

Deposits continue to grow and reached record levels as of March 31, 2013. Up 17.6% over the first quarter of 2012, deposits totaled \$1,034,217,000 on March 31, 2013. This increase is mainly the result of the assumption of deposits as a part of the acquisition and continued growth in demand, NOW, money market and savings account balances.

The Company's stockholders' equity represented 11.6% of total assets as of March 31, 2013 with all of the Company's five affiliate banks considered well-capitalized as defined by federal capital regulations. Total stockholders' equity was \$145,772,000 as of March 31, 2013, and \$137,114,000 as of March 31, 2012.

#### Shareholder Information:

Return on average assets was 1.18% for the quarter ended March 31, 2013, compared to 1.33% for the same period in 2012. Return on average equity was 9.87% for the quarter ended March 31, 2013, compared to the 10.37% in 2012. The decline in these ratios is primarily attributable to lower market interest rates in 2013 compared to 2012 as new or repricing earning assets are generating less income in relation to higher average assets and equity.

The Company's stock, which is listed on the NASDAQ Capital Market under the symbol ATLO, closed at \$20.86 on March 31, 2013. During the first quarter of 2013, the price ranged from \$19.92 to \$22.91. On February 13, 2013, the Company declared a quarterly cash dividend on its common stock, payable on May 15, 2013 to stockholders of record as of May 1, 2013, equal to \$0.16 per share. The Company is forecasting earnings for the year ending December 31, 2013 in the range of \$1.46 to \$1.52 per share compared to \$1.52 per share earned for the year ended December 31, 2012.

#### Board of Directors:

On February 13, 2013, Frederick Samuelson retired from Company Board of Directors. Fred joined the State Bank & Trust Co. board in 1993 and the Ames National Corporation board in 2004. Over the past 20 years, Fred has been a wonderful resource for both boards of directors, providing guidance and assistance in enhancing our organization. We appreciate Fred's service and dedication over the years. He has always been a great advocate for Ames National Corporation and State Bank & Trust Co.

At the annual meeting on April 24, 2013, Richard O. Parker, attorney and owner of the Parker Law Firm in Nevada, Iowa, and John P. Nelson, Chief Financial Officer and Vice President for the Company, were elected to the Company board, each for three-year terms. We look forward to their insight and leadership during their upcoming terms.

 

**DOUGLAS C. GUSTAFSON**  
Chairman

**THOMAS H. POHLMAN**  
President



## Company Directors

#### DOUGLAS C. GUSTAFSON, DVM

Chairman of the Board | Retired Veterinarian

#### THOMAS H. POHLMAN

President, Ames National Corporation

#### DAVID W. BENSON

Attorney, Nyemaster Goode, P.C.

#### ROBERT L. CRAMER

Retired President, Fareway Stores, Inc.

#### STEVEN D. FORTH

Farmer

#### BETTY A. BAUDLER HORRAS

President, Baudler Enterprises, Inc.

#### CHARLES D. JONS, MD

Retired Physician, McFarland Clinic

#### JAMES R. LARSON, II

President, Larson Development Corporation

#### WARREN R. MADDEN

Vice President for Business & Finance, Iowa State University

#### LARRY A. RAYMON

Chief Executive Officer, Raymon Enterprises, Inc.

#### FREDERICK C. SAMUELSON

President, James Michael & Associates, Inc.



## Affiliate Banks



UNITED BANK & TRUST



### Ames National Corporation

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## Letter To Shareholders

#### First Quarter 2013 Results:

2013 is off to a good start as net income for Ames National Corporation (the Company) for the first quarter increased 1.2% and totaled \$3,586,000, or \$0.39 per share, compared to \$3,543,000, or \$0.38 per share in 2012. Net income increased primarily due to higher loan interest income and lower deposit interest expense, offset in part by higher noninterest expenses and lower investment interest income.

The Company's management continues to be pleased with the results of the acquisition of the Garner and Klemme, Iowa offices by Reliance State Bank (the "Acquisition") on April 27, 2012. Reliance State Bank's (RSB's) net income for the quarter ended March 31, 2013 was \$516,000, as compared to \$318,000 for the quarter ended March 31, 2012. The Acquisition contributed to increases in net interest income, noninterest income, excluding securities gains and noninterest expense.

First quarter net interest income totaled \$8,085,000, an increase of \$372,000, or 4.8%, compared to the same quarter a year ago, primarily due to the acquisition. However, the Company's net interest margin was 3.13% for the quarter ended March 31, 2013, a decrease from 3.41% for the quarter ended March 31, 2012. The decrease can be attributed to lower market yields on interest earning assets which have matured and repriced, offset in part by lower rates on interest-bearing liabilities in 2013 as compared to 2012.

Noninterest income for the first quarter of 2013 totaled \$1,843,000 as compared to \$1,901,000 for the same period in 2012. The decrease in noninterest income is primarily due to lower securities gains, offset in part by an increase on gains on loans held for sale.

#### Balance Sheet Review:

As of March 31, 2013, total assets reached a record \$1,254,530,000, a \$159,874,000 increase compared to March 31, 2012. The increase in assets was mainly a result of the acquisition and growth in deposits.

Securities available-for-sale as of March 31, 2013 increased to \$608,304,000, compared to \$525,764,000 as of March 31, 2012. Cash and deposit growth were invested in state and political subdivision bonds, corporate bonds and U.S. government mortgage-backed securities.

Net loans as of March 31, 2013 jumped 14.3% over 2012 ending at a record \$507,834,000 compared to \$444,257,000 as of March 31, 2012. Most of this growth was due to the Acquisition. Impaired loans as of March 31, 2013, were \$5,965,000, or 1.16% of gross loans, compared to \$7,023,000, or 1.55% of gross loans as of March 31, 2012. The decrease in impaired loans is due primarily to the transfer of repossessed collateral from a borrower to other real estate owned.

# 1ST QUARTER

## 2013 QUARTERLY REPORT TO SHAREHOLDERS

AT A GLANCE...  
FINANCIAL HIGHLIGHTS

	Three Months Ended March 31,	
	2013	2012
Net Income	\$3,586,000	\$3,543,000
Earnings Per Share – Basic	\$0.39	\$0.38
Dividends Per Share	\$0.16	\$0.15
Return on Average Assets (ROA)	1.18%	1.33%
Return on Average Equity (ROE)	9.87%	10.37%
Efficiency Ratio	51.56%	50.34%
Net Interest Margin (FTE)	3.13%	3.41%
Equity Capital Ratio	11.62%	11.89%

## Consolidated Balance Sheets

(unaudited)

	March 31, 2013	March 31, 2012
<b>ASSETS</b>		
Cash and due from banks	\$ 22,695,730	\$ 21,294,949
Federal funds sold	–	700,000
Interest bearing deposits in financial institutions	76,070,883	70,938,771
Securities available-for-sale	608,303,937	525,763,643
Loans receivable, net	507,833,509	444,257,174
Loans held for sale	1,453,982	1,380,851
Bank premises and equipment, net	12,073,335	11,300,567
Accrued income receivable	7,161,067	6,433,889
Other real estate owned	9,595,828	9,553,325
Core deposit intangible, net	1,229,491	–
Goodwill	5,600,749	–
Other assets	2,511,842	3,033,207
<b>Total assets</b>	<b>\$ 1,254,530,353</b>	<b>\$ 1,094,656,376</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<i>LIABILITIES</i>		
Deposits		
Demand, noninterest bearing	\$ 166,911,150	\$ 138,444,091
NOW accounts	314,063,659	264,137,920
Savings and money market	302,870,203	236,578,147
Time, \$100,000 and over	97,819,266	104,103,749
Other time	152,552,623	136,467,623
<b>Total deposits</b>	<b>1,034,216,901</b>	<b>879,731,530</b>
Securities sold under agreements to repurchase	34,722,165	36,084,532
FHLB advances and other long-term borrowings	32,593,618	34,662,463
Dividend payable	1,489,747	1,396,637
Deferred income taxes	1,039,518	973,612
Accrued expenses and other liabilities	4,696,722	4,693,381
<b>Total liabilities</b>	<b>1,108,758,671</b>	<b>957,542,155</b>
<i>STOCKHOLDERS' EQUITY</i>		
Common stock, \$2 par value, authorized 18,000,000 shares; issued 9,432,915 shares; outstanding 9,310,913 shares as of March 31, 2013 and 2012	18,865,830	18,865,830
Additional paid-in capital	22,651,222	22,651,222
Retained earnings	96,256,026	87,710,599
Accumulated other comprehensive income-net unrealized income on securities available-for-sale	10,015,102	9,903,068
Treasury stock, at cost; 122,002 shares at March 31, 2013 and 2012	(2,016,498)	(2,016,498)
<b>Total stockholders' equity</b>	<b>145,771,682</b>	<b>137,114,221</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 1,254,530,353</b>	<b>\$ 1,094,656,376</b>

## Consolidated Statements of Income

(unaudited)

	Three Months Ended March 31,	
	2013	2012
<b>INTEREST INCOME:</b>		
Loans	\$ 6,158,513	\$ 5,810,757
Securities		
Taxable	1,379,962	1,624,644
Tax-exempt	1,728,433	1,650,715
Interest bearing deposits and federal funds sold	109,733	125,253
<b>Total interest income</b>	<b>9,376,641</b>	<b>9,211,369</b>
<b>INTEREST EXPENSE:</b>		
Deposits	995,840	1,169,318
Other borrowed funds	295,911	329,498
<b>Total interest expense</b>	<b>1,291,751</b>	<b>1,498,816</b>
<b>Net interest income</b>	<b>8,084,890</b>	<b>7,712,553</b>
Provision for loan losses	13,574	51,293
<b>Net interest income after provision for loan losses</b>	<b>8,071,316</b>	<b>7,661,260</b>
<b>NONINTEREST INCOME:</b>		
Trust services income	487,254	504,772
Service fees	375,825	337,439
Securities gains, net	68,991	307,533
Gain on sale of loans held for sale	355,543	285,039
Merchant and card fees	340,486	296,958
Other noninterest income	214,869	168,847
<b>Total noninterest income</b>	<b>1,842,968</b>	<b>1,900,588</b>
<b>NONINTEREST EXPENSE:</b>		
Salaries and employee benefits	3,216,082	2,980,619
Data processing	572,635	509,330
Occupancy expenses	405,724	359,684
FDIC insurance assessments	160,308	154,461
Professional fees	272,455	317,473
Business development	191,351	181,116
Other real estate owned (income) expense, net	(5,181)	98,378
Core deposit intangible amortization	73,773	–
Other operating expenses, net	231,949	237,722
<b>Total noninterest expense</b>	<b>5,119,096</b>	<b>4,838,783</b>
<b>Income before income taxes</b>	<b>4,795,188</b>	<b>4,723,065</b>
<b>INCOME TAX EXPENSE</b>	<b>1,209,254</b>	<b>1,179,907</b>
<b>NET INCOME</b>	<b>\$ 3,585,934</b>	<b>\$ 3,543,158</b>
Basic and diluted earnings per share	\$ 0.39	\$ 0.38
Declared dividends per share	\$ 0.16	\$ 0.15