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American National Bankshares Inc.

1998 Annual Report

American National Bankshares Inc. is a bank holding company whose only 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, Pittsylvania County and Henry County in Virginia and Caswell County in North Carolina. Mutual Mortgage of the Piedmont, Inc. is a subsidiary of American National Bank and Trust Company, offering secondary market mortgage loans throughout the bank's market area.

Annual Shareholders' Meeting

The Annual Meeting of Shareholders of American National Bankshares Inc. will be held Tuesday, April 27, 1999 at 11:30 A. M. at The Wednesday Club, 1002 Main Street, Danville, Virginia.

About The Report

This 1998 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. 1998 Annual Report on Form 10-K filed with the Securities and Exchange Commission.

Vision

Our commitment is to enhance the value of our shareholders' investment by being our communities' preferred provider of relationship-based financial services.

Mission Statement

Our Mission is to provide quality financial services and exceptional customer service.

Guiding Principles

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

- Identify and respond to our customers' needs and expectations.
- Conduct our work with integrity and professionalism.
- Furnish positive leadership for the well-being of all communities we serve.
- Maintain a challenging and rewarding quality service-quality sales work environment for our employees.

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90 Years *of Relationships*

Subscribers for \$100,000 of capital stock in a proposed national bank met at the rooms of the Commercial Association of Danville, VA, on December 29, 1908. The name of "Farmers National Bank of Danville" was suggested. Following discussion, however, the name

"American National Bank of Danville" was unanimously accepted and the election of Directors of the bank occurred.



H.O. Kerns
1909-1919

On January 9, 1909, at a meeting of the Directors, H.O. Kerns was elected President of the bank. Three members of the Board were "appointed to treat with the Union Exchange Bank with the

view of buying said bank", and a second committee of three was appointed to "treat with the Home Savings Bank with a view of buying that institution." At the meeting of the Directors on January 16, 1909, reports were received from both committees, and motions to buy Home Savings Bank and to decline the purchase of Union Exchange Bank at this time were adopted. At the Directors' meeting held January 30, 1909, "the committee on Union Exchange Bank reported that the paper of the said bank was satisfactory, and upon resolution, the same committee. . . was appointed to close the transaction with said Union Exchange Bank."

The charter for "American National Bank of Danville" was issued on February 15, 1909 and on February 17, the bank opened and began building relationships, in

the quarters previously occupied by the Union Exchange Bank, at the corner of Main and Market Streets. At the close of business at year-end, ten and one-half months after opening, the bank had earned \$7,042.60 and paid dividends of \$6,000 to the shareholders.

In 1911, the bank moved its operation to the Rialto Building on lower Main Street. By 1914, Congress had passed legislation to begin formation of the Federal Reserve System. The Board voted to join as soon as membership was available. 1915 saw the move of the offices of the bank to the corner of Main and Union Streets in the Dudley Building which it occupied until 1933, except for a brief period in 1919, during which it moved to temporary facilities due to a fire in the Dudley Building.

By 1920, the deposits of the bank had exceeded \$1.6 million and Frank Talbott was elected President. At the Annual Meeting of the Shareholders in that year, for the first time since inception, it was agreed that a fee of \$3 would be paid to

Directors for each regular meeting with no additional compensation for special meetings. In December 1921, the Board granted authority to the bank officers to apply for permission to establish a trust department. It was not until May 12, 1927 that the trust department was organized and began to offer trust services.



Frank Talbott
1920-1925

William R. Fitzgerald was elected President in 1925. By then the assets of the bank had reached \$3.4 million. At the annual meeting of shareholders, January 8, 1929, a resolution to change the name of the bank to "American National Bank and Trust Company" was approved.



The ensuing "depression years", the decade of the '30s, proved to be a rewarding challenge for the bank and its relationships with customers.

Mr. Fitzgerald, at the November 1929 meeting, stated, "the bank has passed through a strenuous period during the past ten days due to the crash in the stock market." The Board minutes of this meeting reflect the support of the officers' loan decisions during the period stating "...under the circumstances, the actions of the officers in granting them was justified." In 1933, the bank purchased the office at the corner of Main and



William R. Fitzgerald
1925-1942

Market Streets, formerly occupied by the Commercial Bank, which closed in 1930 as a result of the depression. By the end of 1933, the bank's assets had reached over \$1.9 million and by 1938 had more than doubled to over \$4.6 million.

Wayles R. Harrison was elected President of the bank in



Wayles R. Harrison
1942-1949

1942. During his tenure, the bank experienced outstanding growth. By December 31, 1948, assets had grown to over \$16.5 million and the first branch office of the bank was established. The office at the corner of Jefferson and Loyal Streets, known as "Five Forks", was opened and offered the first drive-in service for our customers. Informal notations in the bank's archives indicate that the "Five Forks" office was the first drive-in bank office in the Commonwealth.

The post-war years in Danville mirrored trends throughout the country - new residential developments beyond the atypical pre-war inner city residential concentration and the establishment of outlying retail business. Stuart L. Brown was elected president of the bank in 1949. During his tenure, the bank's Board, keenly aware



Stuart Brown
1949-1961

of the needs of its customers and the desire for banking convenience in the community, opened two additional branch offices - the first on Riverside Drive in August of 1956 and the Nor-Dan office in the fall of 1961. James A. Motley was the first manager of the Riverside office and William C. Payne, Jr. was appointed manager of the Nor-Dan office.

At the end of Mr. Brown's leadership as President, in 1961, the bank's assets had exceeded \$25 million. William H. Jefferson, Jr. was elected President in 1962. Continued residential development and growth patterns in the city indicated additional offices would benefit customers on the southside and the "west end". In September 1966, the South Main office was completed and in the fall of 1972 the West Main Street office opened. In the early '70s, the City of Danville embarked on an ambitious "Downtown Revitalization" project





William H. Jefferson, Jr.
1962-1980

encompassing both private and public development. American National's leadership during this period was significant – the completion of its 27,000 square foot colonial-style, new home office, at 628 Main Street, which opened October 1, 1973.

Under Mr. Jefferson's leadership as

President, assets of the bank reached almost \$88 million by 1980. In that year, James A. Motley was elected President, a position he held until December 31, 1992. Assets of the bank increased over 270% during this twelve-year period, passing \$240 million. During his management, the bank's dedication to innovation and customer convenience was exemplified through the introduction of three automated teller machines (ATM) in the spring of 1984, providing "Round The Clock" banking. The bank's commitment to being our communities'



James A. Motley
1980-1992

leading provider of ATM services continues today with eleven ATMs throughout our market. American National Bankshares Inc., the bank's holding company, was formed in mid-1984. In 1990, the bank opened the South Boston Road office, offering additional service convenience to the growing retail and residential expansion on the east side of Danville.

Charles H. Majors became the President of the bank January 1, 1993. Under his direction, the underlying commitment to our community banking philosophy and dedication to providing one-on-one "relationship banking services" solidified. Realizing that the community the bank was serving extended well beyond the imaginary city limits boundary, the bank opened its first Pittsylvania county office August 25, 1995 through the purchase of the Crestar office in Gretna, VA. On March 15, 1996, American National completed the merger of Mutual Savings Bank, F.S.B. into the bank. With the acquisition and merger, the bank increased assets from \$249 million to \$392 million. It also added two office locations in Danville and one office in Collinsville from the merger. In July of 1996 the bank announced it had signed a letter of intent to acquire the Yanceyville, NC branch and ATM facility of FirstSouth Bank of Burlington, NC. This acquisition was completed in the fall of 1996 and assets increased to \$429 million.

1998, our 90th year, was exciting. Construction began, mid-year, on our Chatham, VA office. It was substantially complete in late December and the grand opening of the office and the ATM was held January 19, 1999. We opened our second ATM in the Martinsville/Henry county market at our Collinsville office in December. Negotiations were completed for the addition of a new ATM at 596 West Main Street in Danville, our first "kiosk style" facility. The ATM was activated in mid-February. What does the future hold for American National? Be assured that we are dedicated to being our communities' premier provider of banking services and will continue our focus on our mission of "providing quality financial services and exceptional customer service" to each customer.





American National Bankshares Inc.

March 22, 1999

To Our Shareholders:

Congratulations! As shareholders, you should be proud that we have now completed ninety years of successful community banking. On February 17, 1909, we began operations which resulted in first-year earnings of \$7,042.60. The 1998 earnings were over a thousand times greater. Relationship banking has been the basis for success during these ninety years and continues to be the key for the future.

We continue to be a high-performing banking organization with growth in our earnings, our loans and our deposits, while we still maintain excellent asset quality.

Our net income for 1998 was \$7.198 million, representing a 14.8% increase from 1997 net income of \$6.269 million. Our per share income increased to \$2.36 from \$1.99 in 1997, an increase of 18.6%. Our return on average assets was 1.64% compared to 1.47% in 1997. Our return on average equity was 13.79% compared to 12.51% in 1997.

Our non-interest income increased by 25.9%, with significant contributions from our Trust and Investment Services Division and our mortgage subsidiary, Mutual Mortgage of the Piedmont, Inc.

We continued to experience loan growth, with a net increase of 5.8%. Our deposits and repurchase agreements grew by 5.3%. We ended the year with shareholder equity of almost \$55 million, a 9.7% increase over 1997. Asset quality continued to exceed industry standards, with 1998 net charge-offs at 0.15% of average net loans and non-performing loans at 0.07% of net loans at December 31, 1998.

We have spent much time and effort in 1998 on technology and Year 2000 compliance issues. We will, however, still continue to work in these areas in the coming year. We are confident that we will be prepared for the Year 2000 and that our technology will permit us to meet the needs of our customers in the future.

Pursuant to the Directors' Retirement Policy, B. Carrington Bidgood will retire from the Board of Directors as of the 1999 Annual Meeting. Mr. Bidgood has been a Director since 1975 and we appreciate his devotion and service. He will continue to serve as a Director Emeritus for the next year.

As we reflect back on the last 90 years, we are grateful for the support of our customers, our shareholders and our employees. As we look forward into the next century, we are committed to continue providing quality financial services and exceptional customer service.

Very truly yours,

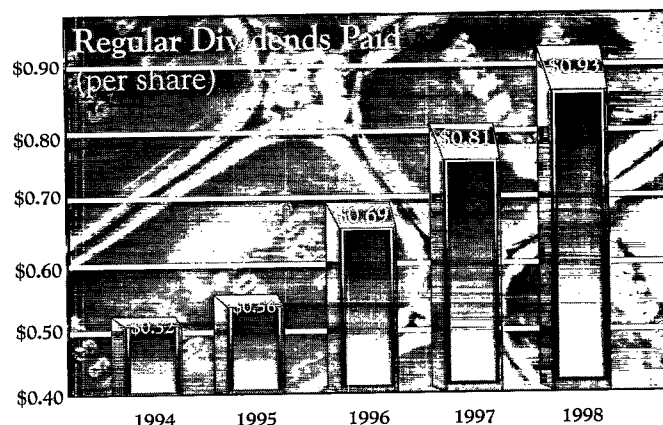
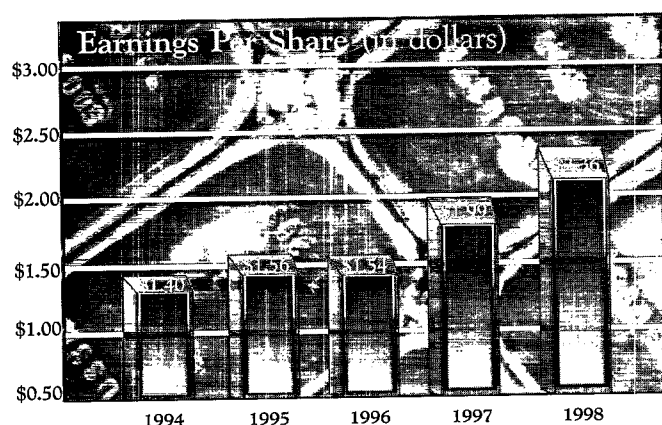
Charles H. Majors
President & Chief Executive Officer



Financial Highlights

American National Bankshares Inc. and Subsidiary

	For the Year Ended December 31		Percent Change
	1998	1997	
Balance Sheet Highlights (in thousands)			
Total assets	\$460,383	\$423,640	8.7%
Deposits	358,325	351,603	1.9
Net loans	265,698	251,173	5.8
Investment securities	163,413	143,077	14.2
Shareholders' equity	54,861	50,003	9.7
Income Statement Highlights (in thousands)			
Net interest income	\$ 18,182	\$ 17,138	6.1%
Provision for loan losses	927	1,100	(15.7)
Non-interest income	4,029	3,201	25.9
Non-interest expense	10,964	10,245	7.0
Net income	7,198	6,269	14.8
Per Share Data			
Net income (basic and diluted)	\$ 2.36	\$ 1.99	18.6%
Regular cash dividends paid .....	.93	.81	14.8
Book value.	17.98	16.39	9.7
Statistical Highlights			
Return on average assets	1.64 %	1.47 %	
Return on average shareholders' equity	13.79 %	12.51 %	



Quarterly Financial Results

(in thousands, except per share amounts)

American National Bankshares Inc. and Subsidiary

	Fourth Quarter	Third Quarter	Second Quarter	First Quarter
1998				
Interest income	\$ 8,346	\$ 8,244	\$ 8,093	\$ 7,971
Interest expense	<u>3,651</u>	<u>3,702</u>	<u>3,587</u>	<u>3,532</u>
Net interest income	4,695	4,542	4,506	4,439
Provision for loan losses	<u>249</u>	<u>203</u>	<u>223</u>	<u>252</u>
Net interest income after provision	4,446	4,339	4,283	4,187
Non-interest income	1,164	989	980	896
Non-interest expense	<u>2,850</u>	<u>2,692</u>	<u>2,748</u>	<u>2,673</u>
Income before income tax provision	2,760	2,636	2,515	2,410
Income tax provision	<u>801</u>	<u>809</u>	<u>764</u>	<u>749</u>
Net income	<u>\$ 1,959</u>	<u>\$ 1,827</u>	<u>\$ 1,751</u>	<u>\$ 1,661</u>
Per common share:				
Net income	\$.64	\$.60	\$.58	\$.54
Cash dividends	\$.24	\$.24	\$.24	\$.21
1997				
Interest income	\$ 8,053	\$ 7,916	\$ 7,883	\$ 7,876
Interest expense	<u>3,665</u>	<u>3,629</u>	<u>3,619</u>	<u>3,677</u>
Net interest income	4,388	4,287	4,264	4,199
Provision for loan losses	<u>338</u>	<u>262</u>	<u>257</u>	<u>243</u>
Net interest income after provision	4,050	4,025	4,007	3,956
Non-interest income	845	835	783	738
Non-interest expense	<u>2,722</u>	<u>2,466</u>	<u>2,542</u>	<u>2,515</u>
Income before income tax provision	2,173	2,394	2,248	2,179
Income tax provision	<u>630</u>	<u>749</u>	<u>704</u>	<u>642</u>
Net income	<u>\$ 1,543</u>	<u>\$ 1,645</u>	<u>\$ 1,544</u>	<u>\$ 1,537</u>
Per common share:				
Net income	\$.50	\$.54	\$.48	\$.47
Cash dividends	\$.21	\$.21	\$.21	\$.18



Summary of Selected Consolidated Financial Data

(in thousands, except per share amounts)
American National Bankshares Inc. and Subsidiary

Operations Information:	1998	1997	1996	1995	1994
Interest income:					
Loans	\$ 23,356	\$ 22,441	\$ 20,335	\$ 18,432	\$ 14,923
Federal funds sold and other	272	237	435	202	210
Investment securities	9,026	9,050	9,162	7,300	6,701
Total interest income	32,654	31,728	29,932	25,934	21,834
Interest expense	14,472	14,590	14,370	11,484	8,919
Net interest income	18,182	17,138	15,562	14,450	12,915
Provision for loan losses	(927)	(1,100)	(673)	(484)	(272)
Non-interest income	4,029	3,201	2,691	2,035	2,122
Non-interest expense	(10,963)	(10,245)	(10,167)	(8,702)	(8,150)
Income before income taxes	10,321	8,994	7,413	7,299	6,615
Income taxes	3,123	2,725	2,381	2,283	2,106
Net income	\$ 7,198	\$ 6,269	\$ 5,032	\$ 5,016	\$ 4,509
Balance Sheet Information:					
Investment securities	\$ 163,413	\$ 143,077	\$ 175,757	\$ 149,208	\$ 122,509
Net loans	265,698	251,173	233,509	212,684	188,034
Total deposits	358,325	351,603	361,983	327,342	282,791
Shareholders' equity	54,861	50,003	52,218	48,912	45,045
Total assets	460,383	423,640	440,158	388,479	337,355
Per Share Information:					
Net income	\$ 2.36	\$ 1.99	\$ 1.54	\$ 1.56	\$ 1.40
Dividends .....	.93	.81	.69	.56	.75
Book value	17.98	16.39	15.92	15.22	14.02
Ratios:					
Return on average assets	1.64%	1.47%	1.24%	1.43%	1.37%
Return on average shareholders' equity ..	13.79	12.51	10.12	10.62	10.13
Total risk-based capital/assets	18.04	18.37	20.66	23.67	25.98
Shareholders' equity/assets	11.92	11.80	11.86	12.59	13.35
Net charge-offs to average net loans .....	.15	.36	.17	.09	.04
Reserve for loan losses to period-end loans, net of unearned income	1.42	1.29	1.30	1.28	1.29

The financial information for years 1994 through 1995 has been restated to reflect the merger with Mutual Savings Bank, FSB.

*Per share amounts are based on average shares outstanding.

MARKET PRICE OF THE CORPORATION'S COMMON STOCK

1998	Price per share known to management		1997	Price per share known to management	
	Low	High		Low	High
4th quarter	\$27.00	\$33.00	4th quarter	\$27.25	\$32.00
3rd quarter	\$26.00	\$31.00	3rd quarter	\$26.25	\$28.25
2nd quarter	\$28.75	\$31.00	2nd quarter	\$23.50	\$27.00
1st quarter	\$28.75	\$32.50	1st quarter	\$23.50	\$24.75

American National Bankshares Inc. stock price is reported on the OTC Bulletin Board under the symbol "AMNB". At December 31, 1998 there were 1,438 shareholders of record.



Consolidated Balance Sheets

December 31, 1998 and 1997

American National Bankshares Inc. and Subsidiary

	1998	1997
Assets		
Cash and due from banks	\$ 14,071,687	\$ 13,386,440
Interest-bearing deposits in other banks	706,245	366,110
Investment securities:		
Securities available for sale (at market value)	105,535,523	82,466,034
Securities held to maturity (market value of \$59,207,124 in 1998 and \$61,367,264 in 1997)	57,877,279	60,610,993
Total investment securities	163,412,802	143,077,027
Loans	269,676,596	254,792,918
Less -		
Unearned income	(157,315)	(343,211)
Reserve for loan losses	(3,821,447)	(3,277,179)
Net loans	265,697,834	251,172,528
Bank premises and equipment, at cost, less accumulated depreciation of \$7,164,459 in 1998 and \$6,349,589 in 1997	7,603,080	6,514,286
Accrued interest receivable and other assets	8,891,186	9,123,469
Total assets	<u>\$ 460,382,834</u>	<u>\$ 423,639,860</u>

Liabilities and Shareholders' Equity

Liabilities:		
Demand deposits — non-interest bearing	\$ 45,070,732	\$ 41,754,876
Demand deposits — interest bearing	55,883,458	52,029,224
Money market deposits	18,089,331	17,151,352
Savings deposits	68,620,629	69,550,353
Time deposits	170,660,739	171,117,111
Total deposits	358,324,889	351,602,916
Federal funds purchased	—	1,500,000
Repurchase agreements	31,022,834	18,038,964
FHLB Borrowings	13,000,000	—
Accrued interest payable and other liabilities	3,174,465	2,495,215
Total liabilities	405,522,188	373,637,095
Shareholders' equity:		
Preferred stock, \$5 par, 200,000 shares authorized, none outstanding	—	—
Common stock, \$1 par, 10,000,000 shares authorized, 3,051,733 shares outstanding in 1998 and 1997	3,051,733	3,051,733
Capital in excess of par value	9,892,304	9,892,304
Retained earnings	40,798,323	36,438,185
Accumulated other comprehensive income - net unrealized gains on securities available for sale	1,118,286	620,543
Total shareholders' equity	54,860,646	50,002,765
Total liabilities and shareholders' equity	<u>\$ 460,382,834</u>	<u>\$ 423,639,860</u>



Consolidated Statements of Income

For The Years Ended December 31, 1998, 1997 and 1996
American National Bankshares Inc. and Subsidiary

	1998	1997	1996
Interest Income:			
Interest and fees on loans	\$23,356,412	\$22,441,097	\$20,334,588
Interest on federal funds sold and other	271,524	237,204	434,674
Income on investment securities:			
U. S. Government	2,601,437	4,018,344	6,022,023
Federal agencies	4,485,157	3,470,483	1,711,974
State and municipal	1,346,014	1,136,496	988,159
Other investments	593,363	424,521	440,374
Total interest income	32,653,907	31,728,145	29,931,792
Interest Expense:			
Interest on deposits:			
Demand	1,203,786	1,408,255	1,245,678
Money market	545,061	571,873	637,954
Savings	1,949,958	2,140,158	2,012,717
Time	9,260,295	9,589,470	9,670,514
Interest on fed funds and repos	1,116,315	880,392	803,099
Interest on other borrowings	396,183	—	—
Total interest expense	14,471,598	14,590,148	14,369,962
Net Interest Income	18,182,309	17,137,997	15,561,830
Provision for Loan Losses	927,000	1,100,000	673,291
Net Interest Income After Provision			
For Loan Losses	17,255,309	16,037,997	14,888,539
Non-Interest Income:			
Trust and investment services	2,165,437	1,888,341	1,896,266
Service charges on deposit accounts	902,060	786,270	600,606
Non-deposit fees and insurance commissions	287,704	155,697	106,015
Mortgage banking income	428,991	220,293	—
Other income	245,238	150,374	88,355
Total non-interest income	4,029,430	3,200,975	2,691,242
Non-Interest Expense:			
Salaries	5,126,819	4,810,783	4,083,106
Pension and other employee benefits	1,140,252	1,076,144	912,935
Occupancy and equipment	1,663,880	1,437,285	1,211,974
FDIC insurance	73,911	77,801	466,663
Postage and printing	447,609	429,128	397,409
Core deposit intangible amortization	449,816	450,179	317,961
Merger related	—	—	1,055,695
Other	2,061,322	1,963,680	1,721,321
Total non-interest expense	10,963,609	10,245,000	10,167,064
Income Before Income Tax Provision	10,321,130	8,993,972	7,412,717
Income Tax Provision	3,122,881	2,724,780	2,380,529
Net Income	\$ 7,198,249	\$ 6,269,192	\$ 5,032,188
Net Income Per Common Share:			
Basic	\$ 2.36	\$ 1.99	\$ 1.54
Diluted	\$ 2.36	\$ 1.99	\$ 1.54
Average Common Shares Outstanding:			
Basic	3,051,733	3,144,834	3,267,038
Diluted	3,052,659	3,144,834	3,267,038

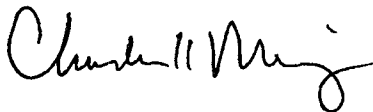


Statement of Management Responsibility

The management of American National Bankshares Inc. is responsible for the content of the financial information contained herein. In order to meet this responsibility, the financial statements have been prepared in conformity with generally accepted accounting principles appropriate in the circumstances to reflect, in all material respects, the substance of events and transactions that should be included.

The accounting systems, which record, summarize and report financial data, and related internal accounting controls of American National Bankshares Inc. and its subsidiary are designed to provide reasonable assurance that the financial records are reliable for preparing financial statements and maintaining accountability for assets, including safeguarding assets against loss from unauthorized use or disposition. The system of internal controls is augmented by written policies, internal audits and staff training programs.

The Audit and Compliance Committee of American National Bankshares Inc., composed solely of outside directors, reviews the internal audit function and meets periodically with representatives of Arthur Andersen LLP, independent public accountants, who has been selected by the Board of Directors, to express an independent professional opinion as to the fairness of the presentation of American National Bankshares Inc. financial statements.



Charles H. Majors
*President and
Chief Executive Officer*



T. Allen Liles
*Senior Vice President,
Secretary and Treasurer*



Board of Directors

American National Bankshares Inc. and American National Bank and Trust Company

Bill Barker, Jr.

Retired President of Dibrell Brothers, Inc., Danville, VA, leaf tobacco and flowers.
Director since 1996. Serves on the Audit/Compliance and Loan Review Committees.

B. Carrington Bidgood

Retired Senior Vice President, Dibrell Brothers, Inc. Danville, VA, leaf tobacco and flowers.
Director since 1975. Serves on the Loan Review, Salary and Trust Committees.

Ben J. Davenport, Jr.

Chairman, First Piedmont Corporation, Chatham, VA, waste management.
Director since 1992. Serves on the Loan Review, President's Advisory and Trust Committees.

Lester A. Hudson, Jr.

Chairman, H & E Associates, Greenville, SC, investments.
Director since 1984. Serves on the Loan Review and Salary Committees.

Fred B. Leggett, Jr.

Retired Chairman and Chief Executive Officer, Leggett Stores, Danville, VA, retail department stores.
Director since 1994. Serves on the Loan Review and Salary Committees.

James A. Motley

Retired Chairman and Chief Executive Officer of the Corporation and the Bank.
Director since 1975. Serves on the Audit/Compliance, Emergency Preparedness and Loan Review Committees.

Landon R. Wyatt, Jr.

President, Wyatt Buick Sales, Co., Danville, VA, automobile dealership.
Director since 1965. Serves on the Director's Nominating, Emergency Preparedness, Loan Review and Trust Committees.

Richard G. Barkhouser

President, Barkhouser Motors, Inc., Danville, VA, automobile dealership.
Director since 1980. Serves on the Director's Nominating, Loan Review, President's Advisory and Salary Committees.

Fred A. Blair

President, Blair Construction, Inc., Gretna, VA, commercial building contractor.
Director since 1992. Serves on the Audit/Compliance and Loan Review Committees.

H. Dan Davis

Senior Consultant to the Corporation and the Bank.
Director since 1996. Serves on the Board of Directors of Mutual Mortgage of the Piedmont, Inc.

E. Budge Kent, Jr.

Senior Vice President of the Corporation and Senior Vice President & Trust Officer of the Bank.
Director since 1979. Serves on the Trust Committee.

Charles H. Majors

President and Chief Executive Officer of the Corporation and the Bank.
Director since 1981. Serves on the Trust Committee and on the Board of Mutual Mortgage of the Piedmont, Inc.

Claude B. Owen, Jr.

Chairman & Chief Executive Officer of DIMON Incorporated, Danville, VA, leaf tobacco dealer.
Director since 1984. Serves on the Director's Nominating, Loan Review and President's Advisory Committees.



Officers (as of 1/1/99)

American National Bankshares Inc.

Charles H. Majors
President & Chief Executive Officer

E. Budge Kent, Jr.
Senior Vice President

Carolyn H. Compton
Assistant Secretary

T. Allen Liles
Senior Vice President, Secretary & Treasurer

Nadine S. Crumpton
Auditor

Carl T. Yeatts
Senior Vice President

American National Bank and Trust Company

Charles H. Majors
President & Chief Executive Officer

E. Budge Kent, Jr.
Senior Vice President
& Trust Officer

Brenda C. Gibson
Vice President

John G. Wales
Vice President

John B. Hall, Jr.
Trust Officer

Wayne M. Barker
Assistant Vice President

L. Michael Coleman
Assistant Vice President

Shirley O. Bryant
Banking Officer

Robert S. Fuller
Banking Officer

Randall J. McDaniel
Banking Officer

Nadine S. Crumpton
Auditor

M. Catherine Frazier
Banking Associate

Robert A. Howard
Banking Associate

Bernetha W. Saunders
Banking Associate

Phyllis A. Wiles
Trust Operations Manager

T. Allen Liles
Senior Vice President,
Cashier & Chief Financial Officer

Jeffrey V. Haley
Vice President

Mildred B. Wilkerson
Vice President

Linda P. Rhue
Trust Officer

Thomas Y. Chandler
Assistant Vice President

Barry J. Shields
Assistant Vice President

Rita Cook-Raynor
Banking Officer

Kaye S. Hayden
Banking Officer

Sandra H. Miller
Banking Officer

Linda H. Coleman
Assistant Auditor

Brenda L. Gibson
Accounting Specialist

Patricia T. Hudson
Accounting Specialist

Katherine P. Shelton
Banking Associate

Voinda R. Wray
Administrative Assistant

Carl T. Yeatts
Senior Vice President
& Senior Loan Officer

Wayne D. Holley
Vice President

Charles G. Ellis
Director of Community Affairs

William B. Stephens, Jr.
Director of Technology Development

Barry L. Clarke
Assistant Vice President

Beverly A. Scruggs
Assistant Vice President

Tony E. Dalton
Banking Officer

Elaine T. Jones
Banking Officer

Peter A. Moore
Banking Officer

Jane S. Baynes
Deposit Operations Manager

Donna M. Hankins
Human Resources Administrator

Anne D. Moore
Loan Operations Manager

William S. Via
Assistant Compliance Officer

Ronnie C. Fowlkes
Vice President

Phillip H. Strader
Vice President

James R. Jefferson
Controller

Cheryl L. Clark
Director of Information Services

Cameron W. Clement
Assistant Vice President

Mary H. Wertz
Assistant Vice President

Janice O. England
Banking Officer

Garry C. Martin
Banking Officer

Beth M. Searce
Banking Officer

Carolyn H. Compton
Assistant to the President

Faye W. Holland
Proof Operations Manager

Frances H. Sam
Banking Associate

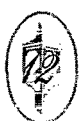
Richard B. Waters
Systems Analyst

Mutual Mortgage of the Piedmont, Inc.

Charles H. Majors
President & Chief Executive Officer

James M. Crawford
Vice President, Secretary & Chief Operating Officer

T. Allen Liles
Treasurer



General Information

American National Bankshares Inc.

AMERICAN NATIONAL BANKSHARES INC. AMERICAN NATIONAL BANK AND TRUST COMPANY

628 Main Street
P. O. Box 191
Danville, VA 24543
804-792-5111

Website - www.amnb.com

FINANCIAL INFORMATION

Analysts and investors seeking financial information about American National Bankshares Inc. may contact T. Allen Liles, Chief Financial Officer, at 804-773-2242.

QUARTERLY EARNINGS INFORMATION

Quarterly earnings information can be obtained by calling T. Allen Liles at 804-773-2242 or by visiting American National's web site.

SHAREHOLDER INFORMATION

Shareholders needing information on stock-transfer requirements, lost certificates, dividends and other shareholder matters may contact Carolyn Compton, Assistant to the President, at 804-773-2220.

ADDITIONAL INFORMATION

For information on purchasing additional shares of American National Bankshares Inc. stock through the dividend-reinvestment plan, shareholders may call Carolyn Compton, Assistant to the President, at 804-773-2220.

FORM 10-K

Copies of American National Bankshares Inc.'s Annual Report on Form 10-K as filed with the Securities and Exchange Commission may be obtained without charge by contacting Carolyn Compton, Assistant to the President, at 804-773-2220.

STOCK LISTING

American National Bankshares Inc.'s common stock is reported on the OTC Bulletin Board under the symbol "AMNB".

INDEPENDENT AUDITORS

Arthur Andersen LLP
Suite 3800
100 North Tryon Street
Charlotte, N.C. 28202-4000

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, Virginia 24541
Chatham Office • 13880 U. S. Highway 29, Chatham, VA 24531
Collinsville Office • 2484 Virginia Avenue, Collinsville, Virginia 24078
Gretna Office • 109 Main Street, Gretna, Virginia 24557
Nor-Dan Office • 239 Nor-Dan Drive, Danville, Virginia 24540
Riverside Office • 1081 Riverside Drive, Danville, Virginia 24540
South Boston Road Office • 1407 South Boston Road, Danville, Virginia 24540
South Main Office • 1013 South Main Street, Danville, Virginia 24541
Tower Drive Office • 103 Tower Drive, Danville, Virginia 24540
West Main Office • 2016 West Main Street, Danville, Virginia 24541
Yanceyville Office • 173 Main Street, Yanceyville, North Carolina 27379

ATM LOCATIONS

Drive-Up

Chatham Office - 13880 U. S. Highway 29, Chatham, VA 24531
Collinsville Office - 2484 Virginia Avenue, Collinsville, VA 24078
Hillcrest Shopping Center - Highways 86 & 158, Yanceyville, North Carolina 27379
Huffman's Car Wash - 596 West Main Street, Danville, VA 24541
Riverside Office - 1081 Riverside Drive, Danville, VA 24540
South Boston Road Office - 1407 South Boston Road, Danville, VA 24540

Walk-Up

Danville Regional Medical Center - 142 South Main Street, Danville, Virginia 24541
Liberty Fair Mall - 240 Commonwealth Boulevard, Martinsville, Virginia 24112
Nor-Dan Office - 239 Nor-Dan Drive, Danville, Virginia 24540
Piedmont Mall - 325 Piedmont Drive, Danville, Virginia 24540
West Main Office - 2016 West Main Street, Danville, Virginia 24541



**American National
Bankshares Inc.**
