



# INTERMEDIATE SMALL BANK

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## PUBLIC DISCLOSURE

February 17, 2011

### 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

VIRGINIA (ROANOKE) Field Office  
4419 Pheasant Ridge Road Suite 300  
Roanoke, VA 24014

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;
- American National Bank and Trust Company (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 Community Reinvestment Act (CRA) examination covers the bank's lending performance from January 1, 2008 through September 30, 2010. We also considered community development loans, investments, and services from March 2008 through February 21, 2011. There was no affiliate or subsidiary activity considered in this review.

The scope of the CRA examination included an assessment of the bank's primary loan types which we determined to be small business and residential mortgage loans. We reviewed a sample of loans reported on the bank's Home Mortgage Disclosure Act (HMDA) Loan Application Register for 2008-2010 and determined that the data was accurate and appropriate for use in this CRA evaluation. To perform the lending tests, we also used demographic data pertaining to the bank's AAs issued by the U.S. Census Bureau from the 2000 census. We also reviewed all community development loans, investments, and services submitted by the bank to determine which met the qualifications set forth under the Act.

## **DESCRIPTION OF INSTITUTION**

American National Bank and Trust Company (ANB), founded in 1909, is an interstate bank headquartered in Danville, Virginia with operations in Virginia and North Carolina. As of December 31, 2010, ANB had total assets of \$833 million. ANB is wholly owned by American National Bankshares, Inc. (ANBI), which is also headquartered in Danville, VA. ANBI is a 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 and online bill pay. As a result of the acquisition of Community First Bank

of Lynchburg, VA, ANB serves markets in the Pittsylvania, Bedford, Campbell, Henry, Halifax, and Nelson Counties of VA and Caswell County, NC. Services are also provided in the following cities: Danville, Martinsville, South Boston, Lynchburg, and Bedford, VA. The bank has a loan production office in Roanoke, VA.

ANB operates 18 full service locations and 24 automated teller machines. During the evaluation period of January 1, 2008 to February 21, 2011, the bank opened four new offices and closed four offices. Of these, three were relocations, one was a new office, and one office was closed.

As of December 31, 2010 ANB had net loans of \$515.5 million, or 62.73 percent of average assets, Tier One Capital of \$95 million, and a Tier-One Leverage Capital ratio of 11.65 percent. The loan portfolio consists of 47.09 percent commercial real estate loans, 35.58 percent one to four family residential real estate loans, 14.26 percent commercial and industrial loans, 1.30 percent consumer loans, and 1.77 percent agricultural, municipal, and other loans.

There are no legal, financial, or other factors impeding ANB's ability to help meet the credit needs of the assessment areas. ANB received an "Outstanding" rating on its last performance evaluation, dated March 3, 2008.

## **DESCRIPTION OF ASSESSMENT AREAS**

ANB has six Assessment Areas (AAs). AAs are complete political subdivisions. The communities ANB serves, including low- and moderate-income neighborhoods, encompass (1) Danville offices; (2) Collinsville, Ridgeway, and Martinsville offices; (3) South Boston office; (4) Lynchburg offices; (5) Lovingston office; and (6) Yanceyville office.

The Danville office is the area designated as the metropolitan statistical area (MSA) for Danville and Pittsylvania County, VA.

The Martinsville, Collinsville, and Ridgeway offices (non-MSA) are the offices that serve the entire area of Martinsville and Henry County, VA.

The South Boston office (non-MSA) serves the entire area of South Boston and Halifax County VA. This AA is typically combined with Martinsville/Henry County AA for statistical analysis.

The Lynchburg offices serve the entire areas of Lynchburg City (county code 680), Bedford City (county code 515), Campbell County (county code 031), and Bedford County (county code 019) in the MSA for Lynchburg VA

The Lovingston office serves the area designated as census tracts 9501 and 9503 in the Nelson County portion of the MSA for Charlottesville, VA.

The Yanceyville office serves the area designated as census tracts 9901, 9902, 9903, and 9904 in Caswell County NC (non-MSA).

Additional information about these AAs can be found in the bank's public file.

The state ratings are based primarily on those areas that received full-scope reviews. Full-scope reviews were performed in the Danville MSA AA and the Yanceyville non-MSA AA. Limited-scope reviews were considered to the extent that they were consistent or not inconsistent 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.

## **SELECTION OF AREAS FOR FULL-SCOPE REVIEW**

In each state and multistate metropolitan area where the bank has an office, a sample of assessment areas (AAs) within that state/multistate metropolitan area was selected for full-scope reviews. The Danville MSA AA in Virginia and the Yanceyville non-MSA AA in North Carolina were selected for full-scope review during this evaluation period. The Danville MSA AA was selected for full scope review since this MSA has the most loan activity (41 percent of bank total) and deposit share (75 percent of bank total) of the bank's Virginia AAs. The Yanceyville non-MSA AA was selected since this is the only North Carolina AA. Other assessment areas were reviewed under limited-scope procedures.

## **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-eight percent of the bank's lending volume originates in Virginia, and 97 percent of the deposits are in Virginia.

## **Conclusions with Respect to Performance Criteria**

ANB does a "Satisfactory" job of meeting the lending needs of its AA. ANB's performance under the Lending Test is considered "Satisfactory". More weight was placed on the bank's performance in Virginia, as the majority of loan and deposit market share is generated in this state. ANB's loan-to-deposit ratio is more than reasonable. A substantial majority of loans originated were inside the bank's AA. The geographic distribution of ANB's residential and business loans reflects reasonable dispersion among geographies of differing income levels; 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 reasonable compared to similarly situated competitors in the region. The bank's quarterly average loan-to-deposit ratio since the last CRA examination was 87.92 percent. This ratio is in line with those of similarly situated local banks, which averaged 88.75 percent.

### **Lending in Assessment Area**

ANB originated a substantial majority of its loans inside its AA. Based on originations and purchases of residential mortgages, business, and community development loans during the evaluation period, 87.8 percent of the loans in number and 83.2 percent in dollar volume were

inside the AA.

Table 1 shows the volume of lending by type in ANB's assessment areas by number and dollar.

<b>Table 1 - Lending in ANB's Assessment Areas (AA)</b>										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home mortgages	827	84.39	153	15.61	980	101,365	78.15	28,342	21.85	129,707
Small Business/Farm	1,240	90.25	134	9.75	1,374	196,504	85.49	33,365	14.51	229,869
Community Development	9	90	1	10	10	7,383	98.99	75	1.01	7,458
Totals	2,076	87.82	288	12.18	2,364	305,252	83.17	61,782	16.83	367,034

Source: HMDA, CRA data 2008-2010, CD loans 03/04/2008-02/21/2011

## **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 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:

- Reasonable borrower penetration of residential mortgage loans to low- and moderate-income borrowers;
- Excellent dispersion of loans to small businesses in low- and moderate-income geographies; and
- An excellent level of community development (CD) responsiveness through the bank's involvement in CD loans, investments, and services.

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

ANB's main competitors are financial institutions with regional or national footprints: Branch Banking & Trust Co (BB&T), Bank of America (BOA), Wells Fargo (Wells), and SunTrust. ANB is a prominent home mortgage lender in its Virginia AAs, and ranks fourth in its AA for overall market share. ANB operates in five different AAs in the state of Virginia: Danville MSA; Martinsville, Collinsville, and Ridgeway non-MSA; South Boston non-MSA; Lynchburg MSA and Lovingston/Nelson County, which is part of the Charlottesville MSA. ANB operates 18 branches with 16 ATMS and an additional 10 offsite, standalone ATMs in the five AAs. ANB offers full-service banking, including mortgage lending, commercial lending, and trust banking services.

The geographic area ANB serves is most of south-central Virginia with its primary market within the Danville MSA. The city of Danville's 2010 population was 107,139, with 28 census tracts. Of these 28 tracts, six are moderate-income tracts, with 18.76 percent of the AAs total population. There are no low-income tracts.

The AA continues to be marked by higher than average unemployment. The state of Virginia, as a whole, did not experience as significant a downturn as the national economy over the past three years. However, the geographies in ANB's AAs did experience economic downturn, with higher unemployment than national and state levels. According to the June 2010 List of Middle Income Non-Metropolitan Distressed or Underserved Geographies, the Martinsville area was designated as 'distressed'. ANB has three branches in this market. Based on information from Moody's Analytics from November 2010, the recent recession affected the bank's AAs more severely than other areas of Virginia.

The U.S. Department of Labor Bureau of Labor Statistics showed unemployment levels in most of ANB's AAs to be higher than both national (9.5 percent) and state (6.6 percent) levels.

Unemployment levels continue to increase as several furniture and textile manufacturing companies closed and/or relocated out of the bank’s AAs. Within ANB’s AAs, unemployment levels in Danville City (11.3 percent), Martinsville City (17.8 percent), and Halifax (10.3 percent) and Henry (11.6 percent) Counties are higher than both the national and state of Virginia levels. Unemployment in Bedford City (8.4 percent), and Campbell (7.1 percent) and Pittsylvania (9.3 percent) Counties are higher than the state level. Bedford (6.6 percent) and Nelson (5.9 percent) were lower than the state average. All of these percentages represent an increase since the previous CRA examination in March of 2008.

## **SCOPE OF EVALUATION IN VIRGINIA**

We conducted one community contact in Virginia during this examination with a representative from the Office of Economic Development (OED). The purpose of the OED is to recruit new businesses and assist existing businesses with expansion. The contact stated current economic conditions are poor, but stable. In the past few years, local anchor industries such as textile manufacturing and tobacco processing have left Danville. The contact stated the biggest credit need for the area is working capital for start-up businesses and that ANB, BB&T, and Carter Bank and Trust have been helpful.

## **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 reasonable penetration of residential mortgage and business loans among borrowers of different income levels and businesses of different sizes. The bank has reasonable dispersion of residential mortgage loans and excellent dispersion of business loans among low- and moderate-income geographies.

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

ANB shows reasonable penetration of lending to borrowers of different incomes and to businesses of different sizes.

Table 2 compares the borrower distribution of residential real estate loans in the Danville, VA MSA AA by income level of families and number of loans ANB originated.

<b>Table 2 – Borrower Distribution of Residential Real Estate Loans in Danville VA MSA 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	20.64	5.18	17.93	25.91	22.05	27.98	39.38	40.93

Refinance	20.64	4.00	17.93	21.00	22.05	26.00	39.38	49.00
Improvement	20.64	17.24	17.93	20.69	22.05	29.31	39.38	32.76
<b>TOTALS</b>	<b>20.64</b>	<b>6.69</b>	<b>17.93</b>	<b>23.68</b>	<b>22.05</b>	<b>27.58</b>	<b>39.38</b>	<b>42.06</b>

Source: ANB HMDA data 2008-2010, 2010 Projected U.S. Census data

ANB shows reasonable penetration of residential loans among low- and moderate-income borrowers. Compared to the percentage of AA families at each income level, the bank has poor penetration of low-income borrowers, but excellent penetration of moderate-income borrowers in the AA. This is due to a combination of deterioration in the local and national economies and changing credit standards. Industry standards now require borrowers to have higher down payments and credit scores. When coupled with high unemployment, this negatively impacts the ability of low- and moderate-income borrowers to qualify for loans. According to 2000 U. S. Census data, Danville has a relatively high poverty level of 16 percent. The weighted average home price was \$71,311, and median family income was \$39,376.

Table 2A compares the borrower distribution of loans to businesses in the Danville VA MSA AA by gross annual revenues.

<b>Table 2A – Borrower Distribution of Loans to Businesses in Danville VA MSA AA</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	78.05	3.86	18.09	100
% of Bank Loans in AA by #	60.91	31.02	8.07	100
% of Bank Loans in AA by \$	33.87	61.83	4.29	100

Source: ANB CRA data 2008-2010, 2010 Business Geodemographic Data

ANB’s lending to businesses of different sizes reflects reasonable penetration. Compared to the percentage of AA businesses with gross annual revenues less than or equal to \$1 million, the bank’s penetration is lower in terms of dollar volume and the number of loans, but is reasonable given the lending opportunities available in the AA.

### **Martinsville/Henry County and South Boston/Halifax County non-MSA AAs, Limited Scope**

Based on limited-scope reviews, ANB’s performance under the lending test in the Martinsville/Henry County, and South Boston/Halifax Counties non-MSA AAs to borrowers of different income levels for residential home purchases, refinances and home improvement is consistent with the bank’s overall lending test rating in the full-scope area. Borrower distribution of loans to small businesses is not inconsistent with the bank’s overall lending test for the full scope area.

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

Based on limited-scope reviews, ANB’s performance under the lending test in the Lynchburg MSA AA to borrowers of different income levels for residential home purchases, refinances and home improvement is consistent with the bank’s overall lending test rating under the lending test in the full-scope area. Borrower distribution of loans to small businesses is not inconsistent with the bank’s overall lending test for the full scope area.

## Lovingston/Henry County portion of Charlottesville MSA AA, Limited Scope

Based on limited-scope reviews, ANB's performance under the lending test in the Lovingston/Henry County portion of the Charlottesville MSA AA to borrowers of different income levels for residential home purchases, refinances and home improvement is consistent with the bank's overall lending test rating under the lending test in the full-scope area. Borrower distribution of loans to small businesses is consistent with the bank's overall lending test for the full scope area.

### Geographic Distribution of Loans

ANB shows a reasonable dispersion of residential loans throughout the AA. There are no low-income areas in the Danville MSA AA. ANB shows poor dispersion of home purchase and refinance loans among moderate-income geographies, although performance for home improvement loans is reasonable. We considered the demographic characteristics of moderate-income geographies in evaluating geographic distribution of mortgage loans in the AA. Thirty-three percent of the occupied housing units in these geographies are rental properties. This adversely impacts the bank's ability to make mortgage loans to individuals residing in moderate-income geographies. We also considered the number of competitors making loans in this market.

Table 3 shows the geographic distribution of residential real estate loans in the Danville VA MSA AA by census tract income level.

<b>Table 3 - Geographic Distribution of Residential Real Estate Loans in Danville, VA MSA 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	12.48	5.58	76.30	69.54	11.22	24.87
Refinance	0.00	0.00	12.48	4.81	76.30	73.08	11.22	22.12
Improvement	0.00	0.00	12.48	12.07	76.30	75.86	11.22	12.07
<b>TOTALS</b>	<b>0.00</b>	<b>0.00</b>	<b>12.48</b>	<b>6.41</b>	<b>76.30</b>	<b>71.59</b>	<b>11.22</b>	<b>22.00</b>

Source: ANB HMDA data 2008-2010, 2000 U.S. Census data

Table 3A shows the geographic distribution of loans to businesses in the Danville VA MSA AA by census tract income level.

<b>Table 3A – Geographic Distribution of Loans to Businesses in Danville, VA MSA 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
<b>TOTALS</b>	<b>0.00</b>	<b>0.00</b>	<b>21.43</b>	<b>28.18</b>	<b>67.86</b>	<b>61.82</b>	<b>10.71</b>	<b>10.00</b>

Source: ANB CRA data 2008-2010, 2010 Business Geodemographic Data

ANB’s performance shows excellent dispersion of small business loans among moderate-income geographies. There are no low-income geographies located in the Danville MSA AA. The bank’s lending to businesses in moderate-income geographies exceeded the percentage of AA businesses located in these geographies.

### **Martinsville/Henry County and South Boston/Halifax County non-MSA, Limited Scope**

Based on a limited-scope review, ANB’s performance in the AA under the lending test for geographic distribution of home purchase, refinance, and home improvement loans is not inconsistent with the bank’s overall geographic distribution of loans within low- and moderate-income geographies. The geographic distribution of loans to small businesses in the Martinsville AA is inconsistent with the bank’s overall lending test rating in the full scope area. Geographic distribution for the Martinsville AA is significantly lower. This is due primarily to continuing weaknesses in the local economy. Martinsville City has the highest level of unemployment (20.9 percent) in the State of Virginia according to U.S. Department of Labor Statistics for 2010. Coupled with strong competition from large financial institutions, this adversely affected the bank’s lending ability in the area.

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

Based on a limited scope review, ANB’s performance in the AA under the lending test for geographic distribution of residential home purchase, refinance, and home improvement loans is inconsistent with the bank’s overall lending test rating under the full-scope area. Geographic distribution of small loans to businesses in not inconsistent with the bank’s lending test rating in the full scope area. Loans to small businesses represent a reasonable penetration across the moderate-income geographies.

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

Based on a limited scope review, ANB’s performance under the lending test for residential loans to borrowers of different income levels in the Charlottesville MSA AA is not inconsistent with the bank’s overall lending test rating under the full-scope area. Performance in the Charlottesville MSA AA is weaker than in the Danville MSA AA. Lending to small businesses in the Charlottesville MSA AA demonstrates reasonable dispersion of loans to small businesses

across the moderate-income geographies.

## **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 ANB's overall performance.

## **COMMUNITY DEVELOPMENT TEST**

The bank's performance under the community development test in Virginia is rated "Outstanding."

Community development lending in Virginia demonstrates excellent responsiveness to lending, investments, and service needs of the AA.

### **Number and Amount of Community Development (CD) Loans**

ANB originated 49 qualifying CD loans in Virginia totaling \$7.74 million during the evaluation period. Community development loans were distributed among various projects including affordable housing project financing, health care facilities, and community service programs for low- to moderate-income individuals.

In the Danville MSA, the bank originated eight qualifying loans totaling \$347,000. In the limited-scope Henry/Halifax non-MSA, the bank originated four loans totaling \$5.7 million. The limited-scope Lynchburg MSA had 36 loans totaling \$1.6 million. No qualifying loans were made in the Lovingston/Nelson County AA.

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

ANB made 151 qualifying investments totaling approximately \$1.5 million during the evaluation period. In addition, five investments totaling \$4.6 million were investments in broader regional or statewide areas that included the bank's AAs. Investments consist of bonds purchased from state and local Housing Development Authorities. This represents excellent responsiveness to housing needs.

### **Contributions**

Contributions totaling \$230,738 were made to various organizations throughout the bank's AAs that provide continuing education opportunities, healthcare, human services, economic development opportunities, financial assistance, and housing for low- and moderate-income individuals and geographies. This represents excellent responsiveness to community needs.

During the evaluation period, ANB made investments totaling \$965 thousand, and contributions totaling \$19,500 for the Danville MSA.

In the limited-scope areas, the Martinsville/Henry/Halifax non-MSA, ANB made investments totaling \$24,000 and contributions totaling \$9,000. The Lynchburg MSA had investments

totaling \$46,000, and contributions totaling \$19,000. The Lovington/Nelson County portion of the Charlottesville MSA had four contributions totaling \$326.

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

During the evaluation period, in the Danville MSA, 21 officers and employees provided technical services and support to 26 qualified community development organizations. This represents excellent responsiveness to community needs.

In the limited-scope area of Henry/Halifax non-MSA AA, nine officers and employees provided technical services and support to 21 qualified community development organizations. In the limited-scope area of the Lynchburg, VA MSA AA seven officers and employees provided technical services and support to ten qualified community development organizations. One employee provided technical services and support to an organization that benefits Virginia as a whole.

The bank also participates in various programs directed towards meeting community needs. ANB has nine lending programs that serve the Virginia AAs and provide assistance and financing for affordable housing, SBA loans, small business development, rural, and agricultural programs.

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

ANB demonstrates excellent responsiveness to community development needs in its AAs 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:

- Reasonable penetration of residential mortgage loans to low- and moderate-income borrowers and loans to small businesses;
- Reasonable dispersion of residential mortgages and loans to small businesses given the distressed designation and nature of the assessment area; and
- Excellent responsiveness to community development needs in the AA through the bank's involvement in CD loans and investments.

### **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 40 percent of the deposit market share, and its only competitor in the area is Fidelity Bank.

Caswell County covers 425 square miles. The AA's population is 15,051, and the adjusted median family income for 2010 was \$46,121. The unemployment rate for Caswell County is 10.5 percent compared to a state average of 9.7 percent. The area was classified as a distressed non-metropolitan middle-income county in 2005. The AA continues to lose textile and manufacturing 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, stemming primarily from large universities and colleges. Despite this, the area's largest employers remain manufacturing companies (34.8 percent), followed by educational, health and social services (16.9 percent). Creating a sustainable job base remains 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.

We conducted one community contact, the Caswell County Historic Courthouse/Office of Economic Development (OED) to determine credit and development needs in the AA. The representative indicated the area needs affordable housing for low- and moderate-income households as well as small business economic development. According to the contact, ANB, along with its only competitor, Fidelity Bank, appear generally supportive of 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 incomes and geographies. While there are no low- or moderate-income geographies in this AA, the bank receives consideration 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 bank's limited small business lending in the AA, this was not heavily weighted.

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

The distribution of residential home purchase, refinance, or home improvement loans to low- and moderate-income borrowers reflects excellent penetration, compared with the percentage of low- and moderate-income families.

Table 2 compares the borrower distribution of residential real estate loans in the Yanceyville, NC non-MSA AA by income level of AA families and number of loans ANB originated.

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
Home Purchase	21.05%	0.00%	16.34%	0.00%	25.22%	50.00%	37.39%	50.00%
Refinance	21.05%	0.00%	16.34%	33.33%	25.22%	33.34%	37.39%	33.33%
Improvement	21.05%	46.15%	16.34%	30.77%	25.22%	7.69%	37.39%	15.38%
<b>TOTALS</b>	<b>21.05%</b>	<b>28.57%</b>	<b>16.34%</b>	<b>25.38%</b>	<b>25.22%</b>	<b>20.62%</b>	<b>37.39%</b>	<b>25.38%</b>

Source: ANB HMDA data 2008-2010, 2010 Projected US Census Data

ANB's lending to small businesses reflects poor penetration relative to the percentage of small businesses in the AA. While loans to businesses with gross annual revenues less than or equal to \$1 million is low both by number and dollar, this portion of the test was not heavily weighted due to the limited area of the AA and the distressed nature of the geography.

Table 2A compares the borrower distribution of loans to businesses in the Yanceyville, NC non-MSA AA by gross annual revenues.

Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	83.45%	1.49%	15.06%	100%
% of Bank Loans in AA by #	28.57%	28.57%	42.86%	100%
% of Bank Loans in AA by \$	16.20%	82.30%	1.50%	100%

Source: ANB HMDA data 2008-2010, 2010 Projected US Census Data

## Geographic Distribution of Loans

The geographic distribution of residential home purchase, refinance, and home improvement loans reflects reasonable penetration in the bank's AA. There are no low- and moderate-income level census tracts, and the area was designated as a distressed non-metropolitan middle-income county for the duration of the evaluation period. ANB received consideration for lending in the middle-income tracts. For those tracts, the bank indicated reasonable penetration.

Table 3 shows the geographic distribution of residential real estate loans in the Yanceyville/Caswell County non-MSA AA by census tract income level.

<b>Table 3 - Geographic Distribution of Residential Real Estate Loans in Yanceyville, NC 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	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 2008-2010, 2010 Projected US Census Data

The geographic distribution of home loans reflects reasonable penetration in the bank's AA. There are no low- and moderate-income level census tracts and the area was designated as a distressed non-metropolitan middle-income county for the duration of the evaluation period. ANB received consideration for lending to the middle-income tracts. For those tracts, the bank's performance demonstrates reasonable penetration.

Table 3A shows the geographic distribution of loans to businesses in the Yanceyville, NC non-MSA AA by census tract income level.

<b>Table 3A – Geographic Distribution of Loans to Businesses in Yanceyville, NC 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>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 2008-2010, 2010 Projected US Census 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.

## **Fair Lending or Other Illegal Credit Practices Review**

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

## **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 amount to \$75,000, ANB's contribution in this area is considered to be Outstanding compared to the size of the AA and its distressed and rural demographics.

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

During the evaluation period, the bank funded one \$75,000 commitment for an affordable housing project. When compared to the scope of ANB's operations and the available opportunities in Caswell County, ANB has excellent responsiveness to community needs.

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

ANB made seven qualifying investments and contributions totaling \$4,000 during the evaluation period to organizations that provide support services to women, children, and seniors 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. When compared to the scope of ANB's operations and the available opportunities in Caswell County, ANB has excellent responsiveness to community needs.

### **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. When compared to the scope of ANB's operations and the available opportunities in Caswell County, ANB has excellent responsiveness to community needs.

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

ANB demonstrates excellent responsiveness to community development needs in its AAs 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: (01/01/08 to 09/30/10) Community Development Test: (03/04/08 to 02/21/11)	
<b>Financial Institution</b>	<b>Products Reviewed</b>	
American National Bank and Trust (ANB) Danville, Virginia	Home Mortgage Lending (Including Home Purchases, Home Improvements, and Home Refinances), Small Loans to Businesses	
<b>Affiliate(s)</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 Henry/Halifax (non-MSA) Lynchburg 31340 Charlottesville 16820	Full-scope Limited-scope Limited-scope Limited-scope	
<b>North Carolina</b> Yanceyville (non-MSA)	Full-scope	

## Appendix B: Summary of Multistate Metropolitan Area and State Ratings

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Overall Bank:	Lending Test Rating	Community Development Test Rating	Overall Bank/State/Multistate Rating
American National Bank and Trust Company	Satisfactory	Outstanding	Outstanding
Virginia	Satisfactory	Outstanding	Outstanding
North Carolina	Satisfactory	Outstanding	Satisfactory