

---

**AMERICAN NATIONAL**

---


**BANKSHARES INC.**

**Exceeding Your Expectations**

Since 1909

---

# Forward-Looking Statements

 Certain statements in this presentation may constitute “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements are statements that include projections, predictions, expectations or beliefs about future events or results or otherwise and are not statements of historical fact. Such statements are often characterized by the use of qualified words (and their derivatives) such as “expect,” “believe,” “estimate,” “plan,” “project,” “anticipate” or other statements concerning opinions or judgments of American National and its management about future events. The forward-looking statements herein are based on certain assumptions and analyses by American National and are factors it believes are appropriate under 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; significant changes in securities markets; and changes regarding acquisitions and dispositions. Consequently, all forward-looking statements made herein are qualified by these cautionary statements. American National does not undertake to update forward-looking statements to reflect circumstances or events that occur after the date the forward-looking statements are made.

# Defining Strengths

## Conservative

- Stringent underwriting
- Strong capital

## Consistent

- 103 years of tradition
- Deep management team
- Ability to execute

## Shareholder focused

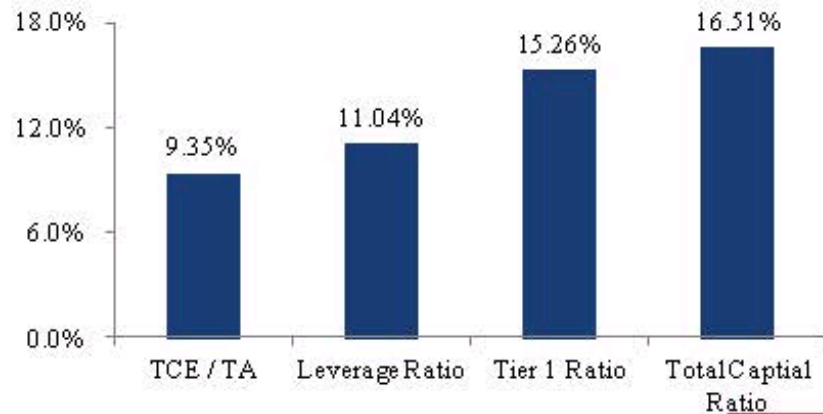
- Exceptional dividend
- Prudent growth
- Good stewards of capital

# Seasoned Management

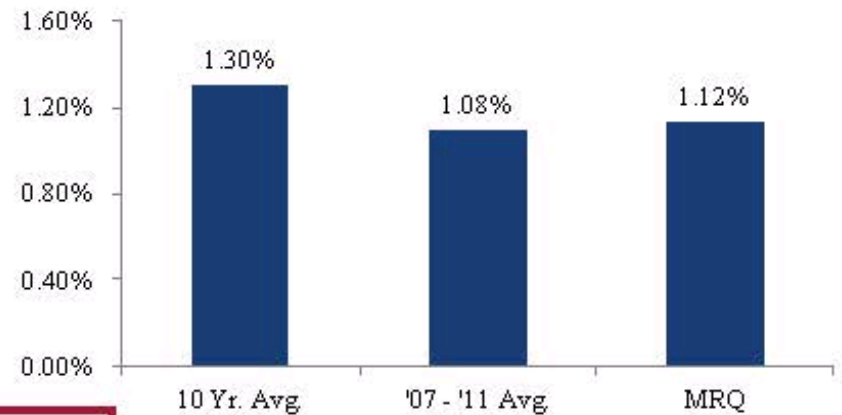
Name	Position	Age	Years of Experience	Years w/ AMNB
<b><u>Executives:</u></b>				
Charles H. Majors	Chairman	66	19	19
Jeffrey V. Haley	Bank President & CEO	52	15	15
William W. Traynham Jr.	Chief Financial Officer	57	23	3
Dabney T.P. Gilliam Jr.	Chief Administrative Officer	58	26	11
R. Helm Dobbins	Chief Credit Officer	61	34	9
S. Cabell Dudley	Chief Banking Officer - Va.	67	42	5
Charles T. Canaday Jr.	Chief Banking Officer - N.C.	51	28	1
Average		59	27	

# Executive Summary

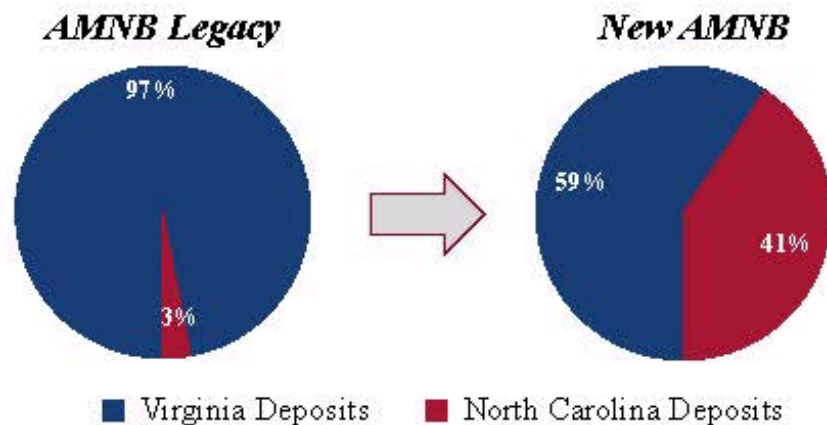
## CAPITAL



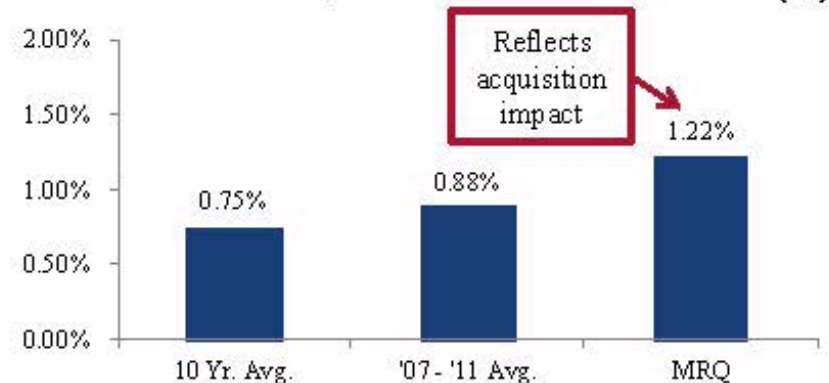
## FINANCIAL PERFORMANCE – ROAA (%)



## THE DEAL



## CREDIT QUALITY – NPAs / Assets (%)



Source: SNL Financial; Company filings  
 Deposit data as of June 30, 2012  
 MRQ data as of Q3 2012 for AMNB; regulatory ratios as of Q2 2012  
 Note: NPAs include nonaccrual loans, accruing TDRs and OREO

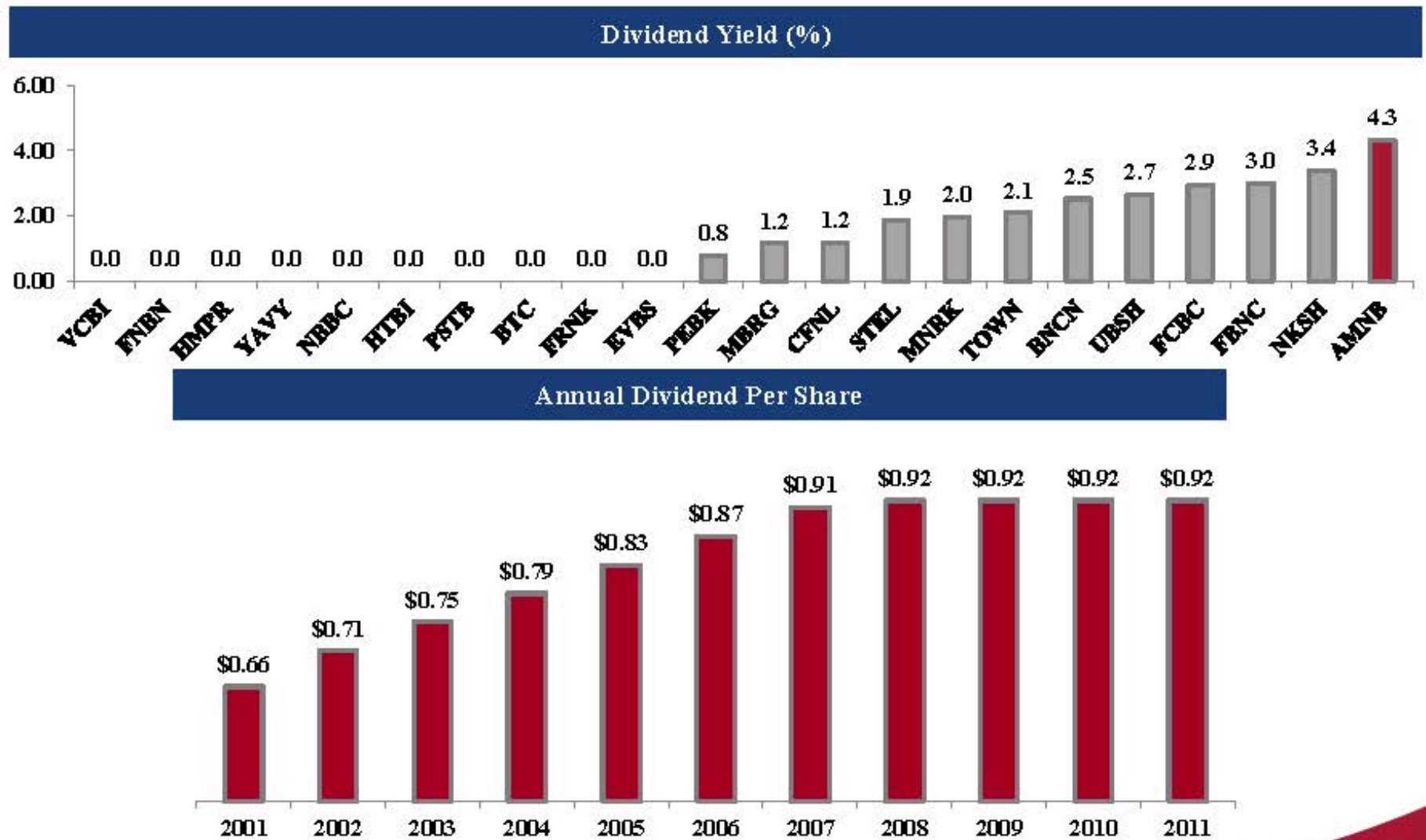
# Capital Levels

- History of maintaining a strong capital position
  - We did not need to apply for TARP

	AMNB 10 Year Average	Q3 2012
Tangible Common Equity / Tangible Assets	10.48%	9.35%
Leverage Ratio	11.87%	11.04%
Tier 1 Risk-Based Ratio	16.12%	15.26%
Total Risk-Based Ratio	17.36%	16.51%

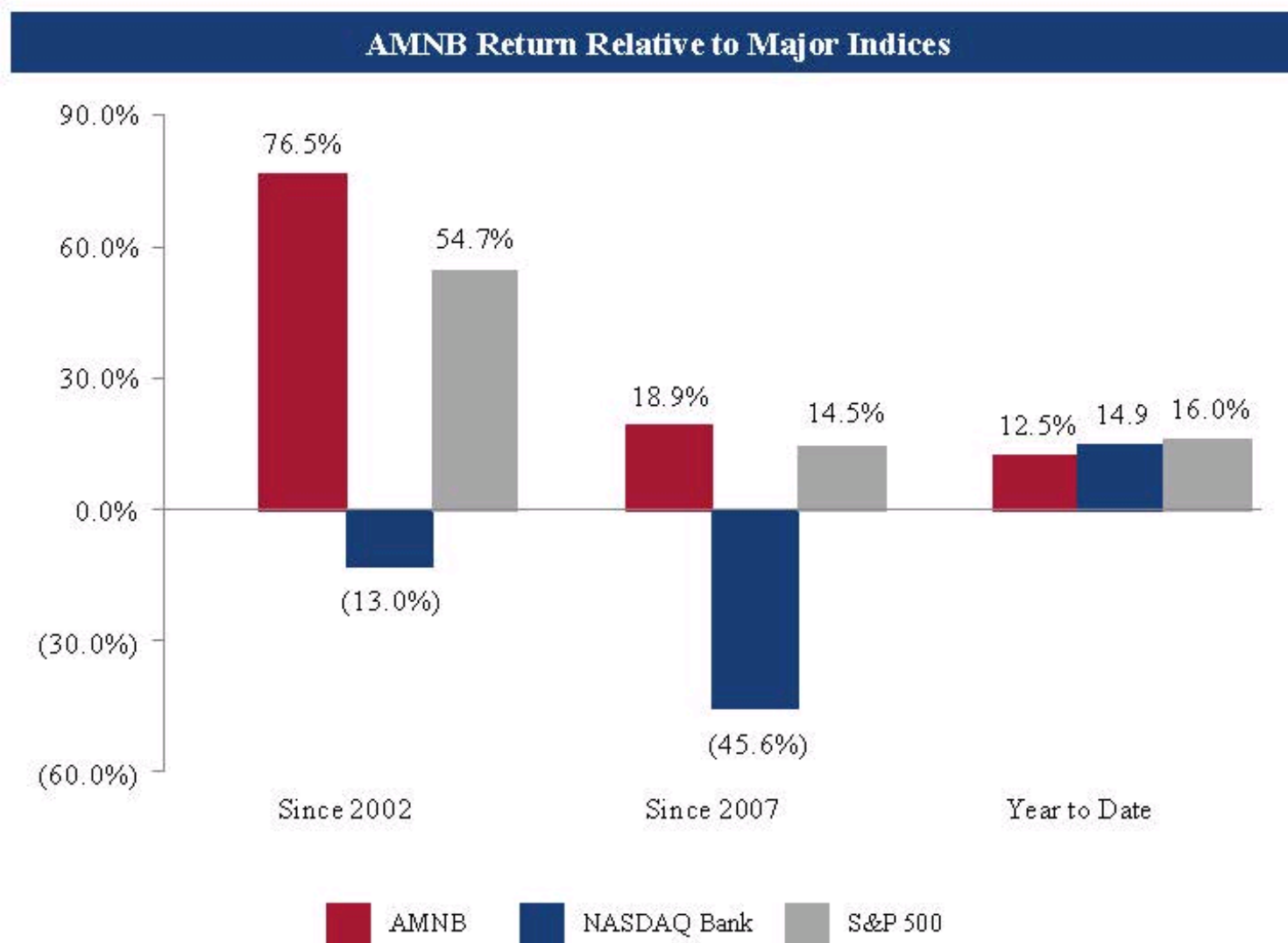
# Dividends

History of strong dividends



Source: SNL Financial and Company filings; Market data as of 10/19/2012  
 Note: Peers include major exchange traded banks headquartered in NC and VA with total assets between \$1.0 billion and \$5.0 billion

# Total Return

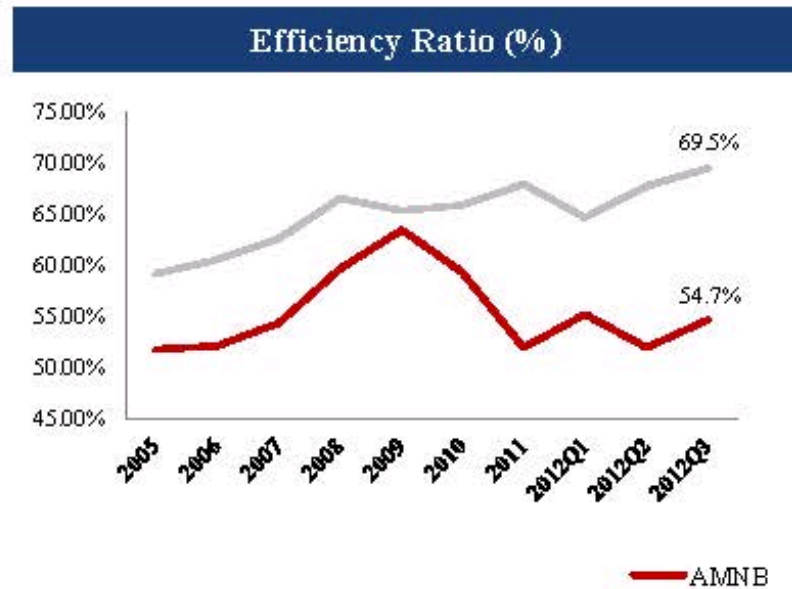
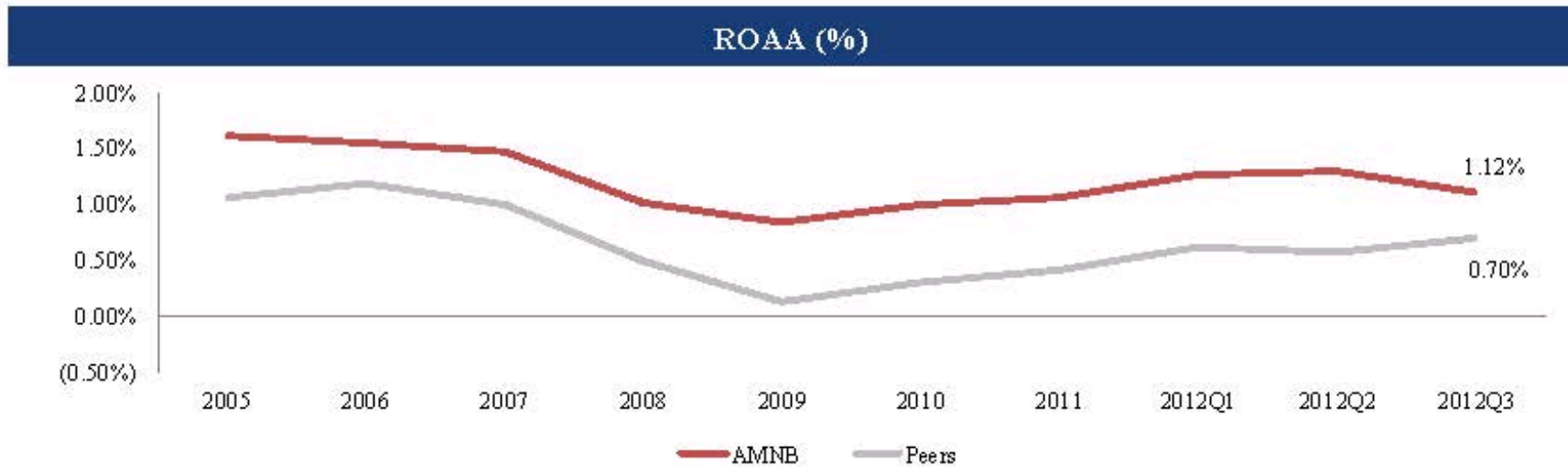


Source: Factset Research Systems; Market data as of 10/19/2012  
AMNB total return assumes reinvestment of dividends



# Financial Performance

# Historical Profitability



Source: SNL Financial and Company filings  
 Note: Peers include major exchange traded banks headquartered in NC and VA with total assets between \$1.0 billion and \$5.0 billion

# Diverse Revenue Stream

## Noninterest Income

- Trust & Investment Services
- Brokerage
- Secondary Mortgage
- Title Insurance
- Bankers Insurance

## Trust and Investment Services

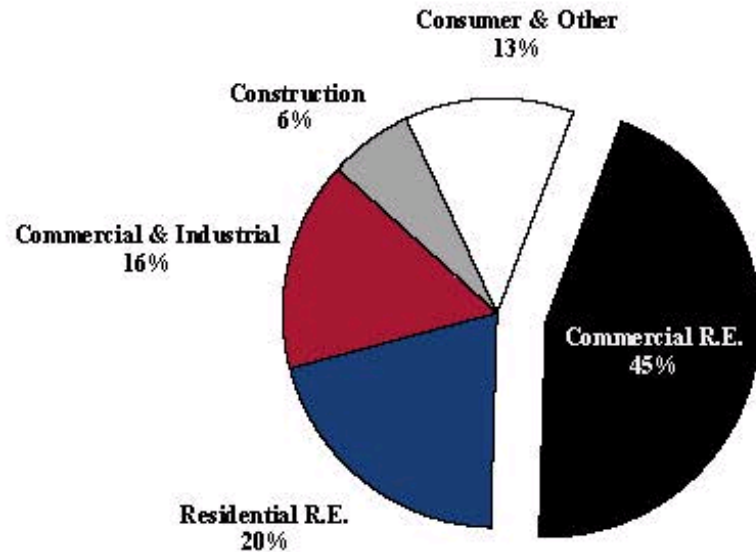
- Organized in 1927
- Offices in Danville, Martinsville, Lynchburg
  - New office in Greensboro
- Assets: \$588 million
- Customers: individuals, businesses, foundations and non-profits
- Serve clients locally and abroad
- Priorities:
  - Trust administration
  - Investment management
  - Estate settlement
  - Retail brokerage
- Excellent equity performance

## Trust Assets (\$M)

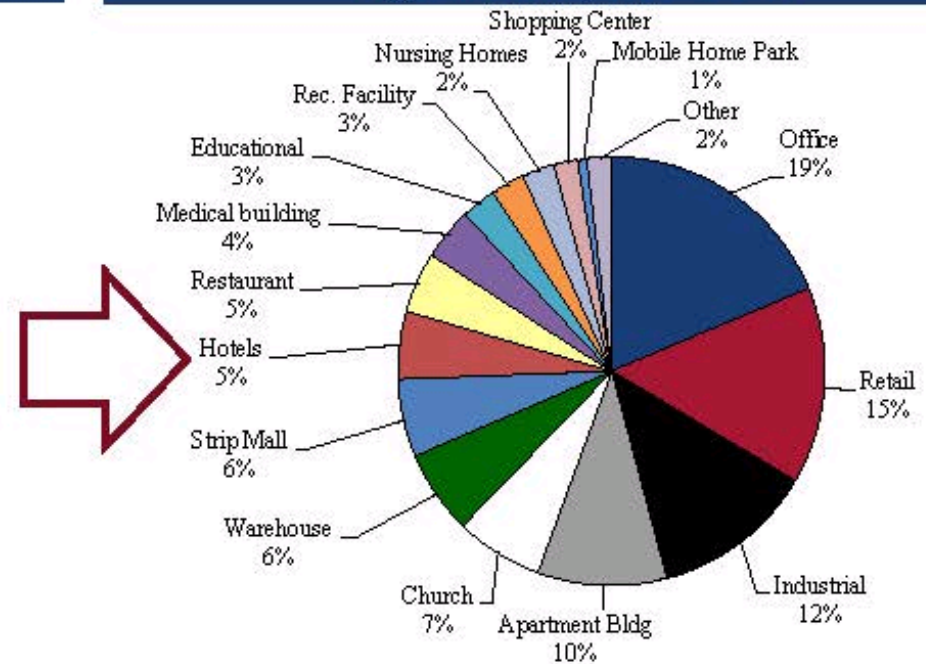


# Loan Portfolio

September 30, 2012 - \$798 MM



September 30, 2012 - CRE



➤ Granular portfolio

➤ Top 10 relationships combine for \$67 MM or 8% of total loans

- Largest total relationship of \$12 MM
- Legal lending limit of \$20 MM

➤ Highly diversified

➤ Avg. commercial credit size of \$200 K

# Underwriting Process

---

## Culture

- Quality
- Rate
- Volume

## Collaborative



- Low individual loan authority

## Offensive / Defensive

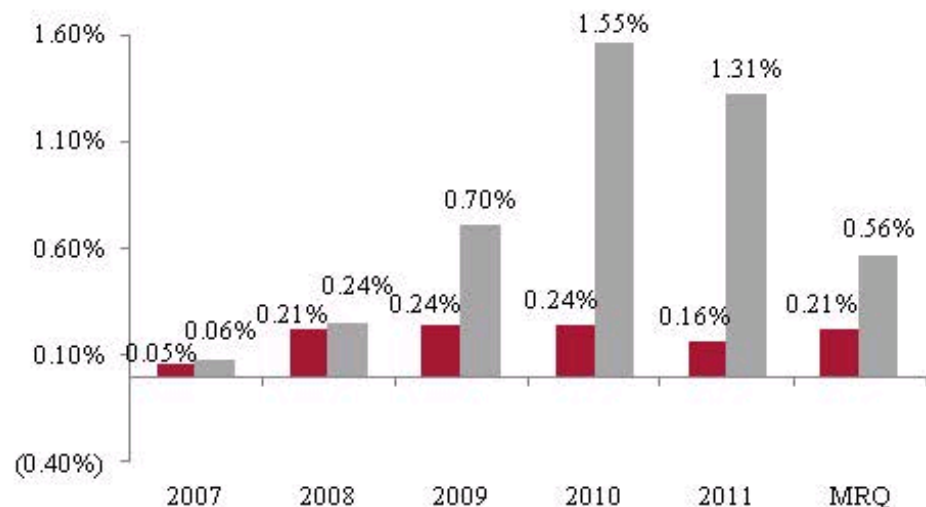
- Relationship pricing

## Strong asset quality review process

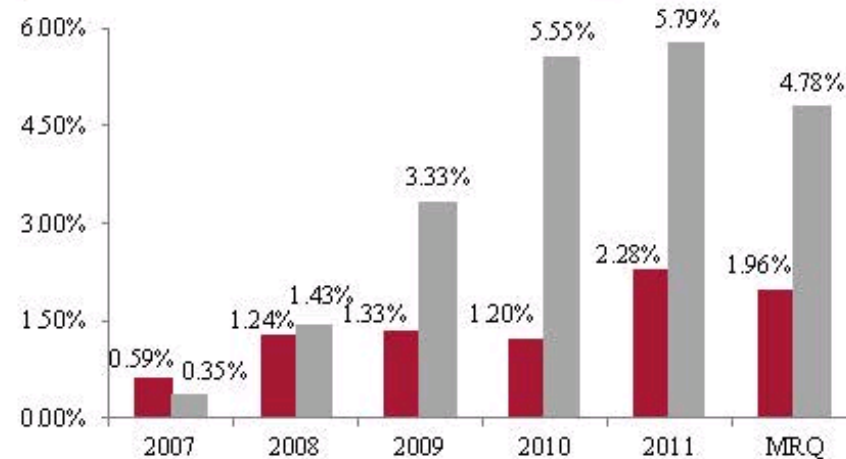
# Superior Asset Quality



-  Exceptional performance through cycle
-  Increased NPA levels are due to acquired MidCarolina credits
  - Fully marked and moving through the resolution process

**Net Charge-offs / Avg. Loans (%)**



**NPAs / Loans + OREO (%)**



 AMNB     Peers

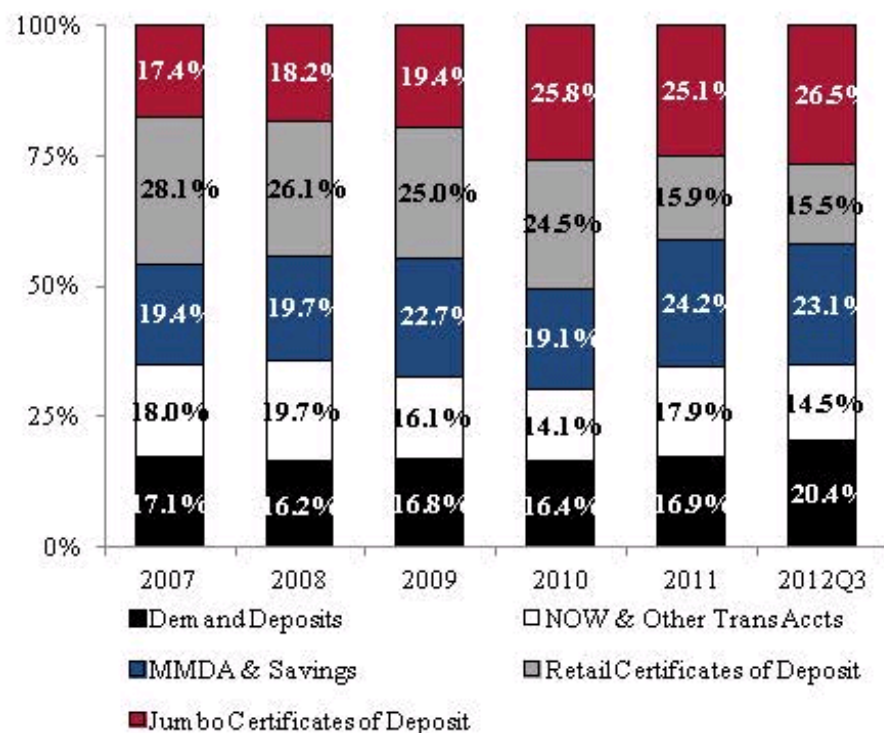
Source: SNL Financial and Company filings

Note: Peers include major exchange traded banks headquartered in NC and VA with total assets between \$1.0 billion and \$5.0 billion

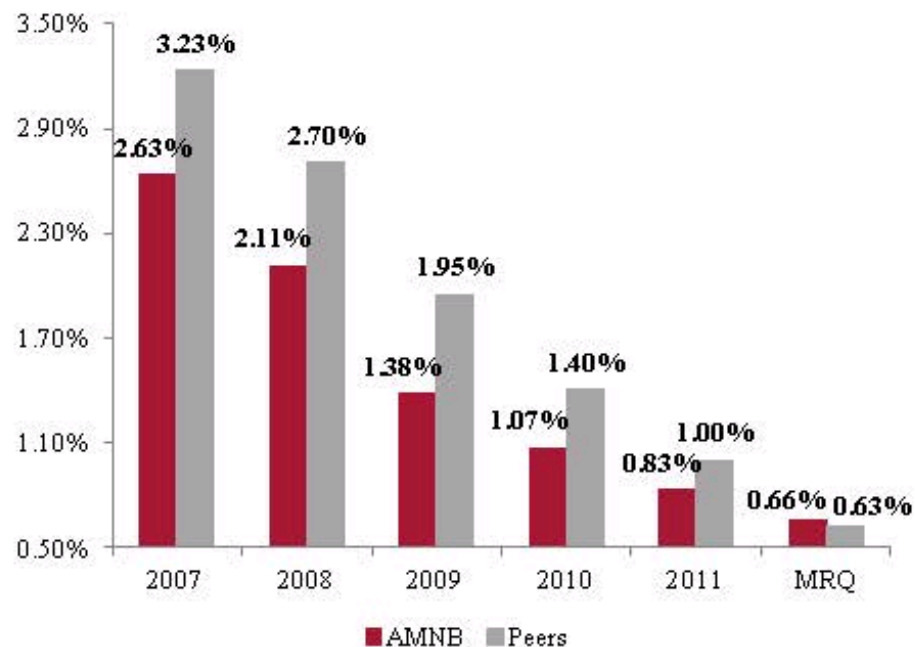
Note: NPAs include nonaccrual loans, accruing TDRs and OREO


# Deposit Portfolio

## Deposit Migration History



## Cost of Deposits



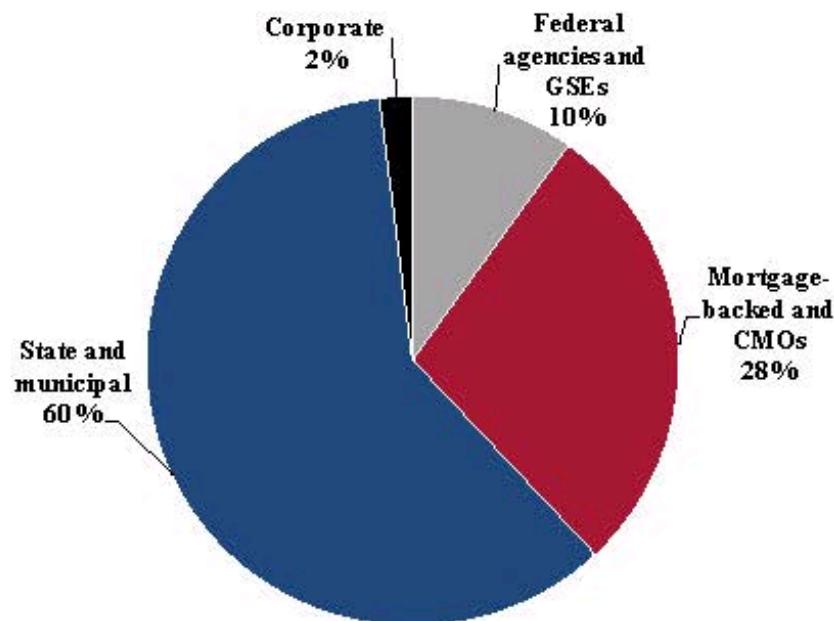
 Legacy markets provide a stable source of low cost core deposits

Source: SNL Financial and Company filings

Note: Peers include major exchange traded banks headquartered in NC and VA with total assets between \$1.0 billion and \$5.0 billion

# Securities Portfolio

## 9/30/2012 Securities Portfolio



## Portfolio Highlights

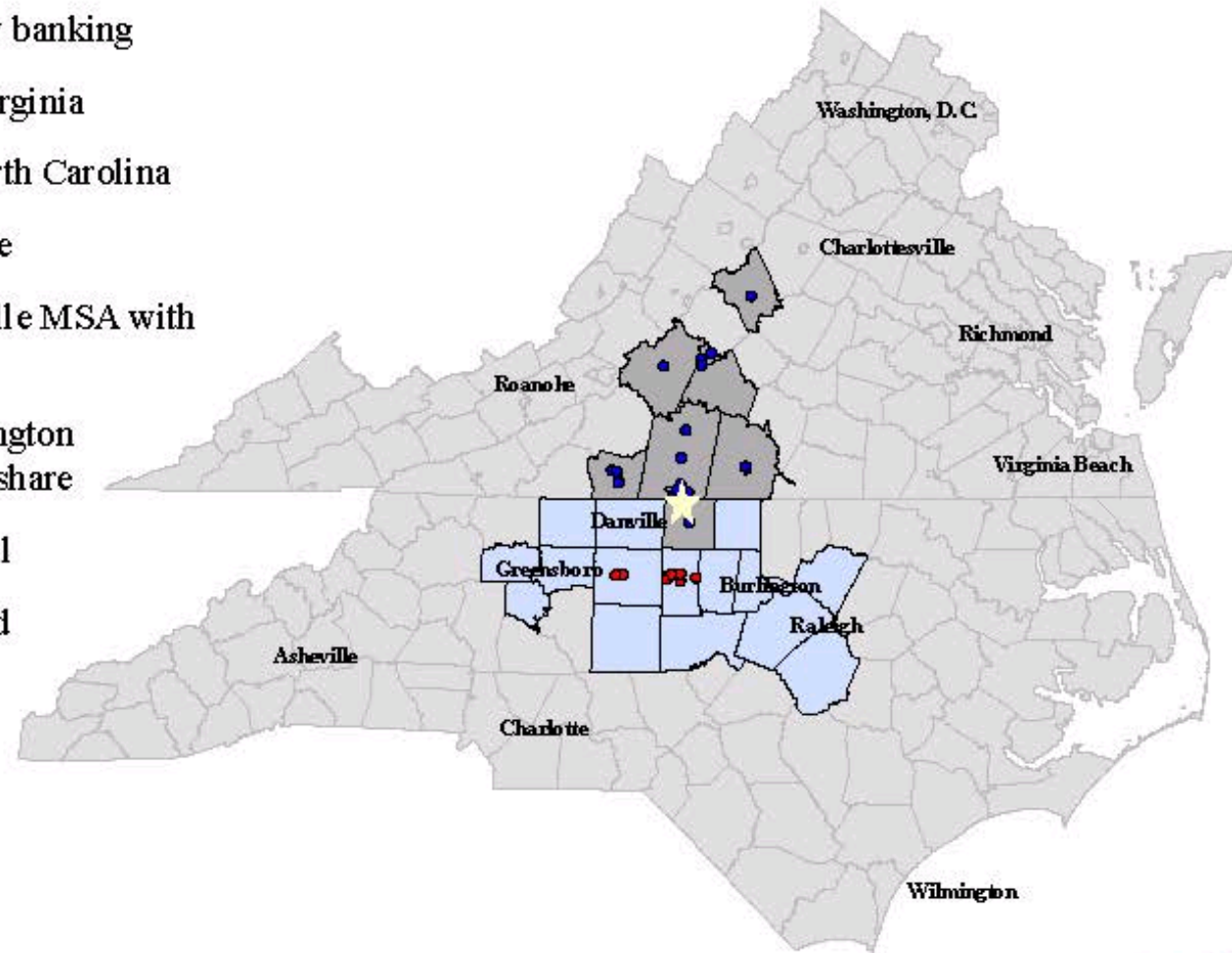
- Minimal credit risk; minimal duration risk
- High quality
  - \$328 million AFS securities portfolio
  - All above investment grade
  - No investments are classified
- Strong source of liquidity





# AMERICAN NATIONAL BANKSHARES INC.

- 103 years of community banking
- 16 banking offices in Virginia
- 9 banking offices in North Carolina
- Strong core funding base
- Ranked #2 in the Danville MSA with 29% market share
- Ranked #3 in the Burlington MSA with 15% market share
- Good stewards of capital
- Strong credit culture and infrastructure

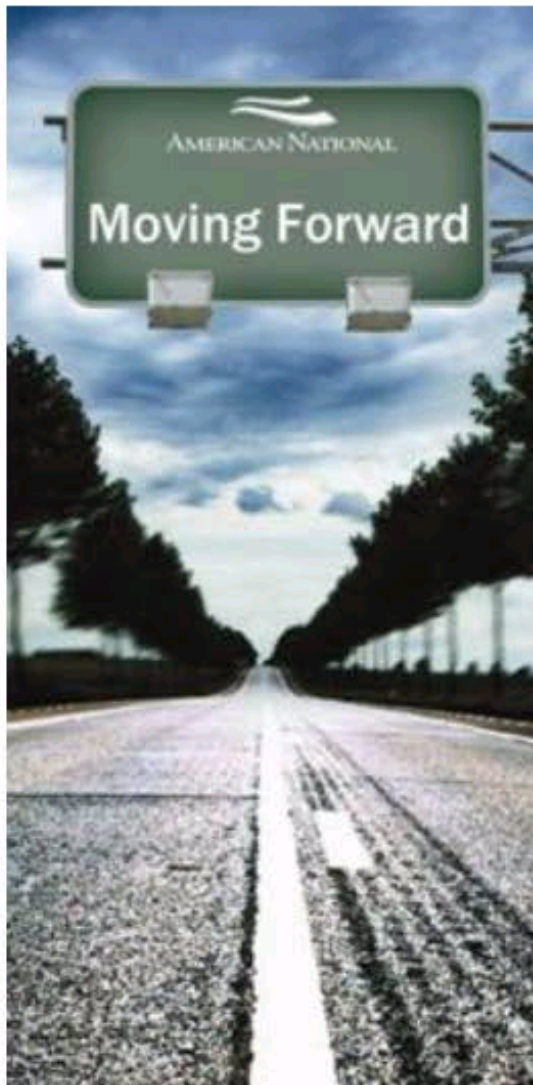


# Significant Recent Accomplishments

---

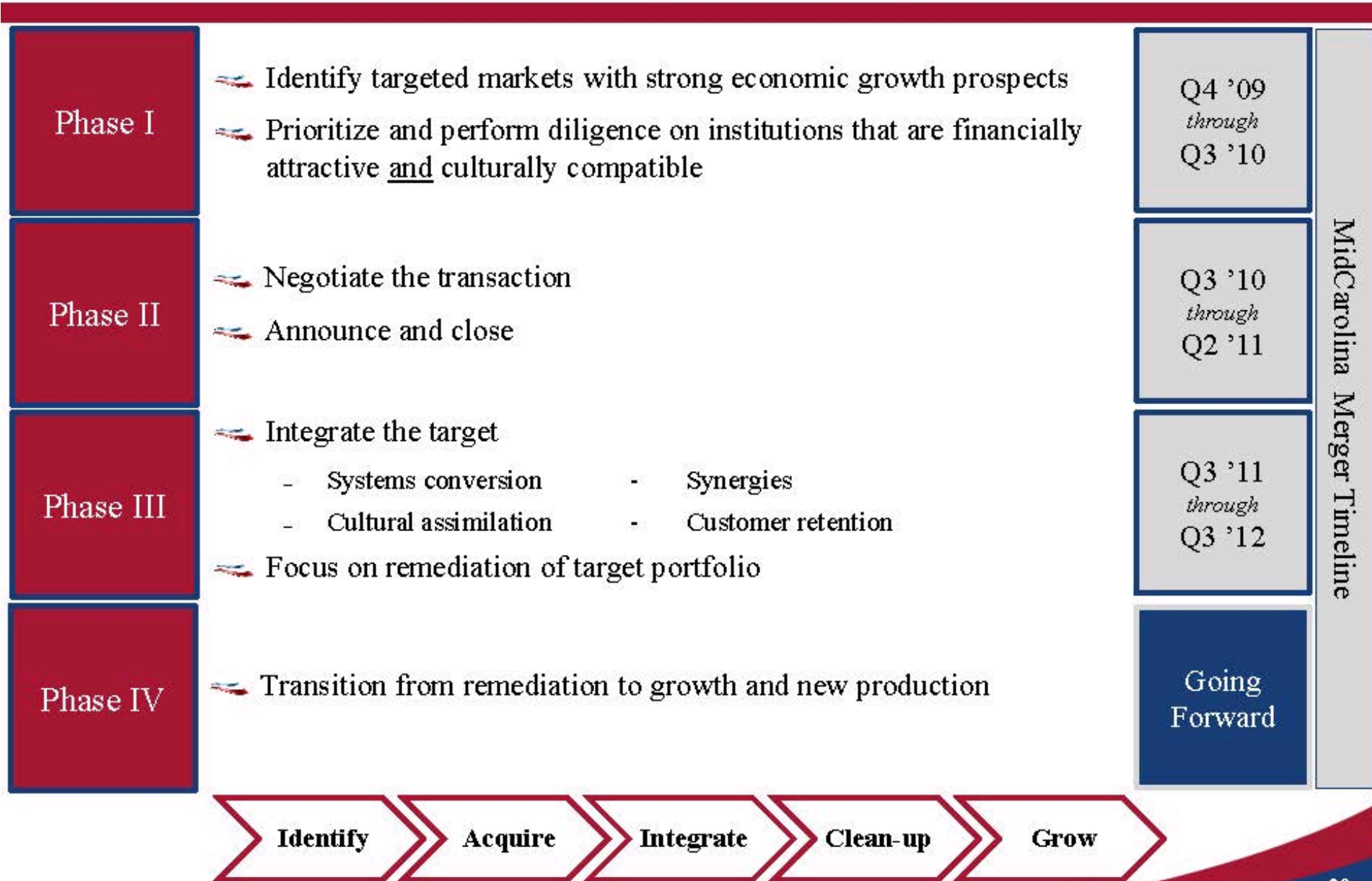
- Integrated our new North Carolina offices into our organization and culture.
- Converted the entire bank to a new and robust management information system.
- Dealt aggressively with all credit issues brought over from MidCarolina.
- Operated the combined organization successfully during these difficult economic times.
- Restored per share TBV to pre-merger levels.
- Trailing four quarters EPS \$2.12.

# Opportunistic Acquisition Strategy



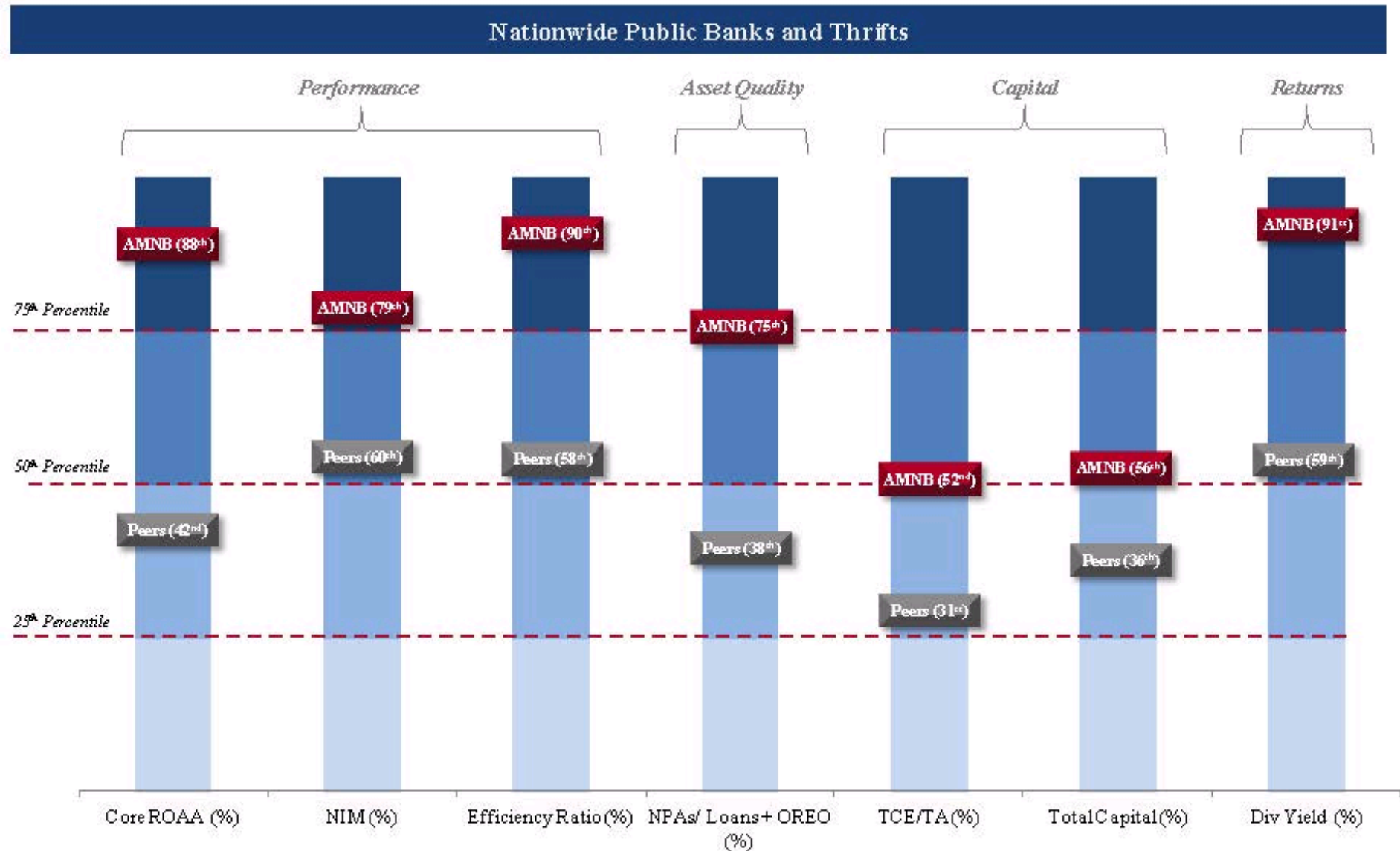
- Fair value accounting changed the game
- Capital is necessary to be a player
- Focused on growth markets in NC and VA
- Characteristics of targets:
  - \$250M-\$1B size
  - Practical assimilation
  - Manageable credit issues
  - Compatible cultures
  - EPS accretion
  - Maintenance of strong capital levels
  - Identifiable synergies for savings
- Our credit culture will be maintained

# AMNB Acquisition Cycle



# Summary

# Nationwide MRQ Comparison



Source: SNL Financial and Company filings; Market data as of 10/19/2012

Note: Peers include major exchange traded banks headquartered in NC and VA with total assets between \$1.0 billion and \$5.0 billion

# Our Focus

---

## Fortress-like balance sheet

- Pristine asset quality
- Low-risk investment portfolio
- High liquidity
- Capital strength

## Disciplined growth

- Organic
- External

## Strong earnings stream

## Q3 – 2012 Highlights

---

- Diluted EPS - \$0.46
- NPA's to total assets 1.22%  
versus 1.48% Q3 2011
- Dividend – Paid \$0.69 first nine months 2012  
–\$0.23 paid in Q3



