

## BALANCE SHEET REVIEW:

As of December 31, 2012, record total assets of \$1,217,692,000 were reported, a \$182,128,000 increase compared to December 31, 2011. The increase in assets was mainly a result of the acquisition and growth in deposits.

Deposits also reached record levels and totaled \$1,004,732,000 at year-end, a 22.7% increase from the \$818,705,000 reported at December 31, 2011. This increase is mainly the result of the acquisition and continued growth in demand, NOW and money market accounts balances.

Our securities portfolio grew as we looked for quality investment opportunities due to the acquisition and deposit growth. At year-end, securities available-for-sale increased to \$588,417,000, compared to \$508,625,000 as of December 31, 2011, mainly as a result of increased purchases of U.S. government mortgage-backed securities, state and political subdivision bonds and corporate bonds.

Loan demand improved during 2012. Net loans grew 16.3%, to \$510,126,000 as of December 31, 2012, compared to \$438,651,000 as of December 31, 2011. The majority of the growth was a result of new loan opportunities in our markets and the acquisition. It is a positive sign to see this loan growth as finding investment returns that match the loan yields has been difficult. Our loan to deposit ratio was 50.8% as of December 31, 2012. We would prefer that the loan to deposit ratio was higher to best utilize deposits, but with the rapid deposit growth, it has been challenging to grow our loan portfolio at the same pace. The allowance for loan losses on December 31, 2012, totaled \$7,773,000, or 1.50% of gross loans, compared to \$7,905,000 or 1.77% of gross loans as of December 31, 2011. The decline in the ratios of the allowance for loan losses to gross loans was primarily due to a purchase accounting adjustment for the acquired loans and improved credit quality.

## SHAREHOLDER INFORMATION:

The Company's stock, which is listed on the NASDAQ Capital Market under the symbol ATLO, closed at \$21.90 on December 31, 2012. During the fourth quarter of 2012, the price ranged from \$18.39 to \$21.99. On November 14, 2012, the Company declared a quarterly cash dividend on its common stock, payable on February 15, 2013 to stockholders of record as of February 1, 2013, equal to \$0.15 per share.

We saw significant growth in assets, deposits and loans in 2012 as we continued to deliver financial strength, stability and safety to our customers. Although the anticipated low interest rate environment in 2013 will present many challenges, Ames National Corporation is well-positioned with people and resources to seek out opportunities to expand and ultimately enhance your shareholder value. Thank you for your ongoing commitment to Ames National Corporation. We are looking forward to an exciting year. For more information about Ames National Corporations and its affiliate banks, please call or visit us online at [www.amesnational.com](http://www.amesnational.com).



DOUGLAS C. GUSTAFSON  
Chairman

THOMAS H. POHLMAN  
President

Year Ended December 31,	
2012	2011

\$14,182,000	\$13,921,000
\$1.52	\$1.48
\$0.60	\$0.52
1.24%	1.38%
10.08%	10.82%
52.33%	49.80%
3.35%	3.60%
11.88%	12.99%



## 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



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Quarterly Report  
to Shareholders

## LETTER TO SHAREHOLDERS

On behalf of the Ames National Corporation Board of Directors, we are pleased to report on the Company's performance for the fourth quarter.

### FOURTH QUARTER HIGHLIGHTS:

For the quarter ended December 31, 2012, net income for Ames National Corporation decreased 4.0% and totaled \$3,469,000, or \$0.37 per share, compared to \$3,615,000, or \$0.39 per share in 2011. Net income decreased primarily due to higher noninterest expenses, an other-than-temporary impairment of investment securities and lower investment interest income, offset in part by higher loan interest income, higher gains on loans held for sale and lower deposit interest expense.

The Company's net interest margin was 3.26% for the quarter, a decrease from 3.58% for the quarter ended December 31, 2011. As low interest rates persist in the current economic environment, loans and maturing securities are re-pricing to lower interest rates. This ongoing trend has made it challenging to maintain the historic net interest margin levels.

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 (RSB) on April 27, 2012. RSB's net income was \$586,000, as compared to \$325,000 for the quarter ended for the same time period in 2011. The acquisition contributed to increases in net interest income, noninterest income and noninterest expense.

### YEAR 2012 RESULTS:

For the year ended December 31, 2012, net income for the Company increased 1.9% and totaled a record \$14,182,000, or \$1.52 per share, compared to \$13,921,000 or \$1.48 per share in 2011. Net income increased primarily due to higher net interest income, lower provision expense, and increased noninterest income.

Net interest income totaled \$32,320,000, an increase of \$1,434,000, or 4.6%, compared to the same period a year ago, primarily due to higher average balances on loans and investments and lower rates on deposits, partially offset in part by lower rates on loans and investments and higher balances on average deposits. The Company's net interest margin was 3.35% for the year, a decrease from 3.60% in 2011, as a result of lower market yields on interest earning assets, offset in part by lower market rates on interest bearing liabilities in 2012 as compared to 2011.

The provision for loan losses was \$22,000 for the year as compared to \$533,000 for the same period in 2011. The lower provision for loan losses in 2012 as compared to 2011 was due primarily to improved credit quality as well as a decrease in the allowance for loan loss on impaired loans. These factors were offset in part by an increase in the loan portfolio. Net loan charge-offs of \$155,000 for 2012, were similar for the same period in 2011 at \$148,000.

Noninterest income for the year totaled \$7,435,000 as compared to \$6,970,000 for the same period in 2011. With the growth in secondary market lending income, the continued success with Wealth Management Services and the increase in debit card fee income, Ames National Corporation has seen solid growth in noninterest income.

## AT A GLANCE... FINANCIAL HIGHLIGHTS

	Three Months Ended December 31,	
	2012	2011
Net Income	\$3,469,000	\$3,615,000
Earnings Per Share – Basic	\$0.37	\$0.39
Dividends Per Share	\$0.15	\$0.13
Return on Average Assets (ROA)	1.17%	1.41%
Return on Average Equity (ROE)	9.57%	10.88%
Efficiency Ratio	54.77%	49.24%
Net Interest Margin (FTE)	3.26%	3.58%
Equity Capital Ratio		

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## CONSOLIDATED BALANCE SHEETS

(unaudited)	December 31, 2012	December 31, 2011
<b>ASSETS</b>		
Cash and due from banks	\$ 34,805,371	\$ 22,829,291
Interest bearing deposits in financial institutions	44,639,033	33,741,406
Securities available-for-sale	588,417,037	508,624,622
Loans receivable, net	510,125,880	438,650,837
Loans held for sale	1,030,180	1,212,620
Bank premises and equipment, net	12,233,464	11,362,626
Accrued income receivable	7,173,703	6,467,509
Other real estate owned	9,910,825	9,538,440
Core deposit intangible, net	1,303,264	-
Goodwill	5,600,749	-
Other assets	2,452,593	3,136,482
<b>Total assets</b>	<b>\$ 1,217,692,099</b>	<b>\$ 1,035,563,833</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<i>LIABILITIES</i>		
Deposits		
Demand, noninterest bearing	\$ 182,033,279	\$ 126,059,239
NOW accounts	287,294,015	229,810,463
Savings and money market	279,774,197	216,768,048
Time, \$100,000 and over	99,925,619	107,944,525
Other time	155,705,340	138,123,116
<b>Total deposits</b>	<b>1,004,732,450</b>	<b>818,705,391</b>
Securities sold under agreements to repurchase	27,088,660	41,696,585
FHLB advances and other long-term borrowings	34,611,035	35,179,335
Dividend payable	1,396,627	1,210,419
Deferred income taxes	1,632,560	885,433
Accrued expenses and other liabilities	3,495,032	3,329,285
<b>Total liabilities</b>	<b>1,072,956,364</b>	<b>901,006,448</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 December 31, 2012 and 2011	18,865,830	18,865,830
Additional paid-in capital	22,651,222	22,651,222
Retained earnings	94,159,839	85,564,078
Accumulated other comprehensive income-net unrealized income on securities available-for-sale	11,075,342	9,492,753
Treasury stock, at cost; 122,002 shares at December 31, 2012 and 2011	(2,016,498)	(2,016,498)
<b>Total stockholders' equity</b>	<b>144,735,735</b>	<b>134,557,385</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 1,217,692,099</b>	<b>\$ 1,035,563,833</b>

## CONSOLIDATED STATEMENTS OF INCOME

(unaudited)	Three Months Ended December 31,		Year Ended December 31,	
	2012	2011	2012	2011
<b>INTEREST INCOME:</b>				
Loans	\$ 6,291,450	\$ 5,954,374	\$ 24,761,633	\$ 23,600,471
Securities				
Taxable	1,398,435	1,627,968	6,058,556	6,993,213
Tax-exempt	1,720,710	1,663,277	6,767,545	6,555,546
Interest bearing deposits and federal funds sold	112,676	128,853	484,004	466,475
<b>Total interest income</b>	<b>9,523,271</b>	<b>9,374,472</b>	<b>38,071,738</b>	<b>37,615,705</b>
<b>INTEREST EXPENSE:</b>				
Deposits	1,052,483	1,236,779	4,472,337	5,313,476
Other borrowed funds	307,581	329,943	1,279,604	1,416,589
<b>Total interest expense</b>	<b>1,360,064</b>	<b>1,566,722</b>	<b>5,751,941</b>	<b>6,730,065</b>
<b>Net interest income</b>	<b>8,163,207</b>	<b>7,807,750</b>	<b>32,319,797</b>	<b>30,885,640</b>
Provision (credit) for loan losses	(129,092)	123,269	22,277	532,961
<b>Net interest income after provision (credit) for loan losses</b>	<b>8,292,299</b>	<b>7,684,481</b>	<b>32,297,520</b>	<b>30,352,679</b>
<b>NONINTEREST INCOME:</b>				
Trust services income	532,651	427,297	2,060,308	2,046,914
Service fees	417,502	369,782	1,578,672	1,465,055
Securities gains, net	108,457	78,144	646,755	1,025,714
Other-than-temporary impairment of investment securities	(259,851)	-	(259,851)	-
Gain on sale of loans held for sale	506,996	368,032	1,589,122	1,048,583
Merchant and card fees	245,849	184,470	1,055,613	739,951
Other noninterest income	193,756	185,152	764,765	644,163
<b>Total noninterest income</b>	<b>1,745,360</b>	<b>1,612,877</b>	<b>7,435,384</b>	<b>6,970,380</b>
<b>NONINTEREST EXPENSE:</b>				
Salaries and employee benefits	3,172,200	2,963,815	12,465,403	11,631,032
Data processing	606,485	533,909	2,239,003	1,985,329
Occupancy expenses	392,926	310,950	1,462,898	1,377,333
FDIC insurance assessments	186,324	131,108	664,285	738,893
Other real estate owned, net	10,781	15,866	482,904	434,041
Core deposit intangible amortization	73,776	-	196,736	-
Other operating expenses, net	984,191	683,082	3,291,724	2,685,344
<b>Total noninterest expense</b>	<b>5,426,683</b>	<b>4,638,730</b>	<b>20,802,953</b>	<b>18,851,972</b>
<b>Income before income taxes</b>	<b>4,610,976</b>	<b>4,658,628</b>	<b>18,929,951</b>	<b>18,471,087</b>
<b>INCOME TAX EXPENSE</b>	<b>1,142,237</b>	<b>1,043,588</b>	<b>4,747,643</b>	<b>4,550,280</b>
<b>NET INCOME</b>	<b>\$ 3,468,739</b>	<b>\$ 3,615,040</b>	<b>\$ 14,182,308</b>	<b>\$ 13,920,807</b>
Basic and diluted earnings per share	\$ 0.37	\$ 0.39	\$ 1.52	\$ 1.48
Declared dividends per share	\$ 0.15	\$ 0.13	\$ 0.60	\$ 0.52