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High-Tech / High-Touch

Annual Report



American National
Bankshares Inc.

2000 Annual Report

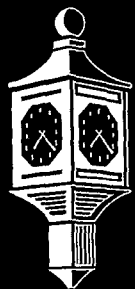
American National Bankshares Inc. is a bank holding company whose only subsidiary is American National Bank and Trust Company. The bank offers a wide variety of retail, commercial, and trust banking services through its office locations in Danville, Pittsylvania County, Henry County, and Halifax County 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 new 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 24, 2001 at 11:30 a. m. at The Wednesday Club, 1002 Main Street, Danville, Virginia.

About The Report

The 2000 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. 2000 Annual Report on Form 10-K filed with the Securities and Exchange Commission.



American National Bankshares Inc.

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

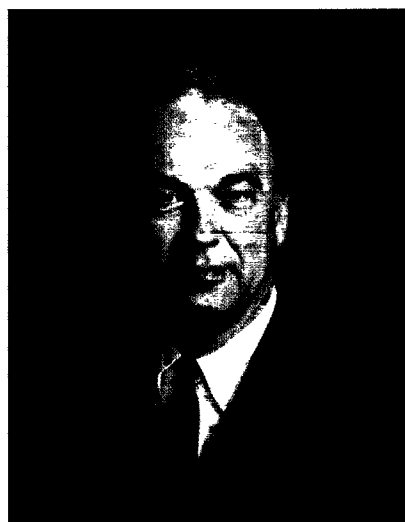
To achieve our vision and carry out our mission, we must:

- Identify and respond to our customers' changing 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.
- Enhance shareholder value.

Table of Contents

| | |
|--|----|
| Message to the Shareholders | 1 |
| Financial Highlights | 5 |
| Quarterly Financial Results | 6 |
| Selected Financial Data | 7 |
| Consolidated Balanced Sheets | 8 |
| Consolidated Statements of Income | 9 |
| Statement of Management Responsibility | 10 |
| Board of Directors | 11 |
| Officers | 12 |

Message To Our Shareholders



Charles H. Majors
President & Chief Executive Officer

March 20, 2001

To Our
Shareholders:

I am delighted to report to you on our operating results for the year 2000. We had record earnings for the sixth consecutive year by continuing our on-going strategies to promote relationship banking.

You will see that the cover of this

report highlights our belief that our future success requires that we be both "high tech" and "high touch". During this message, I will outline for you our recent accomplishments and our plans for using high tech/high touch to promote growth, to increase earnings and to enhance shareholder value.

Last year, we reported to you that our strategic plan calls for expansion in three areas: (1) expanding our customer base and our volume within our current markets; (2) expanding into new market areas which are complementary and compatible; and (3) providing new products and services which will provide non-interest or fee income. I am pleased to report to you that we had a successful year in all three areas.

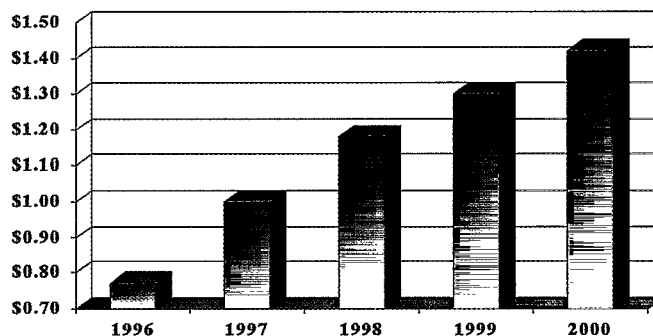
What does it mean to have successful growth? In all three areas, I think it means the growth must be compatible and controllable and, most importantly, it must result in a positive addition to the bottom line. We must balance growth in size and location with an increase in earnings. We know that, as we add new offices or new products, there will be costs that will affect our bottom line. However, if we do our planning, evaluation and implementation properly, these costs will soon be offset by increased revenue.

So how did we do with our growth in 2000. We continued to experience growth in our existing markets, especially in the Martinsville/Henry County area. We have taken a bigger share of the "pie" in our current markets. In

the last quarter, we expanded our service area to the east by the opening of a new office in South Boston, Virginia. The initial reaction to our presence in that market has been very favorable and we believe this will be an important area for us in the future.

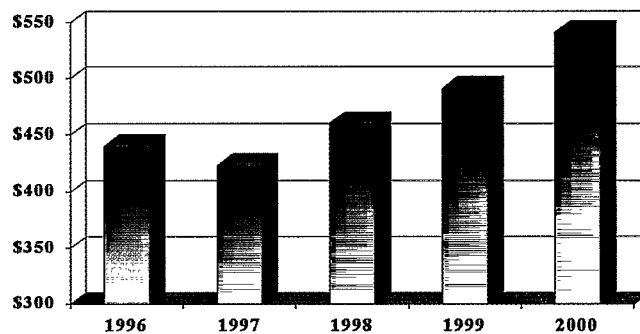
Using our new subsidiary operation, ANB Investor Services, we added to our product base through the offering of mutual funds, annuities and other brokerage services. We expanded our coverage for our Trust and Investment Services Division through the establishment of a trust office in Martinsville.

EARNINGS PER SHARE (adjusted for stock split)



We believe that this growth was compatible and controllable. Was it a positive addition to the bottom line? Yes, without a doubt. We increased earnings by 9.5% with net income of \$8.676 million for 2000, compared to \$7.924 million in 1999. Earnings per share rose to \$1.42 in 2000 from \$1.30 in the prior year. As the accompanying chart shows, we have experienced a positive increase in earnings per share during the past several years.

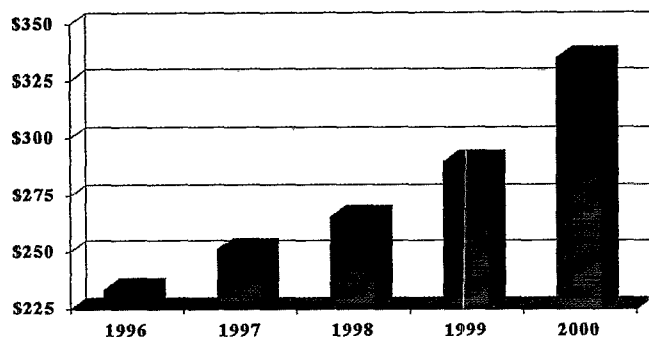
ASSETS (in millions)



Our assets grew to \$541 million at December 31, 2000, an increase of 10.2% from the prior year. Our assets have

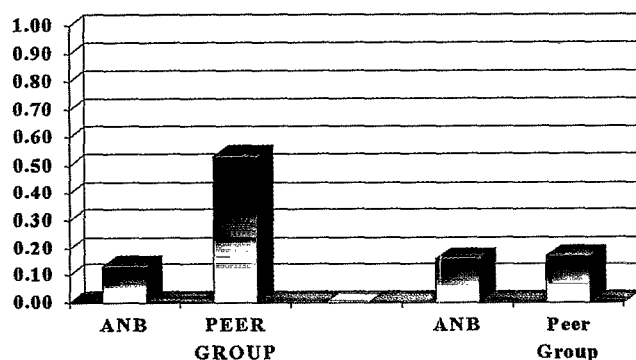
increased by 27.8% during the last three years. We believe that this growth, coupled with our earnings increase, is evidence of the success of our strategic expansion planning.

NET LOANS (in millions)



Since our major source of income is lending, we are very pleased that our net loans increased 15.7% during 2000. We are equally pleased that our loan quality continued to exceed industry standards, with 2000 net charge-offs at 0.13% of average net loans and non-performing loans, including loans past due ninety days or more, at 0.11% of net loans at December 31, 2000. The chart marked "Non-Performing Assets % and Net Charge-Offs %" shows us compared to a peer group of Virginia publicly-traded financial institutions with assets between \$350 million and \$1.2 billion. You can see that we favorably exceed the peer group average in both categories measuring credit quality.

NON PERFORMING ASSETS % NET CHARGE-OFFS % as of 9/30/00



To fund these loans, we need deposits. Our deposits increased 10.6% in 2000 to \$427 million and we increased our repurchase agreements (repos), which are similar to deposits, by 27.2% over the prior year-end. We continue to have a favorable loan-to-deposit ratio.

As we evaluate our growth in loans and deposits for 2000, we believe they meet our test of being compatible and controllable and adding to the bottom line.

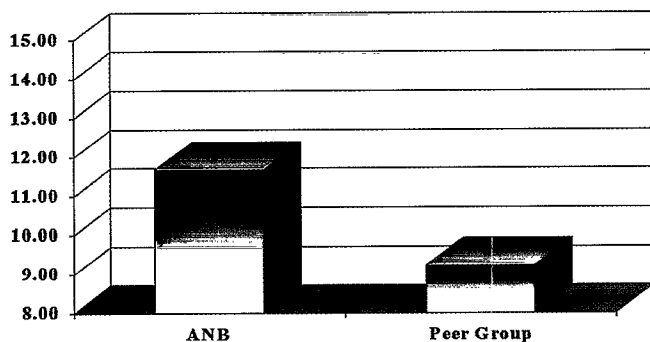
We realize that, to be successful in the future, we must increase our non-interest fee income. Our expanding Trust and Investment Services Division had another record year with gross income exceeding \$2.658 million. Other fee income increased 8% to \$2.12 million.

I stated earlier that we must be "high tech" and "high touch" as we go forward. What does this mean to an organization such as ours? We continue to believe that we must develop and maintain relationships with our customers. We have seen the wisdom and the success of our guiding principle that we must "identify and respond to our customers' changing needs and expectations".

Technology is not inexpensive. We must balance the cost of technology with the need to provide our customers with expanding services. We have committed, and will continue to commit, such resources to technology as we believe are reasonably necessary to meet our customers' changing needs and expectations. During the year 2000, we implemented additions to our wide-area network to provide better customer service by our tellers, our CSR's and our loan officers. We have several projects planned for 2001, including internet banking and imaging.

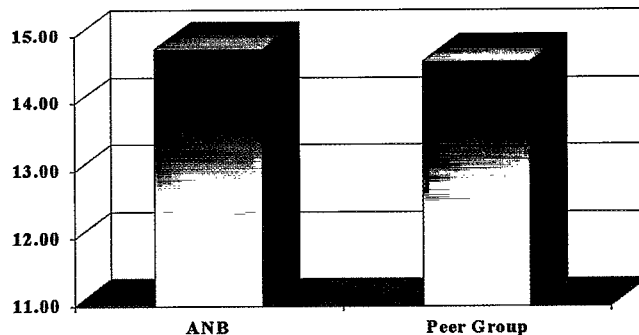
"High tech" alone is not sufficient for future success. It must be combined with continued "high touch", which means we must continue to be a community banking organization with local, responsive decision-making and we must continue to build long-term relationships with our customers so they will look to us as their primary and preferred provider of financial services. This means we must continue to develop a corporate culture which inculcates these attributes. We know we must focus on hiring, retaining, training and adequately compensating quality staff members. Quality sales-quality service (QSQS) continues to be a high priority for us. We believe that we cannot have quality sales without quality service or vice versa and our mission statement emphasizes this commitment.

EQUITY / ASSETS %
as of 9/30/00



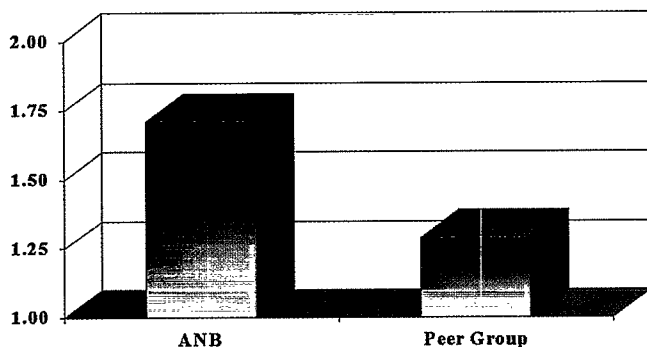
The year 2000 was an important year for our organization. Our assets now exceed \$500 million. We continue to exhibit safety and soundness, which are important to our customers – especially our depositors. We ended the year with equity exceeding \$63 million and with our average equity being 11.54% of our average assets. This significantly exceeds the average equity-to-asset ratio of the Virginia peer group described above. We continue to be considered by regulators as “well-capitalized”, the highest classification given by them. This high ratio gives us flexibility to take advantage of business opportunities, such as our recent expansion into Martinsville, Chatham and South Boston.

RETURN ON AVERAGE EQUITY (ROE) %
annualized as of 9/30/00



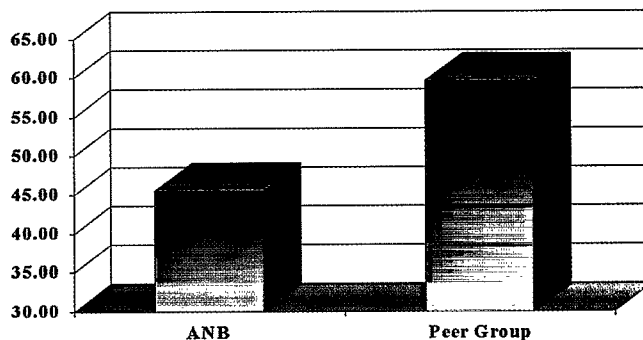
One additional measurement for banks is the efficiency ratio, which is the sum of net interest income (on a taxable equivalent basis) and non-interest income divided into non-interest expense (not including amortization of core deposit intangibles). Our efficiency ratio for 2000 was 46.5%. Simply stated, it tells us that we spent 46.5 cents of non-interest expense from each dollar of income. The majority of the banks have efficiency ratios in the 55% to 65% range. In this case (as with ratios of non-performing assets and net charge-offs), the lower the number, the better the result. We take pride in consistently maintaining an efficiency ratio below 50%. Again, the fine balance is growth without letting expenses get out-of-hand.

RETURN ON AVERAGE ASSETS (ROA) %
annualized as of 9/30/00



Return on average assets (ROA) is one of the standards by which banking organizations are measured. Our ROA for 2000 was 1.70%, up from 1999 and prior years. This ROA puts us in a category most consider as “high-performing”. Another measurement is return on average equity (ROE). Our ROE for 2000 was 14.74%, up from 14.17% in 1999. Our high equity-to-asset ratio negatively impacts our ROE. Our strategic plan calls for us to continue to improve our ROE while maintaining our strong capital base. We are pleased that we exceed the average ROA and ROE for the Virginia peer group described above.

EFFICIENCY RATIO %
as of 9/30/00

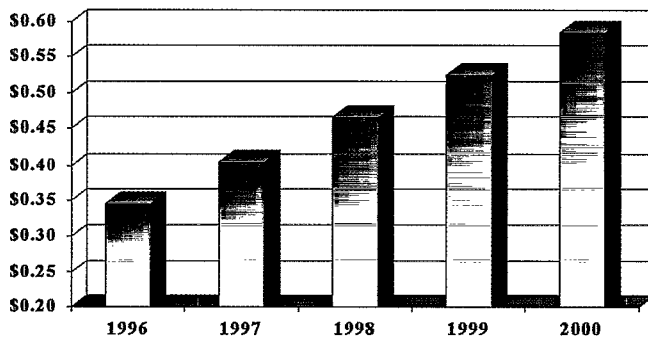


We have four bank-wide goals for 2001 that, we believe, will sharpen our high tech/high touch focus on future growth and profitability. They are: (1) to increase our net interest income; (2) to increase our non-interest income; (3) to maintain our excellent efficiency ratio; and (4) to increase the number of households with multiple services.

We continue to realize that the bank and the holding company belong to you, our shareholders. We continue to work diligently to enhance the on-going value of your interest

in this organization. We increased the 2000 dividend 11.4% over the 1999 dividend. We, like other publicly-traded companies (particularly, financial institutions), suffered the erratic actions of the stock market in 2000. We believe the steps described above are the appropriate action to promote continued enhancement of your investment.

DIVIDENDS



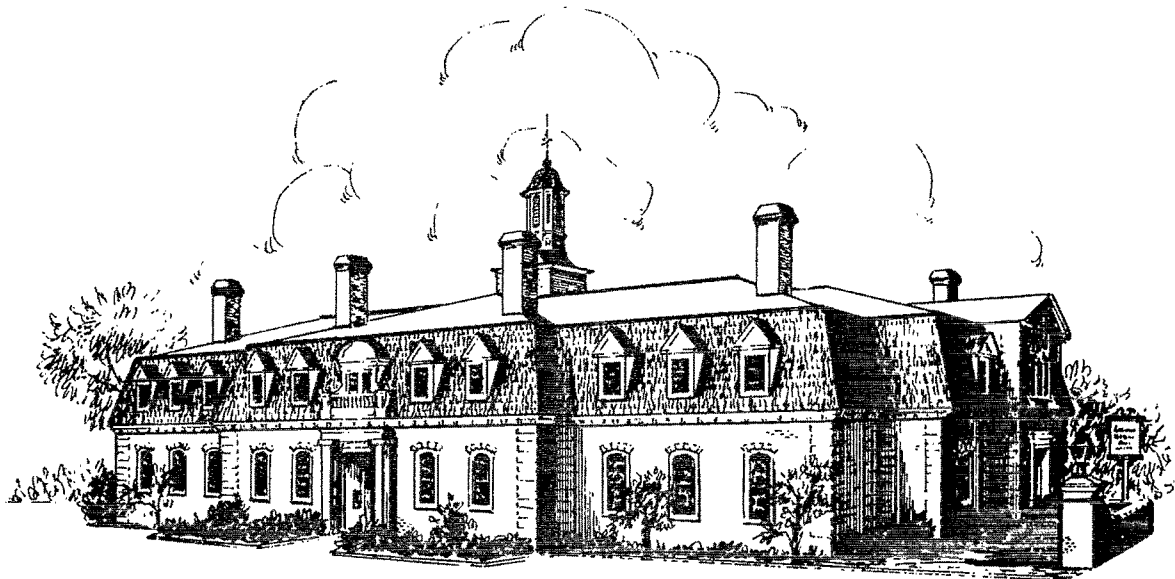
On December 31, 2000, Carl T. Yeatts retired after 42 1/2 years service with the bank, most recently as Senior Vice

President and Senior Loan Officer. Many of you know Tommy and, perhaps, have been assisted by him here at the bank. We all will miss his professionalism and his gentle manner. We thank him for his long and valuable service and we wish him and his wife, Linda, a long and enjoyable retirement.

As we move into 2001, I am confident that we can continue to grow, to increase earnings and to enhance shareholder value. I have such confidence because of our fine employees and the strong management team we have in place. The new year brings exciting opportunities for all of us. Thank you for your continued support.

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 |
|---|-----------------------------------|-----------|-------------------|
| | 2000 | 1999 | |
| Balance Sheet Highlights (in thousands) | | | |
| Total assets | \$541,389 | \$491,391 | 10.2% |
| Deposits | 426,588 | 385,558 | 10.6 |
| Net loans | 335,010 | 289,606 | 15.7 |
| Investment securities | 162,929 | 166,272 | (2.0) |
| Shareholders' equity | 63,338 | 56,719 | 11.7 |
| Income Statement Highlights (in thousands) | | | |
| Net interest income | \$ 21,263 | \$ 18,963 | 12.1% |
| Provision for loan losses | 1,020 | 670 | 52.2 |
| Non-interest income | 4,778 | 4,494 | 6.3 |
| Non-interest expense | 12,930 | 11,543 | 12.0 |
| Net income | 8,676 | 7,924 | 9.5 |
| Per Share Data* | | | |
| Net income (basic and diluted) | \$ 1.42 | \$ 1.30 | 9.2% |
| Regular cash dividends paid | 0.585 | 0.525 | 11.4 |
| Book value | 10.45 | 9.29 | 12.5 |
| Statistical Highlights | | | |
| Return on average assets | 1.70 % | 1.68 % | |
| Return on average shareholders' equity | 14.74 % | 14.17 % | |

MARKET PRICE OF THE CORPORATION'S COMMON STOCK

| 2000 | Price per share* known to management | | 1999 | Price per share* known to management | |
|-------------|---|---------|-------------|---|---------|
| | Low | High | | Low | High |
| 4th quarter | \$11.50 | \$14.50 | 4th quarter | \$16.50 | \$23.00 |
| 3rd quarter | \$9.00 | \$16.00 | 3rd quarter | \$15.00 | \$25.00 |
| 2nd quarter | \$12.13 | \$15.38 | 2nd quarter | \$13.50 | \$18.50 |
| 1st quarter | \$11.00 | \$18.00 | 1st quarter | \$13.00 | \$16.22 |

American National Bankshares Inc stock price is reported on the NASDAQ National Market under the symbol "AMNB". At "December 31, 2000 there were 1,406 shareholders of record."

*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 stockholders July 15, 1999, with a record date of July 1, 1999.

Quarterly Financial Results

(in thousands, except per share amounts)

American National Bankshares Inc. and Subsidiary

| <u>2000</u> | <u>Fourth Quarter</u> | <u>Third Quarter</u> | <u>Second Quarter</u> | <u>First Quarter</u> |
|---|---------------------------|--------------------------|---------------------------|--------------------------|
| Interest income | \$10,189 | \$ 9,853 | \$ 9,497 | \$ 9,067 |
| Interest expense | <u>4,687</u> | <u>4,527</u> | <u>4,179</u> | <u>3,950</u> |
| Net interest income | 5,502 | 5,326 | 5,318 | 5,117 |
| Provision for loan losses | <u>180</u> | <u>290</u> | <u>335</u> | <u>215</u> |
| Net interest income after provision | 5,322 | 5,036 | 4,983 | 4,902 |
| Non-interest income | 1,275 | 1,186 | 1,142 | 1,175 |
| Non-interest expense | <u>3,538</u> | <u>3,172</u> | <u>3,097</u> | <u>3,123</u> |
| Income before income tax provision | 3,059 | 3,050 | 3,028 | 2,954 |
| Income tax provision | <u>868</u> | <u>860</u> | <u>848</u> | <u>839</u> |
| Net income | <u>\$ 2,191</u> | <u>\$ 2,190</u> | <u>\$ 2,180</u> | <u>\$ 2,115</u> |
| Per common share: | | | | |
| Net income (basic) | \$ 0.36 | \$ 0.36 | \$ 0.36 | \$ 0.35 |
| Net income (diluted) | \$ 0.36 | \$ 0.36 | \$ 0.36 | \$ 0.35 |
| Cash dividends | \$ 0.150 | \$ 0.150 | \$ 0.150 | \$ 0.135 |

1999

| | | | | |
|---|-----------------|-----------------|-----------------|-----------------|
| Interest income | \$ 8,816 | \$ 8,435 | \$ 8,286 | \$ 8,162 |
| Interest expense | <u>3,839</u> | <u>3,720</u> | <u>3,605</u> | <u>3,572</u> |
| Net interest income | 4,977 | 4,715 | 4,681 | 4,590 |
| Provision for loan losses | <u>190</u> | <u>120</u> | <u>180</u> | <u>180</u> |
| Net interest income after provision | 4,787 | 4,595 | 4,501 | 4,410 |
| Non-interest income | 1,161 | 1,161 | 1,075 | 1,097 |
| Non-interest expense | <u>3,044</u> | <u>2,927</u> | <u>2,792</u> | <u>2,780</u> |
| Income before income tax provision | 2,904 | 2,829 | 2,784 | 2,727 |
| Income tax provision | <u>858</u> | <u>841</u> | <u>818</u> | <u>803</u> |
| Net income | <u>\$ 2,046</u> | <u>\$ 1,988</u> | <u>\$ 1,966</u> | <u>\$ 1,924</u> |
| Per common share: | | | | |
| Net income (basic) | \$ 0.34 | \$ 0.33 | \$ 0.32 | \$ 0.32 |
| Net income (diluted) | \$ 0.33 | \$ 0.33 | \$ 0.32 | \$ 0.32 |
| Cash dividends | \$ 0.135 | \$ 0.135 | \$ 0.135 | \$ 0.120 |



Summary of Selected Consolidated Financial Data

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

| Operations Information: | 2000 | 1999 | 1998 | 1997 | 1996 |
|--|------------|------------|------------|------------|------------|
| Interest income: | | | | | |
| Loans | \$ 28,300 | \$ 23,959 | \$ 23,356 | \$ 22,441 | \$ 20,335 |
| Federal funds sold and other | 179 | 273 | 272 | 237 | 435 |
| Investment securities | 10,127 | 9,467 | 9,026 | 9,050 | 9,162 |
| Total interest income | 38,606 | 33,699 | 32,654 | 31,728 | 29,932 |
| Interest expense | 17,343 | 14,736 | 14,472 | 14,590 | 14,370 |
| Net interest income | 21,263 | 18,963 | 18,182 | 17,138 | 15,562 |
| Provision for loan losses | (1,020) | (670) | (927) | (1,100) | (673) |
| Non-interest income | 4,778 | 4,494 | 4,079 | 3,225 | 2,691 |
| Non-interest expense | (12,930) | (11,543) | (11,013) | (10,269) | (10,167) |
| Income before income taxes | 12,091 | 11,244 | 10,321 | 8,994 | 7,413 |
| Income taxes | 3,415 | 3,320 | 3,123 | 2,725 | 2,381 |
| Net income | \$ 8,676 | 7,924 | \$ 7,198 | \$ 6,269 | \$ 5,032 |
| Balance Sheet Information: | | | | | |
| Investment securities | \$ 162,929 | \$ 166,272 | \$ 163,413 | \$ 143,077 | \$ 175,757 |
| Net loans | 335,010 | 289,606 | 265,698 | 251,173 | 233,509 |
| Total deposits | 426,588 | 385,558 | 358,325 | 351,603 | 361,983 |
| Shareholders' equity | 63,338 | 56,719 | 54,861 | 50,003 | 52,218 |
| Total assets | 541,389 | 491,391 | 460,383 | 423,640 | 440,158 |
| Per Share Information:* | | | | | |
| Net income (basic and diluted) | \$ 1.42 | 1.30 | \$ 1.18 | \$ 1.00 | \$ 0.77 |
| Dividends | 0.585 | 0.525 | 0.465 | 0.405 | 0.345 |
| Book value | 10.45 | 9.29 | 8.99 | 8.19 | 7.96 |
| Ratios: | | | | | |
| Return on average assets | 1.70% | 1.68% | 1.64% | 1.47% | 1.24% |
| Return on average shareholders' equity .. | 14.74 | 14.17 | 13.79 | 12.51 | 10.12 |
| Total risk-based capital/assets | 17.09 | 17.79 | 18.04 | 18.37 | 20.66 |
| Shareholders' equity/assets | 11.70 | 11.54 | 11.92 | 11.80 | 11.86 |
| Net charge-offs to average net loans | .13 | .13 | .15 | .36 | .17 |
| Reserve for loan losses to period-end loans, net of unearned income | 1.40 | 1.41 | 1.42 | 1.29 | 1.30 |

*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 stockholders July 15, 1999, with a record date of July 1, 1999.



Consolidated Balance Sheets

December 31, 2000 and 1999

American National Bankshares Inc. and Subsidiary

| | 2000 | 1999 |
|---|----------------|----------------|
| Assets | | |
| Cash and due from banks | \$ 16,392,313 | \$ 13,885,239 |
| Interest-bearing deposits in other banks | 8,678,150 | 3,405,705 |
| Investment securities: | | |
| Securities available for sale (at market value) | 120,353,348 | 121,872,335 |
| Securities held to maturity (market value of \$42,919,727 in 2000 and \$43,634,211 in 1999) | 42,575,797 | 44,399,759 |
| Total investment securities | 162,929,145 | 166,272,094 |
| Loans, net of unearned income | 339,756,374 | 293,740,806 |
| Less allowance for loan losses | (4,746,429) | (4,134,893) |
| Net loans | 335,009,945 | 289,605,913 |
| Bank premises and equipment, at cost, less accumulated depreciation of \$8,518,452 in 2000 and \$8,170,506 in 1999 | 7,868,410 | 8,051,550 |
| Accrued interest receivable and other assets | 10,510,858 | 10,170,303 |
| Total assets | \$ 541,388,821 | \$ 491,390,804 |

Liabilities and Shareholders' Equity

| | | |
|--|----------------|----------------|
| Liabilities: | | |
| Demand deposits — non-interest bearing | \$ 54,495,780 | \$ 47,495,400 |
| Demand deposits — interest bearing | 58,272,932 | 55,622,893 |
| Money market deposits | 32,480,105 | 22,326,340 |
| Savings deposits | 61,586,380 | 64,744,947 |
| Time deposits | 219,753,122 | 195,368,539 |
| Total deposits | 426,588,319 | 385,558,119 |
| Repurchase agreements | 31,729,600 | 24,954,333 |
| FHLB Borrowings | 16,000,000 | 21,000,000 |
| Accrued interest payable and other liabilities | 3,732,619 | 3,159,802 |
| Total liabilities | 478,050,538 | 434,672,254 |
| Shareholders' equity: | | |
| Preferred stock, \$5 par, 200,000 shares authorized, none outstanding | - | - |
| Common stock, \$1 par, 10,000,000 shares authorized, 6,063,772 shares outstanding at December 31, 2000 and 6,103,701 shares outstanding at December 31, 1999 | 6,063,772 | 6,103,701 |
| Capital in excess of par value | 9,831,428 | 9,895,359 |
| Retained earnings | 47,119,966 | 42,466,592 |
| Accumulated other comprehensive income (loss) net unrealized gains (losses) on securities available for sale | 323,117 | (1,747,102) |
| Total shareholders' equity | 63,338,283 | 56,718,550 |
| Total liabilities and shareholders' equity | \$ 541,388,821 | \$ 491,390,804 |



Consolidated Statements of Income

For The Years Ended December 31, 2000, 1999 and 1998
American National Bankshares Inc. and Subsidiary

| | 2000 | 1999 | 1998 |
|--|--------------|--------------|--------------|
| Interest Income: | | | |
| Interest and fees on loans | \$28,300,030 | \$23,959,012 | \$23,356,412 |
| Interest on federal funds sold and other | 179,215 | 273,702 | 271,524 |
| Income on investment securities: | | | |
| U S Government | 167,977 | 800,693 | 2,601,437 |
| Federal agencies | 6,550,271 | 5,653,811 | 4,485,157 |
| State and municipal | 1,944,604 | 1,767,782 | 1,346,014 |
| Other investments | 1,464,462 | 1,244,133 | 593,363 |
| Total interest income | 38,606,559 | 33,699,133 | 32,653,907 |
| Interest Expense: | | | |
| Interest on deposits: | | | |
| Demand | 1,034,845 | 1,086,744 | 1,203,786 |
| Money market | 865,024 | 534,801 | 545,061 |
| Savings | 1,671,108 | 1,768,148 | 1,949,958 |
| Time | 11,094,637 | 9,283,865 | 9,260,295 |
| Interest on fed funds and repos | 1,362,104 | 876,291 | 1,116,315 |
| Interest on other borrowings | 1,315,507 | 1,186,636 | 396,183 |
| Total interest expense | 17,343,225 | 14,736,485 | 14,471,598 |
| Net Interest Income | 21,263,334 | 18,962,648 | 18,182,309 |
| Provision for Loan Losses | 1,020,000 | 670,000 | 927,000 |
| Net Interest Income After Provision | | | |
| For Loan Losses | 20,243,334 | 18,292,648 | 17,255,309 |
| Non-Interest Income: | | | |
| Trust and investment services | 2,657,802 | 2,531,491 | 2,165,437 |
| Service charges on deposit accounts | 1,113,548 | 970,383 | 902,060 |
| Non-deposit fees and insurance commissions | 591,724 | 464,045 | 427,235 |
| Mortgage banking income | 240,390 | 332,490 | 428,991 |
| Other income | 174,417 | 196,305 | 155,971 |
| Total non-interest income | 4,777,881 | 4,494,714 | 4,079,694 |
| Non-Interest Expense: | | | |
| Salaries | 6,071,352 | 5,575,472 | 5,126,819 |
| Pension and other employee benefits | 1,154,352 | 955,164 | 1,140,252 |
| Occupancy and equipment | 2,188,769 | 1,895,799 | 1,663,880 |
| Core deposit intangible amortization | 449,816 | 449,816 | 449,816 |
| Other | 3,065,631 | 2,666,880 | 2,633,106 |
| Total non-interest expense | 12,929,920 | 11,543,131 | 11,013,873 |
| Income Before Income Tax Provision | 12,091,295 | 11,244,231 | 10,321,130 |
| Income Tax Provision | 3,414,930 | 3,319,881 | 3,122,881 |
| Net Income | \$ 8,676,365 | \$ 7,924,350 | \$ 7,198,249 |
| Net Income Per Common Share:* | | | |
| Basic | \$ 1.42 | \$ 1.30 | \$ 1.18 |
| Diluted | \$ 1.42 | \$ 1.30 | \$ 1.18 |
| Average Common Shares Outstanding: | | | |
| Basic | 6,096,037 | 6,103,485 | 6,103,466 |
| Diluted | 6,101,415 | 6,118,540 | 6,105,318 |

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

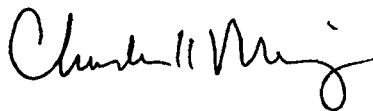


Statement of Management Responsibility

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.

President, Barklea, Inc., Danville, VA, tobacco warehouse.
Director since 1996. Committee(s) 2, 5

Fred A. Blair

President, Blair Construction, Inc., Gretna, VA, commercial building contractor. Director since 1992. Committee(s) 2, 4, 5

H. Dan Davis

Senior Consultant to the Corporation and the Bank. Director since 1996. Committee(s) 1, 5

E. Budge Kent, Jr.

Senior Vice President of the Corporation and Senior Vice President & Trust Officer of the Bank. Director since 1979.
Committee(s) 8

Charles H. Majors

President and Chief Executive Officer of the Corporation and the Bank. Director since 1981. Committee(s) 1, 8

Claude B. Owen, Jr.

Retired Chairman & Chief Executive Officer of DIMON Incorporated, Danville, VA, leaf tobacco dealer. Director since 1984. Committee(s) 3, 5, 6, 8

Richard G. Barkhouser

President, Barkhouser Motors, Inc., Danville, VA, automobile dealership. Director since 1980. Committee(s) 3, 5, 6, 7

Ben J. Davenport, Jr.

Chairman, First Piedmont Corporation, Chatham, VA, waste management. Director since 1992. Committee(s) 5, 6, 7, 8

Lester A. Hudson, Jr.

Professor of Management, Clemson University, Clemson, SC. Director since 1984. Committee(s) 5, 7

Fred B. Leggett, Jr.

Retired Chairman and Chief Executive Officer, Leggett Stores, Danville, VA, retail department stores. Director since 1994.
Committee(s) 2, 3, 5

James A. Motley

Retired Chairman and Chief Executive Officer of the Corporation and the Bank. Director since 1975. Committee(s) 4, 5, 8

Landon R. Wyatt, Jr. (Director Emeritus)

President, Wyatt Buick-Pontiac, Inc., Danville, VA, automobile dealership. Director since 1965.

Advisory Board Martinsville-Henry County

David W. Bowles
Vice President, Stanley Bowles Corp.

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

Steven Grodensky
General Manager, Dutch Inn

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

Sidney A. Clower
Henry County Administrator

Shirley A. Craven
President, Adkins Construction Corp.

James K. Muehleck, DDS
Dentist

John E. Turner
Co-owner, Riverside Tire Company

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

Phillip G. Gardner
Attorney

G. Ronald Pigg
President, John Barnes Hardwood
Dimensions

Advisory Board South Boston-Halifax County

Gerald C. Burnett, MD
Physician

W. Joseph Ferguson, MD
Physician

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

Wanda B. Jeffress
Vice President, Jeffress Funeral Home

James E. Edmunds, II
Member, Halifax County
Board of Supervisors

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

Committees: 1 ANB Mortgage Corp. Board; 2. Audit/Compliance; 3. Director's Nominating; 4. Emergency Preparedness; 5. Loan Review;
6. President's Advisory; 7. Salary; 8. Trust



Officers (as of 12/31/00)

American National Bankshares Inc.

Charles H. Majors
President & Chief
Executive Officer

Carolyn H. Compton
Assistant Secretary

E. Budge Kent, Jr.
Senior Vice President

Nadine S. Crumpton
Auditor

T. Allen Liles
Senior Vice President,
Secretary & Treasurer

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

Ronnie C. Fowlkes
Vice President

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

Mildred B. Wilkerson
Vice President

William B. Stephens, Jr.
Director of Technology Development

Barry L. Clarke
Assistant Vice President

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

Dabney T. P. Gilliam, Jr.
Vice President

E. C. Jordan
Vice President & City Executive

Charles G. Ellis
Director of Community Affairs

Cheryl L. Clark
Director of Information Services

L. Michael Coleman
Assistant Vice President

Carl T. Yeatts
Senior Vice President
& Senior Loan Officer

Jeffrey V. Haley
Vice President

Phillip H. Strader
Vice President

James R. Jefferson
Controller

Wayne M. Barker
Assistant Vice President

Lloyd N. Mitchell
Assistant Vice President

John P. Beckett, Jr.
Vice President & Trust Officer

Wayne D. Holley
Vice President

John G. Wales
Vice President

John B. Hall, Jr.
Trust Officer

Thomas Y. Chandler
Assistant Vice President

Ronnie F. Moore
Assistant Vice President
Area Manager

Barry J. Shields
Assistant Vice President

Shirley O. Bryant
Banking Officer

Robert S. Fuller
Banking Officer

Garry C. Martin
Banking Officer

Nadine S. Crumpton
Auditor

Doris A. Kendrick
Banking Associate

Faye W. Holland
Proof Operations Manager

Frances H. Sam
Banking Associate

Richard B. Waters
Systems Analyst

Beverly A. Scruggs
Assistant Vice President

Linda A. Conner
Banking Officer

Kaye S. Hayden
Banking Officer

Randall J. McDaniel
Banking Officer

Linda H. Coleman
Assistant Auditor

Carolyn H. Compton
Assistant to the President

Robert A. Howard
Banking Associate

Bernetha W. Saunders
Banking Associate

Phyllis A. Wiles
Trust Operations Manager

Mary H. Wertz
Assistant Vice President

Rita Cook-Raynor
Banking Officer

Sandra L. Hylton
Assistant Trust Officer

Sandra H. Miller
Banking Officer

Jane S. Baynes
Deposit Operations Manager

Brenda L. Gibson
Accounting Specialist

Patricia T. Hudson
Accounting Specialist

Katherine P. Shelton
Banking Associate

Voinda R. Wray
Administrative Assistant

Sean A. Brown
Banking Officer

Janice O. England
Banking Officer

Elaine T. Jones
Banking Officer

Beth M. Searce
Banking Officer

George A. Brooks
Banking Associate

Donna M. Hankins
Human Resources Administrator

Anne D. Moore
Loan Operations Manager

William S. Via
Compliance Officer

ANB Mortgage Corp.

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

Patricia B. Burnett
Assistant Secretary

ANB Investor Services

Thomas W. Freeze
Investment Consultant

Mark C. Lewis
Investment Consultant