

CELEBRATING *the* PAST
LIVING *our* PRESENT
PREPARING *for the* FUTURE

2008

AMERICAN NATIONAL BANKSHARES INC.

Summary Annual Report



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GENERAL INFORMATION

American National Bankshares Inc.

Contact Information

American National Bankshares Inc.
628 Main Street, Danville, VA 24541
P. O. Box 191, Danville, VA 24543
434-792-5111

Website

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

Shareholder Information

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

2009 Annual Shareholders Meeting

The Annual Meeting of Shareholders of American National Bankshares Inc. will be held Tuesday, May 19, 2009 at 9:00 a.m., at The Wednesday Club, 1002 Main Street, Danville, Virginia.

Dividend Reinvestment Plan

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

Our Mission:

We provide quality financial services with exceptional customer service.

Our Vision:

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

Stock Listing

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

Investor Relations & Financial Statements

A copy of Form 10-K and quarterly reports on Form 10-Q, as filed with the Securities and Exchange Commission, are available without charge to stockholders upon written request and are also available on our website, www.amnb.com. Requests for this or other financial information about American National Bankshares Inc. should be directed to Carolyn Compton, Assistant Secretary, at the address above, by telephone at 434-773-2220 or by e-mail at comptonc@amnb.com.

Independent Auditors

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

Equal Opportunity Employer

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

ABOUT AMERICAN NATIONAL

American National Bankshares Inc. is a bank holding company with assets of approximately \$800 million. Headquartered in Danville, Virginia, it is the holding company of American National Bank and Trust Company, a community bank serving Southern and Central Virginia and the northern portion of Central North Carolina with 20 banking offices and two loan production offices. The Bank also manages an additional \$400 million in its Trust and Investment Services Division.

American National Bank and Trust Company provides a full array of financial products and services including commercial, mortgage, and consumer banking; trust and investment services; and insurance. Services are also provided through 23 ATMs, “AmeriLink” Internet banking, and 24-hour “Access American” phone banking. Additional information is available on the Bank’s website at www.amnb.com.

The shares of American National Bankshares Inc. are traded on the NASDAQ Global Select Market under the symbol “AMNB.”

GUIDING PRINCIPLES

In order 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 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.
- Conduct our work with integrity and professionalism.

STRATEGIC FOCUS

We operate a sound, efficient, and highly profitable company.

- We operate the company at a high level.

Indicators of our performance include:

High profitability, good credit quality, strong risk management, sound regulatory ratings.

We are opportunistic.

- We manage our customer relationships for profitable retention and growth.
- We grow profitably. We seek out and capitalize on business opportunities that fit our strategic focus and generate a return on investment.
- These business opportunities include new markets, new products, new or expanded business lines, branch purchases, and acquisitions.

We manage our capital well.

- We pay a high dividend.
- We use other strategic means of returning excess capital to our shareholders.

We manage well under conditions over which we have limited or no control, such as:

- the economy,
- changing market dynamics,
- emerging trends in technology, and
- competitors’ actions.

Our employees, culture, and guiding principles support the achievement of our strategic focus.

- We provide leadership and resources for our employees to achieve their goals.

We communicate our strategic focus.

- We articulate our strategic focus to our shareholders, employees, customers, communities we serve, and the investing community.



Main Street Danville Construction, 1973

A special message to our shareholders...

April 15, 2009

LETTER *from the* PRESIDENT

Past Presidents

H. O. Kerns, 1909 - 1919

Frank Talbott, 1920 - 1925

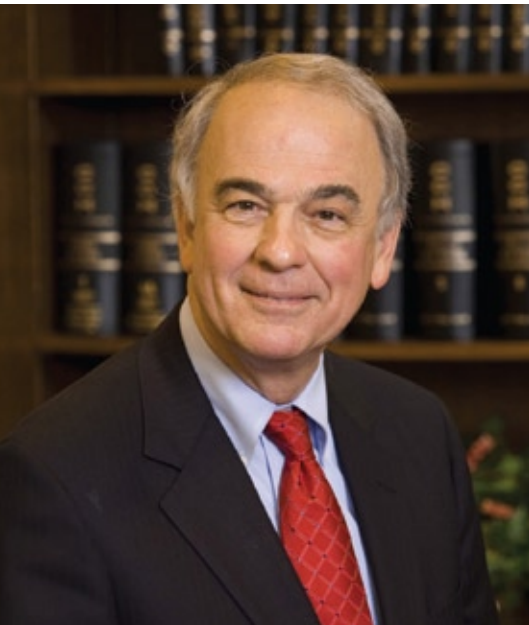
William R. Fitzgerald, 1925 - 1942

Wayles R. Harrison, 1942 - 1949

Stuart L. Brown, 1949 - 1961

William H. Jefferson, Jr., 1962 - 1980

James A. Motley, 1980 - 1992



Charles H. Majors, 1993 - Present

During 2008, American National once again exceeded industry averages for earnings, capital, and credit quality.

Last year, I wrote that 2007 was an unusually challenging period for the entire economy, but particularly for the banking industry. Little did we know that it was just the beginning of an extremely difficult period and that financial institutions would be in the limelight during all of 2008.

National and global economic conditions came under significant stress. The U.S. government has taken numerous measures to provide liquidity and stability to the financial markets. This produced a banking environment of low interest rates, tight margins, slow growth, declining credit quality, and lower earnings.

During 2008, American National performed well despite difficult economic conditions. While the standards of performance in our industry have changed significantly due to the dramatic events taking place in the economy, I am pleased to report to you that, during 2008, American National once again exceeded industry averages for earnings, capital, and credit quality. Through our strategic focus on soundness, efficiency, and profitability, we avoided many of the issues encountered by other financial institutions.

Only a few years ago, the investment community touted leverage of capital to promote growth (almost at any cost) as the linchpin for successful banking organizations. However, the importance of strong capital has now been realized and has been emphasized and reinforced by the media throughout 2008 and now into 2009. American National's capital ratios

are among the highest in the country. On December 31, 2008, total shareholders' equity was 13% of assets, and the ratio of tangible equity to tangible assets was 10.2%. As a result of its strong capital position, American National elected not to participate in the United States Treasury Department's voluntary Capital Purchase Program. We believed then and we believe now that American National has the capital necessary to meet the credit needs in the communities we serve. We also believe that you, as shareholders, want the business decisions related to our company to be made by our management and board, not by the government.

While maintaining our credit standards, we increased our net loans approximately \$20 million in 2008. Our loans that were 30-89 days delinquent remain well below industry averages at 0.28% of loans as of year end. Our nonperforming assets were also below industry averages at 0.91% of total assets as of December 31, 2008. Our allowance for loan losses, at year end, was \$7.82 million or 1.37% of loans.

Our net income for 2008 was \$8.02 million. This produced returns on average assets (ROAA) and average equity (ROAE) of 1.02% and 7.79%, respectively. Earnings per share were \$1.32 on a basic basis and \$1.31 on a diluted basis. While these earnings and ratios are lower than 2007, we continue to be toward the upper end of our peers for earnings, ROAA and ROAE.

Net interest income was adversely impacted by a series of rate reductions enacted by the Federal Reserve beginning

One thing has remained constant. We believe that people bank with people and that relationships matter. Our goal is to remain “the relationship bank” in all communities we serve.

in September 2007 and continuing through December 2008. These rate reductions continue to impact negatively interest income into 2009. The adverse changes in the economy negatively impacted noninterest income derived from trust, retail brokerage and mortgage banking services. Increases in our noninterest expense have been modest, due to expense control practices. During 2007 and the first nine months of 2008, we had minimal FDIC insurance premium expense, due to a credit that was used to offset the expense. However, during the fourth quarter of 2008, we exhausted that credit and began incurring FDIC insurance premiums, based on the level of deposits and other factors. Additionally, the FDIC announced an increase in insurance premiums for 2009 and recently also announced a proposal for a special assessment to cover its growing costs for troubled and insolvent banks.

In the spring of 2008, we opened a full-service office in downtown Bedford, Virginia. In January 2009, we consolidated two existing offices into a new full-service office on Piedmont Drive in Danville, Virginia, and we recently opened a mortgage loan production office in Roanoke, Virginia. With total assets of approximately \$800 million, we now serve Southern and Central Virginia and the northern portion of Central North Carolina with 20 banking offices and two loan production offices. The Bank also manages an additional \$400 million of assets in its Trust and Investment Services Division.

In November 2008, the Board of Directors was enlarged to 13 members with the addition of Charles S. Harris and Martha W. Medley. Mr. Harris is Vice President for Student Services at Averett University in Danville, Virginia. Mrs. Medley is a partner in the law firm of Daniel, Medley & Kirby, P.C., with offices in Martinsville and Danville, Virginia. We are pleased with the experience, knowledge and diversity these new board members bring to our company.

During 2009, we will be celebrating the 100th birthday of our bank. Since it opened in February 1909, American National has experienced much, surviving and thriving through the many economic cycles of our nation – both good and bad. Throughout these 100 years, we have grown in the many ways you can measure – size, number of employees and offices, geography, and profitability. We have endured many changes and we have learned to change as events require.

However, one thing has remained constant. We believe that people bank with people and that relationships matter. Our goal is to remain “the relationship bank” in all communities we serve. We strongly believe that is important for our customers, our employees, our communities, and – last, but not least, for you, our shareholders.

As we look at the past 100 years, I must express my appreciation to the many valued employees – past and present – who have made our history a success. I also wish to thank you for your support and patronage and for your willingness to invest in our organization. You have our commitment that we will do all in our power to manage it prudently and appropriately.

Very truly yours,

Charles H. Majors
President & Chief Executive Officer

Bank Executive Group

Seated (L-R)

Dabney T.P. Gilliam, Jr.

Executive Vice President & Chief
Administrative Officer

S. Cabell Dudley, Jr.

Executive Vice President & Chief Lending Officer

Standing (L-R)

Jeffrey V. Haley

Executive Vice President & President of Trust &
Financial Services

Charles H. Majors

President & Chief Executive Officer

R. Helm Dobbins

Executive Vice President & Chief Credit Officer



One hundred years of quality financial services. One hundred years of exceptional customer service. One hundred years of community service. One hundred years of relationship banking. One hundred years — a tremendous milestone and cause for celebrating our past, living our present, and preparing for our future.

CELEBRATING *the* PAST

American National was the first bank in Danville, Virginia to install a dial telephone switchboard.



Switchboard, 1950s



Five Forks Drive-In Branch Office

American National Bank of Danville first opened its doors on February 17, 1909 to offer community banking services to the citizens of Danville. The new bank had capital of \$100,000, surplus of \$25,000, and deposits of about \$225,000. The bank was located on the eastern corner of Main and Market Streets in a building that had previously housed Union Exchange Bank. H.O. Kerns served as the first president of the bank until 1919.

American National moved its operation to the Rialto Building on lower Main Street in 1911. Consistent growth prompted another move in 1915 to the Dudley Building on the corner of Main and Union Streets, which the bank occupied until 1933. By 1927, the trust department was organized and began to offer trust services. At the annual meeting of shareholders on January 8, 1929, a resolution to change the name of the bank to American National Bank and Trust Company was approved.

The depression years of the '30s were a challenge, but the bank's focus on building relationships with customers helped them through the arduous period. In 1933, the bank purchased the building on the corner of Main and Market Streets. Assets had reached to more than \$1.9 million by the end of 1933 and more than doubled to \$4.6 million by 1938.

As Danville struggled out of the Depression, Wayles R. Harrison, cashier, introduced a new loan called the "character loan", which is now known as an installment loan. Others in the banking community were skeptical

about the new loan because, traditionally, bankers preferred a guaranteed form of collateral. Mr. Harrison was later elected president in 1942 and served until 1949. The bank experienced tremendous growth during Mr. Harrison's tenure. Assets grew to more than \$16.5 million by the end of 1948 and the first branch office of American National was established. The office was located on the corner of Jefferson and Loyal streets. The "Five Forks" office offered drive-in service for customers, the first in Virginia.

The bank strived to enhance customer service during the 1950s. American National was the first in Danville to install a dial telephone switchboard. To improve banking convenience in the community, the bank opened two additional branch offices. The Riverside Drive office was opened in August of 1956 and the Nor-Dan office opened in the fall of 1961.

Bank assets exceeded \$25 million when William H. Jefferson was elected president in 1962. Increased residential development in Danville prompted the opening of the South Main office in 1966 and the West Main office in 1972. On October 1, 1973, the new home office at 628 Main Street opened. Assets grew to almost \$88 million under Mr. Jefferson's leadership.

In 1980, James A. Motley was elected president. During his 12 years as president, assets of the bank increased to more than \$240 million. The bank's commitment to customer relationships and convenience was also strengthened through the installation of three

The bank's commitment to building long-term relationships with our customers and communities, our conservative approach to operations, good asset quality, and strong capital position have contributed positively to our longevity and current condition.

automated teller machines (ATM) in 1984, which provided 24-hour banking service, seven days a week. American National Bankshares Inc., the bank's holding company, was organized in mid-1984. The bank also opened the South Boston Road office, now known as the Airport office, in 1990.

Charles H. Majors became the president of the bank on January 1, 1993. Since 1909, American National had kept its customers and community in the forefront. Under Mr. Majors' direction, the bank's longtime commitment to "relationship banking" was solidified. This philosophy has become the foundation of our culture and is supported by our Mission Statement, Vision, and Guiding Principles. Assets have grown 229 percent in the past 15 years under Mr. Major's leadership and the bank has also experienced tremendous geographic growth as well.

In 1995, American National opened its first Pittsylvania County office through the purchase of the Crestar office in Gretna, Virginia. On March 15, 1996, American National completed the merger of Mutual Savings Bank, F.S.B. into the bank. Two new offices in Danville and one in Collinsville were added. The bank also acquired the First South Bank of Burlington, North Carolina office and ATM facility in Yanceyville, North Carolina in 1996. Assets increased from \$305 million to \$440 million in 1996.

In 1999, the bank opened offices in Chatham, Virginia and Martinsville, Virginia. "Access American," a 24-hour telephone banking network, was

introduced, our ATM network was expanded to 13, and the installation of a platform automation system bank-wide was completed. The South Boston office was opened in 2000.

The tragedies of September 11, 2001 spurred 11 rate decreases by the Federal Reserve, and a slowing regional and national economy. It became paramount that the Bank operate as efficiently and effectively as possible as margins were shrinking.

"AmeriLink" Internet Banking and check imaging were added to the bank's services in 2001. The Ridgeway office was opened in 2002 and a Loan Production Office was opened in Greensboro, North Carolina in 2004.

The bank expanded into Lynchburg in 2005 and a regional organizational structure was implemented to ensure that American National remains a community bank in all regions we serve.

Community First Bank was acquired in 2006 and four new bank offices were added in the Lynchburg region.

As part of the bank's strategic plan to move into nearby contiguous markets with strong growth potential, American National opened a new office on the Bedford County side of Smith Mountain Lake in 2007, and an office in downtown Bedford was completed in 2008.

Over the past 100 years, American National has weathered many storms from the Depression of the 30s to the extremely high interest rates in the 80s, and now the historically low rate environment and downfall of the financial marketplace. The bank's commitment to building long-term relationships with our customers and communities, its conservative approach to operations, good asset quality, and strong capital position have contributed positively to our longevity and current condition.

Main and Market Streets Lobby, 1940



LIVING *the* PRESENT

American National is now 22 offices, 23 ATMs, and 271 talented employees strong, serving Southern and Central Virginia and the northern portion of Central North Carolina. The bank has approximately \$800 million in total assets and also manages \$400 million in its Trust and Investment Services Division.

American National offers a full array of financial products and services including commercial, mortgage, and consumer banking; trust and investment services; and insurance. Services are also provided 24 hours a day, seven days a week through our extensive ATM network, “AmeriLink” Internet Banking, and “Access American” telephone banking.

The bank is a leader in charitable support and our employees are encouraged to give of their time and talents to the community. Our employees live and work in the communities we serve, and our success is directly tied to the success of these communities.

Despite the current challenging economic times, American National continues to operate soundly, efficiently, and profitably. American National is one of the most highly capitalized banks in the country. With more than \$100 million of capital, American National’s ratio of capital-to-assets places the bank among the top banks nationwide. It is also one of the most profitable banks in the country relative to its asset size.

So as we celebrate 100 years of success, we prepare for the next 100 years.

American National offers a full array of financial products and services including commercial, mortgage, and consumer banking; trust and investment services; and insurance.



South Boston Office Grand Opening, 2001



Bedford Office Ribbon Cutting, 2008



New Piedmont Drive Office, 2009

PREPARING *for the* FUTURE

Our 101st year - 2009 - will be an exciting one. Renovations are nearing completion at our new Piedmont Drive office, located at the corner of Piedmont Drive and Mount Cross Road in Danville. The new office offers extended business hours and allows us to more conveniently serve this busy retail district.

A new office on Liberty Street in Martinsville is now under construction and should be completed this summer. The staff at our current office on East Main Street in Martinsville will move to the new location mid-year.

As for the next 100 years, we will remain focused. We will retain and build relationships with our customers and our communities. We will operate a sound, efficient, and highly profitable company. We will seek growth in new markets, new products, new business lines, and new acquisitions. We will continue to manage our capital well. We will manage effectively under conditions over which we have no control, such as the economy, changing market dynamics, and emerging trends in technology. We will provide leadership and resources for our employees to achieve their goals. We will remain focused.



Our New Martinsville Office

As for the next 100 years, we will remain focused. We will retain and build relationships with our customers and our communities.

FINANCIAL HIGHLIGHTS

Results of Operations:

	2008	2007	2006	2005	2004
Interest income	\$42,872	\$48,597	\$45,070	\$32,479	\$30,120
Interest expense	15,839	19,370	16,661	8,740	7,479
Net interest income	27,033	29,227	28,409	23,739	22,641
Provision for loan losses	1,620	403	58	465	3,095
Noninterest income	7,913	8,822	8,458	7,896	6,510
Noninterest expense	22,124	21,326	20,264	17,079	15,011
Income before income taxes	11,202	16,320	16,545	14,091	11,045
Income taxes	3,181	4,876	5,119	4,097	3,032
Net income.....	\$8,021	\$11,444	\$11,426	\$9,994	\$8,013

Period-end Balances:

Securities	\$140,816	\$157,149	\$162,621	\$165,629	\$188,163
Loans, net of unearned income	571,110	551,391	542,228	417,087	407,269
Deposits	589,138	581,221	608,528	491,651	485,272
Assets	789,184	772,288	777,720	623,503	619,065
Shareholders' equity	102,300	101,511	94,992	73,419	71,000
Shareholders' equity - tangible (a)	77,757	76,591	69,695	73,287	70,516

Per Share Information:

Earnings - basic	\$1.32	\$1.86	\$1.91	\$1.83	\$1.43
Earnings - diluted.....	1.31	1.86	1.90	1.81	1.42
Dividends	0.92	0.91	0.87	0.83	0.79
Book value	16.81	16.59	15.42	13.49	12.86
Book value - tangible (a)	12.78	12.52	11.31	13.47	12.77

Ratios:

Return on average assets	1.02 %	1.48 %	1.51 %	1.61 %	1.26 %
Return on average shareholders' equity	7.79	11.69	12.72	13.95	11.15
Return on average tangible equity (b)	10.60	16.09	16.60	14.35	11.72
Net interest margin - taxable equivalent	3.87	4.24	4.20	4.17	3.90
Average shareholders' equity/average assets	13.10	12.65	11.85	11.57	11.34
Dividend payout ratio	69.89	48.82	45.58	45.39	55.13
Net charge-offs to average loans	0.21	0.05	0.10	0.56	0.10
Allowance for loan losses to period-end loans	1.37	1.34	1.34	1.46	1.96
Nonperforming assets to total assets	0.91	0.42	0.45	0.72	1.35

(a) - Excludes goodwill and other intangible assets

(b) - Excludes amortization expense, net of tax, of intangible assets

NASDAQ Closing Price

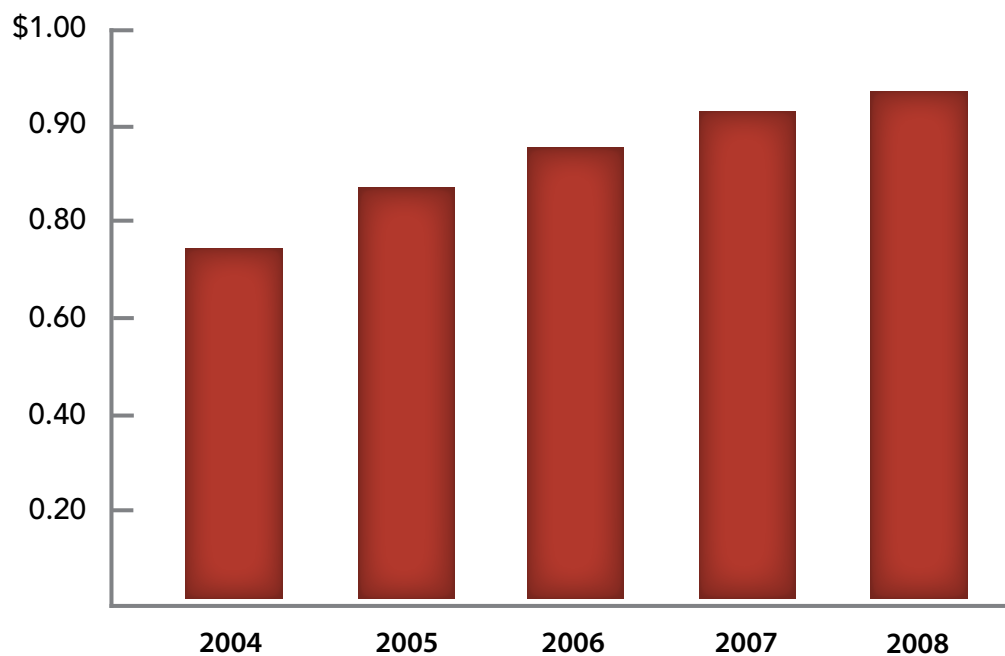
2008

	High	Low	Dividends Per Share
4th Quarter	\$18.25	\$14.01	\$ 0.23
3rd Quarter	18.20	15.80	0.23
2nd Quarter	22.00	17.45	0.23
1st Quarter	22.64	18.65	<u>0.23</u>
			<u>\$0.92</u>

2007

	High	Low	Dividends Per Share
4th Quarter	\$22.76	\$19.40	\$ 0.23
3rd Quarter	22.96	20.50	0.23
2nd Quarter	23.08	22.15	0.23
1st Quarter	23.68	22.02	<u>0.22</u>
			<u>\$0.91</u>

DIVIDENDS PER SHARE



CONSOLIDATED BALANCE SHEETS

December 31, 2008 and 2007

(Dollars in thousands, except share and per share data)

Assets	2008	2007
Cash and due from banks	\$14,986	\$18,155
Interest-bearing deposits in other banks	9,112	149
Securities available for sale, at fair value	133,695	145,159
Securities held to maturity (fair value of \$7,391 in 2008 and \$12,250 in 2007)	7,121	11,990
Total securities	<u>140,816</u>	<u>157,149</u>
Loans held for sale	1,764	1,368
Loans, net of unearned income	571,110	551,391
Less allowance for loan losses	(7,824)	(7,395)
Net loans	<u>563,286</u>	<u>543,996</u>
Premises and equipment, net	17,431	13,348
Other real estate owned	4,311	632
Goodwill	22,468	22,468
Core deposit intangibles, net	2,075	2,452
Accrued interest receivable and other assets	12,935	12,571
Total assets	<u>\$789,184</u>	<u>\$772,288</u>

Liabilities & Shareholders' Equity

Liabilities:

Demand deposits - noninterest bearing	\$95,703	\$99,231
Demand deposits - interest bearing	116,132	104,751
Money market deposits	56,615	50,254
Saving deposits	59,624	62,400
Time deposits	261,064	264,585
Total deposits	<u>589,138</u>	<u>581,221</u>
Short-term borrowings:		
Customer repurchase agreements	51,741	47,891
Other short-term borrowings	7,850	7,200
Long-term borrowings	13,787	8,937
Trust preferred capital notes	20,619	20,619
Accrued interest payable and other liabilities	3,749	4,909
Total liabilities	<u>686,884</u>	<u>670,777</u>

Shareholders' equity:

Preferred stock, \$5 par, 200,000 shares authorized, none outstanding	—	—
Common stock, \$1 par, \$10,000,000 shares authorized, 6,085,628 shares outstanding at December 31, 2008 and 6,118,717 shares outstanding at December 31, 2007	6,086	6,119
Capital in excess of par value	26,491	26,425
Retained earnings	71,090	69,409
Accumulated other comprehensive income (loss), net	(1,367)	(442)
Total shareholders' equity	<u>102,300</u>	<u>101,511</u>
Total liabilities and shareholders' equity	<u>\$789,184</u>	<u>\$772,288</u>

CONSOLIDATED STATEMENTS of INCOME

For the Years Ended December 31, 2008, 2007, and 2006

(Dollars in thousands, except share and per share data)

	2008	2007	2006
Interest and Dividend Income			
Interest and fees on loans	\$35,941	\$41,499	\$37,361
Interest and dividends on securities:			
Taxable	4,795	4,409	5,034
Tax-exempt	1,621	1,690	1,743
Dividends	214	320	312
Other interest income	301	679	620
Total interest and dividend income	<u>42,872</u>	<u>48,597</u>	<u>45,070</u>
Interest Expense			
Interest on deposits	12,280	15,535	13,349
Interest on short-term borrowings	1,629	1,860	1,453
Interest on long-term borrowings	557	602	852
Interest on trust preferred capital notes	1,373	1,373	1,007
Total interest expense	<u>15,839</u>	<u>19,370</u>	<u>16,661</u>
Net Interest Income	27,033	29,227	28,409
Provision for Loan Losses	1,620	403	58
Net Interest Income After Provision For Loan Losses	<u>25,413</u>	<u>28,824</u>	<u>28,351</u>
Noninterest Income			
Trust fees	3,467	3,578	3,374
Service charges on deposit accounts	2,324	2,531	2,654
Other fees and commissions	857	786	744
Mortgage banking income	788	954	709
Brokerage fees	431	550	419
Securities gains (losses), net	(450)	135	62
Impairment of securities	—	(362)	—
Other	496	650	496
Total noninterest income	<u>7,913</u>	<u>8,822</u>	<u>8,458</u>
Noninterest Expense			
Salaries	9,792	9,688	9,520
Employee benefits	3,001	2,749	2,506
Occupancy and equipment	3,701	3,527	2,977
Bank franchise tax	694	663	651
Core deposit intangible amortization	377	377	414
Other	4,559	4,322	4,196
Total noninterest expense	<u>22,124</u>	<u>21,326</u>	<u>20,264</u>
Income Before Income Taxes	11,202	16,320	16,545
Income Taxes	3,181	4,876	5,119
Net Income	<u>\$8,021</u>	<u>\$11,444</u>	<u>\$11,426</u>
Net Income Per Common Share:			
Basic	\$1.32	\$1.86	\$1.91
Diluted	\$1.31	\$1.86	\$1.90
Average Common Shares Outstanding:			
Basic	6,096,649	6,139,095	5,986,262
Diluted	6,105,154	6,161,825	6,020,071

BOARD of DIRECTORS

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

Fred A. Blair

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

Frank C. Crist, Jr., DDS

President of Brady & Crist Dentists, Inc., Lynchburg, VA. Director since 2006. Committee(s) 2, 4

Ben J. Davenport, Jr.

Chairman, First Piedmont Corporation, Chatham, VA, waste management; Chairman, Davenport Energy Inc., Chatham, VA, petroleum distributor. Director since 1992. Committee(s) 4, 5, 6

H. Dan Davis

Retired Executive Vice President of the Corporation and Senior Vice President of the Bank. Director since 1996. Committee(s) 3, 4, 6

Michael P. Haley

Adviser to Fenway Partners, Inc., New York, NY, private equity investments. Director since 2002. Committee(s) 1, 4

Charles S. Harris

Vice President for Student Services, Averett University, Danville, VA. Director since 2008. Committee 4.

Lester A. Hudson, Jr., Ph.D.

Professor and Wayland H. Cato Chair of Leadership, McColl School of Business, Queens University of Charlotte, Charlotte, NC. Director since 1984. Committee(s) 4, 5, 6

E. Budge Kent, Jr.

Retired Executive Vice President of the Corporation and Executive Vice President of the Bank. Director since 1979. Committee(s) 4, 7

Fred B. Leggett, Jr.

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

Franklin W. Maddux, M.D.

Chief Medical Officer, Specialty Care Services Group, Nashville, TN, healthcare services. Director since 2002. Committee(s) 1, 2, 4

Charles H. Majors

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

Martha W. Medley

Partner, Daniel, Medley and Kirby PC, Martinsville and Danville, VA, Attorneys at Law. Director since 2008.

Claude B. Owen, Jr.

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

Committees:

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



(L-R) Fred Blair, Claude Owen, and Les Hudson



Ben Davenport, Martha Medley, and Fred Leggett



Budge Kent, Dan Davis, Charles Harris, and Frank Crist



Frank Maddux, Charles Majors and Mike Haley

OFFICERS

American National Bankshares Inc.

Charles H. Majors

President & Chief Executive Officer

R. Helm Dobbins

Senior Vice President

S. Cabell Dudley, Jr.

Senior Vice President

Dabney T.P. Gilliam, Jr.

Senior Vice President

Jeffrey V. Haley

Senior Vice President

Neal A. Petrovich *

Senior Vice President,
Chief Financial Officer,
Secretary & Treasurer

James R. Jefferson

Assistant Treasurer

Carolyn H. Compton

Assistant Secretary

* Resigned on 2/6/09

ADVISORY BOARDS

Martinsville-Henry County

Joey R. Arrington
President, Arrington Manufacturing Inc.

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

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

Shirley A. Craven
President, Adkins Construction Corp.

Phillip G. Gardner
Attorney

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

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

G. Ronald Pigg
President, John Barnes Hardwood Dimensions

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

Stuart L. Thomas
President, Thomas Insurance Agencies

John E. Turner
Co-owner, Riverside Tire Company

Central Region

Doyle B. Allen
President, Hurt & Proffitt, Inc.

Mary Jo Boone
Executive Director and CEO, Bedford YMCA

Thomas H. Bruguiera
Owner, Dickie Brothers Orchard

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

A. C. "Buzzy" Coleman
Chairman, Coleman-Adams Construction

S. Preston Craighill, III
Chairman, C. L. Lewis & Co., Inc.

Brian J. Kelleher
Vice President,
Atlantic Precision Resource, Inc.

Thomas S. Mignogna
President, TSM Associates, Inc.

Gregory E. Summers
President, S & S Machine, Inc.

South Boston-Halifax County

William W. Bennett, Jr.
Executive Director,
Southern VA Higher Education Center

Gerald C. Burnett, M.D.
Physician

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

James Edmunds, II
Member, Halifax County Board of Supervisors

W. Joseph Ferguson, M.D.
Physician

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

Wanda B. Jeffress
Vice President, Jeffress Funeral Home

Chris A. Lumsden
CEO, Halifax Regional Health System

BANK SENIOR MANAGEMENT

American National Bank & Trust Company

Charles H. Majors
President & Chief Executive Officer

R. Helm Dobbins
Executive Vice President

S. Cabell Dudley, Jr.
Executive Vice President

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

Jeffrey V. Haley
Executive Vice President

Neal A. Petrovich *
Executive Vice President

Michael L. Dance
Senior Vice President

Earnest C. Jordan
Senior Vice President

Karen P. Kinnier
Senior Vice President

* Resigned on 2/6/09



Main Office
628 Main Street
Danville, VA 24541

Airport Office
1407 South Boston Road
Danville, VA 24540

Bedford Office
207 North Bridge Street
Bedford, VA 24523

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

Collinsville Office
2484 Virginia Avenue
Collinsville, VA 24078

Graves Mill Office
1646 Graves Mill Road
Lynchburg, VA 24502

**Greensboro Loan
Production Office**
600 Green Valley Rd. Suite 210
Greensboro, NC 27408

Gretna Office
109 North Main Street
Gretna, VA 24557

Langhorne Road Office
2301 Langhorne Road
Lynchburg, VA 24501

Lovingsston Office
150 Front Street
Lovingsston, VA 22949

Martinsville Office
201 East Main Street
Martinsville, VA 24112

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

Piedmont Drive Office
445 Mount Cross Road
Danville, VA 24540

**Roanoke Mortgage Loan
Production Office**
Roanoke, VA

Smith Mountain Lake Office
16483 Moneta Road
Moneta, VA 24121

South Boston Office
3229 Halifax Road
South Boston, VA 24592

South Main Office
1013 South Main Street
Danville, VA 24541

Timberlake Office
20479 Timberlake Road
Lynchburg, VA 24502

West Main Office
2016 West Main Street
Danville, VA 24541

Yanceyville Office
173 Main Street
Yanceyville, NC 27379

220 South Office
3810 Greensboro Road
Ridgeway, VA 24148



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