

AMERICAN NATIONAL BANKSHARES INC.

Form 424B3

November 03, 2014

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**Filed Pursuant to Rule 424(b)(3)
Registration No. 333-199369**

Dear Shareholders:

You are cordially invited to attend a special meeting of shareholders of MainStreet BankShares, Inc. to be held at 2:00 p.m. local time, on December 9, 2014 at Shively Electric, Community Room, located at 1647 Franklin Street, Rocky Mount, Virginia. At the special meeting, you will be asked to consider and vote upon a proposal to approve an agreement and plan of reorganization and a related plan of merger pursuant to which MainStreet will be merged with and into American National Bankshares Inc.

If the merger agreement is approved and the merger is subsequently completed, each outstanding share of MainStreet common stock will be converted into the right to receive:

\$3.46 in cash; and

0.482 shares of American National common stock.

The exchange ratio is fixed and will not be adjusted to reflect stock price changes before the closing of the merger. The maximum number of shares of American National common stock to be delivered to holders of shares of MainStreet common stock upon completion of the merger is approximately 825,847 shares, based on the number of shares of MainStreet common stock outstanding as of September 30, 2014 and assuming no exercise of all outstanding and unexercised stock options.

American National's common stock is traded on the NASDAQ Global Select Market under the symbol AMNB. On October 27, 2014, the closing sale price of a share of American National common stock was \$22.90. The market price of American National common stock will fluctuate before and after the merger. The most recent reported closing sale price for MainStreet common stock on the OTCQB marketplace was \$14.08 on October 24, 2014. **We urge you to obtain current market quotations for American National (trading symbol AMNB) and MainStreet (trading symbol MREE).**

Based on the merger agreement, we expect the merger to be tax-free with respect to the shares of American National common stock that you receive. The cash you receive in the merger may cause you to recognize income or gain for tax purposes.

The merger cannot be completed unless the holders of more than two-thirds of the outstanding shares of MainStreet common stock vote in favor of approval of the merger agreement at the special meeting.

Based on our reasons for the merger described in the accompanying proxy statement/prospectus, including the fairness opinion issued by our financial advisor, BB&T Capital Markets, a division of BB&T Securities LLC, our board of directors believes that the merger is fair to you and in your best interests. **Accordingly, our board of directors**

unanimously recommends that you vote FOR approval of the merger agreement and the related plan of merger.

The accompanying proxy statement/prospectus gives you detailed information about the special meeting, the merger and related matters. **We urge you to read this entire document carefully, including the considerations discussed under Risk Factors, beginning on page 20, and the appendices to the accompanying document, which include the merger agreement and the related plan of merger.**

Your vote is very important. Whether or not you plan to attend the special meeting, please take the time to vote by completing and mailing the enclosed proxy card.

We appreciate your continuing loyalty and support.

Sincerely,

Brenda H. Smith

President and Chief Executive Officer

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of the securities to be issued in connection with the merger or determined if this proxy statement/prospectus is accurate or complete. Any representation to the contrary is a criminal offense.

The securities to be issued in the merger are not savings or deposit accounts or other obligations of any bank or non-bank subsidiary of either American National or MainStreet, and they are not insured by the Federal Deposit Insurance Corporation or any other governmental agency.

This proxy statement/prospectus is dated October 28, 2014 and is first being mailed to MainStreet shareholders on or about November 3, 2014.

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NOTICE OF SPECIAL MEETING OF SHAREHOLDERS

To be held on December 9, 2014

A special meeting of shareholders of MainStreet BankShares, Inc. (MainStreet) will be held at Shively Electric, Community Room, located at 1647 Franklin Street, Rocky Mount, Virginia 24151, at 2:00 p.m. local time, on December 9, 2014 for the following purposes:

1. To consider and vote on a proposal to approve the Agreement and Plan of Reorganization, dated as of August 24, 2014, between American National Bankshares Inc. (American National) and MainStreet, including the related plan of merger (together, the merger agreement), pursuant to which MainStreet will merge with and into American National, as more fully described in the accompanying proxy statement/prospectus (the merger proposal). A copy of the merger agreement is attached as Appendix A to the accompanying proxy statement/prospectus.
2. To consider and vote on a proposal to approve, in a non-binding advisory vote, certain compensation that may become payable to MainStreet s named executive officers in connection with the merger, as more fully described in the accompanying proxy statement/prospectus (the compensation proposal).
3. To consider and vote on a proposal to adjourn the meeting, if necessary or appropriate, to permit further solicitation of proxies in the event there are not sufficient votes at the time of the meeting to approve the merger proposal (the adjournment proposal).
4. To transact such other business as may properly come before the meeting or any adjournments thereof. Only holders of record of MainStreet common stock at the close of business on October 20, 2014, are entitled to notice of and to vote at the meeting and any adjournments thereof.

Each holder of MainStreet common stock is entitled to assert appraisal rights in connection with the merger and seek an appraisal of the fair value of his or her shares, provided the proper procedures of Article 15 of Section 13.1 of the Virginia Stock Corporation Act are followed. A copy of Article 15 is attached as Appendix E to the accompanying proxy statement/prospectus.

By Order of the Board of Directors,

Brenda H. Smith
President and Chief Executive Officer

October 28, 2014

The MainStreet board of directors unanimously recommends that you vote FOR the merger proposal, FOR the compensation proposal and FOR the adjournment proposal.

Please promptly vote by completing and returning the enclosed proxy card, whether or not you plan to attend the special meeting. If you hold stock in your name as a shareholder of record of MainStreet, please complete, sign, date and return the accompanying proxy card in the enclosed postage-paid return envelope. If you hold your stock in street name through a bank or broker, please follow the instructions on the voting instruction card furnished by the record holder.

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ADDITIONAL INFORMATION

This proxy statement/prospectus incorporates by reference important business and financial information about American National and MainStreet from other documents that are not included in or delivered with this proxy statement/prospectus. For a listing of the documents incorporated by reference, see *Where You Can Find More Information* on page 93. **This information is available to you without charge upon your written or oral request. You can obtain the documents incorporated by reference into this proxy statement/prospectus through the website of the Securities and Exchange Commission (the SEC) at <http://www.sec.gov>, through the website of American National at <https://www.amnb.com>, through the website of MainStreet at <http://www.msbsinc.com> or by requesting them in writing or by telephone at the contact information set forth below:**

American National Bankshares Inc.

628 Main Street

Danville, Virginia 24541

Telephone: (434) 792-5111

Attention: William W. Traynham

Senior Vice President and Chief Financial Officer

MainStreet BankShares, Inc.

1075 Spruce Street

Martinsville, Virginia 24112

Telephone: (276) 632-8054

Attention: Brenda H. Smith

President and Chief Executive Officer

Regan & Associates, Inc.

505 Eighth Avenue, Suite 800

New York, New York 10018

Attention: James M. Dougan

Executive Vice President

Telephone: 1-800-737-3426

Information contained on the websites of American National or MainStreet, or any subsidiary of American National or MainStreet, does not constitute part of this proxy statement/prospectus and is not incorporated into other filings that either company makes with the SEC.

To receive timely delivery of the documents in advance of the special meeting, please make your request no later than December 2, 2014.

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In this proxy statement/prospectus,

American National Bankshares Inc. is referred to as American National

American National Bank and Trust Company, the wholly-owned national bank subsidiary of American National is referred to as American National Bank

MainStreet BankShares, Inc. is referred to as MainStreet

Franklin Community Bank, National Association, the wholly-owned national bank subsidiary of MainStreet is referred to as Franklin Community Bank

the merger of MainStreet with and into American National is referred to as the merger

the Agreement and Plan of Reorganization, dated as of August 24, 2014, between American National and MainStreet, including the related Plan of Merger to be filed with the State Corporation Commission of the Commonwealth of Virginia (the Virginia SCC) (along with the articles of merger), is referred to as the merger agreement, a copy of which is attached as Appendix A to this proxy statement/prospectus

the effective date and time of the merger set forth on the certificate of merger issued by the Virginia SCC effecting the merger are referred to collectively as the effective date of the merger

the merger of Franklin Community Bank with and into American National Bank, which will occur as soon as practicable after the merger of MainStreet into American National, is referred to as the subsidiary bank merger

the proposal to approve the merger agreement is referred to as the merger proposal

MainStreet's proposal to approve, in a non-binding advisory vote, certain compensation that may become payable to MainStreet's named executive officers in connection with the merger is referred to as the compensation proposal

the proposal to adjourn the special meeting, if necessary or appropriate, to permit further solicitation of proxies in the event there are not sufficient votes at the time of the meeting to approve the merger proposal is referred to as the adjournment proposal

the special meeting of shareholders of MainStreet is sometimes referred to as the special meeting

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QUESTIONS AND ANSWERS ABOUT THE MERGER AND THE SPECIAL MEETING

The following questions and answers briefly address some commonly asked questions about the special meeting and the merger. They may not include all of the information that is important to MainStreet shareholders. We urge shareholders to read carefully this proxy statement/prospectus, including the appendices and the other documents referred to herein.

Q: What is the merger?

A: American National and MainStreet have entered into the merger agreement whereby MainStreet will merge with and into American National, with American National being the surviving company. American National and MainStreet currently expect to complete the merger in early January 2015.

If the merger is completed, Franklin Community Bank, MainStreet's wholly-owned national bank subsidiary, will merge with and into American National Bank, American National's wholly-owned national bank subsidiary, as soon as practicable after the merger of MainStreet into American National.

A copy of the merger agreement is attached to this proxy statement/prospectus as Appendix A.

Q: What will I receive in the merger?

A: Pursuant to the terms of the merger agreement, as a result of the merger, MainStreet shareholders will be entitled to receive (i) \$3.46 in cash (the per share cash consideration) and (ii) 0.482 shares (the exchange ratio) of American National common stock, plus cash in lieu of any fractional shares of American National common stock (together with the per share cash consideration, the merger consideration), in exchange for each share of MainStreet common stock. The exchange ratio is fixed and will not be adjusted to reflect stock price changes prior to the closing of the merger.

Q: Why am I receiving these materials?

A: MainStreet is holding a special meeting of shareholders to vote on the merger proposal so American National and MainStreet can complete the merger. We are sending you these materials to solicit your proxy and help you decide how to vote your shares of MainStreet common stock at the special meeting.

Q: In addition to the merger proposal, what else are MainStreet's shareholders being asked to vote on?

A: In addition to the merger proposal, MainStreet is soliciting proxies from its shareholders with respect to two additional proposals:

a proposal to approve, on an advisory (non-binding) basis, the compensation that certain executive officers of MainStreet may receive in connection with the merger pursuant to agreements or arrangements with MainStreet; and

a proposal to adjourn the special meeting, if necessary or appropriate, to solicit additional proxies in favor of the merger proposal.

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Q: How does the MainStreet board of directors recommend that MainStreet shareholders vote?

A: The MainStreet board of directors unanimously recommends that MainStreet shareholders vote FOR the merger proposal, FOR the compensation proposal and FOR the adjournment proposal.

Q: What do I need to do now to vote my shares?

A: After carefully reading and considering the information contained in this proxy statement/prospectus, please vote your shares as soon as possible so that your shares will be represented at the special meeting. Please follow the instructions set forth on the proxy card or on the voting instruction form provided by the record holder if your shares are held in the name of your broker or other nominee.

Q: How do I vote?

A: **By Mail.** You may vote before the special meeting by completing, signing, dating and returning the enclosed proxy card in the enclosed postage-paid envelope.

In Person. You may also cast your vote in person at the special meeting by attending the special meeting. See below for the date, time and place of the special meeting. If your shares are held in street name, through a broker, bank or other nominee, that entity will send you separate instructions describing the procedure for voting your shares. Street name shareholders who wish to vote in person at the special meeting will need to present a proxy from the entity that holds the shares.

Q: If my shares are held in street name by a broker or other nominee, will my broker or nominee vote my shares for me if I do not provide instructions on how to vote my shares?

A: Your broker or other nominee does not have authority to vote on the proposals described in this proxy statement/prospectus if you do not provide instructions to it on how to vote. Your broker or other nominee will vote your shares held by it in street name with respect to these matters ONLY if you provide instructions to it on how to vote. You should follow the directions your broker or other nominee provides.

Q: When and where is the special meeting of shareholders?

A: The special meeting of shareholders of MainStreet will be held at 2:00 p.m., local time, on December 9, 2014 at Shively Electric, Community Room, located at 1647 Franklin Street, Rocky Mount, Virginia. All holders of MainStreet common stock as of the record date for the meeting (October 20, 2014), or their duly appointed proxies, may attend the special meeting.

Q: What vote is required to approve each proposal at the special meeting?

A: The merger proposal requires the affirmative vote of the holders of more than two-thirds of the outstanding shares of MainStreet common stock entitled to vote on the proposal.

The compensation proposal, to be obtained on an advisory basis only, requires the affirmative vote of at least a majority of the shares voted on the proposal.

The adjournment proposal requires the affirmative vote of at least a majority of the shares voted on the proposal, whether or not a quorum is present.

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Q: What if I do not vote on the merger agreement?

A: With respect to the merger proposal, if you fail to vote or fail to instruct your broker or other nominee how to vote, your failure to vote will have the same effect as a vote against the merger proposal. If you respond with an abstain vote, your proxy will have the same effect as a vote against the merger proposal. If you are a holder of record of common stock and you sign and return your proxy card but do not indicate how you want to vote on the merger proposal, your proxy will be counted as a vote in favor of the proposal.

Q: May I change my vote after I have delivered my proxy or voting instruction card?

A: Yes. If you are a holder of record of common stock, you may change your vote at any time before your proxy is voted at the special meeting. You may do this in any of the following ways:

by sending a notice of revocation to MainStreet's corporate secretary;

by sending a completed proxy card bearing a later date than your original proxy card;

by attending the special meeting and voting in person; your attendance alone will not revoke any proxy. If you choose either of the first two methods, your notice or new proxy card must be actually received before the voting takes place at the special meeting.

If your shares are held in a stock brokerage account or by a bank or other nominee, you should call your broker or other nominee for information on how to change your vote.

Q: What are the material U.S. federal income tax consequences of the merger to MainStreet shareholders?

A: American National and MainStreet intend for the merger to be treated as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code of 1986, as amended (the Code). Assuming the merger qualifies for such treatment, a holder of MainStreet common stock generally will not recognize any gain or loss for United States of America (U.S.) federal income tax purposes as a result of the exchange of the holder's shares of MainStreet common stock solely for shares of American National common stock pursuant to the merger. However, MainStreet shareholders generally will recognize gain (but not loss) in an amount limited to the amount of cash they receive for their shares of MainStreet common stock. Additionally, a holder will recognize gain or loss on any cash he receives in lieu of fractional shares of American National common stock. For greater detail, see Material U.S. Federal Income Tax Consequences beginning on page 74. Tax matters can be complicated and the tax consequences of the merger to you will depend on your particular tax situation. You should consult your tax advisor to determine the specific tax consequences of the merger to you.

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Q: Do I have dissenters or appraisal rights?

A: Yes. Under Virginia law, shareholders of MainStreet are entitled to exercise appraisal rights in connection with the merger. However, under the terms of the merger agreement, if holders of 5% or more of the outstanding shares of MainStreet common stock determine to exercise their appraisal rights, American National has the right to terminate the merger agreement and the merger.

Q: If I am a MainStreet shareholder with shares represented by stock certificates, should I send in my MainStreet stock certificates now?

A: No. Please do not send your stock certificates with your proxy card. You will receive written instructions from the exchange agent promptly after the merger is completed on how to exchange your MainStreet stock certificates for American National stock certificates and the cash portion of the merger consideration, along with cash in lieu of any fractional shares of American National common stock.

Q: Who should I contact if I have any questions about the proxy materials or voting?

A: If you have any questions about the merger or if you need assistance in submitting your proxy or voting your shares or need additional copies of the proxy statement/prospectus or the enclosed proxy card, you should contact MainStreet's corporate secretary by calling (276) 632-8054 or by writing to MainStreet BankShares, Inc., 1075 Spruce Street, Martinsville, Virginia 24112, Attention: Corporate Secretary. You may also obtain more information about the merger and the proxy materials by contacting Regan & Associates, Inc., MainStreet's proxy solicitor, at 1-800-737-3426.

If your shares are held in a stock brokerage account or by a bank or other nominee, you should call your broker or other nominee for additional information.

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SUMMARY

*This summary highlights selected information from this proxy statement/prospectus. We urge you to read carefully the proxy statement/prospectus and the other documents to which this proxy statement/prospectus refers to understand fully the merger and the other matters to be considered at the special meeting. See *Where You Can Find More Information* beginning on page 93. Each item in this summary includes a page reference directing you to a more complete description of that item.*

The Merger (page 34)

The merger agreement provides for the merger of MainStreet into American National, with American National being the surviving corporation in the merger. The merger agreement also calls for Franklin Community Bank, the wholly-owned national bank subsidiary of MainStreet, to be merged into American National Bank, the wholly-owned national bank subsidiary of American National, after the merger of MainStreet into American National.

The parties currently expect to complete the merger in early January 2015 and the subsidiary bank merger as soon as practicable after the merger of MainStreet into American National.

The merger agreement is attached to this proxy statement/prospectus as Appendix A. We encourage you to read the merger agreement, as it is the legal document that governs the merger.

Consideration to be Received in the Merger by MainStreet Shareholders (page 60)

Pursuant to the terms of the merger agreement, as a result of the merger, each share of MainStreet common stock issued and outstanding before the effective date of merger will be converted into the right to receive:

\$3.46 in cash; and

0.482 shares of American National common stock.

The exchange ratio of 0.482 shares of American National common stock is fixed and will not be adjusted to reflect stock price changes before the effective date of the merger. No fractional shares will be issued; instead cash will be paid for fractional shares. You will not have the ability to elect to receive all stock or all cash, or any combination of cash and stock other than the merger consideration, as consideration for your shares of MainStreet common stock.

Based on the closing sale price for American National common stock on the NASDAQ Global Select Market on August 22, 2014 (\$21.97), the last trading day before public announcement of the merger, the aggregate merger consideration to be received by holders of MainStreet common stock was approximately \$24.2 million. Based on the closing sale price for American National common stock on the NASDAQ Global Select Market on October 27, 2014, the last trading day before the date of this proxy statement/prospectus, the aggregate merger consideration to be received by holders of MainStreet common stock was approximately \$25.0 million.

As of the date of this proxy statement/prospectus, American National expects that it will issue approximately 825,847 shares of American National common stock to the holders of MainStreet common stock in the merger (assuming no outstanding options of MainStreet are exercised before the consummation of the merger). At the completion of the merger, it is expected that there will be issued and outstanding approximately 8,665,979 shares of American National

common stock, with current American National shareholders owning approximately 90.5% of American National's outstanding common stock, on a fully diluted basis, and former holders of MainStreet common stock owning approximately 9.5% of American National's outstanding common stock, on a fully diluted basis.

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Treatment of MainStreet Stock Options (page 61)

In the merger, each outstanding option to purchase shares of MainStreet common stock will vest and be converted into an option to acquire, on the same terms and conditions as were applicable under such MainStreet option, the number of shares of American National common stock equal to the product of (i) 0.643 (the option exchange ratio) multiplied by (ii) the number of shares of MainStreet common stock subject to the MainStreet option. The exercise prices for the options will be adjusted based on the option exchange ratio.

Dividend Information (pages 78 and 84)

American National is currently paying a quarterly cash dividend on shares of its common stock at a rate of \$0.23 per share. American National has no current intention to change its dividend strategy of paying a quarterly cash dividend, but has and will continue to evaluate that decision based on a quarterly review of earnings, growth, capital, applicable governmental regulations and policies, and such other factors that the American National board of directors considers relevant to the dividend decision process. MainStreet does not currently pay a cash dividend on shares of its common stock.

Material U.S. Federal Income Tax Consequences (page 74)

The merger is intended to qualify as a tax-free reorganization for U.S. federal income tax purposes and, assuming the merger will so qualify, MainStreet shareholders generally will not recognize any gain or loss for U.S. federal income tax purposes as a result of the exchange of shares of MainStreet common stock solely for shares of American National common stock. MainStreet shareholders will, however, recognize gain or loss in connection with cash received instead of any fractional shares of American National common stock they would otherwise be entitled to receive, and will recognize gain (but not loss) in an amount limited to the amount of cash they receive for their shares of MainStreet common stock. It is a condition to MainStreet's and American National's obligations to complete the merger that they each receive a legal opinion that the merger will be treated for U.S. federal income tax purposes as a reorganization within the meaning of Section 368 of the Code. This opinion, however, will not bind the Internal Revenue Service, which could take a different view.

The tax consequences of the merger to you will depend on your own situation and the consequences described in this proxy statement/prospectus may not apply to you. MainStreet shareholders will also be required to file certain information with their federal income tax returns and to retain certain records with regard to the merger. In addition, you may be subject to state, local or foreign tax laws and consequences that are not addressed in this proxy statement/prospectus. You are urged to consult with your own tax advisor for a full understanding of the tax consequences of the merger to you.

MainStreet's Board of Directors Unanimously Recommends that MainStreet Shareholders Vote FOR the Merger Proposal, FOR the Compensation Proposal and FOR the Adjournment Proposal (page 39)

MainStreet's board of directors has determined that the merger, the merger agreement and the transactions contemplated by the merger agreement are in the best interests of MainStreet and its shareholders and has unanimously approved the merger agreement. The MainStreet board of directors unanimously recommends that MainStreet shareholders vote FOR the merger proposal, FOR the compensation proposal and FOR the adjournment proposal. For the factors considered by MainStreet's board of directors in reaching its decision to approve the merger agreement, see The Merger MainStreet's Reasons for the Merger; Recommendation of MainStreet's Board of Directors.

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Opinion of MainStreet's Financial Advisor (page 43)

At the August 22, 2014 meeting of the MainStreet board of directors, BB&T Capital Markets, a division of BB&T Securities LLC (BB&T Capital Markets), rendered its oral opinion to the MainStreet board of directors, which was subsequently confirmed by delivery of its written opinion dated August 22, 2014 to the MainStreet board of directors, as of such date and based upon and subject to, assumptions, qualifications, limitations and other matters considered in connection with the preparation of its opinion that the merger consideration to be provided pursuant to the merger agreement is fair, from a financial point of view, to the holders of MainStreet common stock.

The full text of the written opinion of BB&T Capital Markets, dated August 22, 2014, which sets forth, among other things, the assumptions, qualifications, limitations and other matters considered in connection with the preparation of its opinion, is attached as Appendix B to this proxy statement/prospectus. The summary of the opinion of BB&T Capital Markets set forth in this proxy statement/prospectus is qualified in its entirety by reference to the full text of such written opinion. The opinion does not address the relative merits of the merger as compared to other business strategies or transactions that might be available with respect to MainStreet or MainStreet's underlying business decision to effect the merger or any related transaction. The opinion does not constitute a recommendation to the MainStreet board of directors or any shareholder of MainStreet as to how the MainStreet board of directors, such shareholder or any other person should vote or otherwise act with respect to the merger or any other matter. See The Merger Opinion of MainStreet's Financial Advisor.

The Parties to the Merger (pages 80 and 81)

American National Bankshares Inc. American National Bankshares Inc. is a bank holding company headquartered in Danville, Virginia providing a full range of financial services through its community bank subsidiary, American National Bank and Trust Company. American National Bank serves southcentral Virginia and northcentral North Carolina with 24 banking offices. The common stock of American National is traded on the NASDAQ Global Select Market under the symbol AMNB.

As of June 30, 2014, American National had total assets of approximately \$1.3 billion, total net loans of approximately \$800.3 million, total deposits of approximately \$1.0 billion and total shareholders' equity of approximately \$172.1 million. American National Bank also manages an additional \$648.0 million of assets in its trust and investment services division.

The principal executive offices of American National are located at 628 Main Street, Danville, Virginia 24541, and its telephone number is (434) 792-5111. American National's website can be accessed at <https://www.amnb.com>. Information contained on the websites of American National or any subsidiary of American National does not constitute part of this proxy statement/prospectus and is not incorporated into other filings that American National makes with the SEC. Additional information about American National is included in documents incorporated by reference in this proxy statement/prospectus. See Where You Can Find More Information.

MainStreet BankShares, Inc. MainStreet BankShares, Inc. is a bank holding company headquartered in Martinsville, Virginia. MainStreet, through its community bank subsidiary, Franklin Community Bank, engages in a general commercial banking business and offers a variety of banking

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services to individuals, professionals and small to medium-sized businesses. Franklin Community Bank currently operates three full-service banking offices in its primary service area of Franklin County, the Town of Rocky Mount and surrounding markets in Virginia. MainStreet's common stock is traded on the OTCQB marketplace under the symbol MREE.

As of June 30, 2014, MainStreet had total consolidated assets of approximately \$166.3 million, total net loans of approximately \$124.4 million, total consolidated deposits through its bank subsidiary of approximately \$140.0 million and consolidated shareholders' equity of approximately \$24.8 million.

The principal executive offices of MainStreet are located at 1075 Spruce Street, Martinsville, Virginia 24112, and its telephone number is (276) 632-8054. MainStreet's website can be accessed at <http://www.msbsinc.com>. Information contained on the websites of MainStreet or any subsidiary of MainStreet does not constitute part of this proxy statement/prospectus and is not incorporated into other filings that MainStreet makes with the SEC. Additional information about MainStreet is included in documents incorporated by reference in this proxy statement/prospectus. See "Where You Can Find More Information."

Regulatory Approvals (page 56)

American National and MainStreet cannot complete the merger without prior approval from the Board of Governors of the Federal Reserve System (the "Federal Reserve") and the Virginia SCC. On October 9, 2014, American National filed the required applications with the Federal Reserve and Virginia SCC seeking approval of the merger.

The subsidiary bank merger cannot be completed without the prior approval from the Office of the Comptroller of the Currency (the "OCC"). On October 10, 2014, American National Bank filed the required application with the OCC seeking approval of the subsidiary bank merger.

As of the date of this proxy statement/prospectus, American National has not yet received the required regulatory approvals for the merger and American National Bank has not yet received the required regulatory approval for the subsidiary bank merger. While American National and American National Bank do not know of any reason why they would not be able to obtain the necessary regulatory approvals in a timely manner, or why they would be received with conditions unacceptable to American National, they cannot be certain when or if they will receive them or as to the nature of any conditions imposed.

Conditions to Completion of the Merger (page 64)

American National's and MainStreet's respective obligations to complete the merger are subject to the satisfaction or waiver of certain conditions, including the following:

approval of the merger proposal by MainStreet shareholders;

approval of the merger by the necessary federal and state regulatory authorities without conditions which American National reasonably believes would have a material adverse effect on American National going forward, or which would be unduly burdensome;

the effectiveness of American National's registration statement on Form S-4, of which this proxy statement/prospectus is a part;

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approval from the NASDAQ Stock Market for the listing on the NASDAQ Global Select Market of the shares of common stock of American National to be issued in the merger;

the absence of any order, decree or injunction of a court or regulatory agency that enjoins or prohibits the completion of the merger;

the receipt by American National and MainStreet from LeClairRyan, A Professional Corporation, American National's outside legal counsel, of a written legal opinion to the effect that the merger will be treated as a reorganization within the meaning of Section 368(a) of the Code;

the accuracy of the other party's representations and warranties in the merger agreement, subject to the material adverse effect standard in the merger agreement; and

the other party's performance in all material respects of its obligations under the merger agreement.

In addition, American National's obligation to complete the merger is subject to the satisfaction or waiver of the condition set forth below:

the number of shares of MainStreet common stock whose holders are seeking appraisal rights under the Virginia Stock Corporation Act does not represent 5% or more of the outstanding shares of MainStreet common stock.

Where the merger agreement and law permits, American National and MainStreet could choose to waive a condition to its obligation to complete the merger even if that condition has not been satisfied. American National and MainStreet cannot be certain when, or if, the conditions to the merger will be satisfied or waived or that the merger will be completed.

Timing of the Merger (page 61)

American National and MainStreet expect to complete the merger after all conditions to the merger in the merger agreement are satisfied or waived, including after shareholder approval is received at MainStreet's special meeting and all required regulatory approvals are received. We currently expect to complete the merger in early January 2015. However, it is possible that factors outside of either party's control could require the parties to complete the merger at a later time or not to complete it at all.

Interests of Certain MainStreet Directors and Executive Officers in the Merger (page 52)

In considering the recommendation of the MainStreet board of directors that shareholders vote in favor of the merger proposal, MainStreet shareholders should be aware that MainStreet directors and executive officers may have interests in the merger that differ from, or are in addition to, their interests as shareholders of MainStreet. These interests exist because of, among other things:

Brenda H. Smith, the current president and chief executive officer of MainStreet, entering into an employment agreement with American National that will be effective upon the merger and receiving compensation under the terms of such agreement;

the potential receipt by certain other executive officers of MainStreet of change in control, severance or termination payments;

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Joel R. Shepherd, current chairman of the board of MainStreet, being appointed to the American National board of directors upon the completion of the merger, subject to the prior approval and recommendation of American National's corporate governance and nominating committee, and receiving compensation for his service as a American National director;

the offer to certain other MainStreet directors of a position on American National's advisory board for the banking market serviced by Franklin Community Bank and any such directors who accept such position receiving compensation for such service;

an aggregate of 67,023 vested and unvested options to purchase shares of MainStreet common stock are held by officers and employees of MainStreet, and, as a result of the merger, the vesting of the unvested options upon the merger and the conversion of such options into options to purchase the number of shares of American National common stock equal to the product of (i) 0.643 multiplied by (ii) the number of shares of MainStreet common stock subject to the option; and

the agreement by American National to indemnify the directors and officers of MainStreet against certain liabilities arising before the effective date of the merger and American National's purchase of a six year tail prepaid policy for the current directors and officers of MainStreet, subject to a cap equal to 300% of MainStreet's current annual premium.

The members of the MainStreet board of directors knew about these additional interests and considered them when they approved the merger agreement and the merger. See *The Merger - Interests of Certain MainStreet Directors and Executive Officers in the Merger* on page 52.

No Solicitation (page 68)

MainStreet has agreed that, while the merger agreement is in effect, it will not directly or indirectly:

initiate, solicit or encourage any inquiries or proposals with respect to any acquisition proposal (as defined in the merger agreement); or

engage or participate in any negotiations or discussions concerning, or provide any confidential or nonpublic information relating to, an acquisition proposal.

The merger agreement does not, however, prohibit MainStreet from considering an unsolicited bona fide acquisition proposal from a third party if certain specified conditions are met.

Termination of the Merger Agreement (page 70)

Termination by American National and MainStreet. The merger agreement may be terminated and the merger abandoned by American National and MainStreet, at any time before the merger is completed, by mutual consent of the parties.

Termination by American National or MainStreet. The merger agreement may be terminated and the merger abandoned by either party if:

the merger has not been completed by July 1, 2015, unless the failure to complete the merger by such time was caused by a breach or failure to perform an obligation under the merger agreement by the terminating party;

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there is a breach or inaccuracy of any representation or warranty of the other party contained in the merger agreement that would cause the failure of the closing conditions described above, and the breach is not cured within 30 days following written notice to the breaching party or by its nature cannot be cured within such time period, unless the terminating party is in breach of any representation, warranty or covenant;

there is a material breach by the other party of any covenant or agreement contained in the merger agreement, and the breach is not cured within 30 days following written notice to the breaching party or by its nature cannot be cured within such time period, unless the terminating party is in breach of any representation, warranty or covenant;

any of the conditions precedent to the obligations of such party to consummate the merger set forth in the merger agreement cannot be satisfied or fulfilled by July 1, 2015, unless the terminating party is in breach of any representation, warranty or covenant; or

the MainStreet shareholders do not approve the merger proposal.

Termination by American National. American National may terminate the merger agreement at any time before the MainStreet special meeting if:

MainStreet breaches its agreement regarding the non-solicitation of other business combination offers;

the board of directors of MainStreet fails to recommend, or withdraws, modifies or changes its recommendation to the MainStreet shareholders that the merger agreement be approved in any way that is adverse to American National; or

MainStreet materially breaches its covenants in the merger agreement requiring the calling and holding of a meeting of shareholders to consider the merger agreement.

In addition, American National may terminate the merger agreement at any time if:

MainStreet enters into an agreement with respect to a business combination transaction or an acquisition directly from MainStreet of securities representing 10% or more of MainStreet; or

a tender offer or exchange offer for 20% or more of the outstanding shares of MainStreet common stock is commenced, and the MainStreet board recommends that MainStreet shareholders tender their shares in the offer or otherwise fails to recommend that they reject the offer.

Termination by MainStreet. MainStreet may terminate the merger agreement at any time before the special meeting to enter into an agreement with respect to an unsolicited superior proposal (as defined in the merger agreement) which has been received and considered by MainStreet in compliance with the merger agreement, provided that MainStreet has notified American National at least five business days in advance of any such termination and given American

National the opportunity during such period to make an offer at least as favorable as the superior proposal, as determined by the MainStreet board of directors.

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In the event of termination, the merger agreement will become null and void, except that certain provisions thereof relating to fees and expenses (including the obligation to pay the termination fee described below in certain circumstances) and confidentiality of information exchanged between the parties will survive any such termination.

Termination Fee and Expenses (pages 71 and 72)

MainStreet must pay American National a termination fee of \$1.0 million if the merger agreement is terminated by either party under certain specified circumstances. The termination and payment circumstances are more fully described elsewhere in this proxy statement/prospectus. See The Merger Agreement Termination Fee on page 71 and Article 7 of the merger agreement.

In general, whether or not the merger is completed, American National and MainStreet will each pay its respective expenses incident to preparing, entering into and carrying out the terms of the merger agreement. The parties will share the costs of printing and mailing this proxy statement/prospectus and all filing fees paid to the SEC and other governmental authorities.

The Special Meeting (page 28)

The special meeting of shareholders of MainStreet will be held at 2:00 p.m. local time, on December 9, 2014 at Shively Electric, Community Room, located at 1647 Franklin Street, Rocky Mount, Virginia.

At the special meeting, the shareholders of MainStreet common stock will be asked to vote on the merger proposal, the compensation proposal and the adjournment proposal.

Record Date

You can vote at the special meeting of shareholders if you owned MainStreet common stock at the close of business on October 20, 2014, the record date. On that date, MainStreet had 1,713,375 shares of common stock outstanding and entitled to vote. For each proposal presented at the special meeting, a shareholder can cast one vote for each share of MainStreet common stock owned on the record date.

Votes Required

The votes required to approve the proposals at the special meeting are as follows:

The merger proposal requires the affirmative vote of more than two-thirds of the outstanding shares of MainStreet common stock entitled to vote on the proposal.

The compensation proposal, to be obtained on an advisory basis only, requires the affirmative vote of at least a majority of the shares voted on the proposal.

The adjournment proposal requires the affirmative vote of a majority of the shares voted on the proposal, whether or not a quorum is present.

Affiliate Agreement and Voting by MainStreet Directors and Executive Officers (page 72)

Each of MainStreet's directors and executive officers has agreed, subject to several conditions and exceptions, to vote all of the shares of MainStreet common stock over which he or she has the right and power to vote (or direct the disposition of) in favor of the merger proposal. As of October 20, 2014, the record date for the special meeting, directors and executive officers of MainStreet are entitled to vote 243,661 shares of MainStreet common stock, or approximately 14.2% of the total voting power of the shares of MainStreet common stock outstanding on that date.

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MainStreet Shareholders Have Appraisal Rights (page 56)

Under Virginia law, holders of MainStreet common stock may exercise appraisal rights and, if the merger is consummated and all requirements of law are satisfied by holders seeking to exercise such rights, may receive payment equal to the fair value of their shares of MainStreet common stock, determined in the manner set forth under Virginia law. The procedures which must be followed in connection with the exercise of appraisal rights by shareholders are described in this proxy statement/prospectus under **The Merger Appraisal Rights** and in Article 15, Sections 13.1-729 through 13.1-741.1 of the Virginia Stock Corporation Act (**Virginia SCA**), a copy of which is attached as Appendix E to this proxy statement/prospectus. A shareholder seeking to exercise appraisal rights must deliver to MainStreet, before the shareholder vote on the merger agreement at the special meeting, a written objection to the merger stating that he or she intends to demand payment for his or her shares through the exercise of his or her statutory appraisal rights, and must not vote his or her shares in favor of the merger agreement. The return of a signed proxy which does not specify whether you vote in favor or against approval of the merger proposal or abstain from voting will be considered a vote in favor of the merger proposal. A shareholder vote against the merger proposal or an abstention alone, however, will not satisfy the notice requirement of Article 15 of the Virginia SCA. **Any failure to follow the specific procedures set forth in Article 15 of the Virginia SCA may result in a shareholder losing the right to claim fair value as described above.**

Shareholders of American National and MainStreet Have Different Rights (page 86)

American National and MainStreet are Virginia corporations governed by the Virginia SCA. In addition, the rights of American National and MainStreet shareholders are governed by their respective articles of incorporation and bylaws. Upon completion of the merger, MainStreet shareholders will become shareholders of American National, and as such their shareholder rights will then be governed by the articles of incorporation and bylaws of American National, each as amended, and by the Virginia SCA. The rights of shareholders of American National differ in certain respects from the rights of shareholders of MainStreet.

Listing of American National Common Stock (pages 64 and 78)

American National will list the shares of common stock to be issued in the merger on the NASDAQ Global Select Market.

Market Prices and Share Information (page 78)

American National's common stock is listed on the NASDAQ Global Select Market under the symbol **AMNB**. MainStreet's common stock trades on the OTCQB marketplace under the symbol **MREE**. The following table sets forth the closing sale prices per share of American National common stock as reported on the NASDAQ Global Select Market on August 22, 2014, the last trading day before the parties announced the signing of the merger agreement, and on October 27, 2014, the last trading day before the date of this proxy statement/prospectus. The table also sets forth, to the knowledge of MainStreet, the sales price of the latest sale of MainStreet common stock that occurred on or before August 22, 2014 (which sale occurred on August 22, 2014), and the sales price of the most recent sale of MainStreet common stock that occurred before the date of this proxy statement/prospectus (which sale occurred on October 24, 2014).

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	American National Common Stock	MainStreet Common Stock
August 22, 2014	\$ 21.97	\$ 10.80
October 27, 2014	\$ 22.90	\$ 14.08

The value of the stock portion of the merger consideration to be received for each share of MainStreet common stock will be based on the most recent closing price of American National's common stock prior to the completion of the merger. Because the stock portion of the merger consideration to be paid to shareholders of MainStreet is based on a fixed number of shares of American National common stock and because the market value of the shares of American National common stock to be received by MainStreet shareholders will change, shareholders of MainStreet are not assured of receiving a specific market value of American National common stock, and thus a specific market value for their shares of MainStreet common stock, at the effective date of the merger. American National cannot assure you that its common stock will continue to trade at or above the prices shown above. You should obtain current stock price quotations for the American National common stock from a newspaper, via the Internet or by calling your broker.

Risk Factors (page 20)

You should consider all the information contained in or incorporated by reference into this proxy statement/prospectus in deciding how to vote for the proposals presented in the proxy statement/prospectus. In particular, you should consider the factors under Risk Factors.

Recent Financial Developments

American National. For the three months ended September 30, 2014, net income for American National was \$3.2 million or \$0.40 per common share, assuming dilution, compared to \$4.2 million or \$0.54 per common share, assuming dilution, for the same period in 2013. At September 30, 2014, American National had total assets of \$1.3 billion compared to \$1.3 billion in total assets at September 30, 2013. Total net loans at September 30, 2014 were \$804.0 million, up 2.3% from the \$786.3 million in total net loans at September 30, 2013. Total deposits at September 30, 2014 were \$1.1 billion compared to \$1.1 billion at September 30, 2013.

MainStreet. For the three months ended September 30, 2014, net income for MainStreet was \$343,690 or \$0.20 per common share, assuming dilution, compared to net income of \$194,062 or \$0.11 per common share, assuming dilution, for the same period in 2013. At September 30, 2014, MainStreet had total assets of \$167.4 million, which was a decrease of 4.1% from the \$174.6 million in total assets at September 30, 2013. Total net loans at September 30, 2014 were \$124.9 million, up 2.2% from the \$122.2 million in total net loans at September 30, 2013. Total deposits at September 30, 2014 decreased to \$140.1 million, down from \$148.4 million at September 30, 2013.

Table of Contents**SELECTED HISTORICAL FINANCIAL DATA OF AMERICAN NATIONAL**

The following table sets forth certain of American National's consolidated financial data as of the end of and for each of the years in the five-year period ended December 31, 2013 and as of and for the six months ended June 30, 2014 and 2013. The historical consolidated financial information as of the end of and for each of the years in the five-year period ended December 31, 2013, is derived from American National's audited consolidated financial statements, which are incorporated by reference into this proxy statement/prospectus. The consolidated financial information as of and for the six-month periods ended June 30, 2014 and 2013 is derived from American National's unaudited consolidated financial statements, which are incorporated by reference into this proxy statement/prospectus. In American National's opinion, such unaudited consolidated financial statements include all adjustments (consisting of normal recurring adjustments) necessary for a fair presentation of its financial position and results of operations for such periods. Interim results for the six months ended June 30, 2014 are not necessarily indicative of, and are not projections for, the results to be expected for the full year ending December 31, 2014.

The selected historical financial data below is only a summary and should be read in conjunction with American National's consolidated financial statements that are incorporated by reference into this proxy statement/prospectus and their accompanying notes.

	Six Months Ended June 30, (Unaudited)		December 31,				
	2014	2013	2013	2012	2011	2010	2009
	(Amounts in thousands, except per share information)						
<u>Results of Operations:</u>							
Interest income	\$ 23,734	\$ 26,756	\$ 52,956	\$ 57,806	\$ 49,187	\$ 35,933	\$ 38,061
Interest expense	2,924	3,381	6,583	8,141	8,780	8,719	10,789
Net interest income	20,810	23,375	46,373	49,665	40,407	27,214	27,272
Provision for loan losses	150	294	294	2,133	3,170	1,490	1,662
Net interest income after provision for loan losses	20,660	23,081	46,079	47,532	37,237	25,724	25,610
Noninterest income	5,403	5,456	10,827	11,410	9,244	9,114	8,518
Noninterest expenses	16,788	16,746	35,105	36,643	30,000	23,379	24,793
Income before income taxes	9,275	11,791	21,801	22,299	16,481	11,459	9,335
Income tax expense	2,592	3,430	6,054	6,293	4,910	3,181	2,525

Net income	\$	6,683	\$	8,361	\$	15,747	\$	16,006	\$	11,571	\$	8,278	\$	6,810
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Dividends on
preferred stock
preferred stock

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Net income available to common shareholders	\$	6,683	\$	8,361	\$	15,747	\$	16,006	\$	11,468	\$	8,278	\$	6,810
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**Financial
Condition:**

Total assets	\$	1,300,648	\$	1,294,017	\$	1,307,512	\$	1,283,687	\$	1,304,706	\$	833,664	\$	808,973
Loans, net of unearned income		813,057		794,045		794,671		788,705		824,758		520,781		527,991
Securities		354,783		345,015		351,013		340,533		339,385		235,691		199,686
Deposits		1,035,800		1,046,394		1,057,675		1,027,667		1,058,754		640,098		604,273
Shareholders equity		172,083		162,936		167,551		163,246		152,829		108,087		106,389
Shareholders equity, tangible		130,542		120,074		125,349		119,543		107,335		84,299		82,223

**Per Share
Data:**

Earnings per share, basic	\$	0.85	\$	1.06	\$	2.00	\$	2.04	\$	1.64	\$	1.35	\$	1.12
Earnings per share, diluted		0.85		1.06		2.00		2.04		1.64		1.35		1.12
Cash dividends paid		0.46		0.46		0.92		0.92		0.92		0.92		0.92
Book value		21.95		20.70		21.23		20.80		19.58		17.64		17.41
Book value, tangible		16.65		15.25		15.89		15.23		13.75		13.76		13.46
Weighted average shares outstanding, basic		7,886,232		7,862,719		7,872,870		7,834,351		6,982,524		6,123,870		6,097,810
Weighted average shares outstanding, diluted		7,896,541		7,872,351		7,884,561		7,845,652		6,989,877		6,131,650		6,102,895

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	Six Months Ended June 30, (Unaudited)			December 31,			2009
	2014	2013	2013	2012	2011	2010	
(Amounts in thousands, except per share information)							
Selected Ratios:							
Return on average assets (1)	1.03%	1.29%	1.20%	1.23%	1.07%	1.00%	0.84%
Return on average equity (1)	7.82	10.11	9.52	10.08	8.88	7.59	6.57
Return on average tangible equity (1)(2)	11.10	14.68	13.75	15.25	12.97	10.05	8.94
Dividend payout ratio	54.12	43.40	46.03	45.06	55.50	68.08	82.40
Efficiency ratio (3)	62.34	55.73	57.57	58.23	58.48	61.53	63.46
Net interest margin	3.69	4.18	4.10	4.44	4.35	3.78	3.81
Asset Quality Ratios:							
Allowance for loan losses to period end loans	1.57%	1.60%	1.59%	1.54%	1.28%	1.62%	1.55%
Allowance for loan losses to period end non-performing loans	244.31	217.50	248.47	227.95	76.76	324.22	224.22
Non-performing assets to total assets	0.60	0.73	0.65	0.90	1.46	0.76	0.87
Net charge-offs to average loans	0.00	(0.07)	(0.02)	0.07	0.16	0.24	0.24
Capital Ratios:							
Total risk-based capital ratio	18.04%	17.57%	18.14%	17.00%	15.55%	19.64%	18.82%
Tier 1 risk-based capital ratio	16.79	16.32	16.88	15.75	14.36	18.38	17.56
Tier 1 leverage ratio	12.24	11.67	11.81	11.27	10.32	12.74	12.81
Equity to assets ratio (4)	10.37	9.60	9.91	9.64	8.52	10.41	10.48

(1) Annualized for the six months ended June 30, 2014 and 2013.

(2) Return on average tangible common equity is calculated by dividing net income available to common shareholders less amortization of intangibles by average common equity less average intangibles.

(3) The efficiency ratio is calculated by dividing noninterest expense excluding gains or losses on the sale of other real estate owned by net interest income including tax equivalent income on nontaxable loans and securities and excluding gains or losses on sales of securities and gains or losses on sale of premises and equipment.

(4) Equity to assets ratio is calculated by dividing period-end common equity less period-end intangibles by period-end assets less period-end intangibles.

Table of Contents**SELECTED HISTORICAL FINANCIAL DATA OF MAINSTREET**

The following table sets forth certain of MainStreet's consolidated financial data as of the end of and for each of the years in the five-year period ended December 31, 2013 and as of and for the six months ended June 30, 2014 and 2013. The historical consolidated financial information as of the end of and for each of the years in the five-year period ended December 31, 2013, is derived from MainStreet's audited consolidated financial statements included in MainStreet's Annual Report on Form 10-K for the year ended December 31, 2013, which is included with this proxy statement/prospectus as Appendix C and incorporated herein by reference. The consolidated financial information as of and for the six-month periods ended June 30, 2014 and 2013 is derived from MainStreet's unaudited consolidated financial statements included in MainStreet's Quarterly Report on Form 10-Q for the quarter ended June 30, 2014, which is included with this proxy statement/prospectus as Appendix D and incorporated herein by reference. In MainStreet's opinion, such unaudited consolidated financial statements include all adjustments (consisting of normal recurring adjustments) necessary for a fair presentation of its financial position and results of operations for such periods. Interim results for the six months ended June 30, 2014 are not necessarily indicative of, and are not projections for, the results to be expected for the full year ending December 31, 2014.

The selected historical financial data below is only a summary and should be read in conjunction with MainStreet's consolidated financial statements that are included with and incorporated by reference into this proxy statement/prospectus and their accompanying notes.

	Six Months Ended June 30, (Unaudited)		December 31,				
	2014	2013	2013	2012	2011	2010	2009
	(Amounts in thousands, except per share information)						
Results of Operations:							
Interest income	\$ 3,429	\$ 3,706	\$ 7,204	\$ 8,389	\$ 9,432	\$ 10,627	\$ 11,765
Interest expense	383	566	1,057	1,820	2,530	3,625	4,727
Net interest income	3,046	3,140	6,147	6,569	6,902	7,002	7,038
Provision for loan losses	87	1,253	1,665	486	1,661	1,292	1,766
Net interest income after provision for loan losses	2,959	1,887	4,482	6,083	5,241	5,710	5,272
Noninterest income	448	602	1,063	3,481	1,090	1,707	438
Noninterest expenses	2,535	2,670	5,293	7,898	6,618	6,260	5,635
Income (loss) before income	872	(181)	252	1,666	(287)	1,157	75

taxes								
Income tax expense (benefit)	274	(81)	47	(305)	(141)	365	3	
Net income (loss)	\$ 598	\$ (100)	\$ 205	\$ 1,971	\$ (146)	\$ 792	\$ 72	
Net income available to common shareholders	\$ 598	\$	\$ 205	\$ 1,971	\$	\$ 792	\$ 72	

Financial Condition:

Total assets	\$ 166,281	\$ 179,767	\$ 169,031	\$ 183,111	\$ 203,855	\$ 214,535	\$ 225,203
Loans, net of unearned income	126,621	128,440	123,724	134,493	143,224	158,825	167,317
Securities	19,753	18,192	21,832	18,837	21,200	27,055	23,978
Deposits	139,475	153,945	142,821	150,579	167,083	177,874	188,917
Shareholders equity	24,800	23,761	23,988	24,250	22,241	22,089	21,777
Shareholders equity, tangible	24,800	23,761	23,988	24,250	22,241	22,089	21,777

Per Common Share Data:

Earnings (loss) per share, basic	\$ 0.35	\$ (0.06)	\$ 0.12	\$ 1.15	\$ (0.09)	\$ 0.46	\$ 0.04
Earnings (loss) per share, diluted	0.35	(0.06)	0.12	1.15	(0.09)	0.46	0.04
Cash dividends paid							
Book value	14.47	13.87	14.00	14.15	12.98	12.89	12.71
Book value, tangible	14.47	13.87	14.00	14.15	12.98	12.89	12.71
Weighted average shares outstanding, basic	1,713,375	1,713,375	1,713,375	1,713,375	1,713,375	1,713,375	1,713,375
Weighted average shares outstanding, diluted	1,713,375	1,713,375	1,713,375	1,713,375	1,713,375	1,713,375	1,713,375

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	Six Months Ended June 30, (Unaudited)		December 31,				
	2014	2013	2013	2012	2011	2010	2009
(Amounts in thousands, except per share information)							
Selected Ratios:							
Return on average assets (1)	0.73%	(0.11)%	0.12%	1.02%	(0.07)%	0.36%	0.03%
Return on average equity (1)	4.93	(0.82)	0.85	8.69	(0.66)	3.57	0.32
Return on average tangible equity (1)(2)	4.93	(0.82)	0.85	8.69	(0.66)	3.57	0.32
Common stock dividend ratio							
Efficiency ratio (3)	72.55	71.35	73.41	78.59	82.81	71.88	75.37
Net interest margin	3.89	3.72	3.66	3.62	3.50	3.33	3.20
Asset Quality Ratios:							
Allowance for loan losses to period end loans	1.77%	2.27%	1.92%	1.93%	2.29%	2.26%	1.96%
Allowance for loan losses to period end non-performing loans	59.98	46.16	39.68	92.13	37.39	39.22	69.03
Non-performing assets to total assets	2.38	3.55	3.98	2.39	6.10	6.20	3.67
Net charge-offs to average loans	0.35	1.44	1.47	0.84	1.29	0.60	1.09
Capital Ratios:							
Total risk-based capital ratio	20.75%	20.47%	20.24%	19.41%	16.36%	15.35%	14.19%
Tier 1 risk-based capital ratio	19.50	19.20	18.98	18.15	15.09	14.09	12.93
Tier 1 leverage ratio	14.45	13.26	13.59	13.02	10.68	9.99	9.33
Equity to assets ratio (4)	14.91	13.22	14.19	13.24	10.91	10.30	9.67

(1) Annualized for the six months ended June 30, 2014 and 2013.

(2) Return on average tangible common equity is calculated by dividing net income available to common shareholders less amortization of intangibles by average common equity less average intangibles.

(3) The efficiency ratio is calculated by dividing noninterest expense by the sum of net interest income plus noninterest income. Includes securities gains and nonrecurring expenses.

(4) Equity to assets ratio is calculated by dividing period-end common equity less period-end intangibles by period-end assets less period-end intangibles.

Table of Contents**COMPARATIVE HISTORICAL AND PRO FORMA UNAUDITED SHARE DATA**

Presented below is certain historical, unaudited pro forma combined and pro forma equivalent per share financial data as of and for the periods presented. The data in the following tables is based on the historical financial statements of each of American National and MainStreet, and should be read together with the historical financial information that American National and MainStreet have presented in its SEC filings, which are incorporated by reference in this proxy statement/prospectus. See [Where You Can Find More Information](#).

The unaudited pro forma combined and pro forma equivalent per share information gives effect to the merger as if the merger had been effective on December 31, 2013 or June 30, 2014, in the case of the book value data, and as if the merger had been effective as of January 1, 2013, in the case of the earnings per share and the cash dividends data. The unaudited pro forma data combines the historical results of MainStreet into American National's consolidated statement of income. While certain adjustments were made for the estimated impact of fair value adjustments and other acquisition-related activity, they are not indicative of what could have occurred had the acquisition taken place on January 1, 2013.

The unaudited pro forma adjustments are based upon available information and certain assumptions that American National management believes are reasonable. The pro forma financial data in the tables below is provided for illustrative purposes, does not include any projected cost savings, revenue enhancements or other possible financial benefits of the merger to the combined company and does not attempt to suggest or predict future results. This data also does not necessarily reflect what the historical financial condition or results of operations of the combined company would have been had American National and MainStreet been combined as of the dates and for the periods shown.

	As of and for the Year Ended December 31, 2013			
	American National Historical	MainStreet Historical	Pro Forma Combined	MainStreet Pro Forma Equivalent (1)
Earnings per common share, basic	\$ 2.00	\$ 0.12	\$ 1.83	\$ 0.88
Earnings per common share, diluted	2.00	0.12	1.82	0.88
Cash dividends per common share (2)	0.92		0.92	0.44
Book value per common share	21.23	14.00	21.42	10.33

	As of and for the Six Month Ended June 30, 2014			
	American National Historical	MainStreet Historical	Pro Forma Combined	MainStreet Pro Forma Equivalent (1)
Earnings per common share, basic	\$ 0.85	\$ 0.35	\$ 0.83	\$ 0.40
Earnings per common share, diluted	0.85	0.35	0.83	0.40
Cash dividends per common share (2)	0.46		0.46	0.22
Book value per common share	21.95	14.47	21.55	10.39

(1) The pro forma equivalent per share data is computed by multiplying the pro forma combined amounts by 0.482.

(2)

It is anticipated that the initial dividend rate of American National after the merger will be equal to the most recent quarterly dividend paid by American National (\$0.23 per share).

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RISK FACTORS

*In addition to general investment risks and the other information contained in or incorporated by reference into this proxy statement/prospectus, including the matters addressed under the heading **Cautionary Statement Regarding Forward-Looking Statements** on page 26, you should consider carefully the following risk factors in deciding how to vote on the proposals presented in this proxy statement/prospectus. Certain risks can also be found in the documents incorporated by reference into this proxy statement/prospectus by American National. See **Where You Can Find More Information** on page 93.*

Because of the fixed exchange ratio of the stock portion of the merger consideration and the fluctuation of the market price of American National common stock, shareholders of MainStreet will not know at the time of the special meeting the market value of the stock portion of the merger consideration to be paid by American National to MainStreet shareholders.

In the merger, each share of MainStreet common stock will be converted into the right to receive (i) \$3.46 in cash and (ii) 0.482 shares of American National common stock, plus cash in lieu of any fractional shares of American National common stock. The value of 0.482 shares of American National common stock will depend upon the price of American National common stock at the effective date of the merger. The price of American National common stock as of the effective date of the merger may vary from its price at the date the fixed exchange ratio was established, at the date of this proxy statement/prospectus and at the date of the special meeting. Such variations in the price of American National common stock may result from changes in the business, operations or prospects of American National, regulatory considerations, general market and economic conditions, and other factors. At the time of the special meeting, shareholders of MainStreet will not know the exact value of the consideration to be paid by American National when the merger is completed. You should obtain current market quotations for shares of American National common stock.

The market price of American National common stock after the merger may be affected by factors different from those affecting the shares of American National or MainStreet currently.

Upon completion of the merger, holders of MainStreet common stock will become holders of American National common stock. American National's business differs in important respects from that of MainStreet, and, accordingly, the results of operations of the combined company and the market price of American National common stock after the completion of the merger may be affected by factors different from those currently affecting the independent results of operations of each of American National and MainStreet. For a discussion of the businesses of American National and MainStreet, see the information described elsewhere in this proxy statement/prospectus and the documents included with and/or incorporated herein by reference.

Combining American National and MainStreet may be more difficult, costly or time-consuming than we expect.

The success of the merger will depend, in part, on American National's ability to realize the anticipated benefits and cost savings from combining the business of MainStreet into American National's business and to combine the businesses of American National and MainStreet in a manner that permits growth opportunities and cost savings to be realized without materially disrupting the existing customer relationships of MainStreet or American National or decreasing revenues due to loss of customers. However, to realize these anticipated benefits and cost savings, American National must successfully combine the businesses of American National and MainStreet. If American National is not able to achieve these objectives, the anticipated benefits and cost savings of the merger may not be realized fully, or at all, or may take longer to realize than expected.

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American National and MainStreet have operated, and, until the completion of the merger, will continue to operate, independently. The success of the merger will depend, in part, on American National's ability to successfully combine the businesses of American National and MainStreet. To realize these anticipated benefits, after the completion of the merger, American National will integrate MainStreet's business into its own. The integration process in the merger could result in the loss of key employees, the disruption of each party's ongoing business, inconsistencies in standards, controls, procedures and policies that affect adversely either party's ability to maintain relationships with customers and employees or achieve the anticipated benefits of the merger. If American National experiences difficulties with the integration process, the anticipated benefits of the merger may not be realized, fully or at all, or may take longer to realize than expected. As with any merger of financial institutions, there also may be disruptions that cause American National and MainStreet to lose customers or cause customers to withdraw their deposits from MainStreet's or American National's banking subsidiaries, or other unintended consequences that could have a material adverse effect on American National's results of operations or financial condition after the merger. These integration matters could have an adverse effect on each of MainStreet and American National during this transition period and for an undetermined period after consummation of the merger.

American National may not be able to effectively integrate the operations of Franklin Community Bank into American National Bank.

The future operating performance of American National and American National Bank will depend, in part, on the success of the merger of Franklin Community Bank and American National Bank, which is expected to occur as soon as practicable after the merger. The success of the merger of the banks will, in turn, depend on a number of factors, including American National's ability to (i) integrate the operations and branches of Franklin Community Bank and American National Bank, (ii) retain the deposits and customers of Franklin Community Bank and American National Bank, (iii) control the incremental increase in noninterest expense arising from the merger in a manner that enables the combined bank to improve its overall operating efficiencies, and (iv) retain and integrate the appropriate personnel of Franklin Community Bank into the operations of American National Bank, as well as reducing overlapping bank personnel. The integration of Franklin Community Bank and American National Bank following the subsidiary bank merger will require the dedication of the time and resources of the banks' management and may temporarily distract managements' attention from the day-to-day business of the banks. If American National Bank is unable to successfully integrate Franklin Community Bank, American National Bank may not be able to realize expected operating efficiencies and eliminate redundant costs.

The merger may distract management of American National and MainStreet from their other responsibilities.

The merger could cause the respective management groups of American National and MainStreet to focus their time and energies on matters related to the transaction that otherwise would be directed to their business and operations. Any such distraction on the part of either company's management could affect its ability to service existing business and develop new business and adversely affect the business and earnings of American National or MainStreet before the merger, or the business and earnings of American National after the merger.

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Termination of the merger agreement could negatively impact American National or MainStreet.

If the merger agreement is terminated, American National's or MainStreet's business may be impacted adversely by the failure to pursue other beneficial opportunities due to the focus of management on the merger, without realizing any of the anticipated benefits of completing the merger. Additionally, if the merger agreement is terminated, the market price of American National's or MainStreet's common stock could decline to the extent that the current market prices reflect a market assumption that the merger will be completed. Furthermore, costs relating to the merger, such as legal, accounting and financial advisory fees, must be paid even if the merger is not completed. If the merger agreement is terminated under certain circumstances, including circumstances involving a change in recommendation by MainStreet's board of directors, MainStreet may be required to pay to American National a termination fee of \$1.0 million. See "The Merger Agreement - Termination Fee" on page 71.

The fairness opinion received by MainStreet in connection with the merger has not been updated to reflect changes in circumstances since the signing of the merger agreement, and it likely will not be updated before completion of the merger.

The opinion rendered by BB&T Capital Markets, financial advisor to MainStreet, on August 22, 2014, is based upon information available as of such date. Such opinion has not been updated to reflect changes that may occur or may have occurred after the date on which it was delivered, including changes to the operations and prospects of American National or MainStreet, changes in general market and economic conditions or other changes. Any such changes may alter the relative value of American National or MainStreet or the prices of shares of American National common stock or MainStreet common stock by the time the merger is completed. The opinion does not speak as of the date the merger will be completed or as of any date other than the date of such opinion. MainStreet does not currently anticipate asking its financial advisor to update the opinion prior to the time the merger is completed. For a description of the opinion that MainStreet received from its financial advisor, please see "The Merger - Opinion of MainStreet's Financial Advisor," beginning on page 43.

MainStreet's directors and executive officers have interests in the merger that differ from the interests of MainStreet's other shareholders.

MainStreet shareholders, in deciding how to vote on the merger proposal, should be aware that MainStreet's directors and executive officers have interests in the merger that are different from, or in addition to, the interests of MainStreet shareholders generally. These interests exist because of, among other things:

Brenda H. Smith, the current president and chief executive officer of MainStreet, entering into an employment agreement with American National that will be effective upon the merger and receiving compensation under the terms of such agreement;

the potential receipt by certain other executive officers of MainStreet of change in control, severance or termination payments;

Joel R. Shepherd, current chairman of the board of MainStreet, being appointed to the American National board of directors upon the completion of the merger, subject to the prior approval and recommendation of American National's corporate governance and nominating committee, and receiving compensation for his

service as a American National director;

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the offer to certain other MainStreet directors of a position on American National's advisory board for the banking market serviced by Franklin Community Bank and any such directors who accept such position receiving compensation for such service;

an aggregate of 67,023 vested and unvested options to purchase shares of MainStreet common stock are held by officers and employees of MainStreet, and, as a result of the merger, the vesting of the unvested options upon the merger and the conversion of such options into options to purchase the number of shares of American National common stock equal to the product of (i) 0.643 multiplied by (ii) the number of shares of MainStreet common stock subject to the option; and

the agreement by American National to indemnify the directors and officers of MainStreet against certain liabilities arising before the effective date of the merger and American National's purchase of a six year tail prepaid policy for the current directors and officers of MainStreet, subject to a cap equal to 300% of MainStreet's current annual premium.

These interests may cause directors and executive officers of MainStreet to view the merger proposal differently than other MainStreet shareholders view the proposal. See *The Merger - Interests of Certain MainStreet Directors and Executive Officers in the Merger* on page 52.

The merger agreement limits the ability of MainStreet to pursue alternatives to the merger and might discourage competing offers for a higher price or premium.

The merger agreement contains no-shop provisions that, subject to limited exceptions, limit the ability of MainStreet to discuss, facilitate or commit to competing third-party proposals to acquire all or a significant part of its company. In addition, under certain circumstances, if the merger agreement is terminated and MainStreet, subject to certain restrictions, consummates a similar transaction other than the merger, MainStreet must American National a termination fee of \$1.0 million. These provisions might discourage a potential competing acquirer that might have an interest in acquiring all or a significant percentage of ownership of MainStreet from considering or proposing the acquisition even if it were prepared to pay consideration with a higher per share market value than that proposed in the merger. See *The Merger Agreement - Termination Fee* on page 71.

Regulatory approvals may not be received, may take longer than expected, or may impose conditions that are not presently anticipated or that could have an adverse effect on the combined company following the merger.

Before the merger may be completed, American National and MainStreet must obtain approvals from the Federal Reserve and the Virginia SCC. Other approvals, waivers or consents from regulators may also be required. These regulators may impose conditions on the completion of the merger or require changes to the terms of the merger. American National will not be obligated to complete the merger if any such approval contains any conditions, restrictions or other requirements that would have or be reasonably expected to have a material adverse effect on American National following the merger or which, in American National's reasonable opinion, be unduly burdensome. Although American National and MainStreet do not currently expect that any such conditions or changes would be imposed, there can be no assurance that they will not be, in which case the merger may not be completed, or if completed, such conditions or changes could have the effect of delaying completion of the merger or imposing additional costs on or limiting the revenues of the combined company following the merger, any of which might have an adverse effect on the combined company following the merger. See *The Merger - Regulatory Approvals* on page 56.

Table of Contents***American National and MainStreet will be subject to business uncertainties and contractual restrictions while the merger is pending.***

Uncertainty about the effect of the merger on employees and customers may have an adverse effect on American National and MainStreet. These uncertainties may impair American National's and MainStreet's ability to attract, retain and motivate key personnel until the merger is completed, and could cause customers and others that deal with American National and MainStreet to seek to change existing business relationships with American National and MainStreet. Retention of certain employees by American National and MainStreet may be challenging while the merger is pending, as certain employees may experience uncertainty about their future roles with American National or MainStreet. If key employees depart because of issues relating to the uncertainty and difficulty of integration or a desire not to remain with American National or MainStreet, American National's or MainStreet's business, or the business of the combined company following the merger, could be harmed. In addition, subject to certain exceptions, American National and MainStreet have each agreed to operate its business in the ordinary course prior to closing and refrain from taking certain specified actions until the merger occurs. See "The Merger Agreement - Business Pending the Merger" on page 65 for a description of the restrictive covenants applicable to American National and MainStreet.

If the merger is not completed, American National and MainStreet will have incurred substantial expenses without realizing the expected benefits of the merger.

Each of American National and MainStreet has incurred and will incur substantial expenses in connection with the negotiation and completion of the transactions contemplated by the merger agreement, as well as the costs and expenses of filing, printing and mailing this proxy statement/prospectus and all filing and other fees paid to the SEC and other regulatory authorities in connection with the merger. If the merger is not completed, American National and MainStreet would have to incur these expenses without realizing the expected benefits of the merger.

Current holders of MainStreet common stock will have less influence as holders of American National common stock after the merger.

It is expected that, as a group, the current holders of common stock of MainStreet will own approximately 9.5% of the outstanding common stock of American National after the merger. Each current holder of MainStreet common stock will own a significantly smaller percentage of American National after the merger than they currently own of MainStreet. As a result of the merger, holders of MainStreet common stock will have less influence on the management and policies of American National than they currently have on the management and policies of MainStreet.

American National is not obligated to pay cash dividends on its common stock.

American National is a bank holding company and, currently, its primary source of funds for paying dividends to its shareholders is dividends it receives from American National Bank. American National is currently paying a quarterly cash dividend to holders of its common stock at a rate of \$0.23 per share. However, American National is not obligated to pay dividends in any particular amounts or at any particular times. American National's decision to pay dividends in the future will depend on a number of factors, including its capital, applicable governmental regulations and policies, and the availability of funds from which dividends may be paid. See "Market for Common Stock and Dividends" on page 78 and "Description of American National Capital Stock" on page 84.

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The shares of American National common stock to be received by MainStreet shareholders as a result of the merger will have different rights than shares of MainStreet common stock.

Upon completion of the merger, MainStreet shareholders will become American National shareholders and their rights as shareholders will be governed by Virginia law and the American National articles of incorporation and bylaws. The rights associated with MainStreet common stock are different from the rights associated with American National common stock. See **Comparative Rights of Shareholders** beginning on page 86 for a discussion of the different rights associated with American National common stock.

The trading volume of American National's common stock has been relatively low, and market conditions and other factors may affect the value of its common stock, which may make it difficult for American National shareholders to sell their shares at times, volumes or prices they find attractive.

While American National's common stock is traded on the NASDAQ Global Select Market, the shares are thinly traded and the common stock has substantially less liquidity than the average trading market for many other publicly traded financial institutions of similar size. Thinly traded stocks can be more volatile than stock trading in an active public market. As such, American National's stock price could fluctuate significantly in the future, with such fluctuations being unrelated to its performance. General market declines or market volatility in the future, especially in the financial institutions sector of the economy, could adversely affect the price of American National common stock, and the current market price may not be indicative of future market prices. Therefore, American National shareholders may not be able to sell their shares at the volume, prices or times that they desire.

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

The Private Securities Litigation Reform Act of 1995 provides a "safe harbor" for forward-looking statements to encourage companies to provide prospective information, so long as those statements are identified as forward-looking and are accompanied by meaningful cautionary statements identifying important factors that could cause actual results to differ materially from those discussed in the statement. American National and MainStreet desire to take advantage of these "safe harbor" provisions with regard to the forward-looking statements in this proxy statement/prospectus and in the documents that are included with and/or incorporated herein by reference. These forward-looking statements reflect the current views of American National and MainStreet with respect to future events and financial performance. Specifically, forward-looking statements may include:

statements relating to the ability of American National and MainStreet to timely complete the merger and the benefits thereof, including anticipated efficiencies, opportunities, synergies and cost savings estimated to result from the merger;

projections of revenues, expenses, income, income per share, net interest margins, asset growth, loan production, asset quality, deposit growth and other performance measures;

statements regarding expansion of operations, including branch openings, entrance into new markets, development of products and services, and execution of strategic initiatives;

discussions of the future state of the economy, competition, regulation, taxation, and our business strategies, subsidiaries, investment risk and policies; and

statements preceded by, followed by or that include the words "estimate," "plan," "project," "forecast," "intend," "expect," "anticipate," "believe," "could," "seek," "target" or similar expressions.

These forward-looking statements express the best judgment of American National and MainStreet based on currently available information and the companies believe that the expectations reflected in these forward-looking statements are reasonable.

By their nature, however, forward-looking statements often involve assumptions about the future. Such assumptions are subject to risks and uncertainties that could cause actual results to differ materially from those described in the forward-looking statements. As such, American National and MainStreet cannot guarantee you that the expectations reflected in our forward-looking statements actually will be achieved. Actual results may differ materially from those in the forward-looking statements due to, among other things, the following factors:

the businesses of American National and MainStreet may not be integrated successfully or such integration may be more difficult, time-consuming or costly than expected;

expected revenue synergies and cost savings from the merger may not be fully realized or realized within the expected timeframe;

revenues following the merger may be lower than expected;

customer and employee relationships and business operations may be disrupted by the merger;

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the ability to obtain required regulatory and shareholder approvals, and the ability to complete the merger within the expected timeframe, may be more difficult, time-consuming or costly than expected;

changes in general business, economic and market conditions;

changes in fiscal and monetary policies, and laws and regulations;

changes in interest rates, deposit flows, loan demand and real estate values;

a deterioration in credit quality and/or a reduced demand for, or supply of, credit;

volatility in the securities markets generally or in the market price of American National's stock specifically;
and

the risks outlined in **Risk Factors** beginning on page 20.

We caution you not to place undue reliance on any forward-looking statements, which speak only as of the date of this proxy statement/prospectus or, in the case of a document included with and/or incorporated herein by reference, as of the date of that document. Except as required by law, neither American National nor MainStreet undertakes any obligation to publicly update or release any revisions to these forward-looking statements to reflect any events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.

Additional factors that could cause actual results to differ materially from those expressed in the forward-looking statements are discussed in reports filed with the SEC by American National and MainStreet. See **Where You Can Find More Information** beginning on page 93 for a list of the documents incorporated herein by reference.

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THE SPECIAL MEETING

Date, Place and Time

This proxy statement/prospectus is first being mailed on or about November 3, 2014 to MainStreet shareholders who held shares of MainStreet common stock on the record date for the special meeting of shareholders. This proxy statement/prospectus is accompanied by the notice of the special meeting and a form of proxy that is solicited by the board of directors of MainStreet for use at the special meeting to be held on December 9, 2014 at 2:00 p.m. local time, at Shively Electric, Community Room, located at 1647 Franklin Street, Rocky Mount, Virginia, and at any adjournments of that meeting.

Purposes of the Special Meeting

At the special meeting, the shareholders of MainStreet will be asked:

to approve the merger proposal as more fully described in this proxy statement/prospectus;

to approve, on an advisory basis only, the compensation proposal as more fully described in this proxy statement/prospectus; and

to approve the adjournment proposal as more fully described in this proxy statement/prospectus.

Recommendation of the MainStreet Board of Directors

The MainStreet board believes that the proposed merger with American National is fair to and is in the best interests of MainStreet and its shareholders and unanimously recommends that MainStreet shareholders vote FOR each of the proposals that will be presented at the special meeting as described in this proxy statement/prospectus.

Record Date and Voting Rights; Quorum

The MainStreet board of directors has fixed the close of business on October 20, 2014 as the record date for determining the shareholders of MainStreet entitled to notice of and to vote at the special meeting or any adjournments thereof. Accordingly, you are only entitled to notice of and to vote at the special meeting if you were a record holder of MainStreet common stock at the close of business on the record date. At that date, 1,713,375 shares of MainStreet common stock were outstanding and entitled to vote.

To have a quorum that permits MainStreet to conduct business at the special meeting, we require the presence, whether in person or by proxy, of the holders of MainStreet's common stock representing a majority of the shares of common stock outstanding on the record date. You are entitled to one vote for each outstanding share of MainStreet common stock you held as of the close of business on the record date.

Holders of shares of MainStreet common stock present in person at the special meeting but not voting, and shares of the common stock for which proxy cards are received indicating that their holders have abstained, will be counted as present at the special meeting for purposes of determining whether there is a quorum for transacting business. Shares held in street name that have been designated by brokers on proxies as not voted will not be counted as votes cast for

or against any proposal. These broker non-votes will, however, be counted for purposes of determining whether a quorum exists.

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Votes Required

Vote Required for Approval of the Merger Proposal. The approval of the merger proposal requires the affirmative vote of more than two-thirds of the shares of MainStreet common stock outstanding on the record date for the special meeting.

Failures to vote, abstentions and broker non-votes will not count as votes cast. Because, however, approval of the merger proposal requires the affirmative vote of more than two-thirds of the shares of MainStreet common stock outstanding on the record date, failures to vote, abstentions and broker non-votes will have the same effect as votes against the merger proposal.

Vote Required for Approval, on an Advisory Basis Only, of the Compensation Proposal. The approval, on an advisory basis only, of the compensation proposal requires the affirmative vote of at least a majority of the shares of Franklin common stock voted on the proposal.

Failures to vote, abstentions and broker non-votes will not count as votes cast and will have no effect on the compensation proposal.

Vote Required for Approval of the Adjournment Proposal. The approval of the adjournment proposal requires the affirmative vote of a majority of the shares of MainStreet common stock voted on the proposal, whether or not a quorum is present.

Failures to vote, abstentions and broker non-votes will not count as votes cast and will have no effect for purposes of determining whether the adjournment proposal has been approved.

Stock Ownership of MainStreet Executive Officers and Directors

Each director and executive officer of MainStreet has entered into an agreement with American National and MainStreet pursuant to which he or she has agreed to vote all of the shares of MainStreet common stock over which he or she has the right and power to vote in favor of the merger proposal, subject to certain exceptions, including that certain shares they hold in a fiduciary capacity are not covered by the agreement. As of the record date, directors and executive officers of MainStreet were entitled to vote approximately 243,661 shares of MainStreet common stock at the special meeting, or approximately 14.2% of the total voting power of MainStreet shares entitled to vote at the special meeting.

Voting at the Special Meeting

Record Holders. If your shares of MainStreet common stock are held of record in your name, your shares can be voted at the special meeting in any of the following ways:

By Mail. You can vote your shares by using the proxy card which is enclosed for your use in connection with the special meeting. If you complete and sign the proxy card and return it in the enclosed postage-paid envelope, you will be appointing the proxies named in the proxy card to vote your shares for you at the meeting. The authority you will be giving the proxies is described in the proxy card. When your proxy card is returned properly executed, the shares of MainStreet common stock represented by it will be voted at the special meeting in accordance with the instructions contained in the proxy card.

If proxy cards are returned properly executed without an indication as to how the proxies should vote, the MainStreet common stock represented by each such proxy card will be considered to be voted (i) FOR the merger proposal, (ii) FOR the compensation proposal and (iii) FOR the adjournment proposal.

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In Person. You can attend the special meeting and vote in person. A ballot will be provided for your use at the meeting.

Your vote is important. Accordingly, please sign, date and return the enclosed proxy card, whether or not you plan to attend the special meeting in person.

Shares Held in Street Name. Only the record holders of shares of MainStreet common stock, or their appointed proxies, may vote those shares. As a result, if your shares of MainStreet common stock are held for you in street name by a broker or other nominee, such as a bank or custodian, then only your broker or nominee (*i.e.* the record holder) may vote them for you, or appoint the proxies to vote them for you, unless you previously have made arrangements for your broker or nominee to assign its voting rights to you or for you to be recognized as the person entitled to vote your shares. You will need to follow the directions your broker or nominee provides you and give it instructions as to how it should vote your shares by following the instructions you received from your broker or nominee with your copy of this proxy statement/prospectus. Brokers and other nominees who hold shares in street name for their clients typically have the discretionary authority to vote those shares on routine proposals when they have not received instructions from beneficial owners of the shares. However, they may not vote those shares on non-routine matters, such as the proposals that will be presented at the special meeting, unless their clients give them voting instructions. To ensure that your shares are represented at the special meeting and voted in the manner you desire, ***it is important that you instruct your broker or nominee as to how it should vote your shares.***

If your shares are held in street name and you wish to vote them in person at the special meeting, you must obtain a proxy, executed in your favor, from the holder of record.

Revocation of Proxies

Record Holders. If you are the record holder of shares of MainStreet common stock and you sign and return a proxy card and you later wish to revoke the authority or change the voting instructions you gave the proxies, you can do so at any time before the voting takes place at the special meeting by taking the appropriate action described below.

To change the voting instructions you gave the proxies you can complete, sign and submit a new proxy card, dated after the date of your original proxy card, which contains your new instructions, and submit it so that it is received before the special meeting or, if hand delivered, before the voting takes place at the special meeting. The proxies will follow the last voting instructions received from you before the special meeting.

To revoke your proxy card:

you can give MainStreet's corporate secretary a written notice, before the special meeting or, if hand delivered, before the voting takes place at the special meeting, that you want to revoke your proxy card; or

you can attend the special meeting and vote in person or notify MainStreet's corporate secretary, before the voting takes place, that you want to revoke your proxy card. Simply attending the special meeting alone, without voting in person or notifying MainStreet's corporate secretary, will not revoke your proxy card.

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If you submit your new proxy card or notice of revocation by mail, it should be addressed to MainStreet's corporate secretary at MainStreet BankShares, Inc., Attention: Corporate Secretary, 1075 Spruce Street, Martinsville, Virginia 24112, and must be received no later than the beginning of the special meeting or, if the special meeting is adjourned, before the adjourned meeting is actually held. If hand delivered, your new proxy card or notice of revocation must be received by MainStreet's corporate secretary before the voting takes place at the special meeting or at any adjourned meeting.

If you need assistance in changing or revoking your proxy, please contact MainStreet's corporate secretary by calling (276) 632-8054 or by writing to MainStreet BankShares, Inc., 1075 Spruce Street, Martinsville, Virginia 24112, Attention: Corporate Secretary.

Shares Held in Street Name. If your shares are held in street name and you want to change or revoke voting instructions you have given to the record holder of your shares, you must follow the directions given by your bank, broker, custodian or nominee.

Solicitation of Proxies

This solicitation is made on behalf of the MainStreet board of directors, and MainStreet will pay the costs of soliciting and obtaining proxies, including the cost of reimbursing banks and brokers for forwarding proxy materials to shareholders. Proxies may be solicited, without extra compensation, by MainStreet's officers and employees by mail, electronic mail, telephone, fax or personal interviews. MainStreet has engaged Regan & Associates, Inc. to assist it in the distribution and solicitation of proxies for a fee of \$8,000 plus reasonable out-of-pocket expenses. MainStreet will reimburse brokers and other custodians, nominees and fiduciaries for their expenses in sending these materials to you and getting your voting instructions.

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PROPOSALS TO BE CONSIDERED AT THE SPECIAL MEETING

Approval of the Merger Proposal (Proposal No. 1)

At the special meeting, shareholders of MainStreet will be asked to approve the merger proposal providing for the merger of MainStreet with and into American National. Shareholders of MainStreet should read this proxy statement/prospectus carefully and in its entirety, including the appendices, for more detailed information concerning the merger agreement and the merger. A copy of the merger agreement is attached to this proxy statement/prospectus as Appendix A.

After careful consideration, the MainStreet board of directors, by a unanimous vote of all directors, approved the merger agreement and the merger, and determined it to be advisable and in the best interests of MainStreet and the shareholders of MainStreet. See *The Merger* MainStreet's Reasons for the Merger; Recommendation of MainStreet's Board of Directors included elsewhere in this proxy statement/prospectus for a more detailed discussion of the MainStreet board of directors' recommendation.

The MainStreet board of directors unanimously recommends that MainStreet shareholders vote FOR the merger proposal.

Approval of the Compensation Proposal (Proposal No. 2)

As required by Section 14A of the Securities Exchange Act of 1934, as amended (the Exchange Act), Franklin is providing its shareholders with the opportunity to approve, in a non-binding advisory vote, the compensation proposal, by voting on the following resolution:

RESOLVED, that the compensation that may be paid to the named executive officers of MainStreet in connection with or as a result of the merger, as disclosed in the sections entitled *The Merger* Interests of Certain MainStreet Directors and Executive Officers in the Merger Employment and Change in Control Agreements and Payments and Benefits to MainStreet Named Executive Officers and the related table and narrative, is hereby APPROVED.

Approval of this proposal is not a condition to completion of the merger. The vote on this proposal is a vote separate and apart from the vote on the MainStreet merger proposal. Because the compensation proposal is advisory in nature only, a vote for or against approval will not be binding on either MainStreet or American National.

The compensation that is subject to this proposal is a contractual obligation of MainStreet and/or Franklin Community Bank and of American National and/or American National Bank as the successor thereto. If the merger is approved and completed, such compensation may be paid, subject only to the conditions applicable thereto, even if shareholders fail to approve this proposal. If the merger is not completed, the MainStreet board of directors will consider the results of the vote in making future executive compensation decisions.

The MainStreet board of directors unanimously recommends that MainStreet shareholders vote FOR the compensation proposal.

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Approval of the Adjournment Proposal (Proposal No. 3)

If at the special meeting there are not sufficient votes to approve the merger proposal, the meeting may be adjourned to a later date or dates, if necessary or appropriate, to permit further solicitation of proxies to approve the merger proposal. In that event, MainStreet shareholders will be asked to vote on the adjournment proposal and will not be asked to vote on the merger proposal and the compensation proposal at the special meeting.

In order to allow proxies that have been received by MainStreet at the time of the special meeting to be voted for the adjournment proposal, MainStreet is submitting the adjournment proposal to its shareholders as a separate matter for their consideration. This proposal asks MainStreet shareholders to authorize the holder of any proxy solicited by the MainStreet board of directors on a discretionary basis to vote in favor of adjourning the special meeting to another time and place for the purpose of soliciting additional proxies, including the solicitation of proxies from MainStreet shareholders who have previously voted.

If it is necessary to adjourn the special meeting, then, unless the meeting will have been adjourned for a total of more than 120 days, no notice of such adjourned meeting is required to be given to shareholders, other than an announcement at the special meeting of the place, date and time to which the special meeting is adjourned. Even if a quorum is not present, shareholders who are represented at a meeting may approve an adjournment of the meeting.

The MainStreet board of directors unanimously recommends that MainStreet shareholders vote FOR the adjournment proposal.

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THE MERGER

The following discussion contains certain information about the merger. The discussion is subject to and is qualified in its entirety by reference to the merger agreement, which is attached as Appendix A to this proxy statement/prospectus and incorporated herein by reference. We urge you to read carefully this proxy statement/prospectus, including the merger agreement attached as Appendix A, for a more complete understanding of the merger.

General

The American National board of directors and the MainStreet board of directors have each approved the merger agreement and the merger, which provides for the merger of MainStreet with and into American National.

Pursuant to the terms of the merger agreement, as a result of the merger, each share of MainStreet common stock issued and outstanding before the effective date of merger will be converted into the right to receive:

\$3.46 in cash; and

0.482 shares of American National common stock.

The exchange ratio of 0.482 shares of American National common stock is fixed and will not be adjusted to reflect stock price changes prior to the effective date of the merger. No fractional shares will be issued; instead cash will be paid for fractional shares.

As of the date of this proxy statement/prospectus, American National expects that it will issue approximately 825,847 shares of American National common stock to the holders of MainStreet common stock in the merger (assuming no outstanding options of MainStreet are exercised prior to the consummation of the merger). At the completion of the merger, it is expected that there will be issued and outstanding approximately 8,665,979 shares of American National common stock, with current American National shareholders owning approximately 90.5% of American National's outstanding common stock, on a fully diluted basis, and former holders of MainStreet common stock owning approximately 9.5% of American National's outstanding common stock, on a fully diluted basis.

After the merger, it is expected that Franklin Community Bank, the wholly-owned national bank subsidiary of MainStreet, will merge with and into American National Bank, the wholly-owned national bank subsidiary of American National. American National Bank will be the surviving bank in the subsidiary bank merger.

Background of the Merger

The board of directors and management of MainStreet have periodically considered various strategic alternatives available to the company in evaluating its business and plans, including whether MainStreet should continue as an independent entity or combine with another financial institution. These reviews have focused on, among other things, banking industry trends and conditions, the merger and acquisition environment affecting financial institutions, MainStreet's historical and projected earnings and prospects, the values that might be obtainable in a business combination transaction with another financial institution and the strategic merit of a business combination with another financial institution. From time to time over the past several years, representatives of MainStreet had preliminary discussions with representatives of other financial institutions concerning the possibility of such a

business

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combination, but none of those preliminary discussions resulted in a proposal. Based in large part on those discussions and in view of the changing regulatory and economic environment during 2013, the board invited representatives of BB&T Capital Markets, a nationally recognized investment banking firm, to participate in MainStreet's October 2013 board meeting.

On October 23, 2013, the MainStreet board of directors held a regular meeting at which representatives of BB&T Capital Markets provided information to the board about the business environment for community banks and the status of merger and acquisition activity in the financial services industry. At this meeting, the MainStreet board and the representatives of BB&T Capital Markets engaged in a general discussion about MainStreet's strategic objectives and franchise value. BB&T Capital Markets informed the board that, in its opinion, the merger and acquisition environment was continuing to improve and that MainStreet was well positioned to pursue a merger with another financial institution. BB&T Capital Markets provided certain information on potential merger partners, including American National.

On December 17, 2013, the American National board of directors held its regularly scheduled meeting during which several acquisition candidates, one of which was MainStreet, were identified. The American National board discussed various financial and strategic aspects concerning merger transactions in general. In the discussion about MainStreet, it was observed that American National has had a presence along the Virginia-North Carolina border for over 100 years, and that MainStreet was an attractive acquisition candidate because its primary market area is adjacent to American National's core banking market and would provide American National with additional growth opportunities.

In mid-January 2014, Charles H. Majors, chairman of American National's board of directors, contacted Joel R. Shepherd, chairman of MainStreet's board of directors, for the purpose of requesting a meeting between the chairmen of the respective companies. On January 27, 2014, Mr. Majors and Jeffrey V. Haley, American National's president and chief executive officer, met with Mr. Shepherd to discuss the current business environment for community banks and the strategic opportunities available for American National and MainStreet. At this meeting, Mr. Majors informed Mr. Shepherd that American National may be interested in pursuing a merger transaction if MainStreet was interested in such a transaction.

On January 29, 2014, at a regular meeting of MainStreet's board of directors, Mr. Shepherd informed the board of the January 27 meeting with Messrs. Haley and Majors. The board further reviewed information on American National that BB&T Capital Markets had provided at the board's October 23, 2013 meeting, including information about MainStreet and American National on a combined basis. After discussion on American National's expression of interest, the board concluded that MainStreet should explore the possibilities of a transaction with American National or another merger partner. As a result of this discussion, BB&T Capital Markets was invited to return for the next MainStreet board meeting and provide an update on the merger and acquisition environment and information on potential merger partners. BB&T Capital Markets also was asked to provide information on possible merger consideration value ranges if MainStreet were to engage in a business combination with another financial institution.

At the February 27, 2014 meeting of MainStreet's board of directors, BB&T Capital Markets gave a presentation to the board on the various strategic alternatives available to MainStreet. BB&T Capital Markets conducted a financial and market overview of MainStreet, which included comparisons and analysis, aimed at determining the most viable option for MainStreet, including various alternatives to maximize shareholder value. As part of the presentation, BB&T Capital Markets provided information on the process of combining with another financial institution, the general business considerations that should be reviewed and the general timing in completing a merger transaction. The board also was

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presented with financial information on four possible merger partners, and discussed the positive and negative factors regarding an exclusive negotiation with one party versus a merger process that would include other institutions. Following this discussion, the MainStreet board engaged in a thorough evaluation of its business and strategic plans, its projected earnings and prospects, and the potential value and merit of entering into a business combination transaction with another financial institution. The MainStreet board then approved moving forward on an exclusive negotiated transaction with American National and to engage BB&T Capital Markets as its financial advisor in the merger process.

During March 2014, Mr. Shepherd was contacted by another financial institution that expressed its interest in acquiring MainStreet. The inquiry was exploratory in nature and no business or financial terms regarding a possible merger transaction were discussed. Several informal discussions regarding this second inquiry were conducted among various MainStreet board members and management, and it was determined that the MainStreet board should address the inquiry at its next meeting.

On April 23, 2014, the MainStreet board of directors continued its evaluation of the company's business and strategy at a regular meeting. The board further reviewed and discussed the possibility of a strategic business combination with American National as well as the inquiry made in March 2014 by another financial institution. After this review and discussion, the MainStreet board determined to inform BB&T Capital Markets about the inquiry made by the other financial institution.

On May 14, 2014, the MainStreet board of directors held a special meeting at which there was thorough discussion on the merger process. Senior management informed the board that, based on the second business combination inquiry, BB&T Capital Markets recommended that MainStreet explore the possibilities of a strategic business combination with other institutions as well as American National and the institution making the second inquiry. After further deliberation on the merger process, the board determined not to engage in exclusive negotiations with American National and authorized BB&T Capital Markets to proceed to identify other potential merger partners.

During late May and early June 2014, BB&T Capital Markets conducted due diligence on MainStreet and, with the help of senior management of MainStreet, prepared a confidential information memorandum containing financial and operational information about MainStreet that could be used to solicit interest in a merger transaction with MainStreet. BB&T Capital Markets also worked with the senior management of MainStreet to generate a list of potential merger partners.

On June 6, 2014, and on a confidential basis, BB&T Capital Markets began to contact parties that had been identified as possible merger partners in order to solicit non-binding indications of interest. An electronic data room containing information about MainStreet's business and operations was established to allow potential merger partners to conduct preliminary due diligence on MainStreet. From the 21 original potential merger partners contacted, 13 parties signed a confidentiality agreement and received the confidential information memorandum, five of which accessed the electronic data room.

On June 27, 2014, MainStreet received two non-binding preliminary letters of intent expressing interest in a merger with MainStreet, one of which was from American National. Both offers contained the basic financial and other terms for a merger transaction, with the value of the merger consideration provided in terms of a price range and a proposed mix of stock and cash consideration. Each offer was contingent upon completion of further due diligence on MainStreet and subject to the negotiation of a mutually agreeable definitive merger agreement and related documents.

On July 1, 2014, the chief executive's advisory committee of American National's board of directors held a meeting at which senior management provided certain information on the potential acquisition of MainStreet, including the

general financial and other terms of the proposed merger. At this

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meeting, representatives of Keefe, Bruyette & Woods, Inc. (KBW), a nationally recognized investment banking firm, provided information on the current business and merger and acquisition environment for community banks, American National's strategy as an acquirer and possible bank acquisitions for American National, including MainStreet. KBW, which had been engaged by American National previously as American National's financial advisor in connection with a possible acquisition of MainStreet, reviewed its financial analysis of the terms of a merger with MainStreet, including the merger consideration to be paid by American National to holders of MainStreet common stock. During and after the presentations by senior management of American National and KBW, the members of such advisory committee discussed various aspects of the proposed merger.

On July 2, 2014, the MainStreet board held a special meeting at which the two non-binding preliminary letters of intent were reviewed and discussed. After board discussion, it was determined that both letters were sufficiently acceptable at that time to further the merger process with the two potential merger parties, and to allow both parties to conduct on-site due diligence on MainStreet.

On July 15, 2014, American National's board of directors held a regular meeting at which senior management gave a status report to the board regarding the proposed merger with MainStreet. At this meeting, senior management and members of the chief executive's advisory committee of the board provided information regarding the July 1 meeting with KBW. There was discussion on the current merger and acquisition environment for American National in general, and on the MainStreet acquisition in particular.

During July 18-20, 2014, American National conducted an on-site business, legal and financial due diligence review of MainStreet at MainStreet's headquarters office. American National reviewed, among other items of MainStreet's operations, a portion of its loan portfolio and related documentation. Members of senior management of American National conducted interviews with members of MainStreet senior management regarding the general business and operations of MainStreet.

On August 4, 2014, MainStreet received a revised and final non-binding letter of intent from American National. American National's revised offer provided for a fixed exchange ratio of 0.482 shares of its common stock and \$3.46 in cash in exchange for each outstanding share of MainStreet common stock, which translated into approximately 75% of the merger consideration being in the form of stock and 25% in cash. Based on the closing sale price of American National common stock on August 1, 2014, the value of American National's offer of stock and cash was equal to approximately \$13.84 for each share of MainStreet common stock. The offer was again made subject to the negotiation of a mutually agreeable definitive merger agreement and related documents. The American National proposal contemplated the merger of Franklin Community Bank, the wholly-owned national bank subsidiary of MainStreet, with and into American National Bank, the wholly-owned national bank subsidiary of American National. The other potential merger partner, which had conducted due diligence during July 24-26, 2014, determined not to submit a final letter of intent.

On August 6, 2014, the MainStreet board of directors held a special meeting to review and discuss the final non-binding letter of intent that had been submitted by American National. At that meeting, BB&T Capital Markets presented to the MainStreet board an overview of the American National offer. The overview analyzed the offer in three general ways: pricing, past financial performance and non-financial issues such as structure, employee issues and management. BB&T Capital Markets also gave an update on the merger and acquisition market conditions in the banking industry.

The MainStreet board considered the American National offer and evaluated it on the level and form of consideration proposed, American National's financial condition and the expected future operations of MainStreet and American National, among other factors. After deliberating on the terms of the letter of intent, the MainStreet board approved

moving forward with due diligence on American National and the negotiation of a definitive merger agreement.

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On August 10, 2014, LeClairRyan, A Professional Corporation (LeClairRyan), outside legal counsel for American National, delivered to CowanPerry PC (CowanPerry), outside legal counsel for MainStreet, an initial draft merger agreement and related documents. Over the next two weeks, Mr. Shepherd, Brenda H. Smith, MainStreet's president and chief executive officer, and BB&T Capital Markets conferred frequently with CowanPerry as they reviewed, analyzed and discussed revisions to the draft merger agreement and ancillary documents. Comments were communicated to American National and LeClairRyan, and the terms of the merger agreement and related documents were negotiated.

On August 18, 2014, MainStreet conducted an on-site due diligence review of American National and met with American National's management to discuss American National's business, results of operations and business prospects.

On August 19, 2014, American National's board of directors held a special meeting to consider the proposed merger and the merger agreement. At the meeting, American National's senior management updated the board on the status of the negotiations with MainStreet. KBW representatives reviewed its financial analysis of the terms of the merger, including the merger consideration to be paid by American National to MainStreet shareholders pursuant to the merger agreement. Representatives of LeClairRyan discussed with American National's board of directors the legal standards applicable to its decisions and actions with respect to the proposed transaction and reviewed in detail the proposed merger agreement and related agreements. After review and discussion, action on the merger and the merger agreement was deferred pending resolution of certain non-financial terms of the merger agreement.

On August 22, 2014, American National's board of directors held a special meeting to consider the proposed merger and the terms of the merger agreement, which was presented in final form. American National's senior management and LeClairRyan provided an update on the status of the negotiations with MainStreet. The American National board, after receiving such update, further discussed the proposed transaction. Following this discussion, American National's board of directors unanimously voted to approve the merger and the merger agreement, subject to the completion by MainStreet, and satisfactory review by American National and LeClairRyan, of MainStreet's disclosure schedule relating to the merger agreement.

Later in the day on August 22, 2014, MainStreet's board of directors held a special meeting to consider the proposed merger and the terms of the merger agreement, which was presented in final form. At the meeting, MainStreet's board of directors received an update from MainStreet's senior management regarding the on-site due diligence review of American National. MainStreet's senior management and CowanPerry also provided an update on the status of the negotiations with American National. Representatives of CowanPerry reviewed with MainStreet's board the legal standards applicable to its decisions and actions with respect to the proposed transaction and reviewed in detail the merger agreement and all related documents, copies of which were delivered to each director before the date of the meeting. Representatives of BB&T Capital Markets reviewed its financial analysis of the terms of the merger, including the merger consideration to be received by MainStreet shareholders pursuant to the merger agreement, and delivered to MainStreet's board an oral opinion (which was subsequently confirmed in writing) to the effect that, as of August 22, 2014 and based on and subject to various assumptions and limitations described in the opinion, the merger consideration was fair, from a financial point of view, to MainStreet's shareholders. Following extensive review and discussion, including consideration of the factors described in this proxy statement/prospectus under the caption MainStreet's Reasons for the Merger; Recommendation of MainStreet Board of Directors, MainStreet's board of directors unanimously voted to approve the merger and the merger agreement.

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During August 22-24, 2014, MainStreet completed its disclosure schedule relating to the merger agreement, and American National completed its review of such schedule. MainStreet and American National executed the merger agreement on August 24, 2014 and, before the financial markets opened on August 25, 2014, issued a joint press release announcing the execution of the merger agreement and the terms of the merger.

MainStreet's Reasons for the Merger; Recommendation of the MainStreet Board of Directors

In reaching its decision to adopt and approve the merger agreement and recommend its approval and the merger to MainStreet's shareholders, the MainStreet board of directors consulted with senior management, as well as with its outside financial and legal advisors, and reviewed various financial data, due diligence and evaluation materials. After such consultation and review of information, and considering MainStreet's future prospects and strategic options, the board concluded that partnering with a larger, financially sound financial institution would better maximize the long-term value of shareholders' investments than if MainStreet remained independent, and it made a determination that the proposed merger with American National was in the best interests of MainStreet and its shareholders.

The MainStreet board of directors considered a number of positive factors that it believes support its recommendation that MainStreet's shareholders approve the merger agreement, including:

the consideration offered by American National, at \$3.46 cash plus 0.482 shares of American National common stock, represents a 30.1% premium over the market value of MainStreet's common stock as of August 22, 2014, the date of the most recent trade reported prior to the date of the merger agreement;

MainStreet shareholders will receive American National common stock for a portion of their shares of MainStreet common stock, enabling them to participate in any growth opportunities of the combined company;

its assessment of the business, earnings, operations, financial condition, capital levels, management and prospects of American National, taking into account the results of MainStreet's due diligence investigation of American National;

the financial analysis and presentation of BB&T Capital Markets, and its opinion that, as of August 22, 2014, the merger consideration to be received by the shareholders of MainStreet was fair, from a financial point of view, to MainStreet and its shareholders (see [Opinion of MainStreet's Financial Advisor](#));

the financial terms of recent business combinations in the financial services industry and a comparison of the multiples paid in selected business combinations with the terms of the merger;

the fact that the merger will enable MainStreet's shareholders to exchange their shares of MainStreet, in a tax-free transaction, for registered shares of a company trading on a recognized stock market, except for any portion of the merger consideration paid in cash for full or fractional shares, thereby providing enhanced liquidity for MainStreet shareholders to sell their shares quickly and efficiently, as compared to the lack of

liquidity in MainStreet stock;

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that American National currently pays a quarterly cash dividend on its common stock of \$0.23 per share, while MainStreet does not and is not likely to be able to pay a cash dividend to its shareholders in the near future;

its knowledge and analysis of the current competitive and regulatory environment for financial institutions generally, MainStreet's current competitive position and the other potential strategic alternatives available to MainStreet, including remaining independent, accelerating branch growth, making acquisitions, developing or acquiring non-bank businesses and selling MainStreet to certain other financial institutions;

American National expects to retain all necessary customer contact employees, enabling customers to continue banking with the same people, while enjoying a wider and more diversified array of products than Franklin Community Bank offers;

its belief that American National is a high quality financial services company with a compatible business culture and shared approach to customer service and increasing shareholder value;

the assessment of the likelihood that the merger would be completed in a timely manner without unacceptable regulatory conditions or requirements; and

the ability of American National's management team to successfully integrate and operate the business of the combined company after the merger.

The MainStreet board also considered the risks and potentially negative factors outlined below, but concluded that the anticipated benefits of combining with American National were likely to outweigh substantially these risks and factors. The risks and factors included:

that the exchange ratio of the stock portion of the merger consideration is fixed, so, if the market price of American National common stock is lower at the time of the consummation of the merger, the economic value of the stock portion of the merger consideration to be received by holders of MainStreet common stock also will be lower;

the merger agreement limiting MainStreet's ability to pursue other merger opportunities;

the merger agreement obligating MainStreet to pay a substantial termination fee if it later chooses to pursue a more attractive uninvited merger proposal or if the agreement is terminated under certain circumstances;

the loss of autonomy associated with being an independent financial institution;

the possibility that the merger and the related integration process could result in the loss of key employees, in the disruption of MainStreet's on-going business and in the loss of customers;

the fact that MainStreet's officers and employees will have to focus extensively on actions required to complete the merger, which will divert their attention from MainStreet's business, and that MainStreet will incur substantial transaction costs even if the merger is not consummated; and

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that while the merger is pending, MainStreet will be subject to certain restrictions on the conduct of its business which may delay or prevent it from pursuing business opportunities that may arise or preclude it from taking actions that would be advisable if it was to remain independent.

The foregoing discussion of the factors considered by MainStreet's board of directors is not intended to be exhaustive, but is believed to include all the material factors considered by MainStreet's board. In view of the wide variety of factors considered in connection with its evaluation of the merger and the complexity of these matters, the board of directors did not find it useful and did not attempt to quantify or assign any relative or specific weights to the various factors that it considered in reaching its determination to approve the merger and the merger agreement and recommend that shareholders vote **FOR** the merger proposal. In addition, individual members of MainStreet's board of directors may have given differing weights to different factors. The board of directors conducted an overall analysis of the factors described above, including thorough discussions with, and questioning of, MainStreet's management and its outside financial and legal advisors. The board considered all of the foregoing factors as a whole and unanimously supported a favorable determination to approve the merger and recommend that shareholders approve the merger agreement.

The above explanation of MainStreet board's reasoning and the other information presented in this section is forward-looking in nature and, therefore, should be read in light of the factors discussed under the heading **Cautionary Statement Regarding Forward-Looking Statements**.

The MainStreet board of directors unanimously determined that the merger, the merger agreement and the transactions contemplated by the merger agreement are in the best interests of MainStreet and its shareholders and unanimously approved and adopted the merger agreement. The MainStreet board unanimously recommends that holders of MainStreet common stock vote **FOR the merger proposal, **FOR** the compensation proposal and **FOR** the adjournment proposal.**

American National's Reasons for the Merger

After careful consideration, American National's board of directors, at a meeting held on August 22, 2014, unanimously determined that the merger agreement is in the best interests of American National and its shareholders. Accordingly, American National's board of directors adopted and approved the merger agreement.

In reaching its decision to adopt and approve the merger agreement, American National's board of directors consulted with American National management, as well as American National's financial and legal advisors, and considered a number of factors, including, but not limited to, the following material factors:

MainStreet's financial condition, earnings, business, operations, asset quality and prospects, taking into account the results of American National's due diligence investigation of MainStreet;

the complimentary nature of MainStreet's culture, business and product mix with those of American National;

the core deposit mix and longevity of MainStreet's customer base;

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the branch networks of American National and MainStreet are in contiguous market areas and the merger will create a larger deposit market share for American National in its Virginia markets;

American National's expectations and analyses of cost synergies, earnings accretion, tangible book value dilution, related earn back period for tangible book value dilution and internal rate of return;

the strong capital positions maintained by American National and MainStreet prior to the merger and the anticipated strong capital position for the combined entity following the merger;

the market for alternative merger or acquisition transactions in the financial services industry and the likelihood and timing of other material strategic transactions;

the current and prospective environment in the financial services industry, including national and local economic conditions, competition and consolidation in the industry;

the potential risks and costs associated with integrating MainStreet's business, operations and workforce with those of American National;

the potential risks of diverting management attention and resources from the operation of American National's business and towards the completion of the merger;

the regulatory and other approvals required in connection with the merger and the expectation that the approvals will be received in a timely manner and without imposition of unacceptable conditions; and

the financial and other terms of the transaction, including that the merger consideration is a mix of cash and stock, expected tax treatment, deal protection and termination fee provisions, which it reviewed with its outside financial and legal advisors.

The foregoing discussion of the information and factors considered by American National's board of directors is not intended to be exhaustive but includes the material factors considered by American National's board of directors. In view of the wide variety of the factors considered in connection with its evaluation of the merger and the complexity of these matters, American National's board of directors did not find it useful, and did not attempt, to quantify, rank or otherwise assign relative weights to these factors. In considering the factors described above, the individual members of American National's board of directors may have given different weight to different factors. American National's board of directors conducted an overall analysis of the factors described above including thorough discussions with, and questioning of, American National management and American National's legal and financial advisors, and considered the factors overall to be favorable to, and to support, its determination.

The foregoing explanation of American National's board of directors' reasoning and all other information presented in this section is forward-looking in nature and, therefore, should be read in light of the factors discussed in the section entitled "Cautionary Statement Concerning Forward-Looking Statements."

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Opinion of MainStreet's Financial Advisor

BB&T Capital Markets is acting as financial advisor to MainStreet in connection with the merger. BB&T Capital Markets, a division of BB&T Securities, LLC, is a leading full-service, middle market investment banking firm with substantial experience in transactions similar to the merger and is familiar with MainStreet and its business. As part of its investment banking business, BB&T Capital Markets is continually engaged in the valuation of community banks and their securities in connection with mergers and acquisitions.

On August 22, 2014, MainStreet's board of directors held a special meeting to review the merger agreement. At that special meeting, BB&T Capital Markets rendered an oral opinion, that as of that date and based upon and subject to the factors and assumptions set forth in its fairness opinion presentation and letter, the consideration to be paid to MainStreet in connection with the merger is fair to MainStreet shareholders from a financial point of view. The opinion has been reviewed and approved by BB&T Capital Markets' Investment Banking Valuation Committee.

The full text of BB&T Capital Markets' written opinion is attached as Appendix B to this proxy statement/prospectus and is incorporated herein by reference. The opinion outlines matters considered and qualifications and limitations on the review undertaken by BB&T Capital Markets in rendering its opinion. The description of the opinion set forth below is qualified in its entirety by reference to the full text of the opinion. Shareholders of MainStreet are urged to read the entire opinion carefully in connection with their consideration of the proposed merger.

No limitations were imposed by MainStreet on the scope of BB&T Capital Markets' investigation or the procedures to be followed by BB&T Capital Markets in rendering its opinion. In arriving at its opinion, BB&T Capital Markets did not ascribe a specific range of values to MainStreet. BB&T Capital Markets' opinion is based on the financial and comparative analyses described below. BB&T Capital Markets' opinion is solely for the information of, and directed to, MainStreet's board of directors for its information and assistance in connection with the board of directors consideration of the financial terms of the merger and is not to be relied upon by any shareholder of MainStreet or American National or any other person or entity. BB&T Capital Markets' opinion was not intended to be and does not constitute a recommendation to MainStreet's board of directors as to how the board of directors should vote on the merger or to any shareholder of MainStreet as to how any such shareholder should vote at the special meeting at which the merger is considered, or whether or not any shareholder of MainStreet should enter into a voting, shareholders' or affiliates' agreement with respect to the merger, or exercise any appraisal rights that may be available to such shareholder. In addition, BB&T Capital Markets' opinion does not compare the relative merits of the merger with any other alternative transaction or business strategy which may have been available to MainStreet and does not address the underlying business decision of MainStreet's board of directors or MainStreet to proceed with or effect the merger.

In rendering its opinion, BB&T Capital Markets reviewed, analyzed, and relied upon, among other things:

the merger agreement and special meetings and discussions with members of senior management of MainStreet regarding the material terms of the merger agreement;

certain publicly available financial statements and other historical financial information of American National that BB&T Capital Markets deemed relevant and special meetings and discussions regarding the same with members of senior management of American National;

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certain publicly available and non-publicly available financial statements and other historical financial information of MainStreet that BB&T Capital Markets deemed relevant and special meetings and discussions regarding the same with members of senior management of MainStreet;

internal financial forecasts for MainStreet related to the business, earnings, cash flows, assets and prospects of MainStreet for the calendar years ending December 31, 2014 through 2018 prepared by BB&T Capital Markets and reviewed with senior management of MainStreet (the Forecasts);

the estimated pro forma financial impact of the MainStreet merger on American National, based on assumptions relating to, without limitation, transaction expenses, purchase accounting adjustments, cost savings, and certain synergies determined by and reviewed with the senior management of MainStreet and discussed summarily with the senior management of American National;

the historical market prices and trading activity for American National and MainStreet common stock and a comparison of certain financial and stock market information for American National and MainStreet with similar publicly-traded companies which BB&T Capital Markets deemed to be relevant;

the proposed financial terms of the merger and a comparison of such terms with the financial terms, to the extent publicly available, of certain recent business combinations in the banking industry which BB&T Capital Markets deemed to be relevant;

the relative contribution of MainStreet and American National with regard to certain assets, liabilities, earnings and capital;

the current market environment generally and the banking environment in particular;

a discounted dividend cash flow analysis of MainStreet based upon the Forecasts and an illustrative dividend payout; and

such other information, financial studies, analyses and investigations, and financial, economic and market criteria as we deemed appropriate.

In conducting its review and arriving at its opinion, BB&T Capital Markets relied upon and assumed the accuracy and completeness of all of the financial and other information provided to or otherwise made available to BB&T Capital Markets or that was discussed with, or reviewed by or for BB&T Capital Markets, or that was publicly available. BB&T Capital Markets did not assume any responsibility to verify such information independently. BB&T Capital Markets assumed that the financial and operating forecasts for American National and MainStreet provided by the management of each respective institution were reasonably prepared and reflect the best currently available estimates and judgments of senior management of each respective institution as to the future financial and operating performance of American National and MainStreet. BB&T Capital Markets assumed, without independent verification, that the aggregate allowances for loan and lease losses for American National and MainStreet are

adequate to cover those losses. BB&T Capital Markets did not make or obtain any evaluations or appraisals of any assets or liabilities of American National or MainStreet, and BB&T Capital Markets did not examine any books and records or review individual credit files.

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For purposes of rendering its opinion, BB&T Capital Markets assumed that, in all respects material to its analyses:

the merger will be completed substantially in accordance with the terms set forth in the merger agreement;

the representations and warranties of each party in the merger agreement and in all related documents and instruments referred to in the merger agreement are true and correct;

each party to the merger agreement and all related documents will perform all of the covenants and agreements required to be performed by such party under such documents;

all conditions to the completion of the merger will be satisfied without any waivers; and

in the course of obtaining the necessary regulatory, contractual or other consents or approvals for the merger, no restrictions, including any divestiture requirements or amendments or modifications will be imposed that may have a material adverse effect on the future results of operations or financial condition of American National, MainStreet or the combined entity, as the case may be, or the contemplated benefits of the merger.

BB&T Capital Markets further assumed that the merger will be accounted for as a purchase under generally accepted accounting principles. BB&T Capital Markets' opinion is not an expression of an opinion as to the prices at which shares of American National common stock will trade following the announcement of the merger or the actual value of American National common stock when issued pursuant to the merger, or the prices at which American National common stock will trade following the completion of the merger.

In performing its analyses, BB&T Capital Markets made numerous assumptions with respect to industry performance, general business, economic, market and financial conditions, and other matters, many of which are beyond the control of BB&T Capital Markets, American National and MainStreet. Any estimates contained in the analyses performed by BB&T Capital Markets are not necessarily indicative of actual values or future results, which may be significantly more or less favorable than suggested by these analyses. Additionally, estimates of the value of businesses or securities do not purport to be appraisals nor to reflect the prices at which such businesses or securities might actually be sold. Accordingly, these analyses and estimates are inherently subject to substantial uncertainty. In addition, the BB&T Capital Markets opinion was among several factors taken into consideration by the MainStreet board of directors in making its determination to approve the merger agreement and the merger. Consequently, the analyses described below should not be viewed as solely determinative of the decision of the MainStreet board or management of MainStreet with respect to the fairness of the merger consideration.

The following is a summary of the material analyses presented by BB&T Capital Markets to the MainStreet board of directors in connection with its written opinion dated August 22, 2014. The summary is not a complete description of the analyses underlying the BB&T Capital Markets opinion or the presentation made by BB&T Capital Markets to the MainStreet board of directors, but summarizes the material analyses performed and presented in connection with such opinion. The preparation of a fairness opinion is a complex analytic process involving various determinations as to the most appropriate and relevant methods of financial analysis and the application of those methods to the particular circumstances. Therefore, a fairness opinion is not readily susceptible to partial analysis or summary description. In arriving at its opinion, BB&T Capital Markets did not attribute any particular weight to any analysis or factor that it

considered, but rather made qualitative judgments as to the significance and

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relevance of each analysis and factor. The financial analyses summarized below include information presented in tabular format. Accordingly, BB&T Capital Markets believes that its analyses and the summary of its analyses must be considered as a whole and that selecting portions of its analyses and factors or focusing on the information presented below in tabular format, without considering all analyses and factors or the full narrative description of the financial analyses, including the methodologies and assumptions underlying the analyses, could create a misleading or incomplete view of the process underlying its analyses and opinion. The tables alone are not a complete description of the financial analyses.

Transaction Overview. BB&T Capital Markets reviewed the financial terms of the merger agreement, including the consideration to be received by MainStreet shareholders. For every share of MainStreet common stock held, such shareholders will receive 0.482 shares of American National common stock and \$3.46 in cash in connection with the merger. Based on the closing price of American National's common stock on August 21, 2014 of \$21.92, BB&T Capital Markets calculated an aggregate value (Effective Merger Consideration) of approximately \$24.0 million, or \$14.03 per share (Price as used in the Transaction Multiples table below) for MainStreet common stock. Completion of the merger is subject to MainStreet shareholder approval, required regulatory approvals and other conditions set forth in the merger agreement.

Transaction Pricing Multiples. BB&T Capital Markets calculated the following transaction multiples:

Transaction Multiples (MainStreet financial data as of 6/30/2014)

Price / Last Twelve Months Reported Earnings per Share (\$0.53)	26.6x
Price / Book Value per Share (\$14.47)	96.9%
Price / Tangible Book Value per Share (\$14.47)	96.9%
Price / Total Assets per Share (\$97.05)	14.5%
Price / Total Deposits per Share (\$81.40)	17.2%
Tangible Book Premium / Core Deposits (1)	(0.7%)
Premium to MainStreet Stock Price 1-Day Prior to Announcement (2)	29.9%

(1) Core Deposits defined as total deposits less jumbo certificates of deposit (CDs) (CDs with balances greater than \$100,000).

(2) \$10.80 as of August 21, 2014.

Note: Valuation multiple calculations may not match presentation figures due to rounding.

Market Validation. BB&T Capital Markets led an extensive process to contact financial institutions (potential acquirers) that BB&T Capital Markets and MainStreet determined may be interested in acquiring MainStreet and that had a high certainty of closing such a transaction with MainStreet. Over a period of approximately two months, BB&T Capital Markets contacted 21 potential acquirers, distributed 13 confidential informational memoranda on the business and financial condition of MainStreet and its subsidiary, Franklin Community Bank, and held discussions with multiple potential acquirers. Two of the potential acquirers, including American National, submitted non-binding indications of interest. BB&T Capital Markets met with MainStreet's board of directors to review the indications of interest. The board directed BB&T Capital Markets to move forward and allow the two potential acquirers to conduct on-site due diligence and loan portfolio review. Ultimately, both American National and one other potential acquirer conducted thorough on-site due diligence on MainStreet, including, but not limited to, loan portfolio reviews and discussions with MainStreet's senior management. Following on-site due diligence and loan portfolio review,

American National submitted a final letter of intent, the second potential acquirer chose not to submit a letter of intent, and as such, MainStreet's board decided to move forward exclusively with American National on an expedited basis to negotiate the merger agreement.

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Selected Peer Group Analysis. BB&T Capital Markets reviewed and compared publicly available financial data (as of June 30, 2014), market information and trading multiples for MainStreet with other selected publicly traded companies that BB&T Capital Markets deemed relevant to MainStreet. The peer group consisted of certain select, publicly traded banks and thrifts headquartered in Virginia with assets as of the most recent quarter reported between \$150 and \$500 million (16 companies). The peer group excluded institutions identified as the target of a publicly announced merger as of July 31, 2014.

Name (Ticker)	Name (Ticker)
Bank of McKenney (BOMK)	Heritage Bankshares, Inc. (HBKS)
Blue Ridge Bankshares, Inc. (BRBS)	HomeTown Bankshares Corporation (HMTA)
Bank of Botetourt (BORT)	MainStreet Bank (MNSB)
Cardinal Bankshares Corporation (CDBK)	Peoples Bankshares, Inc. (PBVA)
Citizens Bancorp of Virginia, Inc. (CZBT)	Pinnacle Bankshares Corporation (PPBN)
Citizens Community Bank (CZYB)	Pioneer Bankshares, Inc. (PNBI)
Farmers Bank of Appomattox (FBPA)	Virginia Bank Bankshares, Inc. (VABB)
Freedom Bank of Virginia (FDVA)	Virginia Community Bankshares, Inc. (VCBS)

For the selected publicly traded companies, BB&T Capital Markets analyzed, among other things, stock price as a multiple of last twelve months earnings, book value per share and tangible book value per share. All multiples were based on closing stock prices as of August 21, 2014 and financial data as of June 30, 2014 or the most recent period available. The following table sets forth the minimum, median and maximum operating metrics, valuation multiples and market capitalization provided by the market analysis of selected publicly traded companies. Multiples for MainStreet have been excluded as a means of comparison to a relevant peer set.

Operating Metrics (\$ in thousands)	MainStreet Peer Group			
	MainStreet	Minimum	Median	Maximum
Total Assets	\$ 166,281	\$ 155,398	\$ 245,623	\$ 417,361
Loans / Deposits	90.78%	65.14%	85.67%	106.07%
NPAs + 90 DDQ / Assets (1)	3.05%	0.26%	2.36%	6.60%
Tangible Common Equity / Tangible Assets	14.91%	6.77%	9.29%	13.54%
Total Risk-Based Capital Ratio	20.34%	10.94%	14.67%	24.58%
LTM Core ROAA	0.13%	(2.24%)	0.67%	1.15%
LTM Core ROAE	0.90%	(29.32%)	6.85%	9.79%
LTM Efficiency Ratio	72.97%	63.55%	75.61%	105.39%
Price to:				
Book value per share	76.0%	41.8%	81.3%	133.6%
Tangible book value per share	76.0%	39.3%	81.8%	133.9%
LTM earnings per share	20.5x	8.8x	11.8x	26.0x
Market capitalization (August 21, 2014)	\$ 18,504	\$ 5,402	\$ 20,045	\$ 41,412
Dividend Yield	0.00%	0.00%	3.00%	6.40%

- (1) Nonperforming assets (NPAs) defined as nonaccrual loans and leases, loans past due 90 days or more and still accruing, renegotiated loans and leases, and other real estate owned as a percent of total assets.

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BB&T Capital Markets also reviewed and compared publicly available financial data, market information and trading multiples for American National with other selected publicly traded companies that BB&T Capital Markets deemed relevant to American National. The peer group consisted of certain select publicly traded commercial banks headquartered in Maryland, North Carolina, Virginia or West Virginia with assets as of the most recent quarter reported between \$500 million and \$3 billion and a ratio of nonperforming assets (1) to total assets less than 5% (19 companies). The peer group excluded commercial banks identified as the target of a publicly announced merger as of July 31, 2014.

Name (Ticker)	Name (Ticker)
Access National Corporation (ANCX)	Middleburg Financial Corporation (MBRG)
C&F Financial Corporation (CFFI)	Monarch Financial Holdings, Inc. (MNRK)
Community Bankers Trust Corporation (ESXB)	MVB Financial Corp. (MVBF)
Eastern Virginia Bankshares, Inc. (EVBS)	National Bankshares, Inc. (NKSH)
F & M Bank Corp. (FMBM)	Park Sterling Corporation (PSTB)
Fauquier Bankshares, Inc. (FBSS)	Premier Financial Bancorp, Inc. (PFBI)
First Community Bancshares, Inc. (FCBC)	Shore Bancshares, Inc. (SHBI)
First National Corporation (FXNC)	Summit Financial Group, Inc. (SMMF)
Hampton Roads Bankshares, Inc. (HMPR)	Valley Financial Corporation (VYFC)
HomeTrust Bancshares, Inc. (HTBI)	

For the selected publicly traded companies, BB&T Capital Markets analyzed, among other things, stock price as a multiple of last twelve months earnings per share, estimated 2014 and 2015 earnings per share, book value per share and tangible book value per share. All multiples were based on closing stock prices as of August 21, 2014 and financial data as of June 30, 2014. Projected earnings per share for the comparable companies were based on SNL Financial consensus estimates. SNL Financial is an information provider that publishes, among other things, a compilation of estimates of projected financial performance for publicly traded commercial banks produced by equity research analysts at leading investment banking firms. The following table sets forth the minimum, median, and maximum operating metrics, valuation multiples and market capitalization provided by the market analysis of selected publicly traded companies.

Operating Metrics (\$ in thousands)	American	American National Peer Group		
	National	Minimum	Median	Maximum
Total Assets	\$ 1,300,648	\$ 525,323	\$ 1,114,819	\$ 2,575,401
Loans / Deposits	78.50%	61.34%	84.80%	104.88%
NPAs + 90 DDQ / Assets (1)	0.75%	0.37%	2.14%	6.68%
Tangible Common Equity / Tangible Assets	10.37%	6.27%	8.91%	23.55%
Total Risk-Based Capital Ratio	18.04%	12.30%	15.31%	24.38%
LTM Core ROAA	1.13%	(0.72%)	0.75%	2.22%
LTM Core ROAE	8.81%	(6.88%)	8.73%	23.49%
LTM Efficiency Ratio	57.83%	43.77%	73.48%	89.19%

Price to:				
Book value per share	99.3%	68.9%	95.6%	177.5%
Tangible book value per share	131.6%	31.8%	102.8%	306.3%
LTM earnings per share	12.2x	3.6x	12.9x	40.7x
2014E earnings per share	13.0x	11.5x	17.5x	22.5x
2015E earnings per share	12.8x	N/A	N/A	N/A
Market Capitalization (August 21, 2014)	\$ 171,856	\$ 39,221	\$ 115,545	\$ 311,337
Dividend Yield	4.20%	0.00%	1.29%	3.76%

- (1) NPAs defined as nonaccrual loans and leases, loans past due 90 days or more and still accruing, renegotiated loans and leases, and other real estate owned as a percent of total assets.

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No company used in the analyses described above is identical to MainStreet, American National or the pro forma combined company. Accordingly, an analysis of the results of the foregoing necessarily involves complex considerations and judgments concerning financial and operating characteristics and other factors that could affect the merger, public trading or other values of the companies to which they are being compared. In addition, mathematical analyses, such as determining the median, are not in and of themselves meaningful methods of using comparable company data.

Selected Transaction Analysis. BB&T Capital Markets reviewed and analyzed certain financial data related to 21 completed or pending bank and thrift mergers and acquisitions announced between January 1, 2012 and July 31, 2014. These transactions involved sellers based in the United States with the following characteristics:

Total assets for the most recent quarter of between \$100 million and \$300 million;

Ratio of nonperforming assets (1) to total assets for the most recent quarter less than 5.0%;

Tangible common equity / total assets for the most recent quarter greater than 10.0%; and

Target company headquartered in the Southeast / Mid-Atlantic U.S.

(1) Defined as nonaccrual loans and leases, renegotiated loans and leases, and other real estate owned. Those transactions (listed by closing date in order from pending to oldest) were as follows:

Acquirer	Target
Home BancShares, Inc.	Broward Financial Holdings, Inc.
State Bank Financial Corporation	Atlanta Bancorporation, Inc.
First Citizens Bancshares, Inc.	Southern Heritage Bancshares, Inc.
Salisbury Bancorp, Inc.	Riverside Bank
New Century Bancorp, Inc.	Select Bancorp, Inc.
Franklin Financial Network, Inc.	MidSouth Bank
TriSummit Bancorp, Inc.	Community National Bank of the Lakeway Area
Community & Southern Holdings, Inc.	Verity Capital Group, Inc.
Carolina Alliance Bank	Forest Commercial Bank
ESSA Bancorp, Inc.	Franklin Security Bancorp, Inc.
Premier Financial Bancorp, Inc.	Bank of Gassaway
First Community Corporation	Savannah River Financial Corporation
Haven Bancorp, MHC	Hilltop Community Bancorp, Inc.
Wilshire Bancorp, Inc.	BankAsiana
TF Financial Corporation	Roebing Financial Corp, Inc.

Southern BancShares (N.C.), Inc.
CapStone Bank
Bank of the Ozarks, Inc.
S&T Bancorp, Inc.
CapStar Bank

Heritage Bancshares, Inc.
Patriot State Bank
Genala Banc, Inc.
Gateway Bank of Pennsylvania
American Security Bank and Trust
Company
Peoples Bank of Virginia

First Community Bancshares, Inc.

For the purpose of this analysis, transaction multiples from the merger were derived from the \$14.03 per share Effective Merger Consideration at August 21, 2014 and financial data as of June 30, 2014 for MainStreet. BB&T Capital Markets compared these results with the multiples implied by the selected transactions listed above. All selected transaction financials, deal terms and resulting valuations are based on the most recent financial data available at the time of each respective transaction's announcement. The results of BB&T Capital Markets' calculations and the analysis are set forth in the following table.

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(\$ in thousands)	American National/ MainStreet Merger	Selected Transactions		
		Minimum	Median	Maximum
Target Assets	\$ 166,281	\$ 107,108	\$ 169,288	\$ 285,898
Target NPAs / Total Assets (1)	3.0%	0.0%	1.2%	4.8%
Target Tangible Common Equity / Total Assets	14.6%	10.2%	11.7%	16.5%
Target LTM ROAA	0.1%	(0.3%)	0.7%	3.3%
Deal Price / Tangible Book Value	96.9%	60.0%	108.8%	164.9%
Deal Price / Last Twelve Months Reported EPS	26.6x	4.1x	19.4x	52.5x
Deal Price / Assets	14.5%	6.3%	12.7%	21.1%
Deal Price / Deposits	17.2%	8.4%	15.6%	28.1%
Tangible Book Premium / Core Deposits (2)	(0.7%)	(5.3%)	1.4%	13.3%

(1) NPAs defined as nonaccrual loans and leases, loans past due 90 days or more and still accruing, renegotiated loans and leases, and other real estate owned as a percent of total assets.

(2) Core Deposits defined as total deposits less jumbo CDs (CDs with balances greater than \$100,000).

No company or transaction used as a comparison in the above analysis is identical to American National, MainStreet or the merger. Accordingly, an analysis of these results is not mathematical. Rather, it involves complex considerations and judgments concerning differences in financial and operating characteristics of the companies.

Discounted Dividend Stream and Terminal Value Analysis of MainStreet. BB&T Capital Markets performed an analysis that estimated a future stream of potential dividend flows of MainStreet assuming that MainStreet performed in accordance with the earnings projections reviewed by MainStreet management and assuming that MainStreet employs a hypothetical dividend payout ratio of 19.4% (median of comparable companies) in the projected calendar years. MainStreet does not currently pay a dividend, nor does MainStreet management forecast paying a dividend at this time. For 2014 through 2018, BB&T Capital Markets used the earnings projections prepared by BB&T Capital Markets and reviewed by MainStreet's management. To approximate the terminal value of MainStreet common stock at December 31, 2018, BB&T Capital Markets applied a range of 10.0x to 18.0x price / earnings multiples to MainStreet's estimated calendar year December 31, 2018 earnings, the result of which we believe adequately quantifies a present value of all earnings generated beyond the projected period as of December 31, 2018. The potential dividend income streams and terminal values were then discounted to present values using different discount rates ranging from 12.0% to 16.0%, chosen to reflect different assumptions regarding required rates of return to the holders of MainStreet common stock. As illustrated in the following table, this analysis indicated an imputed range of values per share of MainStreet common stock at the present time of \$6.89 to \$14.14 when applying the 10.0x – 18.0x price / earnings multiple range for calculating the terminal values. A discounted cash flow analysis was included because it is a widely used valuation methodology, but the results of such methodology are highly dependent upon the numerous assumptions that must be made, including earnings growth rates, asset growth rates, terminal multiples and discount rates.

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Discount Rate	10.0x	12.0x	14.0x	16.0x	18.0x
12.0%	\$8.17	\$9.66	\$11.15	\$12.65	\$14.14
13.0%	\$7.82	\$9.25	\$10.68	\$12.11	\$13.54
14.0%	\$7.50	\$8.86	\$10.23	\$11.60	\$12.97
15.0%	\$7.19	\$8.50	\$ 9.80	\$11.11	\$12.42
16.0%	\$6.89	\$8.15	\$ 9.40	\$10.65	\$11.91

Contribution Analysis. BB&T Capital Markets analyzed the relative contribution of both American National and MainStreet to certain pro forma balance sheet and income statement items of the combined entity. BB&T Capital Markets compared the relative contribution of balance sheet and income statement items with the estimated pro forma ownership percentage MainStreet shareholders would represent in American National pro forma. The results of BB&T Capital Markets analysis are set forth in the following table.

Category	American National	MainStreet
LTM Pre-Tax, Pre-Provision Earnings	92.2%	7.8%
2014E Net Income	88.7%	11.3%
2015E Net Income	87.4%	12.6%
Total Assets	88.7%	11.3%
Net Loans	86.5%	13.5%
Deposits	88.1%	11.9%
Shareholders Equity	87.4%	12.6%
Tangible Equity	84.0%	16.0%
Average Contribution	88.2%	11.8%
Implied Stock Ownership from Merger (100% stock)	87.7%	12.3%

Financial Impact Analysis. BB&T Capital Markets performed pro forma merger analyses that combined projected income statement and balance sheet information of both American National and MainStreet. Assumptions regarding the accounting treatment, acquisition adjustments and cost savings were used to calculate the financial impact that the merger would have on certain projected financial results of the pro forma company. This analysis indicated that the merger is expected to be accretive to American National's estimated 2015-2016 earnings per share, dilutive to pro forma June 30, 2014 book value per share and dilutive to pro forma June 30, 2014 tangible book value per share. This analysis was based on financial projections and certain merger assumptions (including estimated cost savings and one-time charges) provided by and reviewed with senior management of MainStreet. For all of the above analyses, the actual results achieved by the pro forma company following the merger will vary from the projected results, and the variations may be material.

Other Analyses. BB&T Capital Markets compared the relative financial and market performance of American National to a variety of relevant industry peer groups and indices.

BB&T Capital Markets has not expressed an opinion about the fairness of the amount or nature of compensation that any of the MainStreet officers, directors, employees or class of such person relative to the compensation to the shareholders of MainStreet.

In the ordinary course of its business as a broker-dealer, BB&T Capital Markets may, from time to time purchase securities from, and sell securities to, MainStreet and American National, and as a market maker in securities, BB&T Capital Markets may from time to time have a long or short position

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in, and buy, sell, or hold equity securities of MainStreet and American National for its own account and for the accounts of its customers. BB&T Capital Markets also has in the past prepared equity analyst research reports from time to time regarding American National, and likely will continue to do so in the future. During the past two years, BB&T Capital Markets has provided financial services to American National in connection with a share repurchase program and has acted as purchasing agent for American National's dividend reinvestment plan, for which services BB&T Capital Markets received compensation of approximately \$6,000.

MainStreet and BB&T Capital Markets have entered into an engagement relating to the services to be provided by BB&T Capital Markets in connection with the merger. MainStreet paid a non-refundable retainer of \$25,000 to BB&T Capital Markets at the time of engagement, as well as a \$100,000 fairness opinion fee which was payable when MainStreet executed the definitive merger agreement. At closing, MainStreet will pay BB&T Capital Markets a contingent advisory fee equal to 1.25% of the Effective Merger Consideration on the effective date of the merger. Pursuant to the BB&T Capital Markets engagement agreement, MainStreet also agreed to reimburse BB&T Capital Markets for reasonable out-of-pocket expenses and disbursements incurred in connection with its retention. During the two years preceding the date of its opinion to the MainStreet board of directors, BB&T Capital Markets did not receive any other fees or compensation from either MainStreet or American National other than as indicated in the paragraph immediately above.

Interests of Certain MainStreet Directors and Executive Officers in the Merger

In considering the recommendation of the MainStreet board of directors that shareholders vote in favor of the merger proposal and the compensation proposal, MainStreet shareholders should be aware that MainStreet directors and executive officers may have interests in the merger that differ from, or are in addition to, their interests as shareholders of MainStreet. The MainStreet board of directors was aware of these interests and took them into account in its decision to approve the merger agreement and the merger.

Indemnification and Insurance. American National has agreed to indemnify the officers and directors of MainStreet against certain liabilities arising before the effective date of the merger. American National has also agreed to purchase a six year tail prepaid policy, on the same terms as MainStreet's existing directors' and officers' liability insurance, for the current officers and directors of MainStreet, subject to a cap on the cost of such policy equal to 300% of MainStreet's current annual premium.

Director Appointment. Joel R. Shepherd, current chairman of the board of directors of MainStreet, will be appointed a director of American National upon consummation of the merger, subject to the prior approval and recommendation of American National's corporate governance and nominating committee, and will receive compensation for his service as a director of American National. Subject to such appointment, he will also be appointed a director of American National Bank after the subsidiary bank merger and receive compensation for his service as a director of American National Bank.

Non-executive officer members of the board of directors of American National currently receive a monthly retainer in the form of either (i) \$1,250 in cash, (ii) shares of restricted stock with a market value of \$1,562.50, or (iii) a combination of \$450 in cash and shares of restricted stock with a market value of \$1,000. In addition, the attendance fee for each meeting of a committee of American National's board or meeting of American National Bank's board of directors is \$600 in cash or restricted stock with a market value of \$750.

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Advisory Board. In connection with the merger, American National will establish an advisory board with respect to American National's operations in the market area currently served by Franklin Community Bank (the Franklin Advisory Board). The Franklin Advisory Board will be in effect for a minimum of one year and will initially be comprised of the current non-executive officer members of the board of directors of MainStreet and Franklin Community Bank, together with other business and community leaders chosen by American National after consultation with MainStreet. Any MainStreet director who serves on the Franklin Advisory Board will receive compensation for such service. Membership on the Franklin Advisory Board is conditional upon execution of an agreement providing that such member will not engage in activities competitive with American National until the later of the date that is one year following the merger or the date on which he or she ceases to be a member of the Franklin Advisory Board.

Employment and Change in Control Agreements. MainStreet currently has an employment agreement with Brenda H. Smith and change in control agreements with Lisa J. Correll and Todd S. Hammock, each of whom is a named executive officer of MainStreet in the summary compensation table included in MainStreet's proxy statement for its 2014 annual meeting of shareholders (the named executive officers). In connection with the merger, American National Bank has entered into a new employment agreement with Mrs. Smith that will become effective at the closing of the merger and American National has agreed to assume and honor the terms of the change in control agreements with Mrs. Correll and Mr. Hammock.

MainStreet Employment Agreement with Brenda H. Smith. MainStreet entered into an employment agreement, dated April 25, 2014, with Mrs. Smith that provides for the payment of certain change in control benefits in the event her employment is terminated without cause or for good reason (as defined in the agreement) within three years following a change in control of MainStreet. Mrs. Smith has, however, agreed to waive any change in control payments and benefits payable under her MainStreet employment agreement, which will terminate at the effective date of the merger and be superseded by the new employment agreement described below that Mrs. Smith entered into with American National Bank. As a result, Mrs. Smith will not receive any of the change in control benefits provided under her MainStreet employment agreement, which included the following:

annual base salary through the date of termination and the amount, if any, of any incentive or bonus compensation that has been earned but not paid;

a pro-rated cash bonus equal to the product of the annual bonus paid or payable for the most recently completed year and a fraction, the numerator of which is the number of days in the current year through the date of termination and the denominator of which is 365;

any benefits or awards (including both stock and cash components) which pursuant to the terms of any plans, policies or programs have been earned or become payable;

a cash severance payment equal to 2.99 times Mrs. Smith's final compensation, which is defined in her employment agreement as the sum of her then-current base salary plus the highest bonus paid or payable for the two most recently completed years, both of which shall include the gross amount thereof prior to the application of any salary reductions or compensation deferrals; and

the continuation of coverage under any health and dental plans, disability and life insurance plans and other welfare benefit plans in which Mrs. Smith and her dependents were participating with MainStreet or its successor paying the normal company-paid contribution therefor, provided that continued participation is permitted under the general terms and provisions of the welfare benefit plans. If continued participation is not permitted, or if such

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continued participation would adversely affect the tax status of the welfare benefit plans, comparable insurance coverage is to be provided. This benefit would continue for 36 months following termination of employment, provided that the benefit would cease sooner if and when Mrs. Smith has obtained coverage under one or more welfare benefit plans of a subsequent employer that provides for equal or greater benefits.

American National Employment Agreement with Brenda H. Smith. American National Bank entered into an employment agreement, dated as of October 20, 2014, with Mrs. Smith to serve as senior vice president of American National Bank. The employment agreement, which will become effective upon the closing of the merger, will have a term that expires on the first anniversary of the closing of the merger. The employment agreement provides for an annual base salary of \$180,000 and the right to participate in cash and/or equity incentive plans. In addition, Mrs. Smith will receive: (i) a retention bonus of \$50,000 payable on the closing of the merger provided that Mrs. Smith remains employed through the closing of the merger; (ii) a performance bonus of \$50,000 payable upon the successful completion of the integration of Franklin Community Bank's banking network and support, administrative and back office functions with American National Bank; and (iii) a performance bonus of \$50,000 payable on the first anniversary of the closing of the merger conditioned upon the achievement of a designated level of targeted expense savings modeled for the merger. In settlement of all of Mrs. Smith's rights and benefits under her employment agreement with MainStreet and in consideration of her consent and agreement to the amendment of her Supplemental Retirement Plan as described below, Mrs. Smith will receive \$100,000 on the closing of the merger.

If American National terminates Mrs. Smith's employment without cause (as defined in the employment agreement), then Mrs. Smith will, subject to her execution, delivery and non-revocation of a release of claims, be entitled to continue to receive the continuation of her base salary through the end of the one-year term of employment.

Mrs. Smith is subject to a one year covenant not to compete and a one year covenant not to solicit customers or employees following the termination of her employment for any reason. However, to the extent Mrs. Smith's primary duties and responsibilities do not involve regular customer interaction with respect to business development, customer management and related matters, the noncompetition and nonsolicitation covenants will not apply to Mrs. Smith.

Under the employment agreement, termination for cause means termination for: (i) the material refusal or failure to perform any of the duties and responsibilities required of her position, if Mrs. Smith does not remedy such refusal or failure within thirty days after receiving notice thereof; (ii) personal dishonesty, gross incompetence, willful misconduct or breach of a fiduciary duty involving personal profit; (iii) conviction of a felony or a crime of moral turpitude; (iv) commission of an act of misappropriation of funds or property of American National Bank or any affiliate; or (v) breach of a material term of the employment agreement, if Mrs. Smith fails to remedy the breach within 30 days after receiving notice of such breach.

Supplemental Retirement Plan. MainStreet maintains a Supplemental Retirement Plan (SERP), originally adopted by Franklin Community Bank, for Brenda H. Smith. Prior to the merger, MainStreet will take necessary action to freeze the SERP at the amount then accrued effective as of the effective date of the merger. This action will result in a fully vested SERP benefit to Mrs. Smith equal to 33% of her previous five years average compensation, or approximately \$47,991, payable upon retirement or termination, reduced by Social Security benefits after attainment of age 66.

MainStreet Change in Control Agreements with the Other Named Executive Officers. American National has agreed to assume the change in control agreements between MainStreet and Lisa J. Correll, Senior Vice President and Chief Financial Officer of MainStreet and Todd S. Hammock, Executive Vice President/Senior Lender of Franklin Community Bank. The change in control agreements provide that if

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their employment is terminated without cause or if they resign for good reason (as each of those terms are defined in the agreements) within one year following a change in control (provided the resignation for good reason must be within one year after the occurrence of the condition constituting good reason), they would be entitled to receive a lump sum payment equal to the officer's annual base salary for the calendar year preceding the year in which the termination occurs. The payment is due on the first day of the seventh month following the date of termination of employment.

Payments and Benefits to MainStreet Named Executive Officers. The following table sets forth the information required by Item 402(t) of Regulation S-K promulgated by the SEC regarding certain compensation which the named executive officers could receive that is based on or that otherwise relates to the merger. This compensation is referred to as golden parachute compensation by the applicable SEC disclosure rules, and in this section we use such term to describe the merger-related compensation payable to MainStreet's named executive officers. This merger-related compensation is the subject of a non-binding advisory vote of MainStreet shareholders, as described under Proposals to be Considered at the Special Meeting Approval of the Compensation Proposal (Proposal No. 2) beginning on page 32.

The amounts set forth below have been calculated assuming the merger was consummated on September 30, 2014 and, where applicable, assuming the named executive officer experiences a qualifying termination of employment on September 30, 2014. The amounts indicated below are estimates of amounts that would be payable to the named executive officers and the estimates are based on multiple assumptions that may or may not actually occur, including assumptions described in this proxy statement/prospectus.

Golden Parachute Compensation (1)

Name	Cash	Pension/ Perquisites/ Tax			Total
		Equity (2)	NQDC Benefits (3)	Other	
Brenda H. Smith		(4)	(5)	\$ 250,000(6)	\$ 250,000
Lisa J. Correll	\$ 66,129(7)				\$ 66,129
Todd S. Hammock	\$ 100,152(7)				\$ 100,152

- (1) This table assumes the merger was completed on September 30, 2014, and that all required conditions to the payment of these amounts have been satisfied.
- (2) All outstanding stock options, which are the only form of stock-based awards granted by MainStreet, are fully vested.
- (3) The named executive officers will not receive tax reimbursements in connection with the merger.
- (4) American National Bank has entered into an employment agreement, dated as of October 20, 2014, with Mrs. Smith that will become effective upon the closing of the merger. Mrs. Smith's employment agreement with American National provides that her existing employment agreement with MainStreet will terminate at the closing of the merger and she will not be entitled to receive any severance benefits thereunder. See footnote (6) below for certain cash payments payable to Mrs. Smith under her employment agreement with American National Bank.
- (5) Prior to the merger, MainStreet will take necessary action to freeze the SERP at the amount then accrued effective as of the effective date of the merge. This action will result in a fully vested SERP benefit to Mrs. Smith equal to 33% of her previous five years average compensation (approximately \$47,991), payable upon retirement or termination, reduced by Social Security benefits after attainment of age 66.

- (6) Pursuant to the employment agreement between American National and Mrs. Smith, this amount consists of (i) a retention bonus of \$50,000 payable on the closing of the merger provided that Mrs. Smith remains employed through the closing date; (ii) a performance bonus of \$50,000 payable upon the successful completion of the integration of Franklin Community Bank's banking network and support, administrative and back office functions with American National Bank; (iii) a performance bonus of \$50,000 payable on the first anniversary of the closing of the merger conditioned upon the achievement of a designated level of targeted expense savings modeled for the merger; and (iv) a payment of \$100,000 on the closing of the merger in settlement of all of Mrs. Smith's rights and benefits under her employment agreement, dated as of April 25, 2014, with MainStreet and in consideration of her consent and agreement to the amendment of her SERP as described in footnote (5).

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(7) Represents a double trigger cash severance payment that would be payable if, within one year after a change in control, the executive's employment is terminated by American National Bank without cause or by the executive for good reason, as such terms are defined in their change in control agreements, within one year days after the occurrence of the good reason. The cash severance payment would be one times the executive's annual base salary for the calendar year preceding the year in which the termination of employment occurs. Payment of the cash severance would be made in a lump sum on the first day of the seventh month following the termination date.

Stock Options. MainStreet has awarded stock options to certain employees and officers pursuant to its equity compensation plans. In the merger, each outstanding option to purchase shares of MainStreet common stock will vest and be converted into an option to acquire, on the same terms and conditions as were applicable under such MainStreet option, the number of shares of American National common stock equal to the product of (i) 0.643 multiplied by (ii) the number of shares of MainStreet common stock subject to the MainStreet option. The exercise prices for the options will be adjusted based on the option exchange ratio.

Employee Benefit Plans. On or as soon as reasonably practicable following the merger, employees of MainStreet or Franklin Community Bank who continue on as employees of American National or American National Bank will be entitled to participate in the American National or American National Bank health and welfare benefit and similar plans on the same terms and conditions as employees of American National and American National Bank. Subject to certain exceptions, these employees will receive credit for their years of service to MainStreet or Franklin Community Bank for participation, vesting and benefit accrual purposes.

Employee Severance Benefits. A MainStreet employee who is terminated within six months after the effective date of the merger will receive severance payments in an amount equal to two weeks of pay for each year of service to MainStreet and American National, subject to a minimum of six weeks and a maximum of 26 weeks of pay.

American National and MainStreet cannot complete the merger without prior approval from the Federal Reserve and the Virginia SCC. The subsidiary bank merger cannot be completed without the prior approval from the OCC. On October 9, 2014, American National filed the required applications with the Federal Reserve and Virginia SCC seeking approval of the merger, and on October 10, 2014 American National Bank filed the required application with the OCC seeking approval of the subsidiary bank merger.

As of the date of this proxy statement/prospectus, American National has not yet received the required approvals from the Federal Reserve and the Virginia SCC for the merger and American National Bank has not yet received the required approval from the OCC for the subsidiary bank merger. While American National and American National Bank do not know of any reason why they would not be able to obtain the necessary approvals in a timely manner, or why they would be received with conditions unacceptable to American National, they cannot be certain when or if they will receive them or as to the nature of any conditions imposed.

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Appraisal Rights

Shareholders of record of MainStreet common stock who comply with the procedures described below will be entitled to appraisal rights under Article 15 of Section 13.1 of the Virginia Stock Corporation Act. Where appropriate, shareholders are urged to consult with their legal counsel to determine the appropriate procedures for the making of a notice of intent to demand payment (as described below). No further notice of the events giving rise to appraisal rights or deadlines for related actions will be provided by MainStreet to shareholders prior to the special meeting.

The following discussion is only a summary, does not purport to be a complete statement of the law pertaining to appraisal rights under the Virginia SCA and is qualified in its entirety by reference to Article 15, Section 13.1 of the Virginia SCA. Shareholders are urged to consult Article 15 of the Virginia SCA, which is reprinted in its entirety as Appendix C to this proxy statement/prospectus.

Shareholders who follow the procedures set forth in Article 15 of the Virginia SCA will be entitled to receive payment of the fair value of their shares of MainStreet common stock. Any shareholder who wishes to exercise appraisal rights should review the following discussion and Appendix C carefully because failure to comply in a timely and proper manner with the procedures specified may result in the loss of appraisal rights under the Virginia SCA.

A holder of shares of MainStreet common stock who wishes to exercise appraisal rights must deliver to MainStreet, prior to or at the special meeting (but in any event before the vote is taken), a written notice of intent to demand payment for such shareholder's shares if the merger becomes effective. A shareholder delivering a notice of intent must not vote his or her shares in favor of the merger proposal or he or she will lose his or her appraisal rights. All notices of intent should be sent or delivered to MainStreet's corporate secretary, Brenda H. Smith, at MainStreet's principal executive offices located at 1075 Spruce Street, Martinsville, Virginia 24112, or they may be hand delivered to her at the special meeting (before the voting begins).

If the merger agreement is approved and the merger becomes effective, within 10 days after the effective date of the merger, American National will deliver an appraisal notice in writing to all shareholders who correctly and timely delivered a notice of intent (as described above) and also did not vote for approval of the merger agreement (an eligible shareholder). The appraisal notice will:

state where the eligible shareholder's payment demands should be sent and where and when stock certificates should be deposited;

set a date by which American National must receive the payment demand (which date may not be fewer than 40 days nor more than 60 days after the date the appraisal notice is sent);

provide an estimate of the fair value of the shares of MainStreet common stock that are the subject of the appraisal right demand;

set the date by which a notice to withdraw the appraisal right demand must be received (a date within 20 days of the date indicated in the second bullet point above); and

include such other information as required by the Virginia SCA.

An eligible shareholder to whom an appraisal notice is sent must demand payment within the time specified in the appraisal notice, deposit his or her stock certificates in accordance with the terms of the appraisal notice and make certain certifications required by the Virginia SCA. If an eligible shareholder fails to take such actions, the shareholder loses his or her appraisal rights.

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Within 30 days of the due date for receipt of any payment demands, if an eligible shareholder has complied with the provisions of Article 15 of the Virginia SCA, American National must pay each eligible shareholder American National's estimate of the fair value of the shareholder's shares of MainStreet common stock, plus accrued interest. With any payment, American National must provide its most recent annual and quarterly financial statements, an explanation of how it calculated the fair value of the shares of MainStreet common stock and interest, and a description of the procedure an eligible shareholder may follow if he or she is not satisfied with the payment.

An eligible shareholder who is not satisfied with the amount paid or offered by American National must notify American National in writing of his or her own estimate of the fair value of his or her shares of MainStreet common stock and the amount of interest due (less any amount that may have been already received by the shareholder from American National) and demand that American National pay this estimated amount. This notice must be given in writing within 30 days of the date that American National made or offered to make payment for the shareholder's shares of MainStreet common stock.

If an eligible shareholder's demand for payment remains unsettled, American National is obligated to commence a proceeding in a Virginia circuit court to determine the fair value of the shares of MainStreet common stock and accrued interest within 60 days of the receipt of the shareholder's payment demand. If American National fails to commence such proceeding in accordance with the Virginia SCA, it must pay the shareholder the amount demanded by him or her.

Eligible shareholders considering seeking appraisal should be aware that the fair value of their shares of MainStreet common stock as determined under Article 15 of the Virginia SCA, could be more than, the same as or less than the merger consideration that would be paid to them pursuant to the merger agreement. The costs and expenses of any appraisal proceeding will be determined by the court and assessed against American National unless the court determines that the shareholder seeking appraisal did not act in good faith in demanding payment of the fair value of their shares of MainStreet common stock in which case such costs and expenses may be assessed against the shareholder. Eligible shareholders will only be entitled to receive payment in accordance with Article 15 of the Virginia SCA and will not be entitled to vote their shares of MainStreet common stock or exercise any other rights as a holder of MainStreet common stock. After the date by which a notice to withdraw the appraisal right demand must be received, an eligible shareholder demanding appraisal may withdraw his or her demand only with the consent of American National.

If any shareholder who demands appraisal of his or her shares under Article 15 of the Virginia SCA fails to perfect, or effectively withdraws or loses, his or her right to appraisal, as provided in the Virginia SCA, such shareholder's shares of MainStreet common stock will be converted into the right to receive the merger consideration in accordance with the merger agreement.

Certain Differences in the Rights of Shareholders

American National and MainStreet are Virginia corporations governed by the Virginia SCA. In addition, the rights of American National and MainStreet shareholders are governed by their respective articles of incorporation and bylaws. Upon completion of the merger, MainStreet shareholders will become shareholders of American National, and as such their shareholder rights will then be governed by the articles of incorporation and bylaws of American National, each as amended, and by the Virginia SCA. The rights of shareholders of American National differ in certain respects from the rights of shareholders of MainStreet.

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A summary of the material differences between the rights of a MainStreet shareholder under the Virginia SCA and MainStreet's articles of incorporation and bylaws, on the one hand, and the rights of a American National shareholder under the Virginia SCA and the articles of incorporation and bylaws of American National, on the other hand, is provided in this proxy statement/prospectus in the section "Comparative Rights of Shareholders" on page 86.

Accounting Treatment

The merger will be accounted for under the acquisition method of accounting pursuant to U.S. generally accepted accounting principles. Under the acquisition method of accounting, the assets and liabilities, including identifiable intangible assets arising from the transaction, of MainStreet will be recorded, as of completion of the merger, at their respective fair values and added to those of American National. Any excess of purchase price paid over the fair values of the assets and liabilities acquired is recorded as goodwill. Financial statements and reported results of operations of American National issued after completion of the merger will reflect these values, but will not be restated retroactively to reflect the historical financial position or results of operations of MainStreet.

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THE MERGER AGREEMENT

The following is a summary description of the material provisions of the merger agreement. The following description of the merger agreement is subject to and is qualified in its entirety by reference to the merger agreement, which is attached as Appendix A to this proxy statement/prospectus and incorporated herein by reference. We urge you to read the merger agreement in its entirety as it is the legal document governing the merger.

Structure of the Merger

The American National board of directors and the MainStreet board of directors have each approved the merger agreement, which provides for the merger of MainStreet with and into American National, with American National as the surviving entity.

After the merger, Franklin Community Bank, the national bank subsidiary of MainStreet, will merge with and into American National Bank, the national bank subsidiary of American National. American National Bank will be the surviving bank in the subsidiary bank merger.

Merger Consideration

General. Pursuant to the terms of the merger agreement, as a result of the merger, each share of MainStreet common stock issued and outstanding before the effective date of merger will be converted into the right to receive:

\$3.46 in cash; and

0.482 shares of American National common stock.

The exchange ratio of 0.482 shares of American National common stock is fixed and will not be adjusted to reflect stock price changes prior to the effective date of the merger. Each share of MainStreet common stock will be converted into the same merger consideration. You will not have the ability to elect to receive all stock or all cash as consideration, or any other combination of cash and stock other than the merger consideration, for your shares of MainStreet common stock.

If the number of shares of American National common stock changes before the merger is completed because of a stock split, stock dividend, recapitalization, reclassification, reorganization or similar event, then a proportionate adjustment will be made to the exchange ratio.

American National's shareholders will continue to own their existing shares of American National common stock. Each share of American National common stock outstanding immediately prior to the effective date of the merger will continue to represent one share of common stock of American National following the merger.

Fractional Shares. American National will not issue any fractional shares of common stock. Instead, a MainStreet shareholder who would otherwise have received a fraction of a share will receive an amount of cash equal to the fraction of a share of American National common stock to which such holder would otherwise be entitled multiplied by the closing sale price of American National common stock on the NASDAQ Global Select Market on the trading day immediately preceding the effective date of the merger.

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Treatment of MainStreet Stock Options

MainStreet has awarded stock options to certain employees and officers pursuant to its equity compensation plans. In the merger, each outstanding option to purchase shares of MainStreet common stock will vest and be converted into an option to acquire, on the same terms and conditions as were applicable under such MainStreet option, the number of shares of American National common stock equal to the product of (i) 0.643 multiplied by (ii) the number of shares of MainStreet common stock subject to the MainStreet option. The exercise prices for the options will be adjusted based on the option exchange ratio.

Effective Date; Closing

The effective date of the merger will be the effective date and time set forth in the articles of merger that American National and MainStreet will file with the Virginia SCC. Subject to the satisfaction or waiver of the closing conditions in the merger agreement, the parties will use their reasonable best efforts to cause the effective date to occur on January 1, 2015 or as soon as practicable thereafter and after all required regulatory and shareholder approvals have been received. We anticipate that we will complete the merger in early January 2015, subject to the receipt of required shareholder and regulatory approvals, and the satisfaction or waiver of the closing conditions set forth in the merger agreement. See **Conditions to Completion of the Merger** at page 64.

There can be no assurances as to if or when the shareholder and regulatory approvals will be obtained or that the merger will be completed. If we do not complete the merger by July 1, 2015, either party may terminate the merger agreement, provided that such termination right is not available to a party whose breach or failure to perform an obligation under the merger agreement has caused the failure of the merger to occur on or before such date.

Exchange of Stock Certificates in the Merger

On or before the closing date of the merger, American National will cause to be deposited with its transfer agent, Registrar and Transfer Company (the **exchange agent**), certificates representing shares of American National common stock and cash equal to the aggregate amount of the per share cash consideration, for the benefit of the holders of certificates representing shares of MainStreet common stock, and cash instead of any fractional shares that would otherwise be issued to MainStreet shareholders in the merger. For the purposes of this proxy statement/prospectus, the term **certificates** includes shares of MainStreet common stock held in book-entry form.

Promptly after the completion of the merger, the exchange agent will send transmittal materials to each holder of a certificate of MainStreet common stock for use in exchanging MainStreet stock certificates for certificates representing shares of American National common stock and cash with respect to the per share cash consideration, and cash instead of fractional shares, if applicable. The exchange agent will deliver certificates representing American National common stock and cash with respect to the per share cash consideration, and a check instead of any fractional shares, once it receives the properly completed transmittal materials, together with certificates representing a holder's shares of MainStreet common stock.

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MainStreet stock certificates should NOT be returned with the enclosed proxy card. They also should NOT be forwarded to the exchange agent until you receive a transmittal letter following completion of the merger.

MainStreet stock certificates may be exchanged for new American National stock certificates and cash with respect to the per share cash consideration with the exchange agent for up to 12 months after the completion of the merger. At the end of that period, any American National stock certificates and cash will be returned to American National. Any holders of MainStreet stock certificates who have not exchanged their certificates will be entitled to look only to American National, and only as general creditors of American National, for the merger consideration.

Until you exchange your MainStreet stock certificates for the merger consideration, you will not receive any dividends or other distributions in respect of shares of American National common stock. Once you exchange your MainStreet stock certificates for the merger consideration, you will receive, without interest, any dividends or distributions with a record date after the effective date of the merger and payable with respect to your shares of American National common stock.

If you own MainStreet common stock in book entry form or through a broker, bank or other holder of record, you will not need to obtain your MainStreet stock certificates to surrender to the exchange agent.

If your MainStreet stock certificate has been lost, stolen or destroyed, you may receive a new stock certificate upon the making of an affidavit of that fact. American National may require you to post a bond in a reasonable amount as an indemnity against any claim that may be made against American National with respect to the lost, stolen or destroyed MainStreet stock certificate.

Neither American National nor MainStreet, nor any other person, including the exchange agent, will be liable to any former holder of MainStreet stock for any amount properly delivered to a public official pursuant to applicable abandoned property, escheat or similar laws.

Representations and Warranties

The merger agreement contains representations and warranties relating to American National and MainStreet's respective businesses, including:

corporate organization, standing and power, and subsidiaries;

requisite corporate authority to enter into the merger agreement and to complete the contemplated transactions;

capital structure;

SEC filings, financial statements included in certain of those filings and accounting controls;

regulatory reports filed with governmental agencies and other regulatory matters;

absence of certain changes or events and absence of certain undisclosed liabilities;

legal proceedings and compliance with applicable laws;

tax matters and tax treatment of merger;

employee benefit matters;

insurance;

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allowance for loan losses;

environmental matters;

books and records;

brokers and finders; and

engagement of financial advisors.

In addition, the merger agreement contains representations and warranties relating to MainStreet's business specifically, such as:

material contracts;

ownership and leasehold interests in properties;

loan portfolio and mortgage loan buy-backs;

intellectual property;

derivative instruments;

brokered deposits;

investment securities;

anti-takeover statutes and regulations; and

transaction with affiliates.

With the exception of specified representations and warranties relating to corporate authority and brokered deposits, that must be true and correct in all material respects, and representations and warranties relating to absence of conflict with organizational documents, capitalization and absence of certain changes reasonably likely to have a material adverse effect, which must be true and correct in all respects, no representation or warranty will be deemed untrue or incorrect as a consequence of the existence or absence of any fact, event or circumstance unless that fact, event or

circumstance, individually or taken together with all other facts, events or circumstances, has had or is reasonably likely to have a material adverse effect (as such term is defined in the merger agreement) on the party making the representation or warranty.

The representations and warranties described above and included in the merger agreement were made for purposes of the merger agreement and are subject to qualifications and limitations agreed to by the parties in connection with negotiating the terms of the merger agreement, including being qualified by confidential disclosures, and were made for the purposes of allocating contractual risk between American National and MainStreet instead of establishing these matters as facts. In addition, certain representations and warranties were made as of a specific date and may be subject to a contractual standard of materiality different from what might be viewed as material to shareholders. The representations and warranties and other provisions of the merger agreement should not be read alone, but instead should only be read together with the information provided elsewhere in this proxy statement/prospectus, in the documents incorporated by reference into this proxy statement/prospectus by American National and MainStreet, and in the periodic and current reports and statements that each of American National and MainStreet files with the SEC. See [Where You Can Find More Information](#) beginning on page 93.

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Conditions to Completion of the Merger

The respective obligations of American National and MainStreet to complete the merger are subject to the satisfaction or waiver of certain conditions, as follows:

approval of the merger proposal by MainStreet shareholders;

approval of the merger by the necessary federal and state regulatory authorities, provided that no such approvals contain any conditions, restrictions or requirements that would, after the merger, (i) have or be reasonably likely to have a material adverse effect on American National, in the reasonable opinion of American National, or (ii) be unduly burdensome, in the reasonable opinion of American National;

American National's registration statement on Form S-4, of which this proxy statement/prospectus is a part, is declared effective by the SEC under the Securities Act of 1933, as amended (the Securities Act), and continues to remain effective;

approval from the NASDAQ Stock Market for the listing on the NASDAQ Global Select Market of the shares of American National common stock to be issued in the merger;

the absence of any order, decree or injunction of a court or regulatory agency that enjoins or prohibits the completion of the merger;

the receipt by American National and MainStreet from LeClairRyan, A Professional Corporation, American National's outside legal counsel, of a written legal opinion to the effect that the merger will be treated as a reorganization within the meaning of Section 368(a) of the Code;

the accuracy of the other party's representations and warranties in the merger agreement, subject to the material adverse effect standard in the merger agreement; and

the other party's performance in all material respects of its obligations under the merger agreement.

In addition, American National's obligation to complete the merger is subject to the satisfaction or waiver of the condition set forth below:

the number of shares of MainStreet common stock whose holders are seeking appraisal rights under the Virginia SCA does not represent 5% or more of the outstanding shares of MainStreet common stock.

Where the merger agreement and law permits, American National and MainStreet could choose to waive a condition to its obligation to complete the merger even if that condition has not been satisfied. American National and

MainStreet cannot be certain when, or if, the conditions to the merger will be satisfied or waived or that the merger will be completed.

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Business Pending the Merger

American National and MainStreet have made customary agreements that place restrictions on them until the completion of the merger. In general, American National and MainStreet are required to (i) conduct their respective businesses in the ordinary and usual course, (ii) take no action that would affect adversely or delay the ability to obtain the required approvals and consents for the merger, perform the covenants and agreements under the merger agreement or complete the merger on a timely basis, (iii) take no action that would prevent the merger from qualifying as a reorganization within the meaning of Section 368(a) of the Code and (iv) take no action that would make any of its representation or warranties untrue, taking into account the material adverse effect standard set forth in the merger agreement.

MainStreet also agreed that, until the effective date of the merger and with certain exceptions, it will not, and will not permit any of its subsidiaries to, without the prior written consent of American National:

amend, repeal or modify any articles of incorporation, bylaws or other similar governing instruments;

issue or sell any additional shares of capital stock, other than pursuant to stock options outstanding as of the date of the merger agreement, or grant any stock options, restricted shares or other stock-based awards;

enter into or amend or renew any employment or severance agreement or similar arrangement with any of its directors, officers or employees, or grant any salary or wage increase or increase any employee benefit, except for normal individual merit increases in the ordinary course of business consistent with past practice, provided that no such salary or wage increase will result in an annual adjustment in any individual officer's or employee's salary or wages of more than 2% without prior consultation with and approval from American National and that no incentive or bonus payment will be paid or agreed to be paid without prior consultation with and approval from American National, except for (i) incentive based compensation to employees engaged in selling mortgage and investment products and services in the ordinary course of business, and (ii) certain bonuses for 2014 performance;

enter into, establish, adopt, amend, terminate or make any contributions to (except as required by law, to satisfy contractual obligations as previously disclosed to American National or to comply with the requirements of the merger agreement), any pension, retirement, stock option, stock purchase, savings, profit sharing, deferred compensation, consulting, bonus, group insurance or other employee benefit, incentive or welfare contract, plan or arrangement, or any trust agreement related thereto, in respect of any director, officer or employee or take any action to accelerate the vesting or exercise of any benefits payable thereunder;

hire any person as an employee or promote any employee, except (i) to satisfy contractual obligations as previously disclosed to American National and (ii) persons hired to fill any employee or non-executive officer vacancies arising after the date of the merger agreement and whose employment is terminable at will and who are not subject to or eligible for any severance or similar benefits or payments that would become payable as a result of the merger, the subsidiary bank merger or the completion thereof;

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make, declare, pay any dividend on, or redeem, purchase or otherwise acquire any shares of capital stock, or adjust, split, combine or reclassify any shares of capital stock;

make any capital expenditures, other than capital expenditures in the ordinary course of business consistent with past practice, in amounts not exceeding \$10,000 individually or \$35,000 in the aggregate;

implement or adopt any change in its tax or financial accounting principles, practices or methods, including reserving methodologies, other than as may be required by generally accepted accounting principles in the U.S., regulatory accounting guidelines or applicable law;

sell, transfer, mortgage, encumber or otherwise dispose of or discontinue any of its assets, deposits in bulk, business or properties except for (i) other real estate owned (OREO) currently under contract, OREO that is sold in the ordinary course of business consistent with past practice and in amounts that do not exceed \$175,000 individually or \$500,000 in the aggregate, (ii) certain transactions previously disclosed by MainStreet to American National, or (iii) transactions in the ordinary course of business consistent with past practice in amounts that do not exceed \$10,000 individually or \$25,000 in the aggregate;

acquire all or any portion of the assets, business, securities, deposits or properties of any other person, except for acquisitions (i) by way of foreclosures or of control in a bona fide fiduciary capacity or in satisfaction of debts previously contracted in good faith and in amounts that do not exceed \$250,000 individually or \$500,000 in the aggregate, and (ii) in the ordinary course of business consistent with past practice in amounts that do not exceed \$10,000 individually or \$25,000 in the aggregate;

enter into, amend, modify, cancel, fail to renew or terminate any agreement, contract, lease, license, arrangement, commitment or understanding that (i) is a material contract required to be filed as an exhibit pursuant to Item 601(b)(10) of the SEC's Regulation S-K, if such regulation was applicable to it, or (ii) relates to real property, personal property, data processing or bankcard functions, except as otherwise permitted under the merger agreement or as previously disclosed to American National;

enter into any settlement or similar agreement with respect to any action, suit, proceeding, order or investigation to which it is or becomes a party after the date of the merger agreement, which settlement, agreement or action involves payment of an amount that exceeds \$10,000 and/or would impose any material restriction on the business of MainStreet or create precedent for claims that are reasonably likely to be material to MainStreet;

enter into any new material line of business; introduce any material new products or services; make any material change to deposit products or deposit gathering or retention policies or strategies; change its material lending, investment, underwriting, pricing, servicing, risk and asset liability management and other material banking, operating or board policies or otherwise fail to follow such policies, except as required by applicable law, regulation or policies imposed by any governmental authority, or the manner in which its investment securities or loan portfolio is classified or reported; invest in any mortgage-backed or

mortgage-related security that would be considered high risk under applicable regulatory guidance; or file any application or enter into any contract with respect to the opening, relocation or closing of, or open, relocate or close, any branch, office, service center or other facility;

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introduce any material marketing campaigns or any material new sales compensation or incentive programs or arrangements (except those the material terms of which have been fully disclosed in writing to, and approved by, American National prior to the date of the merger agreement);

(i) make, renew, restructure or otherwise modify any loan to be held in its loan portfolio other than loans made or acquired in the ordinary course of business consistent with past practice and that have (a) in the case of unsecured loans, a principal balance not in excess of \$50,000 in total, or (b) in the case of secured loans, a principal balance not in excess of \$1,000,000 in total, (ii) except in the ordinary course of business, take any action that would result in any discretionary release of collateral or guarantees or otherwise restructure the respective amounts set forth in clause (i) above, or (iii) enter into any loan securitization or create any special purpose funding entity;

incur any indebtedness for borrowed money, or assume, guarantee, endorse or otherwise as an accommodation become responsible for the obligations of any other person, other than with respect to the collection of checks and other negotiable instruments and the creation of deposit liabilities and federal funds purchased in the ordinary course of business consistent with past practice;

acquire (other than by way of foreclosures or acquisitions in a bona fide fiduciary capacity or in satisfaction of debts previously contracted in good faith, in each case in the ordinary course of business consistent with past practice) any debt security or equity investment other than federal funds or U.S. Government securities or U.S. Government agency securities, in each case with a term of one year or less, or dispose of any debt security or equity investment;

enter into or settle any derivative contract, except for loan origination commitments which may be entered into under the normal course of business;

make any investment or commitment to invest in real estate or in any real estate development project (other than by way of foreclosure or acquisitions in a bona fide fiduciary capacity or in satisfaction of a debt previously contracted in good faith, in each case in the ordinary course of business consistent with past practice);

make or change any material tax election, settle or compromise any material tax liability, agree to an extension or waiver of the statute of limitations with respect to the assessment or determination of a material amount of taxes, enter into any closing agreement with respect to any material amount of taxes or surrender any right to claim a material tax refund, adopt or change any method of accounting with respect to taxes or file any amended tax return; or

agree to take any of the actions prohibited by the preceding bullet points.

American National also agreed that, until the effective date of the merger, it will not, and will not permit any of its subsidiaries to, without the prior written consent of MainStreet, amend, repeal or modify any articles of incorporation, bylaws or other similar governing instruments in a manner which would have a material adverse effect on MainStreet

or its shareholders or the transactions contemplated by the merger agreement, or make or pay any extraordinary one-time dividend or distribution on shares of American National common stock, other than any distribution or dividend payable in shares of American National common stock which would result in the adjustment of the exchange ratio pursuant to the merger agreement.

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Regulatory Matters

American National and MainStreet have each agreed to cooperate and use their reasonable best efforts to prepare as promptly as possible all documentation, to effect all filings and to obtain all regulatory approvals necessary to consummate the merger. On October 9, 2014, American National filed the required applications with the Federal Reserve and Virginia SCC seeking approval of the merger, and on October 10, 2014 American National Bank filed the required application with the OCC seeking approval of the subsidiary bank merger.

While American National and American National Bank do not know of any reason why they would not be able to obtain the necessary approvals in a timely manner, or why they would be received with conditions unacceptable to American National, they cannot be certain when or if they will receive them or as to the nature of any conditions imposed.

Shareholder Meeting and Recommendation of the MainStreet Board of Directors

MainStreet has agreed to call a special meeting of shareholders as soon as reasonably practicable for the purpose of obtaining the required shareholder votes on the merger proposal.

In connection with the special meeting, MainStreet's board of directors is to support and recommend approval of the merger agreement and the transactions contemplated thereby and use its reasonable best efforts to obtain the required shareholder approval unless the MainStreet board has received and recommended (or submitted to shareholders) an acquisition proposal from a third party that qualifies as a superior proposal as described and under the circumstances set forth in the next section (No Solicitation).

No Solicitation

MainStreet has agreed that, while the merger agreement is in effect, it will not directly or indirectly:

initiate, solicit or encourage any inquiries or proposals with respect to any acquisition proposal (as defined below); or

engage or participate in any negotiations or discussions concerning, or provide any confidential or nonpublic information relating to, an acquisition proposal.

For purposes of the merger agreement, an acquisition proposal means, other than the transactions contemplated by the merger agreement, any offer, proposal or inquiry relating to, or any third party indication of interest in, any of the following transactions involving MainStreet or Franklin Community Bank:

a merger, consolidation, share exchange, business combination, reorganization, recapitalization, liquidation, dissolution or other similar transaction;

any acquisition or purchase, direct or indirect, of 10% or more of the consolidated assets of MainStreet or 10% or more of any class of equity or voting securities of MainStreet or its subsidiaries whose assets,

individually or in the aggregate, constitute more than 10% of the consolidated assets of MainStreet; or

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any tender offer (including a self-tender offer) or exchange offer that, if consummated, would result in a third party beneficially owning 10% or more of any class of equity or voting securities of MainStreet or its subsidiaries whose assets, individually or in the aggregate, constitute more than 10% of the consolidated assets of MainStreet.

Under the merger agreement, however, if MainStreet receives an unsolicited bona fide written acquisition proposal, it may engage in negotiations or discussions with or provide nonpublic information to the person or entity making the acquisition proposal only if:

the MainStreet board of directors receives the proposal prior to the special meeting;

the MainStreet board concludes in good faith, after consultation with and based upon the written advice of outside legal counsel and its financial advisors, that the failure to take such actions would be more likely than not to result in a violation of its fiduciary duties to shareholders under Virginia law;

the MainStreet board also concludes in good faith, after consultation with outside legal counsel and financial advisors, that the acquisition proposal constitutes or is reasonably likely to result in a superior proposal (as defined below); and

MainStreet receives from the person or entity making the proposal an executed confidentiality agreement, which confidentiality agreement does not provide such person or entity with any exclusive right to negotiate with MainStreet.

MainStreet has agreed to advise American National, within 24 hours of reaching the conclusions set forth in the second and third bullet points immediately above, of the receipt of any such acquisition proposal, including a description of the material terms and conditions of the proposal (including the identity of the proposing party), and to keep American National apprised of any related developments, discussions and negotiations on a current basis.

For purposes of the merger agreement, a superior proposal means an unsolicited, bona fide written acquisition proposal made by a person or entity that the board of directors of MainStreet concludes in good faith, after consultation with its financial and outside legal advisors, taking into account all legal, financial, regulatory and other aspects of the acquisition proposal and including the terms and conditions of the merger agreement:

is more favorable to the shareholders of MainStreet from a financial point of view, than the transactions contemplated by the merger agreement; and

is fully financed or reasonably capable of being fully financed and reasonably likely to receive all required approvals of governmental authorities on a timely basis and otherwise reasonably capable of being completed on the terms proposed.

For the purposes of the definition of superior proposal, the term acquisition proposal has the same meaning as described above, except the reference to 10% or more is changed to be a reference to a majority and an acquisition proposal can only refer to a transaction involving MainStreet or Franklin Community Bank.

Except as otherwise provided in the merger agreement, nothing contained in the non-solicitation provisions of the merger agreement will permit MainStreet to terminate the merger agreement or affect any of its other obligations under the merger agreement.

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Termination of the Merger Agreement

Termination by American National and MainStreet. The merger agreement may be terminated and the merger abandoned by American National and MainStreet, at any time before the merger is completed, by mutual consent of the parties.

Termination by American National or MainStreet. The merger agreement may be terminated and the merger abandoned by either party if:

the merger has not been completed by July 1, 2015, unless the failure to complete the merger by such time was caused by a breach or failure to perform an obligation under the merger agreement by the terminating party;

there is a breach or inaccuracy of any representation or warranty of the other party contained in the merger agreement that would cause the failure of the closing conditions described above, and the breach is not cured within 30 days following written notice to the breaching party or cannot be cured, provided that the terminating party is not then in breach of any representation, warranty, covenant or agreement contained in the merger agreement;

there is a material breach by the other party of any covenant or agreement contained in the merger agreement, and the breach is not cured within 30 days following written notice to the breaching party or cannot be cured, provided that the terminating party is not then in breach of any representation, warranty, covenant or agreement contained in the merger agreement;

any of the conditions precedent to the obligations of such party to consummate the merger set forth in the merger agreement cannot be satisfied or fulfilled by July 1, 2015, provided that the terminating party is not then in breach of any representation, warranty, covenant or agreement contained in the merger agreement; or

the MainStreet shareholders do not approve the merger proposal.

Termination by American National. American National may terminate the merger agreement at any time before the MainStreet special meeting if:

MainStreet breaches its agreement regarding the non-solicitation of other business combination offers;

the board of directors of MainStreet fails to recommend, or withdraws, modifies or changes its recommendation to the MainStreet shareholders that the merger agreement be approved in any way that is adverse to American National; or

MainStreet materially breaches its covenants in the merger agreement requiring the calling and holding of a meeting of shareholders to consider the merger agreement or breaches its covenant regarding the non-solicitation of other offers.

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In addition, American National may terminate the merger agreement at any time if:

MainStreet enters into an agreement with another party with respect to a business combination transaction or with respect to an acquisition directly from MainStreet of securities representing 10% or more of the voting power of MainStreet; or

a third party commences a tender offer or exchange offer for 20% or more of the outstanding shares of MainStreet common stock, and the board of directors of MainStreet recommends that MainStreet shareholders tender their shares in the offer or otherwise fails to recommend that they reject the offer within a specified period.

Termination by MainStreet. MainStreet may terminate the merger agreement at any time:

before the MainStreet special meeting to enter into an acquisition agreement or similar agreement with respect to an unsolicited superior proposal, as defined in the merger agreement and described above, which has been received and considered by MainStreet in compliance with the applicable terms of the merger agreement, provided that MainStreet has notified American National at least five business days in advance of any such termination and given American National the opportunity during such period to make an offer at least as favorable as the superior proposal, as determined by the MainStreet board of directors.

In the event of termination, the merger agreement will become null and void, except that certain provisions thereof relating to fees and expenses (including the obligation to pay the termination fee described below in certain circumstances) and confidentiality of information exchanged between the parties will survive any such termination.

Termination Fee

The merger agreement provides that MainStreet must pay American National a \$1.0 million termination fee under the circumstances and in the manner described below:

if the merger agreement is terminated by American National for any of the reasons described under Termination of the Merger Agreement Termination by American National on page 70 or by MainStreet for the reasons described under Termination of the Merger Agreement Termination by MainStreet on page 71, MainStreet must pay the termination fee to American National concurrently with the termination of the merger agreement; or

if the merger agreement is terminated (i) by American National for any of the reasons described in the second, third or fourth bullet points under Termination of the Merger Agreement Termination by American National or MainStreet on page 70, (ii) by either American National or MainStreet because the merger has not been completed by July 1, 2015, or (iii) by either American National or MainStreet because the merger has not been approved by the shareholders of MainStreet at the special meeting, and in the case of termination pursuant to clauses (i), (ii) and (iii) above an acquisition proposal (as described under No Solicitation on page 68) has been publicly announced or otherwise communicated or made known to the

shareholders, senior management or board of directors of MainStreet (or any person has publicly announced, communicated or made known an intention, whether or not conditional, to make an acquisition proposal) prior to the taking of the vote of the shareholders of MainStreet contemplated by the merger agreement, in the case of clause (iii) above, or prior to the date of termination, in the case of clauses (i) or (ii) above,

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then (a) if within 15 months after such termination MainStreet enters into an agreement or consummates a transaction with respect to an acquisition proposal (whether or not the same acquisition proposal as that referred to above), then MainStreet must pay to American National the termination fee on the date of execution of such agreement (regardless of whether such transaction is consummated before or after the termination of this agreement) or the consummation of such transaction, or (b) if a transaction with respect to an acquisition proposal (whether or not the same acquisition proposal as that referred to above) is consummated otherwise than pursuant to an agreement with MainStreet within 18 months after the termination of the merger agreement, then MainStreet must pay to American National the termination fee on the date when such transaction is consummated.

Any termination fee that becomes payable to American National pursuant to the merger agreement will be paid by wire transfer of immediately available funds to an account designated by American National. If MainStreet fails to timely pay the termination fee to American National, MainStreet also will be obligated to pay the costs and expenses incurred by American National to collect such payment, together with interest.

Indemnification and Insurance

American National has agreed to indemnify the directors and officers of MainStreet against certain liabilities arising before the effective date of the merger. American National has also agreed to purchase a six year tail prepaid policy, on the same terms as MainStreet's existing directors and officers liability insurance, for the current directors and officers of MainStreet, subject to a cap on the cost of such policy equal to 300% of MainStreet's current annual premium.

Expenses

In general, whether or not the merger is completed, American National and MainStreet will each pay its respective expenses incident to preparing, entering into and carrying out the terms of the merger agreement. The parties will share the costs of printing and mailing this proxy statement/prospectus and all filing fees paid to the SEC and other governmental authorities.

Waiver and Amendment

At any time on or before the effective date of the merger, any term or provision of the merger agreement, other than the merger consideration, may be waived by the party which is entitled to the benefits thereof, without shareholder approval, to the extent permitted under applicable law. The terms of the merger agreement may be amended at any time before the merger by agreement of the parties, whether before or after the special meeting, except with respect to statutory requirements and requisite shareholder and regulatory authority approvals.

Affiliate Agreement

The directors and executive officers of MainStreet have entered into an agreement with American National and MainStreet pursuant to which they have agreed, subject to several conditions and exceptions, to vote all of the shares over which they have voting authority in favor of the merger proposal, subject to certain exceptions, including that certain shares they hold in a fiduciary capacity are not covered by the agreement.

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The affiliate agreement prohibits, subject to limited exceptions, the directors and executive officers of MainStreet from selling, transferring, pledging, encumbering or otherwise disposing of any shares of MainStreet common stock subject to the agreement. The affiliate agreement terminates upon the earlier to occur of the completion of the merger or the termination of the merger agreement in accordance with its terms.

Possible Alternative Merger Structure

The merger agreement provides that American National and MainStreet may mutually agree to change the method or structure of the merger. However, no change may be made that:

alters or changes the exchange ratio or the amount of cash to be received by MainStreet shareholders in exchange for each share of MainStreet common stock;

adversely affects the tax treatment of American National or MainStreet pursuant to the merger agreement; or

materially impedes or delays completion of the merger in a timely manner.

Resales of American National Stock

The shares of American National common stock to be issued in connection with the merger will be freely transferable under the Securities Act, except for shares issued to any shareholder who may be deemed to be an affiliate of American National for purposes of Rule 144 under the Securities Act. Persons who may be deemed to be affiliates include individuals or entities that control, are controlled by, or are under common control with, American National and may include the executive officers, directors and significant shareholders of American National.

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MATERIAL U.S. FEDERAL INCOME TAX CONSEQUENCES

Subject to the limitations, assumptions and qualifications described herein, it is the opinion of LeClairRyan, A Professional Corporation that the material U.S. federal income tax consequences of the merger applicable to U.S. holders (as defined below) of MainStreet common stock who exchange their shares of MainStreet common stock in the merger are as described below. The following discussion is based upon the Code, Treasury regulations, judicial authorities, published positions of the Internal Revenue Service (the IRS) and other applicable authorities, all as currently in effect and all of which are subject to change or differing interpretations (possibly with retroactive effect). The opinion of tax counsel for American National is filed as Exhibit 8.1 to the registration statement on Form S-4 of which this proxy statement/prospectus is a part.

This discussion does not address the tax consequences of the merger under state, local or foreign tax laws, nor does it address any alternative minimum tax or any tax consequences arising under the unearned income Medicare contribution tax pursuant to the Health Care and Education Reconciliation Act of 2010. No assurance can be given that the IRS would not assert, or that a court would not sustain, a position contrary to any of the tax consequences set forth below.

This discussion is limited to U.S. holders (as defined below) that hold their shares of MainStreet common stock as a capital asset within the meaning of Section 1221 of the Code (generally, property held for investment). Furthermore, this discussion does not address all of the tax consequences that may be relevant to a particular MainStreet shareholder or to MainStreet shareholders that are subject to special rules under U.S. federal income tax laws, such as: shareholders that are not U.S. holders; financial institutions; insurance companies; mutual funds; tax-exempt organizations; S corporations or other pass-through entities (or investors in such entities); regulated investment companies; real estate investment trusts; dealers in securities or currencies; persons subject to the alternative minimum tax provisions of the Code; former citizens or residents of the United States; persons whose functional currency is not the U.S. dollar; traders in securities that elect to use a mark-to-market method of accounting; persons who own more than 5% of the outstanding common stock of MainStreet; persons who hold MainStreet common stock as part of a straddle, hedge, constructive sale or conversion transaction; and U.S. holders who acquired their shares of MainStreet common stock through the exercise of an employee stock option or otherwise as compensation.

For purposes of this section, the term U.S. holder means a beneficial owner of MainStreet common stock that for United States federal income tax purposes is: a citizen or resident of the United States; a corporation, or other entity treated as a corporation for U.S. federal income tax purposes, created or organized in or under the laws of the United States, any state thereof or the District of Columbia; an estate that is subject to U.S. federal income tax on its income regardless of its source; or a trust, the substantial decisions of which are controlled by one or more U.S. persons and which is subject to the primary supervision of a U.S. court, or a trust that validly has elected under applicable Treasury regulations to be treated as a U.S. person for U.S. federal income tax purposes.

If a partnership or other entity taxed as a partnership holds MainStreet common stock, the tax treatment of a partner in the partnership generally will depend upon the status of the partner and the activities of the partnership. Partnerships and partners in such a partnership should consult their tax advisers about the tax consequences of the merger to them.

Holders of MainStreet common stock are urged to consult with their own tax advisors as to the tax consequences of the merger in their particular circumstances, including the applicability and effect of the alternative minimum tax and any state, local or foreign and other tax laws and of any changes in those laws.

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The Merger

Subject to the limitations, assumptions and qualifications described herein, the merger will be treated as a reorganization within the meaning of Section 368(a) of the Code. Accordingly, the opinion states that, for U.S. federal income tax purposes, the merger will qualify as a reorganization under Section 368(a) of the Code. Accordingly, a holder of MainStreet common stock generally will not recognize any gain or loss for U.S. federal income tax purposes as a result of the exchange of the holder's MainStreet shares solely for American National common stock pursuant to the merger, and will recognize gain (but not loss) in an amount not to exceed any cash received as part of the merger consideration (except with respect to any cash received in lieu of a fractional share of American National common stock, as discussed below under "Tax Consequences to Shareholders of MainStreet - Cash Received in Lieu of a Fractional Share of American National Common Stock").

Consummation of the merger is conditioned upon American National and MainStreet receiving a written tax opinion, dated the closing date of the merger, from LeClairRyan, American National's outside tax counsel, to the effect that, based upon facts, representations and assumptions set forth in such opinion, the merger will be treated as a reorganization within the meaning of Section 368(a) of the Code. In addition, in connection with the filing of the registration statement of which this document is a part, LeClairRyan has delivered an opinion to American National and MainStreet to the same effect. These opinions are conditioned on, among other things, such tax counsel's receipt of representation letters from each of American National and MainStreet, in each case in form and substance reasonably satisfactory to such counsel, and on customary factual assumptions. The opinion of counsel is not binding on the IRS or the courts and no ruling has been, or will be, sought from the IRS as to the U.S. federal income tax consequences of the merger. Consequently, no assurance can be given that the IRS will not assert, or that a court would not sustain, a position contrary to the consequences set forth below. In addition, if any of the representations or assumptions upon which the opinion is based are inconsistent with the actual facts, the U.S. federal income tax consequences of the merger could be adversely affected. Accordingly, each MainStreet shareholder should consult its tax advisor with respect to the particular tax consequences of the merger to such holder.

Tax Consequences to American National and MainStreet

Each of American National and MainStreet will be a party to the merger within the meaning of Section 368(b) of the Code, and neither American National nor MainStreet will recognize any gain or loss as a result of the merger.

Tax Consequences to Shareholders of MainStreet

Accordingly, based on the opinion delivered in connection herewith:

gain (but not loss) will be recognized by shareholders of MainStreet who receive shares of American National common stock and cash in exchange for shares of MainStreet common stock pursuant to the merger, in an amount equal to the lesser of (i) the amount by which the sum of the fair market value of the American National common stock and cash received by a shareholder of MainStreet exceeds such shareholder's basis in its MainStreet common stock, and (ii) the amount of cash received by such shareholder of MainStreet (except with respect to any cash received in lieu of fractional share interests in American National common stock, as discussed below under "Cash Received In Lieu of a Fractional Share of American National Common Stock");

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the aggregate basis of the American National common stock received in the merger will be the same as the aggregate basis of the MainStreet common stock for which it is exchanged, decreased by the amount of cash received in the merger and decreased by any basis attributable to fractional share interests in American National common stock for which cash is received, and increased by the amount of gain recognized on the exchange other than in respect of fractional shares (regardless of whether such gain is classified as capital gain or as ordinary dividend income, as discussed below under Additional Considerations-Recharacterization of Gain as a Dividend); and

the holding period of American National common stock received in exchange for shares of MainStreet common stock will include the holding period of the MainStreet common stock for which it is exchanged. If U.S. holders of MainStreet common stock acquired different blocks of shares of MainStreet common stock at different times or at different prices, such holders' gain, basis and holding period may be determined with reference to each block of MainStreet common stock. Any such holders should consult their tax advisors regarding the manner in which American National common stock and cash received in the exchange should be allocated among different blocks of MainStreet common stock and with respect to identifying the bases or holding periods of the particular shares of American National common stock received in the merger.

Taxation of Capital Gain. Except as described under Additional Considerations-Recharacterization of Gain as a Dividend below, gain that a MainStreet shareholder recognizes in connection with the merger generally will constitute capital gain and will constitute long-term capital gain if such shareholder has held (or is treated as having held) his MainStreet common stock for more than one year as of the date of the merger. For MainStreet shareholders that are non-corporate holders of MainStreet common stock, long-term capital gain generally will be taxed at preferential rates.

Additional Considerations Recharacterization of Gain as a Dividend. All or part of the gain that a particular MainStreet shareholder recognizes could be treated as dividend income rather than capital gain if (i) such MainStreet shareholder is a significant shareholder of American National or (ii) such MainStreet shareholder's percentage ownership, taking into account constructive ownership rules, in American National after the merger is not meaningfully reduced from what its percentage ownership would have been if it had received solely shares of American National common stock rather than a combination of cash and shares of American National common stock in the merger. This could happen, for example, because of ownership of additional shares of American National common stock by such MainStreet shareholder or ownership of shares of American National common stock by a person related to such MainStreet shareholder. The IRS has indicated in rulings that any reduction in the interest of a minority shareholder that owns a small number of shares in a publicly and widely held corporation and that exercises no control over corporate affairs would result in capital gain as opposed to dividend treatment. Because the possibility of dividend treatment depends primarily upon such MainStreet shareholder's particular circumstances, including the application of certain constructive ownership rules, MainStreet shareholders should consult their own tax advisors regarding the potential tax consequences of the merger to them.

Cash Received in Lieu of a Fractional Share of American National Common Stock. A U.S. holder that receives cash in lieu of a fractional share of American National common stock in the merger generally will be treated as if the fractional share of American National common stock had been distributed to them as part of the merger, and then redeemed by American National in exchange for the cash actually distributed in lieu of the fractional share, with the redemption generally qualifying as an exchange under Section 302 of the Code. Consequently, those holders generally will recognize capital

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gain or loss with respect to the cash payments they receive in lieu of fractional shares measured by the difference between the amount of cash received and the tax basis allocated to the fractional shares, and such gain or loss will be long-term capital gain or loss if, as of the effective date of the merger, the holding period of such shares is greater than one year. The deductibility of capital losses is subject to limitations.

Backup Withholding and Reporting Requirements

U.S. holders of MainStreet common stock, other than certain exempt recipients, may be subject to backup withholding at a rate of 28% with respect to any cash payment received in the merger in lieu of fractional shares. However, backup withholding will not apply to any U.S. holder that either (a) furnishes a correct taxpayer identification number and certifies that it is not subject to backup withholding or (b) otherwise proves to American National and its exchange agent that the U.S. holder is exempt from backup withholding. Any amounts withheld under the backup withholding rules generally will be allowed as a refund or credit against the holder's U.S. federal income tax liability, provided the holder timely furnishes the required information to the IRS.

In addition, U.S. holders of MainStreet common stock are required to retain permanent records and make such records available to any authorized IRS officers and employees. The records should include the number of shares of MainStreet stock exchanged, the number of shares of American National stock received, the fair market value and tax basis of MainStreet shares exchanged and the U.S. holder's tax basis in the American National common stock received.

If a U.S. holder of MainStreet common stock that exchanges such stock for American National common stock is a significant holder with respect to MainStreet, the U.S. holder is required to include a statement with respect to the exchange on or with the federal income tax return of the U.S. holder for the year of the exchange. A U.S. holder of MainStreet common stock will be treated as a significant holder in MainStreet if the U.S. holder's ownership interest in MainStreet is five percent (5%) or more of MainStreet's issued and outstanding common stock or if the U.S. holder's basis in the shares of MainStreet stock exchanged is one million dollars (\$1,000,000) or more. The statement must be prepared in accordance with Treasury Regulation Section 1.368-3 and must be entitled "STATEMENT PURSUANT TO §1.368-3 BY [INSERT NAME AND TAXPAYER IDENTIFICATION NUMBER (IF ANY) OF TAXPAYER], A SIGNIFICANT HOLDER". The statement must include the names and employer identification numbers of MainStreet and American National, the date of the merger, and the fair market value and tax basis of MainStreet shares exchanged (determined immediately before the merger).

This discussion of the material U.S. federal income tax consequences does not purport to be a complete analysis or listing of all potential tax effects that may apply to a holder of MainStreet common stock. Further, it is not intended to be, and should not be construed as, tax advice. Holders of MainStreet common stock are urged to consult their independent tax advisors with respect to the application of U.S. federal income tax laws to their particular situations as well as any tax consequences arising under the U.S. federal estate or gift tax rules, or under the laws of any state, local, foreign or other taxing jurisdiction or under any applicable tax treaty.

Table of Contents**MARKET FOR COMMON STOCK AND DIVIDENDS**

American National common stock is traded on the NASDAQ Global Select Market under the symbol AMNB. MainStreet common stock is quoted on the OTCQB marketplace under the symbol MREE.

As of the record date for the special meeting, there were 1,713,375 shares of MainStreet common stock outstanding, which were held by approximately 1,519 holders of record. Such numbers of shareholders do not reflect the number of individuals or institutional investors holding stock in nominee name through banks, brokerage firms and others.

The following table sets forth during the periods indicated the high and low sales prices of American National common stock as reported on the NASDAQ Global Select Market and MainStreet common stock as reported on the OTCQB marketplace, and the dividends declared per share of American National common stock and MainStreet common stock. The sales prices for MainStreet common stock shown in the table below may not be representative of all transactions during the indicated periods or the actual fair market value of the common stock at the time of such transaction due to the infrequency of trades and the limited market for the common stock.

	American National Common Stock			MainStreet Common Stock		
	Sales Price		Dividends Declared Per Share	Sales Price		Dividends Declared Per Share
	High	Low		High	Low	
2014						
First Quarter	\$ 26.08	\$ 21.54	\$ 0.23	\$ 8.50	\$ 7.60	
Second Quarter	24.06	20.65	0.23	12.00	8.16	
Third Quarter	23.53	20.90	0.23	14.10	10.20	
Fourth Quarter (through October 27, 2014)	23.76	21.69		14.25	13.50	
2013						
First Quarter	\$ 22.00	\$ 19.57	\$ 0.23	\$ 7.20	\$ 6.05	
Second Quarter	23.46	19.66	0.23	8.24	6.42	
Third Quarter	25.90	20.77	0.23	7.81	7.01	
Fourth Quarter	27.74	21.16	0.23	8.50	7.01	
2012						
First Quarter	\$ 22.19	\$ 18.54	\$ 0.23	\$ 4.25	\$ 3.75	
Second Quarter	24.00	20.91	0.23	6.40	4.35	
Third Quarter	23.99	21.60	0.23	4.90	4.55	
Fourth Quarter	22.81	18.50	0.23	6.00	4.55	

The following table sets forth the closing sale prices per share of American National common stock as reported on the NASDAQ Global Select Market on August 22, 2014, the last trading day before the parties announced the signing of the merger agreement, and on October 27, 2014, the last trading day before the date of this proxy statement/prospectus. The table also sets forth, to the knowledge of MainStreet, the sales price of the latest sale of MainStreet common stock that occurred on or before August 22, 2014 (which sale occurred on August 22, 2014), and the sales price of the most recent sale of MainStreet common stock that occurred before the date of this proxy statement/prospectus (which sale

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occurred on October 24, 2014). The following table also includes the equivalent market value per share of MainStreet common stock on August 22, 2014 and on October 27, 2014, which reflects the sum of (i) the product of the exchange ratio of 0.482 multiplied by the closing sale price of American National common stock on the dates indicated, plus (ii) the per share cash consideration of \$3.46.

	American National Common Stock	MainStreet Common Stock	Equivalent Market Value Per Share of MainStreet
August 22, 2014	\$ 21.97	\$ 10.80	\$ 14.05
October 27, 2014	\$ 22.90	\$ 14.08	\$ 14.50

You are advised to obtain current market quotations for American National common stock and MainStreet common stock. The market price of American National common stock at the effective date of the merger or at the time former shareholders of MainStreet receive certificates evidencing shares of American National common stock after the merger is completed may be higher or lower than the market price at the time the merger agreement was executed, at the date of mailing of this proxy statement/prospectus or at the time of the special meeting.

American National and MainStreet are legal entities separate and distinct from their subsidiaries, and their revenues depend primarily on the payment of dividends from their subsidiary banks. Therefore, American National's and MainStreet's principal sources of funds with which to pay dividends on their stock and their other separate expenses are dividends they receive, respectively, from American National Bank and Franklin Community Bank. The subsidiary banks of both American National and MainStreet are subject to certain regulatory and other legal restrictions on the amount of dividends they are permitted to pay to American National and MainStreet. See Description of American National Capital Stock Common Stock Dividends on page 84.

American National currently pays dividends on its common stock on a quarterly basis, and it anticipates declaring and paying quarterly dividends after completion of the merger. American National has no current intention to change its dividend strategy, but has and will continue to evaluate that decision on a quarterly basis. After the merger, the final determination of the timing, amount and payment of dividends on American National common stock will be at the discretion of its board of directors and will depend upon the earnings of American National and its subsidiary bank, the financial condition of American National and other factors, including general economic conditions and applicable governmental regulations and policies.

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INFORMATION ABOUT AMERICAN NATIONAL BANKSHARES INC.

American National Bankshares Inc. is a bank holding company headquartered in Danville, Virginia providing a full range of financial services through its subsidiary community bank, American National Bank and Trust Company. American National Bank serves southcentral Virginia and northcentral North Carolina with 24 banking offices. The common stock of American National is traded on the NASDAQ Global Select Market under the symbol AMNB.

As of June 30, 2014, American National had total assets of approximately \$1.3 billion, total net loans of approximately \$800.3 million, total deposits of approximately \$1.0 billion and total shareholders' equity of approximately \$172.1 million. American National Bank also manages an additional \$648.0 million of assets in its trust and investment services division.

The principal executive offices of American National are located at 628 Main Street, Danville, Virginia 24541, and its telephone number is (434) 792-5111. American National's website can be accessed at <https://www.amnb.com>. Information contained on the websites of American National or any subsidiary of American National does not constitute part of this proxy statement/prospectus and is not incorporated into other filings that American National makes with the SEC.

For more information about American National, see "Where You Can Find More Information" beginning on page 93.

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INFORMATION ABOUT MAINSTREET BANKSHARES, INC.

General

MainStreet BankShares, Inc. is a bank holding company headquartered in Martinsville, Virginia. MainStreet was organized as a Virginia corporation in January 1999 and, through its community bank subsidiary, Franklin Community Bank, engages in a general commercial banking business offering a wide variety of banking services to individuals, professionals and small to medium-sized businesses. Franklin Community Bank currently operates three full-service banking offices in its primary service area of Franklin County, Town of Rocky Mount and surrounding markets in Virginia. As of June 30, 2014, the number of full-time equivalent persons employed by MainStreet and Franklin Community Bank was 52. MainStreet's common stock is traded on the OTCQB marketplace under the symbol MREE.

As of June 30, 2014, MainStreet had total consolidated assets of approximately \$166.3 million, total net loans of approximately \$124.4 million, total consolidated deposits through its bank subsidiary of approximately \$140.0 million and consolidated shareholders' equity of approximately \$24.8 million.

The principal executive offices of MainStreet are located at 1075 Spruce Street, Martinsville, Virginia 24112, and its telephone number is (276) 632-8054. MainStreet's website can be accessed at <http://www.msbsinc.com>. Information contained on the websites of MainStreet or any subsidiary of MainStreet does not constitute part of this proxy statement/prospectus and is not incorporated into other filings that MainStreet makes with the SEC.

Additional business and financial information relating to MainStreet is included in MainStreet's Annual Report on Form 10-K for the year ended December 31, 2013 and its Quarterly Report on Form 10-Q for the quarter ended June 30, 2014, copies of which are attached to this proxy statement/prospectus as Appendices C and D. The audited financial statements of MainStreet as of December 31, 2013 and 2012 and for each of the three years in the period ended December 31, 2013 are included in MainStreet's Annual Report on Form 10-K for the year ended December 31, 2013.

For more information about MainStreet, see "Where You Can Find More Information" beginning on page 93.

Competition

MainStreet experiences competition in attracting and retaining business and personal checking and savings accounts, making commercial, consumer and real estate loans, and providing other services in their primary service area. The principal methods of competition in the banking industry for MainStreet with respect to deposits are service, rates offered, convenience of location and flexible office hours. The principal methods of competition in the banking industry for MainStreet with respect to loans are interest rates, loan origination fees and the range of lending services offered. Competition in MainStreet's service area comes from other commercial banks, savings institutions, brokerage firms, credit unions and mortgage banking firms. Competition for deposits is particularly intense in MainStreet's market, which increases the cost and reduces the availability of local deposits. Because of the nature of MainStreet's market, a substantial portion of the loan opportunities for which banks compete are real estate related. As a result of the economic downturn, which was focused on real estate, the number of loan opportunities has been reduced and the risk of those loans has been increased. MainStreet has been able to take advantage of the consolidation in the banking industry in its market area by providing personalized banking services that are desirable to large segments of customers, which has enabled MainStreet to compete satisfactorily.

Table of Contents**MainStreet Director to Be Appointed Director of American National**

Joel R. Shepherd (age 50), current chairman of the MainStreet board of directors, will be appointed a director of American National upon consummation of the merger. Mr. Shepherd is president and partial owner of Virginia Home Furnishings, Inc., a Virginia corporation, and 220 Self Storage, Inc., a Virginia corporation, each based in Rocky Mount, Virginia. He is also a private real estate investor in the Roanoke, Virginia area. From 1986 to 1993, Mr. Shepherd served as a Vice President and Portfolio Manager in the Funds Management Division of Dominion Bankshares, Inc. (acquired by First Union Corporation). Mr. Shepherd will bring entrepreneurial, business building, finance and management skills to the American National board. He will also bring financial institution management and investment skills to the board of directors of American National.

Security Ownership of Principal Shareholders

The following table sets forth, as of the record date for the special meeting (October 20, 2014), certain information with respect to the beneficial ownership of MainStreet common stock held by each holder of 5% or more of MainStreet common stock known to MainStreet.

Name and Address	Number of Shares Beneficially Owned (1)	Percent of Class
Spence Limited, L.P. P.O. Box 505, Blakely, Georgia 39823	149,682(2)	8.4%
Joel R. Shepherd 1075 Spruce Street, Martinsville, Virginia 24112	130,988	7.4%

- (1) For purposes of this table, beneficial ownership has been determined in accordance with the provisions of Rule 13d-3 of the Securities Exchange Act of 1934 under which, in general, a person is deemed to be the beneficial owner of a security if he or she has or shares the power to vote or direct the voting of the security, the power to dispose of or direct the disposition of the security, or the right to acquire beneficial ownership of the security within 60 days.
- (2) Based on Schedule 13D filed with the SEC on February 20, 2014 by Spence Limited, L.P. (Spence) stating that as of January 31, 2014, Spence was the beneficial owner of 149,682 shares of MainStreet common stock and had sole voting power and sole investment power with respect to all such shares.

Table of Contents**Security Ownership of Management**

The following table sets forth, as of the record date for the special meeting (October 20, 2014), certain information with respect to the beneficial ownership of MainStreet common stock held by each director and executive officer of MainStreet, and all the directors and executive officers of MainStreet as a group.

Name	Number of Shares Beneficially Owned (1)	Percent of Class
C. Laine Dalton	6,947(2)	*
J. Mac Deekens	5,500	*
Danny M. Perdue	52,882	3.0%
Joel R. Shepherd	130,988	7.4%
Brenda H. Smith	48,028(3)	2.7%
Michael A. Turner	45,723(4)	2.6%
Todd S. Hammock	1,071(5)	*
Lisa J. Correll	900(6)	*
Sonya B. Smith	110	*
All directors and executive officers as a group (9 persons)	292,149	16.4%

* Represents less than 1% of MainStreet common stock.

- (1) For purposes of this table, beneficial ownership has been determined in accordance with the provisions of Rule 13d-3 of the Securities Exchange Act of 1934 under which, in general, a person is deemed to be the beneficial owner of a security if he or she has or shares the power to vote or direct the voting of the security, the power to dispose of or direct the disposition of the security, or the right to acquire beneficial ownership of the security within 60 days. The mailing address of the directors and executive officers included in the table is 1075 Spruce Street, Martinsville, Virginia 24112.
- (2) Includes 1,100 shares owned by Dalton Insurance Agency, an insurance agency of which the director is a partial owner.
- (3) Includes 47,588 shares that may be acquired upon exercise of stock options that are fully vested.
- (4) Includes 11,000 shares owned by the director's spouse.
- (5) Includes 100 shares held by the executive officer as custodian for a child.
- (6) Includes 900 shares that may be acquired upon exercise of stock options that are fully vested.

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DESCRIPTION OF AMERICAN NATIONAL CAPITAL STOCK

The following summary description of the material features of the capital stock of American National is qualified in its entirety by reference to the applicable provisions of Virginia law and by American National's articles of incorporation and bylaws, each as amended.

As a result of the merger, MainStreet shareholders who receive shares of American National common stock in the merger will become shareholders of American National. Your rights as shareholders of American National will be governed by Virginia law and the articles of incorporation and the bylaws of American National, each as amended. We urge you to read the applicable provisions of the Virginia SCA, American National's articles of incorporation and bylaws and federal laws governing financial holding companies carefully and in their entirety. Copies of American National's and MainStreet's governing documents have been filed with the SEC. To find out where copies of these documents can be obtained, see [Where You Can Find More Information](#).

General

As of June 30, 2014, American National had 22,000,000 shares of capital stock authorized. This authorized capital stock consisted of:

20,000,000 shares of common stock, par value \$1.00 per share, 7,840,132 of which were outstanding as of June 30, 2014; and

2,000,000 shares of preferred stock, par value \$5.00 per share, none of which are outstanding as of the date of this proxy statement/prospectus.

As of June 30, 2014, there were options outstanding to purchase 176,747 shares of American National common stock and 46,052 shares of American National common stock were subject to unvested restricted stock awards, all granted under American National's equity compensation plans.

Common Stock

General. Each share of American National common stock has the same relative rights as, and is identical in all respects to, each other share of American National common stock. American National's common stock is traded on the NASDAQ Global Select Market under the symbol AMNB. The transfer agent and registrar for American National's common stock is Registrar and Transfer Company.

Voting Rights. Each holder of American National common stock is entitled to one vote per share held on any matter submitted to a vote of shareholders. There are no cumulative voting rights in the election of directors.

Dividends. Holders of American National common stock are entitled to receive dividends when and as declared by the American National board of directors out of funds legally available therefor; provided, however, that the payment of dividends to holders of common stock is subject to the preferential dividend rights of any outstanding preferred stock. American National is a corporation separate and distinct from American National Bank. Since most of American National's revenues will be received by it in the form of dividends or interest paid by American National Bank, American National's ability to pay dividends will be subject to certain regulatory restrictions.

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Directors and Classes of Directors. The American National board is divided into three classes, apportioned as evenly as possible, with directors serving staggered three-year terms. Currently, the American National board consists of 13 directors. The number of directors may be increased by the board, but not by more than two during any twelve-month period, except by the affirmative vote of holders of 80% of the outstanding shares of American National's voting stock. Subject to the rights of the holders of any series of preferred stock then outstanding, any director may be removed, with or without cause, by the affirmative vote of the holders of at least 80% of the outstanding shares of American National common stock.

No Preemptive or Conversion Rights. Holders of American National's common stock do not have preemptive rights to purchase additional shares of any class of American National stock, and have no conversion or redemption rights.

Calls and Assessments. All of the issued and outstanding shares of American National common stock are non-assessable.

Liquidation Rights. In the event of American National's liquidation, dissolution or winding up, the holders of common stock (and the holders of any class or series of stock entitled to participate with the common stock in the distribution of assets) shall be entitled to receive, in cash or in kind, the remaining assets available for distribution after payment or provision for payment of American National's debts and liabilities and distributions or provision for distributions to holders of any preferred stock having preference over the common stock.

For more information regarding the rights of holders of American National common stock, see Comparative Rights of Shareholders.

Preferred Stock

The board of directors of American National is empowered to authorize the issuance, in one or more series, of shares of preferred stock at such times, for such purposes and for such consideration as it may deem advisable without shareholder approval. The American National board is also authorized to fix the designations, voting, conversion, preference and other relative rights, qualifications and limitations of any such series of preferred stock.

The American National board of directors, without shareholder approval, may authorize the issuance of one or more series of preferred stock with voting and conversion rights which could adversely affect the voting power of the holders of American National common stock and, under certain circumstances, discourage an attempt by others to gain control of American National.

The creation and issuance of any series of preferred stock, and the relative rights, designations and preferences of such series, if and when established, will depend upon, among other things, the future capital needs of American National, then existing market conditions and other factors that, in the judgment of the American National board, might warrant the issuance of preferred stock.

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COMPARATIVE RIGHTS OF SHAREHOLDERS

American National and MainStreet are Virginia corporations subject to the provisions of the Virginia SCA. The rights of shareholders of American National and MainStreet are governed by their respective articles of incorporation and bylaws. Upon consummation of the proposed merger, MainStreet shareholders will become shareholders of American National (except for shares held by MainStreet's shareholders who exercise appraisal rights), and as such their shareholder rights will then be governed by the articles of incorporation and bylaws of American National and will continue to be governed by the Virginia SCA.

The following is a summary of the material differences in the rights of shareholders of American National and MainStreet, but is not a complete statement of all those differences. Shareholders should read carefully the relevant provisions of the Virginia SCA and the respective articles of incorporation and bylaws of American National and MainStreet. This summary is qualified in its entirety by reference to such articles of incorporation and bylaws and to the provisions of the Virginia SCA.

Authorized Capital Stock

American National. American National is authorized to issue 20,000,000 shares of common stock, par value \$1.00 per share, of which 7,840,132 shares were issued and outstanding as of June 30, 2014, and 2,000,000 shares of preferred stock, par value \$5.00 per share, of which no shares were issued and outstanding as of such date.

American National's articles of incorporation authorize the American National board of directors, without shareholder approval, to fix the preferences, limitations and relative rights of the preferred stock and to establish series of such preferred stock and determine the variations between each series. There are no preemptive rights to purchase (i) additional shares of capital stock of American National, (ii) any securities convertible into such shares, or (iii) any options, warrants or rights to purchase such shares or securities convertible into any such shares.

MainStreet. MainStreet is authorized to issue 10,000,000 shares of common stock, without par value, of which 1,713,375 shares were issued and outstanding as of the record date for the special meeting, and 10,000,000 shares of preferred stock, without par value, of which no shares were issued and outstanding as of the record date. Similar to American National, MainStreet's articles of incorporation authorize the MainStreet board, without shareholder approval, to fix the preferences, limitations and relative rights of the preferred stock and to establish series of such preferred stock and determine the variations between each series. Similar to the shareholders of American National, shareholders of MainStreet do not have preemptive rights to purchase (i) additional shares of capital stock of MainStreet, (ii) any securities convertible into such shares, or (iii) any options, warrants or rights to purchase such shares or securities convertible into any such shares.

Dividend Rights

The holders of American National and MainStreet common stock are entitled to share ratably in dividends when and as declared by their respective board of directors out of legally available funds therefor. American National's and MainStreet's respective articles of incorporation permit their boards to issue preferred stock with terms set by their boards, which terms may include the right to receive dividends ahead of the holders of their common stock.

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Voting Rights

The holders of both American National and MainStreet common stock have one vote for each share held on any matter presented for consideration by the holders of common stock at a shareholder meeting. Neither the holders of American National nor MainStreet common stock are entitled to cumulative voting in the election of directors.

Directors and Classes of Directors

American National. The American National board is divided into three classes, apportioned as evenly as possible, with directors serving staggered three-year terms. Currently, the American National board consists of 13 directors. The number of directors may be increased by the board, but not by more than two during any 12-month period, except by the affirmative vote of holders of 80% of the outstanding shares of American National's voting stock. Subject to the rights of the holders of any series of preferred stock then outstanding, any director may be removed, with or without cause, by the affirmative vote of the holders of at least 80% of the outstanding shares of American National common stock.

MainStreet. The MainStreet board is also divided into three classes, apportioned as evenly as possible, with directors serving staggered three-year terms. MainStreet's articles of incorporation require the board to consist of not less than five nor more than 25 members, and MainStreet's bylaws set such number at 10. The MainStreet board is authorized to set and change the actual number of directors from time to time by amending the bylaws. Any director may be removed from office at any time but only with cause and only by the affirmative vote of the holders of not less than two-thirds of each class of the voting stock of MainStreet then outstanding.

Anti-takeover Provisions

Certain provisions of the Virginia SCA and of the articles of incorporation and bylaws of American National and MainStreet may discourage an attempt to acquire control of American National or MainStreet, respectively, that a majority of either company's shareholders may determine was in their best interests. These provisions also may render the removal of one or all directors more difficult or deter or delay corporate changes of control that the American National board or MainStreet board did not approve.

Classified Board of Directors. The provisions of American National's and MainStreet's articles providing for classification of the board of directors into three separate classes may have certain anti-takeover effects.

Authorized Preferred Stock. Both the articles of incorporation of American National and the articles of incorporation of MainStreet authorize the issuance of preferred stock. The American National or MainStreet boards may, subject to applicable Virginia law and federal banking regulations, authorize the issuance of preferred stock at such times, for such purposes and for such consideration as either board may deem advisable without further shareholder approval. The issuance of preferred stock under certain circumstances may have the effect of discouraging an attempt by a third party to acquire control of American National or MainStreet by, for example, authorizing the issuance of a series of preferred stock with rights and preferences designed to impede the proposed transaction.

Supermajority Voting Provisions. The Virginia SCA provides that, unless a corporation's articles of incorporation provide for a higher or lower vote, certain significant corporate actions must be approved by the affirmative vote of the holders of more than two-thirds of the votes entitled to be cast on the matter. Corporate actions requiring a two-thirds vote include:

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adoption of plans of merger or exchange;

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sales of all or substantially all of a corporation's assets other than in the ordinary course of business; and

adoption of plans of dissolution.

The Virginia SCA provides that a corporation's articles may either increase the vote required to approve those actions or may decrease the required vote to not less than a majority of the votes entitled to be cast.

The articles of incorporation of American National provide that the actions set out above must be approved by a vote of 80% of all votes entitled to be cast on such transactions by each voting group entitled to vote on the transaction when the other party to the transaction owns more than 25% of the voting stock of American National, unless certain conditions are met. If the transaction does not involve a holder of more than 25% of the outstanding voting stock, the Virginia SCA applies and more than two-thirds of the votes entitled to be cast must vote in favor to approve the transaction.

MainStreet's articles of incorporation provide that the actions set out above must be approved by the affirmative vote of two-thirds of the votes entitled to be cast on the matter, provided that (a) a majority of MainStreet's directors have approved the transaction, or (b) the price and structure of the transaction meet certain requirements set forth in Article 6 of MainStreet's articles of incorporation. If neither of such conditions have been satisfied, the transaction must be approved by the affirmative vote of holders of at least 80% of each class of voting stock of MainStreet.

Removal of Directors. The articles of incorporation of American National provide that, subject to the rights of the holders of any series of preferred stock then outstanding, any director may be removed, with or without cause, by the affirmative vote of the holders of at least 80% of the outstanding shares of American National common stock. The articles of incorporation of MainStreet provide that any director may be removed from office at any time but only with cause and only by the affirmative vote of the holders of not less than two-thirds of each class of the voting stock of MainStreet then outstanding. Absent these provisions, under Virginia law, a director may be removed with or without cause by a majority vote of the holders of the corporation's outstanding voting stock. The provisions included in American National's and MainStreet's respective articles of incorporation may provide anti-takeover protection through perpetuating the terms of incumbent directors by making it more difficult for shareholders to remove directors and replace them with their own nominees.

Cumulative Voting. The articles of incorporation of both American National and MainStreet do not provide for cumulative voting for any purpose. The absence of cumulative voting may afford anti-takeover protection by making it more difficult for shareholders of American National and MainStreet to elect nominees opposed by the board of directors of American National and MainStreet, respectively.

Special Meetings of Shareholders. The bylaws of American National contain a provision pursuant to which special meetings of the shareholders of American National may be called by the chairman of the board or by shareholders that collectively own at least 10% of the voting stock of American National. The bylaws of MainStreet contain a provision pursuant to which special meetings of the shareholders of MainStreet may only be called by the chairman of the board, the president or by a majority of the board of directors. Both of these provisions are designed to afford anti-takeover protection by making it more difficult (or impossible in the case of MainStreet) for shareholders to call a special meeting of shareholders to consider a proposed merger or other business combination.

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Shareholder Nominations and Proposals. The bylaws of American National require a shareholder who intends to nominate a candidate for election to the board of directors, or to raise new business at a shareholder meeting, to deliver written notice to the secretary of American National at least 60 days prior to the first anniversary of the date of American National's proxy statement for the preceding year's annual meeting.

The bylaws of MainStreet require a shareholder who intends to nominate a candidate for election to the board of directors, or to raise new business at a shareholder meeting, to deliver timely notice to the president of MainStreet. If the meeting is an annual meeting of shareholders, to be timely such notice must be provided at least 120 days prior to the first anniversary of the date of MainStreet's proxy statement for the preceding year's annual meeting; provided that if MainStreet did not hold an annual meeting the preceding year, or if the date of the current year's annual meeting has been changed by more than 30 days from the date of the preceding year's meeting, then the deadline is a reasonable time before MainStreet begins to print and mail its proxy materials. If the meeting is a special meeting of shareholders, to be timely such notice must be delivered to, or mailed and received at, the principal executive offices of MainStreet not less than 60 days nor more than 90 days prior to the meeting; provided, however, in the event that less than 70 days' notice or prior public disclosure of the date of the meeting is given or made to shareholders, notice by the shareholder to be timely must be so received not later than the close of business on the 10th day following the day on which such notice of the date of the meeting or such public disclosure was made.

The notice provision in both the American National bylaws and the MainStreet bylaws requires each corporation's shareholders who desire to raise new business to provide certain information to the corporation concerning the nature of the new business, the shareholder and the shareholder's interest in the business matter. Similarly, a shareholder wishing to nominate any person for election as a director must provide the corporation with certain information concerning the nominee and the proposing shareholder. Such requirements may discourage each corporation's shareholders from submitting nominations and proposals.

Anti-takeover Statutes. Virginia has two anti-takeover statutes in force, the Affiliated Transactions Statute and the Control Share Acquisitions Statute.

The Affiliated Transaction Statute of the Virginia SCA contains provisions governing affiliated transactions. These include various transactions such as mergers, share exchanges, sales, leases, or other dispositions of material assets, issuances of securities, dissolutions, and similar transactions with an interested shareholder. An interested shareholder is generally the beneficial owner of more than 10% of any class of a corporation's outstanding voting shares. During the three years following the date a shareholder becomes an interested shareholder, any affiliated transaction with the interested shareholder must be approved by both a majority (but not less than two) of the disinterested directors (those directors who were directors before the interested shareholder became an interested shareholder or who were recommended for election by a majority of the disinterested directors) and by the affirmative vote of the holders of two-thirds of the corporation's voting shares other than shares beneficially owned by the interested shareholder. These requirements do not apply to affiliated transactions if, among other things, a majority of the disinterested directors approve the interested shareholder's acquisition of voting shares making such a person an interested shareholder before such acquisition. Beginning three years after the shareholder becomes an interested shareholder, the corporation may engage in an affiliated transaction with the interested shareholder if:

the transaction is approved by the holders of two-thirds of the corporation's voting shares, other than shares beneficially owned by the interested shareholder;

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the affiliated transaction has been approved by a majority of the disinterested directors; or

subject to certain additional requirements, in the affiliated transaction the holders of each class or series of voting shares will receive consideration meeting specified fair price and other requirements designed to ensure that all shareholders receive fair and equivalent consideration, regardless of when they tendered their shares.

Under the Virginia SCA's Control Share Acquisitions Statute, voting rights of shares of stock of a Virginia corporation acquired by an acquiring person or other entity at ownership levels of 20%, 33 1/3%, and 50% of the outstanding shares may, under certain circumstances, be denied. The voting rights may be denied:

unless conferred by a special shareholder vote of a majority of the outstanding shares entitled to vote for directors, other than shares held by the acquiring person and officers and directors of the corporation; or

among other exceptions, such acquisition of shares is made pursuant to a merger agreement with the corporation or the corporation's articles of incorporation or bylaws permit the acquisition of such shares before the acquiring person's acquisition thereof.

If authorized in the corporation's articles of incorporation or bylaws, the statute also permits the corporation to redeem the acquired shares at the average per share price paid for such shares if the voting rights are not approved or if the acquiring person does not file a control share acquisition statement with the corporation within 60 days of the last acquisition of such shares. If voting rights are approved for control shares comprising more than 50% of the corporation's outstanding stock, objecting shareholders may have the right to have their shares repurchased by the corporation for fair value.

The provisions of the Affiliated Transactions Statute and the Control Share Acquisitions Statute are only applicable to public corporations that have more than 300 shareholders of record. Corporations may opt out of the Affiliated Transactions Statute and/or the Control Share Acquisitions Statute in their articles of incorporation or bylaws. Neither American National nor MainStreet has opted-out of the Affiliated Transactions Statute or Control Share Acquisitions Statute.

Amendments to Articles of Incorporation and Bylaws

The Virginia SCA generally requires that, in order for an amendment to the articles of incorporation to be adopted, it must be approved by each voting group entitled to vote on the proposed amendment by more than two-thirds of all the votes entitled to be cast by that voting group, unless the Virginia SCA otherwise requires a greater vote, or the articles of incorporation provide for a greater or lesser vote, or a vote by separate voting groups. Under the Virginia SCA, no amendment to the articles of incorporation may be approved by a vote that is less than a majority of all the votes cast on the amendment by each voting group entitled to vote. American National's articles of incorporation provide that the articles may generally be amended by the affirmative vote of a majority of all the votes entitled to be cast by each voting group entitled to vote on the amendment. MainStreet's articles of incorporation provide that the articles may generally be amended by the affirmative vote of a majority of all the votes cast by each voting group entitled to vote on the amendment.

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Under the Virginia SCA, unless the articles of incorporation or bylaws provide otherwise, a majority of the directors or a majority of the shareholders present and entitled to vote may adopt, amend or repeal the bylaws. American National's articles of incorporation do not contain such a provision but its bylaws have a provision that states that the bylaws may be amended, altered or repealed by American National's board at any meeting and that American National's shareholders have the power to rescind, alter, amend or repeal any bylaws which, if so expressed by the shareholders, may not be rescinded, altered, amended or repealed by American National's board. MainStreet's articles of incorporation provide that its bylaws may be adopted, altered, amended or repealed by the board of directors or by the affirmative vote of holders of not less than 80% of each class of voting stock then outstanding. Shareholders may prescribe that certain bylaws made by them may not be altered, amended or repealed by the board without approval of the shareholders.

Appraisal Rights

American National. The Virginia SCA provides that appraisal rights are not available to holders of common or preferred stock of a Virginia corporation in a merger when the stock is either listed on a national securities exchange such as the NASDAQ Global Select Market or is held by at least 2,000 record shareholders. Despite this exception, appraisal rights will be available to holders of common stock of a Virginia corporation in a merger if:

the articles of incorporation provide otherwise (American National's articles of incorporation do not authorize such special appraisal rights);

in the case of a merger or share exchange, shareholders are required by the terms of the merger to accept anything for their shares other than cash, shares of the surviving or acquiring corporation, or shares of another corporation that are either listed on a national securities exchange or held by record by more than 2,000 shareholders, or a combination of cash or such shares; or

the merger is an affiliated transaction, as described under Anti-takeover Provisions above, and it has not been approved by a majority of the disinterested directors.

American National's common stock is listed on the NASDAQ Global Select market and its shareholders are not generally entitled to appraisal rights.

MainStreet. MainStreet's common stock is not listed on a national securities exchange, nor is its common stock held by more than 2,000 record shareholders. Therefore, holders of shares of MainStreet common stock are entitled to appraisal rights. See The Merger Appraisal Rights on page 56.

Director and Officer Exculpation

The Virginia SCA provides that in any proceeding brought by or in the right of a corporation or brought by or on behalf of shareholders of the corporation, the damages assessed against an officer or director arising out of a single transaction, occurrence or course of conduct may not exceed the lesser of (a) the monetary amount, including the elimination of liability, specified in the articles of incorporation or, if approved by the shareholders, in the bylaws as a limitation on or elimination of the liability of the officer or director, or (b) the greater of (i) \$100,000 or (ii) the amount of cash compensation received by the officer or director from the corporation during the twelve months immediately preceding the act or omission for which liability was imposed. The liability of an officer or director is not

limited under the Virginia SCA or a corporation's articles of incorporation and bylaws if the officer or director engaged in willful misconduct or a knowing violation of the criminal law or of any federal or state securities law.

The articles of incorporation of American National and MainStreet, respectively, provide that to the full extent that the Virginia SCA permits the limitation or elimination of the liability of directors or officers, a director or officer of American National or MainStreet is not liable to American National or MainStreet, respectively, or its respective shareholders for monetary damages.

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Indemnification

American National. The articles of incorporation of American National provide that to the full extent permitted by the Virginia SCA and any other applicable law, American National is required to indemnify a director or officer of American National who is or was a party to any proceeding by reason of the fact that he or she is or was such a director or officer or is or was serving at the request of or on behalf of American National as a director, officer, employee or agent of another corporation, partnership, joint venture, trust, employee benefit plan or other enterprise. The American National board of directors is empowered, by majority vote of a quorum of disinterested directors, to contract in advance to indemnify any director or officer as set forth above.

MainStreet. The articles of incorporation of MainStreet provide that MainStreet is required to indemnify a director or officer of MainStreet who is or was a party to any proceeding by reason of the fact that he or she is or was such a director or officer or is or was serving at the request of or on behalf of MainStreet as a director, officer, employee or agent of another corporation, partnership, joint venture, trust, employee benefit plan or other enterprise. Similar to American National, the MainStreet board of directors is empowered, by majority vote of a quorum of disinterested directors, to contract in advance to indemnify any director or officer as set forth above.

LEGAL MATTERS

The validity of the American National common stock to be issued upon completion of the merger will be passed upon for American National by LeClairRyan, A Professional Corporation, Richmond, Virginia. Certain U.S. federal income tax consequences relating to the merger will be passed upon for both companies by LeClairRyan, A Professional Corporation.

EXPERTS

The consolidated financial statements and effectiveness of internal control over financial reporting incorporated in this proxy statement/prospectus by reference to American National's Annual Report on Form 10-K for the year ended December 31, 2013, have been audited by Yount, Hyde & Barbour, P.C., independent registered public accountants as indicated in their reports thereto, and are included herein, and have been so incorporated in reliance upon the authority of said firm as experts in accounting and auditing.

The consolidated financial statements incorporated in this proxy statement/prospectus by reference to MainStreet's Annual Report on Form 10-K for the year ended December 31, 2013 and included as Appendix C hereto, have been audited by Yount, Hyde & Barbour, P.C., independent registered public accountants as indicated in their report thereto, and are included herein, and have been so incorporated in reliance upon the authority of said firm as experts in accounting and auditing.

FUTURE SHAREHOLDER PROPOSALS

MainStreet held its 2014 annual meeting of shareholders on May 8, 2014. MainStreet intends to hold a 2015 annual meeting of shareholders only if the merger is not completed. In the event that this annual meeting occurs, if any shareholder intends to present a proposal to be considered for inclusion in MainStreet's proxy materials in connection with the 2015 annual meeting, the proposal must be in proper form, comply with all of the requirements of Rule 14a-8 of the Securities Exchange Act of 1934 and be received by MainStreet no later than November 28, 2014. Such proposal, including shareholder nominations of candidates for election as MainStreet directors, are to be delivered to MainStreet's Corporate Secretary at its office at 1075 Spruce Street, Martinsville, Virginia 24112 by certified mail, return receipt requested.

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MainStreet's bylaws provide that only such business which is properly brought before a shareholder meeting will be conducted. For business to be properly brought before a meeting, a shareholder must give timely notice in writing to MainStreet's president. To be timely, a shareholder's notice must be delivered to, or mailed and received at, the principal executive offices of MainStreet not less than 60 days nor more than 90 days prior to the meeting; provided, however, in the event that less than 70 days' notice or prior public disclosure of the date of the meeting is given or made to shareholder, notice by the shareholder to be timely must be so received not later than the close of business on the tenth day following the day on which such notice of the date of the meeting or such public disclosure was made. Notice shall be deemed to have been given more than 70 days in advance of an annual meeting of shareholders if the annual meeting is called on the second Thursday of May of the year (or if such date falls on a legal holiday, the next business day) without regard to when public disclosure thereof is made. Notice of actions to be brought before a meeting shall set forth, as to each matter the shareholder proposes to bring before the meeting: a brief description of the business desired to be brought before the meeting and the reasons for bringing such business before the meeting; and as to the shareholder giving the notice, (i) the name and address, as they appear on MainStreet's books, of such shareholder, (ii) the classes and number of shares of MainStreet's which are owned of record and beneficially by such shareholder, and (iii) any material interest of such shareholder in such business other than his interest as a shareholder of MainStreet.

OTHER MATTERS

In accordance with Virginia law, no business may be brought before the special meeting unless it is described in the applicable notice of meeting that accompanies this proxy statement/prospectus. As of the date of this proxy statement/prospectus, the MainStreet board knows of no matters that will be presented for consideration at the special meeting other than those specifically set forth in the notice for the special meeting. If, however, any other matters properly come before the special meeting, or any adjournments thereof, and are voted upon, it is the intention of the proxy holders to vote such proxies in accordance with the recommendation of the management of MainStreet.

WHERE YOU CAN FIND MORE INFORMATION

American National and MainStreet each file reports, proxy statements and other information with the Securities and Exchange Commission. You may read and copy any reports, statements or other information that American National or MainStreet files with the SEC at the SEC's public reference room in Washington, D.C., which is located at the following address: Public Reference Room, 100 F Street, NE, Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. The SEC filings made by American National and MainStreet are also available to the public from commercial document retrieval services and at the SEC's Internet website at <http://www.sec.gov>. The information contained on the SEC's website is expressly not incorporated by reference into this proxy statement/prospectus.

American National has filed a registration statement on Form S-4 under the Securities Act to register with the SEC the shares of American National common stock to be issued in the merger. This document is a part of the registration statement and constitutes a prospectus of American National and a proxy statement of MainStreet for its special meeting of shareholders. As allowed by SEC rules, this document does not contain all the information that you can find in the registration statement or the exhibits to the registration statement.

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The SEC allows American National and MainStreet to incorporate by reference information into this proxy statement/prospectus, which means the companies can disclose important information to you by referring you to another document filed separately with the SEC. The information incorporated by reference is deemed to be a part of this proxy statement/prospectus, except for any information superseded by information contained directly in this proxy statement/prospectus or incorporated by reference subsequent to the date of this proxy statement/prospectus as described below.

This proxy statement/prospectus incorporates by reference the documents set forth below that each of American National and MainStreet has previously filed with the SEC (except Items 2.02 and 7.01 of any Current Report on Form 8-K, unless otherwise indicated in the Form 8-K). These documents contain important business information about the companies and their financial condition.

American National SEC Filings

Annual Report on Form 10-K for the year ended December 31, 2013, filed on March 12, 2014.

Definitive Proxy Materials on Schedule 14A for the 2014 Annual Meeting of Shareholders, filed on April 16, 2014.

Quarterly Report on Form 10-Q for the quarter ended March 31, 2014, filed on May 12, 2014.

Quarterly Report on Form 10-Q for the quarter ended June 30, 2014, filed on August 8, 2014.

Current Reports on Form 8-K filed on February 19, 2014 (two reports), April 17, 2014, April 18, 2014, April 29, 2014, May 22, 2014 (two reports), July 17, 2014, August 7, 2014, August 25, 2014, August 28, 2014 and September 3, 2014.

The description of American National common stock contained in American National's registration statement on Form 8-A filed with the SEC pursuant to Section 12 of the Securities Exchange Act of 1934 on September 14, 1984, including any subsequently filed amendments and reports updating such description.

MainStreet SEC Filings

Annual Report on Form 10-K for the year ended December 31, 2013, filed on March 25, 2014.

Definitive Proxy Materials on Schedule 14A for the 2014 Annual Meeting of Shareholders, filed on March 25, 2014.

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Quarterly Report on Form 10-Q for the quarter ended March 31, 2014, filed on May 9, 2014.

Quarterly Report on Form 10-Q for the quarter ended June 30, 2014, filed on August 11, 2014.

Current Reports on Form 8-K filed on January 31, 2014, February 11, 2014, April 28, 2014, May 9, 2014, August 25, 2014 and August 28, 2014.

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In addition, American National and MainStreet incorporate by reference any future filings each company makes with the SEC under Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act after the date of this proxy statement/prospectus and before the date of the special meeting (excluding any current reports on Form 8-K to the extent disclosure is furnished and not filed). Those documents are considered to be a part of this proxy statement/prospectus, effective as of the date they are filed. In the event of conflicting information in these documents, the information in the latest filed document should be considered correct.

Documents contained in or incorporated by reference in this document by American National and MainStreet are available through the SEC as set forth above or from American National and MainStreet. You may obtain such documents by requesting them in writing or by telephone from American National and MainStreet, and MainStreet's proxy solicitor, as follows:

American National Bankshares Inc.

628 Main Street

Danville, Virginia 24541

Telephone: (434) 792-5111

Attention: William W. Traynham

Senior Vice President and Chief Financial Officer

MainStreet BankShares, Inc.

1075 Spruce Street

Martinsville, Virginia 24112

Telephone: (276) 632-8054

Attention: Brenda H. Smith

President and Chief Executive Officer

Regan & Associates, Inc.

505 Eighth Avenue, Suite 800

New York, New York 10018

Attention: James M. Dougan

Executive Vice President

Telephone: 1-800-737-3426

These documents are available from American National and MainStreet, as the case may be, without charge, excluding any exhibits to them unless the exhibit is specifically listed as an exhibit to the registration statement of which this proxy statement/prospectus forms a part. You can also find information about American National at its Internet website at <https://www.amnb.com> under Investor Relations and MainStreet at its Internet website at <http://www.msbsinc.com> under SEC Filings. Information contained on the websites of American National or MainStreet, or any subsidiary of American National or MainStreet, does not constitute part of this proxy statement/prospectus and is not incorporated into other filings that either company makes with the SEC.

If you would like to request documents from American National or MainStreet, please do so by December 2, 2014 in order to receive timely delivery of the documents before the special meeting.

American National has supplied all information contained or incorporated by reference in this document relating to American National, and MainStreet has supplied all such information relating to MainStreet.

You should rely only on the information contained or incorporated by reference in this proxy statement/prospectus. American National and MainStreet have not authorized anyone to provide you with information that is different from what is contained in this proxy statement/prospectus. American National is not making an offer to sell or soliciting an offer to buy any securities other than the American National common stock to be issued by American National in the merger, and American National is not making an offer of such securities in any state where the offer is not permitted. This proxy statement/prospectus is dated October 28, 2014. You should not assume that the information contained in this proxy statement/prospectus is accurate as of any date other than that date. Neither the mailing of this proxy statement/prospectus to you nor the issuance of American National common stock in the merger creates any implication to the contrary.

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AGREEMENT AND PLAN OF REORGANIZATION

AND

PLAN OF MERGER

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AGREEMENT AND PLAN OF REORGANIZATION

between

AMERICAN NATIONAL BANKSHARES INC.

and

MAINSTREET BANKSHARES, INC.

August 24, 2014

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AGREEMENT AND PLAN OF REORGANIZATION

THIS AGREEMENT AND PLAN OF REORGANIZATION (the Agreement) is made and entered into as of August 24, 2014, between AMERICAN NATIONAL BANKSHARES INC., a Virginia corporation (American), and MAINSTREET BANKSHARES, INC., a Virginia corporation (MainStreet).

WHEREAS, the Boards of Directors of American and MainStreet have approved, and deem it advisable and in the best interests of their respective stockholders to consummate, the business combination transactions provided for herein, including the merger of MainStreet with and into American (the Merger);

WHEREAS, the Boards of Directors of American and MainStreet have each determined that the Merger is consistent with, and will further, their respective business strategies and goals; and

WHEREAS, it is the intention of the parties that, for federal income tax purposes, the Merger shall qualify as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code of 1986, as amended (the Code), and that this Agreement shall constitute, and is adopted as, a plan of reorganization for purposes of Sections 354 and 361 of the Code.

NOW, THEREFORE, in consideration of the foregoing and the respective representations, warranties, covenants and agreements set forth herein, and intending to be legally bound hereby, the parties agree as follows:

ARTICLE 1

The Merger and Related Matters

1.1 The Merger.

Subject to the terms and conditions of this Agreement, at the Effective Date (as defined in Section 1.2), MainStreet will be merged with and into American pursuant to the Plan of Merger attached hereto as Exhibit 1.1 and made a part hereof (the Plan of Merger). The separate corporate existence of MainStreet thereupon shall cease, and American will be the surviving corporation in the Merger. The Merger will have the effect set forth in Section 13.1-721 of the Virginia Stock Corporation Act (the VSCA).

1.2 Effective Date; Closing.

(a) The Merger will become effective on the date and at the time shown on the Articles of Merger required to be filed with the office of the Virginia State Corporation Commission, as provided in Section 13.1-720 of the VSCA, effecting the Merger (the Effective Date). Subject to the satisfaction or waiver of the conditions set forth in Article 6, the parties will use their reasonable best efforts to cause the Effective Date to occur on January 1, 2015 or as soon as practicable thereafter and after all required regulatory and stockholder approvals to consummate the Merger have been received. At or after the Closing Date (as defined below), American and MainStreet will execute and deliver Articles of Merger containing the Plan of Merger to the Virginia State Corporation Commission.

(b) Subject to the terms and conditions of this Agreement, the closing of the Merger will take place at 10:00 a.m. Eastern Time at the corporate office headquarters of American on a date

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mutually agreed to by the parties and which shall be held at or before the Effective Date (the Closing Date). All documents required by this Agreement to be delivered at or before the Effective Date will be exchanged by the parties on the Closing Date.

1.3 Subsidiary Bank Merger.

At the Effective Date or as soon thereafter as reasonably practicable, Franklin Community Bank, National Association, the wholly-owned national banking association subsidiary of MainStreet (Franklin Community Bank), shall be merged with and into American National Bank and Trust Company (American National Bank), the wholly-owned national banking association subsidiary of American (the Subsidiary Bank Merger), pursuant to the Subsidiary Bank Agreement and Plan of Merger, the form of which is attached hereto as Exhibit 1.3. As soon as practicable after the approval of this Agreement by the Boards of Directors of American and MainStreet, and no later than the date of this Agreement, each of American, American National Bank, MainStreet and Franklin Community Bank, respectively, shall take all actions necessary to approve and adopt the Subsidiary Bank Agreement and Plan of Merger, including effecting the necessary stockholder and board of director approvals, all of which shall be conditioned on the consummation of the Merger. Prior to the Effective Date, such parties shall take all actions necessary to approve and adopt any and all other agreements and documents to effect the Subsidiary Bank Merger.

1.4 Articles of Incorporation and Bylaws of American.

The Articles of Incorporation of American as in effect immediately prior to the Effective Date will be the Articles of Incorporation of American at and after the Effective Date until thereafter amended in accordance with applicable law. The Bylaws of American as in effect immediately prior to the Effective Date will be the Bylaws of American at and after the Effective Date until thereafter amended in accordance with applicable law.

ARTICLE 2

Merger Consideration; Exchange Procedures

2.1 Conversion of Shares.

At the Effective Date, by virtue of the Merger and without any action on the part of American or MainStreet or their respective stockholders:

- (a) Each share of common stock, par value \$1.00 per share, of American (American Common Stock), that is issued and outstanding immediately before the Effective Date shall remain issued and outstanding and shall remain unchanged by the Merger.
- (b) Each share of common stock, no par value, of MainStreet (MainStreet Common Stock), that is issued and outstanding immediately before the Effective Date (other than the Dissenting Shares as defined in Section 2.8) will be converted into and exchanged for the right to receive (i) 0.482 shares (the Exchange Ratio) of American Common Stock (the Stock Consideration) and (ii) a cash sum of \$3.46 (the Cash Consideration and, together with the Stock Consideration, the Merger Consideration).

(c) All shares of MainStreet Common Stock converted pursuant to this Section 2.1 shall no longer be outstanding and shall automatically be cancelled and retired and shall cease to exist as of the Effective Date.

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(d) Each certificate previously representing shares of MainStreet Common Stock (a MainStreet Common Certificate) shall cease to represent any rights except the right to receive with respect to each underlying share of MainStreet Common Stock (i) the Merger Consideration upon the surrender of such MainStreet Common Certificate in accordance with Section 2.2, and (ii) any dividends or distributions or cash in lieu of fractional shares which the holder thereof has the right to receive pursuant to Sections 2.4 and 2.6.

(e) Each share of MainStreet Common Stock held by either party and each share of American Common Stock held by MainStreet or any of the MainStreet Subsidiaries (as defined herein) prior to the Effective Date (in each case other than in a fiduciary or agency capacity or on behalf of third parties as a result of debts previously contracted) shall be cancelled and retired and shall cease to exist at the Effective Date and no consideration shall be issued in exchange therefor; provided, that such shares of American Common Stock shall resume the status of authorized and unissued shares of American Common Stock.

2.2 Exchange Procedures.

(a) On or before the Closing Date, American shall deposit, or shall cause to be deposited, with its transfer agent or such other transfer agent or depository or trust institution of recognized standing approved by American (in such capacity, the Exchange Agent), for the benefit of the holders of the MainStreet Common Certificates, (i) certificates representing the shares of American Common Stock issuable pursuant to this Article 2, and (ii) cash equal to the aggregate amount of the Cash Consideration issuable pursuant to this Article 2, together with any dividends or distributions with respect thereto and any cash to be paid in lieu of fractional shares without any interest thereon (the Exchange Fund), in exchange for certificates representing outstanding shares of MainStreet Common Stock.

(b) As promptly as practicable after the Effective Date, American shall cause the Exchange Agent to send to each former stockholder of record of MainStreet immediately before the Effective Date transmittal materials for use in exchanging such stockholder's MainStreet Common Certificates for the Merger Consideration, as provided for herein.

(c) American shall cause the Merger Consideration into which shares of MainStreet Common Stock are converted at the Effective Date, and dividends or distributions which a MainStreet stockholder shall be entitled to receive and any cash to be paid in lieu of fractional shares, to be issued and paid to such MainStreet stockholder upon delivery to the Exchange Agent of MainStreet Common Certificates representing such shares of MainStreet Common Stock, together with the transmittal materials duly executed and completed in accordance with the instructions thereto. No interest will accrue or be paid on any such cash to be paid pursuant to Sections 2.4 or 2.6.

(d) Any MainStreet stockholder whose MainStreet Common Certificates have been lost, destroyed, stolen or are otherwise missing shall be entitled to the Merger Consideration, dividends or distributions, and cash in lieu of fractional shares to which such stockholder shall be entitled upon compliance with reasonable conditions imposed by American pursuant to applicable law and as required in accordance with American's standard policy (including the requirement that the shareholder furnish a surety bond or other customary indemnity).

(e) Any portion of the Exchange Fund that remains unclaimed by the stockholders of MainStreet for twelve (12) months after the Effective Date shall be returned to American (together

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with any earnings in respect thereof). Any stockholders of MainStreet who have not complied with this Article 2 shall thereafter be entitled to look only to American, and only as a general creditor thereof, for payment of the consideration deliverable in respect of each share of MainStreet Common Stock such stockholder holds as determined pursuant to this Agreement, without any interest thereon.

(f) None of the Exchange Agent, either of the parties hereto or any of the American Subsidiaries (as defined herein) or the MainStreet Subsidiaries (as defined herein) shall be liable to any stockholder of MainStreet for any amount of property delivered to a public official pursuant to applicable abandoned property, escheat or similar laws.

2.3 MainStreet Stock Options.

(a) At the Effective Date, each option to purchase shares of MainStreet Common Stock (a MainStreet Stock Option) granted under an equity or equity-based compensation plan of MainStreet (a MainStreet Stock Plan) or otherwise granted shall vest and shall be converted into an option (each, a Replacement Option) to acquire, on the same terms and conditions as were applicable under such MainStreet Stock Option (except as provided otherwise in this Section 2.3(a)), the number of shares of American Common Stock equal to the product of (i) the number of shares of MainStreet Common Stock subject to the MainStreet Stock Option multiplied by (ii) 0.643 (the Option Exchange Ratio). Such product shall be rounded down to the nearest whole number. The exercise price per share (rounded up to the next whole cent) of each Replacement Option shall equal (y) the exercise price per share of shares of MainStreet Common Stock that were purchasable pursuant to such MainStreet Stock Option divided by (z) the Option Exchange Ratio. Notwithstanding the foregoing, each MainStreet Stock Option that is intended to be an incentive stock option (as defined in Section 422 of the Code) shall be adjusted if necessary in accordance with the requirements of Section 424 of the Code and all other options shall be adjusted if necessary in a manner that maintains the options exemption from Section 409A of the Code. At the Effective Date, American shall assume the MainStreet Stock Plans; provided that such assumption shall only be with respect to the Replacement Options and American shall have no obligation to make any additional grants or awards under the MainStreet Stock Plans.

(b) As soon as practicable after the Effective Date, American will deliver to the holders of Replacement Options any required notices setting forth such holders' rights pursuant to the respective MainStreet Stock Plan and award documents and stating that such Replacement Options have been issued by American and shall continue in effect on the same terms and conditions (subject to the adjustments required by this Section 2.3 after giving effect to the Merger and the terms of the MainStreet Stock Plan).

2.4 No Fractional Shares.

Each holder of shares of MainStreet Common Stock exchanged pursuant to the Merger which would otherwise have been entitled to receive a fraction of a share of American Common Stock shall receive, in lieu thereof, cash (without interest and rounded to the nearest cent) in an amount equal to such fractional part of a share of American Common Stock multiplied by the closing sale price of American Common Stock on the NASDAQ Global Select Market for the trading day immediately preceding (but not including) the Effective Date.

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2.5 Anti-Dilution.

In the event American changes (or establishes a record date for changing) the number of shares of American Common Stock issued and outstanding before the Effective Date as a result of a stock split, stock dividend, recapitalization, reclassification, reorganization or similar transaction, appropriate and proportional adjustments will be made to the Exchange Ratio.

2.6 Dividends.

No dividend or other distribution payable to the holders of record of MainStreet Common Stock at, or as of, any time after the Effective Date will be paid to the holder of any MainStreet Common Certificate until such holder physically surrenders such certificate (or furnishes a surety bond or a customary indemnity that such certificate is lost, destroyed, stolen or otherwise missing as provided in Section 2.2(d)) for exchange as provided in Section 2.2 of this Agreement, promptly after which time all such dividends or distributions will be paid (without interest).

2.7 Withholding Rights.

The Exchange Agent will be entitled to deduct and withhold from the Merger Consideration otherwise payable pursuant to this Agreement to any person such amounts, if any, as it is required to deduct and withhold with respect to the making of such payment under the Code or any provision of state, local or foreign Tax (as defined herein) law. To the extent that amounts are so withheld and remitted to the appropriate Governmental Authority (as defined herein) by the Exchange Agent, such amounts withheld will be treated for all purposes of this Agreement as having been paid to such person in respect of which such deduction and withholding was made by the Exchange Agent.

2.8 Dissenting Shares.

Any holder of shares of MainStreet Common Stock who perfects such holder's appraisal rights in accordance with and as contemplated by Sections 13.1-729 through 13.1-741.1 of the VSCA shall be entitled to receive from American, in lieu of the Merger Consideration, the value of such shares as to which appraisal rights have been perfected in cash as determined pursuant to the VSCA; provided, that no such payment shall be made to any dissenting stockholder unless and until such dissenting stockholder has complied with all applicable provisions of the VSCA, and surrendered to MainStreet the certificate or certificates representing the shares for which payment is being made (the Dissenting Shares). In the event that after the Effective Date a dissenting stockholder of MainStreet fails to perfect, or effectively withdraws or loses, such holder's right to appraisal of and payment for such holder's shares, American shall issue and deliver the consideration to which such holder of shares of MainStreet Common Stock is entitled under this Article 2 (without interest) upon surrender by such holder of the MainStreet Common Certificate representing such shares.

ARTICLE 3

Representations and Warranties

3.1 Disclosure Schedule.

Prior to the date of this Agreement, MainStreet has delivered to American a schedule (its Disclosure Schedule) setting forth, among other things, items the disclosure of which is necessary or appropriate either in response to an express

disclosure requirement contained in a

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provision hereof or as an exception to one or more of MainStreet's representations or warranties contained in Section 3.3 or to one or more of its covenants or agreements contained in Articles 4 or 5; provided that, (i) no such item is required to be set forth in MainStreet's Disclosure Schedule as an exception to any representation or warranty of MainStreet if its absence would not result in the related representation or warranty being deemed untrue or incorrect under the standard established by Section 3.2, and (ii) the mere inclusion of an item in MainStreet's Disclosure Schedule as an exception to a representation or warranty shall not be deemed an admission by MainStreet that such item represents a material exception or fact, event or circumstance or that such item is reasonably likely to result in a Material Adverse Effect (as defined herein) with respect to MainStreet.

3.2 Standard.

(a) No representation or warranty of American or MainStreet contained in Article 3 (other than the representations and warranties contained in (i) Sections 3.3(c)(i) and 3.3(u) for MainStreet and Section 3.4(c)(i) for American, which shall be true in all material respects to it, and (ii) Sections 3.3(c)(ii)(A), 3.3(d), 3.3(g)(ii) and 3.3(p) for MainStreet and Sections 3.4(c)(ii)(A), 3.4(d) and 3.4(g)(ii) for American, which shall be true and correct in all respects) will be deemed untrue or incorrect, and no party will be deemed to have breached a representation or warranty, as a consequence of the existence or absence of any fact, event or circumstance unless such fact, event or circumstance, individually or taken together with all other facts, events or circumstances inconsistent with any representation or warranty contained in Section 3.3 or Section 3.4, has had or is reasonably likely to have a Material Adverse Effect on such party.

(b) The term "Material Adverse Effect," as used with respect to a party, means an event, change, effect or occurrence which, individually or together with any other event, change, effect or occurrence, (i) is materially adverse to the business, properties, financial condition or results of operations of such party and its subsidiaries (meaning the MainStreet Subsidiaries as defined in Section 3.3(b) or the American Subsidiaries as defined in Section 3.4(b), as the case may be), taken as a whole, or (ii) materially impairs the ability of such party to perform its obligations under this Agreement or to consummate the Merger and the other transactions contemplated by this Agreement on a timely basis; provided that a Material Adverse Effect shall not be deemed to include the impact of (A) changes after the date of this Agreement in laws or regulations generally affecting the banking and bank holding company businesses and the interpretation of such laws and regulations by courts or governmental authorities, (B) changes after the date of this Agreement in generally accepted accounting principles or regulatory accounting requirements generally affecting the banking and bank holding company businesses, (C) changes or events after the date of this Agreement generally affecting the banking and bank holding company businesses, including changes in prevailing interest rates, and not specifically relating to American, the American Subsidiaries, MainStreet or the MainStreet Subsidiaries, (D) the effects of the actions expressly permitted or required by this Agreement or that are taken with the prior informed consent of the other party in contemplation of the transactions contemplated hereby, (E) the public disclosure of this Agreement and the transactions contemplated hereby, (F) a decline in the trading price of a party's common stock or the failure, in and of itself, to meet earnings projections or internal financial forecasts, but not including the underlying causes thereof, and (G) any outbreak or escalation of major hostilities or acts of terrorism which involves the United States; except, with respect to clauses (A), (B), (C) or (G), to the extent that the effects of such change are materially disproportionately adverse to the business, properties, financial condition or results of operations such party hereto and its subsidiaries, taken as a whole, as compared to other comparable companies in the industry in which such party and its subsidiaries operate.

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(c) The term Knowledge when used with respect to a party means (i) the actual knowledge and belief of such party's executive officers, and (ii) the knowledge that a reasonably prudent executive officer should have if such person duly performed his or her duties as an executive officer of such party. For the purpose of the term Knowledge, executive officer shall mean (y) with respect to American, its Executive Chairman, its President and Chief Executive Officer and its Senior Vice President and Chief Financial Officer, and (z) with respect to MainStreet, its President and Chief Executive Officer, its Executive Vice President and Senior Lender, its Senior Vice President and Chief Financial Officer and its Senior Vice President and Operations Officer.

3.3 Representations and Warranties of MainStreet.

Subject to and giving effect to Sections 3.1 and 3.2 and except as set forth in its Disclosure Schedule, MainStreet hereby represents and warrants to American as follows:

(a) *Organization, Standing and Power.* MainStreet is a Virginia corporation duly organized, validly existing and in good standing under the laws of Virginia. MainStreet has the corporate power and authority to carry on its business as now conducted and to own and operate its assets, properties and business. MainStreet is duly registered as a bank holding company under the Bank Holding Company Act of 1956, as amended (the BHCA). Franklin Community Bank, a wholly-owned subsidiary of MainStreet, is a national bank duly organized, validly existing and in good standing under the laws of the United States of America, and has all requisite corporate power and authority to carry on a commercial banking business as now being conducted and to own and operate its assets, properties and business. Franklin Community Bank's deposits are insured by the Deposit Insurance Fund of the Federal Deposit Insurance Corporation (FDIC) to the maximum extent permitted by law. True and complete copies of the articles of incorporation, bylaws or other similar governing instruments (Organizational Documents) of MainStreet and Franklin Community Bank, in each case as amended to the date hereof and as in full force and effect as of the date hereof, are set forth in Section 3.3(a) of the MainStreet Disclosure Schedule.

(b) *Subsidiaries.* MainStreet does not own, directly or indirectly, five percent (5%) or more of the outstanding capital stock or other equity interests of any corporation, bank or other organization actively engaged in business except as set forth in Section 3.3(b) in the MainStreet Disclosure Schedule (each individually a MainStreet Subsidiary and collectively the MainStreet Subsidiaries). Each MainStreet Subsidiary (i) is a duly organized bank, corporation, limited liability company or statutory trust, validly existing and in good standing under applicable laws, (ii) has full corporate power and authority to carry on its business as now conducted and (iii) is duly qualified to do business in the states where its ownership or leasing of property or the conduct of its business requires such qualification and where the failure to so qualify would have a Material Adverse Effect on MainStreet on a consolidated basis. The outstanding shares of capital stock or equity interests of each MainStreet Subsidiary have been duly authorized and are validly issued and outstanding, fully paid and nonassessable and all such shares are directly or indirectly owned by MainStreet free and clear of all liens, claims and encumbrances or preemptive rights of any person. No rights are authorized, issued or outstanding with respect to the capital stock or equity interests of any MainStreet Subsidiary and there are no agreements, understandings or commitments relating to the right of MainStreet to vote or to dispose of the capital stock or equity interests of any MainStreet Subsidiary. A true and complete list of each direct and indirect MainStreet Subsidiary as of the date hereof is set forth in Section 3.3(b) of the MainStreet Disclosure Schedule that shows the jurisdiction of organization of each MainStreet Subsidiary, its form of organization (corporate, partnership, joint venture), and lists the owner(s) and percentage ownership (direct or indirect) of each MainStreet Subsidiary.

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(c) Authority; No Breach of the Agreement.

(i) MainStreet has the corporate power and authority to execute, deliver and perform its obligations under this Agreement, and to consummate the transactions contemplated hereby. The execution, delivery and performance of this Agreement by MainStreet, and the consummation of the transactions contemplated hereby, have been duly and validly authorized by all necessary corporate action on the part of MainStreet, subject only to the receipt of the approval of this Agreement and the Plan of Merger by the holders of more than two-thirds of the outstanding shares of MainStreet Common Stock (the MainStreet Stockholder Approval). This Agreement is a valid and legally binding obligation of MainStreet, enforceable in accordance with its terms (except as enforceability may be limited by applicable bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and similar laws affecting the enforcement of rights of creditors or by general principles of equity).

(ii) Neither the execution and delivery of this Agreement by MainStreet, nor the consummation by MainStreet of the transactions contemplated hereby, nor compliance by MainStreet with any of the provisions hereof will: (A) conflict with or result in a breach of any provision of the Organizational Documents of MainStreet or Franklin Community Bank; (B) constitute or result in the breach of any term, condition or provision of, or constitute a default under, or give rise to any right of termination, cancellation or acceleration with respect to, or result in the creation of any lien, charge or encumbrance upon, any property or asset of MainStreet or any MainStreet Subsidiary pursuant to any (1) note, bond, mortgage, indenture, or (2) any material license, agreement or other instrument or obligation, to which MainStreet or any MainStreet Subsidiary is a party or by which MainStreet or any MainStreet Subsidiary or any of their properties or assets may be bound; or (C) subject to the receipt of all required regulatory and stockholder approvals, violate any order, writ, injunction, decree, statute, rule or regulation applicable to MainStreet or any MainStreet Subsidiary.

(iii) As of the date hereof, MainStreet is not aware of any reason why the necessary regulatory approvals and consents will not be received in order to permit consummation of the Merger.

(d) *MainStreet Capital Stock.* The authorized capital stock of MainStreet consists of 10,000,000 shares of preferred stock, no par value, of which no shares are issued and outstanding, and 10,000,000 shares of common stock, no par value, of which 1,713,375 shares are issued and outstanding as of the date of this Agreement. All outstanding shares of MainStreet Common Stock have been duly authorized and validly issued, are fully paid and nonassessable and have not been issued in violation of the preemptive rights of any person. As of the date of this Agreement, 67,023 shares of MainStreet Common Stock are subject to MainStreet Stock Options granted under a MainStreet Stock Plan. As of the date of this Agreement, there are not any shares of capital stock of MainStreet reserved for issuance, or any outstanding or authorized options, warrants, rights, agreements, convertible or exchangeable securities, or other commitments, contingent or otherwise, relating to its capital stock pursuant to which MainStreet is or may become obligated to issue shares of capital stock or any securities convertible into, exchangeable for, or evidencing the right to subscribe for, any shares of its capital stock (collectively, Rights), except as contemplated by a MainStreet Stock Plan and as set forth in Section 3.3(d) of its Disclosure Schedule (which includes copies of any MainStreet Stock Plan and individual stock award agreements thereunder).

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(e) SEC Filings; Financial Statements; Accounting Controls.

(i) MainStreet has filed all reports, registration statements, proxy statements, offering circulars, schedules and other documents required to be filed by it (collectively, the SEC Reports) with the Securities and Exchange Commission (the SEC) since December 31, 2010 under the Securities Act of 1933, as amended (the Securities Act), and the Securities Exchange Act of 1934, as amended (the Exchange Act), and, to the extent such SEC Reports are not available on the SEC's Electronic Data Gathering Analysis and Retrieval system, made available to the other party copies of such SEC Reports. MainStreet's SEC Reports, including the financial statements, exhibits and schedules contained therein, (A) at the time filed, complied (and any SEC Reports filed after the date of this Agreement will comply) in all material respects with the applicable requirements of the Securities Act and the Exchange Act, and (B) at the time they were filed (or if amended or superseded by another SEC Report filed prior to the date of this Agreement, then on the date of such filing), did not (and any SEC Reports filed after the date of this Agreement will not) contain any untrue statement of a material fact or omit to state a material fact required to be stated in such SEC Reports or necessary in order to make the statements made in such SEC Reports, in light of the circumstances under which they were made, not misleading.

(ii) Each of MainStreet's financial statements contained in or incorporated by reference into any SEC Reports (including any SEC Reports filed after the date of this Agreement) (the Financial Statements) complied (or, in the case of SEC Reports filed after the date of this Agreement, will comply) in all material respects with the applicable requirements of the Securities Act and the Exchange Act with respect thereto, fairly presented (or, in the case of SEC Reports filed after the date of this Agreement, will fairly present) the consolidated financial position of MainStreet and the MainStreet Subsidiaries as at the respective dates and the consolidated results of its operations and cash flows for the periods indicated, in each case in accordance with generally accepted accounting principles in the United States of America (GAAP) consistently applied during the periods indicated, except in each case as may be noted therein, and subject to normal year-end audit adjustments and as permitted by Form 10-Q in the case of unaudited financial statements.

(iii) MainStreet and each of the MainStreet Subsidiaries has devised and maintains a system of internal controls over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act) sufficient to provide reasonable assurances that: (i) transactions are executed in accordance with general or specific authorization of its Board of Directors and duly authorized executive officers, (ii) transactions are recorded as necessary to permit the preparation of financial statements in conformity with GAAP consistently applied with respect to institutions such as MainStreet and each of the MainStreet Subsidiaries or other criteria applicable to such financial statements, and to maintain proper accountability for items therein, (iii) access to its properties and assets is permitted only in accordance with general or specific authorization of its Board of Directors and duly authorized executive officers, and (iv) the recorded accountability for items is compared with the actual levels at reasonable intervals and appropriate actions taken with respect to any differences.

(iv) MainStreet's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act) are designed to ensure that all information required to be disclosed by it in its SEC Reports is recorded, processed, summarized and

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reported within the time periods specified in the SEC's rules and forms, and that all such information is accumulated and communicated to its management as appropriate to allow timely decisions regarding required disclosure and to make the certifications of its chief executive officer and chief financial officer required under the Exchange Act with respect to such reports. MainStreet has disclosed, to its auditors and the audit committee of its Board of Directors and on Section 3.3(e)(iv) of its Disclosure Schedule (i) based on the evaluation of such controls in conjunction with its Quarterly Report on Form 10-Q filed with the SEC for the period ended June 30, 2014, any significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting that could adversely affect in any material respect its ability to record, process, summarize and report financial information and (ii) any fraud, whether or not material, that involves management or other employees who have a significant role in its internal controls over financial reporting. For purposes of this Agreement, the terms "significant deficiency" and "material weakness" shall have the meaning assigned to them in Public Company Accounting Oversight Board Auditing Standard 2, as of the date hereof.

(v) Each of MainStreet's principal executive officer and principal financial officer (or each former principal executive officer and each former principal financial officer, as applicable) has made all certifications required by Rule 13a-14 or 15d-14 under the Exchange Act and Sections 302 and 906 of the Sarbanes-Oxley Act of 2002 (including the rules and regulations promulgated thereunder, the "Sarbanes-Oxley Act") with respect to its SEC Reports, and the statements contained in such certifications are true and accurate in all material respects. For purposes of this Agreement, "principal executive officer" and "principal financial officer" shall have the meanings given to such terms in the Sarbanes-Oxley Act. MainStreet is in compliance with all applicable provisions of the Sarbanes-Oxley Act, except for any non-compliance that would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on MainStreet.

(f) *Bank Reports.* MainStreet and each of the MainStreet Subsidiaries has filed all reports, forms, correspondence, registrations and statements, together with any amendments required to be made with respect thereto (the "Bank Reports"), that they were required to file since December 31, 2010 with the Board of Governors of the Federal Reserve System, the Office the Bureau of Financial Institutions of the Virginia State Corporation Commission, the FDIC and the Office of the Comptroller of the Currency, and any other federal, state or foreign governmental or regulatory agency or authority having jurisdiction over MainStreet and each of the MainStreet Subsidiaries (collectively, the "Regulatory Agencies"), including any Bank Report required to be filed pursuant to the laws of the United States, any state or any Regulatory Agency, and have paid all fees and assessments due and payable in connection therewith, except where the failure to file such Bank Report or to pay such fees and assessments, either individually or in the aggregate, would not reasonably be expected to have a Material Adverse Effect on it. Any such Bank Report regarding MainStreet or any of the MainStreet Subsidiaries filed with or otherwise submitted to any Regulatory Agency complied in all material respects with relevant legal requirements, including as to content. Except for normal examinations conducted by a Regulatory Agency in the ordinary course of MainStreet's and each of the MainStreet Subsidiaries' business, there is no pending proceeding before, or, to its Knowledge, examination or investigation by, any Regulatory Agency into the business or operations of MainStreet or any of the MainStreet Subsidiaries. Except as disclosed in the Bank Reports and in Section 3.3(f) of the MainStreet Disclosure Schedule, there is no unresolved violation, criticism or exception by any Regulatory Agency with respect to any Bank Report or relating to any examination or inspection of MainStreet any of the MainStreet Subsidiaries, and there has been no formal or informal inquiries by, or disagreements or disputes with, any Regulatory Agency with respect to the business, operations, policies or procedures of

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MainStreet or any of the MainStreet Subsidiaries since December 31, 2010, in each case, which would reasonably be expected to have, either individually or in the aggregate, a Material Adverse Effect on MainStreet.

(g) *Absence of Certain Changes or Events.* Since December 31, 2013, except as disclosed in SEC Reports, Financial Statements or Bank Reports filed prior to the date of this Agreement, (i) MainStreet and the MainStreet Subsidiaries have conducted their respective businesses and incurred liabilities only in the ordinary course consistent with past practices, and (ii) there have been no events, changes, developments or occurrences which, individually or in the aggregate, have had or are reasonably likely to have a Material Adverse Effect on MainStreet.

(h) *Absence of Undisclosed Liabilities.* Except for (i) those liabilities that are fully reflected or reserved for in its financial statements contained in SEC Reports, Financial Statements or Bank Reports filed prior to the date of this Agreement, (ii) liabilities incurred since June 30, 2014 in the ordinary course of business consistent with past practice, (iii) liabilities which would not individually or in the aggregate reasonably be expected to have a Material Adverse Effect and (iv) liabilities incurred in connection with the transactions contemplated by this Agreement, neither MainStreet nor any MainStreet Subsidiary has, and since June 30, 2014 neither has incurred (except as permitted by Section 4.1), any liabilities or obligations of any nature (whether accrued, absolute, contingent or otherwise and whether or not required to be reflected in its SEC Reports or Bank Reports) and except as disclosed in Section 3.3(h) of the MainStreet Disclosure Schedule.

(i) *Material Contracts; Defaults.*

(i) Set forth in Section 3.3(i)(i) of the MainStreet Disclosure Schedule is a list that includes each of the following agreements, contracts, arrangements, commitments or understandings (whether written or oral) that MainStreet or any MainStreet Subsidiary is a party to, bound by or subject to (each, a Material Contract and collectively, Material Contracts): (A) with respect to the employment of any of its directors, officers, employees or consultants, (B) which would entitle any present or former director, officer, employee or agent of MainStreet or a MainStreet Subsidiary to indemnification from MainStreet or a MainStreet Subsidiary, (C) which is a material contract (as defined in Item 601(b)(10) of Regulation S-K of the SEC), (D) which is an agreement (including data processing, software programming, consulting and licensing contracts) not terminable on sixty (60) days or less notice and involving the payment or value of more than \$20,000 per year and/or has a termination fee, (E) which relates to the incurrence of indebtedness (other than deposit liabilities, advances and loans from the Federal Home Loan Bank of Atlanta, and sales of securities subject to repurchase, in each case, in the ordinary course of business), (F) which grants any person a right of first refusal, right of first offer or similar right with respect to any material properties, rights, assets or businesses of MainStreet or a MainStreet Subsidiary, (G) which involves the purchase or sale of assets with a purchase price of \$100,000 or more in any single case or \$250,000 in all such cases, other than purchases and sales of investment securities and loans in the ordinary course of business consistent with past practice, (H) which provides for the payment by MainStreet or a MainStreet Subsidiary of payments upon a change in control thereof, (I) which is a lease for any real or material personal property owned or presently used by MainStreet or a MainStreet Subsidiary, (J) which materially restricts the conduct of any business by MainStreet or a MainStreet Subsidiary or limits the freedom of MainStreet or a MainStreet Subsidiary to engage in any line of business in any geographic area (or would so restrict American or American National Bank or any of its affiliates after consummation of the Merger) or which requires exclusive referrals of business or requires MainStreet or a

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MainStreet Subsidiary to offer specified products or services to their customers or depositors on a priority or exclusive basis, or (K) which is with respect to, or otherwise commits MainStreet or a MainStreet Subsidiary to do, any of the foregoing.

(ii) Each Material Contract is valid and binding on MainStreet or the respective MainStreet Subsidiary and is in full force and effect (other than due to the ordinary expiration thereof) and, to the Knowledge of MainStreet, is valid and binding on the other parties thereto. MainStreet and each MainStreet Subsidiary is not, and to the Knowledge of MainStreet, no other party thereto, is in default under any contract, agreement, commitment, arrangement, lease, insurance policy or other instrument to which it is a party, by which its assets, business or operations may be bound or affected, or under which it or its respective assets, business or operations receives benefits which is reasonably likely to have a Material Adverse Effect, and there has not occurred any event that, with the lapse of time or the giving of notice or both, would constitute such a default. Except as provided in this Agreement, no power of attorney or similar authorization given directly or indirectly by MainStreet or a MainStreet Subsidiary is currently outstanding.

(j) *Legal Proceedings; Compliance with Laws.* Except as set forth in Section 3.3(j) of the MainStreet Disclosure Schedule, there are no actions, suits or proceedings instituted or pending or, to its Knowledge, threatened against MainStreet or any of the MainStreet Subsidiaries or against any of MainStreet's or the MainStreet Subsidiaries' properties, assets, interests or rights, or against any of MainStreet's or MainStreet Subsidiaries' officers, directors or employees in their capacities as such. Except as set forth in Section 3.3(j) of the MainStreet Disclosure Schedule, neither MainStreet nor any of the MainStreet Subsidiaries is a party to or subject to any agreement, order, memorandum of understanding, enforcement action, or supervisory or commitment letter by or with any Governmental Authority (as defined herein) restricting the operations of MainStreet or the operations of any of the MainStreet Subsidiaries and neither MainStreet nor any of the MainStreet Subsidiaries has been advised by any Governmental Authority that any such Governmental Authority is contemplating issuing or requesting the issuance of any such agreement, order, memorandum, action or letter in the future. MainStreet and each of the MainStreet Subsidiaries have complied in all material respects with all laws, ordinances, requirements, regulations or orders applicable to its business (including environmental laws, ordinances, requirements, regulations or orders). For the purposes of this Agreement, a Governmental Authority means any court, administrative agency or commission or other governmental authority, agency or instrumentality, domestic or foreign, or any industry self-regulatory authority.

(k) *Tax Matters.*

(i) MainStreet and each of the MainStreet Subsidiaries have filed all federal, state and local tax returns and reports (Tax Returns) required to be filed, and all such Tax Returns were correct and complete in all material respects. All Taxes (as defined herein) owed by MainStreet or any of the MainStreet Subsidiaries have been paid, are reflected as a liability in its SEC Reports or Bank Reports, or are being contested in good faith as set forth in its Disclosure Schedule. Except as set forth in Section 3.3(k)(i) of its Disclosure Schedule, no tax return or report filed by MainStreet or any of the MainStreet Subsidiaries is under examination by any Governmental Authority or the subject of any administrative or judicial proceeding, and no unpaid tax deficiency has been asserted against MainStreet or any of the MainStreet Subsidiaries by any Governmental Authority. For the purposes of this Agreement, Tax or Taxes mean all taxes, charges, fees, levies or other assessments imposed by a Governmental Authority, including, without limitation, all income, gross receipts, sales, use, ad valorem, goods and services, capital, transfer, franchise, profits,

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license, withholding, payroll, employment, employer health, excise, estimated, severance, stamp, occupation, property or other taxes, custom duties, fees, assessments or charges of any kind whatsoever, together with any interest and any penalties, additions to tax or additional amounts imposed by any Governmental Authority.

(ii) MainStreet and each of the MainStreet Subsidiaries has withheld and paid all Taxes required to have been withheld and paid in connection with amounts paid or owing to any employee, creditor, shareholder, independent contractor or other third party. MainStreet and each of the MainStreet Subsidiaries have complied in all material respects with all information reporting and backup withholding provisions of applicable law.

(iii) There are no liens for Taxes (other than statutory liens for Taxes not yet due and payable) upon any of the assets of MainStreet or any of the MainStreet Subsidiaries. Neither MainStreet nor any of the MainStreet Subsidiaries is a party to or is bound by any Tax sharing, allocation or indemnification agreement or arrangement (other than such an agreement or arrangement exclusively between or among MainStreet and the MainStreet Subsidiaries). Neither MainStreet nor any of the MainStreet Subsidiaries has been, within the past two years or otherwise as part of a plan (or series of related transactions) within the meaning of Section 355(e) of the Code of which the Merger is also a part, a distributing corporation or a controlled corporation (within the meaning of Section 355(a)(1)(A) of the Code) in a distribution of stock intended to qualify for tax-free treatment under Section 355 of the Code.

(iv) Neither MainStreet nor any of the MainStreet Subsidiaries is or has been a party to any reportable transaction, as defined in Code Section 6707A(c)(1) and Treasury Regulation Section 1.6011-4. MainStreet and each of the MainStreet Subsidiaries have disclosed on its federal income Tax Returns all positions taken therein that could give rise to a substantial understatement of federal income Tax within the meaning of Code Section 6662. MainStreet is not and has not been a United States real property holding company within the meaning of Section 897(c)(2) of the Code during the applicable period specified in Section 897(c)(1)(A)(ii) of the Code.

(v) MainStreet is not aware of any reason why the Merger will fail to qualify as a reorganization under Section 368(a) of the Code.

(1) *Property.*

(i) Except as set forth in Section 3.3(1)(i) of the MainStreet Disclosure Schedule or reserved against as disclosed in its SEC Reports or Bank Reports, MainStreet and each of the MainStreet Subsidiaries have good and marketable title in fee simple absolute free and clear of all material liens, encumbrances, charges, defaults or equitable interests to all of the properties and assets, real and personal, reflected in the balance sheet included in its SEC Reports or Bank Reports as of December 31, 2013 or acquired after such date. All buildings, and all fixtures, equipment, and other property and assets that are material to MainStreet or any of the MainStreet Subsidiaries' business, held under leases, subleases or licenses, are held under valid instruments enforceable in accordance with their respective terms, subject to bankruptcy, insolvency, reorganization, moratorium and similar laws. Other than real estate that was acquired by foreclosure or voluntary deed in lieu of foreclosure, all of the buildings, structures, and appurtenances owned, leased, or occupied by MainStreet and each of the MainStreet Subsidiaries are in good operating condition and in a state of good maintenance and repair and comply with applicable zoning and other municipal laws and regulations, and there are no latent defects therein.

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(ii) Section 3.3(l)(ii) of the MainStreet Disclosure Schedule identifies and sets forth the address of each parcel of real estate or interest therein, leased, licensed or subleased by MainStreet and each of the MainStreet Subsidiaries or in which MainStreet or any of the MainStreet Subsidiaries has any leasehold interest. MainStreet has made available to American true and complete copies of all lease, license and sublease agreements, including without limitation every amendment thereto, for each parcel of real estate or interest therein to which MainStreet or any of the MainStreet Subsidiaries is a party.

(m) *Employee Benefit Plans.*

(i) Section 3.3(m)(i) of the MainStreet Disclosure Schedule sets forth a complete and accurate list of all employee benefit plans and programs of MainStreet and the MainStreet Subsidiaries, including without limitation: (A) all retirement, savings and other pension plans; (B) all health, severance, insurance, disability and other employee welfare plans; (C) all employment, vacation and other similar plans; and (D) all bonus, stock option, stock purchase, incentive, deferred compensation, supplemental retirement, severance and other employee and director benefit plans, programs or arrangements, and all employment or compensation arrangements, in each case for the benefit of or relating to its current and former employees and directors (individually, a MainStreet Benefit Plan and collectively, the MainStreet Benefit Plans). Neither MainStreet nor any MainStreet Subsidiary is subject to or obligated under any oral or unwritten MainStreet Benefit Plan.

(ii) MainStreet has, with respect to each MainStreet Benefit Plan, previously delivered or made available to American true and complete copies of: (A) all current MainStreet Benefit Plan agreements and documents and related trust agreements or annuity contracts and any amendments thereto; (B) all current summary plan descriptions and material communications to employees and MainStreet Benefit Plan participants and beneficiaries; (C) the Form 5500 filed in each of the most recent three plan years (including all schedules thereto and the opinions of independent accountants); (D) the most recent actuarial valuation (if any); (E) the most recent annual and periodic accounting of plan assets; (F) if the MainStreet Benefit Plan is intended to qualify under Section 401(a) or 403(a) of the Code, the most recent determination letter or opinion letter, as applicable, received from the Internal Revenue Service; and (G) copies of the most recent nondiscrimination tests for all MainStreet Benefit Plans, as applicable.

(iii) None of the MainStreet Benefit Plans is a multi-employer plan as defined in Section 3(37) of the Employee Retirement Income Security Act of 1974, as amended (ERISA).

(iv) All of the MainStreet Benefit Plans are in compliance in all material respects with applicable laws and regulations, and MainStreet has administered the MainStreet Benefit Plans in accordance with applicable laws and regulations in all material respects.

(v) Each MainStreet Benefit Plan that is intended to be qualified under Section 401(a) of the Code has been determined by the Internal Revenue Service to be so qualified, as reflected in a current favorable determination letter (based on Internal Revenue Service permitted determination request procedures), or opinion letter, as applicable, or a filing for

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the same has been made with the Internal Revenue Service seeking such a determination letter and that request is still awaiting decision by the Internal Revenue Service (based on Internal Revenue Service permitted determination request procedures). Nothing has occurred since the date of any such determination that is reasonably likely to affect adversely such qualification or exemption, or result in the imposition of excise taxes or income taxes on unrelated business income under the Code or ERISA with respect to any tax-qualified plan. There have been no terminations, partial terminations or discontinuances of contributions, as such terms are used in Section 411 of the Code and the regulations thereunder, to any tax-qualified plan during the preceding five years without notice to and approval by the Internal Revenue Service and payment of all obligations and liabilities attributable to such tax-qualified plans.

(vi) All required contributions (including all employer contributions and employee salary reduction contributions), premiums and other payments due for the current plan year or any plan year ending on or before the Closing Date, under all benefit arrangements have been made or properly accrued. All contributions to any MainStreet Benefit Plan have been contributed within the time specified in ERISA and the Code and the respective regulations thereunder. There are no accumulated funding deficiencies, as defined in Section 412 of the Code or Section 302 of ERISA, with respect to any employee pension benefit plan, as defined in Section 3(2) of ERISA, of MainStreet or any MainStreet Subsidiary, and no request for a waiver from the Internal Revenue Service with respect to any minimum funding requirement under Section 412 of the Code.

(vii) To its Knowledge, MainStreet has not engaged in any prohibited transactions, as defined in Section 4975 of the Code or Section 406 of ERISA, with respect to any MainStreet Benefit Plan that is a pension plan as defined in Section 3(2) of ERISA. To MainStreet's Knowledge, no fiduciary, as defined in Section 3(21) of ERISA, of any MainStreet Benefit Plan has any liability for breach of fiduciary duty under ERISA.

(viii) There are no actions, suits, investigations or claims (other than routine claims for benefits) pending, threatened or anticipated with respect to any of the MainStreet Benefit Plans. None of the MainStreet Benefit Plans is the subject of a pending or, to the Knowledge of MainStreet, threatened investigation or audit by the Internal Revenue Service, the U.S. Department of Labor, or the Pension Benefit Guarantee Corporation.

(ix) Except as set forth in Section 3.3(m)(ix) of the MainStreet Disclosure Schedule (A) no compensation or benefit that is or will be payable in connection with the transactions contemplated by this Agreement will be characterized as an excess parachute payment within the meaning of Section 280G of the Code, (B) no MainStreet Benefit Plan contains any provision that would give rise to any severance, termination or other payments or liabilities as a result of the transactions contemplated by this Agreement, and (C) no MainStreet Benefit Plan contains any provision that would materially increase any benefits otherwise payable under any MainStreet Benefit Plan or result in any acceleration of the time of payment or vesting of any such benefits to any material extent as a result of the transactions contemplated by this Agreement.

(x) MainStreet has not established and does not maintain a welfare plan, as defined in Section 3(1) of ERISA, that provides benefits to an employee at its expense after a termination of employment, except as required by the Consolidated Omnibus Budget Reconciliation Act of 1985.

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(xi) Except as set forth in Section 3.3(m)(xi) of its Disclosure Schedule, MainStreet and the MainStreet Subsidiaries have made all bonus and commission payments to which they were required to make prior to the date hereof to any employee under any MainStreet Benefit Plan for calendar years 2012 and 2013.

(xii) All group health plans, as defined in Section 5000(b)(1) of the Code, covering the employees of MainStreet or any MainStreet Subsidiary have been maintained in timely compliance with the notice and healthcare continuation coverage requirements of Section 4980B of the Code and Part 6 of Subtitle B of Title I of ERISA. MainStreet has delivered or caused to be delivered to American true and complete copies of all notice of continuation coverage rights under Section 4980B of the Code sent or received, the names and addresses of the senders and recipients, and their dates of termination of employment or other qualifying event, as defined in Section 4980B(f)(3) of the Code.

(xiii) Each MainStreet Benefit Plan that is a nonqualified deferred compensation plan, as defined in Section 409A(d)(1) of the Code, and any award thereunder, in each case that is subject to Section 409A of the Code, has (A) since January 1, 2006, been maintained and operated, in all material respects, in good faith compliance with Section 409A of the Code, as determined under applicable guidance of the U.S. Department of the Treasury and the Internal Revenue Service, and (B) since January 1, 2010, been, in all material respects, in documentary and operational compliance with Section 409A of the Code.

(n) *Insurance.* Set forth in Section 3.3(n) of the MainStreet Disclosure Schedule is a list of all insurance policies or bonds currently maintained by MainStreet or each MainStreet Subsidiary. MainStreet and the MainStreet Subsidiaries are insured with reputable insurers against such risks and in such amounts as management of MainStreet reasonably has determined to be prudent in accordance with industry practices. Since December 31, 2013, neither MainStreet nor any of the MainStreet Subsidiaries has received any notice of a premium increase or cancellation or a failure to renew with respect to any insurance policy or bond or, within the last three (3) calendar years, and since January 1, 2014, has been refused any insurance coverage sought or applied for, and MainStreet has no reason to believe that existing insurance coverage cannot be renewed as and when the same shall expire upon terms and conditions as favorable as those presently in effect, other than possible increases in premiums or unavailability of coverage that do not result from any extraordinary loss experience on the part of MainStreet or the MainStreet Subsidiaries.

(o) *Loan Portfolio; Allowance for Loan Losses; Mortgage Loan Buy-Backs.* Except as set forth in Section 3.3(o) of the MainStreet Disclosure Schedule:

(i) All evidences of indebtedness reflected as assets by MainStreet in its SEC Reports, Financial Statements or Bank Reports as of June 30, 2014 were as of such date: (A) evidenced by notes, agreements or evidences of indebtedness which are true, genuine and what they purport to be; (B) to the extent secured, secured by valid liens and security interests which to its Knowledge have been perfected; (C) the legal, valid and binding obligation of the obligor and any guarantor, enforceable in accordance with its terms, subject to bankruptcy, insolvency, fraudulent conveyance and other laws of general applicability relating to or affecting creditors' rights and to general equity principles, and no defense, offset or counterclaim has been asserted with respect to any such loan which if successful could have a Material Adverse Effect on MainStreet; and (D) in all material respects made in accordance with its standard loan policies except for workout credits and approved policy exceptions.

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(ii) The allowance for possible loan losses (the Loan Loss Allowance) shown by MainStreet in its SEC Reports, Financial Statements or Bank Reports as of June 30, 2014 was, and the Loan Loss Allowance to be shown in its SEC Reports, Financial Statements or Bank Reports as of any date subsequent to the date of this Agreement will be, as of such dates, adequate to provide for possible losses, net of recoveries relating to loans previously charged off, in respect of loans outstanding (not including letter of credit or commitments to make loans or extend credit which are included in other liabilities).

(iii) Any reserve for losses with respect to other real estate owned (OREO) to be shown on MainStreet s SEC Reports, Financial Statements or Bank Reports as of any date subsequent to the execution of this Agreement will be, as of such dates, adequate to provide for losses relating to the OREO portfolio of MainStreet and any of the MainStreet Subsidiaries as of the dates thereof.

(iv) The Loan Loss Allowance has been established in accordance with GAAP and applicable regulatory requirements and guidelines.

(v) Section 3.3(o)(v) of the MainStreet Disclosure Schedule sets forth all residential or commercial mortgage loans originated on or after January 1, 2010 by it or any of the MainStreet Subsidiaries (i) that were sold in the secondary mortgage market and have been re-purchased by it or any of the MainStreet Subsidiaries or (ii) that the institutions to whom such loans were sold (or their successors or assigns) have asked it or any of the MainStreet Subsidiaries to purchase back (but have not been purchased back).

(p) *Certain Loans and Related Matters.* Except as set forth in Section 3.3(p) of its Disclosure Schedule, on August 15, 2014, neither MainStreet nor any of the MainStreet Subsidiaries was a party to any written or oral: (i) loan, loan agreement, loan commitment, letter of credit, note, borrowing arrangement or other extension of credit (a Loan), under the terms of which the obligor was sixty (60) days delinquent in payment of principal or interest or in default of any other provision as of the date hereof; (ii) Loan which had been classified by any bank examiner (whether regulatory, internal or by external consultant) as Other Loans Specially Mentioned, Special Mention, Substandard, Doubtful, Loss, Classified, Criticized, Watch List, or any comparable classifications by such persons; (iii) Loan, including an loan guaranty, with any of its directors or executive officers or directors or executive officers of any of the MainStreet Subsidiaries; or (iv) Loan in violation of any law, regulation or rule applicable to MainStreet or any of the MainStreet Subsidiaries including, but not limited to, those promulgated, interpreted or enforced by any Governmental Authority.

(q) *Environmental Matters.*

(i) Except as described in Section 3.3(q) of its Disclosure Schedule, MainStreet and each of MainStreet Subsidiaries are in compliance with all Environmental Laws (as defined herein). Neither MainStreet nor any of the MainStreet Subsidiaries has received any communication alleging that MainStreet or such MainStreet Subsidiary is not in such compliance, and, to its Knowledge, there are no present circumstances that would prevent or interfere with the continuation of such compliance.

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(ii) Neither MainStreet nor any of the MainStreet Subsidiaries has received notice of pending, and to their Knowledge there are no threatened, legal, administrative, arbitral or other proceedings, asserting Environmental Claims (as defined herein) or other claims, causes of action or governmental investigations of any nature, seeking to impose, or that could result in the imposition of, any material liability arising under any Environmental Laws upon (A) MainStreet or such MainStreet Subsidiary, (B) any person or entity whose liability for any Environmental Claim MainStreet or any MainStreet Subsidiary has or may have retained either contractually or by operation of law, (C) any real or personal property owned or leased by MainStreet or any MainStreet Subsidiary, or any real or personal property which MainStreet or any MainStreet Subsidiary has been, or is, judged to have managed or to have supervised or to have participated in the management of, or (D) any real or personal property in which MainStreet or a MainStreet Subsidiary holds a security interest securing a loan recorded on the books of MainStreet or such MainStreet Subsidiary. Neither MainStreet nor any of the MainStreet Subsidiaries is subject to any agreement, order, judgment, decree or memorandum by or with any court, governmental authority, regulatory agency or third party imposing any such liability.

(iii) With respect to all real and personal property owned or leased by MainStreet or any of the MainStreet Subsidiaries, or all real and personal property which MainStreet or any of the MainStreet Subsidiaries has been, or is, judged to have managed or to have supervised or to have participated in the management of, MainStreet will promptly provide American with access to copies of any environmental audits, analyses and surveys that have been prepared relating to such properties (a list of which is included in the MainStreet Disclosure Schedule). MainStreet and all of the MainStreet Subsidiaries are in compliance in all material respects with all recommendations contained in any such environmental audits, analyses and surveys.

(iv) To the Knowledge of MainStreet, there are no past or present actions, activities, circumstances, conditions, events or incidents that could reasonably form the basis of any Environmental Claim or other claim or action or governmental investigation that could result in the imposition of any liability arising under any Environmental Laws against MainStreet or any of the MainStreet Subsidiaries or against any person or entity whose liability for any Environmental Claim MainStreet or any of the MainStreet Subsidiaries has or may have retained or assumed either contractually or by operation of law.

(v) For purposes of this Agreement, the following terms shall have the following meanings:

(A) **Environmental Claim** means any written notice from any governmental authority or third party alleging potential liability (including, without limitation, potential liability for investigatory costs, clean-up, governmental response costs, natural resources damages, property damages, personal injuries or penalties) arising out of, based upon, or resulting from the presence, or release into the environment, of any Materials of Environmental Concern (as defined herein).

(B) **Environmental Laws** means all applicable federal, state and local laws and regulations, including the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, that relate to pollution or protection of human health or the environment.

(C) **Materials of Environmental Concern** means pollutants, contaminants, wastes, toxic substances, petroleum and petroleum products and any other materials regulated under Environmental Laws.

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(r) *Books and Records.* The books and records of MainStreet and those of the MainStreet Subsidiaries have been fully, properly and accurately maintained in all material respects, and there are no material inaccuracies or discrepancies of any kind contained or reflected therein.

(s) *Intellectual Property.* MainStreet and the MainStreet Subsidiaries own, or are licensed or otherwise possess sufficient legally enforceable rights to use, all Intellectual Property and the MainStreet Technology Systems (as such terms are defined herein) that are used by MainStreet and the MainStreet Subsidiaries in their respective businesses as currently conducted. MainStreet and the MainStreet Subsidiaries to their Knowledge have not infringed or otherwise violated the Intellectual Property rights of any other person, and there is no claim asserted, or to the Knowledge of MainStreet threatened, against MainStreet or any of the MainStreet Subsidiaries concerning the ownership, validity, registerability, enforceability, infringement, use or licensed right to use any Intellectual Property. Intellectual Property means all trademarks, trade names, service marks, patents, domain names, database rights, copyrights, and any applications therefor, technology, know-how, trade secrets, processes, computer software programs or applications, and tangible or intangible proprietary information or material. The term MainStreet Technology Systems means the electronic data processing, information, record keeping, communications, telecommunications, hardware, third party software, networks, peripherals and computer systems, including any outsourced systems and processes, and Intellectual Property used by MainStreet and the MainStreet Subsidiaries or by a third party.

(t) *Derivative Instruments.* Except as set forth in Section 3.3(t) of the MainStreet Disclosure Schedule, all derivative instruments, including, swaps, caps, floors and option agreements, whether entered into for MainStreet's own account, or for the account of one or more of the MainStreet Subsidiaries or its or their customers (each a Derivative Contract), were entered into (i) only in the ordinary course of business, (ii) in accordance with prudent practices and in all material respects with all applicable laws, rules, regulations and regulatory policies and (iii) with counterparties believed to be financially responsible at the time; and each of such instruments constitutes the valid and legally binding obligation of MainStreet or one of the MainStreet Subsidiaries, enforceable in accordance with its terms, subject to bankruptcy, insolvency, reorganization, moratorium and similar laws. Neither MainStreet nor any of the MainStreet Subsidiaries, nor, to the Knowledge of MainStreet, any other party thereto, is in breach of any of its obligations under any such agreement or arrangement, except as set forth in Section 3.3(t) of the MainStreet Disclosure Schedule.

(u) *Deposits.* Except as set forth in Section 3.3(u) of the MainStreet Disclosure Schedule, as of June 30, 2014, none of MainStreet's deposits or the deposits of any of the MainStreet Subsidiaries are brokered deposits or are subject to any legal restraint or other legal process (other than garnishments, pledges, liens, levies, subpoenas, set off rights, escrow limitations and similar actions taken in the ordinary course of business), and no portion of such deposits represents a deposit of MainStreet or any of the MainStreet Subsidiaries.

(v) *Investment Securities.*

(i) MainStreet and each of the MainStreet Subsidiaries has good and marketable title to all securities held by it (except securities sold under repurchase

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agreements or held in any fiduciary or agency capacity) free and clear of any lien, encumbrance or security interest, except to the extent that such securities are pledged in the ordinary course of business consistent with prudent business practices to secure obligations of MainStreet or the MainStreet Subsidiaries and except for such defects in title or liens, encumbrances or security interests that would not be material to it. Such securities are valued on the books of MainStreet and each of the MainStreet Subsidiaries in accordance with GAAP.

(ii) MainStreet and each of the MainStreet Subsidiaries employs investment, securities risk management and other policies, practices and procedures that MainStreet and each of the MainStreet Subsidiaries believes are prudent and reasonable in the context of such businesses.

(w) *Takeover Laws and Provisions.* The Board of Directors of MainStreet has approved the Merger, this Agreement, the Plan of Merger and the transactions contemplated hereby and thereby and has taken all such other necessary actions as required to exempt American and this Agreement and the Plan of Merger from Article 14 and Article 14.1 of the VSCA, and, accordingly, neither such article nor any other anti-takeover or similar statute or regulation applies to any such transactions. No other control share acquisition, fair price, moratorium or other anti-takeover laws enacted under state or federal laws apply to the Merger, this Agreement, the Plan of Merger or any of the transactions contemplated hereby and thereby. MainStreet has taken all action required to be taken by MainStreet in order to make this Agreement, the Plan of Merger and the transactions contemplated hereby and thereby comply with, and this Agreement, the Plan of Merger and the transactions contemplated hereby and thereby do comply with, the requirements of MainStreet's articles of incorporation and bylaws.

(x) *Transactions With Affiliates.* All covered transactions between MainStreet and an affiliate, within the meaning of Sections 23A and 23B of the Federal Reserve Act and regulations promulgated thereunder, have been in compliance with such provisions.

(y) *Financial Advisors.* None of MainStreet, any of the MainStreet Subsidiaries or any of their respective officers, directors or employees has employed any broker, finder or financial advisor or incurred any liability for any fees or commissions in connection with transactions contemplated herein, except that, in connection with this Agreement, MainStreet has retained BB&T Capital Markets, a division of BB&T Securities LLC as its financial advisor (pursuant to an engagement letter, a true and complete copy of which is included in Section 3.3(y) of its Disclosure Schedule and under which that firm will be entitled to certain fees in connection with this Agreement).

(z) *Fairness Opinion.* Prior to the execution of this Agreement, the Board of Directors of MainStreet has received a written opinion of BB&T Capital Markets, a division of BB&T Securities LLC to the effect that, as of the date thereof and based upon and subject to the matters set forth therein, the Merger Consideration to be received by the holders of shares of MainStreet Common Stock from American in connection with the Merger pursuant to this Agreement is fair, from a financial point of view, to the stockholders of MainStreet. Such opinion has not been amended or rescinded as of the date of this Agreement.

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3.4 Representations and Warranties of American.

Subject to and giving effect to Sections 3.1 and 3.2, American hereby represents and warrants to MainStreet as follows:

(a) *Organization, Standing and Power.* American is a Virginia corporation duly organized, validly existing and in good standing under the laws of Virginia. American has the corporate power and authority to carry on its business as now conducted and to own and operate its assets, properties and business. American is duly registered as a bank holding company under the BHCA. American National Bank, a wholly-owned subsidiary of American, is a Virginia commercial bank duly organized, validly existing and in good standing under the laws of Virginia, and has all requisite corporate power and authority to carry on a commercial banking business as now being conducted and to own and operate its assets, properties and business. American National Bank's deposits are insured by the Deposit Insurance Fund of the FDIC to the maximum extent permitted by law.

(b) *Subsidiaries.* Each subsidiary of American is identified in Exhibit 21 to American's Annual Report on Form 10-K for the year ended December 31, 2013 filed with the SEC (each individually a *American Subsidiary* and collectively the *American Subsidiaries*). Each American Subsidiary (i) is a duly organized bank, corporation, limited liability company or statutory trust validly existing and in good standing under applicable laws, (ii) has full corporate power and authority to carry on its business as now conducted and (iii) is duly qualified to do business in the states where its ownership or leasing of property or the conduct of its business requires such qualification and where the failure to so qualify would have a Material Adverse Effect on American on a consolidated basis. The outstanding shares of capital stock or equity interests of each American Subsidiary have been duly authorized and are validly issued and outstanding, fully paid and nonassessable and all such shares are directly or indirectly owned by American free and clear of all liens, claims and encumbrances or preemptive rights of any person.

(c) *Authority; No Breach of the Agreement.*

(i) American has the corporate power and authority to execute, deliver and perform its obligations under this Agreement, and to consummate the transactions contemplated hereby. The execution, delivery and performance of this Agreement by American, and the consummation of the transactions contemplated hereby, have been duly and validly authorized by all necessary corporate action on the part of American. This Agreement is a valid and legally binding obligation of American, enforceable in accordance its terms (except as enforceability may be limited by applicable bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and similar laws affecting the enforcement of rights of creditors or by general principles of equity).

(ii) Neither the execution and delivery of this Agreement by American, nor the consummation by American of the transactions contemplated hereby, nor compliance by American with any of the provisions hereof will: (A) conflict with or result in a breach of any provision of the Organizational Documents of American or American National Bank; (B) constitute or result in the breach of any term, condition or provision of, or constitute a default under, or give rise to any right of termination, cancellation or acceleration with respect to, or result in the creation of any lien, charge or encumbrance upon, any property or asset of American or any American Subsidiary pursuant to any (1) note, bond, mortgage or indenture, or (2) any material license, agreement or other instrument or obligation, to which American or any American Subsidiary is a party or by which American or any American Subsidiary or

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any of their properties or assets may be bound; or (C) subject to the receipt of all required regulatory and stockholder approvals, violate any order, writ, injunction, decree, statute, rule or regulation applicable to American or any American Subsidiary.

(iii) As of the date hereof, American is not aware of any reason why the necessary regulatory approvals and consents will not be received in order to permit consummation of the Merger.

(d) *American Capital Stock.* The authorized capital stock of American consists of 2,000,000 shares of preferred stock, par value \$5.00 per share, of which none are issued and outstanding, and 20,000,000 shares of common stock, par value \$1.00 per share, of which 7,840,132 shares were issued and outstanding as of June 30, 2014. All outstanding shares of American Common Stock have been duly authorized and validly issued, are fully paid and nonassessable and have not been issued in violation of the preemptive rights of any person. As of the date of this Agreement, there are no shares of capital stock reserved for issuance, or any outstanding Rights with respect to any capital stock of American, except as contemplated by an American stock option or other equity-based compensation plan, by American's dividend reinvestment plan or by American's SEC filings.

(e) *SEC Filings; Financial Statements; Accounting Controls.*

(i) American has filed all SEC Reports that were required to be filed by it with the SEC since December 31, 2010 under the Securities Act and the Exchange Act, and, to the extent such SEC Reports are not available on the SEC's Electronic Data Gathering Analysis and Retrieval system, has made copies of such SEC Reports available to MainStreet. The SEC Reports of American, including the financial statements, exhibits and schedules contained therein, (A) at the time filed, complied (and any SEC Reports filed after the date of this Agreement will comply) in all material respects with the applicable requirements of the Securities Act and the Exchange Act, and (B) at the time filed (or if amended or superseded by another SEC Report filed prior to the date of this Agreement, then on the date of such filing), did not (and any SEC Reports filed after the date of this Agreement will not) contain any untrue statement of a material fact or omit to state a material fact required to be stated in such SEC Reports or necessary in order to make the statements made in such SEC Reports, in light of the circumstances under which they were made, not misleading.

(ii) Each of the financial statements of American contained in or incorporated by reference into any SEC Reports (including any SEC Reports filed after the date of this Agreement) complied (or, in the case of SEC Reports filed after the date of this Agreement, will comply) in all material respects with the applicable requirements of the Securities Act and the Exchange Act with respect thereto, fairly presented (or, in the case of SEC Reports filed after the date of this Agreement, will fairly present) the consolidated financial position of American and the American Subsidiaries as at the respective dates and the consolidated results of American's operations and cash flows for the periods indicated, in each case in accordance with GAAP consistently applied during the periods indicated, except in each case as may be noted therein, and subject to normal year-end audit adjustments and as permitted by Form 10-Q in the case of unaudited financial statements.

(f) *Bank Reports.* American and each of the American Subsidiaries has filed all Bank Reports that they were required to file since December 31, 2010 with the Regulatory Agencies, including any Bank Report required to be filed pursuant to the laws of the United States, any state

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or any Regulatory Agency. Any such Bank Report regarding American and each of the American Subsidiaries filed with or otherwise submitted to any Regulatory Agency complied in all material respects with relevant legal requirements, including as to content. Except for normal examinations conducted by a Regulatory Agency in the ordinary course of American's and each of the American Subsidiaries' business, there is no pending proceeding before, or, to its Knowledge, examination or investigation by, any Regulatory Agency into the business or operations of American or any of the American Subsidiaries and no enforcement action, to its Knowledge, threatened by any Regulatory Agency.

(g) *Absence of Certain Changes or Events.* Since December 31, 2013, except as disclosed in its SEC Reports or Bank Reports filed prior to the date of this Agreement, (i) American and the American Subsidiaries have conducted their respective businesses and incurred liabilities only in the ordinary course consistent with past practices, and (ii) there have been no events, changes, developments or occurrences which, individually or in the aggregate, have had or are reasonably likely to have a Material Adverse Effect on American.

(h) *Absence of Undisclosed Liabilities.* Except for (i) those liabilities that are fully reflected or reserved for in its financial statements contained in its SEC Reports or Bank Reports filed prior to the date of this Agreement, (ii) liabilities incurred since June 30, 2014 in the ordinary course of business consistent with past practice, (iii) liabilities which would not individually or in the aggregate reasonably be expected to have a Material Adverse Effect, and (iv) liabilities incurred in connection with the transactions contemplated by this Agreement, neither American nor any American Subsidiary has, and since June 30, 2014 has not incurred (except as permitted by Section 4.2), any liabilities or obligations of any nature (whether accrued, absolute, contingent or otherwise and whether or not required to be reflected in its financial statements contained in its SEC Reports or Bank Reports).

(i) *Legal Proceedings; Compliance with Laws.* There are no actions, suits or proceedings instituted or pending or, to its Knowledge, threatened against American or any of the American Subsidiaries or against any of American's or the American Subsidiaries' properties, assets, interests or rights, or against any of American's or American Subsidiaries' officers, directors or employees in their capacities as such. Neither American nor any of the American Subsidiaries is a party to or subject to any agreement, order, memorandum of understanding, enforcement action, or supervisory or commitment letter by or with any Governmental Authority restricting the operations of American or the operations of any of the American Subsidiaries and neither American nor any of the American Subsidiaries has been advised by any Governmental Authority that any such Governmental Authority is contemplating issuing or requesting the issuance of any such agreement, order, memorandum, action or letter in the future. American and each of the American Subsidiaries have complied in all material respects with all laws, ordinances, requirements, regulations or orders applicable to its business (including environmental laws, ordinances, requirements, regulations or orders).

(j) *Tax Matters.* American and each of the American Subsidiaries have filed all Tax Returns required to be filed, and all such Tax Returns were correct and complete in all material respects. All Taxes owed by American or any of its Subsidiaries have been paid, are reflected as a liability in its SEC Reports or Bank Reports, or are being contested in good faith as set forth in its Disclosure Schedule. No tax return or report filed by American or any of the American Subsidiaries is under examination by any Governmental Authority or the subject of any administrative or judicial proceeding, and no unpaid tax deficiency has been asserted against American or any of the American Subsidiaries by any Governmental Authority. American is not aware of any reason why the Merger will fail to qualify as a reorganization under Section 368(a) of the Code.

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(k) *Employee Benefit Plans.*

(i) All of the American Benefit Plans (as defined herein) are in compliance in all material respects with applicable laws and regulations, and American and American National Bank have administered such benefit plans in accordance with applicable laws and regulations in all material respects. For the purposes of this Agreement, a *American Benefit Plan* means an employee benefit plan and program of American and the American Subsidiaries, including without limitation: (A) all retirement, savings and other pension plans; (B) all health, severance, insurance, disability and other employee welfare plans; and (C) all employment, vacation and other similar plans, all bonus, stock option, stock purchase, incentive, deferred compensation, supplemental retirement, severance and other employee and director benefit plans, programs or arrangements, and all employment or compensation arrangements, in each case for the benefit of or relating to its current and former employees and directors (collectively, the *American Benefit Plans*).

(ii) Each American Benefit Plan that is intended to be qualified under Section 401(a) of the Code has been determined by the Internal Revenue Service to be so qualified, as reflected in a current favorable determination letter (based on Internal Revenue Service permitted determination request procedures), or a filing for the same has been made with the Internal Revenue Service seeking such a determination letter and that request is still awaiting decision by the Internal Revenue Service (based on Internal Revenue Service permitted determination request procedures). Nothing has occurred since the date of any such determination that is reasonably likely to affect adversely such qualification or exemption, or result in the imposition of excise taxes or income taxes on unrelated business income under the Code or ERISA with respect to any tax-qualified plan. There have been no terminations, partial terminations or discontinuances of contributions, as such terms are used in Section 411 of the Code and the regulations thereunder, to any tax-qualified plan during the preceding five years without notice to and approval by the Internal Revenue Service and payment of all obligations and liabilities attributable to such tax-qualified plans.

(l) *Insurance.* American and the American Subsidiaries are insured with reputable insurers against such risks and in such amounts as management of American reasonably has determined to be prudent in accordance with industry practices. Since December 31, 2013, neither American nor any of the American Subsidiaries has received any notice of a premium increase or cancellation or a failure to renew with respect to any insurance policy or bond or, within the last three (3) calendar years, and since January 1, 2014, has been refused any insurance coverage sought or applied for, and American has no reason to believe that existing insurance coverage cannot be renewed as and when the same shall expire upon terms and conditions as favorable as those presently in effect, other than possible increases in premiums or unavailability of coverage that do not result from any extraordinary loss experience on the part of American or the American Subsidiaries.

(m) *Allowance for Loan Losses.* The Loan Loss Allowance shown by American in its SEC Reports or Bank Reports as of June 30, 2014 was, and the Loan Loss Allowance to be shown in its SEC Reports or Bank Reports as of any date subsequent to the date of this Agreement will be, as of such dates, adequate to provide for possible losses, net of recoveries relating to loans previously charged off, in respect of loans outstanding (including letter of credit or commitments to make loans or extend credit). The Loan Loss Allowance has been established in accordance with GAAP, and applicable regulatory requirements and guidelines.

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(n) *Environmental Matters.* American and each of the American Subsidiaries are in compliance with all Environmental Laws. Neither American nor any of the American Subsidiaries has received any communication alleging that American or such American Subsidiary is not in such compliance, and, to its Knowledge, there are no present circumstances that would prevent or interfere with the continuation of such compliance. To the Knowledge of American, there are no past or present actions, activities, circumstances, events, or incidents that could reasonably form the bases of any Environmental Claim or other claim or action or governmental investigation that could result in the imposition of any liability arising under any Environmental Laws against American or any of the American Subsidiaries or against any person or entity whose liability for any Environmental Claim American or an American Subsidiary has or may have retained contractually or by operation of law.

(o) *Books and Records.* The books and records of American and those of the American Subsidiaries have been fully, properly and accurately maintained in all material respects, and there are no material inaccuracies or discrepancies of any kind contained or reflected therein.

(p) *Financial Advisors.* None of American, any of the American Subsidiaries or any of their respective officers, directors or employees has employed any broker, finder or financial advisor or incurred any liability for any fees or commissions in connection with transactions contemplated herein, except that, in connection with this Agreement, American has retained Keefe, Bruyette & Woods, Inc. as its financial advisor.

ARTICLE 4

Covenants Relating to Conduct of Business

4.1 Conduct of Business of MainStreet Pending Merger.

From the date hereof until the Effective Date, except as expressly contemplated or permitted by this Agreement or as set forth in its Disclosure Schedule, without the prior written consent of American, MainStreet agrees that it will not, and will cause each of the MainStreet Subsidiaries not to:

(a) Conduct its business and the business of the MainStreet Subsidiaries other than in the ordinary and usual course consistent with past practice or fail to use its reasonable best efforts to maintain and preserve intact their (i) business organizations, material assets and employees and (ii) relationships with material customers, suppliers, employees and business associates.

(b) Take any action that would adversely affect or delay the ability of American or MainStreet (i) to obtain any necessary approvals, consents or waivers of any Governmental Authority or third party required for the transactions contemplated hereby, (ii) to perform its covenants and agreements under this Agreement, or (iii) to consummate the transactions contemplated hereby on a timely basis.

(c) Amend, repeal or modify its Organizational Documents.

(d) Other than pursuant to stock options outstanding as of the date hereof under the MainStreet Stock Plans as disclosed in Section 3.3(d) of the MainStreet Disclosure Schedule, (i) issue, sell or otherwise permit to become outstanding, or authorize the creation of, any additional shares of capital stock, or any Rights with respect thereto, (ii) enter into any agreement with respect to the foregoing, or (iii) permit any additional shares of capital stock to become subject to new grants of employee and director stock options, restricted stock, stock appreciation rights or similar stock-based rights.

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(e) Enter into or amend or renew any employment, consulting, severance, change in control, bonus, salary continuation or similar agreements or arrangements with any director, officer or employee of MainStreet or a MainStreet Subsidiary, or grant any salary or wage increase or increase any employee benefit (including by making incentive or bonus payments), except for normal individual merit increases in compensation to employees in the ordinary course of business consistent with past practice, provided that no such salary or wage increase will result in an annual adjustment in any individual officer's or employee's salary or wages of more than two percent (2%) without prior consultation with and approval from American and that no incentive or bonus payment will be paid or agreed to be paid without prior consultation with and approval from American, except for (i) incentive based compensation to employees engaged in selling mortgage and investment products and services in the ordinary course of business, and (ii) the bonuses for 2014 performance listed on Schedule 4.1(e) of the MainStreet Disclosure Schedule.

(f) Enter into, establish, adopt, amend, terminate or make any contributions to (except (i) as may be required by applicable law, (ii) to satisfy contractual obligations existing as of the date hereof and set forth on Schedule 4.1(f) of the MainStreet Disclosure Schedule or (iii) to comply with the requirements of this Agreement), any pension, retirement, stock option, stock purchase, savings, profit sharing, deferred compensation, consulting, bonus, group insurance or other employee benefit, incentive, welfare contract, plan or arrangement, or any trust agreement related thereto, in respect of any directors, officers or employees, including without limitation taking any action that accelerates, or the lapsing of restrictions with respect to, the vesting or exercise of any benefits payable thereunder.

(g) Hire any person as an employee of MainStreet or a MainStreet Subsidiary or promote any employee, except (i) to satisfy contractual obligations existing as of the date hereof and set forth on Schedule 4.1(g) of the MainStreet Disclosure Schedule and (ii) persons hired to fill any employee or non-executive officer vacancies existing at the date hereof or arising after the date hereof and whose employment is terminable at the will of MainStreet and who are not subject to or eligible for any severance or similar benefits or payments that would become payable as a result of the Merger, the Subsidiary Bank Merger or the consummation thereof.

(h) Make, declare, pay or set aside for payment any dividend on or in respect of, or declare or make any distribution on any shares of its stock, or directly or indirectly adjust, split, combine, redeem, reclassify, purchase or otherwise acquire, any shares of its capital stock.

(i) Make any capital expenditures, other than capital expenditures in the ordinary course of business consistent with past practice, in amounts not exceeding \$10,000 individually or \$35,000 in the aggregate.

(j) Implement or adopt any change in its tax or financial accounting principles, practices or methods, including reserving methodologies, other than as may be required by GAAP, regulatory accounting guidelines or applicable law.

(k) Notwithstanding anything herein to the contrary, (i) knowingly take, or knowingly omit to take, any action that would reasonably be expected to prevent the Merger from qualifying as a reorganization within the meaning of Section 368(a) of the Code or (ii) knowingly take, or knowingly omit to take, any action that is reasonably likely to result in any of the conditions to the Merger set forth in Article 6 not being satisfied on a timely basis, except as may be required by applicable law.

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(l) Sell, transfer, mortgage, encumber or otherwise dispose of or discontinue any portion of its assets, deposits, business or properties except for (i) OREO properties currently under contract, OREO that is sold in the ordinary course of business consistent with past practice and in amounts that do not exceed \$175,000 individually or \$500,000 in the aggregate; (ii) transactions set forth in Schedule 4.1(1) of the MainStreet Disclosure Schedule; or (iii) transactions in the ordinary course of business consistent with past practice in amounts that do not exceed \$10,000 individually or \$25,000 in the aggregate.

(m) Acquire all or any portion of the assets, business, securities, deposits or properties of any other person, including without limitation, by merger or consolidation or by investment in a partnership or joint venture except for (i) such acquisitions by way of foreclosures or acquisitions of control in a bona fide fiduciary capacity or in satisfaction of debts previously contracted in good faith and in amounts that do not exceed \$250,000 individually or \$500,000 in the aggregate; and (ii) such acquisitions in the ordinary course of business consistent with past practice in amounts that do not exceed \$10,000 individually or \$25,000 in the aggregate.

(n) Except as otherwise permitted under this Section 4.1, enter into, amend, modify, cancel, fail to renew or terminate any agreement, contract, lease, license, arrangement, commitment or understanding (whether written or oral) that (i) is a material contract required to be filed as an exhibit pursuant to Item 601(b)(10) of the SEC's Regulation S-K, if such regulation was applicable to MainStreet, or (ii) relates to real property, personal property, data processing or bankcard functions.

(o) Enter into any settlements or similar agreements with respect to any actions, suits, proceedings, orders or investigations to which MainStreet or a MainStreet Subsidiary is or becomes a party after the date of this Agreement, which settlements, agreements or actions involve payment by MainStreet and the MainStreet Subsidiaries collectively of an aggregate amount that exceeds \$10,000 and/or would impose any material restriction on the business of MainStreet or create precedent for claims that are reasonably likely to be material to MainStreet.

(p) Enter into any new material line of business; introduce any material new products or services; make any material change to deposit products or deposit gathering or retention policies or strategies; change its material lending, investment, underwriting, pricing, servicing, risk and asset liability management and other material banking, operating or board policies or otherwise fail to follow such policies, except as required by applicable law, regulation or policies imposed by any Governmental Authority, or the manner in which its investment securities or loan portfolio is classified or reported; or invest in any mortgage-backed or mortgage-related security that would be considered high risk under applicable regulatory guidance; or file any application or enter into any contract with respect to the opening, relocation or closing of, or open, relocate or close, any branch, office, service center or other facility.

(q) Introduce any material marketing campaigns or any material new sales compensation or incentive programs or arrangements (except those the material terms of which have been fully disclosed in writing to, and approved by, American prior to the date hereof).

(r) (i) Make, renew, restructure or otherwise modify any Loan other than Loans made or acquired in the ordinary course of business consistent with past practice and that have (y) in the case of unsecured Loans made to any borrower that are originated in compliance with MainStreet's internal loan policies without exceptions, a principal balance not in excess of \$50,000 in total, which is understood to include any current outstanding principal balance to any such borrower, or (z) in the case of secured Loans made to any borrower that are originated in compliance with

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MainStreet's internal loan policies without exceptions, a principal balance not in excess of \$1,000,000 in total, which is understood to include any current outstanding principal balance to any such borrower; (ii) except in the ordinary course of business, take any action that would result in any discretionary release of collateral or guarantees or otherwise restructure the respective amounts set forth in clause (i) above; or (iii) enter into any Loan securitization or create any special purpose funding entity. In the event that American's prior written consent is required pursuant to clause (i) above, American shall use its reasonable best efforts to provide such consent within one (1) business day of any request by MainStreet.

(s) Incur any indebtedness for borrowed money, or assume, guarantee, endorse or otherwise as an accommodation become responsible for the obligations of any other person, other than with respect to the collection of checks and other negotiable instruments in the ordinary course of business consistent with past practice.

(t) Acquire (other than by way of foreclosures or acquisitions in a bona fide fiduciary capacity or in satisfaction of debts previously contracted in good faith, in each case in the ordinary course of business consistent with past practice) any debt security or equity investment other than federal funds or U.S. Government securities or U.S. Government agency securities, in each case with a term of one (1) year or less, or dispose of any debt security or equity investment.

(u) Enter into or settle any Derivative Contract.

(v) Other than as a Loan, make any investment or commitment to invest in real estate or in any real estate development project (other than by way of foreclosure or acquisitions in a bona fide fiduciary capacity or in satisfaction of a debt previously contracted in good faith, in each case in the ordinary course of business consistent with past practice).

(w) Make or change any material Tax election, settle or compromise any material Tax liability of MainStreet, agree to an extension or waiver of the statute of limitations with respect to the assessment or determination of a material amount of Taxes of MainStreet, enter into any closing agreement with respect to any material amount of Taxes or surrender any right to claim a material Tax refund, adopt or change any method of accounting with respect to Taxes or file any amended Tax Return.

(x) Take any other action that would make any representation or warranty in Section 3.3 hereof untrue, taking into account the standard set forth in Section 3.2.

(y) Agree to take any of the actions prohibited by this Section 4.1.

4.2 Conduct of Business of American Pending Merger.

From the date hereof until the Effective Date, except as expressly contemplated or permitted by this Agreement, without the prior written consent of MainStreet, American agrees that it will not, and will cause each of the American Subsidiaries not to:

(a) Conduct its business and the business of the American Subsidiaries other than in the ordinary and usual course consistent with past practice or fail to use its reasonable best efforts to maintain and preserve intact their (i) business organizations, assets and employees and (ii) relationships with customers, suppliers, employees and business associates.

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(b) Take any action that would adversely affect or delay the ability of American or MainStreet (i) to obtain any necessary approvals, consents or waivers of any Governmental Authority or third party required for the transactions contemplated hereby, (ii) to perform its covenants and agreements under this Agreement, or (iii) to consummate the transactions contemplated hereby on a timely basis.

(c) Notwithstanding anything herein to the contrary, (i) knowingly take, or knowingly omit to take, any action that would reasonably be expected to prevent the Merger from qualifying as a reorganization within the meaning of Section 368(a) of the Code or (ii) knowingly take, or knowingly omit to take, any action that is reasonably likely to result in any of the conditions to the Merger set forth in Article 6 not being satisfied on a timely basis, except as may be required by applicable law.

(d) Amend, repeal or modify any provision of its Organizational Documents in a manner which would have a material adverse effect on MainStreet, the shareholders of MainStreet or the transactions contemplated by this Agreement.

(e) Take any other action that would make any representation or warranty in Section 3.4 hereof untrue, taking into account the standard set forth in Section 3.2.

(f) Agree to take any of the actions prohibited by this Section 4.2.

4.3 Transition.

To facilitate the integration of the operations of American and MainStreet and to permit the coordination of their related operations on a timely basis, and in an effort to accelerate to the earliest time possible following the Effective Date the realization of synergies, operating efficiencies and other benefits expected to be realized by the parties as a result of the Merger, each of American and MainStreet shall, and shall cause its subsidiaries to, consult with the other on all strategic and operational matters to the extent such consultation is not in violation of applicable laws, including laws regarding the exchange of information and other laws regarding competition.

4.4 Control of the Other Party's Business.

Prior to the Effective Date, nothing contained in this Agreement (including, without limitation, Section 4.1 and Section 4.3) shall give American directly or indirectly, the right to control or direct the operations of MainStreet, and nothing contained in this Agreement shall give MainStreet, directly or indirectly, the right to control or direct the operations of American. Prior to the Effective Date, each party shall exercise, consistent with the terms and conditions of this Agreement, complete control and supervision over it and its subsidiaries' respective operations.

ARTICLE 5

Additional Agreements

5.1 Reasonable Best Efforts.

Subject to the terms and conditions of this Agreement, the parties hereto will use their reasonable best efforts to take, or cause to be taken, in good faith all actions, and to do, or cause to be done, all things necessary or desirable, or advisable under applicable laws, so as to permit consummation of the Merger as promptly as practicable and shall

cooperate fully with the other party hereto to that end.

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5.2 Access to Information; Notice of Certain Matters; Confidentiality.

(a) Upon reasonable notice and subject to applicable laws regarding the disclosure or exchange of information, MainStreet shall permit American to make or cause to be made such investigation of MainStreet's operational, financial and legal condition as American reasonably requests; provided, that such investigation shall be reasonably related to the Merger and shall not interfere unreasonably with normal operations. No investigation, in and of itself, by American shall affect the representations and warranties of MainStreet. American will receive notice of all meetings of the MainStreet and Franklin Community Bank Boards of Directors and any committees thereof, and of any management committees (in all cases, at least as timely as all MainStreet and Franklin Community Bank representatives to such meetings are provided notice). An executive officer of American will be permitted to attend all meetings of the MainStreet and Franklin Community Bank Boards of Directors and committees of the Boards of Directors (except for the portions of such meetings that are executive sessions, relate to the Merger or a Superior Proposal (as defined herein), or as may be necessary or appropriate in order to preserve attorney-client privilege, as deemed by such boards) and such meetings of management of MainStreet and Franklin Community Bank that American wishes to attend. MainStreet shall also provide to a designated executive officer of American all written agendas and meeting or written consent materials provided to the directors of MainStreet in connection with Board and committee meetings, subject to applicable laws regarding the disclosure or exchange of information. Any such representative of American may be required to enter into an appropriate confidentiality and no trade agreement satisfactory to MainStreet prior to attending any such meetings.

(b) During the period from the date of this Agreement to the Effective Date, MainStreet shall, upon the request of American, cause one or more of its designated executive officers to confer on a monthly or more frequent basis with American regarding MainStreet's financial condition, operations and business and matters relating to the completion of the Merger. As soon as reasonably available, but in no event more than thirty (30) days after the end of each calendar quarter ending after the date of this Agreement (other than the last quarter of each fiscal year ending December 31), MainStreet will deliver to American its unaudited balance sheet and statements of income, stockholders' equity and cash flows, without related notes, for such quarter prepared in accordance with GAAP. As soon as reasonably available, but in no event more than sixty (60) days after the end of each fiscal year, MainStreet will deliver to American its unaudited balance sheet and statements of income, shareholders' equity and cash flows, without related notes, for such year prepared in accordance with GAAP. Within fifteen (15) days after the end of each month, MainStreet will deliver to American (i) such loan reports as American may reasonably request, and (ii) such other financial data as American may reasonably request. The financial statements required to be delivered by this Section 5.2(b) may be consolidated.

(c) Each party hereto will give prompt notice to the other party (and subsequently keep the other party informed on a current basis) upon its becoming aware of the occurrence or existence of any fact, event or circumstance known that (i) is reasonably likely to result in any Material Adverse Effect with respect to it, or (ii) would cause or constitute a material breach of any of its representations, warranties, covenants or agreements contained herein.

(d) Each party hereto shall, and shall use its reasonable best efforts to cause each of its directors, officers, attorneys and advisors, to maintain the confidentiality of, and not use to the detriment of the other party, all information of the other party obtained prior to the date of this Agreement or pursuant to this Section 5.2 that is not otherwise publicly disclosed by the other party, unless such information is required to be included in any filing required by law or in an

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application for any Regulatory Approval required for the consummation of the transactions contemplated hereby, such undertaking with respect to confidentiality to survive any termination of this Agreement. In the case of information that a party believes is necessary in making any such filing or obtaining any such Regulatory Approval, that party will provide the other party a reasonable opportunity to review any such filing or any application for such Regulatory Approval before it is filed sufficient for it to comment on and object to the content of such filing or application. If this Agreement is terminated, each party shall promptly return to the furnishing party or, at the request of the furnishing party, destroy and certify the destruction of all confidential information received from the other party.

5.3 Stockholder Approval.

MainStreet shall call a meeting of its stockholders for the purpose of obtaining the MainStreet Stockholders Approval and shall use its reasonable best efforts to cause such meeting to occur as soon as reasonably practicable (such meeting and any adjournment or postponement thereof, the MainStreet Stockholders Meeting). In connection with that meeting, the Board of Directors of MainStreet shall support and recommend approval of this Agreement and the transactions contemplated hereby and shall use its reasonable best efforts to obtain the MainStreet Stockholders Approval unless the Board of Directors of MainStreet has received and recommended (or submitted to stockholders) a Superior Proposal in accordance with Section 5.5.

5.4 Registration Statement; Proxy Statement; SEC Filings.

(a) Each party will cooperate with the other party, and their representatives, in the preparation of a registration statement on Form S-4, including any pre-effective or post-effective amendments or supplements thereto (the Registration Statement), to be filed by American with the SEC in connection with the MainStreet Stockholders Meeting, and the parties will prepare a proxy statement and prospectus and other proxy solicitation materials of MainStreet constituting a part thereof (the Proxy Statement). Neither the Proxy Statement nor the Registration Statement shall be filed, and, prior to the earlier of the Effective Date or the termination of this Agreement, no amendment or supplement to the Proxy Statement or the Registration Statement shall be filed, by American without consultation with MainStreet and its counsel. American will use its reasonable best efforts, in which MainStreet will reasonably cooperate as necessary, to file the Registration Statement, including the Proxy Statement in preliminary form, with the SEC as promptly as reasonably practicable and to cause the Registration Statement to be declared effective under the Securities Act, as promptly as reasonably practicable after the filing thereof, and MainStreet shall thereafter mail or deliver the Proxy Statement to its stockholders.

(b) Each party agrees, as to itself and its subsidiaries, that none of the information supplied or to be supplied by it for inclusion or incorporation by reference in (i) the Registration Statement will, at the time the Registration Statement and each amendment or supplement thereto, if any, becomes effective under the Securities Act, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein not misleading and (ii) the Proxy Statement and any amendment or supplement thereto will, at the date of mailing to the MainStreet stockholders and at the time of the MainStreet Stockholders Meeting, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which such statement was made, not misleading. Each party further agrees that if it becomes aware that any information furnished by it that would cause any of the statements in the Proxy Statement or the Registration Statement to be false or misleading with respect to any material fact, or to omit to state any material fact necessary to make the statements therein not false or misleading, to promptly inform the other party thereof and to take appropriate steps to correct the Proxy Statement or the Registration Statement.

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5.5 No Other Acquisition Proposals.

(a) MainStreet agrees that it will not, and will cause the MainStreet Subsidiaries and MainStreet's and the MainStreet Subsidiaries' officers, directors, employees, agents and representatives (including any financial advisor, attorney or accountant retained by MainStreet or any of the MainStreet Subsidiaries) not to, directly or indirectly, (i) initiate, solicit or encourage inquiries or proposals with respect to, (ii) furnish any confidential or nonpublic information relating to, or (iii) engage or participate in any negotiations or discussions concerning, an Acquisition Proposal (as defined herein).

(b) Notwithstanding the foregoing, nothing contained in this Section 5.5 shall prohibit MainStreet, prior to its meeting of stockholders to be held pursuant to Section 5.3 and subject to compliance with the other terms of this Section 5.5, from furnishing nonpublic information to, or entering into discussions or negotiations with, any person or entity that makes an unsolicited, bona fide written Acquisition Proposal with respect to MainStreet (that did not result from a breach of this Section 5.5) if, and only to the extent that (i) the MainStreet Board of Directors concludes in good faith, after consultation with and based upon the written advice of outside legal counsel and its financial advisors, that the failure to take such actions would be more likely than not to result in a violation of its fiduciary duties to stockholders under applicable law, (ii) before taking such actions, MainStreet receives from such person or entity an executed confidentiality agreement on terms no less favorable to it than the Confidentiality Agreement, dated May 29, 2014, between American and MainStreet (the Confidentiality Agreement), which confidentiality agreement shall not provide such person or entity with any exclusive right to negotiate with MainStreet, and (iii) the MainStreet Board of Directors concludes in good faith, after consultation with its outside legal counsel and financial advisors, that the Acquisition Proposal constitutes or is reasonably likely to result in a Superior Proposal (as defined below). MainStreet shall immediately (within twenty-four (24) hours) notify American orally and in writing of MainStreet's receipt of any such proposal or inquiry, the material terms and conditions thereof, the identity of the person making such proposal or inquiry, and will keep American apprised of any related developments, discussions and negotiations on a current basis, including by providing a copy of all material documentation or correspondence relating thereto.

(c) For purposes of this Agreement, an Acquisition Proposal means, other than the transactions contemplated by this Agreement, any offer, proposal or inquiry relating to, or any third party indication of interest in, any of the following transactions involving MainStreet or Franklin Community Bank: (i) a merger, consolidation, share exchange, business combination, reorganization, recapitalization, liquidation, dissolution or other similar transaction; (ii) any acquisition or purchase, direct or indirect, of ten percent (10%) or more of the consolidated assets of MainStreet or ten percent (10%) or more of any class of equity or voting securities of MainStreet or the MainStreet Subsidiaries whose assets, individually or in the aggregate, constitute more than ten percent (10%) of the consolidated assets of MainStreet; or (iii) any tender offer (including a self-tender offer) or exchange offer that, if consummated, would result in such third party beneficially owning ten percent (10%) or more of any class of equity or voting securities of MainStreet or the MainStreet Subsidiaries whose assets, individually or in the aggregate, constitute more than ten percent (10%) of the consolidated assets of MainStreet.

(d) For purposes of this Agreement, a Superior Proposal means an unsolicited, bona fide written Acquisition Proposal made by a person or entity (or group of persons or entities acting

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in concert within the meaning of Rule 13d-5 under the Exchange Act) that the Board of Directors of MainStreet concludes in good faith, after consultation with its financial and outside legal advisors, taking into account all legal, financial, regulatory and other aspects of the Acquisition Proposal and including the terms and conditions of this Agreement (A) is more favorable to the stockholders of MainStreet from a financial point of view, than the transactions contemplated by this Agreement and (B) is fully financed or reasonably capable of being fully financed and reasonably likely to receive all required approvals of Governmental Authorities on a timely basis and otherwise reasonably capable of being completed on the terms proposed; provided that, for purposes of this definition of

Superior Proposal, the Acquisition Proposal shall have the meaning assigned to such term in Section 5.5(c), except the reference to ten percent (10%) or more in such definition shall be deemed to be a reference to a majority and

Acquisition Proposal shall only be deemed to refer to a transaction involving MainStreet or Franklin Community Bank.

(e) Except as otherwise provided in this Agreement (including Section 7.1), nothing in this Section 5.5 shall permit MainStreet to terminate this Agreement or affect any other obligation of MainStreet under this Agreement.

(f) MainStreet agrees that any violation of the restrictions set forth in this Section 5.5 by any representative of MainStreet shall be deemed a breach of this Section 5.5 by MainStreet.

5.6 Applications and Consents.

(a) The parties hereto shall cooperate and use their reasonable best efforts to prepare as promptly as possible all documentation, to effect all filings and to obtain all permits, consents, approvals and authorizations of each Governmental Authority and all third parties necessary to consummate the transactions contemplated by this Agreement (the Regulatory Approvals) and will make all necessary filings in respect of the Regulatory Approvals as soon as practicable.

(b) Each party hereto will promptly furnish to the other party copies of applications filed with all Governmental Authorities and copies of written communications received by such party from any Governmental Authority with respect to the transactions contemplated hereby. Each party will consult with the other party with respect to the obtaining of all Regulatory Approvals and other material consents from third parties advisable to consummate the transactions contemplated by this Agreement, and each party will keep the other party apprised of the status of material matters relating to completion of the transactions contemplated hereby. All documents that the parties or their respective subsidiaries are responsible for filing with any Governmental Authority in connection with the transactions contemplated hereby (including to obtain Regulatory Approvals) will comply as to form in all material respects with the provisions of applicable law.

5.7 Public Announcements.

Prior to the Effective Date, American and MainStreet will consult with each other as to the form and substance of any press release or other public statement materially related to this Agreement prior to issuing such press release or public statement or making any other public disclosure related thereto (including any broad based employee communication that is reasonably likely to become the subject of public disclosure).

5.8 Affiliate Agreements.

MainStreet has identified to American all persons who are, as of the date hereof, directors or executive officers of MainStreet. MainStreet shall have delivered to American on or prior to the date hereof executed copies of a written agreement in the form of Exhibit 5.8 hereto from each such MainStreet director or executive officer.

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5.9 Employee Benefit Plans.

(a) American at its election shall either: (i) provide generally to officers and employees of MainStreet and the MainStreet Subsidiaries, who at or after the Effective Date become employees of American or the American Subsidiaries (MainStreet Continuing Employees), employee benefits under the American Benefit Plans (with no break in coverage), on terms and conditions which are the same as for similarly situated officers and employees of American and the American Subsidiaries; or (ii) maintain for the benefit of the MainStreet Continuing Employees, the MainStreet Benefit Plans maintained by MainStreet immediately prior to the Effective Date; provided that American may take action to amend any MainStreet Benefit Plan immediately prior to the Effective Date to comply with any law or, so long as the benefits provided under those MainStreet Benefit Plans following such amendment are no less favorable to the MainStreet Continuing Employees than benefits provided by American to its officers and employees under any comparable American Benefit Plans, as necessary and appropriate for other business reasons.

(b) For purposes of participation, vesting and benefit accrual (except not for purposes of benefit accrual with respect to any plan in which such credit would result in a duplication of benefits) under the American Benefit Plans, service with or credited by MainStreet or any of the MainStreet Subsidiaries shall be treated as service with American. To the extent permitted under applicable law, American shall cause welfare American Benefit Plans maintained by American that cover the MainStreet Continuing Employees after the Effective Date to (i) waive any waiting period and restrictions and limitations for preexisting conditions or insurability (except for pre-existing conditions that were excluded, or restrictions or limitations that were applicable, under the MainStreet Benefit Plans), and (ii) cause any deductible, co-insurance, or maximum out-of-pocket payments made by the MainStreet Continuing Employees under welfare MainStreet Benefit Plans to be credited to such MainStreet Continuing Employees under welfare American Benefit Plans, so as to reduce the amount of any deductible, co-insurance or maximum out-of-pocket payments payable by such MainStreet Continuing Employees under welfare American Benefit Plans.

(c) Each employee of MainStreet or any MainStreet Subsidiary at the Effective Date whose employment is involuntarily terminated other than for cause by American after the Effective Date, but on or before the date that is six (6) months from the Effective Date, excluding any employee who has a contract providing for severance, shall be entitled to receive severance pay equal to two (2) weeks of pay, at his or her rate of pay in effect at the time of termination, for each full year of continuous service with MainStreet and American, subject to a minimum of six (6) weeks and a maximum of twenty-six (26) weeks of pay. Such severance payments will be in lieu of any payment under severance pay plans that may be in effect at MainStreet or any MainStreet Subsidiary prior to the Effective Date.

(d) With respect to MainStreet s 401(k) plan, MainStreet shall cause such plan to be terminated effective immediately prior to the Effective Date, in accordance with applicable law and subject to the receipt of all applicable regulatory or governmental approvals. Each MainStreet Continuing Employee who was a participant in the MainStreet 401(k) plan and who continues in the employment of American or any American Subsidiary shall be eligible to participate in American s 401(k) plan on or as soon as administratively practicable after the Effective Date, and account balances under the terminated MainStreet 401(k) plan will be eligible for distribution or rollover, including direct rollover, to American s 401(k) for MainStreet Continuing Employees.

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Any other former employee of MainStreet or the MainStreet Subsidiaries who is employed by American or the American Subsidiaries after the Effective Date shall be eligible to be a participant in the American 401(k) plan upon complying with eligibility requirements. All rights to participate in American's 401(k) plan are subject to American's right to amend or terminate the plan. For purposes of administering American's 401(k) plan, service with MainStreet and the MainStreet Subsidiaries shall be deemed to be service with American for participation and vesting purposes, but not for purposes of benefit accrual.

(e) MainStreet and each of the MainStreet Subsidiaries, as applicable, shall adopt such resolutions and/or amendments to the Franklin Community Bank Supplemental Retirement Plan (the "MainStreet SERP") and related documents and take any other necessary action to freeze the MainStreet SERP on or prior to the Effective Date. As soon as practicable after entering into this Agreement, MainStreet shall provide American with (i) certified copies of the resolutions and/or amendments adopted by the Board of Directors (or the appropriate committee thereof) of MainStreet or a MainStreet Subsidiary, as applicable, authorizing the above actions taken with respect to the MainStreet SERP, and (ii) executed amendments to the MainStreet SERP and related documents, including any required written consent of the participants in the MainStreet SERP, in form and substance reasonably satisfactory to American to effectuate such actions.

(f) Nothing in this Section 5.9 shall be interpreted as preventing American, from and after the Effective Date, from amending, modifying or terminating any American Benefit Plans or MainStreet Benefit Plans or any other contracts, arrangements, commitments or plans of either party in accordance with their terms and applicable law.

5.10 Reservation of Shares; NASDAQ Listing.

(a) American shall take all corporate action as may be necessary to authorize and reserve for issuance such number of shares of American Common Stock to be issued pursuant to this Agreement, and to cause all such shares, when issued pursuant to this Agreement, to be duly authorized, validly issued, fully paid and nonassessable.

(b) American shall use all reasonable best efforts to cause the shares of American Common Stock to be issued in the Merger to be approved for listing on the NASDAQ Global Select Market, subject to official notice of issuance, as promptly as practicable, and in any event before the Effective Date.

5.11 Financial Ability.

On the Effective Date and through the date of payment of the aggregate amount of the Cash Consideration issuable pursuant to Article 3 hereof, American shall have all funds necessary to consummate the Merger and pay the aggregate amount of the Cash Consideration to the holders of MainStreet Common Stock pursuant to Article 2 hereof.

5.12 Indemnification; Insurance.

(a) Following the Effective Date, American shall indemnify, defend and hold harmless any person who has rights to indemnification from MainStreet, to the same extent and on the same conditions as such person was entitled to indemnification pursuant to applicable law and MainStreet's Organizational Documents, as in effect on the date of this Agreement. Without limiting the foregoing, in any case in which corporate approval may be required to effectuate any indemnification, American shall direct, if the party to be indemnified elects, that the determination of permissibility of indemnification shall be made by independent counsel mutually agreed upon between American and the indemnified

party.

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(b) American shall, at or prior to the Effective Date, purchase a six (6) year tail prepaid policy on the same terms and conditions as the existing directors and officers liability (and fiduciary) insurance maintained by MainStreet from insurance carriers with comparable credit ratings, covering, without limitation, the Merger; provided, however, that the cost of such tail policy shall in no event exceed three hundred percent (300)% of the amount of the last annual premium paid by MainStreet for such existing directors and officers liability (and fiduciary) insurance. If, but for the proviso to the immediately preceding sentence, American would be required to expend more than three hundred percent (300)% of current annual premiums, American will obtain the maximum amount of that insurance obtainable by payment of annual premiums equal to three hundred percent (300)% of current annual premiums.

(c) The provisions of this Section 5.12 are intended to be for the benefit of and shall be enforceable by each indemnified party and his or her heirs and representatives.

5.13 Employment Arrangements.

American will, as of and after the Effective Date, assume and honor all employment, severance, change in control and deferred compensation agreements or arrangements that MainStreet and the MainStreet Subsidiaries have with their current and former officers and directors and which are set forth in Section 5.13 of the MainStreet Disclosure Schedule, except to the extent any such agreements or arrangements shall be superseded on or after the Effective Date.

5.14 Notice of Deadlines.

MainStreet has set forth in Section 5.14 of its Disclosure Schedule a complete and accurate list of the deadlines for extensions or terminations of all material leases, agreements or licenses (including specifically real property leases and data processing agreements) to which MainStreet or any of the MainStreet Subsidiaries is a party.

5.15 Consent to Assign and Use Leased Premises.

On Section 5.15 of its Disclosure Schedule, MainStreet has provided a list of all leases with respect to real or personal property used by it or any MainStreet Subsidiary. With respect to the leases disclosed in Section 5.15 of its Disclosure Schedule, MainStreet and each of the MainStreet Subsidiaries will use commercially reasonable efforts to obtain all consents necessary or appropriate to transfer and assign, as of the Effective Date, all right, title and interest of MainStreet and each of the MainStreet Subsidiaries to American or an appropriate American Subsidiary and to permit the use and operation of the leased premises by American or an appropriate American Subsidiary.

5.16 Takeover Laws.

If any federal or state anti-takeover laws or regulations may become, or may purport to be, applicable to the transactions contemplated hereby, each party hereto and the members of their respective Boards of Directors will grant such approvals and take such actions as are necessary and legally permissible so that the transactions contemplated by this Agreement may be consummated as promptly as practicable on the terms contemplated hereby and otherwise act to eliminate or minimize the effects of any such laws or regulations on any of the transactions contemplated by this Agreement.

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5.17 Change of Method.

American and MainStreet shall be empowered, upon their mutual agreement and at any time prior to the Effective Date (and whether before or after the MainStreet Stockholders Meeting), to change the method or structure of effecting the combination of American and MainStreet (including the provisions of Article 1), if and to the extent they both deem such change to be necessary, appropriate or desirable; provided that no such change shall (i) alter or change the Exchange Ratio or amount of cash to be received by MainStreet stockholders in exchange for each share of MainStreet Common Stock, (ii) adversely affect the tax treatment of American or MainStreet pursuant to this Agreement or (iii) materially impede or delay the consummation of the transactions contemplated by this Agreement in a timely manner. The parties hereto agree to reflect any such change in an appropriate amendment to this Agreement executed by both parties in accordance with Section 8.3.

5.18 Certain Policies.

Prior to the Effective Date, MainStreet shall, consistent with GAAP and applicable banking laws and regulations, modify or change its Loan, OREO, accrual, reserve, Tax, litigation and real estate valuation policies and practices (including loan classifications and levels of reserves) so as to be applied on a basis that is consistent with that of American; provided, however, that no such modifications or changes need be made prior to the satisfaction of the conditions set forth in Section 6.1(b).

5.19 Corporate Governance.

(a) Subject to the prior approval and recommendation of American's Corporate Governance and Nominating Committee, at the Effective Date, American shall cause Joel R. Shepherd to be appointed to the Board of Directors of American to serve in such capacity until such time as his successor shall be duly elected and qualified.

(b) At or prior to the Effective Date, American shall establish the Franklin Advisory Board, which shall be in effect for a minimum of one (1) year from the Effective Date. The Franklin Advisory Board shall initially be comprised of the current non-executive officer members of the Board of Directors of MainStreet and Franklin Community Bank (other than Mr. Shepherd), together with other business and community leaders chosen by American after consultation with MainStreet. Membership on the Franklin Advisory Board shall be conditional upon execution of an agreement providing that such person will not engage in activities competitive with American until the later of the date that is one (1) year following the Effective Date or the date on which he or she ceases to be a member of the Franklin Advisory Board.

5.20 Shareholder Litigation.

Each of American and MainStreet shall give the other prompt notice of any shareholder litigation against such party or its directors or affiliates (or combination thereof) relating to the transactions contemplated by this Agreement and shall give the other the opportunity to participate in, but not control, the defense or settlement of any such litigation. In addition, no such settlement by MainStreet shall be agreed to without American's prior written consent (such consent not to be unreasonably withheld, conditioned or delayed).

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ARTICLE 6

Conditions to the Merger

6.1 General Conditions.

The respective obligations of each party to perform this Agreement and consummate the Merger are subject to the satisfaction of the following conditions, unless waived by each party pursuant to Section 8.3.

- (a) *Corporate Action.* All corporate action necessary to authorize the execution, delivery and performance of this Agreement and consummation of the transactions contemplated hereby shall have been duly and validly taken, including without limitation the MainStreet Stockholders Approval.
- (b) *Regulatory Approvals.* American and MainStreet shall have received all Regulatory Approvals required in connection with the transactions contemplated by this Agreement, all notice periods and waiting periods required after the granting of any such approvals shall have passed, and all such approvals shall be in effect; provided, that no such approvals shall contain (i) any conditions, restrictions or requirements that would, after the Effective Date, have or be reasonably likely to have a Material Adverse Effect on American (after giving effect to the Merger) in the reasonable opinion of American, or (ii) any conditions, restrictions or requirements that would, after the Effective Date, be unduly burdensome in the reasonable opinion of American.
- (c) *Registration Statement.* The Registration Statement shall have been declared effective under the Securities Act and no stop order suspending the effectiveness of the Registration Statement shall have been issued and be in effect and no proceedings for that purpose shall have been initiated by the SEC and not withdrawn.
- (d) *NASDAQ Listing.* The shares of the American Common Stock to be issued to the holders of MainStreet Common Stock upon consummation of the Merger shall have been authorized for listing on the NASDAQ Global Select Market, subject to official notice of issuance.
- (e) *Legal Proceedings.* Neither party shall be subject to any order, decree or injunction of (i) a court or agency of competent jurisdiction or (ii) a Governmental Authority that enjoins or prohibits the consummation of the Merger.
- (f) *Federal Tax Opinion.* American and MainStreet shall have received a written opinion, dated the Closing Date, from LeClairRyan, A Professional Corporation, to the effect that, on the basis of facts, representations and assumptions set forth or referred to in such opinion, the Merger will constitute a reorganization within the meaning of Section 368(a) of the Code. In rendering such opinion, such counsel may require and shall be entitled to rely upon representations of officers of American and MainStreet reasonably satisfactory in form and substance to such counsel.

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6.2 Conditions to Obligations of American.

The obligations of American to perform this Agreement and consummate the Merger are subject to the satisfaction of the following conditions, unless waived by American pursuant to the provisions of this Section 6.2 and Section 8.3.

(a) *Representations and Warranties.* The representations and warranties of MainStreet set forth in Section 3.3, after giving effect to Sections 3.1 and 3.2, shall be true and correct as of the date of this Agreement and (except to the extent such representations and warranties speak as of an earlier or specific date) as of all times up to and including the Closing Date as though made on and as of the Closing Date, and American shall have received a certificate, dated as of the Closing Date, signed on behalf of MainStreet by the Chief Executive Officer and Chief Financial Officer of MainStreet to such effect.

(b) *Performance of Obligations.* MainStreet and each of the MainStreet Subsidiaries shall have performed in all material respects all obligations required to be performed by it under this Agreement before the Closing Date, and American shall have received a certificate, dated as of the Closing Date, signed on behalf of MainStreet by the Chief Executive Officer and Chief Financial Officer of MainStreet to such effect.

(c) *Dissenting Shares.* Dissenting Shares shall not represent five percent (5%) or more of the outstanding shares of MainStreet Common Stock unless waived in the sole discretion of American.

6.3 Conditions to Obligations of MainStreet.

The obligations of MainStreet to perform this Agreement and consummate the Merger are subject to the satisfaction of the following conditions, unless waived by MainStreet pursuant to Section 8.3.

(a) *Representations and Warranties.* The representations and warranties of American set forth in Section 3.4, after giving effect to Sections 3.1 and 3.2, shall be true and correct as of the date of this Agreement and (except to the extent such representations and warranties speak as of an earlier or specific date) as of all times up to and including the Closing Date, as though made on and as of the Closing Date and MainStreet shall have received a certificate, dated as of the Closing Date, signed on behalf of American by the Chief Executive Officer and Chief Financial Officer of American to such effect.

(b) *Performance of Obligations.* American and each of the American Subsidiaries shall have performed in all material respects all obligations required to be performed by it under this Agreement before the Closing Date, and MainStreet shall have received a certificate, dated as of the Closing Date, signed on behalf of American by the Chief Executive Officer and Chief Financial Officer of American to such effect.

ARTICLE 7

Termination

7.1 Termination.

This Agreement may be terminated and the Merger abandoned at any time before the Effective Date, whether before or after the approval of the Merger by the stockholders of MainStreet, as provided below:

(a) *Mutual Consent.* By the mutual consent in writing of American and MainStreet;

(b) *Closing Delay*. By either American or MainStreet, evidenced by written notice, if the Merger has not been consummated by July 1, 2015 or such later date as shall have been agreed

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to in writing by the parties, provided that the right to terminate under this Section 7.1(b) shall not be available to any party whose breach or failure to perform an obligation hereunder has caused the failure of the Merger to occur on or before such date;

(c) *Breach of Representation or Warranty.* By either American or MainStreet (provided that the terminating party is not then in breach of any representation or warranty contained in this Agreement under the applicable standard set forth in Section 3.2 or in breach of any covenant or agreement contained in this Agreement) in the event of a breach or inaccuracy of any representation or warranty of the other party contained in this Agreement which cannot be or has not been cured within thirty (30) days after the giving of written notice to the breaching party of such breach or inaccuracy and which breach or inaccuracy (subject to the applicable standard set forth in Section 3.2) would provide the terminating party the ability to refuse to consummate the Merger under Section 6.2(a) in the case of American and Section 6.3(a) in the case of MainStreet;

(d) *Breach of Covenant or Agreement.* By either American or MainStreet (provided that the terminating party is not then in breach of any representation or warranty contained in this Agreement under the applicable standard set forth in Section 3.2 or in breach of any covenant or agreement contained in this Agreement) in the event of a material breach by the other party of any covenant or agreement contained in this Agreement which cannot be or has not been cured within thirty (30) days after the giving of written notice to the breaching party of such breach;

(e) *Conditions to Performance Not Met.* By either American or MainStreet (provided that the terminating party is not then in breach of any representation or warranty contained in this Agreement under the applicable standard set forth in Section 3.2 or in breach of any covenant or agreement contained in this Agreement) in the event that any of the conditions precedent to the obligations of such party to consummate the Merger set forth in Section 6.2 or Section 6.3, as applicable, cannot be satisfied or fulfilled by the date specified in Section 7.1(b), as the date after which such party may terminate this Agreement;

(f) *Solicitation and Recommendation Matters; MainStreet Stockholders Meeting Failure.* At any time prior to the MainStreet Stockholders Meeting, by American if (i) MainStreet shall have breached Section 5.5, (ii) the MainStreet Board of Directors shall have failed to make its recommendation referred to in Section 5.3, withdrawn such recommendation or modified or changed such recommendation in a manner adverse in any respect to the interests of American or (iii) MainStreet shall have materially breached its obligations under Section 5.3 by failing to call, give notice of, convene and hold the MainStreet Stockholders Meeting in accordance with Section 5.3;

(g) *No MainStreet Stockholders Approval.* By either American or MainStreet, if the MainStreet Stockholders Approval shall not have been attained by reason of the failure to obtain the required vote at the MainStreet Stockholders Meeting or any adjournment thereof;

(h) *Termination Event.* By American upon the occurrence of a Termination Event (as defined in Section 7.4(e) hereof); or

(i) *Other Agreement.* At any time prior to the MainStreet Stockholders Meeting, by MainStreet in order to enter into an acquisition agreement or similar agreement with respect to a Superior Proposal which has been received and considered by MainStreet and the MainStreet Board of Directors in compliance with Section 5.5 hereof; provided that this Agreement may be terminated by MainStreet pursuant to this Section 7.1(i) only after the fifth business day following MainStreet's provision of written notice to American advising American that the MainStreet Board

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of Directors is prepared to accept a Superior Proposal, and only if, during such five-business day period, American does not, in its sole discretion, make an offer to MainStreet that the MainStreet Board of Directors determines in good faith, after consultation with its financial and outside legal advisors, is at least as favorable as the Superior Proposal.

7.2 Effect of Termination.

In the event of termination of this Agreement by either party as provided in Section 7.1, none of American, MainStreet, any of their respective subsidiaries or any of the officers or directors of any of them shall have any liability hereunder or in connection with the transactions contemplated hereby, except that (i) Section 5.2(c) (Confidentiality), Section 5.7 (Public Announcements), this Article 7 (Termination) and Article 8 (General Provisions) shall survive any termination of this Agreement and (ii) notwithstanding anything to the contrary in this Agreement, termination will not relieve a breaching party from any liabilities or damages arising out of its willful and material breach of any provision of this Agreement.

7.3 Non-Survival of Representations, Warranties and Covenants.

None of the representations and warranties set forth in this Agreement or in any instrument delivered pursuant to this Agreement (other than the Confidentiality Agreement, which shall survive in accordance with its terms) shall survive the Effective Date, except for Section 5.12 and for any other covenant and agreement contained in this Agreement that by its terms applies or is to be performed in whole or in part after the Effective Date.

7.4 Fees and Expenses.

(a) Except as otherwise provided in this Agreement, each of the parties shall bear and pay all costs and expenses incurred by it in connection with the transactions contemplated herein, including fees and expenses of its own financial consultants, accountants and legal advisors, except that the costs and expenses of printing and mailing the Proxy Statement and all filing and other fees paid to the SEC and other Governmental Authorities and Regulatory Agencies in connection with the Merger shall be borne equally by American and MainStreet.

(b) In recognition of the effort made, the expenses incurred and the other opportunities for acquisition forgone by American while structuring the Merger, MainStreet shall pay American the sum of \$1,000,000 (the Termination Fee) if this Agreement is terminated as follows:

(i) if this Agreement is terminated by American pursuant to Section 7.1(f) or Section 7.1(h), or by MainStreet pursuant to Section 7.1(i), payment shall be made to American concurrently with the termination of this Agreement; or

(ii) if this Agreement is terminated (A) by American pursuant to Section 7.1(c) or Section 7.1(d) or Section 7.1(e), (B) by either American or MainStreet pursuant to Section 7.1(b), or (C) by either American or MainStreet pursuant to Section 7.1(g), and in the case of any termination pursuant to clause (A), (B) or (C) an Acquisition Proposal shall have been publicly announced or otherwise communicated or made known to the stockholders, senior management or the Board of Directors of MainStreet (or any person or entity shall have publicly announced, communicated or made known an intention, whether or not conditional, to make an Acquisition Proposal) at any time after the date of this Agreement and prior to the taking of the vote of the stockholders of MainStreet contemplated by this Agreement at the MainStreet Stockholders Meeting, in the case of

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clause (C), or prior to the date of termination, in the case of clause (A) or (B), then (1) if within fifteen (15) months after such termination MainStreet enters into an agreement or consummates a transaction with respect to an Acquisition Proposal (whether or not the same Acquisition Proposal as that referred to above), then MainStreet shall pay to American the Termination Fee on the date of execution of such agreement (regardless of whether such transaction is consummated before or after the termination of this Agreement) or the consummation of such transaction, or (2) if a transaction with respect to an Acquisition Proposal (whether or not the same Acquisition Proposal as that referred to above) is consummated otherwise than pursuant to an agreement with MainStreet within eighteen (18) months after the termination of this Agreement, then MainStreet shall pay to American the Termination Fee on the date when such transaction is consummated.

(c) The agreements contained in paragraph (b) of this Section 7.4 shall be deemed an integral part of the transactions contemplated by this Agreement, that without such agreements the parties would not have entered into this Agreement and that no such amount constitutes a penalty or liquidated damages in the event of a breach of this Agreement by MainStreet or American. If MainStreet fails to pay or cause payment to the other party the amount(s) due under paragraph (b) above at the time specified therein, the party so failing to pay shall pay the costs and expenses (including reasonable legal fees and expenses) incurred by the other party in connection with any action in which such other party prevails, including the filing of any lawsuit, taken to collect payment of such amount(s), together with interest on the amount of any such unpaid amount(s) at the prime lending rate prevailing during such period as published in The Wall Street Journal, calculated on a daily basis from the date such amount(s) were required to be paid until the date of actual payment.

(e) For the purposes of this Agreement, a Termination Event shall mean any of the following events or transactions occurring after the date hereof:

(i) (A) MainStreet or Franklin Community Bank, without having received American's prior written consent, shall have entered into an agreement with any person to (1) acquire, merge or consolidate, or enter into any similar transaction, with MainStreet or Franklin Community Bank, or (2) purchase, lease or otherwise acquire all or substantially all of the assets of MainStreet or Franklin Community Bank; or (B) MainStreet or Franklin Community Bank, without having received American's prior written consent, shall have entered into an agreement with any person to purchase or otherwise acquire directly from MainStreet securities representing ten percent (10%) or more of the voting power of MainStreet; or

(ii) a tender offer or exchange offer for twenty percent (20%) or more of the outstanding shares of MainStreet Common Stock is commenced (other than by American or a American Subsidiary), and the MainStreet Board recommends that the stockholders of MainStreet tender their shares in such tender or exchange offer or otherwise fails to recommend that such stockholders reject such tender offer or exchange offer within the ten-business day period specified in Rule 14e-2(a) under the Exchange Act.

(f) Any payment required to be made pursuant to Section 7.4 shall be made by wire transfer of immediately available funds to an account designated by the party entitled to receive payment in the notice of demand for payment delivered pursuant to this Section 7.4.

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ARTICLE 8

General Provisions

8.1 Entire Agreement.

This Agreement, including the MainStreet Disclosure Schedule and the exhibits hereto, contains the entire agreement between American and MainStreet with respect to the Merger and the related transactions and supersedes all prior arrangements or understandings with respect thereto.

8.2 Binding Effect; No Third Party Rights.

This Agreement shall bind American and MainStreet and their respective successors and assigns. Other than Sections 5.9, 5.10, 5.11, 5.12 and 5.13, nothing in this Agreement is intended to confer upon any person, other than the parties hereto or their respective successors, any rights or remedies under or by reason of this Agreement.

8.3 Waiver and Amendment.

Any term or provision of this Agreement may be waived in writing at any time by the party that is, or whose stockholders are, entitled to the benefits thereof, and this Agreement may be amended or supplemented by a written instrument duly executed by the parties hereto at any time, whether before or after the date of the MainStreet Stockholders Meeting, except statutory requirements and requisite approvals of stockholders and Regulatory Agencies.

8.4 Governing Law.

This Agreement shall be governed by, and construed in accordance with, the laws of the Commonwealth of Virginia without regard to the conflict of law principles thereof.

8.5 Notices.

All notices, requests and other communications given or made under this Agreement must be in writing and will be deemed given (i) on the date given if delivered prior to 5:00 p.m. Eastern Time on a business day, personally or by confirmed telecopier, in each case with a hard copy sent by registered or certified first class mail, personally or by commercial overnight delivery service; (ii) on the date received if sent by commercial overnight delivery service; or (iii) on the third business day after being mailed by registered or certified mail (return receipt requested) to the persons and addresses set forth below or such other place as such party may specify by notice.

If to American:

Jeffrey V. Haley

President and Chief Executive Officer

American National Bankshares Inc.

628 Main Street

Danville, Virginia 24541

Tele: (434) 773-2219

Fax: (434) 773-2207

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with a copy to:

George P. Whitley, Esq.

LeClairRyan, A Professional Corporation

Riverfront Plaza, East Tower

951 East Byrd Street

Richmond, Virginia 23219

Tele: (804) 343-4089

Fax: (804) 783-7628

If to MainStreet:

Brenda H. Smith

President and Chief Executive Officer

MainStreet BankShares, Inc.

1075 Spruce Street

Martinsville, Virginia 24112

Tele: (276) 632-7422

Fax: (276) 632-8043

with a copy to:

Douglas W. Densmore, Esq.

CowanPerry PC

317 Washington Avenue, S.W.

Roanoke, Virginia 24016

Tele: (540) 777-3458

Fax: (888) 755-1450

8.6 Counterparts.

This Agreement may be executed in any number of counterparts, each of which shall be an original, but such counterparts together shall constitute one and the same agreement.

8.7 Waiver of Jury Trial.

Each party hereto acknowledges and agrees that any controversy which may arise under this Agreement is likely to involve complicated and difficult issues, and therefore each party hereby irrevocably and unconditionally waives any right such party may have to a trial by jury in respect of any litigation, directly or indirectly, arising out of or relating to this Agreement or the transactions contemplated by this Agreement. Each party certifies and acknowledges that (i) it understands and has considered the implications of this waiver and (ii) it makes this waiver voluntarily.

8.8 Severability.

In the event that any provision of this Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provisions hereof. Any provision of this Agreement held invalid or unenforceable only in part or degree shall remain in full force and effect to the extent not held invalid or unenforceable. Further, the parties agree that a court of competent jurisdiction may reform any provision of this Agreement held invalid or unenforceable so as to reflect the intended agreement of the parties hereto.

[Signatures on following page]

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IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed in counterparts by their duly authorized officers and their corporate seals to be affixed hereto, all as of the date first written above.

AMERICAN NATIONAL BANKSHARES
INC.

By: /s/ Jeffrey V. Haley
Jeffrey V. Haley
President and Chief Executive Officer

MAINSTREET BANKSHARES, INC.

By: /s/ Brenda H. Smith
Brenda H. Smith
President and Chief Executive Officer

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EXHIBIT 1.1

To the Agreement and
Plan of Reorganization

PLAN OF MERGER

BETWEEN

AMERICAN NATIONAL BANKSHARES INC.

AND

MAINSTREET BANKSHARES, INC.

Pursuant to this Plan of Merger (**Plan of Merger**), MainStreet BankShares, Inc., a Virginia corporation (**MainStreet**), shall merge with and into American National Bankshares Inc., a Virginia corporation (**American**).

ARTICLE 1

Terms of the Merger

Subject to the terms and conditions of the Agreement and Plan of Reorganization, dated as of August 24, 2014, between American and MainStreet (the **Agreement**), at the Effective Date (as defined herein), MainStreet shall be merged with and into American (the **Merger**) in accordance with the provisions of Virginia law, and with the effect set forth in Section 13.1-721 of the Virginia Stock Corporation Act (the **VSCA**). The separate corporate existence of MainStreet thereupon shall cease, and American shall be the surviving corporation in the Merger. The Merger shall become effective on such date and time as may be determined in accordance with Section 1.2 of the Agreement (the **Effective Date**).

ARTICLE 2

Merger Consideration; Exchange Procedures

2.1 Conversion of Shares; Exchange of Shares.

At the Effective Date, by virtue of the Merger and without any action on the part of the stockholders of MainStreet and American, as the case may be, such stockholders will be entitled to the following:

(a) Each share of common stock, par value \$1.00 per share, of American (**American Common Stock**), that is issued and outstanding immediately before the Effective Date shall remain issued and outstanding and shall remain unchanged by the Merger.

(b) Each share of common stock, no par value, of MainStreet (**MainStreet Common Stock**), that is issued and outstanding immediately before the Effective Date (other than the Dissenting Shares as defined in Section 2.8) will be converted into and exchanged for the right to receive (i) 0.482 shares (the **Exchange Ratio**) of American Common

Stock (the Stock Consideration) and (ii) a cash sum of \$3.46 (the Cash Consideration and, together with the Stock Consideration, the Merger Consideration).

(c) All shares of MainStreet Common Stock converted pursuant to this Section 2.1 shall no longer be outstanding and shall automatically be cancelled and retired and shall cease to exist as of the Effective Date.

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(d) Each certificate previously representing shares of MainStreet Common Stock (a MainStreet Common Certificate) shall cease to represent any rights except the right to receive with respect to each underlying share of MainStreet Common Stock (i) the Merger Consideration upon the surrender of such MainStreet Common Certificate in accordance with Section 2.2, and (ii) any dividends or distributions or cash in lieu of financial shares which the holder thereof has the right to receive pursuant to Sections 2.4 and 2.6.

(e) Each share of MainStreet Common Stock held by either party and each share of American Common Stock held by MainStreet or any of the MainStreet Subsidiaries (as defined in the Agreement) prior to the Effective Date (in each case other than in a fiduciary or agency capacity or on behalf of third parties as a result of debts previously contracted) shall be cancelled and retired and shall cease to exist at the Effective Date and no consideration shall be issued in exchange therefor; provided, that such shares of American Common Stock shall resume the status of authorized and unissued shares of American Common Stock.

2.2 Exchange Procedures.

(a) On or before the Closing Date, American shall deposit, or shall cause to be deposited, with its transfer agent or such other transfer agent or depository or trust institution of recognized standing approved by American (in such capacity, the Exchange Agent), for the benefit of the holders of the MainStreet Common Certificates, (i) certificates representing the shares of American Common Stock issuable pursuant to this Article 2, and (ii) cash equal to the aggregate amount of the Cash Consideration issuable pursuant to this Article 2, together with any dividends or distributions with respect thereto and any cash to be paid in lieu of fractional shares without any interest thereon (the Exchange Fund), in exchange for certificates representing outstanding shares of MainStreet Common Stock.

(b) As promptly as practicable after the Effective Date, American shall cause the Exchange Agent to send to each former stockholder of record of MainStreet immediately before the Effective Date transmittal materials for use in exchanging such stockholder's MainStreet Common Certificates for the Merger Consideration, as provided for herein.

(c) American shall cause the Merger Consideration into which shares of MainStreet Common Stock are converted at the Effective Date or dividends or distributions which such stockholder shall be entitled to receive and any cash to be paid in lieu of fractional shares to be issued and paid to such stockholder upon delivery to the Exchange Agent of MainStreet Common Certificates representing such shares of MainStreet Common Stock, together with the transmittal materials duly executed and completed in accordance with the instructions thereto. No interest will accrue or be paid on any such cash to be paid pursuant to Sections 2.4 or 2.6.

(d) Any MainStreet stockholder whose MainStreet Common Certificates have been lost, destroyed, stolen or are otherwise missing shall be entitled to the Merger Consideration, dividends or distributions, and cash in lieu of fractional shares to which such stockholder shall be entitled upon compliance with reasonable conditions imposed by American pursuant to applicable law and as required in accordance with American's standard policy (including the requirement that the shareholder furnish a surety bond or other customary indemnity).

(e) Any portion of the Exchange Fund that remains unclaimed by the stockholders of MainStreet for six (6) months after the Effective Date shall be returned to American (together with any earnings in respect thereof). Any stockholders of MainStreet who have not complied with this Article 2 shall thereafter be entitled to look only to American, and only as a general creditor

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thereof, for payment of the consideration deliverable in respect of each share of MainStreet Common Stock such stockholder holds as determined pursuant to this Agreement, without any interest thereon.

(f) None of the Exchange Agent, American, MainStreet or any of the American Subsidiaries or the MainStreet Subsidiaries (as such terms are defined in the Agreement) shall be liable to any stockholder of MainStreet for any amount of property delivered to a public official pursuant to applicable abandoned property, escheat or similar laws.

2.3 MainStreet Stock Options.

(a) At the Effective Date, each option to purchase shares of MainStreet Common Stock (a MainStreet Stock Option) granted under an equity or equity-based compensation plan of MainStreet (a MainStreet Stock Plan) shall vest and shall be converted into an option (each, a Replacement Option) to acquire, on the same terms and conditions as were applicable under such MainStreet Stock Option (except as provided otherwise in this Section 2.3(a)), the number of shares of American Common Stock equal to the product of (i) the number of shares of MainStreet Common Stock subject to the MainStreet Stock Option multiplied by (ii) 0.643 (the Option Exchange Ratio). Such product shall be rounded down to the nearest whole number. The exercise price per share (rounded up to the next whole cent) of each Replacement Option shall equal (y) the exercise price per share of shares of MainStreet Common Stock that were purchasable pursuant to such MainStreet Stock Option divided by (z) the Option Exchange Ratio. Notwithstanding the foregoing, each MainStreet Stock Option that is intended to be an incentive stock option (as defined in Section 422 of the Internal Revenue Code of 1986, as amended (the Code)) shall be adjusted in accordance with the requirements of Section 424 of the Code and all other options shall be adjusted in a manner that maintains the options exemption from Section 409A of the Code. At the Effective Date, American shall assume the MainStreet Stock Plans; provided that such assumption shall only be with respect to the Replacement Options and American shall have no obligation to make any additional grants or awards under the MainStreet Stock Plans.

(b) As soon as practicable after the Effective Date, American will deliver to the holders of Replacement Options any required notices setting forth such holders' rights pursuant to the respective MainStreet Stock Plan and award documents and stating that such Replacement Options have been issued by American and shall continue in effect on the same terms and conditions (subject to the adjustments required by this Section 2.3 after giving effect to the Merger and the terms of the MainStreet Stock Plan).

2.4 No Fractional Shares.

Each holder of shares of MainStreet Common Stock exchanged pursuant to the Merger which would otherwise have been entitled to receive a fraction of a share of American Common Stock shall receive, in lieu thereof, cash (without interest and rounded to the nearest cent) in an amount equal to such fractional part of a share of American Common Stock multiplied by the closing sale price of American Common Stock on the NASDAQ Global Select Market for the trading day immediately preceding (but not including) the Effective Date.

2.5 Anti-Dilution.

In the event American changes (or establishes a record date for changing) the number of shares of American Common Stock issued and outstanding before the Effective Date as a result of a stock split, stock dividend, recapitalization, reclassification, reorganization or similar transaction, appropriate and proportional adjustments will be made to the Exchange Ratio.

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2.6 Dividends.

No dividend or other distribution payable to the holders of record of MainStreet Common Stock at, or as of, any time after the Effective Date will be paid to the holder of any MainStreet Common Certificate until such holder physically surrenders such certificate (or furnishes a surety bond or a customary indemnity that such certificate is lost, destroyed, stolen or otherwise missing as provided in Section 2.2(d)) for exchange as provided in Section 2.2 of this Plan of Merger, promptly after which time all such dividends or distributions will be paid (without interest).

2.7 Withholding Rights.

The Exchange Agent will be entitled to deduct and withhold from the Merger Consideration otherwise payable pursuant to this Agreement to any person such amounts, if any, as it is required to deduct and withhold with respect to the making of such payment under the Code (as defined in the Agreement) or any provision of state, local or foreign Tax (as defined in the Agreement) law. To the extent that amounts are so withheld and remitted to the appropriate Governmental Authority (as defined in the Agreement) by the Exchange Agent, such amounts withheld will be treated for all purposes of this Agreement as having been paid to such person in respect of which such deduction and withholding was made by the Exchange Agent.

2.8 Dissenting Shares.

Any holder of shares of MainStreet Common Stock who perfects such holder's appraisal rights in accordance with and as contemplated by Sections 13.1-729 through 13.1-741.1 of the VSCA shall be entitled to receive from American, in lieu of the Merger Consideration, the value of such shares as to which appraisal rights have been perfected in cash as determined pursuant to the VSCA; provided, that no such payment shall be made to any dissenting stockholder unless and until such dissenting stockholder has complied with all applicable provisions of the VSCA, and surrendered to MainStreet the certificate or certificates representing the shares for which payment is being made. In the event that after the Effective Date a dissenting stockholder of MainStreet fails to perfect, or effectively withdraws or loses, such holder's right to appraisal of and payment for such holder's shares, American shall issue and deliver the consideration to which such holder of shares of MainStreet Common Stock is entitled under this Article 2 (without interest) upon surrender by such holder of the MainStreet Common Certificate representing such shares.

ARTICLE 3

Articles of Incorporation and Bylaws of American

The Articles of Incorporation of American as in effect immediately prior to the Effective Date shall be the Articles of Incorporation of American at and after the Effective Date until thereafter amended in accordance with applicable law. The Bylaws of American as in effect immediately prior to the Effective Date shall be the Bylaws of American at and after the Effective Date until thereafter amended in accordance with applicable law.

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ARTICLE 4

Conditions Precedent

The obligations of American and MainStreet to effect the Merger as herein provided shall be subject to satisfaction, unless duly waived, of the conditions set forth in the Agreement.

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APPENDIX B

OPINION OF BB&T CAPITAL MARKETS

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Member
NYSE/SIPC
August 22, 2014

901 East Byrd Street, Suite 410
Richmond, Virginia 23219

Tel (804) 780-3230
FAX (804) 649-0990

Board of Directors

MainStreet Bankshares, Inc.

1075 Spruce Street

Martinsville, Virginia 24112

Members of the Board:

The Board of Directors (the Board) of MainStreet Bankshares, Inc., a Virginia corporation (the Company), has requested that BB&T Capital Markets, a division of BB&T Securities, LLC (BB&T Capital Markets or we), provide to the Board our opinion as to the fairness, from a financial point of view, to the Company's shareholders of the Merger Consideration to be provided to the Company's shareholders as set forth in that certain Agreement and Plan of Reorganization, dated August 22, 2014 (the Agreement), by and between the Company and American National Bankshares Inc., a Virginia corporation (AMNB), pursuant to which the Company will merge with and into AMNB (the Merger). Under the terms of the Agreement, upon consummation of the Merger, each outstanding share of Company common stock, no par value, issued and outstanding immediately prior to the Merger, will be converted into and exchanged for the right to receive the Merger Consideration. Capitalized terms used herein without definition have the meanings assigned to them in the Agreement. The terms and conditions of the Merger are more fully set forth in the Agreement.

BB&T Capital Markets has acted as financial advisor to the Board in connection with the Merger. As a customary part of our investment banking business, we regularly engage in the valuation of financial institutions and their securities in connection with mergers and acquisitions and other corporate transactions. In the ordinary course of our business as a broker-dealer, we may, from time to time purchase securities from, and sell securities to, the Company and AMNB, and as a market maker in securities, we may from time to time have a long or short position in, and buy, sell or hold equity securities of the Company and AMNB for our own account and for the accounts of our customers. Further, BB&T Capital Markets initiated equity research coverage of AMNB in September 1998 and expects to publish research notes on AMNB from time to time in the future.

Over the past two years, excluding in connection with the Merger, BB&T Capital Markets has not received compensation for investment banking services from either the Company or AMNB. As of the date hereof, there are no material relationships mutually understood to be contemplated in which any compensation is intended to be received by us as a result of the relationship between us and any of the parties to the Agreement.

In connection with the Merger and the preparation and delivery of this opinion, we have reviewed, analyzed, and relied upon, among other things:

- i. The Agreement and meetings and discussions with members of senior management of the Company regarding the material terms of the Agreement;

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Board of Directors

MainStreet Bankshares, Inc.

August 22, 2014

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- ii. Certain publicly available financial statements and other historical financial information of AMNB that we deemed relevant and meetings and discussions regarding the same with members of senior management of AMNB;
- iii. Certain publicly and non-publicly available financial statements and other historical financial information of the Company that we deemed relevant and meetings and discussions regarding the same with members of senior management of the Company;
- iv. Internal financial forecasts for the Company related to the business, earnings, cash flows, assets and prospects of the Company for the years ending December 31, 2014 through 2018 prepared by BB&T Capital Markets and reviewed with senior management of the Company (the Forecasts);
- v. The estimated pro forma financial impact of the Merger on AMNB, based on assumptions relating to, without limitation, transaction expenses, purchase accounting adjustments, cost savings, and certain synergies determined by and reviewed with the senior management of the Company and discussed summarily with the senior management of AMNB;
- vi. The historical market prices and trading activity for AMNB common stock and a comparison of certain financial and stock market information for AMNB and the Company with similar publicly-traded companies which we deemed to be relevant;
- vii. The proposed financial terms of the Merger and a comparison of such terms with the financial terms, to the extent publicly available, of certain recent business combinations in the banking industry which we deemed to be relevant;
- viii. The relative contribution of the Company and AMNB with regard to certain assets, liabilities, earnings, and capital;
- ix. The current market environment generally and the banking environment in particular;

- x. A discounted dividend scenario of the Company based upon the Forecasts and an illustrative dividend payout; and

- xi. Such other information, financial studies, analyses and investigations, and financial, economic, and market criteria as we deemed appropriate.

We also held discussions with members of senior management of the Company and AMNB regarding the reasons and basis for the Merger and the historical and current business operations, financial condition, results of operations, regulatory relationships and future prospects (including, with respect to senior management of the Company and AMNB, synergies anticipated to result from the Merger) of their respective companies and such other matters as we have deemed relevant to our inquiry.

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Board of Directors

MainStreet Bankshares, Inc.

August 22, 2014

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In conducting our review and arriving at our opinion, we have relied upon and assumed the accuracy and completeness of all of the financial and other information that was available to us from public sources, that was provided to us by the Company and AMNB or their respective representatives, or that was otherwise reviewed by us and Company management (including the Forecasts), and we assumed such accuracy and completeness in rendering this opinion. We have further relied on the assurances of management of the Company and AMNB that they are not aware of any facts or circumstances that would make any of such information inaccurate or misleading. We have not been asked nor have we attempted independently to verify such information, and we assume no responsibility or liability for independently verifying the accuracy and completeness of such information. We did not make an independent evaluation or appraisal of any specific assets, any collateral securing assets or the liabilities, including any contingent, off-balance sheet assets or liabilities, of the Company or AMNB or any of their subsidiaries. We did not make an independent evaluation of the adequacy of the allowance for loan losses of the Company or AMNB nor have we reviewed any individual credit files relating to the Company or AMNB. We assumed, with your consent, the respective allowances for loan losses for both the Company and AMNB are adequate to cover such losses and will be adequate for the combined entity on a pro forma basis after all accounting adjustments for the Merger. We also assumed that all governmental, regulatory or other consents and approvals necessary for the consummation of the Merger will be obtained without any adverse effect on the Company and AMNB or on the expected benefits of the Merger.

With respect to the financial projections (including the Forecasts) and earnings estimates for the Company and AMNB and all projections of transaction costs, purchase and other accounting adjustments and expected cost savings or other synergies prepared by and/or reviewed with the management of the Company and AMNB and used by BB&T Capital Markets in its analyses, the Company's and AMNB's senior management confirmed to us that they reflect the best currently available estimates and judgments of the respective management of the Company and AMNB as to the future financial performance of AMNB as the surviving entity in the Merger, and we assumed that such financial performance would be achieved. We express no opinion as to such financial projections (including the Forecasts) or the assumptions or judgments on which they are based. We have assumed that there has been no material change in the assets, financial conditions, results of operations, business or prospects of the Company and AMNB since the date of the most recent financial statements made available to us. We have further assumed, with your consent, that the synergies referenced above will be realized substantially in accordance with the expectations of the Company and AMNB as expressed in collaborative discussion between us and them. Moreover, we have assumed that the Merger will be consummated upon the terms set forth in the Agreement without material alteration or waiver thereof, qualify as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code of 1986, as amended, and that the representations and warranties of each party in the Agreement and in all related documents and instruments referred to in the Agreement are true and correct. Finally, with your consent, we have relied upon the advice the Company has received from its legal, accounting and tax advisors as to all legal, accounting and tax matters related to the Merger and other transactions contemplated by the Agreement.

Our opinion is necessarily based on, and we have necessarily taken into account, the financial, economic, market and other conditions as in effect on, and the information made available to us as of, the date hereof. We are not legal, tax, regulatory, or bankruptcy advisors. We have not considered any legislative or regulatory changes recently adopted or currently being considered by the United States Congress, the various federal banking agencies, the Securities and Exchange Commission (the SEC), or any other regulatory bodies, or any changes in accounting methods or generally accepted accounting principles that may be adopted by the SEC or the Financial Accounting Standards Board, or any changes in regulatory accounting principles that may be adopted by any or all of the federal banking agencies. Our opinion is not a solvency opinion and does not in any way address the solvency or financial condition

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Board of Directors

MainStreet Bankshares, Inc.

August 22, 2014

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of AMNB, the Company or the combined entity after consummation of the Merger. Events occurring after the date hereof could materially affect this opinion. We have no obligation to update, revise, reaffirm or withdraw this opinion or otherwise comment upon events occurring after the date hereof. We are expressing no opinion herein as to what the value of shares of AMNB common stock will be when issued to the Company shareholders at the closing of the Merger pursuant to the Agreement or the prices at which shares of AMNB common stock may trade at any time.

The terms of the fee arrangement with BB&T Capital Markets, which BB&T Capital Markets and the Company believe are customary in transactions of this nature, were negotiated at arm's length between the Company and BB&T Capital Markets, and the Board was aware of such arrangement, including the fact that the majority of the fee payable to BB&T Capital Markets is contingent upon consummation of the merger. The Company also has agreed to reimburse BB&T Capital Markets for reasonable out-of-pocket expenses incurred in connection with its engagement and has agreed to indemnify BB&T Capital Markets and certain related persons against certain liabilities, including liabilities under the federal securities laws, in connection with our engagement for the delivery of this opinion.

Our opinion is directed to the Board in connection with its consideration of the Merger and our opinion does not constitute a recommendation to any holder of the Company shares as to how such holder should vote at any meeting of shareholders called to consider and vote upon the Agreement. This opinion is not intended to, and does not, (i) create any rights or remedies for any person or entity, other than the Board, or (ii) create any fiduciary duty on the part of BB&T Capital Markets to any party. BB&T Capital Markets was not retained as an advisor or agent to the Company's shareholders or any other person, and it is acting only as a financial advisor to the Company's Board of Directors. This opinion has been reviewed and approved by our Investment Banking Valuation Committee in conformity with our policies and procedures established under the requirements of FINRA Rule 5150 of the Financial Industry Regulatory Authority, Inc. Our opinion is limited and directed only to the fairness, from a financial point of view, to the Company's shareholders of the Merger Consideration to be received by such shareholders in connection with the Merger and pursuant to the terms of the Agreement and does not address the underlying business decision by the Company to engage in the Merger, the relative merits of the Merger as compared to any other alternative business strategies or other strategic alternatives that might exist for the Company, the fairness of the amount or nature of any compensation to any of the officers, directors or employees of the Company, or class of such persons, relative to the compensation to the holders of the Company's common shares or the effect of any other transaction in which the Company might engage or the fairness of the Merger to the holders of any securities of AMNB or any creditor or other constituencies of the Company or AMNB. Our opinion is not to be quoted or referred to, in whole or part, in a registration statement, prospectus, proxy statement, or in any other document, nor shall this opinion be used for any other purposes, without BB&T Capital Markets' prior written consent. Notwithstanding the foregoing, BB&T Capital Markets hereby consents to the inclusion of this opinion as an exhibit to the proxy statement to be distributed to the Company's shareholders to solicit their approval of the Merger, provided that this opinion is quoted in full in such proxy statement. BB&T Capital Markets further consents to the inclusion of a summary of this opinion in such proxy statement.

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Board of Directors

MainStreet Bankshares, Inc.

August 22, 2014

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Based upon and subject to the foregoing, it is our opinion, as of the date hereof, that the Merger Consideration to be received by the shareholders of the Company in the Merger is fair, from a financial point of view, to such shareholders.

Very truly yours,

G. Jacob Savage III
Senior Managing Director
BB&T Capital Markets, a division of BB&T
Securities, LLC

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APPENDIX C

MAINSTREET BANKSHARES, INC. S
ANNUAL REPORT ON FORM 10-K
FOR THE YEAR ENDED DECEMBER 31, 2013

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

Form 10-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2013

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 333-86993

MainStreet BankShares, Inc.

(Exact name of registrant as specified in its charter)

Virginia
(State or other jurisdiction of
incorporation or organization)

54-1956616
(I.R.S. Employer
Identification No.)

1075 Spruce Street, Martinsville, Virginia
(Address of principal executive offices)

24112
(Zip Code)

Registrant's telephone number, including area code (276) 632-8054

Securities registered pursuant to Section 12(b) of the Act:

Title of each class
None

Name of each exchange on which registered
None

Securities registered pursuant to Section 12(g) of the Act:

Common Stock, No Par Value

(Title of class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

Indicate by check mark whether the registrant (1) 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 has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (check one):

Large accelerated filer Accelerated filer
Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of June 30, 2013. \$8,872,899 based on \$7.07 per share.

(Applicable only to corporate registrants) Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date 1,713,375 shares outstanding as of March 17, 2014.

Documents incorporated by reference. Portions of the Corporation's 2014 Proxy Statement have been incorporated by reference into Part III.

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MainStreet BankShares, Inc.

Form 10-K

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PART I

Item 1. Business

General

MainStreet BankShares, Inc., (the Corporation, MainStreet, or BankShares), was incorporated in the Commonwealth of Virginia on January 14, 1999. MainStreet was primarily formed to serve as a bank holding company. Its first wholly-owned subsidiary was located in Martinsville, Virginia and was sold on March 23, 2005. In 2002, MainStreet organized a second bank subsidiary, Franklin Community Bank, National Association (Franklin Bank). On February 8, 2007, MainStreet formed a wholly-owned real estate company, MainStreet RealEstate, Inc., for the sole purpose of owning the real estate of the Corporation.

MainStreet is authorized to engage in any lawful activity for a bank holding company. The holding company structure provides greater flexibility than a bank standing alone because it allows expansion and diversification of business activities through newly formed subsidiaries or through acquisitions. MainStreet's business is conducted through its subsidiary bank.

Franklin Community Bank, N.A.

Franklin Bank is a nationally chartered commercial bank and member of the Federal Reserve whose deposits are insured by the FDIC. Franklin Bank opened for business on September 16, 2002. Franklin Bank accepts deposits from the general public and makes commercial, consumer, and real estate loans. Franklin Bank operates as a locally-owned and operated commercial bank emphasizing personal customer service and other advantages incident to banking with a locally owned community bank. It relies on local advertising and the personal contacts of its directors, employees, and shareholders to attract customers and business to the Bank. Franklin Bank emphasizes a high degree of personalized client service in order to be able to serve each customer. Franklin Bank's marketing approach emphasizes the advantages of dealing with an independent, locally managed commercial bank to meet the particular needs of individuals, professionals and small to medium-sized businesses. The main office of Franklin Bank is located at 400 Old Franklin Turnpike, Suite 100, Rocky Mount, Virginia. Franklin Bank has banking offices located at 12930 Booker T. Washington Highway, Hardy, Virginia and 25 Southlake Drive, Union Hall, Virginia. Franklin Bank's primary service area is Franklin County, Town of Rocky Mount and surrounding areas. For the most part, Franklin Bank's business activity is with customers located in its primary market area. Accordingly, operating results are closely correlated with the economic trends within the region and influenced by the significant industries in the region including pre-built housing, real estate development, agriculture, and resort and leisure services. Much of the market area is considered rural; however, the resort surrounding Smith Mountain Lake attracts many tourists to the area.

MainStreet RealEstate, Inc.

MainStreet RealEstate, Inc. was formed for the sole purpose of owning the real estate of the Corporation. It now owns the facility in which Franklin Bank's Southlake office operates.

Competition

Franklin Bank experiences competition in attracting and retaining business and personal checking and savings accounts, making commercial, consumer, and real estate loans and providing other services in their primary service area. The principal methods of competition in the banking industry for deposits are service, rates offered, convenience

of location, and flexible office hours. The principal methods of competition in the banking industry for loans are interest rates, loan origination fees, and the range of lending services offered. Competition in the service area comes from other commercial banks, savings institutions, brokerage firms, credit unions, and mortgage banking firms. Competition for deposits is particularly intense in Franklin Bank's market which increases the cost and reduces the availability of local deposits. Because of the nature of Franklin Bank's market, a substantial portion of the loan opportunities for which banks compete are real estate related. During the present economic downturn, which has been focused on real estate, the number of loan opportunities has been reduced and the risk of those loans has been increased. Franklin Bank has been able to take advantage of the consolidation in the banking industry in our market area by providing personalized banking services that are desirable to large segments of customers, which has enabled the bank to compete satisfactorily. We intend to continue to provide a high level of service with local decision-making focused solely on our local market. We process daily by branch capture, a method by which checks are processed by tellers rather than item processing, which allows for better efficiencies along with all day banking. We also receive and send our cash letters electronically. In addition, a new online business module will be implemented in 2014, which will allow our business banking clients to have more control over their accounts. We believe these factors more than offset the advantages that larger banks in our markets may have in offering a larger number of banking locations and broader range of services.

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Table of Contents**Regulation, Supervision and Government Policy**

BankShares and Franklin Bank are subject to state and federal banking laws and regulations that provide for general regulatory oversight of all aspects of their operations. As a result of substantial regulatory burdens on banking, financial institutions like MainStreet and Franklin Bank are at a disadvantage to other competitors who are not as highly regulated, and MainStreet and Franklin Bank's costs of doing business are accordingly higher. A brief summary follows of certain laws, rules and regulations which affect MainStreet and Franklin Bank. Recent and expected changes in the laws and regulations governing banking and financial services could have an adverse effect on the business prospects of MainStreet and Franklin Bank. The current economic environment has created uncertainty in this area, as legislators and regulators attempt to address rapidly changing problems which are likely to lead to new laws and regulations affecting financial institutions.

MainStreet BankShares, Inc.

MainStreet is a bank holding company organized under the Federal Bank Holding Company Act (BHCA), which is administered by the Board of Governors of the Federal Reserve System (Federal Reserve). MainStreet is required to file an annual report with the Federal Reserve and may be required to furnish additional information pursuant to the BHCA. The Federal Reserve is authorized to examine MainStreet and its subsidiaries. With some limited exceptions, the BHCA requires a bank holding company to obtain prior approval from the Federal Reserve before acquiring or merging with a bank or before acquiring more than 5% of the voting shares of a bank unless it already controls a majority of shares. On June 17, 2009, MainStreet entered into a Memorandum of Understanding (MOU) with the Federal Reserve which was amended effective January 26, 2011. The MOU was terminated in September 2013 and there are no longer restrictions or stipulations attributable to the MOU. Refer to Item 7, Management's Discussion and Analysis for a detailed discussion.

The Bank Holding Company Act. Under the BHCA, a bank holding company is generally prohibited from engaging in nonbanking activities unless the Federal Reserve has found those activities to be incidental to banking. Bank holding companies also may not acquire more than 5% of the voting shares of any company engaged in nonbanking activities.

The Virginia Banking Act. The Virginia Banking Act requires all Virginia bank holding companies to register with the Virginia State Corporation Commission (Commission). MainStreet is required to report to the Commission with respect to financial condition, operations and management. The Commission may also make examinations of any bank holding company and its subsidiaries.

The Gramm-Leach-Bliley Act. The Gramm-Leach-Bliley Act (GLBA) permits significant combinations among different sectors of the financial services industry, allows for expansion of financial service activities by bank holding companies and offers financial privacy protections to consumers. GLBA preempts most state laws that prohibit financial holding companies from engaging in insurance activities. GLBA permits affiliations between banks and securities firms in the same holding company structure, and it permits financial holding companies to directly engage in a broad range of securities and merchant banking activities. MainStreet is not a financial holding company.

The Sarbanes-Oxley Act. The Sarbanes-Oxley Act (SOX) enacted sweeping reforms of the federal securities laws intended to protect investors by improving the accuracy and reliability of corporate disclosures. It impacts all companies with securities registered under the Securities Exchange Act of 1934, including MainStreet. SOX creates increased responsibilities for chief executive officers and chief financial officers with respect to the content of filings with the Securities and Exchange Commission. Section 404 of SOX and related Securities and Exchange Commission rules focused increased scrutiny by internal and external auditors on MainStreet's systems of internal controls over financial reporting, which is designed to insure that those internal controls are effective in both design and operation.

SOX sets out enhanced requirements for audit committees, including independence and expertise, and it includes stronger requirements for auditor independence and limits the types of non-audit services that auditors can provide. Finally, SOX contains additional and increased civil and criminal penalties for violations of securities laws.

Emergency Economic Stabilization Act of 2008. On October 14, 2008, the U. S. Treasury announced the Troubled Asset Relief Program (TARP) under the Emergency Economic Stabilization Act of 2008. In the program, the Treasury was authorized to purchase up to \$250 billion of senior preferred shares in qualifying U. S. banks, savings and loan associations, and bank and savings and loan holding companies. The amount of TARP funds was later increased up to \$350 billion. The minimum subscription amount was 1% of risk-weighted assets and the maximum amount was the lesser of \$25 billion or 3% of risk-weighted assets. MainStreet did not participate in TARP.

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American Recovery and Reinvestment Act of 2009 (ARRA). The ARRA was enacted in 2009 and includes a wide range of programs to stimulate economic recovery. In addition, it also imposed new executive compensation and corporate governance obligations on TARP Capital Purchase Program recipients. Because MainStreet did not participate in TARP, it is not affected by these requirements.

Dodd-Frank Wall Street Reform and Consumer Protection Act. The Dodd-Frank Act was signed into law on July 21, 2010. Its wide ranging provisions affect all federal financial regulatory agencies and nearly every aspect of the American financial services industry. Among the provisions of the Dodd-Frank Act that directly impact the Corporation is the creation of an independent Consumer Financial Protection Bureau, (CFPB), which has the ability to write rules for consumer protections governing all financial institutions. All consumer protection responsibility formerly handled by other banking regulators is consolidated in the CFPB. It will also oversee the enforcement of all federal laws intended to ensure fair access to credit. The CFPB has begun implementing mortgage lending regulations to carry out its mandate. Even though Franklin Bank did not participate in the activities which precipitated the crisis these new rules have the effect of increasing the processing time and cost for making residential mortgage loans and from a practical standpoint limiting the residential mortgage loans Franklin Bank will make. In addition, the Federal Reserve issues new rules, effective October 1, 2011, which had the effect of limiting the fees charged to merchants by credit card companies for debit card transactions. The Dodd-Frank Act also contains provisions that affect corporate governance and executive compensation.

Although the Dodd-Frank Act provisions themselves are extensive, the full impact on the Corporation of this massive legislation continues to be unknown. The Act provides that several federal agencies, including the Federal Reserve, the CFPB and the Securities and Exchange Commission, shall issue regulations implementing major portions of the legislation, and this process is ongoing.

Jumpstart Our Business Startups (JOBS ACT). On April 5, 2012, the President signed the Jumpstart our Business Startups (JOBS) Act into law. The objective of the legislation, as the name implies, is to stimulate the growth of small to midsized companies through facilitated access to capital and reduced regulatory reporting requirements. This, in turn, is expected to create jobs as businesses use this newly infused capital to expand operations.

Franklin Community Bank, N.A.

Franklin Bank is a national banking association incorporated under the laws of the United States, and the bank is subject to regulation and examination by the Office of the Comptroller of the Currency (OCC). Franklin Bank's deposits are insured by the Federal Deposit Insurance Corporation (FDIC) up to the limits of applicable law. The OCC, as the primary regulator, and the FDIC regulate and monitor all areas of Franklin Bank's operation. These areas include adequacy of capitalization and loss reserves, loans, deposits, business practices related to the charging and payment of interest, investments, borrowings, payment of dividends, security devices and procedures, establishment of branches, corporate reorganizations and maintenance of books and records. Franklin Bank is required to maintain certain capital ratios. It must also prepare quarterly reports on its financial condition for the OCC and conduct an annual audit of its financial affairs. The OCC requires Franklin Bank to adopt internal control structures and procedures designed to safeguard assets and monitor and reduce risk exposure. While appropriate for the safety and soundness of banks, these requirements add to overhead expense for Franklin Bank and other banks. On April 16, 2009, Franklin Bank entered into a formal agreement (Agreement) with the OCC. Franklin Bank has achieved full compliance with the agreement, which was terminated in August of 2013. Refer to Item 7, Management's Discussion and Analysis for a detailed discussion.

The Community Reinvestment Act. Franklin Bank is subject to the provisions of the Community Reinvestment Act (CRA), which imposes an affirmative obligation on financial institutions to meet the credit needs of the communities

they serve, including low and moderate income neighborhoods. The OCC monitors Franklin Bank's compliance with the CRA and assigns public ratings based upon the bank's performance in meeting stated assessment goals. Unsatisfactory CRA ratings can result in restrictions on bank operations or expansion. Franklin Bank received a satisfactory rating in its last CRA examination by the OCC.

The Gramm-Leach-Bliley Act. In addition to other consumer privacy provisions, the Gramm-Leach-Bliley Act (GLBA) restricts the use by financial institutions of customers' nonpublic personal information. At the inception of the customer relationship and annually thereafter, Franklin Bank is required to provide its customers with information regarding its policies and procedures with respect to handling of customers' nonpublic personal information. GLBA generally prohibits a financial institution from providing a customer's nonpublic personal information to unaffiliated third parties without prior notice and approval by the customer.

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The USA Patriot Act. The USA Patriot Act (Patriot Act) facilitates the sharing of information among government entities and financial institutions to combat terrorism and money laundering. The Patriot Act imposes an obligation on Franklin Bank to establish and maintain anti-money laundering policies and procedures, including a customer identification program. Franklin Bank is also required to screen all customers against government lists of known or suspected terrorists. There is additional regulatory oversight to insure compliance with the Patriot Act.

Consumer Laws and Regulations. There are a number of laws and regulations that regulate banks' consumer loan and deposit transactions. Among these are the Truth in Lending Act, the Truth in Savings Act, the Expedited Funds Availability Act, the Equal Credit Opportunity Act, the Fair Housing Act, the Fair Credit Reporting Act, and the Fair Debt Collections Practices Act. Franklin Bank is required to comply with these laws and regulations in its dealing with customers. In addition, the CFPB has begun adopting rules regulating consumer mortgage lending pursuant to the Dodd-Frank Act. There are numerous disclosure and other compliance requirements associated with the consumer laws and regulations.

Deposit Insurance. Franklin Bank has deposits that are insured by the Federal Deposit Insurance Corporation (FDIC). FDIC maintains a Bank Insurance Fund (BIF) that is funded by risk-based insurance premium assessments on insured depository institutions. Assessments are determined based upon several factors, including the level of regulatory capital and the results of regulatory examinations. FDIC may adjust assessments if the insured institution's risk profile changes or if the size of the BIF declines in relation to the total amount of insured deposits. In 2013 and 2012, Franklin Bank paid \$196,501 and \$253,874, respectively, in FDIC assessments. It is anticipated that assessments may increase in the future to offset demands on the BIF from banks that fail in the troubled economy. Such increases could adversely affect the Bank's profitability.

On October 3, 2008, the FDIC announced that deposits at FDIC-insured institutions would be insured up to at least \$250,000. It was extended to December 31, 2013, and then permanently.

FDIC announced its Transaction Account Guarantee Program on October 14, 2008. The Transaction Account Guarantee Program, which is a part of the Temporary Liquidity Guarantee Program, provides full coverage for non-interest bearing deposit accounts of FDIC-insured institutions that elected to participate. Franklin Bank elected to participate in this program and opted to continue in the program. There were increased BIF assessments for program participants. This program has terminated.

After giving primary regulators an opportunity to first take action, FDIC may initiate an enforcement action against any depository institution it determines is engaging in unsafe or unsound actions or which is in an unsound condition, and the FDIC may terminate that institution's deposit insurance.

Capital Requirements. The Federal Reserve has adopted risk-based capital guidelines that are applicable to MainStreet. The guidelines provide that the Corporation must maintain a minimum ratio of 8% of qualified total capital to risk-weighted assets (including certain off-balance sheet items, such as standby letters of credit). At least half of total capital must be comprised of Tier 1 capital, for a minimum ratio of Tier 1 capital to risk-weighted assets of 4%. In addition, the Federal Reserve has established minimum leverage ratio guidelines of 4% for banks that meet certain specified criteria. The leverage ratio is the ratio of Tier 1 capital to total average assets, less intangibles. MainStreet is expected to be a source of capital strength for its subsidiary bank, and regulators can undertake a number of enforcement actions against MainStreet if its subsidiary bank becomes undercapitalized. MainStreet's bank subsidiary is well capitalized and fully in compliance with capital guidelines. However, regulatory capital requirements relate to earnings and asset quality, among other factors. Bank regulators could choose to raise capital requirements for banking organizations beyond current levels. As discussed in Item 7, Management's Discussion and Analysis, MainStreet's subsidiary bank entered into a formal agreement with the Office of the Comptroller of the

Currency which contained requirements relative to Franklin Bank's capital levels. Franklin Bank has achieved full compliance with the agreement, which was terminated in August 2013.

On July 2, 2013, the Federal Reserve voted to adopt final Basel III capital rules for U. S. banking organizations. The final rules establish an integrated regulatory capital framework and will implement in the United States the Basel III regulatory capital reforms from the Basel Committee on Banking Supervision and certain changes required by the Dodd-Frank Act. Under the final rule, minimum requirements will increase for both the quantity and quality of capital held by banking organizations. Consistent with the international Basel framework, the final rule includes a new minimum ratio of common equity tier I capital (Tier 1 Common) to risk-weighted assets and a common equity tier I capital conservation buffer of 2.5% of risk-weighted assets that will apply to all supervised financial institutions. The rule also raises the minimum ratio of tier I capital to risk-weighted

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assets and includes a minimum leverage ratio of 4% for all banking organizations. These new minimum capital ratios will become effective for MainStreet on January 1, 2015 and will be fully phased in on January 1, 2019. The final rule emphasizes common equity tier I capital, the most loss-absorbing form of capital, and implements strict eligibility criteria for regulatory capital instruments. The final rule also improves the methodology for calculating risk-weighted assets to enhance risk sensitivity. Banks and regulators use risk weighting to assign different levels of risk to different classes of assets. Failure to meet statutorily mandated capital guidelines or more restrictive ratios separately established for a financial institution could subject the Bank or MainStreet to a variety of enforcement remedies, including issuance of a capital directive, the termination of deposit insurance by the FDIC, a prohibition on accepting or renewing brokered deposits, limitations on the rates of interest that the institution may pay on its deposits and other restrictions on its business. As described above, significant additional restrictions can be imposed on Franklin Bank if it would fail to meet applicable capital requirements.

Limits on Dividend Payments. As a national bank, Franklin Bank may not pay dividends from its capital, and it may not pay dividends if the bank would become undercapitalized, as defined by regulation, after paying the dividend. Without prior OCC approval, Franklin Bank's dividend payments in any calendar year are restricted to the bank's retained net income for that year, as that term is defined by the laws and regulations, combined with retained net income from the preceding two years, less any required transfer to surplus. Under the Agreement, Franklin Bank was restricted from paying dividends. Franklin Bank has achieved full compliance with the Agreement, which was terminated in August 2013.

The OCC and FDIC have authority to limit dividends paid by Franklin Bank, if the payment were determined to be an unsafe and unsound banking practice. Any payment of dividends that depletes the Bank's capital base could be deemed to be an unsafe and unsound banking practice. Under the MOU with the Federal Reserve, MainStreet could not pay any dividends without approval. The MOU was terminated in September 2013 and there are no longer any restrictions or stipulations attributable to the MOU.

Branching. As a national bank, Franklin Bank is required to comply with the state branch banking laws of Virginia, the state in which the Bank is located. Franklin Bank must also have the prior approval of OCC to establish a branch or acquire an existing banking operation. Under Virginia law, Franklin Bank may open branch offices or acquire existing banks or bank branches anywhere in the state. Virginia law also permits banks domiciled in the state to establish a branch or to acquire an existing bank or branch in another state. The Dodd-Frank Act permits the OCC to approve national bank branches in any state in which a bank located in that state is permitted to establish a branch.

Monetary Policy

The monetary and interest rate policies of the Federal Reserve, as well as general economic conditions, affect the business and earnings of MainStreet. Franklin Bank and other banks are particularly sensitive to interest rate fluctuations. The spread between the interest paid on deposits and that which is charged on loans is the most important component of Franklin Bank's profits. In addition, interest earned on investments held by MainStreet and Franklin Bank has a significant effect on earnings. As conditions change in the national and international economy and in the money markets, the Federal Reserve's actions, particularly with regard to interest rates, can impact loan demand, deposit levels and earnings at Franklin Bank. It is not possible to accurately predict the effects on MainStreet of economic and interest rate changes.

Other Legislative and Regulatory Concerns

Particularly because of current uncertain and volatile economic conditions as well as recent credit market turmoil and related financial institution concerns, federal and state laws and regulations are likely to be enacted that will affect the

regulation of financial institutions. The Dodd-Frank Reform Act has been adopted and additional regulations affecting the financial sector have been enacted and additional regulations can be expected, although many of these are not directly applicable to small community financial institutions like MainStreet. The net effect of these changes in this law as well as others will add to the regulatory burden on banks and increase the costs of compliance, or they could change the products that can be offered and the manner in which banks do business. We cannot foresee how the additional regulation of financial institutions may change in the future and how those changes might affect MainStreet.

Company Website

MainStreet maintains a website at www.msbsinc.com and for Franklin Bank at www.fcbva.com. The Corporation's annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and all amendments to those reports are made available on its website through a link to the Securities and Exchange Commission for filings. The Corporation's proxy materials for the 2014 Annual Meeting of Shareholders are also posted on a separate website at www.cfpproxy.com/6043.

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Employees

The total number of full-time equivalent persons employed by MainStreet and its wholly owned bank subsidiary as of December 31, 2013 was 52. MainStreet believes its relationship with its employees is good and no employees are represented by a labor union.

Item 1A. Risk Factors

Not required.

Item 1B. Unresolved Staff Comments

Not required.

Item 2. Properties

The Corporation leases its executive office and operations facility in Martinsville, Virginia. The lease commenced on November 19, 2010 for space located at 1075 Spruce Street in Martinsville, Virginia. The lease will expire November 30, 2015. The lease has an option to renew for one additional five year term.

Franklin Bank's main office is located at 400 Old Franklin Turnpike, Suite 100, Rocky Mount, Virginia, in a section of town known as the Rocky Mount Marketplace. The bank leases a two-story facility with approximately 8,200 square feet of which the Bank provides permanent financing to the owners of which one is a director. The lease is for a 15-year period and the expiration date of the lease is June 30, 2018. The lease payment mirrors the loan payment plus an 8% return on investment to the owner. Subject to certain compliance issues, Franklin Bank has the option to extend the lease for one additional term of five years. If the right to extend this lease for the first renewal term is exercised, Franklin Bank has the right to extend this lease for five additional terms of five years each. One of the owners is a director of Franklin Bank and both owners are shareholders of BankShares. Franklin Bank owns a lot adjacent to their Rocky Mount Office which is utilized for employee parking. Franklin Bank leases its branch which opened on April 9, 2004 at 12930 Booker T. Washington Highway, Hardy, Virginia. Franklin Bank provides permanent financing to the owner of this facility. A director of Franklin Bank is a partner in the ownership of this facility. The lease commenced on April 7, 2004 and will expire April 6, 2019. The lease payment mirrors the loan payment plus an 8% return on investment to the owner. Subject to certain compliance issues, Franklin Bank has the option to extend the lease for one additional term of five years. If the right to extend this lease for the first renewal term is exercised, Franklin Bank has the right, or option, to extend or renew this lease for five additional terms of five years each. Franklin Bank leased its 220 North branch located at 35 Shepherd Drive, Rocky Mount, Virginia. A director of Franklin Bank was a partner in the ownership of the facility. The lease commenced June 1, 2007 and expired June 1, 2012. Franklin Bank closed this banking office effective November 13, 2010; however, the lease remained in effect until its maturity. Franklin Bank purchased the building at the maturity of the lease and assigned the purchase to another buyer which was a director of both the Corporation and Franklin Bank. The main office and all branches have a drive-up ATM.

MainStreet RealEstate, Inc. owns the Southlake branch located in the Union Hall area of Franklin County and leases it to Franklin Bank. The branch opened in August 2007. The total cost of the land and building were \$425,286 and \$881,123, respectively. MainStreet believes its banking facilities are well located to serve their intended banking

markets and are attractively furnished and well equipped for banking purposes. All facilities are adequately insured in management's opinion.

Item 3. Legal Proceedings

MainStreet currently is not involved in any legal proceedings outside the normal operations associated with problem credits.

Item 4. Mine Safety Disclosures

Not applicable.

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MainStreet has 10,000,000 authorized shares of common stock, no par value, and had 1,713,375 shares of its common stock outstanding at January 31, 2014. In addition, the initial organizers of MainStreet received 96,250 warrants in connection with the initial public offering. Each warrant provided the holder with the right to buy one share of common stock at a price of \$9.09 per share of which 27,500 were exercised and the remainder were either forfeited or expired unexercised in 2010.

Options in the amount of 33,000 were granted at the then fair market value of \$9.55 to a former employee and expired in June 2013.

In addition, the shareholders of MainStreet BankShares, Inc. approved the 2004 Key Employee Stock Option Plan (the Plan) at its Annual Meeting on April 15, 2004. The Plan permitted the grant of Non-qualified Stock Options and Incentive Stock Options to persons designated as Key Employees of BankShares and its subsidiaries. The Plan terminated on January 21, 2009. Awards made under the Plan prior to and outstanding on that date remain outstanding in accordance with their terms. Option awards were generally granted with an exercise price equal to the market value of MainStreet's stock at the date of grant. The options issued in 2007 and 2006 had a vesting period of 3 years and have a ten year exercise term. The options issued in 2005 vested immediately upon grant and have a ten year exercise term. As of December 31, 2013, there were 136,527 options granted under this plan of which 822 options have been exercised, 61,249 options have expired, and 7,433 stock options have been forfeited. The rest remain unexercised.

As of December 31, 2013, 67,023 stock options are outstanding, of which all are vested and exercisable.

MainStreet enrolled its stock with the OTC Bulletin Board (OTCBB) quotation service effective February 12, 2007.

In order to continue on the OTCBB, MainStreet must maintain at least one market maker and continue to submit its periodic reports to the Securities and Exchange Commission (SEC) in a timely manner. MainStreet has been current on all periodic filings with the SEC and currently has three market makers. MainStreet is quoted under the symbol MREE.

According to information obtained by Corporation management and believed to be reliable, the quarterly range of closing prices per share for the common stock during the last two fiscal years was as follows:

Quarter Ended	2013		2012	
	High Close	Low Close	High Close	Low Close
March 31	\$ 7.20	\$ 6.00	\$ 4.25	\$ 3.75
June 30	\$ 8.24	\$ 6.40	\$ 6.39	\$ 4.25
September 30	\$ 7.80	\$ 7.07	\$ 4.90	\$ 4.50
December 31	\$ 8.50	\$ 7.01	\$ 6.00	\$ 4.55

There are approximately 1,565 shareholders of common stock as of December 31, 2013.

Given the injection of \$1.3 million into the loan loss reserve by Franklin Bank during the fourth quarter of 2008, MainStreet's Board of Directors deemed it prudent to suspend the cash dividend at that time. The only source of funds for dividends is dividends paid to MainStreet by Franklin Bank. Franklin Bank is limited in the amount of dividend payments by the Office of the Comptroller of the Currency, (OCC), its primary regulator. The OCC limits annual dividends to a maximum of retained profits of the current year plus the two prior years, without prior OCC approval. On April 16, 2009, Franklin Bank entered into a formal Agreement (Agreement) with the OCC. Among other things, the Agreement required the Bank to adopt a three year capital program and prohibited the payment of a dividend until the Bank achieved compliance with the program and satisfied certain other conditions. Franklin Bank has achieved full compliance with the Agreement, which was terminated in August 2013. On June 17, 2009, MainStreet entered into a Memorandum of Understanding (MOU) with the Federal Reserve Bank of Richmond, which was amended January 26, 2011. Under the MOU, MainStreet was prohibited from paying any dividends. The MOU was terminated in September 2013 and there are no longer any restrictions or stipulations attributable to the MOU. However, the payment of future dividends by MainStreet may depend on a return by Franklin Bank to more historical levels of profitability. Refer to Item 7, Management's Discussion and Analysis for a detailed discussion.

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Information in the format relating to MainStreet securities authorized for issuance under the Company's Equity Compensation plans is as follows:

Plan Category	Number of Securities To be Issued Upon Exercise of Outstanding Options, Warrants and Rights (a)	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights (b)	Number of Securities Remaining Available For Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a)) (c)
Equity compensation plans approved by security holders	67,023	\$ 12.87	
Equity compensation plans not approved by security holders			
Total	67,023	\$ 12.87	

The Plan terminated January 21, 2009, except with respect to awards granted prior to that date.

Refer to Part II, Item 8, Note 14 for a detailed discussion of the stock options and warrants that are outstanding.

Item 6. Selected Financial Data

Not required

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion is intended to assist in understanding and evaluating the financial condition and results of operations of MainStreet BankShares, Inc. (MainStreet , BankShares , or Corporation) on a consolidated basis. This discussion and analysis should be read in conjunction with BankShares' consolidated financial statements and related notes included in Item 8 of this report on Form 10-K.

Forward-Looking Statements

This report contains forward-looking statements that are subject to risks and uncertainties that could cause actual results to differ materially from those reflected in such forward-looking statements which are representative only on the date hereof. Readers of this report should not rely solely on the forward-looking statements and should consider all uncertainties and risks discussed throughout this report. MainStreet takes no obligation to update any forward-looking statements contained herein. Factors that may cause actual results to differ materially from those contemplated by such forward-looking statements include, among others, the following possibilities: (1) competitive pressures among

depository and other financial institutions may increase significantly; (2) changes in the interest rate environment may reduce margins; (3) general economic conditions, either nationally or regionally, may be less favorable than expected that could result in a deterioration of credit quality or a reduced demand for credit; and (4) legislative or regulatory changes including changes in accounting standards, may adversely affect the business.

General

MainStreet was incorporated on January 14, 1999 in the Commonwealth of Virginia and is the bank holding company for Franklin Bank which serves the Franklin County area of Virginia. MainStreet provides a wide variety of banking services through Franklin Bank, which emphasizes personal customer service and other advantages incident to banking with a locally owned community bank. It relies on local advertising and the personal contacts of its directors, employees, and shareholders to attract customers and business to the Bank. Franklin Bank has three banking offices in Rocky Mount and Franklin County. On February 8, 2007, MainStreet formed a wholly-owned real estate company, MainStreet RealEstate, Inc. for the sole purpose of owning the real estate of the Corporation. MainStreet RealEstate, Inc. owns the Union Hall (Southlake) office of Franklin Bank.

On April 16, 2009, Franklin Bank entered into a formal agreement (Agreement) with The Comptroller of the Currency (OCC). The Agreement required Franklin Bank to perform certain actions within designated time frames. The Agreement

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was intended to demonstrate the Bank's commitment to review/enhance certain aspects of various policies and practices related to credit administration and liquidity. Franklin Bank achieved full compliance with the Agreement. The Agreement was terminated in August 2013.

On June 17, 2009, MainStreet BankShares, Inc. entered into a Memorandum of Understanding (MOU) with the Federal Reserve Bank of Richmond (Federal Reserve). The MOU required the bank holding company to utilize its financial and managerial resources to assist Franklin Bank in functioning in a safe and sound manner and restricted MainStreet from conducting various activities. On January 26, 2011, we entered into a new MOU with the Federal Reserve which contained the same terms of the previous MOU (which was terminated) but added provisions regarding compliance with certain laws and regulations. This MOU was terminated in September 2013. There are no longer any restrictions or stipulations attributable to the MOU.

Critical Accounting Policies

MainStreet's financial statements are prepared in accordance with accounting principles generally accepted in the United States (GAAP). The financial information contained within our statements is, to a significant extent, based on measures of the financial effects of transactions and events that have already occurred. A variety of factors could affect the ultimate value that is obtained either when earning income, recognizing an expense, recovering an asset or relieving a liability.

Allowance for Loan Losses

We use historical loss factors, peer comparisons, regulatory factors, concentrations of credit, past dues, and the trend in the economy as factors in determining the inherent loss that may be present in our loan portfolio. Actual losses could differ significantly from the historical factors that we use in estimating risk. The allowance for loan losses reflects our best estimate of the losses inherent in our loan portfolio. The allowance is based on two basic principles of accounting: (i) losses are accrued when they are probable of occurring and are capable of estimation and (ii) losses are accrued based on the differences between the value of collateral, present value of future cash flows or values that are observable in the secondary market and the loan balance. The allowance for loan losses is maintained at a level, which, reflects management's best estimate of probable credit losses inherent in the loan portfolio and is, therefore, believed to be appropriate.

The amount of the allowance is based on management's evaluation of the collectability of the loan portfolio, including the nature of the portfolio, credit concentrations, trends in historical loss experience, specific impaired loans, economic conditions and other risks inherent in the portfolio. Management reviews the past due reports and risk-rated loans and discusses individually the loans on these reports with the responsible loan officers. Management uses these tools and provides a quarterly analysis of the allowance based on our historical loan loss experience, risk-rated loans, past dues, concentrations of credit, unsecured loans, loan exceptions, and the economic trend. These are generally grouped by homogeneous loan pools. Impaired loans are reviewed individually to determine possible impairment based on one of three recognized methods which are fair value of collateral, present value of expected cash flows, or observable market price. A specific reserve is then allocated for the amount of the impairment. Although management uses available information to recognize losses on loans, the substantial uncertainties associated with local economic conditions, collateral values, and future cash flows on impaired loans, make it possible that a material change in the allowance for loan losses in the near term may be appropriate. However, the amount of the change cannot be estimated. The allowance is increased by a provision for loan losses, which is charged to expense, and reduced by charge-offs, net of recoveries. Changes in the allowance relating to impaired loans are charged or credited to the provision for loan losses. Past due status is determined based on contractual terms.

Deferred Tax Assets

The Corporation uses the asset and liability method of accounting for income taxes. Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. If current available information raises doubt as to the realization of the deferred tax assets, a valuation allowance may be established.

Management considers the determination of this valuation allowance to be a critical accounting policy due to the need to exercise significant judgment in evaluating the amount and timing of recognition of deferred tax liabilities and assets, including projections of future taxable income.

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These judgments and estimates are reviewed on a continual basis as regulatory and business factors change. A valuation allowance for deferred tax assets may be required if the amounts of taxes recoverable through loss carry backs decline, or if we project lower levels of future taxable income. If such a valuation allowance is deemed necessary in the future, it would be established through a charge to income tax expense that would adversely affect our operating results.

Overview

We finished 2013 with a low interest rate environment and near flat loan demand in our market, which has negatively impacted our net interest margin. Despite these continued challenges and an increase in our nonaccrual loans, we are pleased to report a dramatic improvement in our other real estate properties on our balance sheet. Our aggressive approach has moved large dollars in foreclosed assets off our balance sheet. We will continue to maintain an aggressive posture in resolving problem assets as we move into 2014. We believe this strategy will strengthen the Corporation's position and prepare us for future growth.

Total assets at December 31, 2013 and 2012 were \$169,031,017 and \$183,110,988, respectively, a decline of \$14,079,971, or 7.69%. The composition of the balance sheet has also changed. The largest components of change were in cash and cash equivalents and loans, net of unearned deferred fees and costs. Total cash and cash equivalents declined \$6.1 million from year-end 2012 while loans, net of unearned deferred fees and costs declined \$10.8 million. Loan demand has remained soft during 2013 and we have aggressively continued to work through our problem loans, which has resulted in additional payouts and foreclosures. Please refer to Footnote #4 for a discussion of our criticized assets. We continue to monitor our asset quality closely and we have had substantial improvement in the level of our criticized assets, which include loans rated special mention, substandard, doubtful, and loss. Securities available for sale increased to \$21.8 million at year-end 2013 from \$18.8 million at year-end 2012 primarily due to purchases in excess of pay downs on mortgage backed securities. This increase was further reduced by calls and sales of securities. Our total deposits declined \$7.8 million from year-end 2012 to year-end 2013. With the continued focus on lowering our overall deposit costs and soft loan demand, this was an anticipated and expected result. Our loan to deposit ratio was 86.63% and 89.32% at December 31, 2013 and 2012, respectively. Overall costs of our interest bearing deposits declined 16 basis points in 2013 compared to 2012. We maintained our relationships as can be evidenced by the increase in demand deposits which are our non-interest bearing funds. We also had \$6.0 million in repurchase agreements mature in January 2013 for which certain securities available for sale were utilized as collateral. At maturity, we paid off the \$6.0 million and now have additional securities that can be utilized and pledged for other purposes, as needed.

Total shareholders' equity at December 31, 2013 and 2012 was \$23,987,541 and \$24,250,373, respectively. MainStreet and Franklin Bank were considered well capitalized at December 31, 2013 and 2012 under the standards of regulatory capital classifications. The book value of shareholders' equity at December 31, 2013 and 2012 was \$14.00 and \$14.15 per share, respectively.

MainStreet had net income of \$205,034 for the year ending December 31, 2013 compared to net income of \$1,970,776 for the year ending December 31, 2012. Net income for 2013 was impacted substantially by increased provision expense and reduced income from bank owned life insurance as discussed below, all offset by a decrease in supplemental executive retirement plan (SERP) expense. Basic and diluted net income per common share was \$0.12 and \$1.15 for 2013 and 2012, respectively. Return on average assets in 2013 and 2012 was 0.12% and 1.02%, respectively while return on average shareholders' equity was 0.85% and 8.69% for 2013 and 2012, respectively. The return on average assets and average equity for 2011 was (0.07%) and (0.66%), respectively. Year 2013 continued to be impacted by our level of criticized assets. As we worked through these assets and they moved through the cycle, we experienced losses on the sales of other real estate, write downs associated with lower appraisals and selling prices,

and had expenses associated with holding these assets. However, these expenses declined by \$1,257,198 over 2012 levels. Provision expense in 2013 was higher than 2012 as we worked through our problem loans and experienced an increase in our net charge offs in the amount of \$730,729. Provision expense for the periods ending December 31, 2013 and 2012 was \$1,664,880 and \$486,257, respectively.

Franklin Bank has two bank owned life insurance policies on the life of its covered current President and Chief Executive Officer. Upon the tragic death of former CEO Larry A. Heaton in 2012, Franklin Bank collected a death benefit on the bank owned life insurance of approximately \$2.4 million. Also under the Supplemental Executive Retirement Plan (SERP) upon Mr. Heaton s death, the present value of the payout of this benefit was accrued and expensed totaling approximately \$1 million in 2012.

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The low interest rate environment continued during 2013 with the Federal Reserve leaving the short-term interest rates within a range of 0% - .25% which has been effective since 2008. At the most recent meeting of the FOMC, the Federal Reserve indicated a slowdown in the purchase of securities due to an improving employment rate. This change will slowly reverse the QE 3 strategy gradually raising rates over time. The Federal Reserve also indicated they will continue to monitor the economy given its tenuous nature and threat of inflation. By employing the QE 3 strategy the Federal Reserve plans to continue purchasing mortgage backed assets at a slower pace. This should slow the effects of the previous Federal Reserve decision to twist the yield curve by driving up short term rates and lowering long term rates. The net effect is to keep mortgage rates low for an extended period of time to help spur the housing industry and economic growth. It is also designed to maintain inflation at low levels.

As interest rates have remained low, our borrowers have extended pressure to move to more fixed rate interest products; however, interest rates on variable rate loans make up approximately 25% of Franklin Bank's loan portfolio. In a rising interest rate environment, this initially would have a positive impact on the net interest margin because deposit rates are slower to reprice at the higher rates. In a declining interest rate environment such as we have been in, asset sensitivity initially has had a negative impact on the net interest margin until deposit rates reach an opportunity to reprice. The addition of floors to segments of our variable rate loan portfolio has helped to control the impact to our net interest margin. Due to the large amount of repricing deposit liabilities in the near term, the Bank will have a positive impact to the net interest margin in this low interest rate environment. Throughout our history, our overall deposit maturity has been short which has benefited us by allowing us to reprice our deposits downward as they have matured in the lower interest rate environment. On the other hand, in an environment of increasing interest rates, short deposit maturity would reduce the benefit of rising interest rates on loans. Furthermore, even though lower interest rates have been beneficial for our cost of deposits, with prime at 3.25% which is the interest rate basis for many of our loans, MainStreet's net interest margin has been adversely affected by the prolonged, recessionary low interest rate environment. In addition, competition for deposits remains fierce in our market; however, our goal is to continue to lower our cost of deposits during 2014. The maturity of our repurchase agreement in September 2012 had a positive impact on our net interest margin for the last quarter of 2012 and continued in 2013. In addition, the remaining \$6 million in repurchase agreements matured in January 2013, which also had a positive impact on our net interest margin.

Net interest income is the difference between total interest income and total interest expense. The amount of net interest income is determined by the volume of interest-earning assets, the level of interest rates earned on those assets and the cost of supporting funds. The difference between rates earned on interest-earning assets and the cost of supporting funds is measured as the net interest margin. MainStreet's principal source of income is from the net interest margin. The distribution of assets, liabilities, and equity along with the related interest income and interest expense is presented in the following table. The statistical information in the table is based on daily average balances.

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Distribution of Assets, Liabilities, and Shareholders Equity: Interest Rates and Interest Differentials

	2013			2012			2011	
	Average Balance	Interest	Yield/ Rate	Average Balance	Interest	Yield/ Rate	Average Balance	Yield/ Rate
Loans, net of unearned (1)	\$ 128,428,764	\$ 6,726,039	5.24%	\$ 138,184,714	\$ 7,782,200	5.63%	\$ 153,201,363	