

AMERICAN NATIONAL BANKSHARES INC
Form 10-Q
May 09, 2007

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549**

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED **March 31, 2007.**

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE TRANSITION PERIOD FROM _ TO_.

Commission file number 0-12820

AMERICAN NATIONAL BANKSHARES INC.
(Exact name of registrant as specified in its charter)

VIRGINIA
(State or other jurisdiction of
incorporation or organization)

54-1284688
(I.R.S. Employer
Identification No.)

628 Main Street
Danville, Virginia
(Address of principal executive offices)

24541
(Zip Code)

(434) 792-5111
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Act.

Large accelerated filer Accelerated filer Non-accelerated filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act) Yes No

At May 8, 2007, the Company had 6,151,448 shares Common Stock outstanding, \$1 par value.

AMERICAN NATIONAL BANKSHARES INC.

Index		Page
Part I	FINANCIAL INFORMATION	
Item 1	Financial Statements (Unaudited)	
	<u>Consolidated Balance Sheets as of March 31, 2007 and December 31, 2006</u>	3
	<u>Consolidated Statements of Income for the three months ended March 31, 2007 and 2006</u>	4
	<u>Consolidated Statements of Changes in Shareholders' Equity for the three months ended March 31, 2007 and 2006</u>	5
	<u>Consolidated Statements of Cash Flows for the three months ended March 31, 2007 and 2006</u>	6
	<u>Notes to Consolidated Financial Statements</u>	7
Item 2	<u>Management's Discussion and Analysis of the Financial Condition and Results of Operations</u>	12
Item 3	<u>Quantitative and Qualitative Disclosures about Market Risk</u>	19
Item 4	<u>Controls and Procedures</u>	19
Part II	OTHER INFORMATION	
Item 1	<u>Legal Proceedings</u>	20
Item 1A	Risk Factors	20
Item 2	Unregistered Sales of Equity Securities and Use of Proceeds	20
Item 3	Defaults Upon Senior Securities	20
Item 4	Submission of Matters to a Vote of Security Holders	20
Item 5	Other Information	20
Item 6	<u>Exhibits</u>	21

SIGNATURES

2

Index

American National Bankshares Inc. and Subsidiary
Consolidated Balance Sheets

(Dollars in thousands, except share data)

	(Unaudited)	(Audited)
	March 31,	December
	2007	31, 2006
ASSETS		
Cash and due from banks	\$ 22,844	\$ 24,375
Interest bearing deposits in other banks	22,817	1,749
Securities available for sale, at fair value	138,533	148,748
Securities held to maturity (fair value of \$13,715 in 2007 and \$14,131 in 2006)	13,475	13,873
Total securities	152,008	162,621
Loans held for sale	2,017	1,662
Loans, net of unearned income	543,357	542,228
Less allowance for loan losses	(7,590)	(7,264)
Net loans	535,767	534,964
Bank premises and equipment at cost, less accumulated depreciation of \$15,022 in 2007 and \$14,755 in 2006	12,759	12,438
Goodwill	22,468	22,468
Core deposit intangibles, net	2,735	2,829
Accrued interest receivable and other assets	14,129	14,614
Total assets	\$ 787,544	\$ 777,720
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities:		
Demand deposits -- noninterest bearing	\$ 116,940	\$ 106,885
Demand deposits -- interest bearing	113,778	107,170
Money market deposits	52,856	50,948
Savings deposits	69,083	69,517
Time deposits	253,377	274,008
Total deposits	606,034	608,528
Repurchase agreements	44,526	33,368

Edgar Filing: AMERICAN NATIONAL BANKSHARES INC - Form 10-Q

FHLB borrowings	15,050	15,087
Trust preferred capital notes	20,619	20,619
Accrued interest payable and other liabilities	4,675	5,126
Total liabilities	690,904	682,728
Shareholders' equity:		
Preferred stock, \$5 par, 200,000 shares authorized, none outstanding	-	-
Common stock, \$1 par, 10,000,000 shares authorized, 6,156,823 shares outstanding at March 31, 2007 and 6,161,865 shares outstanding at December 31, 2006	6,157	6,162
Capital in excess of par value	26,456	26,414
Retained earnings	65,726	64,584
Accumulated other comprehensive income (loss), net	(1,699)	(2,168)
Total shareholders' equity	96,640	94,992
Total liabilities and shareholders' equity	\$ 787,544	\$ 777,720

The accompanying notes are an integral part of the consolidated financial statements.

Index

American National Bankshares Inc. and Subsidiary
Consolidated Statements of Income

(Dollars in thousands, except share and per share data)
(Unaudited)

Three Months Ended March 31,
2007 2006

Interest Income:			
Interest and fees on loans	\$	10,079	\$ 6,956
Interest and dividends on securities:			
Taxable		1,136	1,152
Tax-exempt		423	451
Dividends		89	57
Other interest income		171	232
Total interest income		11,898	8,848
Interest Expense:			
Deposits		3,783	2,307
Repurchase agreements		426	309
Other borrowings		206	213
Trust preferred capital notes		343	-
Total interest expense		4,758	2,829
Net Interest Income		7,140	6,019
Provision for Loan Losses		303	126
Net Interest Income After Provision for Loan Losses			
		6,837	5,893
Noninterest Income:			
Trust fees		879	755
Service charges on deposit accounts		622	571
Other fees and commissions		289	309
Mortgage banking income		190	133
Securities gains, net		25	21
Other		207	112
Total noninterest income		2,212	1,901
Noninterest Expense:			
Salaries		2,390	1,984
Pension and other employee benefits		648	649
Occupancy and equipment		829	646
Bank franchise tax		168	140
Core deposit intangible amortization		94	39
Other		1,041	925
Total noninterest expense		5,170	4,383
Income Before Income Tax			
Provision		3,879	3,411
Income Tax Provision		1,175	1,005
Net Income	\$	2,704	\$ 2,406
Net Income Per Common Share:			
Basic	\$	0.44	\$ 0.44
Diluted	\$	0.44	\$ 0.44

**Average Common Shares
Outstanding:**

Basic	6,156,812	5,441,758
Diluted	6,185,084	5,477,904

The accompanying notes are an integral part of the consolidated financial statements.

Index

American National Bankshares Inc. and Subsidiary
Consolidated Statements of Changes in Shareholders' Equity
 Three Months Ended March 31, 2007 and 2006
 (Unaudited)

(Dollars in thousands)	Common Stock		Capital in Excess of Par Value	Retained Earnings	Accumulated Other	Total Shareholders' Equity
	Shares	Amount			Comprehensive	
					Income (Loss)	
Balance, December 31, 2005	5,441,758	\$ 5,442	\$ 9,588	\$ 59,109	(720)	\$ 73,419
Net income	-	-	-	2,406	-	2,406
Change in unrealized losses on securities available for sale, net of tax of \$(178)	-	-	-	-	(343)	
Less: Reclassification adjustment for gains on securities available for sale, net of tax of \$(7)	-	-	-	-	(14)	
Other comprehensive income (loss)					(357)	(357)
Total comprehensive income						2,049