



3RD QUARTER

2016 QUARTERLY REPORT TO SHAREHOLDERS

COMPANY STOCK ATLO

NASDAQ Capital Market

September 30, 2016 Closing Price: **\$27.66**
Third Quarter Price Range: **\$25.78 - \$28.86**

Third Quarter Financial Highlights

- Net income for Ames National Corporation totaled \$3,804,000 or \$0.41 per share, compared to \$4,100,000 or \$0.44 per share earned in 2015. The lower earnings are primarily the result of increased income tax expense, a higher provision for loan loss, and higher data processing costs, offset in part by higher loan interest income and gain on sale of loans. The increase in loan interest income was attributable to higher loan volume.
- Average net loans for the three months were \$50 million higher for the quarter ended September 30, 2016 compared to a year earlier.
- Net interest income totaled \$10,050,000, an increase of \$210,000, or 2%, for the quarter compared to the same quarter a year ago, due primarily to growth in the real estate loan portfolio. Our continued expansion into the Des Moines metro market was a factor in obtaining this growth.
- A provision for loan losses of \$235,000 was recognized in the third quarter of 2016 as compared to \$38,000 in the third quarter of 2015. The growth in the loan portfolio and a specific reserve on a newly impaired loan were the primary factors for the provision for loan losses in 2016. Net loan recoveries were \$81,000 for third quarter 2016 compared to net loan recoveries of \$17,000 for the same period in 2015.
- Noninterest income for the third quarter of 2016 totaled \$2,004,000 as compared to \$1,950,000 for the same period in 2015. The increase in noninterest income is primarily due to an increase in the gain on sale of loans held for sale. The increase in the gain on sale of loans was due to higher loan volume driven by a healthy residential mortgage market in central Iowa.
- A Cash Dividend of \$0.21 per share on common stock was declared on August 10, 2016, payable on November 15, 2016 to stockholders of record as of November 1, 2016.

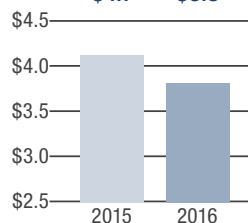
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If you haven't signed up already, simply contact:

Lori Hill, Shareholder Relations • [515] 232-6251 • info@amesnational.com

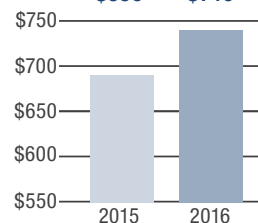
Net Income

MILLIONS OF DOLLARS
QUARTER ENDED SEPT. 30
\$4.1 **\$3.8**



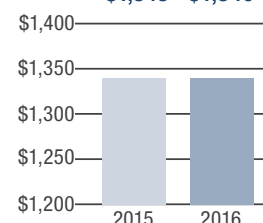
Loans

MILLIONS OF DOLLARS
AS OF SEPT. 30
\$690 **\$740**



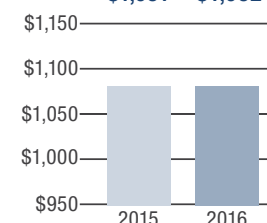
Assets

MILLIONS OF DOLLARS
AS OF SEPT. 30
\$1,343 **\$1,340**



Deposits

MILLIONS OF DOLLARS
AS OF SEPT. 30
\$1,061 **\$1,062**



AT A GLANCE... FINANCIAL HIGHLIGHTS

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2016	2015	2016
Net Income	\$4,100,000	\$3,804,000	\$11,100,000	\$11,710,000
Earnings Per Share – Basic	\$0.44	\$0.41	\$1.19	\$1.26
Dividends Per Share	\$0.20	\$0.21	\$0.60	\$0.63
Return on Average Assets (ROA)	1.24%	1.15%	1.12%	1.18%
Return on Average Equity (ROE)	10.35%	8.91%	9.36%	9.33%
Efficiency Ratio	50.74%	50.71%	53.45%	51.99%
Net Interest Margin (FTE)	3.36%	3.38%	3.32%	3.37%
Equity Capital Ratio			11.94%	12.74%

Consolidated Balance Sheets

(unaudited)	September 30, 2016	September 30, 2015
ASSETS		
Cash and due from banks	\$ 21,305,138	\$ 26,140,701
Interest bearing deposits in financial institutions	25,998,518	40,155,352
Securities available-for-sale	517,579,320	546,016,890
Loans receivable, net	740,321,874	690,315,150
Loans held for sale	1,188,415	916,322
Bank premises and equipment, net	16,342,418	16,828,000
Accrued income receivable	8,370,918	8,540,727
Other real estate owned	653,684	3,418,108
Deferred income taxes	-	1,978,434
Core deposit intangible, net	1,035,525	1,403,982
Goodwill	6,732,216	6,732,216
Other assets	815,950	896,580
Total assets	\$ 1,340,343,976	\$ 1,343,342,462
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES		
Deposits		
Demand, noninterest bearing	\$ 187,835,703	\$ 187,652,406
NOW accounts	302,133,497	300,533,481
Savings and money market	366,167,359	350,538,471
Time, \$250,000 and over	35,663,074	35,178,437
Other time	170,009,512	187,474,843
Total deposits	1,061,809,145	1,061,377,638
Securities sold under agreements to repurchase	49,858,395	52,065,563
FHLB advances and other borrowings	51,000,000	63,253,477
Deferred income taxes	1,039,151	-
Dividend payable	1,955,292	1,862,183
Accrued expenses and other liabilities	3,945,268	4,378,121
Total liabilities	1,169,607,251	1,182,936,982
STOCKHOLDERS' EQUITY		
Common stock, \$2 par value, authorized 18,000,000 shares; issued and outstanding 9,310,913 shares as of September 30, 2016 and 2015	18,621,826	18,621,826
Additional paid-in capital	20,878,728	20,878,728
Retained earnings	124,112,244	116,214,889
Accumulated other comprehensive income-net unrealized income on securities available-for-sale	7,123,927	4,690,037
Total stockholders' equity	170,736,725	160,405,480
Total liabilities and stockholders' equity	\$ 1,340,343,976	\$ 1,343,342,462

Consolidated Statements of Income

(unaudited)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
INTEREST INCOME:				
Loans	\$8,236,401	\$7,808,414	\$24,124,973	\$22,920,161
Securities				
Taxable	1,425,366	1,506,702	4,392,602	4,639,398
Tax-exempt	1,329,071	1,433,537	4,117,893	4,399,623
Interest bearing deposits and federal funds sold	86,869	94,364	296,925	288,411
Total interest income	11,077,707	10,843,017	32,932,393	32,247,593
INTEREST EXPENSE:				
Deposits	753,642	744,958	2,259,140	2,276,004
Other borrowed funds	274,297	257,791	796,006	898,565
Total interest expense	1,027,939	1,002,749	3,055,146	3,174,569
Net interest income	10,049,768	9,840,268	29,877,247	29,073,024
Provision for loan losses	234,703	37,797	440,787	1,036,610
Net interest income after provision for loan losses	9,815,065	9,802,471	29,436,460	28,036,414
NONINTEREST INCOME:				
Wealth Management Income	684,908	671,699	2,210,229	2,040,956
Service fees	426,711	445,706	1,228,416	1,285,063
Securities gains, net	64,917	111,622	296,110	608,926
Gain on sale of loans held for sale	339,501	206,072	773,512	705,370
Merchant and card fees	350,488	350,310	1,051,378	1,016,783
Other noninterest income	137,153	164,568	469,138	466,085
Total noninterest income	2,003,678	1,949,977	6,028,783	6,123,183
NONINTEREST EXPENSE:				
Salaries and employee benefits	3,977,495	3,882,484	11,883,696	11,418,395
Data processing	824,429	720,232	2,366,293	2,089,363
Occupancy expenses, net	449,775	414,868	1,461,201	1,408,464
FDIC insurance assessments	109,289	169,692	434,808	519,962
Professional fees	296,720	346,665	889,721	951,835
Business development	239,917	254,757	696,033	719,689
Other real estate owned (income) expense, net	(91,173)	(104,380)	(87,564)	605,830
Core deposit intangible amortization	86,492	103,251	273,206	326,249
Other operating expenses, net	219,283	194,639	750,244	773,430
Total noninterest expense	6,112,227	5,982,208	18,667,638	18,813,217
Income before income taxes	5,706,516	5,770,240	16,797,605	15,346,380
PROVISION FOR INCOME TAX				
	1,902,636	1,670,389	5,087,253	4,246,790
NET INCOME	\$ 3,803,880	\$ 4,099,851	\$ 11,710,352	\$ 11,099,590
Basic and diluted earnings per share	\$ 0.41	\$ 0.44	\$ 1.26	\$ 1.19
Declared dividends per share	\$ 0.21	\$ 0.20	\$ 0.63	\$ 0.60

Mission

Ames National Corporation is a result-oriented financial services holding company providing leadership, counsel and support to its community affiliate banks and superior performance for its shareholders.

Core Values

Excellence:

Striving to exceed expectations

Integrity:

Demonstrating high moral and ethical conduct

Leadership:

Creating and developing opportunities that benefit our employees, customers, communities and shareholders

Stability:

Maintaining financial strength and a dedicated staff to successfully serve the current and future needs of our employees, customers, communities, and shareholders

Trust:

Acting in the best interest of our employees, customers, and shareholders

Community:

Dedicated to serving our communities through local decision making, community involvement and active boards of directors

Company Directors

DOUGLAS C. GUSTAFSON, DVM

Chairman of the Board | Retired Veterinarian

THOMAS H. POHLMAN

President & CEO, Ames National Corporation

DAVID W. BENSON

Attorney, Nyemaster Goode, P.C.

LISA M. ESLINGER

Senior Vice President, Finance & Operations,
Iowa State University Foundation

STEVEN D. FORTH

Farmer

BETTY A. BAUDLER HORRAS

President, Baudler Enterprises, Inc.

JAMES R. LARSON, II

President, Larson Development Corporation

JOHN P. NELSON

Chief Financial Officer, Ames National Corporation

RICHARD O. PARKER

Attorney, Parker Law Firm

KEVIN L. SWARTZ

Chief Executive Officer, Wolfe Clinic PC

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

WEBSITE www.amesnational.com