



2ND QUARTER

2016 QUARTERLY REPORT TO SHAREHOLDERS

COMPANY STOCK ATLO

NASDAQ Capital Market

June 30, 2016 Closing Price: **\$26.82**
 First Quarter Price Range: **\$24.00 - \$27.02**
 Declared Quarterly Cash Dividend: **\$0.21**
 (Payable on August 15, 2016)

Second Quarter Financial Highlights

- Net income for Ames National Corporation totaled \$4,099,000 or \$0.44 per share, compared to \$3,365,000 or \$0.36 per share in 2015. The higher earnings are primarily the result of increased loan interest income, a lower provision for loan loss and lower other real estate owned expenses, offset in part by lower securities gains. The increase in loan interest income was attributable to higher loan volume. Average net loans for the three months were \$36 million higher for the quarter ended June 30, 2016 compared to a year earlier.
- Net interest income totaled \$9,992,000, an increase of \$204,000 compared to the same quarter a year ago, due primarily to growth in the real estate loan portfolio. The Company's expansion into the Des Moines metro market was a factor in obtaining this growth.
- Noninterest income for the second quarter of 2016 totaled \$1,926,000 as compared to \$2,407,000 for the same period in 2015. The decrease in noninterest income was due to a decrease in realized securities gains of \$463,000, offset by higher wealth management income of \$57,000. Wealth management income continues to be a focus of management and provides an opportunity for increasing revenue.
- We are proud to announce that Ames National Corporation ranked 17 among the top 166 publicly-traded banks with assets between \$1 billion and \$5 billion in *Bank Director Magazine's* annual Bank Performance Scorecard. Performance was evaluated on: profitability, capital strength and credit quality.

You can now receive quarterly reports, dividend information, news releases and more by email!

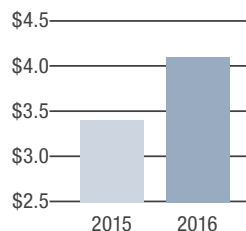
If you haven't signed up already, simply contact:

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

Net Income

MILLIONS OF DOLLARS
QUARTER ENDED JUNE 30

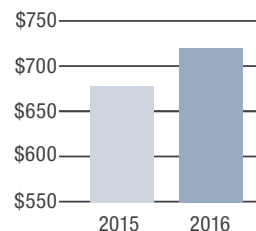
\$3.4 **\$4.1**



Loans

MILLIONS OF DOLLARS
AS OF JUNE 30

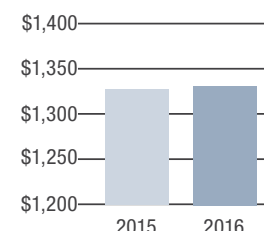
\$678 **\$713**



Assets

MILLIONS OF DOLLARS
AS OF JUNE 30

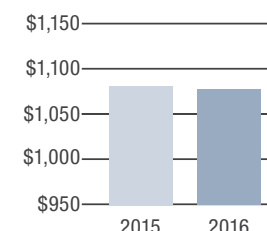
\$1,322 **\$1,329**



Deposits

MILLIONS OF DOLLARS
AS OF JUNE 30

\$1,079 **\$1,065**



AT A GLANCE... FINANCIAL HIGHLIGHTS

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2016	2015	2016
Net Income	\$3,635,000	\$4,099,000	\$7,000,000	\$7,906,000
Earnings Per Share – Basic	\$0.36	\$0.44	\$0.75	\$0.85
Dividends Per Share	\$0.20	\$0.21	\$0.40	\$0.42
Return on Average Assets (ROA)	1.01%	1.23%	1.05%	1.19%
Return on Average Equity (ROE)	8.48%	9.82%	8.86%	9.55%
Efficiency Ratio	54.88%	51.36%	54.82%	52.64%
Net Interest Margin (FTE)	3.32%	3.36%	3.30%	3.36%
Equity Capital Ratio			11.84%	12.80%

Consolidated Balance Sheets

(unaudited)	June 30, 2016	June 30, 2015
ASSETS		
Cash and due from banks	\$ 20,299,644	\$ 26,310,646
Interest bearing deposits in financial institutions	31,235,295	29,685,112
Securities available-for-sale	528,801,262	546,632,788
Loans receivable, net	712,940,747	677,579,651
Loans held for sale	1,645,090	465,000
Bank premises and equipment, net	16,590,627	16,373,694
Accrued income receivable	7,384,529	7,435,248
Other real estate owned	1,053,923	4,587,683
Deferred income taxes	-	3,171,778
Core deposit intangible, net	1,122,017	1,507,233
Goodwill	6,732,216	6,732,216
Other assets	1,041,651	1,637,644
Total assets	\$ 1,328,847,001	\$ 1,322,118,693
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES		
Deposits		
Demand, noninterest bearing	\$ 192,096,304	\$ 195,469,480
NOW accounts	298,819,035	298,586,336
Savings and money market	365,932,378	357,110,905
Time, \$250,000 and over	35,089,704	33,950,601
Other time	173,427,209	194,261,076
Total deposits	1,065,364,630	1,079,378,398
Securities sold under agreements to repurchase	41,945,656	43,478,402
Federal funds purchased	959,000	-
FHLB advances and other borrowings	42,800,000	36,968,367
Deferred income taxes	1,498,380	-
Dividend payable	1,955,292	1,862,183
Accrued expenses and other liabilities	4,236,546	3,862,105
Total liabilities	1,158,759,504	1,165,549,455
STOCKHOLDERS' EQUITY		
Common stock, \$2 par value, authorized 18,000,000 shares; issued and outstanding 9,310,913 shares as of June 30, 2016 and 2015	18,621,826	18,621,826
Additional paid-in capital	20,878,728	20,878,728
Retained earnings	122,263,655	113,977,220
Accumulated other comprehensive income-net unrealized income on securities available-for-sale	8,323,288	3,091,464
Total stockholders' equity	170,087,497	156,569,238
Total liabilities and stockholders' equity	\$ 1,328,847,001	\$ 1,322,118,693

Consolidated Statements of Income

(unaudited)	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
INTEREST INCOME:				
Loans	\$8,030,602	\$7,712,057	\$15,888,572	\$15,111,747
Securities				
Taxable	1,471,926	1,566,298	2,967,236	3,132,696
Tax-exempt	1,388,791	1,479,726	2,788,822	2,966,086
Interest bearing deposits and federal funds sold	114,353	100,669	210,056	194,047
Total interest income	11,005,672	10,858,750	21,854,686	21,404,576
INTEREST EXPENSE:				
Deposits	755,377	768,650	1,505,498	1,531,046
Other borrowed funds	258,339	302,611	521,709	640,774
Total interest expense	1,013,716	1,071,261	2,027,207	2,171,820
Net interest income	9,991,956	9,787,489	19,827,479	19,232,756
Provision for loan losses	14,070	921,513	206,084	998,813
Net interest income after provision for loan losses	9,977,886	8,865,976	19,621,395	18,233,943
NONINTEREST INCOME:				
Wealth Management Income	738,213	681,347	1,525,321	1,369,257
Service fees	404,614	444,798	801,705	839,357
Securities gains, net	29,500	492,355	231,193	497,304
Gain on sale of loans held for sale	257,254	285,312	434,011	499,298
Merchant and card fees	356,817	351,879	700,890	666,473
Other noninterest income	139,235	151,296	331,985	301,517
Total noninterest income	1,925,633	2,406,987	4,025,105	4,173,206
NONINTEREST EXPENSE:				
Salaries and employee benefits	3,854,417	3,810,977	7,906,201	7,535,911
Data processing	780,732	704,596	1,541,864	1,369,131
Occupancy expenses, net	407,989	467,509	1,011,426	993,596
FDIC insurance assessments	161,531	167,274	325,519	350,270
Professional fees	325,085	312,732	593,001	605,170
Business development	220,956	232,088	456,116	464,932
Other real estate owned expense, net	23,225	562,147	3,609	710,210
Core deposit intangible amortization	91,466	109,375	186,714	222,998
Other operating expenses, net	255,286	325,454	530,961	578,791
Total noninterest expense	6,120,687	6,692,152	12,555,411	12,831,009
Income before income taxes	5,782,832	4,580,811	11,091,089	9,576,140
PROVISION FOR INCOME TAX				
	1,683,451	1,216,001	3,184,617	2,576,401
NET INCOME	\$ 4,099,381	\$ 3,364,810	\$ 7,906,472	\$ 6,999,739
Basic and diluted earnings per share	\$ 0.44	\$ 0.36	\$ 0.85	\$ 0.75
Declared dividends per share	\$ 0.21	\$ 0.20	\$ 0.42	\$ 0.40

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