



## **Intermediate Small Bank**

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Comptroller of the Currency  
Administrator of National Banks  
Washington, DC 20219

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### **PUBLIC DISCLOSURE**

**October 31, 2005**

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**American National Bank and Trust Company  
Charter Number 9343**

**628 Main Street  
Danville, VA 24541**

**Comptroller of the Currency  
Virginia Field Office  
3800 Electric Road, Suite 204  
Roanoke, VA 24018**

*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: **OUTSTANDING**

The Community Development Test is rated: **OUTSTANDING**

The major facts that support this rating include:

- The loan-to-deposit ratio is more than reasonable given the bank's size, financial condition, and the assessment areas (AA) credit needs.
- The bank made a substantial majority of its loans within its AAs.
- The geographic distribution of loans reflects excellent dispersion throughout the AAs.
- The distribution of borrowers reflects, given the demographics of the AAs, reasonable penetration among individuals of different income levels (including low- and moderate-income and businesses of different sizes.
- The bank's community development performance demonstrates excellent responsiveness to community development needs in its AAs.

## **Scope of Examination**

This Performance Evaluation assesses the bank's performance under the Lending and Community Development Tests. The evaluation under the Lending Test covers the bank's performance from January 1, 2002 through September 31, 2005, excluding community development loans. We reviewed small loans to businesses reported under the CRA for years 2002 through 2004 and sampled loans originated between January 1 and September 30, 2005. We reviewed home purchase, home improvement, and refinance loans reported under the Home Mortgage Disclosure Act (HMDA) for the years 2002 through 2004, and for the first three quarters of 2005. The evaluation period for community development loans, investments, and services is May 7, 2002 through October 31, 2005.

The Lending Test analysis is based primarily on the bank's performance during the period January 1, 2002 through September 30, 2005 using comparative demographic data from the 2000 U. S. Census. Loans originated during 2002 were evaluated separately using comparative demographic data from the 1990 U. S. Census. The bank's performance during 2002 was compared to its performance during the primary evaluation period. These conclusions were factored into the final ratings for each state and the bank's performance overall.

## **Description of Institution**

American National Bank & Trust Company (ANB) is an interstate bank headquartered in Danville, Virginia (VA) with operations in VA and North Carolina (NC). ANB is wholly-owned by American National Bankshares, Inc. (ANBI). ANBI is a \$616 million bank holding company also headquartered in Danville and listed on the NASDAQ national market under the symbol

“AMNB.” Two former bank subsidiaries, ANB Services Corp. and ANB Mortgage, were merged into the bank as of January 1, 2005.

ANB is a full service community bank serving the cities of Danville, Lynchburg and Martinsville, and the counties of Bedford, Campbell, Henry, Halifax and Pittsylvania in VA, and Caswell County in NC. ANB operates 15 full service offices and 17 automated teller machines (ATMs). Two branch offices were opened during the evaluation period; one in the town of Ridgeway in Henry County (2002) and one in the Forest community in Bedford County (2005).

ANB’s primary loan products are loans to businesses and residential mortgage loans. As of June 30, 2005, loans to businesses represented approximately 49%, and residential mortgages represented approximately 36%, of total loans outstanding. As of June 30, 2005, Tier 1 capital was \$70 million, Tier 1 risk-based capital to risk weighted assets equaled 15.7%, and Tier 1 leverage capital equaled 11.4%.

There are no legal, financial or other factors impeding ANB’s ability to help meet the credit needs in its AAs. ANB received a “Satisfactory” rating on its May 2002 CRA Performance evaluation.

## **Conclusions About Performance Tests**

ANB’s overall rating is a blend of the VA and NC State ratings. The VA rating was given the most weight because the largest majority of ANB’s outstanding loans and deposits and those originated during the evaluation period are located there.

ANB has five AAs. The state ratings are based primarily on those areas that received full-scope reviews; the Danville, VA MSA AA and the Caswell County, NC Non-MSA AA. Limited-scope reviews were conducted for the Martinsville/Henry County and Halifax County Non-MSA AAs and the Lynchburg MSA AA in VA. Results of the limited-scope reviews were considered to the extent that they were consistent or not consistent with the bank’s performance in the full-scope AA.

## **Lending Test**

### **Loan-to-Deposit Ratio**

ANB’s average loan-to-deposit (LTD) ratio is more than reasonable compared to similarly situated competitors in VA and NC. The bank’s quarterly average loan-to-deposit ratio since the last CRA examination is 83%. This ratio exceeds those of similarly situated banks in VA (60%) and NC (77%).

### **Lending in Assessment Areas**

A substantial majority of loans and other lending related activities were inside the bank’s AAs. For the evaluation period, 93% of business loans and 92% of home mortgage loans, a blended average of 92%, were made inside the bank’s AAs.

**Table 1 - Lending Bank-wide**

Loan Type	Number of Loans				Total	Dollars of Loans (000s)				Total
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Loans to businesses <sup>1</sup>	1,817	93%	143	7%	1,960	174,212	92%	14,211	8%	188,423
HMDA Loans <sup>2</sup>	1,348	92%	121	8%	1,469	119,081	86%	19,768	14%	138,849
Totals	3,165	92%	264	8%	3,429	293,293	90%	33,979	10%	327,272

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

The distribution of borrowers reflects reasonable penetration among individuals of different income levels and businesses of different sizes. The distribution of HMDA loans and small loans to businesses was reasonable. A majority of loans to businesses were for amounts less than \$100 thousand. Refer to the State Rating sections for VA and NC for related facts and data.

### **Geographic Distribution of Loans**

The geographic distribution of loans reflects excellent dispersion throughout the AAs. The distribution of HMDA loans and small loans to businesses was excellent. There are no apparent gaps or areas of low penetration in the bank's lending patterns. Refer to the State Rating sections for VA and NC for related facts and data.

### **Responses to Complaints**

There were no complaints regarding the bank's CRA performance during the evaluation period.

### **Community Development Test**

The bank's community development performance demonstrates excellent responsiveness to community development needs in its AAs through community development loans, qualified investments and community development services, considering the bank's capacity and the need and availability of such opportunities for community development in the bank's AAs.

### **Number and amount of community development loans**

The bank made nine community development loans totaling \$3.8 million during the evaluation period. Proceeds were used to finance affordable housing, business development in economically distressed areas, and to permit community development organizations to expand their services to low- and moderate-income persons and geographies. The bank also made a \$15 thousand dollar commitment to a qualified community development organization in NC to

<sup>1</sup> Includes all loans originated during the years 2002, 2003, and 2004, and a sample of loans from 2005.

<sup>2</sup> Includes all loans originated during the years 2002, 2003, and 2004, and between January 1 and September 30 of 2005.

support the development of affordable housing in the area. The bank's participation in the loan pool was limited because the program was oversubscribed by other participating banks.

### **Number and amount of qualified investments**

Community development investments equate to seven percent of the bank's Tier 1 capital. The bank made 104 qualified investments and contributions totaling approximately \$686 thousand during the evaluation period. The bank also retained 12 investments totaling \$4.1 million from the prior evaluation period. Investments and contributions went to organizations that provide health, human services, and housing for low- and moderate-income individuals and geographies, and to organizations that offer technical support and credit programs for small business, small farms, and economic development in distressed geographies.

### **Extent to which the bank provides community development services**

During the evaluation period and across the bank's AAs, 22 officers and employees provided technical services and support to 41 qualified community development organizations.

*Bank's responsiveness through such activities to community development lending, investment, and services needs*

The bank participates in nine lending programs throughout their AAs that provide assistance and financing for affordable housing, small business development, and rural agricultural programs. During the evaluation period, the bank originated 522 loans under these programs.

### **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.

# Virginia State Rating

**The overall CRA rating for Virginia: OUTSTANDING**

**The lending test is rated: OUTSTANDING**

**The community development test is rated: OUTSTANDING**

The major factors that support this rating include:

- The geographic distribution of loans reflects excellent dispersion throughout the AAs.
- The distribution of borrowers reflects, given the demographics of the AAs, reasonable penetration among individuals of different income levels (including low- and moderate-income and businesses of different sizes.
- The bank's community development performance demonstrates excellent responsiveness to community development needs in its AAs.

## Description of Bank's Operations in Virginia

ANB operates 14 bank branches in VA, nine of which are located in the full-scope AA that includes the city of Danville and Pittsylvania County. Danville City and Pittsylvania County make up the Danville, VA MSA 19260. ANB operates 16 ATMs in VA, 11 of which are located in the Danville AA. As of June 30, 2005, ANB had deposits of \$458 million in VA, which represented less than a 1% deposit market share in the state, and ranked 32nd out of 169 financial institutions operating in the state of VA. ANB's primary competitors in its AAs are Peoples National Bank, First Citizen's Bank and Trust Company, and Branch Banking and Trust Company.

Approximately 95% of ANB's total deposits and 94% of their residential real estate loans and small loans to businesses and farms originated during this evaluation period are located in the state of VA.

Refer to the market profile for the Danville, VA AA in the Appendix for detailed demographics and other performance context information on the area that received a full-scope review.

## Conclusions About Performance Criteria

ANB's performance in VA is rated **Outstanding**. Based on a full-scope review, ANB's performance in the Danville, VA AA is excellent.

In evaluating performance under the Lending Test and determining how each loan type would be weighted, we considered ANB's business strategy, the volume of originations, and community credit needs identified through discussions with community contacts. We also took into consideration the limitations that high rates of unemployment and poverty place on the bank's opportunities to lend. Overall, residential real estate loans, and small loans to businesses were considered ANB's primary products. Small loans to businesses and HMDA loans each received equal weight in the evaluation process.

In evaluating performance under the Community Development Test we considered the bank's capacity to lend and invest in its community, the availability of investment and community development lending opportunities, and the bank's responsiveness in providing services to the communities in which it does business.

## Lending Test

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

The distribution of borrowers reflects, given the demographics of the AA, reasonable penetration among individuals of different income levels and businesses of different sizes. The distribution of HMDA loans is reasonable. The distribution of loans to businesses that are small (those with less than \$1 million in gross annual revenues) is reasonable.

<b>Table 2 - Borrower Distribution of Residential Real Estate Loans in the Danville VA 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
Home purchase	21%	10%	18%	20%	22%	25%	39%	45%
Home improvement	21%	27%	18%	17%	22%	20%	39%	36%
Home refinance	21%	11%	18%	24%	22%	24%	39%	41%
<b>Total HMDA</b>	<b>21%</b>	<b>12%</b>	<b>18%</b>	<b>22%</b>	<b>22%</b>	<b>24%</b>	<b>39.38</b>	<b>42%</b>

<b>Table 2A - Borrower Distribution of Loans to Businesses/Farms in the Danville VA AA</b>				
Business Revenues (or Sales) <sup>3</sup>	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	67%	5%	28%	100%
% of Bank Loans in AA by #	57%	33%	20%	100%
% of Bank Loans in AA by \$	33%	62%	5%	100%

A majority of the loans to small businesses were for amounts less than \$100 thousand.

<b>Table 2C - Borrower Distribution of Loans to Businesses by Loan Size in the Danville VA AA</b>				
Loan Size (000's)	Number of Loans	Percent of Number	Dollar Volume of Loans	Percent of Dollar Volume
\$0 - \$100,000	484	73%	16,855	22%
\$100,001 - \$250,000	86	13%	14,521	19%
\$250,001 - \$1,000,000	92	14%	45,529	59%

<sup>3</sup> Business demographics are based on 2004 statistics.

The bank's performance during 2002 is consistent with its performance during the primary evaluation period. The bank's performance in limited-scope AAs is consistent with its performance in the full-scope AA.

### Geographic Distribution of Loans

The geographic distribution of loans reflects excellent dispersion throughout the AA. The distribution of HMDA loans is excellent. The distribution of small loans to businesses is reasonable.

<b>Table 3 - Geographic Distribution of Residential Real Estate Loans in the Danville VA 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
Home purchase	0	0	12%	13%	76%	64%	11%	23%
Home improvement	0	0	12%	16%	76%	72%	11%	11%
Home refinance	0	0	12%	6%	76%	77%	11%	17%
<b>Total HMDA</b>	<b>0</b>	<b>0</b>	<b>12%</b>	<b>11%</b>	<b>76%</b>	<b>70%</b>	<b>11%</b>	<b>19%</b>

<b>Table 3A - Geographic Distribution of Loans to Businesses/Farms in the Danville VA AA</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
Business	0	0	22%	21%	66%	63%	10%	13%

The bank's performance during 2002 is consistent with its performance during the primary evaluation period. The bank's performance in limited-scope AAs is generally consistent with its performance in the full-scope AA.

### Responses to Complaints

There were no complaints regarding the bank's CRA performance during the evaluation period.

### Community Development Test

The bank's community development performance demonstrates excellent responsiveness to community development needs in its AAs through community development loans, qualified investments and community development services, considering the bank's capacity and the need and availability of such opportunities for community development in the bank's AAs.

### **Number and amount of community development loans**

The bank made six community development loans totaling \$2.9 million during the evaluation period. Proceeds were used to finance affordable housing, business development in economically distressed areas, and to permit community development organizations to expand their services to low- and moderate-income persons and geographies.

### **Number and amount of qualified investments**

The bank made 56 qualified investments and contributions totaling approximately \$454 thousand during the evaluation period that provide direct benefit to the AA, and one investment of \$205 thousand that provides benefit to a wider geographic area that included the AA. The bank also retained six investments totaling \$1.4 million from the prior evaluation period that provide direct benefit to the AA and six investments totaling \$2.75 million that provide benefit to a wide geographic area including the AA. Investments and contributions went to organizations that provide health, human services, and housing for low- and moderate-income individuals and geographies, and to organizations offering technical support and credit programs for small business, small farms, and economic development in distressed geographies.

### **Extent to which the bank provides community development services**

During the evaluation period and across the bank's AAs, 22 officers and employees provided technical services and support to 25 qualified community development organizations.

### **Bank's responsiveness through such activities to community development lending, investment, and services needs**

The bank participates in seven lending programs that serve the VA AAs and provide assistance and financing for affordable housing, small business development, and rural agricultural programs. During the evaluation period, the bank originated 520 loans under these programs.

## North Carolina State Rating

**The CRA rating for North Carolina: SATISFACTORY**

**The lending test is rated: SATISFACTORY**

**The community development test is rated: OUTSTANDING**

The major factors that support this rating include:

- The distribution of borrowers reflects, given the demographics of the assessment area, reasonable penetration among individuals of different income levels and businesses of different sizes.
- The bank's community development performance demonstrates excellent responsiveness to community development needs in its AAs

### Description of Bank's Operations in North Carolina

ANB operates one bank branch and one remote ATM in the town of Yanceyville, NC. Yanceyville is located in the non-MSA County of Caswell. As of June 30, 2005, ANB had deposits of \$22 million in VA, which represented less than a 1% deposit market share in the state, and ranked 118th out of 133 financial institutions operating in the state of NC. ANB's only competitor in the AA is Fidelity Bank.

Approximately 5% of ANB's total deposits and 6% of their residential real estate loans and small loans to businesses and farms originated during this evaluation period are located in the state of NC.

Refer to the market profile for the Caswell Co., NC AA in the Appendix for detailed demographics and other performance context information on the area that received a full-scope review.

### Conclusions About Performance Criteria

ANB's performance in NC is rated **Satisfactory**. Based on a full-scope review, ANB's performance in the Caswell Co. AA is more than reasonable.

In evaluating performance under the Lending Test and determining how each loan type would be weighted, we considered ANB's business strategy, the volume of originations, and community credit needs identified through discussions with community contacts. We also took into consideration the limitations that high rates of unemployment and poverty place on the bank's opportunities to lend. Overall, residential real estate loans, and small loans to businesses were considered ANB's primary products. Small loans to businesses and HMDA loan types combined received equal weight in the evaluation process.

In evaluating performance under the Community Development Test we considered the bank's capacity to lend and invest in its community, the availability of investment and community development lending opportunities, and the bank's responsiveness in providing services to the communities in which it does business.

## Lending Test

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

The distribution of borrowers reflects, given the demographics of the AA, reasonable penetration among individuals of different income levels and businesses of different sizes. The distribution of HMDA loans is reasonable. The distribution of loans to businesses that are small (those with less than \$1 million in gross annual revenues) is reasonable.

<b>Table 2 - Borrower Distribution of Residential Real Estate Loans in the Caswell Co., NC 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
Home purchase	20%	0%	17%	15%	23%	15%	40%	70%
Home improvement	20%	31%	17%	13%	23%	37%	40%	19%
Home refinance	20%	0	17%	0	23%	38%	40%	62%
<b>Total HMDA</b>	<b>20%</b>	<b>13%</b>	<b>17%</b>	<b>11%</b>	<b>23%</b>	<b>30%</b>	<b>40%</b>	<b>46%</b>

<b>Table 2A - Borrower Distribution of Loans to Businesses/Farms in the Caswell Co., NC AA</b>				
Business Revenues (or Sales) <sup>4</sup>	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	72%	2%	26%	100%
% of Bank Loans in AA by #	59%	19%	22%	100%
% of Bank Loans in AA by \$	27%	45%	28%	100%

A majority of the loans to small businesses were for amounts less than \$100 thousand.

<b>Table 2C - Borrower Distribution of Loans to Businesses by Loan Size in the Caswell Co., NC AA</b>				
Loan Size (000's)	Number of Loans	Percent of Number	Dollar Volume of Loans	Percent of Dollar Volume
\$0 - \$100,000	25	78%	693	23%
\$100,001 - \$250,000	2	6%	274	9%
\$250,001 - \$1,000,000	5	16%	2,047	68%

The bank's performance during 2002 is stronger than its performance during the primary

<sup>4</sup> Business demographics are based on 2004 statistics.

evaluation period.

### **Geographic Distribution of Loans**

There are no low- or moderate-income geographies in the Caswell Co. AA. An analysis of the geographic distribution of loans would not be meaningful.

### **Responses to Complaints**

There were no complaints regarding the bank's CRA performance during the evaluation period.

### **Community Development Test**

The bank's community development performance demonstrates excellent responsiveness to community development needs in its AA through community development loans, qualified investments and community development services, considering the bank's capacity and the need and availability of such opportunities for community development in the bank's AA.

### **Number and amount of community development loans**

The bank made a \$15 thousand dollar commitment to a qualified community development organization in NC to support the development of affordable housing in the area. The amount of the bank's participation in the loan pool was limited because the program was oversubscribed by other participating banks.

### **Number and amount of qualified investments**

The bank made eight qualified investments and contributions totaling approximately \$3 thousand during the evaluation period to organizations that provide health, human services, and housing for low- and moderate-income individuals and geographies. 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, the bank's two officers provided technical services and support to three qualified community development organizations.

### ***Bank's responsiveness through such activities to community development lending, investment, and services needs***

The bank participates in one lending program that serves the NC AA and provides assistance and financing for affordable housing, small business development, and rural agricultural programs. During the evaluation period, the bank originated two loans under this program.

## Appendix

### Scope of Examination Table

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: (January 1, 2002 through September 30, 2005) CD Test: (May 7, 2002 through October 31, 2005)	
<b>Financial Institution</b>		<b>Products Reviewed</b>
American National Bank and Trust Company (ANB) Danville, VA		Loans to businesses, home purchase, home improvement and home refinance
<b>Affiliate(s)</b>	<b>Affiliate Relationship</b>	<b>Products Reviewed</b>
None		
<b>List of Assessment Areas and Type of Examination</b>		
<b>Assessment Area</b>	<b>Type of Exam</b>	<b>Other Information</b>
State of Virginia Danville, VA MSA 19260 Lynchburg, VA MSA 31340	Full-scope Limited-scope	Entire MSA The cities of Lynchburg and Bedford, and the Counties of Bedford and Campbell in their entirety
Martinsville, VA Non-MSA	Limited-scope	Martinsville City and Henry County in its entirety
Halifax, VA Non-MSA	Limited-scope	Halifax County in its entirety
State of North Carolina Caswell Co. Non-MSA	Full-scope	Census tracts 9901, 9902, 9903 and 9904 in Caswell County

## State of Virginia Market Profile

### Danville, VA

Demographic Information for Full Scope Area: Danville, VA MSA #19260						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	28	0.00	21.43	67.86	10.71	0.00
Population by Geography	110,156	0.00	18.76	70.58	10.66	0.00
Owner-Occupied Housing by Geography	31,739	0.00	12.48	76.30	11.22	0.00
Business by Geography	4,879	0.00	21.95	68.19	9.86	0.00
Farms by Geography	291	0.00	3.78	92.10	4.1	0.02
Family Distribution by Income Level	31,267	20.64	17.93	22.05	39.38	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	12,060	0.00	25.48	67.74	6.78	0.00
Median Family Income		39,088	Median Housing Value		\$71,311	
HUD Adjusted Median Family Income for 2005		46,600	Unemployment Rate		3.19%	
Households Below Poverty Level		16.00%	(2000 US Census)			

(\*) The NA category consists of geographies that have not been assigned an income classification.  
Source: 2000 U.S. Census and 2005 HUD updated MFI.

The Danville, VA MSA AA includes the City of Danville and Pittsylvania County. Danville is located in south-central Pittsylvania County. Pittsylvania County is located in south-central VA along the NC border. The area is convenient to several major markets. Raleigh-Durham, NC is 1.5 hours south. Roanoke, VA is 1.5 hours west. Lynchburg and Charlottesville, VA are 1 and 2 hours north respectively. Greensboro's international airport is 45 minutes south, and Danville Municipal Airport offers daily flights. The city is bisected north-south by US 58, east-west by US 29 and encompassed by Pittsylvania County.

The U.S. Census Bureau estimated poverty rates during 2002 of 19.2% in Danville City and 11.6% in Pittsylvania County compared to 12.5% for the State of Virginia. Unemployment rates reported by the Bureau of Labor Statistics indicate unemployment in VA averaged 3.9% during the evaluation period. Unemployment in the Danville MSA averaged 7.5% during the same period. The area experienced devastating losses in manufacturing employment, especially textiles and tobacco, contributing to the increased unemployment. Recent estimates show the service industry is the largest employer for the area followed closely by manufacturing and trade. Conditions are expected to improve with the addition of a Luna Innovations manufacturing plant in the fall of 2005. Local businesses are optimistic that this addition will encourage growth in other market sectors.

ANB is ranked first in market share among FDIC-insured institutions with 29% of total deposits. The AA includes nine institutions operating a total of 43 offices. Peoples National Bank continues to be ANB's primary competitor. ANB's primary business focuses in this AA are residential mortgage lending and loans to businesses.

We conducted two community contacts in the Danville AA. Identified credit needs included

funding for affordable housing and small business development.

## State of North Carolina Market Profile

### Caswell Co., NC

Demographic Information for Full Scope Area: Yanceyville AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	4	0.00	0.00	100.00	0.00	0.00
Population by Geography	14,933	0.00	0.00	100.00	0.00	0.00
Owner-Occupied Housing by Geography	4,162	0.00	0.00	100.00	0.00	0.00
Business by Geography	500	0.00	0.00	100.00	0.00	0.00
Farms by Geography	60	0.00	0.00	100.00	0.00	0.00
Family Distribution by Income Level	3,976	19.94	16.80	22.96	40.29	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	1,461	0.00	0.00	100.00	0.00	0.00
Median Family Income		40,566	Median Housing Value		72,551 3.89%	
HUD Adjusted Median Family Income for 2005		46,100	Unemployment Rate			
Households Below Poverty Level		16%	(2000 US Census)			

(\*) The NA category consists of geographies that have not been assigned an income classification.  
Source: 2000 U.S. Census and 2005 HUD updated MFI.

The Caswell Co. AA is located in the north central portion of NC known as the Piedmont. The AA's northern border adjoins the southern border of ANB's Danville, VA AA and is north of two major NC metropolitan areas; the Triad (Greensboro, High Point, and Winston-Salem) and the Research Triangle (Raleigh, Durham, and Chapel Hill).

Caswell Co. is served by two international airports, each within an hour's drive; Greensboro to the southwest and Raleigh-Durham to the southeast.

The U.S. Census Bureau estimated a 2002 poverty rate of 13.8% for Caswell County compared to 12.9% for the State of North Carolina. Unemployment rates reported by the Bureau of Labor Statistics indicate unemployment in NC averaged 6% during the evaluation period.

Unemployment in Caswell County averaged 8.4% during the same period. Recent estimates show manufacturing companies are the largest employers in the area followed closely by the service industry. Caswell County is working to spur new business growth by helping new and small businesses obtain funds necessary for growth.

ANB operates one branch in the AA. Just under 5% of ANB's total deposits are located in this AA. There were only two FDIC-insured banking and thrift companies operating one branch each in the AA as of June 30, 2005. Fidelity Bank, the only competitor for deposits in the area, has almost \$30 million deposits in the market area and owns 58% of the market share.

ANB's primary business focuses in this AA are lending to businesses and farms and residential real estate.

We conducted one community contact in the Caswell Co. AA. Identified credit needs included funding for affordable housing and small business development.