National  
Bank and Trust Company  
Danville, VA  
Director since 2010  
Committee 7

**John H. Love**  
*President & Chief Executive  
Officer*  
W. E. Love & Associates Inc.  
Burlington, NC  
Director since 2011  
Committees 4, 5, 6

**Ronda M. Penn**  
*Chief Financial Officer*  
Plexus Capital LLC  
Raleigh, NC  
Director since 2015  
Committees 1, 6

“ WE HAVE A STRONG AND EFFECTIVE BOARD OF DIRECTORS... PROVIDING STRATEGIC POLICY LEADERSHIP AND MANAGEMENT OVERSIGHT.”

-CHARLES MAJORS, CHAIRMAN

# STATE ADVISORY BOARDS

As of January 1, 2017

## NORTH CAROLINA

**Thomas E. Chandler Jr.**  
*President*  
Chandler Concrete Company Inc.

**Dawn S. Chaney**  
*President*  
Chaney Properties

**James B. Crouch Jr.**  
*Partner*  
Harris, Crouch, Long, Scott & Miller Inc.

**J. Nathan Duggins III**  
*Partner*  
Tuggle, Duggins, P.A.

**Anthony E. Foriest**  
*Retired*  
Xerox Corporation

**John A. Holt Sr.**  
*President & Chief Financial Officer*  
DynaYarn USA LLC

**David S. Johnson, M.D.**  
*Physician*  
Burlington Pediatrics

**Teena M. Koury**  
*Owner*  
Carolina Hosiery Mills

**John B. Leath**  
*Chief Executive Officer*  
Acucote Inc.

**Phillip J. Nahser Jr., M.D.**  
*Cardiologist*  
Cone Health Medical Group

**Richard H. Ramsey**  
*Operating Partner*  
New Page Capital  
*President*  
Engineered Steel Products, Inc.

**Diane M. Rumley, CPA**  
*Partner*  
Leeper, Kean & Rumley LLP

**Adrian T. Smith**  
*Chief Executive Officer*  
Ice Age Management

**James H. Smith Jr.**  
*President*  
Villane Inc.

## VIRGINIA

**Kim E. Adkins**  
*Former Mayor*  
City of Martinsville  
*President*  
KEA Consulting Services

**Jay E. Barker**  
*President*  
JEB International Tobacco Company

**James E. Barkhouser**  
*President*  
Barkhouser Motors Inc.

**J. Brian Burton**  
*President*  
J.E. Burton Construction Company

**Thomas C. Capps**  
*President*  
Capps Shoe Company Inc.

**Timothy J. Clark**  
*President*  
Blair Construction Inc.

**James D. Coleman Jr.**  
*President*  
Rives Brown Realty

**S. Cabell Dudley Jr.**  
*Retired Executive Vice President*  
American National Bank and  
Trust Company

**C. Scott Elliott**  
*President*  
CS Custom Structures, Inc.

**Tiffany M. Franks, Ed.D.**  
*President*  
Averett University

**Harold E. Green Jr.**  
*President*  
Distinct Impressions Inc.

**Wanda B. Jeffress**  
*Owner*  
Jeffress Funeral Home

**Ernest C. Jordan**  
*Retired Senior Vice President*  
American National Bank and Trust Company

**Brian J. Kelleher**  
*President*  
Atlantic Precision Resources Inc.

**Martha W. Medley**  
*Partner*  
Daniel, Medley & Kirby P.C.

**Chris F. Mohr**  
*Chairman & Chief Executive Officer*  
Ameristaff Inc.

**James K. Muehleck, D.D.S**  
*Dentist*  
Martinsville

**Thomas S. Stump**  
*President & Chief Executive Officer*  
First Piedmont Corporation

**Michael A. Thornton**  
*President*  
Progress Printing

**William C. Vaughn**  
*Vice President*  
J & R Management Inc.

# MARKET MAKERS

## STOCKHOLDER INFORMATION

### Annual Meeting

- The 2017 Annual Meeting of Shareholders of American National Bankshares Inc. will be held on Tuesday, May 16, 2017, at 9 a.m. (EDT) at The Wednesday Club, 1002 Main Street, Danville, Va.

### Stock Listing

- The common stock of American National Bankshares Inc. (the "Company") is traded on the NASDAQ Global Select Market under the symbol "AMNB."

### Shareholder Inquiries

- Shareholders needing information on stock transfer requirements, lost certificates, dividends, the dividend retirement plan and other shareholder matters may contact:  
Computershare Inc.  
PO Box 30170  
College Station, TX 77842  
800.368.5948

### General Corporate Information

#### Independent Auditors

Yount, Hyde & Barbour PC  
50 South Cameron Street  
Winchester, VA 22601

#### Regulatory and Securities Counsel

Williams Mullen  
Williams Mullen Center  
200 South 10th Street, Suite 1600  
P.O. Box 1320 (23218)  
Richmond, VA 23219

### Equal Opportunity Employer

American National Bank and Trust Company, a wholly owned subsidiary of 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.

### This Report

The American National Bankshares Inc. 2016 Summary Annual Report is presented in a summary format to provide information regarding the performance of the Company in a manner that is meaningful and useful to the widest range of readers. The audited consolidated financial statements of the Company and other more detailed analytical information regarding the Company are contained in the 2016 Annual Report on Form 10-K filed with the Securities and Exchange Commission.

### Investor Relations & Financial Statements

A copy of the Company's annual reports on 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, amnb.com. Those with requests for this or other financial information about American National Bankshares Inc. should contact:

American National Bankshares Inc.  
Investor Relations  
PO Box 191  
Danville, VA 24543  
800.240.8190

## FORWARD-LOOKING STATEMENTS

This Summary Annual Report may contain "forward-looking statements" within the meaning of federal securities laws that involve significant risks and uncertainties. Statements herein are based on certain assumptions and analyses by the Company and are factors it believes are appropriate in the circumstances. Actual results could differ materially from those contained in or implied by such statements for a variety of reasons including, but not limited to: financial market volatility including the level of interest rates could affect the values of financial instruments and the amount of net interest income earned; general economic or business conditions, either nationally or in the market areas in which the Company does business, may be less favorable than expected, resulting in deteriorating credit quality, reduced demand for credit, or a weakened ability to generate deposits; competition among financial institutions may increase and competitors may have greater financial resources and develop products and technology that enable those competitors to compete more successfully than the Company; businesses that the Company is engaged in may be adversely affected by legislative or regulatory changes, including changes in accounting standards; the ability to retain key personnel; the failure of assumptions underlying the allowance for loan losses; and risks associated with mergers, acquisitions, and other expansion activities. Consequently, all forward-looking statements made herein are qualified by these cautionary statements and the cautionary language in the Company's most recent Form 10-K report and other documents filed with the Securities and Exchange Commission. American National Bankshares Inc. does not undertake to update forward-looking statements to reflect circumstances or events that occur after the date the forward-looking statements are made.



Roanoke, VA office

# MISSION, VISION, GUIDING PRINCIPLES AND CORE VALUES

## **MISSION STATEMENT:**

We provide quality financial services with exceptional customer service.

## **GUIDING PRINCIPLES:**

To achieve our vision and carry out our mission, we:

- Operate a sound, efficient, and highly profitable company,
- Identify and respond to our internal and external customers' needs and expectations in an ever changing financial services environment,
- Provide quality sales and quality service to our customers,
- Produce profitable growth,
- Provide an attractive return for our shareholders,
- Furnish positive leadership for the well-being of all communities we serve,
- Continuously develop a challenging and rewarding work environment for our employees, and
- Conduct our work with integrity and professionalism.

## **VISION STATEMENT:**

We will enhance the value of our shareholders' investment by being our communities' preferred provider of relationship-based financial services.

## **CORE VALUES:**

- Build personal relationships based on honesty and integrity
- Treat people fairly and speak with candor and care
- Develop people to their highest potential
- Coach for improved performance
- Show a passion for winning
- Act like business owners
- Celebrate individual and team successes often
- Communicate with strategic purpose and aim for consistency
- Hold ourselves and our teammates accountable for results.



**AMERICAN NATIONAL**

BANKSHARES INC.



AMERICAN NATIONAL

BANKSHARES INC.

628 Main Street, Danville, VA 24541

ON THE  
FUTURE

ON COURSE FOR THE  
FUTURE

ON THE  
FUTURE



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**FDIC**

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