



2019 SUMMARY
ANNUAL REPORT



AMES NATIONAL CORPORATION **AT A GLANCE**

BACKGROUND

Ames National Corporation (ANC) is an Iowa-based bank holding company. ANC was organized and incorporated on January 21, 1975, under the laws of the State of Iowa to serve as a holding company for its principal banking subsidiary, First National Bank, Ames, Iowa. In 1983, ANC acquired the stock of State Bank & Trust Co. located in Nevada, Iowa; in 1991, ANC acquired Boone Bank & Trust Co., located in Boone, Iowa; in 1995, ANC acquired the stock of Reliance State Bank located in Story City, Iowa; and in 2002, ANC chartered and commenced operations of United Bank & Trust NA, located in Marshalltown, Iowa. In 2012, Reliance State Bank acquired an office located in Garner, Iowa. In 2014, First National Bank acquired three offices located in West Des Moines and Johnston, Iowa, and three locations in the Osceola, Iowa area in 2018. Most recently, ANC acquired Iowa State Savings Bank in the Creston, Iowa area.

ANC SERVICES

ANC provides various services to the Affiliate Banks, which include: management assistance, payroll, internal auditing services, human resources services, compliance management, marketing assistance, loan review, technology support, training and employee development. ANC employees seek to incorporate efficiencies across the Affiliate Banks' operational functions so the management teams can focus on what they do best: banking and taking care of customers' financial needs.

AFFILIATE BANK STRUCTURE

Each Affiliate Bank operates independently with a board of directors and a bank president. Decisions are made locally, which means customers receive quick responses to questions, and services are customized to meet customer needs in each community.

The Affiliate Banks' lending activities consist primarily of short-term and medium-term commercial, agricultural and residential real estate loans, agricultural and business operating loans, lines of credit, home improvement loans and the origination of mortgage loans for sale into the secondary market. Affiliate Banks also offer a variety of checking, savings and time deposits accounts, cash management services, wealth management and trust services, merchant credit card processing and safe deposit box services. Convenient access to funds and account information is also available through: Online Banking, Video Banking, Mobile Banking, Online Bill Pay, Mobile Wallet, online statements and debit cards.

MISSION STATEMENT

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



CORE VALUES

Ames National Corporation's foundation is built on these values which guide our actions.

EXCELLENCE • INTEGRITY • LEADERSHIP
STABILITY • TRUST • COMMUNITY

BOARD OF DIRECTORS



BACK, LEFT TO RIGHT:

Thomas H. Pohlman, Chairman

John P. Nelson, President & CEO

Steven D. Forth, Farmer

John L. Pierschbacher, Chief Financial Officer

MIDDLE, LEFT TO RIGHT:

Michelle R. Cassabaum, Chief Operating & Financial Officer, 21st Century Rehab

Betty A. Baudler Horras, President, Baudler Enterprises, Inc.

Lisa M. Eslinger, Chief Financial and Administrative Officer, Iowa State University Foundation

FRONT, LEFT TO RIGHT:

Patrick G. Hagan, Retired Senior Vice President of Fareway Stores, Inc.

David W. Benson, Partner, Nyemaster Goode Attorneys at Law

Kevin L. Swartz, Chief Executive Officer, Wolfe Clinic PC

James R. Larson, II, President, Larson Development Corporation

LETTER TO SHAREHOLDERS

As we reflect on 2019, we have much to celebrate at Ames National Corporation. Your company reached new growth milestones in addition to welcoming Iowa State Savings Bank, our sixth affiliate bank, to the organization. Net income, assets, loans and deposits climbed to record highs as we continued to deliver on our core values. The following report provides highlights of Ames National Corporation's financial results as well as an overview of our continued focus on enhancing your shareholder value through profitable growth.

FINANCIAL RESULTS

Net income for 2019 totaled \$17.2 million or \$1.86 per share, compared to \$17.0 million or \$1.83 per share earned in 2018. The primary drivers of the growth in earnings were improvements in loan interest income, increases in home mortgage originations and wealth management income and the income resulting from the Osceola acquisition.

Higher interest expense and a competitive interest rate landscape for loan and deposit customers were among the biggest challenges in 2019, so we were pleased with the continued growth of the balance sheet and the stable net interest margin despite these obstacles. With the organic growth at our affiliate banks combined with the recent acquisition, assets reached a record high of \$1.7 billion, up \$281.5 million compared to year-end last year. Loans increased 18% to just over \$1 billion, and deposits grew to a record \$1.5 billion.

2019 was also a good year for non-interest income in the areas of home mortgage originations and Wealth Management Services. Mortgage origination income increased \$264,000 or 34% over 2018 while Wealth Management Services income grew by \$252,000 or 8% over 2019. Both of these teams have built a loyal customer base by providing tailored, exceptional service in the markets we serve. Customers value the continuum of services provided by our team of experts for all of life's financial stages, and our Banks benefit from long-term customer relationships.

Credit quality remains favorable as measured by our problem loans to total equity capital ratio of 20%. Provisions for loan losses of \$1,314,000 were recognized in 2019 as compared to \$639,000 for the previous year. The increase in the provision for loan losses was necessary to maintain an adequate allowance for loan losses on the increasing outstanding loan portfolio.

GROWTH

We are pleased to report that the 2018 and 2019 acquisitions of Clarke County State Bank in Osceola, Iowa, and Iowa State Savings Bank, in Creston, Iowa, have an important role in growing profitably. Since 2012, Ames National Corporation has completed four acquisitions, resulting in additional assets of over \$500 million. Ames National Corporation is proactively seeking strategically aligned acquisition opportunities that will enhance shareholder value through profitable growth. With our large capital base and strong earnings, we are well-positioned and excited to continue to expand our footprint throughout Iowa.

STRATEGIC DIRECTION

During 2019, our Management Team and Board of Directors developed a five-year strategic plan focused on initiatives that will help us "move the needle" and reach our goals. We incorporated employee and customer feedback as well as industry research to help guide us to three major strategic initiatives:

- **Employee Engagement** - Enhance systems and activities to acquire, develop and retain employees.
- **Customer Engagement** - Develop a customer experience that supports relationship growth and customer acquisition.
- **Continuous Improvement** - Continually improve key processes to increase customer engagement, employee engagement and shareholder value.

To remain financial leaders in the communities we serve, we must strategically focus on growth and continue to identify ways to stand out above the competition. It is also important to have an optimal balance of serving our customers, shareholders and employees.

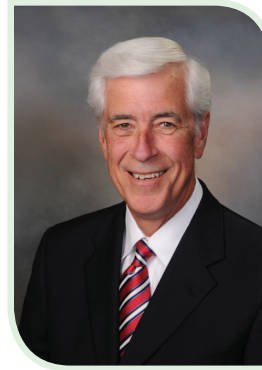
Through Strategic Planning, we developed a Vision Statement to cultivate a culture that engages our employees so they are empowered, equipped and encouraged to build relationships, deliver financial solutions and grow professionally.

Vision Statement

Each employee feels personally connected to delivering exceptional customer experiences and helping our organization grow.

As we wrap up another decade of dedicated service to our customers, community and shareholders, we believe that there are great opportunities ahead as we continue to expand our proven model of local, community banking. We continue to set high standards for profitable growth and are focused on serving our communities. On behalf of the employees and board of directors, thank for your ongoing support of Ames National Corporation, and we appreciate the opportunity to serve you.

Join us on Wednesday, April 29th as we celebrate a year of accomplishments at our 45th Annual meeting of Shareholders at Reiman Gardens. We encourage you to contact us if you have any questions.



A handwritten signature in black ink that reads "Thomas H. Pohlman".

Thomas H. Pohlman
Chairman



A handwritten signature in black ink that reads "John P. Nelson".

John P. Nelson
President & CEO

FINANCIAL HIGHLIGHTS

As of December 31, 2019



Assets
\$1.7 Billion



ROE
9.48%



**Declared Dividends
Per Share**
\$0.96



Net Income
\$17.2 Million



ROA
1.14%



ATLO Closing Price
\$28.06

Per Common Share

Cash Dividends	\$0.96
Dividend Payout	51.61%
Dividend Yield	3.42%

Loan Quality

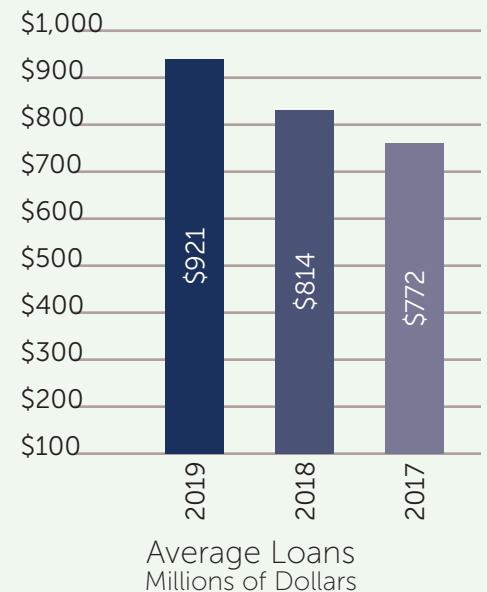
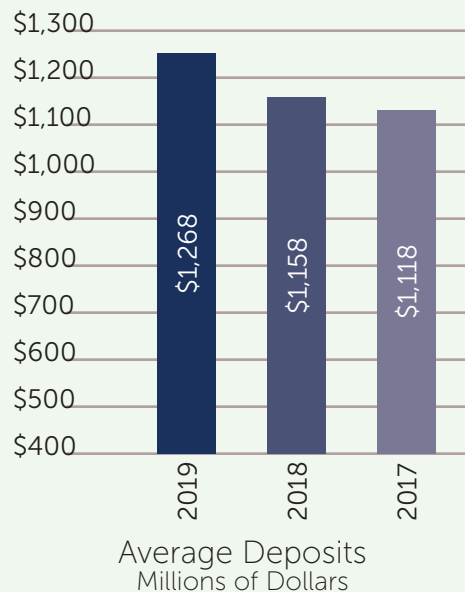
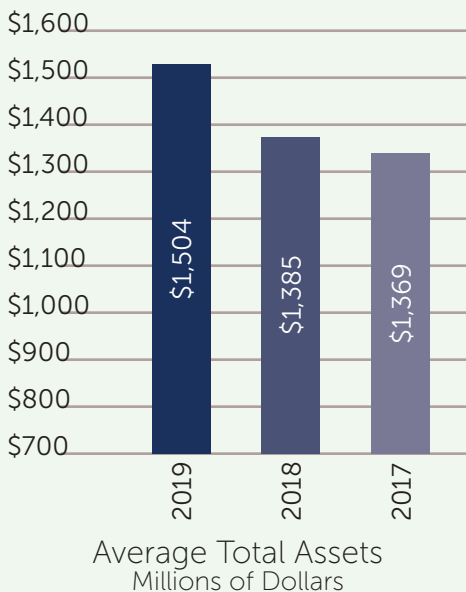
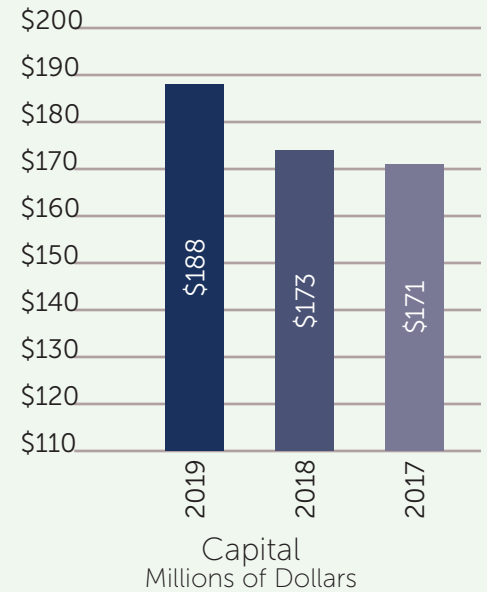
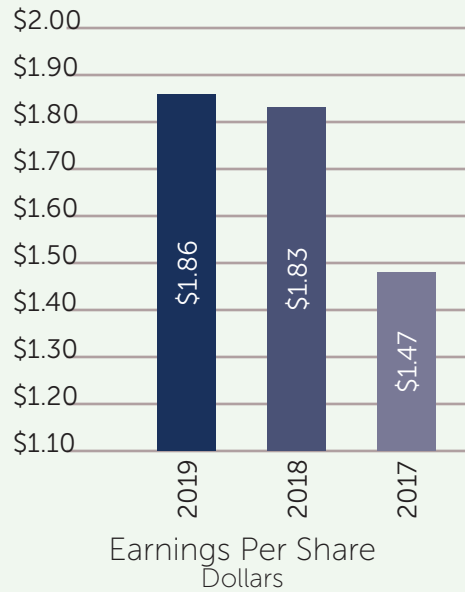
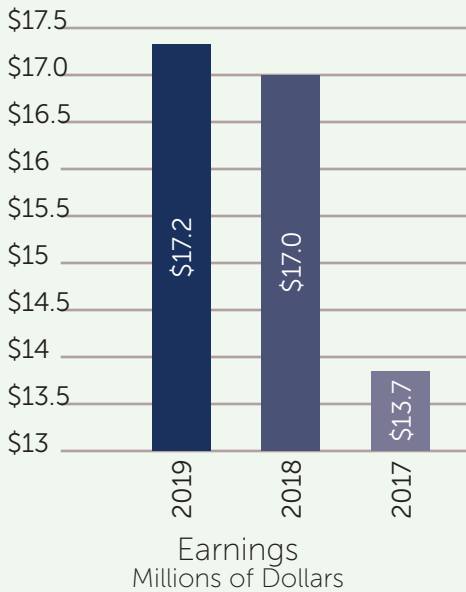
	2019	2018
Allowance	1.19%	1.30%
Net Charge-Offs	0.04%	0.03%
Non Performing	0.48%	0.38%

Market Price Per Share

	2019	2018
Closing	\$28.06	\$25.42
High	\$29.46	\$32.15
Low	\$24.47	\$24.51

PERFORMANCE RECORD

THREE-YEAR FINANCIAL HIGHLIGHTS



AFFILIATE BANKS



Contact: (515) 432-6200
www.boonebankiowa.com
Charter: State
Organized: 1883
Offices: Two locations in Boone, Iowa
Employees: 22
Capital: \$13.7 Million
Assets: \$135 Million
2019 Net Income: \$1.5 Million



Contact: (515) 382-2191
www.bankSBT.com
Charter: State
Organized: 1939
Offices: One location in Nevada, Iowa
Employees: 20
Capital: \$15.6 Million
Assets: \$159 Million
2019 Net Income: \$2.1 Million



Contact: (641) 753-5900
www.ISSBbank.com
Charter: State
Organized: 1883
Offices: Five locations in Creston, Corning, Diagonal, and Lenox, Iowa
Employees: 38
Capital: \$24.3 Million
Assets: \$215 Million
2019 Net Income: \$303,000 (since acquisition)

The logo for Ames National Corporation is set against a dark blue background. It features the words 'Ames National Corporation' in a white, serif font, arranged in three lines. The text is framed by a white, stylized crescent shape that resembles a 'C' or a partial circle.

Ames
National
Corporation



Contact: (515) 733-4396
www.RSBIowa.com
Charter: State
Organized: 1928
Offices: Two locations in Story
City and Garner, Iowa
Employees: 32
Capital: \$27.5 Million
Assets: \$230 Million
2019 Net Income: \$2.8 Million



UNITED BANK & TRUST

Contact: (641) 753-5900
www.ubtna.com
Charter: National
Organized: 2002
Offices: Two locations in
Marshalltown, Iowa
Employees: 21
Capital: \$10.3 Million
Assets: \$100 Million
2019 Net Income: \$930,000



Contact: (515) 232-5561
www.FNB247.com
Charter: National
Organized: 1903
Offices: 10 locations in Ames,
Ankeny, Johnston, Murray,
Osceola, and West Des Moines,
Iowa
Employees: 133
Capital: \$89 Million
Assets: \$913 Million
2019 Net Income: \$10.3 Million

CONSOLIDATED BALANCE SHEETS

Unaudited

	December 31, 2019	December 31, 2018
ASSETS		
Cash and due from banks	\$ 34,616,880	\$ 30,384,066
Interest bearing deposits in financial institutions	108,947,624	26,057,513
Securities available-for-sale	479,843,448	458,971,162
Federal Home Loan Bank (FHLB) and Federal Reserve Bank (FRB) stock, at cost	3,138,900	3,191,200
Loans receivable, net	1,048,147,496	890,461,479
Loans held for sale	2,776,785	401,287
Bank premises and equipment, net	17,810,605	15,813,196
Accrued income receivable	11,788,409	9,415,570
Other real estate owned	4,003,684	829,603
Bank-owned life insurance	2,842,713	2,773,729
Deferred income taxes	1,151,016	3,848,713
Other intangible assets, net	3,959,260	2,677,884
Goodwill	12,114,559	9,744,472
Other assets	6,041,126	1,117,477
	<u>\$ 1,737,182,505</u>	<u>\$ 1,455,687,351</u>
Total assets		
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES		
Deposits		
Non-interest bearing checking	\$ 267,441,988	\$ 230,113,170
Interest bearing checking	461,857,728	366,178,715
Savings and money market	481,642,221	418,384,284
Time, \$250,000 and over	74,206,421	40,014,550
Other time	207,026,740	166,393,120
	<u>1,493,175,098</u>	<u>1,221,083,839</u>
Total deposits		
Securities sold under agreements to repurchase	42,033,570	40,674,486
FHLB advances	5,000,000	14,600,000
Dividends payable	2,213,459	2,137,460
Accrued expenses and other liabilities	7,180,906	4,326,502
	<u>1,549,603,033</u>	<u>1,282,822,287</u>
Total liabilities		
STOCKHOLDERS' EQUITY		
Common stock, \$2 par value, authorized 18,000,000 shares; issued and outstanding 9,222,747 and 9,293,305 shares as of December 31, 2019 and 2018, respectively	18,445,494	18,586,610
Additional paid-in capital	18,794,141	20,461,724
Retained earnings	146,225,085	137,891,821
Accumulated other comprehensive income (loss)	4,114,752	(4,075,091)
	<u>187,579,472</u>	<u>172,865,064</u>
Total stockholders' equity		
Total liabilities and stockholders' equity	<u>\$ 1,737,182,505</u>	<u>\$ 1,455,687,351</u>

CONSOLIDATED STATEMENTS OF INCOME

Unaudited

INTEREST AND DIVIDEND INCOME:

Loans, including fees	
Securities	
Taxable	
Tax-exempt	
Other interest and dividend income	
Total interest and dividend income	

	December 31, 2019	December 31, 2018
\$	44,282,197	\$ 38,013,249
	6,483,893	6,188,403
	4,047,054	4,582,970
	1,364,349	942,341
	<u>56,177,493</u>	<u>49,726,963</u>

INTEREST EXPENSE:

Deposits	
Other borrowed funds	
Total interest expense	
Net interest income	
Provision for loan losses	
Net interest income after provision for loan losses	

	10,200,626	6,841,807
	728,723	761,389
	<u>10,929,349</u>	<u>7,603,196</u>
	45,248,144	42,123,767
	1,314,104	639,316
	<u>43,934,040</u>	<u>41,484,451</u>

NON-INTEREST INCOME:

Wealth management income	
Service fees	
Securities gains, net	
Gain on sale of loans held for sale	
Merchant and card fees	
Gain on foreclosure of other real estate owned	
Other non-interest income	
Total non-interest income	

	3,596,770	3,344,579
	1,619,269	1,425,361
	17,031	-
	1,044,798	780,947
	1,525,309	1,427,334
	-	162,862
	826,221	759,854
	<u>8,629,398</u>	<u>7,900,937</u>

NON-INTEREST EXPENSE:

Salaries and employee benefits	
Data processing	
Occupancy expenses, net	
FDIC insurance assessments	
Professional fees	
Business development	
Intangible asset amortization	
Data conversion costs	
New market tax credit projects amortization	
Other operating expenses, net	
Total non-interest expense	
Income before income taxes	

	19,675,952	17,821,753
	4,130,506	3,478,640
	2,275,882	2,008,331
	193,593	404,514
	1,753,531	1,482,911
	1,242,271	1,166,688
	609,624	430,537
	-	228,854
	581,563	-
	1,058,747	943,182
	<u>31,521,669</u>	<u>27,965,410</u>
	21,041,769	21,419,978

INCOME TAX EXPENSE

NET INCOME	
Basic and diluted earnings per share	
Declared dividends per share	

	3,847,600	4,406,100
\$	<u>17,194,169</u>	\$ <u>17,013,878</u>
\$	1.86	\$ 1.83
\$	0.96	\$ 1.17

COMMUNITY INVOLVEMENT



We believe that the success our company is measured by the success of our stakeholders – our clients, community, business partners, employees and shareholders. We recognize our civic responsibility and appreciate all of our employees' efforts to support the communities that help us grow.

Each year, our employees give of their time to support our key areas of focus. Each affiliate community is unique and our employees play integral roles in helping our community members live more productive, educated and enriched lives.

FINANCIAL LITERACY

Financial Literacy has long been an important part of our community involvement. Whether through our school bank partnerships, classroom visits by our bankers, bank tours or online financial resources, we are dedicated to providing the tools to help youth in our communities reach their greatest potential and feel confident in their financial decisions.

In 2019, we expanded our financial education efforts to include adult financial learning opportunities. First National Bank launched FNB U, an online, personalized education tool that helps users build financial health and confidence by completing short learning modules. Optimized for mobile use, this program is designed to equip busy adults with the critical knowledge and skills to make informed financial decisions.

AREAS OF SUPPORT

17 Locations serving 10 Communities



FINANCIAL LITERACY
AND EDUCATION



COMMUNITY AND
ECONOMIC DEVELOPMENT



COMMUNITY
ARTS



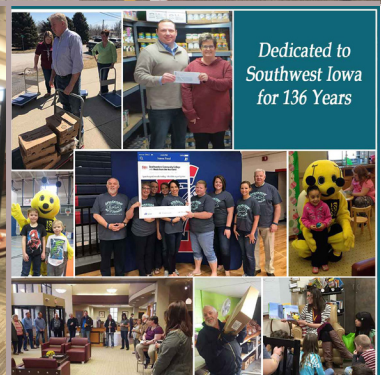
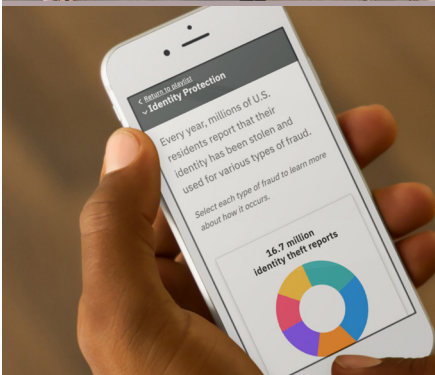
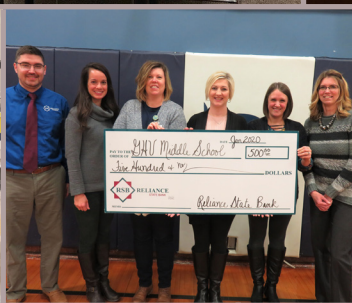
AFFORDABLE HOUSING AND
ECONOMIC REVITALIZATION



HEALTH AND
HUMAN SERVICES



YOUTH
PROGRAMS



Dedicated to Southwest Iowa for 136 Years

ACQUISITION UPDATE



Iowa State Savings Bank Board of Directors

Front Row, L-R: John Linch, Adam Snodgrass, Tia Samo | **Back Row, L-R:** Dave Driskell, Kevin Stewart, John Nelson, Scot Trost, Mike Tamerius

Ames National Corporation Welcomes Iowa State Savings Bank as its Sixth Affiliate Bank

On July 29, 2019, Ames National Corporation entered into a Stock Purchase Agreement to acquire Iowa State Savings Bank in Creston, Iowa. The Agreement provided for the purchase of 100% of the outstanding stock of Iowa State Savings Bank.

With this acquisition, the Company determined that Iowa State Savings Bank would remain an independently chartered bank with local decisions, no name change and no account changes. In addition, the same management team continues to lead the Bank along with a local board of directors.

Community banking with local decisions is the basis of our banking philosophy. It was clear that Iowa State

Savings Bank shared this same philosophy of delivering local, responsive service and serving the community. The synergies between Iowa State Savings Bank and Ames National Corporation's approach to customer service and community involvement are key components in this strategic acquisition. This approach has served our banks and customers well over the past 44 years.

On October 25th, 116 days after the announcement, the acquisition was complete. Iowa State Savings Bank added approximately \$212 million in assets, \$138 million in loans and \$189 million in deposits to the Company. The addition of Iowa State Savings Bank brings a stable loan and deposit customer base, a talented team of bankers and an expanded geographic footprint for the Company. We believe this acquisition will be an excellent fit for our community banking model and we will continue to actively seek growth opportunities to enhance shareholder value.

SHAREHOLDER INFORMATION

ANNUAL MEETING

The Board of Directors of Ames National Corporation has established Wednesday, April 29, 2020, at 4:30 p.m. as the date of the Annual Meeting of Shareholders. Registration will begin at 4:00 p.m. We invite all shareholders to attend the meeting, which will be held at Reiman Gardens, 1407 University Boulevard, Ames, Iowa.

MARKET MAKERS

Ames National Corporation's common stock is listed on the NASDAQ Capital Market under the symbol "ATLO." Market makers and brokers in the stock include:

First Point Wealth Management , First National Bank,
Ames | (515) 663-3074
Fig Partners, LLC | (404) 601-7200
Raymond James | (800) 800-4693

PROFESSIONAL EXPERTS

Accounts: CliftonLarsonAllen LLP
West Des Moines, Iowa
Counsel: Nyemaster Goode, P.C.
Des Moines, Iowa

STOCK TRANSFER AGENT

Continental Stock Transfer & Trust
17 Battery Place
New York, NY 10004
(212) 509-4000
www.continentalstock.com

FORM 10-K AND OTHER INFORMATION

A copy of the Company's Annual Report to the Securities and Exchange Commission on Form 10-K will be available on the Securities and Exchange Commission's website at <http://www.sec.gov> and through a link on the Company's website, www.amesnational.com, at Financial Information, SEC Filings on or about, March 17, 2020.

Additional information is also available by contacting John L. Pierschbacher, CFO at 515-232-6251 or info@amesnational.com.

Ames National Corporation

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Ames, IA 50010

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