



# INTERMEDIATE SMALL BANK

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## PUBLIC DISCLOSURE

March 03, 2008

### COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

American National Bank and Trust Company  
Charter Number 9343

628 Main Street  
Danville, VA 24541

Office of the Comptroller of the Currency

Virginias Field Office  
3800 Electric Road Suite 204  
Roanoke, VA 24018-0503

**NOTE:** This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

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**INSTITUTION'S CRA RATING: This institution is rated Outstanding.**

**The Lending Test is rated: Satisfactory.**

**The Community Development Test is rated: Outstanding.**

The primary factors supporting the institution's rating include:

- The bank's loan-to-deposit ratio is more than reasonable based on the institution's size, financial condition, and the assessment area's credit needs;
- ANB originated a substantial majority of its loans to borrowers within its assessment areas;
- ANB's borrower and geographic distribution reflects reasonable dispersion and penetration across borrower income-levels, business sizes and geographies; and
- ANB demonstrates excellent responsiveness to the community development needs in its assessment area (AA).

## **Scope of Examination**

This performance evaluation assesses the bank's performance under the Lending and Community Development Tests. The evaluation period under the Lending Test covers the bank's performance from January 1, 2005 through December 31, 2007 and includes all data reported under the Home Mortgage Disclosure Act (HMDA) and CRA small business loans from this period. Conclusions regarding ANB's lending performance are based on home mortgage lending and small loans to businesses because these are considered the bank's primary products based on a review of the number and dollar amount originated during the evaluation period.

The evaluation period for the community development test, which includes community development loans, investments, and services is from October 31, 2005 through March 3, 2008.

## **Description of Institution**

American National Bank & Trust Company (ANB), founded in 1909, is an interstate bank headquartered in Danville, Virginia (VA) with operations in VA and North Carolina (NC). As of December 31, 2007, ANB had total assets of \$772 million. ANB is wholly owned by American National Bankshares, Inc. (ANBI), which is also headquartered in Danville, VA. ANBI is single-bank holding company and does not have any affiliates or subsidiaries.

ANB is a full-service bank offering retail and commercial banking services as well as internet and phone banking throughout markets in the Pittsylvania, Henry, Halifax counties of VA and Caswell County, NC. In April 2006, ANB acquired Community First Bank. With the acquisition of Community First, ANB expanded into Lynchburg City, Bedford City, Campbell County and Bedford County in VA with its full range of loan, deposit, trust and investment services. The merger with Community First Bank also added an additional

office in Lovingson, VA, which serves Nelson County and offers the same financial services. The bank also has a loan production office in Greensboro, NC.

ANB operates 18 full-service offices and 23 automated teller machines. During the evaluation period from October 23, 2005 to March 3, 2008, the bank added five new offices and closed one loan-production office in Lynchburg, VA.

As of December 31, 2007, ANB had net loans of \$545 million, or 71% of its average assets, Tier-One Capital of \$88 million and a Tier-One Leverage Capital ratio of 11.76%. The loan portfolio consists of 49% commercial real-estate loans, 33% one to four family residential real-estate loans, 15% commercial and industrial loans, 2% consumer loans and 1% agricultural and municipal loans.

There are no legal, financial or other factors impeding ANB's ability to help meet the credit needs in its AAs. ANB received an "Outstanding" rating on its last performance evaluation, dated October 31, 2005.

## **Selection of Areas for Full-Scope Review**

In each state where the bank has an office, a sample of AAs (AAs) within that state was selected for full-scope reviews. The Danville metropolitan statistical area (MSA), the Henry/Halifax non-MSA in Virginia and the Yanceyville non-MSA in North Carolina were selected for full-scope review during this evaluation period. Refer to the "Scope" section under each state rating for details regarding how the areas were selected.

## **Ratings**

The bank's overall rating is a blend of the state ratings. More weight was placed on Virginia's state rating because the majority of the bank's lending and deposits are located in Virginia. Ninety-six percent of the deposit market share is in Virginia, and 98% of the bank's lending volume originates in VA.

ANB has five AAs. The state ratings are based primarily on those areas that received full-scope reviews. Full-scope reviews were performed in the Danville VA MSA and the Henry/Halifax VA non-MSA as the bank's largest market share for loans and deposits is concentrated in these two areas. A full-scope review was also performed for the Yanceyville, NC non-MSA as this was the only AA in NC. Because of the bank's recently established presence in the Lynchburg and Charlottesville VA MSAs, these areas were designated for limited-scope reviews as they generated comparatively less activity than the Danville VA MSA and Henry/Halifax non-MSA. Limited-scope reviews were considered to the extent that they were consistent or not consistent with the bank's performance in the full-scope AAs. Refer to the "Scope" section under each state rating for details regarding how the areas were weighted in arriving at the overall state rating.

## Conclusions with Respect to Performance Criteria

ANB's performance under the Lending Test is considered "satisfactory". More weight was placed on ANB's performance in Virginia as the majority of the bank's loan and deposit market share is generated in this state. ANB's loan-to-deposit ratio is more than reasonable and a substantial majority of the loans originated were inside the bank's AA. The geographic distribution of ANB's residential and business loans reflect reasonable dispersion among geographies and the bank's borrower distribution reflects reasonable penetration among borrowers of different income-levels and businesses of different sizes.

### Loan-to-Deposit Ratio

ANB's average loan-to-deposit ratio is more than reasonable compared to similarly situated competitors in the region. The bank's quarterly average loan-to-deposit ratio since the last CRA examination was 88%. This ratio exceeds those of similarly situated national banks in VA, which averaged 85%.

### Lending in Assessment Area

ANB originated a substantial majority of its loans inside its AA. Based on originations and purchases of residential, business, farm and community development loans during the evaluation period, 89% of the loans in number and 98% in dollar volume were inside the AA.

Table 1 - Lending in ANB's Assessment Areas (AA)										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home mortgages	1320	89	162	11	1482	139,999	81	32,487	19	172,486
Small Business/Farm	1588	89	205	11	1793	193,705	85	33,219	15	226,924
Community Development	89	100	0	0	89	2,965,000	100	0	0	2,965,000
Totals	2997	89	367	11	3364	3,298,704	98	65,706	2	3,364,410

Source: HMDA, CRA data 2005-2007, CD loans 10/23/05-03/03/2008

## Fair Lending or Other Illegal Credit Practices Review

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.

# State Rating

## State of Virginia

### **CRA Rating for Virginia: Outstanding.**

**The Lending test is rated: Satisfactory.**

**The Community development test is rated: Outstanding.**

The primary factors supporting this rating are:

- Satisfactory borrower distribution of residential mortgage loans to low- and moderate-income borrowers and loans to businesses of different sizes;
- Satisfactory geographic distribution of residential mortgages and small business loans to low- and moderate-income geographies; and
- An excellent level of community development participation through the bank's involvement in CD loans, investments, and services that reflect outstanding responsiveness to needs of the community.

## **DESCRIPTION OF INSTITUTION'S OPERATIONS IN VIRGINIA**

The bank's primary market is in the state of Virginia. ANB's main competitors in the state for lending include Branch Banking & Trust Co., SunTrust Mortgage Inc., Wachovia, American Express Bank, Bank of America and GE Capital Financial Inc. ANB is a prominent home mortgage lender in its Virginia AAs and ranks as number one in the Danville VA MSA. Because the bank was not required to report small business lending, the bank's business lending market share in the area was not determinable. The bank operates 17 branches in Virginia and each offers a full range of banking and trust services. Within the state of Virginia, the bank has identified four AAs.

The Danville VA MSA AA is the bank's primary market. The bank operates nine branches and five stand-alone ATMs in the area. This AA encompasses the entire Danville VA MSA (19260). The AA has a total population of 110,156 and has 28 census tracts. Of those 28 tracts, six are moderate-income (with 18.76% of the AA's total population) and none are low-income. The AA is marked by higher than average unemployment rates but lower than average housing costs. The area was once heavily dependant on the textile trade, but is in a period of transition. Retail trade employment and manufacturing are expected to be the primary drivers of any future employment growth. An international furniture manufacturing subsidiary and a 500,000 square foot retail center are two newer ventures which are expected to create a combined 1,300 jobs. However, a major obstacle to higher paying jobs in the area is the lack of training available and the local education levels. As of the end of 2007, only 11% of the population over 25 years of age had bachelor's degrees<sup>1</sup>. As a result, out-migration is high, wages remain suppressed, and the unemployment rate of 6.2% is above the national average of 4.6% and the state average of 3.0% (as of the end of 2007).

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<sup>1</sup> Source: Moody's Economic Data 2007

The Henry/Halifax Non-MSA AA is the bank's secondary market. The bank operates four branches and two stand-alone ATMs in the area. This AA includes the two non-MSA counties of Henry and Halifax. These counties border the Danville VA MSA to the east and west, respectively. Of a total of 25 census tracts, four are moderate-income while none are low-income. The total population of the AA is 110,701, with an adjusted median income of \$49,600 for 2007. In 2007, the unemployment rate was 6.1% and 6.3% for Henry and Halifax counties, respectively. Within Henry County, Martinsville was designated as a distressed non-metropolitan middle-income area during the entire evaluation period. Henry and Halifax counties were designated as distressed non-metropolitan middle-income areas for 2005.

The bank's operations in its other two Virginia AAs are limited, and therefore received a limited-scope evaluation. The Lynchburg MSA AA includes 44 census tracts. Of the 44 tracts, two are low-income and seven are moderate-income. The average adjusted median family income for 2007 was \$54,200, and the 2007 year end unemployment rate was 3.5%. The bank operates three branches in the area. The AA encompasses Bedford and Campbell Counties. The Charlottesville MSA AA includes two census tracts, both of which are moderate-income. This AA has a total population of 9,784 with an adjusted median family income for 2007 of \$66,800. The Charlottesville MSA has an unemployment rate of 2.6%, as of year end 2007. The bank operates one branch in this AA.

## **SCOPE OF EVALUATION IN VIRGINIA**

The Danville VA MSA and Henry/Halifax non-MSA AAs received full-scope reviews and the Lynchburg and Charlottesville MSAs received limited-scope reviews. The Virginia state ratings are based primarily on results of those areas that received full-scope reviews.

The Danville VA MSA and Henry/Halifax non-MSAs were most heavily weighted in arriving at the overall conclusions as the bank's largest market share for loans and deposits is concentrated in these two areas. Ninety-one percent of lending in the VA AAs originates from the Danville and Henry/Halifax AAs and 77% of the bank's deposits are within these two AAs. After the acquisition of Community First Bank in 2006, ANB expanded its presence in the Lynchburg and Charlottesville MSAs. Limited-scope reviews were performed on these MSAs as the bank generated less activity due to ANB's recently established presence in these areas. Lynchburg and Charlottesville represent 9% of the bank's lending volume and 23% of the deposits in the state.

One community contact was contacted during this examination. The community contact was a local foundation operating in the Pittsylvania, Danville and Caswell county region. The foundation is dedicated to promoting economic transformation, educational attainment, health and community engagement in the area. The community contact discussed the economic problems in the area stemming from high unemployment over the past several years due to the flight of textile employers, who used to be the largest and primary source of employment in the region. Revitalizing the community through economic transformation and the creation of affordable housing are all concerns in the area. ANB was mentioned as one of the local banks in the area still closely connected to the community.

# CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN VIRGINIA

## LENDING TEST

The bank's performance under the lending test in Virginia is rated "Satisfactory".

The bank exhibits satisfactory distribution of residential mortgage and business loans among borrowers of different income levels and businesses of different sizes. The bank has satisfactory distribution of residential mortgage loans and business loans among low- and moderate-income geographies.

### Lending to Borrowers of Different Incomes and to Businesses of Different Sizes

#### Danville VA MSA AA

ANB shows reasonable penetration of residential loans among low- and moderate-income borrowers. Compared to the percentage of AA's families at each income level, the bank was significantly lower than the low-income ratio but exceeded the moderate-income ratio in the AA. As of January 2008, the unemployment rate in the Danville VA MSA was 7.2%<sup>2</sup>. In addition, Danville has a relatively high poverty level of 16% according to 2000 U.S. census data. The average home price is \$71,311<sup>3</sup>. These factors affect the bank's ability to lend among lower income populations.

Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Purchase	20.64	6.30	17.93	23.29	22.05	25.75	39.38	44.66
Refinance	20.64	9.76	17.93	19.02	22.05	22.93	39.38	48.29
Improvement	20.64	17.11	17.93	30.26	22.05	22.37	39.38	30.26
<b>TOTALS</b>	<b>20.64</b>	<b>11.06</b>	<b>17.93</b>	<b>24.19</b>	<b>22.05</b>	<b>23.68</b>	<b>39.38</b>	<b>41.07</b>

Source: ANB HMDA data 2005-2007, 2000 U.S. Census data

ANB's lending to small businesses by borrower distribution reflects reasonable penetration. Compared to the percentage of AA businesses with gross annual revenues less than or equal to \$1 million, the bank is lower than this ratio in terms of dollar volume and the number of loans originated.

Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	67.34	4.37	28.29	100
% of Bank Loans in AA by #	56.23	36.65	7.12	100
% of Bank Loans in AA by \$	43.16	51.88	4.97	100

Source: ANB CRA data 2005-2007, 2007 Dunn & Bradstreet data

<sup>2</sup> Source: Department of Labor Statistics

<sup>3</sup> Source: 2000 U.S. Census Data



## Henry/Halifax non-MSA AA

ANB shows reasonable penetration of residential loans among low- and moderate-income borrowers. Compared to the percentage of AA's families at each income level, the bank was significantly lower than the low-income ratio but is near to the moderate-income ratio in the AA. In addition, Martinsville City in Henry county, has been designated a distressed non-metropolitan middle-income geography since 2005. While a small number of loans have been made to Martinsville, they are all to these distressed middle-income geographies. As a result, credit was given for lending in this area. High unemployment rates and a 15% poverty level in the area hinder the bank's lending ability among lower income populations

<b>Table 2 - Borrower Distribution of Residential Real Estate Loans in Henry/Halifax AA</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Purchase	20.46	3.55	18.86	17.75	23.54	24.26	37.14	54.44
Mortgage Refinance	20.46	3.48	18.86	13.91	23.54	27.83	37.14	54.78
Improvement	20.46	9.09	18.86	22.73	23.54	13.64	37.14	54.55
<b>TOTALS</b>	<b>20.46</b>	<b>5.73</b>	<b>18.86</b>	<b>18.13</b>	<b>23.54</b>	<b>21.91</b>	<b>37.14</b>	<b>54.59</b>

Source: ANB HMDA data 2005-2007, 2000 U.S. Census data

ANB's lending to small businesses by borrower distribution reflects reasonable penetration.

<b>Table 2A - Borrower Distribution of Loans to Businesses in Henry/Halifax AA</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	66.79	4.74	28.46	100
% of Bank Loans in AA by #	60.47	23.67	15.84	100
% of Bank Loans in AA by \$	55.77	33.90	10.31	100

Source: ANB CRA data 2005-2007, 2007 Dunn & Bradstreet data

Compared to the percentage of AA businesses with gross annual revenues less than or equal to \$1 million, the bank is near to this ratio in number of loans and dollar volume.

## Lynchburg MSA AA, Limited Scope

Based on limited-scope reviews, the bank's performance under the lending test in the Lynchburg, MSA is inconsistent with full-scope areas for borrower distribution of loans. Lynchburg has poor penetration among low- and moderate-income borrowers for residential loans. However, because of the bank's recently established presence in the area and the small number of home mortgage originations made during the evaluation period, this performance did not weigh heavily. The bank's performance for small business penetration is not inconsistent with full-scope areas.

## Charlottesville MSA AA, Limited Scope

Based on limited-scope reviews, the bank's performance under the lending test in the Charlottesville, MSA is not inconsistent with the bank's overall lending test rating under the lending test in the full-scope areas.

## Geographic Distribution of Loans

### Danville MSA AA

ANB shows a reasonable dispersion of residential loans among moderate-income geographies. There are no low-income areas in the Danville MSA. However, compared to the percentage of owner-occupied housing located in moderate-income levels in the AA, the bank was near to this ratio.

Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Purchase	0.00	0.00	12.48	8.81	76.30	65.80	11.22	25.39
Refinance	0.00	0.00	12.48	7.37	76.30	72.81	11.22	19.82
Improvement	0.00	0.00	12.48	17.50	76.30	68.75	11.22	13.75
<b>TOTALS</b>	<b>0.00</b>	<b>0.00</b>	<b>12.48</b>	<b>11.23</b>	<b>76.30</b>	<b>69.12</b>	<b>11.22</b>	<b>19.65</b>

Source: ANB HMDA data 2005-2007, 2000 U.S. Census data

ANB shows reasonable dispersion of small business loans among moderate-income geographies. There are no low-income areas located in the Danville MSA. The bank was near to the percentage of AA businesses located in the moderate-income level part of the AA.

<b>Table 3A – Geographic Distribution of Loans to Businesses in Danville, VA</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type Small Business	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
<b>TOTALS</b>	<b>0.00</b>	<b>0.00</b>	<b>18.99</b>	<b>17.79</b>	<b>71.22</b>	<b>70.11</b>	<b>9.79</b>	<b>12.10</b>

Source: ANB CRA data 2005-2007, 2007 Dunn & Bradstreet data

### Henry/Halifax non-MSA AA

ANB shows reasonable dispersion of residential loans among moderate-income geographies. There are no low-income areas located in the Henry/Halifax non-MSA. However, compared to the percentage of owner-occupied housing located in moderate-income levels in the AA, the bank was near this ratio. In addition, Martinsville City in Henry county, has been designated a distressed non-metropolitan middle-income geography since 2005. While a limited number of loans have been made to Martinsville, they are all in middle-income geographies, therefore credit was given for loan distribution in this area.

<b>Table 3 - Geographic Distribution of Residential Real Estate Loans in Henry/Halifax AA</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Purchase	0.00	0.00	9.64	10.34	86.96	79.31	3.40	10.34
Refinance	0.00	0.00	9.64	9.24	86.96	84.87	3.40	5.88
Improvement	0.00	0.00	9.64	13.04	86.96	86.96	3.40	0.00
<b>TOTALS</b>	<b>0.00</b>	<b>0.00</b>	<b>12.48</b>	<b>11.23</b>	<b>76.30</b>	<b>69.12</b>	<b>11.22</b>	<b>19.65</b>

Source: ANB HMDA data 2005-2007, 2000 U.S. Census data

ANB demonstrates poor dispersion of small business loans in moderate-income geographies. There are no low-income areas located in the Henry/Halifax non-MSA. Compared to percentage of businesses located in the moderate-income level part of the AA, the bank is significantly lower than this ratio. Competition in this non-MSA area is dominated by large national financial institutions affecting the bank's lending ability in the area.

<b>Table 3A - Geographic Distribution of Loans to Businesses in Henry/Halifax AA</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type Small Business	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
<b>TOTALS</b>	<b>0.00</b>	<b>0.00</b>	<b>10.83</b>	<b>3.28</b>	<b>87.19</b>	<b>90.35</b>	<b>1.99</b>	<b>6.38</b>

Source: ANB CRA data 2005-2007, 2007 Dunn & Bradstreet data

## **Lynchburg MSA AA, Limited Scope**

Based on limited-scope reviews, the bank's performance under the lending test in the Lynchburg, MSA is inconsistent with the bank's overall lending test rating under full-scope areas. Performance in Lynchburg is stronger than the full-scope areas because lending in the Lynchburg MSA demonstrates excellent dispersion of residential mortgages across moderate-income geographies and excellent dispersion of loans to small business across these moderate-income geographies.

## **Charlottesville MSA AA, Limited Scope**

Based on limited-scope reviews, the bank's performance under the lending test in the Charlottesville, MSA is not inconsistent with the bank's overall lending test rating under the full-scope areas.

## **Responses to Complaints**

During this evaluation period there were no complaints related to the bank's performance in meeting AA credit needs. This has a neutral impact on the overall CRA rating.

## **COMMUNITY DEVELOPMENT TEST**

The bank's performance under the community development test in Virginia is rated "Outstanding". Community development lending in Virginia had a positive effect on the overall CRA performance. Together, qualified investments and loans total approximately \$4.49 million or 5.1% of Tier-One Capital.

## **Number and Amount of Community Development Loans**

The bank originated 86 loans in VA totaling \$2.75 million during the evaluation period. Community development loans were distributed among various projects including economic development initiatives, community service programs for low- to moderate-income individuals and affordable housing project financing.

In the Danville MSA, the bank originated five loans totaling \$248,400. In the Henry/Halifax non-MSA AA, the bank originated eleven loans totaling \$2.11 million. The limited scope Lynchburg MSA had 70 loans totaling \$167,955. The limited-scope Charlottesville MSA AA did not receive any community development loans. Due to the bank's relatively small presence in the Charlottesville MSA and because the AA consists of only two census tracts, this did not have a negative on the bank's rating.

## **Number and Amount of Qualified Investments**

The bank made 148 qualified investments and contributions totaling \$1.74 million in 2005-2007 that provide direct benefit to the AAs in Virginia. Within the total number of qualified investments and contributions, six investments totaling \$1.5 million were from the prior evaluation period. These continuing investments provide direct benefit to the AA. In addition, eight investments and contributions totaling \$1.61 million provide direct benefit to the wider geographic area of the state of Virginia. Investments consist of bonds purchased from the local Housing and Development Authority and the local Industrial Development Authority. Contributions were made to organizations that provide healthcare, human services, and housing for low- and moderate-income individuals and geographies. In addition, contributions were made to organizations offering economic and business development opportunities for small businesses, small farms and distressed geographies.

There were a total of 93 investments and contributions totaling \$1.78 million during the evaluation period for the Danville MSA. In the Henry/Halifax non-MSA, the bank made a total of 35 contributions and donations totaling \$12 thousand during the evaluation period.

In the limited-scope areas, the Lynchburg MSA had a total of 12 contributions totaling \$14 thousand during the evaluation period. The Charlottesville MSA did not have any investments or contributions made in Charlottesville during the evaluation period. Again, due to their limited presence, the Charlottesville performance did not negatively impact the rating.

## **Extent to Which the Bank Provides Community Development Services**

During the evaluation period, in the Danville MSA and Henry/Halifax non-MSA, 25 officers and employees provided technical services and support to 42 qualified community development organizations.

In the limited scope area of the Lynchburg MSA, five officers and employees provided technical services and support to five qualified community development organizations. There were no services provided to qualified community development organizations in the Charlottesville MSA.

The bank also participates in various programs directed towards meeting community needs. The bank has 10 lending programs that serve the Virginia AAs and provide assistance and financing for affordable housing, SBA loans, small business development, rural, and agricultural programs. There were 61 new small business loans and 350 new mortgage loans during the evaluation period.

## **Responsiveness to Community Development Needs**

Given the bank's capacity and availability of community development opportunities in the AA the bank demonstrates excellent responsiveness to community development needs in its AA through community development loans, qualified investments and community development services.

# State Rating

## State of North Carolina

### CRA Rating for North Carolina: Satisfactory

**The Lending test is rated: Satisfactory.**

**The Community development test is rated: Outstanding.**

The primary factors supporting this rating are:

- Satisfactory borrower distribution of residential mortgage loans to low- and moderate-income borrowers; and
- Satisfactory geographic distribution of residential mortgages and small business loans given the distressed designation and nature of the assessment area; and
- Excellent level of community development participation through the bank's involvement in CD loans, investments, and services that reflect outstanding responsiveness to needs of the community.

## DESCRIPTION OF INSTITUTION'S OPERATIONS IN NORTH CAROLINA

This AA consists of four census tracts within Caswell County, all of which are designated middle-income. The AA is on the North Carolina/Virginia border and is adjacent to the bank's Danville MSA AA. The bank operates one branch and one stand-alone ATM within the AA. The bank has captured 45% of the deposit market share and its primary competitor in the area is Fidelity Bank.

The population of the AA is 14,933 and the adjusted median family income for 2007 was \$45,700. The unemployment rate for the whole of Caswell County is 6.5%, compared to a state average of 4.8%. The area has been classified as a distressed non-metropolitan middle-income county since 2005. The area's largest employers are the state and county governments, followed by several textile firms. As in the rest of North Carolina, the AA is losing textile jobs. Particularly in rural areas, such as Caswell, the impact of these job losses is significant. Built-up areas of the state have compensated for textile industry losses with high-tech manufacturing and research/development. Lacking the favorable demographic trends and infrastructure of the urban areas, creating a sustainable job base will remain a challenge for the area.

## SCOPE OF EVALUATION IN NORTH CAROLINA

The bank has one AA in the state of North Carolina, the Caswell County Non-MSA AA.

The community contact was a local foundation operating in the Pittsylvania, Danville, and Caswell county region dedicated to promoting economic transformation, educational attainment, health and community engagement in the area. The community contact discussed the economic problems in the area stemming from high unemployment over the past several years due to the flight of textile employers, who used to be the largest and primary source of employment in the region. Revitalizing the community through economic transformation and creating affordable housing are all concerns

in the area. ANB was mentioned as one of the local banks in the area still closely connected to the community.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN NORTH CAROLINA

### LENDING TEST

The bank’s performance under the lending test in North Carolina is rated “Satisfactory”.

The bank exhibits reasonable distribution to borrowers of different income groups and geographies. While there are no low- or moderate-income geographies in this AA, the bank receives credit for lending as the area has been designated as a distressed non-metropolitan middle-income county for the entire evaluation period. While lending to businesses of different sizes reflects poor distribution, given the banks limited small business lending in the AA, this was not heavily weighted.

#### Lending to Borrowers of Different Incomes and to Businesses of Different Sizes

ANB’s lending demonstrates excellent penetration to borrowers in low- and moderate- income groups. Compared to the percentage of owner-occupied housing located in low- and moderate-income levels in the AA, the bank’s percentage of loans is lower than the low-income ratio, but exceeds the ratio for the moderate-income population in the AA.

Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Purchase	19.94	0.00	16.80	25.00	22.96	50.00	40.29	25.00
Refinance	19.94	13.33	16.80	0.00	22.96	40.00	40.29	46.67
Improvement	19.94	16.67	16.80	25.00	22.96	16.67	40.29	41.67
<b>TOTALS</b>	<b>19.94</b>	<b>15.00</b>	<b>16.80</b>	<b>25.00</b>	<b>22.96</b>	<b>35.56</b>	<b>40.29</b>	<b>37.78</b>

Source: ANB HMDA data 2005-2007, 2000 US Census data

ANB’s lending to small businesses by borrower distribution reflects reasonable penetration to small businesses in the AA. Compared to the percentage of AA businesses with gross annual revenues less than or equal to \$1 million, the bank is lower than this ratio in dollar volume and number of loans. However, given the limited area of the AA and the distressed nature of the geography, this portion of the test was not heavily weighted.

<b>Table 2A - Borrower Distribution of Loans to Businesses in Yanceyville, NC</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	64%	.02%	34%	100%
% of Bank Loans in AA by #	57%	43%	0%	100%
% of Bank Loans in AA by \$	20%	80%	0%	100%

Source: ANB CRA data 2005-2007, 2007 Dunn & Bradstreet data

## Geographic Distribution of Loans

The geographic distribution of loans reflects reasonable dispersion throughout the AA. Though there are no low- or moderate-income tracts in this AA, the area was designated as a distressed non-metropolitan middle-income county for the duration of the evaluation period. Therefore, the bank received consideration for lending to the middle-income tracts. Compared to the percentage of owner-occupied housing located in middle-income levels in the AA, the bank meets this ratio.

<b>Table 3 – Geographic Distribution of Residential Real Estate Loans in Yanceyville, NC</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Purchase	0.00	0.00	0.00	0.00	100.00	100.00	0.00	0.00
Refinance	0.00	0.00	0.00	0.00	100.00	100.00	0.00	0.00
Improvement	0.00	0.00	0.00	0.00	100.00	100.00	0.00	0.00
<b>TOTALS</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>100.00</b>	<b>100.00</b>	<b>0.00</b>	<b>0.00</b>

Source: ANB HMDA data 2005-2007, 2000 U.S. Census Data

The geographic distribution of loans to business reflects reasonable dispersion throughout the AA. Though there are no low- or moderate-income tracts in this AA, the area was designated as distressed for the duration of the evaluation period. Therefore, the bank received consideration for business lending to the middle-income tracts. Compared to the percentage of businesses located in the middle-income level part of the AA, the bank meets this ratio.



<b>Table 3A - Geographic Distribution of Loans to Businesses in Yanceyville, NC</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
<b>TOTALS</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>100.00</b>	<b>100.00</b>	<b>0.00</b>	<b>0.00</b>

Source: ANB CRA data 2005-2007, 2007 Dunn & Bradstreet data

## Responses to Complaints

Neither the bank nor the OCC received any CRA related complaints during the evaluation period. This has a neutral impact on the CRA rating.

## COMMUNITY DEVELOPMENT TEST

The bank's performance under the community development test in North Carolina is rated "Outstanding". While the volume of loans and investments only amounts to approximately \$216 thousand, compared to the size of the AA and its distressed and rural demographics, ANB's contribution in this area is considered to be outstanding.

### Number and Amount of Community Development Loans

During the evaluation period the bank funded one \$15 thousand commitment from 2005 for an affordable housing project. The bank also made a \$200 thousand commitment to finance two additional affordable housing initiatives within Caswell County.

### Number and Amount of Qualified Investments

The bank made four qualified contributions totaling approximately \$675 during the evaluation period to organizations that provide support services to battered women and children and food services to low- and moderate-income individuals. The bank's opportunities to contribute are limited by the small number of community development organizations located in the rural community.

### Extent to Which the Bank Provides Community Development Services

During the evaluation period and across the bank's AAs, an officer and an employee provided technical services and support to two qualified community development organizations.

In addition, the bank participates in programs directed towards community development needs. One lending program serves the North Carolina AA and provides assistance and financing for affordable housing for low-income individuals and provides financing to local governments and nonprofit organizations to build or rehabilitate affordable housing. Two loans were originated during the evaluation period.

### **Responsiveness to Community Development Needs**

Given the bank's capacity and availability of community development opportunities in the AA the bank demonstrates excellent responsiveness to community development needs in its AA through community development loans, qualified investments and community development services.

## Appendix A: Scope of Examination

The following table identifies the time period covered in this evaluation, affiliate activities that were reviewed, and loan products considered. The table also reflects the metropolitan and nonmetropolitan areas that received comprehensive examination review (designated by the term “full-scope”) and those that received a less comprehensive review (designated by the term “limited-scope”).

<b>Time Period Reviewed</b>	Lending Test: 01/01/05 to 12/31/07 Community Development Test: 10/23/05 to 03/03/08	
<b>Financial Institution</b>	<b>Products Reviewed</b>	
American National Bank and Trust Company (ANB) Danville, VA	Home Purchases Home Improvements Home Refinances Small Business loans	
<b>Affiliate(s) : None</b>	<b>Affiliate Relationship</b>	<b>Products Reviewed</b>
<b>List of Assessment Areas and Type of Examination</b>		
<b>Assessment Area</b>	<b>Type of Exam</b>	<b>Other Information</b>
<b>Virginia</b>		
Danville 19260	Full-scope	
Henry/Halifax (non-MSA)	Full-scope	
Lynchburg 31340	Limited-scope	
Charlottesville 16820	Limited-scope	
<b>North Carolina</b>		
Yanceyville (non-MSA)	Full-scope	

## Appendix B: Summary of State Ratings

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Overall Bank:	Lending Test Rating	Community Development Test Rating	Overall Bank/State/ Rating
AMERICAN NATIONAL BANK AND TRUST CO.	Satisfactory	Outstanding	Outstanding
VIRGINIA	Satisfactory	Outstanding	Outstanding
NORTH CAROLINA	Satisfactory	Outstanding	Satisfactory