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Traded: NASDAQ Global Select Market

Symbol: AMNB

AMERICAN NATIONAL BANKSHARES INC. ANNOUNCES FOURTH QUARTER EARNINGS

Danville, VA -- American National Bankshares Inc. (NASDAQ: AMNB), parent company of American National Bank and Trust Company, today announced fourth quarter 2006 net income of \$2.9 million, a 9.0% increase over the fourth quarter of 2005. Earnings per share were \$0.47 on both a basic and diluted basis compared to \$0.49 in the year-earlier quarter.

For the full year, net income was \$11.4 million, an increase of 14.3% over 2005. Basic earnings per share improved 4.4%, from \$1.83 in 2005 to \$1.91 in 2006, and diluted earnings per share increased 5.0%, from \$1.81 to \$1.90.

“To increase our per share earnings over 2005, while successfully acquiring Community First Financial Corporation and dealing with a difficult interest rate environment and competitive banking climate is very positive,” stated Charles H. Majors, President and Chief Executive Officer. “We had not anticipated this immediate accretion to earnings following our closing with Community First; however, it confirms our ability to execute successfully on our growth and expansion strategy. I am also pleased to report significant improvement in our credit quality, as indicated by a reduction in nonperforming loans from 1.02% of total loans at December 31, 2005 to 0.63% at December 31, 2006.”

Fourth quarter 2006 earnings were impacted by several factors, including:

- . a negative provision for loan losses in the amount of \$547,000, due to an improvement in credit quality;
- . other noninterest expense of \$123,000 to record a reserve for unfunded loan commitments;
- . an increase in salary expense of \$240,000 over the third quarter of 2006, to record the total expense of the 2006 employee profit sharing and incentive programs; and
- . income tax expense of \$160,000 to reduce the net value of a deferred tax asset related to the Company’s holdings of FNMA and FHLMC preferred stock.

Other fourth quarter highlights include:

- . the adoption of Financial Accounting Standard Number 158, “Employers’ Accounting for Defined Benefit Pension and Other Postretirement Plans,” which resulted in a \$1.5 million reduction, net of tax, of shareholders’ equity through Accumulated Other Comprehensive Income; and
 - . a 41% reduction in nonperforming assets from September 30, 2006 to December 31, 2006.
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Net Interest Income and Provision for Loan Losses

Compared to the fourth quarter of 2005, net interest income increased \$1.1 million, or 18.6%. The improvement was due largely to the acquisition of Community First, which significantly increased the Company's interest-earning assets.

Compared to the third quarter of 2006, net interest income declined \$333,000 or 4.4%, due to an increase in funding costs and a reduction in earning assets. Net interest income after the provision for loan losses; however, increased \$339,000 or 4.6%, due to the negative provision for loan losses in the fourth quarter of 2006.

The net interest margin, on a taxable equivalent basis, was 4.15% during the fourth quarter of 2006, as compared with 4.26% during the third quarter of 2006 and 4.24% during the fourth quarter of 2005. "The shape of the yield curve and the highly competitive market for bank deposits has put pressure on margins at banks including American National," stated Majors. "This was evident in the recent quarter when funding costs rose while earning asset yields did not." For the full year, net interest income increased \$4.7 million, or 19.7% from 2005 to 2006. Net interest income in 2006 was impacted positively by the acquisition of Community First and negatively by interest expense recorded on the related issuance of Trust Preferred Securities.

Noninterest Income

Noninterest income rose 9.8% from \$2.0 million in the fourth quarter of 2005 to \$2.2 million in the fourth quarter of 2006. The increase was due in large part to growth in trust fees, income from bank owned life insurance acquired from Community First, and increases in deposit account service charge income and mortgage banking revenue.

Noninterest Expense

Noninterest expense increased \$1.0 million or 21.6% from the fourth quarter of 2005 to 2006, due in large part to the impact of the Community First acquisition. Additionally, fourth quarter 2006 noninterest expense included \$123,000 for the establishment of a reserve for unfunded loan commitments and higher than normal expense for employee profit sharing and incentive programs. Noninterest expense increased \$3.2 million or 18.6% for the full year 2006 as compared to 2005, due primarily to the effects of the Community First acquisition and an increase in pension and other employee benefit expenses.

Balance Sheet

Average earning assets increased from \$594.1 million in the fourth quarter of 2005 to \$714.1 million in the recently completed quarter, primarily as a result of loans acquired from Community First. Average loans were \$543.2 million during the fourth quarter of 2006, compared with \$413.3 million in the year-earlier quarter.

Average earning assets declined \$15.4 million or 2.1% from the third to the fourth quarter of 2006, due largely to a decrease in the investment portfolio driven by a reduction in average deposits. Average deposits declined \$14.6 million, or 2.4%.

"Loan and deposit growth rates have been impacted by several factors," stated Majors. "We reduced our problem loan balances, in many cases by moving the loans out of the Bank. This negatively affected our loan growth, but positively impacted earnings and credit quality. We experienced normal post-acquisition deposit runoff and allowed high-rate certificates of deposit issued by Community First to mature. Lastly, a highly competitive banking climate and soft economic conditions in our older markets impacted growth. With the effects of the Community First acquisition and loan portfolio clean-up work essentially behind us, we are optimistic that growth rates will improve in 2007."

About American National

American National Bankshares Inc. is the holding company of American National Bank and Trust Company, a community bank with eighteen full service offices serving the areas of Danville, Pittsylvania County, Martinsville, Henry County, South Boston, Halifax County, Lynchburg, Bedford, Bedford County, Campbell County, and portions of Nelson County in Virginia, along with portions of Caswell County in North Carolina. The Bank also operates a loan production office in Greensboro, North Carolina.

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 twenty-three 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.”

This press release may contain “forward-looking statements,” within the meaning of federal securities laws that involve significant risks and uncertainties. Statements herein are based on certain assumptions and analyses by the Corporation and are factors it believes are appropriate in the circumstances. Actual results could differ materially from those contained in or implied by such statements for a variety of reasons including, but not limited to: changes in interest rates; changes in accounting principles, policies, or guidelines; significant changes in the economic scenario; significant changes in regulatory requirements; and significant changes in securities markets. Consequently, all forward-looking statements made herein are qualified by these cautionary statements and the cautionary language in the Corporation’s most recent Form 10-K report and other documents filed with the Securities and Exchange Commission. American National Bankshares Inc. does not undertake to update forward-looking statements to reflect circumstances or events that occur after the date the forward-looking statements are made.

American National Bankshares Inc. and Subsidiary

Consolidated Balance Sheets

(Dollars in thousands, except share data)

Unaudited

| ASSETS | December 31 | |
|--|-------------|------------|
| | 2006 | 2005 |
| Cash and due from banks | \$ 24,375 | \$ 18,300 |
| Interest-bearing deposits in other banks | 1,749 | 9,054 |
| Securities available for sale, at fair value | 148,748 | 147,274 |
| Securities held to maturity | 13,873 | 18,355 |
| Total securities | 162,621 | 165,629 |
| Loans held for sale | 1,662 | 714 |
| Loans, net of unearned income | 542,228 | 417,087 |
| Less allowance for loan losses | (7,264) | (6,109) |
| Net Loans | 534,964 | 410,978 |
| Bank premises and equipment, net | 12,438 | 7,769 |
| Goodwill | 22,468 | - |
| Core deposit intangibles, net | 2,829 | 132 |
| Accrued interest receivable and other assets | 14,614 | 10,927 |
| Total assets | \$ 777,720 | \$ 623,503 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| Liabilities: | | |
| Demand deposits -- noninterest-bearing | \$ 106,885 | \$ 85,965 |
| Demand deposits -- interest-bearing | 107,170 | 90,629 |
| Money market deposits | 50,948 | 42,425 |
| Savings deposits | 69,517 | 80,315 |
| Time deposits | 274,008 | 192,317 |
| Total deposits | 608,528 | 491,651 |
| Repurchase agreements | 33,368 | 37,203 |
| FHLB borrowings | 15,087 | 17,238 |
| Trust preferred capital notes | 20,619 | - |
| Accrued interest payable and other liabilities | 5,126 | 3,992 |
| Total liabilities | 682,728 | 550,084 |
| Shareholders' equity: | | |
| Common stock, \$1 par, 10,000,000 shares authorized, 6,161,865 shares outstanding at December 31, 2006 and 5,441,758 shares outstanding at December 31, 2005 | 6,162 | 5,442 |
| Capital in excess of par value | 26,414 | 9,588 |
| Retained earnings | 64,584 | 59,109 |
| Accumulated other comprehensive income (loss), net | (2,168) | (720) |
| Total shareholders' equity | 94,992 | 73,419 |
| Total liabilities and shareholders' equity | \$ 777,720 | \$ 623,503 |

American National Bankshares Inc. and Subsidiary
Consolidated Statements of Income
(Dollars in thousands, except per share data)
Unaudited

| | Three Months Ended | | Twelve Months Ended | |
|--|--------------------|-----------------|---------------------|-----------------|
| | December 31 | | December 31 | |
| | 2006 | 2005 | 2006 | 2005 |
| Interest Income | | | | |
| Interest and fees on loans | \$ 10,106 | \$ 6,876 | \$ 37,361 | \$ 25,825 |
| Interest and dividends on securities: | | | | |
| Taxable | 1,210 | 981 | 5,034 | 4,090 |
| Tax-exempt | 430 | 479 | 1,743 | 2,010 |
| Dividends | 94 | 60 | 312 | 215 |
| Other interest income | 85 | 186 | 620 | 339 |
| Total interest income | 11,925 | 8,582 | 45,070 | 32,479 |
| Interest Expense | | | | |
| Deposits | 3,805 | 2,034 | 13,349 | 6,902 |
| Repurchase agreements | 364 | 284 | 1,384 | 901 |
| Other borrowings | 240 | 218 | 921 | 937 |
| Trust preferred capital notes | 343 | - | 1,007 | - |
| Total interest expense | 4,752 | 2,536 | 16,661 | 8,740 |
| Net Interest Income | 7,173 | 6,046 | 28,409 | 23,739 |
| Provision for (Recovery of) Loan Losses | (547) | (255) | 58 | 465 |
| Net Interest Income After Provision for Loan Losses | 7,720 | 6,301 | 28,351 | 23,274 |
| Noninterest Income | | | | |
| Trust and investment services | 891 | 794 | 3,374 | 3,012 |
| Service charges on deposit accounts | 650 | 627 | 2,654 | 2,446 |
| Other fees and commissions | 275 | 277 | 1,163 | 1,078 |
| Mortgage banking income | 201 | 187 | 709 | 665 |
| Securities gains, net | 15 | 8 | 62 | 53 |
| Other | 120 | 67 | 496 | 642 |
| Total noninterest income | 2,152 | 1,960 | 8,458 | 7,896 |
| Noninterest Expense | | | | |
| Salaries | 2,654 | 2,306 | 9,520 | 8,453 |
| Pension and other employee benefits | 535 | 495 | 2,506 | 1,975 |
| Occupancy and equipment | 812 | 611 | 2,977 | 2,476 |
| Bank franchise tax | 170 | 135 | 651 | 543 |
| Core deposit intangible amortization | 107 | 40 | 414 | 353 |
| Other | 1,130 | 859 | 4,196 | 3,279 |
| Total noninterest expense | 5,408 | 4,446 | 20,264 | 17,079 |
| Income Before Income Tax Provision | 4,464 | 3,815 | 16,545 | 14,091 |
| Income Tax Provision | 1,547 | 1,138 | 5,119 | 4,097 |
| Net Income | \$ 2,917 | \$ 2,677 | \$ 11,426 | \$ 9,994 |
| Net Income Per Common Share | | | | |
| Basic | \$ 0.47 | \$ 0.49 | \$ 1.91 | \$ 1.83 |
| Diluted | \$ 0.47 | \$ 0.49 | \$ 1.90 | \$ 1.81 |
| Average Common Shares Outstanding | | | | |
| Basic | 6,163,307 | 5,437,127 | 5,986,262 | 5,465,090 |
| Diluted | 6,196,671 | 5,471,516 | 6,020,071 | 5,506,998 |



Financial Highlights
American National Bankshares Inc. and Subsidiary

| (Dollars in thousands, except share data, unaudited) | Three Months Ended December 31 | | | Twelve Months Ended December 31 | | |
|---|--------------------------------|------------|--------|---------------------------------|------------|--------|
| | 2006 | 2005 | Change | 2006 | 2005 | Change |
| | 2006 | 2005 | Change | 2006 | 2005 | Change |
| EARNINGS | | | | | | |
| Interest income | \$ 11,925 | \$ 8,582 | 39.0% | \$ 45,070 | \$ 32,479 | 38.8% |
| Interest expense | 4,752 | 2,536 | 87.4 | 16,661 | 8,740 | 90.6 |
| Net interest income | 7,173 | 6,046 | 18.6 | 28,409 | 23,739 | 19.7 |
| Provision for loan losses | (547) | (255) | 114.5 | 58 | 465 | (87.5) |
| Noninterest income | 2,152 | 1,960 | 9.8 | 8,458 | 7,896 | 7.1 |
| Noninterest expense | 5,408 | 4,446 | 21.6 | 20,264 | 17,079 | 18.6 |
| Income taxes | 1,547 | 1,138 | 35.9 | 5,119 | 4,097 | 24.9 |
| Net income | 2,917 | 2,677 | 9.0 | 11,426 | 9,994 | 14.3 |
| PER COMMON SHARE | | | | | | |
| Earnings per share - basic | \$ 0.47 | \$ 0.49 | (4.1)% | \$ 1.91 | \$ 1.83 | 4.4% |
| Earnings per share - diluted | 0.47 | 0.49 | (4.1) | 1.90 | 1.81 | 5.0 |
| Cash dividends paid | 0.22 | 0.21 | 4.8 | 0.87 | 0.83 | 4.8 |
| Book value per share | | | | 15.42 | 13.49 | 14.3 |
| Book value per share - tangible (a) | | | | 11.31 | 13.47 | (16.0) |
| Closing market price | | | | 23.32 | 23.25 | 0.3 |
| FINANCIAL RATIOS | | | | | | |
| Return on average assets | 1.49% | 1.73% | (24)bp | 1.51% | 1.61% | (10)bp |
| Return on average equity | 12.18 | 14.79 | (261) | 12.72 | 13.95 | (123) |
| Return on average tangible equity (b) | 16.97 | 14.97 | 200 | 16.60 | 14.35 | 225 |
| Average equity to average assets | 12.26 | 11.67 | 59 | 11.85 | 11.57 | 28 |
| Net interest margin (FTE) | 4.15 | 4.24 | (9) | 4.20 | 4.17 | 3 |
| Efficiency ratio | 58.10 | 53.96 | 414 | 54.85 | 52.24 | 261 |
| PERIOD END BALANCES | | | | | | |
| Securities | | | | \$ 162,621 | \$ 165,629 | (1.8)% |
| Loans held for sale | | | | 1,662 | 714 | 132.8 |
| Loans, net of unearned income | | | | 542,228 | 417,087 | 30.0 |
| Goodwill and other intangibles | | | | 25,297 | 132 | N/A |
| Assets | | | | 777,720 | 623,503 | 24.7 |
| Assets - tangible (a) | | | | 752,423 | 623,372 | 20.7 |
| Deposits | | | | 608,528 | 491,651 | 23.8 |
| Repurchase agreements | | | | 33,368 | 37,203 | (10.3) |
| FHLB borrowings | | | | 15,087 | 17,238 | (12.5) |
| Trust preferred capital notes | | | | 20,619 | - | N/A |
| Shareholders' equity | | | | 94,992 | 73,419 | 29.4 |
| Shareholders' equity - tangible (a) | | | | 69,695 | 73,288 | (4.9) |
| AVERAGE BALANCES | | | | | | |
| Securities | \$ 164,384 | \$ 162,315 | 1.3% | \$ 173,580 | \$ 170,439 | 1.8% |
| Total loans | 543,239 | 413,308 | 31.4 | 513,493 | 414,580 | 23.9 |
| Interest-earning assets | 714,128 | 594,118 | 20.2 | 699,995 | 594,801 | 17.7 |
| Goodwill and other intangibles | 25,401 | 147 | N/A | 19,263 | 265 | N/A |
| Assets | 781,786 | 620,388 | 26.0 | 757,802 | 619,074 | 22.4 |
| Assets - tangible (a) | 756,385 | 620,241 | 22.0 | 738,539 | 618,809 | 19.3 |
| Interest-bearing deposits | 497,690 | 400,460 | 24.3 | 486,745 | 397,914 | 22.3 |
| Deposits | 601,934 | 486,605 | 23.7 | 588,862 | 482,584 | 22.0 |
| Repurchase agreements | 39,661 | 41,182 | (3.7) | 40,970 | 42,757 | (4.2) |
| Other borrowings | 38,834 | 17,267 | 124.9 | 33,087 | 19,474 | 69.9 |
| Shareholders' equity | 95,809 | 72,405 | 32.3 | 89,824 | 71,638 | 25.4 |

| | | | | | | |
|---|-----------|-----------|---------|-----------|-----------|---------|
| Shareholders' equity - tangible (a) | 70,408 | 72,258 | (2.6) | 70,561 | 71,373 | (1.1) |
| CAPITAL | | | | | | |
| Average shares outstanding - basic | 6,163,307 | 5,437,127 | 13.4% | 5,986,262 | 5,465,090 | 9.5% |
| Average shares outstanding - diluted | 6,196,671 | 5,471,516 | 13.3 | 6,020,071 | 5,506,998 | 9.3 |
| Shares repurchased | 4,900 | 4,390 | 11.6 | 39,100 | 98,840 | (60.4) |
| Average price of shares repurchased | \$ 23.56 | \$ 22.48 | 4.8 | \$ 23.32 | \$ 24.32 | (4.1) |
| ALLOWANCE FOR LOAN LOSSES | | | | | | |
| Beginning balance | \$ 8,170 | \$ 8,515 | (4.1)% | \$ 6,109 | \$ 7,982 | (23.5)% |
| Allowance acquired in merger | | | | 1,598 | - | N/A |
| Provision for loan losses | (547) | (255) | 114.5 | 58 | 465 | (87.5) |
| Charge-offs | (448) | (2,200) | (79.6) | (913) | (2,577) | (64.6) |
| Recoveries | 89 | 49 | 81.6 | 412 | 239 | 72.4 |
| Ending balance | \$ 7,264 | \$ 6,109 | 18.9 | \$ 7,264 | \$ 6,109 | 18.9 |
| NONPERFORMING ASSETS | | | | | | |
| Nonperforming loans: | | | | | | |
| 90 days past due | | | | \$ - | \$ 56 | N/A% |
| Nonaccrual | | | | 3,425 | 4,217 | (18.8) |
| Foreclosed real estate | | | | 99 | 188 | (47.3) |
| Nonperforming assets | | | | \$ 3,524 | \$ 4,461 | (21.0) |
| ASSET QUALITY RATIOS (c) | | | | | | |
| Net chargeoffs to average loans | 0.26% | 2.08% | (182)bp | 0.10% | 0.56% | (46)bp |
| Nonperforming assets to total assets | | | | 0.45 | 0.72 | (27) |
| Nonperforming loans to total loans | | | | 0.63 | 1.02 | (39) |
| Allowance for loan losses to total loans | | | | 1.34 | 1.46 | (12) |
| Allowance for loan losses to nonperforming loans | | | | 2.12 x | 1.43 x | 69 |
| Notes: | | | | | | |
| (a) - Excludes goodwill and other intangible assets | | | | | | |
| (b) - Excludes amortization expense, net of tax, of intangible assets | | | | | | |
| (c) - Balance sheet amounts used in calculations are based on period end balances | | | | | | |
| bp - Change is measured as difference in basis points | | | | | | |
| FTE - Fully taxable equivalent basis | | | | | | |
| N/A - Percentage change is not applicable or not meaningful | | | | | | |