

September 30, 2014 declined to \$568,103,000, from \$583,477,000 as of September 30, 2013. The decrease in securities available-for-sale is a result of the Company's pay downs of U.S. government mortgage-backed securities and maturities of state and political subdivision bonds. While securities available-for-sale decreased, the Company recorded an \$87,000,000 increase in net loans over third quarter of 2013 as a result of the acquisition and organic loan growth at each affiliate bank. Loan growth provides a great opportunity for Ames National Corporation to enhance shareholder value through increased margins, and we continue to focus on building new lending relationships. Ending the quarter with a loan portfolio of \$615,701,000, the growth has come primarily through 1-4 family real estate, construction real estate and commercial real estate loans, a good indication of an improving economy.

Deposits totaled \$1,039,786,000 on September 30, 2014, a 6.4% increase from the \$977,006,000 recorded at September 30, 2013. New deposit growth from the Des Moines market totaled approximately \$80,000,000. It is positive to note that our loan to deposit ratio increased to 59% as of September 30, 2014 compared to 54% on September 20, 2013. This improved ratio indicates that we have been able to put more dollars to work in higher yielding loans compared to investing in securities which have historically not generated the same levels of return. This trend bodes well, if sustained, for improving future earnings.

The Company's stockholders' equity represented 11.9% of total assets as of September 30, 2014. Total stockholders' equity was \$153,970,000 as of September 30, 2014, and \$141,354,000 as of September 30, 2013. The increase in stockholders' equity was primarily the result of net income and higher fair value on the securities available-for-sale.

Value-Added Services

As our affiliate banks focus on strategies to enhance clients' banking experiences, we have seen recent growth in Mobile Deposit Services and ID TheftSmart Restoration and Credit Monitoring. Mobile Deposit has given clients the ability to deposit checks using their smart phones. During September 2014, over 1,400 transactions resulting in \$630,000 in deposits were made using the mobile deposit feature. Clients are enjoying the added convenience, and the Company is benefiting from the powerful new retention tool. In addition, clients are becoming more educated on guarding against identity theft and looking for solutions to help them restore their credit should they ever become victims. Nearly 900 clients are benefiting from the ID TheftSmart services.

Shareholder Information:

Return on average assets was 1.20% for the quarter ended September 30, 2014, compared to 1.24% for the same period in 2013. Return on average equity was 9.73% for the quarter ended September 30, 2014, compared to the 10.77% in 2013. The Company's stock, which is listed on the NASDAQ Capital Market under the symbol ATLO, closed at \$22.35 on September 30, 2014. During the third quarter of 2014, the price ranged from \$22.13 to \$24.37. On August 13, 2014, the Company declared a quarterly cash dividend on its common stock, payable on November 17, 2014 to stockholders of record as of November 3, 2014, equal to \$0.18 per share.

Thank you for your commitment to Ames National Corporation. We continue to look for opportunities to enhance your shareholder value and are optimistic about the Company's strategic direction. We encourage you to contact us if you have any questions.



DOUGLAS C. GUSTAFSON
Chairman



THOMAS H. POHLMAN
President

**Nine Months Ended
September 30,**

2014	2013
\$12,113,000	\$10,577,000
\$1.30	\$1.14
\$0.54	\$0.48
1.29%	1.15%
10.78%	9.86%
49.35%	53.15%
3.29%	3.16%
11.86%	11.65%



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.

JAMES R. LARSON, II

President, Larson Development Corporation

WARREN R. MADDEN

Vice President for Business & Finance, Iowa State University

JOHN P. NELSON

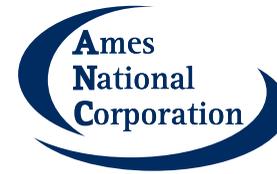
Chief Financial Officer, Ames National Corporation

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

3RD QUARTER

2014 | QUARTERLY REPORT TO SHAREHOLDERS

Letter To Shareholders

Third Quarter 2014 Results

The third quarter of 2014 was a time of growth for Ames National Corporation. On August 29, 2014, the Company's lead bank, First National Bank, Ames, completed the acquisition of First Bank offices located in West Des Moines and Johnston, Iowa. The Company and First National Bank are pleased to welcome our new customers and employees and look forward to the expansion of our footprint in the Des Moines Metro area and building new relationships. The newly combined First National staffs have made outstanding progress with the integration of the new offices and are to be commended on their significant efforts in ensuring a smooth transition.

Net income for the quarter totaled \$3,731,000 or \$0.40 per share, a 0.5% increase over the \$3,712,000 or \$0.40 per share earned in 2013. Although net income was relatively unchanged, it is important to note that net interest income was up 6% but was offset by a similar increase in noninterest expense as the First Bank acquisition necessitated approximately \$86,000 in non-routine costs. While the acquisition did have an effect on noninterest expense, the Company is focused on the long-term benefits of an expanded customer base, lending opportunities and market growth potential.

Third quarter net interest income totaled \$9,018,000, an increase of \$506,000, compared to the same quarter a year ago, as a result of an increase in the average balance of real estate loans and higher yields on taxable securities available-for-sale. The increase in net interest income led to an improvement in the Company's net interest margin to 3.32% for the third quarter of 2014 compared to 3.28% for the quarter ended September 30, 2013.

Noninterest income for the third quarter of 2014 was also up slightly and totaled \$1,829,000 as compared to \$1,820,000 for the same period in 2013. The growth in noninterest income is mostly attributed to wealth management income, offset in part by a decrease in realized securities gains. Conversely, noninterest expense for the third quarter totaled \$5,666,000 compared to \$5,231,000 recorded in 2013. The increase of 8.3% in noninterest expense was mainly due to salaries and benefits and data processing costs as a result of additional payroll costs as a result of the acquisition. The efficiency ratio, which measures how effectively a company manages expenses, was 52.24% for the third quarter of 2014 compared to 50.63% in 2013.

Nine Months 2014 Results:

We are pleased to report that, for the nine months ended September 30, 2014, net income for the Company totaled \$12,113,000, or \$1.30 per share, compared to \$10,577,000, or \$1.14 per share in 2013. Included in the net income increase was an after tax gain of \$778,000 on the sale of the First National Bank office building located near Iowa State University in Ames, Iowa. In addition, increases in loan and securities available-for-sale interest income and a decrease in other real estate owned expenses also played a significant role in the income growth. Excluding the after tax one-time gain on the sale of the office building, net income would have shown a 7% increase and ended the quarter at \$11,334,000, or \$1.22 per share in 2014, as compared to \$10,577,000, or \$1.14 per share in 2013.

Another highlight for the nine-month period included a 29% increase in Wealth Management income. As customers' financial needs continue to change and evolve during various life stages, Ames National Corporation has made a strategic decision to expand and enhance financial planning and financial management services. Our Wealth Management advisors assist clients with everything from day-to-day bill paying and investments to extensive financial planning and estate planning.

Balance Sheet Review:

The acquisition drove total assets to a new high and reached \$1,298,162,000, an \$84,929,000 increase over third quarter of 2013. Securities available-for-sale as of

AT A GLANCE...
FINANCIAL HIGHLIGHTS

	Three Months Ended September 30,	
	2014	2013
Net Income	\$3,731,000	\$3,712,000
Earnings Per Share – Basic	\$0.40	\$0.40
Dividends Per Share	\$0.18	\$0.16
Return on Average Assets (ROA)	1.20%	1.24%
Return on Average Equity (ROE)	9.73%	10.77%
Efficiency Ratio	52.24%	50.63%
Net Interest Margin (FTE)	3.32%	3.28%
Equity Capital Ratio		

Consolidated Balance Sheets

(unaudited)

	September 30, 2014	September 30, 2013
ASSETS		
Cash and due from banks	\$ 25,685,197	\$ 25,658,649
Interest bearing deposits in financial institutions	41,529,118	34,255,292
Securities available-for-sale	568,103,061	583,476,550
Loans receivable, net	615,701,355	528,706,450
Loans held for sale	447,423	627,754
Bank premises and equipment, net	15,984,355	12,072,845
Accrued income receivable	8,589,329	8,090,874
Other real estate owned	10,187,794	8,993,815
Deferred income taxes	1,662,407	4,103,206
Core deposit intangible, net	1,843,857	1,095,315
Goodwill	6,732,216	5,600,749
Other assets	1,695,913	551,320
Total assets	\$ 1,298,162,025	\$ 1,213,232,819
LIABILITIES AND STOCKHOLDERS' EQUITY		
<i>LIABILITIES</i>		
Deposits		
Demand, noninterest bearing	\$ 175,656,528	\$ 165,723,905
NOW accounts	294,207,846	287,015,885
Savings and money market	315,650,511	283,671,827
Time, \$100,000 and over	98,705,314	93,306,121
Other time	155,565,574	147,288,212
Total deposits	1,039,785,773	977,005,950
Securities sold under agreements to repurchase and federal funds	68,194,012	31,973,603
Federal Home Loan Bank advances and other borrowings	29,986,152	57,558,364
Dividend payable	1,675,964	1,489,746
Accrued expenses and other liabilities	4,550,116	3,851,551
Total liabilities	1,144,192,017	1,071,879,214
<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 September 30, 2014 and 2013	18,865,830	18,865,830
Additional paid-in capital	22,651,222	22,651,222
Retained earnings	109,239,104	100,267,297
Accumulated other comprehensive income-net unrealized income on securities available-for-sale	5,230,350	1,585,754
Treasury stock, at cost; 122,002 shares at September 30, 2014 and 2013	(2,016,498)	(2,016,498)
Total stockholders' equity	153,970,008	141,353,605
Total liabilities and stockholders' equity	\$ 1,298,162,025	\$ 1,213,232,819

Consolidated Statements of Income

(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
INTEREST INCOME:				
Loans	\$ 6,722,179	\$ 6,569,005	\$ 19,708,190	\$ 18,874,279
Securities				
Taxable	1,792,258	1,357,658	5,407,157	4,137,431
Tax-exempt	1,538,531	1,737,687	4,857,733	5,212,498
Interest bearing deposits and federal funds sold	67,183	86,126	213,259	304,172
Total interest income	10,120,151	9,750,476	30,186,339	28,528,380
INTEREST EXPENSE:				
Deposits	803,098	924,219	2,557,799	2,919,660
Other borrowed funds	299,434	315,116	897,781	905,966
Total interest expense	1,102,532	1,239,335	3,455,580	3,825,626
Net interest income	9,017,619	8,511,141	26,730,759	24,702,754
Provision for loan losses	55,145	92,388	130,020	165,962
Net interest income after provision for loan losses	8,962,474	8,418,753	26,600,739	24,536,792
NONINTEREST INCOME:				
Wealth Management income	686,955	532,709	2,108,150	1,631,478
Service fees	426,588	402,062	1,194,862	1,179,889
Securities gains, net	79,501	204,738	214,582	637,979
Gain on sale of loans held for sale	224,554	268,658	473,733	969,578
Merchant and card fees	281,766	271,485	831,405	884,583
Gain on sale of premises and equipment, net	-	-	1,242,209	-
Other noninterest income	129,326	140,081	443,505	448,214
Total noninterest income	1,828,690	1,819,733	6,508,446	5,751,721
NONINTEREST EXPENSE:				
Salaries and employee benefits	3,513,375	3,288,760	10,235,563	9,736,156
Data processing	656,715	581,301	1,823,635	1,781,152
Occupancy expenses, net	366,258	358,739	1,185,066	1,103,920
FDIC insurance assessments	164,535	173,878	490,231	506,629
Professional fees	332,988	313,174	963,876	853,202
Business development	303,026	255,899	726,503	649,283
Other real estate owned expense, net	(19,908)	(14,436)	(198)	653,302
Core deposit intangible amortization	76,959	65,751	203,707	207,949
Other operating expenses, net	272,474	207,437	776,248	696,195
Total noninterest expense	5,666,422	5,230,503	16,404,631	16,187,788
Income before income taxes	5,124,742	5,007,983	16,704,554	14,100,725
INCOME TAX EXPENSE	1,393,256	1,295,916	4,592,054	3,524,028
NET INCOME	\$ 3,731,486	\$ 3,712,067	\$ 12,112,500	\$ 10,576,697
Basic and diluted earnings per share	\$ 0.40	\$ 0.40	\$ 1.30	\$ 1.14
Declared dividends per share	\$ 0.18	\$ 0.16	\$ 0.54	\$ 0.48