

June 30, 2013, an increase of over \$55 million over June 30, 2012. This increase is mainly the result of the continued growth in core deposits like checking and savings accounts.

We were able to put the additional deposits to work through new opportunities to expand our loan portfolio. Net loans as of June 30, 2013 increased 3.8% over 2012 ending at \$506,139,000 compared to \$487,438,000 as of June 30, 2012. Most of this growth was due to increases in the real estate loan portfolio. In addition to investing in loans, we expanded our securities portfolio from \$561,083,000 as of June 30, 2012 to \$602,300,000 as of June 30, 2013. The increase in securities available-for-sale is primarily due to increases in U.S. government agencies and corporate bonds, offset by a decrease in U.S. government mortgage-backed securities.

As the loan portfolio continues to grow, we are focused on effectively managing the risk. We were pleased to see a decline in impaired loans, which decreased from \$6,719,000, or 1.36% of gross loans as of June 30, 2012, to \$4,771,000, or 0.93% of gross loans as of June 30, 2013.

The Company's stockholders' equity represented 11.3% of total assets as of June 30, 2013 with all of the Company's five affiliate banks considered well-capitalized as defined by federal capital regulations. Total stockholders' equity was \$136,385,000 as of June 30, 2013, and \$140,035,000 as of June 30, 2012. With the rising interest rate environment, the fair value on the securities portfolio declined causing a decrease in stockholders' equity.

Shareholder Information

Return on average assets was 1.11% for the six months ended June 30, 2013, compared to 1.24% for the same period in 2012. Return on average equity was 9.42% for the six months ended June 30, 2013, compared to the 9.94% in 2012. The decline in these profitability 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 \$22.76 on June 30, 2013. During the second quarter of 2013, the price ranged from \$18.50 to \$23.15. On May 8, 2013, the Company declared a quarterly cash dividend on its common stock, payable on August 15, 2013 to stockholders of record as of August 1, 2013, equal to \$0.16 per share.

Our Board

At the Annual Meeting of Shareholders on April 24, 2013, two new board members were elected to the Company Board. Richard O. Parker, attorney and owner of the Parker Law Firm in Nevada, Iowa and John P. Nelson, the Company's Chief Financial Officer, were both elected for three-year terms. During the meeting, we also had the opportunity to recognize Fredrick C. Samuelson, president and owner of James Michael & Associates in Nevada, Iowa. Fred retired from the Company board and State Bank & Trust Co. board during the second quarter after serving for 19 and 20 years, respectively. On behalf of the Company, we would like to thank Fred for his many years of advice and counsel. His expertise and input will truly be missed.



DOUGLAS C. GUSTAFSON
Chairman



THOMAS H. POHLMAN
President

Six Months Ended June 30,

2013	2012
\$6,865,000	\$6,853,000
\$0.74	\$0.74
\$0.32	\$0.30
1.11%	1.24%
9.42%	9.94%
54.45%	52.88%
3.10%	3.39%
11.30%	12.10%



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

JOHN P. NELSON

Chief Financial Officer, Ames National Corporation

RICHARD O. PARKER

Attorney, Parker Law Firm

LARRY A. RAYMON

Chief Executive Officer, Raymon Enterprises, Inc.

Affiliate Banks



UNITED BANK & TRUST



Ames National Corporation

405 5th Street • Ames, IA 50010

PHONE 515-232-6251

FAX 515-663-3033

EMAIL info@amesnational.com

www.amesnational.com



Letter To Shareholders

Net income for the first six months of 2013 was relatively consistent with the results reported during the first six months of 2012. The current interest rate environment continues to put pressure on the Company's net interest margin, and, in turn, has made it more challenging to maintain net interest income. When comparing 2013 over 2012, we are pleased to report that non-interest income, loans and deposits continue to increase. The economies in our markets are strong, as indicated by our local business climate, which is driving growth in our loan and deposit portfolios.

Second Quarter 2013 Results

For the quarter ended June 30, 2013, net income for the Company totaled \$3,279,000, or \$0.35 per share, compared to \$3,309,000, or \$0.36 per share in 2012. Net income decreased primarily due to higher other real estate owned expenses and lower net interest income, offset in part by higher securities gains. The increase in other real estate owned costs reflects the adjustment in the fair value of other real estate owned in the second quarter of 2013. The decline in fair value required the Company to incur an expense which negatively impacted earnings. While the overall economy seems to be improving, commercial land sales continue to be sluggish.

We continue to be pleased with the results of the acquisition of the Garner and Klemme, Iowa offices by Reliance State Bank on April 27, 2012. Reliance State Bank's net income for the quarter ended June 30, 2013 was \$530,000, as compared to \$369,000 for the quarter ended June 30, 2012. The acquisition contributed to increases in net interest income, noninterest income excluding securities gains, and noninterest expense.

Six Months 2013 Results

For the six months ended June 30, 2013, net income for the Company totaled \$6,865,000, or \$0.74 per share, compared to \$6,853,000, or \$0.74 per share in 2012. Net income increased primarily due to higher loan interest income, lower deposit interest expense and higher noninterest income. This increase in net income was achieved despite the compression of the interest margin and the adjustment to the value of other real estate owned.

Net interest income for the six months ended June 30, 2013 totaled \$16,192,000, an increase of \$281,000, or 1.8%, compared to the same period a year ago, primarily due to the lower interest rates on deposits. The Company's net interest margin, however, was 3.10% for the six months ended June 30, 2013, a decrease from 3.39% for the six months ended June 30, 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.

A provision for loan losses of \$74,000 was recognized for the six months ended June 30, 2013 as compared to \$116,000 for the six months ended June 30, 2012. Net loan charge-offs were \$27,000 and \$400 for the six months ended June 30, 2013 and 2012, respectively.

Noninterest income for the six months ended June 30, 2013 totaled \$3,932,000 as compared to \$3,632,000 for the same period in 2012. The increase in noninterest income is primarily due to higher securities gains, increases in card service fees and gains on the sale of mortgage loans.

Balance Sheet Review

As of June 30, 2013, total assets were \$1,206,914,000, a \$49,190,000 increase compared to June 30, 2012. The increase in assets was mainly a result of the 5.9% growth in deposits from 2012 to 2013. Deposits totaled \$1,000,457,000 on

2ND QUARTER

2013 | QUARTERLY REPORT TO SHAREHOLDERS

AT A GLANCE...
FINANCIAL HIGHLIGHTS

	Three Months Ended June 30,	
	2013	2012
Net Income	\$3,279,000	\$3,309,000
Earnings Per Share – Basic	\$0.35	\$0.36
Dividends Per Share	\$0.16	\$0.15
Return on Average Assets (ROA)	1.05%	1.15%
Return on Average Equity (ROE)	8.98%	9.52%
Efficiency Ratio	57.26%	55.34%
Net Interest Margin (FTE)	3.07%	3.38%
Equity Capital Ratio		

Consolidated Balance Sheets

(unaudited)

	June 30, 2013	June 30, 2012
ASSETS		
Cash and due from banks	\$ 19,429,057	\$ 22,610,045
Interest bearing deposits in financial institutions	36,408,837	47,084,933
Securities available-for-sale	602,299,900	561,082,556
Loans receivable, net	506,139,036	487,437,889
Loans held for sale	1,257,924	1,881,226
Bank premises and equipment, net	12,185,791	12,038,794
Accrued income receivable	7,021,977	6,829,553
Other real estate owned	8,989,208	8,661,061
Deferred income taxes	5,798,827	-
Core deposit intangible, net	1,161,066	1,450,816
Goodwill	5,600,749	5,600,749
Other assets	621,132	3,046,378
Total assets	\$ 1,206,913,504	\$ 1,157,724,000
LIABILITIES AND STOCKHOLDERS' EQUITY		
<i>LIABILITIES</i>		
Deposits		
Demand, noninterest bearing	\$ 172,564,005	\$ 149,898,320
NOW accounts	298,457,426	276,405,263
Savings and money market	287,124,558	254,983,000
Time, \$100,000 and over	93,247,877	100,817,049
Other time	149,062,756	162,960,408
Total deposits	1,000,456,622	945,064,040
Securities sold under agreements to repurchase	30,628,684	31,541,867
FHLB advances and other long-term borrowings	34,576,061	34,645,456
Dividend payable	1,489,746	1,396,637
Deferred income taxes	-	1,517,571
Accrued expenses and other liabilities	3,377,173	3,523,482
Total liabilities	1,070,528,286	1,017,689,053
<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 June 30, 2013 and 2012	18,865,830	18,865,830
Additional paid-in capital	22,651,222	22,651,222
Retained earnings	98,044,977	89,623,377
Accumulated other comprehensive income (loss)-net unrealized income (loss) on securities available-for-sale	(1,160,313)	10,911,016
Treasury stock, at cost; 122,002 shares at June 30, 2013 and 2012	(2,016,498)	(2,016,498)
Total stockholders' equity	136,385,218	140,034,947
Total liabilities and stockholders' equity	\$ 1,206,913,504	\$ 1,157,724,000

Consolidated Statements of Income

(unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
INTEREST INCOME:				
Loans	\$ 6,146,761	\$ 6,245,560	\$ 12,305,274	\$ 12,056,317
Securities				
Taxable	1,399,811	1,593,490	2,779,773	3,218,134
Tax-exempt	1,746,378	1,698,430	3,474,811	3,349,145
Interest bearing deposits and federal funds sold	108,313	132,926	218,046	258,179
Total interest income	9,401,263	9,670,406	18,777,904	18,881,775
INTEREST EXPENSE:				
Deposits	999,601	1,153,164	1,995,441	2,322,482
Other borrowed funds	294,939	319,638	590,850	649,136
Total interest expense	1,294,540	1,472,802	2,586,291	2,971,618
Net interest income	8,106,723	8,197,604	16,191,613	15,910,157
Provision for loan losses	60,000	64,412	73,574	115,705
Net interest income after provision for loan losses	8,046,723	8,133,192	16,118,039	15,794,452
NONINTEREST INCOME:				
Trust services income	498,689	530,942	985,943	1,035,714
Service fees	402,002	393,773	777,827	731,212
Securities gains, net	364,250	10,535	433,241	318,068
Gain on sale of loans held for sale	345,377	356,855	700,920	641,894
Merchant and card fees	272,612	239,292	613,098	536,250
Other noninterest income	206,090	199,535	420,959	368,382
Total noninterest income	2,089,020	1,730,932	3,931,988	3,631,520
NONINTEREST EXPENSE:				
Salaries and employee benefits	3,231,314	3,200,188	6,447,396	6,180,807
Data processing	627,216	564,874	1,199,851	1,074,204
Occupancy expenses	339,457	348,071	745,181	707,755
FDIC insurance assessments	172,443	164,755	332,751	319,216
Professional fees	267,573	312,920	540,028	630,393
Business development	202,033	209,949	393,384	391,065
Other real estate owned expense, net	672,919	342,415	667,738	440,793
Core deposit intangible amortization	68,425	49,184	142,198	49,184
Other operating expenses, net	256,809	302,572	488,758	540,294
Total noninterest expense	5,838,189	5,494,928	10,957,285	10,333,711
Income before income taxes	4,297,554	4,369,196	9,092,742	9,092,261
INCOME TAX EXPENSE	1,018,858	1,059,780	2,228,112	2,239,687
NET INCOME	\$ 3,278,696	\$ 3,309,416	\$ 6,864,630	\$ 6,852,574
Basic and diluted earnings per share	\$ 0.35	\$ 0.36	\$ 0.74	\$ 0.74
Declared dividends per share	\$ 0.16	\$ 0.15	\$ 0.32	\$ 0.30