

AMES NATIONAL CORP  
Form 10-Q  
November 09, 2011

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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

[Mark One]

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2011

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number 0-32637

AMES NATIONAL CORPORATION  
(Exact Name of Registrant as Specified in Its Charter)

IOWA  
(State or Other Jurisdiction of  
Incorporation or Organization)

42-1039071  
(I. R. S. Employer  
Identification Number)

405 FIFTH STREET  
AMES, IOWA 50010  
(Address of Principal Executive Offices)

Registrant's Telephone Number, Including Area Code: (515) 232-6251

NOT APPLICABLE  
(Former Name, Former Address and Former Fiscal Year, if Changed Since Last Report)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (Section 232.405 of this Chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated

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filer, or a smaller reporting company. See definition of “accelerated filer”, “large accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act:

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

COMMON STOCK, \$2.00 PAR VALUE	9,354,693
(Class)	(Shares Outstanding at October 26, 2011)

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## AMES NATIONAL CORPORATION

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## AMES NATIONAL CORPORATION AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS

(unaudited)

ASSETS	September 30, 2011	December 31, 2010
Cash and due from banks	\$23,033,128	\$ 15,478,133
Federal funds sold	-	3,000,000
Interest bearing deposits in financial institutions	34,581,968	19,229,814
Securities available-for-sale	500,084,113	469,907,901
Loans receivable, net	428,364,432	418,093,571
Loans held for sale	1,303,825	1,993,108
Bank premises and equipment, net	11,427,144	11,538,588
Accrued income receivable	7,320,692	6,098,535
Deferred income taxes	-	3,305,983
Other real estate owned	9,885,618	10,538,883
Other assets	4,227,090	3,790,329
<b>Total assets</b>	<b>\$1,020,228,010</b>	<b>\$962,974,845</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>LIABILITIES</b>		
Deposits		
Demand, noninterest bearing	\$116,786,018	\$105,513,143
NOW accounts	230,266,256	201,230,880
Savings and money market	208,990,036	199,017,213
Time, \$100,000 and over	103,098,557	94,858,053
Other time	141,095,598	143,242,355
Total deposits	800,236,465	743,861,644
Federal funds purchased and securities sold under agreements to repurchase	40,088,022	54,858,701
Other short-term borrowings	1,001,014	2,047,175
Federal Home Loan Bank advances	19,195,476	16,745,497
Other long-term borrowings	20,000,000	20,000,000
Dividend payable	1,217,669	1,037,621
Deferred income taxes	1,159,697	-
Accrued expenses and other liabilities	3,813,896	3,061,183
<b>Total liabilities</b>	<b>886,712,239</b>	<b>841,611,821</b>
<b>STOCKHOLDERS' EQUITY</b>		
Common stock, \$2 par value, authorized 18,000,000 shares; issued 9,432,915 shares; outstanding 9,366,684 shares as of September 30, 2011 and 9,432,915 shares as of December 31, 2010	18,865,830	18,865,830
Additional paid-in capital	22,651,222	22,651,222
Retained earnings	83,157,897	76,519,493

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Treasury stock, at cost; 66,231 shares and no shares at September 30, 2011 and December 31, 2010, respectively	(1,089,975 )	-
Accumulated other comprehensive income-net unrealized gain on securities available-for-sale	9,930,797	3,326,479
Total stockholders' equity	133,515,771	121,363,024
Total liabilities and stockholders' equity	\$1,020,228,010	\$962,974,845

See Notes to Consolidated Financial Statements.

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## AMES NATIONAL CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF INCOME

(unaudited)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2011	2010	2011	2010
Interest income:				
Loans, including fees	\$5,905,777	\$6,094,728	\$17,646,097	\$18,217,937
Securities:				
Taxable	1,906,708	1,737,458	5,365,245	5,335,686
Tax-exempt	1,624,310	1,480,513	4,892,269	4,275,663
Interest bearing deposits and federal funds sold	112,929	108,764	337,622	368,075
Total interest income	9,549,724	9,421,463	28,241,233	28,197,361
Interest expense:				
Deposits	1,323,083	1,452,764	4,076,697	4,678,728
Other borrowed funds	353,739	454,747	1,086,646	1,260,209
Total interest expense	1,676,822	1,907,511	5,163,343	5,938,937
Net interest income	7,872,902	7,513,952	23,077,890	22,258,424
Provision for loan losses	4,904	74,197	409,692	568,411
Net interest income after provision for loan losses	7,867,998	7,439,755	22,668,198	21,690,013
Noninterest income:				
Trust services income	547,917	522,892	1,619,617	1,518,906
Service fees	401,055	410,107	1,095,273	1,245,295
Securities gains, net	361,444	297,046	947,570	968,859
Gain on sale of loans held for sale	252,163	255,899	680,551	580,888
Merchant and ATM fees	183,987	193,059	555,481	553,583
Other noninterest income	180,558	163,935	608,048	544,715
Total noninterest income	1,927,124	1,842,938	5,506,540	5,412,246
Noninterest expense:				
Salaries and employee benefits	2,945,361	2,691,013	8,667,217	7,995,597
Data processing	524,602	483,436	1,451,420	1,429,081
Occupancy expenses	349,918	350,284	1,066,383	1,116,393
FDIC insurance assessments	129,289	268,867	607,785	860,333
Other real estate owned	280,482	34,602	567,212	153,909
Other operating expenses, net	670,714	676,601	2,002,262	2,118,078
Total noninterest expense	4,900,366	4,504,803	14,362,279	13,673,391
Income before income taxes	4,894,756	4,777,890	13,812,459	13,428,868
Provision for income taxes	1,304,882	1,226,579	3,506,692	3,481,951

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Net income	\$3,589,874	\$3,551,311	\$10,305,767	\$9,946,917
Basic and diluted earnings per share	\$0.38	\$0.38	\$1.09	\$1.05
Dividends declared per share	\$0.13	\$0.11	\$0.39	\$0.33
Comprehensive income	\$5,168,626	\$5,530,706	\$16,910,085	\$13,963,957

See Notes to Consolidated Financial Statements.

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## AMES NATIONAL CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

Nine Months Ended September 30, 2011 and 2010

(unaudited)

	2011	2010
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income	\$10,305,767	\$9,946,917
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	409,692	568,411
Provision for off-balance sheet commitments	5,000	13,000
Amortization, net	3,639,781	2,199,752
Depreciation	557,477	562,169
Provision for deferred income taxes	586,954	417,766
Securities gains, net	(947,570 )	(973,359 )
Other-than-temporary impairment of investment securities	-	4,500
Impairment of other real estate owned	335,048	14,900
Gain on sale of other real estate owned	(76,178 )	(37,044 )
Change in assets and liabilities:		
Decrease (increase) in loans held for sale	689,283	(1,477,959 )
Increase in accrued income receivable	(1,222,157 )	(1,411,532 )
Decrease (increase) in other assets	(444,821 )	628,566
Increase in accrued expenses and other liabilities	747,713	626,022
Net cash provided by operating activities	14,585,989	11,082,109
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of securities available-for-sale	(156,980,283)	(137,545,777)
Proceeds from sale of securities available-for-sale	23,684,117	20,828,076
Proceeds from maturities and calls of securities available-for-sale	110,908,297	103,252,490
Net increase in interest bearing deposits in financial institutions	(15,349,664 )	(3,418,424 )
Net decrease in federal funds sold	3,000,000	-
Net decrease (increase) in loans	(10,894,139 )	14,095,867
Net proceeds from the sale of other real estate owned	657,766	998,213
Purchase of bank premises and equipment, net	(437,973 )	(308,359 )
Other changes in other real estate owned	(49,785 )	3,165
Net cash used in investing activities	(45,461,664 )	(2,094,749 )
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase (decrease) in deposits	56,374,821	(17,227,262 )
Increase (decrease) in federal funds purchased and securities sold under agreements to repurchase	(14,770,679 )	6,756,946
Payments from other short-term borrowings, net	(1,046,161 )	24,437
Proceeds from FHLB and other long-term borrowings	4,000,000	2,500,000
Payments on FHLB and other long-term borrowings	(1,550,021 )	(2,500,000 )
Purchase of treasury stock	(1,089,975 )	-
Dividends paid	(3,487,315 )	(3,018,533 )
Net cash provided by (used in) financing activities	38,430,670	(13,464,412 )



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Net increase (decrease) in cash and due from banks	7,554,995	(4,477,052 )
<b>CASH AND DUE FROM BANKS</b>		
Beginning	15,478,133	18,796,664
Ending	\$23,033,128	\$14,319,612

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AMES NATIONAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)

Nine Months Ended September 30, 2011 and 2010

(unaudited)

	2011	2010
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Cash payments for:		
Interest	\$5,189,947	\$6,093,459
Income taxes	3,204,391	3,193,009
<b>SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING ACTIVITIES</b>		
Transfer of loans to other real estate owned	\$213,586	\$950,004

See Notes to Consolidated Financial Statements.

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AMES NATIONAL CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Unaudited)

1. Significant Accounting Policies

The consolidated financial statements for the three and nine month periods ended September 30, 2011 and 2010 are unaudited. In the opinion of the management of Ames National Corporation (the "Company"), these financial statements reflect all adjustments, consisting only of normal recurring accruals, necessary to present fairly these consolidated financial statements. The results of operations for the interim periods are not necessarily indicative of results which may be expected for an entire year. Certain information and footnote disclosures normally included in complete financial statements prepared in accordance with generally accepted accounting principles have been omitted in accordance with the requirements for interim financial statements. The interim financial statements and notes thereto should be read in conjunction with the year-end audited financial statements contained in the Company's Annual Report on Form 10-K for the year ended December 31, 2010 (the "Annual Report"). The consolidated financial statements include the accounts of the Company and its wholly-owned banking subsidiaries (the "Banks"). All significant intercompany balances and transactions have been eliminated in consolidation.

**Fair value of financial instruments:** The following methods and assumptions were used by the Company in estimating fair value disclosures:

**Cash and due from banks, interest bearing deposits in financial institutions and federal funds sold:** The recorded amount of these assets approximates fair value.

**Securities available-for-sale:** Fair value measurement is based upon quoted prices, if available. If quoted prices are not available, fair values are measured using independent pricing models or other model-based valuation techniques such as the present value of future cash flows, adjusted for the securities credit rating, prepayment assumptions and other factors such as credit loss assumptions.

**Loans receivable:** The fair value of loans is calculated by discounting scheduled cash flows through the estimated maturity using estimated market discount rates, which reflect the credit and interest rate risk inherent in the loan. The estimate of maturity is based on the historical experience, with repayments for each loan classification modified, as required, by an estimate of the effect of current economic and lending conditions. The effect of nonperforming loans is considered in assessing the credit risk inherent in the fair value estimate.

**Loans held for sale:** The fair value of loans held for sale is based on prevailing market prices.

**Deposit liabilities:** Fair values of deposits with no stated maturity, such as noninterest-bearing demand deposits, savings, NOW and money market accounts, are equal to the amount payable on demand as of the respective balance sheet date. Fair values of certificates of deposit are based on the discounted value of contractual cash flows. The discount rate is estimated using the rates currently offered for deposits of similar remaining maturities. The fair value estimates do not include the benefit that results from the low-cost funding provided by the deposit liabilities compared to the cost of borrowing funds in the market.

**Federal funds purchased and securities sold under agreements to repurchase:** The carrying amounts of federal funds purchased and securities sold under agreements to repurchase approximate fair value because of the generally short-term nature of the instruments.



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Short-term borrowings: The carrying amounts of short-term borrowings approximate fair value because of the generally short-term nature of the instruments.

Federal Home Loan Bank advances and other long-term borrowings: Fair values of Federal Home Loan Bank (“FHLB”) advances and other long-term borrowings are estimated using discounted cash flow analysis based on interest rates currently being offered with similar terms.

Accrued income receivable and accrued interest payable: The carrying amounts of accrued income receivable and interest payable approximate fair value.

### New Accounting Pronouncements

In April, 2011, the Financial Accounting Standards Board (“FASB”) issued guidance which modifies certain aspects contained in the Receivables topic of FASB Accounting Standards Codification (“ASC”) 310. The standard clarifies the guidance on evaluating whether a receivable term modification constitutes a troubled debt restructuring. The amendments in this Update are effective for the first interim or annual period beginning on or after June 15, 2011, and should be applied retrospectively to the beginning of the annual period of adoption. The adoption did not have a significant impact on the Company’s financial statements.

In June, 2011, the FASB issued guidance on comprehensive income to require that all nonowner changes in stockholders’ equity be presented in either a single continuous statement of comprehensive income or in two separate but consecutive statements. Additionally, the guidance requires entities to present, on the face of the financial statements, reclassification adjustments for items that are reclassified from other comprehensive income to net income in the statement or statements where the components of net income and the components of other comprehensive income are presented. The option to present components of other comprehensive income as part of the statement of changes in stockholders’ equity was eliminated. The guidance is effective for annual periods beginning after December 15, 2011, and is not expected to have a significant impact on the Company’s financial statements.

In May, 2011, the FASB issued amended guidance which eliminates terminology difference between U.S. generally accepted accounting principles (GAAP) and International Financial Reporting Standards (IFRS) on the measurement of fair value and the related fair value disclosures. While largely consistent with existing fair value measurement principles and disclosures, the changes were made as part of the continuing efforts to converge GAAP and IFRS. The adoption of this guidance is effective for annual periods beginning after December 15, 2011, and is not expected to have a significant impact on the Company’s financial statements.

### 2. Dividends

On August 10, 2011, the Company declared a cash dividend on its common stock, payable on November 15, 2011 to stockholders of record as of November 1, 2011, equal to \$0.13 per share.

### 3. Earnings Per Share

Earnings per share amounts were calculated using the weighted average shares outstanding during the periods presented. The weighted average outstanding shares for the three months ended September 30, 2011 and 2010 were 9,399,336 and 9,432,915, respectively. The weighted average outstanding shares for the nine months ended September 30, 2011 and 2010 were 9,419,731 and 9,432,915, respectively. The Company had no potentially dilutive securities outstanding during the periods presented.



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## 4. Off-Balance Sheet Arrangements

The Company is party to financial instruments with off-balance sheet risk in the normal course of business. These financial instruments include commitments to extend credit and standby letters of credit. These instruments involve, to varying degrees, elements of credit risk in excess of the amount recognized in the balance sheet. No material changes in the Company's off-balance sheet arrangements have occurred since December 31, 2010.

## 5. Fair Value of Financial Instruments

The estimated fair values of the Company's financial instruments (as described in Note 1) were as follows:

	September 30, 2011		December 31, 2010	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets:				
Cash and due from banks	\$23,033,128	\$23,033,000	\$15,478,133	\$15,478,000
Federal funds sold	-	-	3,000,000	3,000,000
Interest bearing deposits	34,581,968	34,582,000	19,229,814	19,230,000
Securities available-for-sale	500,084,113	500,084,000	469,907,901	469,908,000
Loans receivable, net	428,364,432	435,254,000	418,093,571	415,833,000
Loans held for sale	1,303,825	1,304,000	1,993,108	1,993,000
Accrued income receivable	7,320,692	7,321,000	6,098,535	6,099,000
Financial liabilities:				
Deposits	\$800,236,465	\$803,492,000	\$743,861,644	\$746,401,000
Federal funds purchased and securities sold under agreements to repurchase	40,088,022	40,088,000	54,858,701	54,859,000
Other short-term borrowings	1,001,014	1,001,000	2,047,175	2,047,000
FHLB and other long-term borrowings	39,195,476	42,590,000	36,745,497	39,303,000
Accrued interest payable	843,851	844,000	870,455	870,000

The methodology used to determine fair value as of September 30, 2011 did not change from the methodology used in the December 31, 2010 Annual Report.

## 6. Fair Value Measurements

Assets and liabilities carried at fair value are required to be classified and disclosed according to the process for determining fair value. There are three levels of determining fair value.

Level 1: Inputs to the valuation methodology are quoted prices, unadjusted, for identical assets or liabilities in active markets. A quoted price in an active market provides the most reliable evidence of fair value and shall be used to measure fair value whenever available.

Level 2: Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets; inputs to the valuation methodology include quoted prices for identical or similar assets or liabilities in markets that are not active; or inputs to the valuation methodology that are derived principally from or can be corroborated by observable market data by correlation or other means.





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Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement. Level 3 assets and liabilities include financial instruments whose value is determined using discounted cash flow methodologies, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

The following table presents the balances of assets measured at fair value on a recurring basis by level as of September 30, 2011 and December 31, 2010:

Description	Total	Quoted Prices in Active markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
September 30, 2011				
U.S. government agencies	\$71,454,000	\$ -	\$ 71,454,000	\$ -
U.S. government mortgage-backed securities	151,854,000	-	151,854,000	-
State and political subdivisions	250,806,000	-	250,806,000	-
Corporate bonds	20,398,000	-	20,398,000	-
Equity securities, financial industry common stock	2,434,000	2,434,000	-	-
Equity securities, other	3,138,000	-	3,138,000	-
	\$500,084,000	\$ 2,434,000	\$ 497,650,000	\$ -
December 31, 2010				
U.S. treasury	\$503,000	\$ 503,000	\$ -	\$ -
U.S. government agencies	87,413,000	-	87,413,000	-
U.S. government mortgage-backed securities	127,349,000	-	127,349,000	-
State and political subdivisions	228,373,000	-	228,373,000	-
Corporate bonds	20,372,000	-	20,372,000	-
Equity securities, financial industry common stock	2,814,000	2,814,000	-	-
Equity securities, other	3,084,000	18,000	3,066,000	-
	\$469,908,000	\$ 3,335,000	\$ 466,573,000	\$ -

Level 1 securities include those traded on an active exchange, such as the New York Stock Exchange, as well as U.S. Treasury securities that are traded by dealers or brokers in active over-the-counter markets. Level 2 securities include U.S. government agency securities, mortgage-backed securities (including pools and collateralized mortgage obligations), municipal bonds, and corporate debt securities.

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Certain assets are measured at fair value on a nonrecurring basis; that is, they are subject to fair value adjustments in certain circumstances (for example, when there is evidence of impairment). The following table presents the assets carried on the balance sheet (after specific reserves) by caption and by level with the valuation hierarchy as of September 30, 2011 and December 31, 2010:

Description	Total	Quoted Prices in Active markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
September 30, 2011				
Loans receivable	\$2,222,000	\$ -	\$ -	\$ 2,222,000
Other real estate owned	9,886,000	-	-	9,886,000
Total	\$12,108,000	\$ -	\$ -	\$ 12,108,000
December 31, 2010				
Loans receivable	\$3,660,000	\$ -	\$ -	\$ 3,660,000
Other real estate owned	10,539,000	-	-	10,539,000
Total	\$14,199,000	\$ -	\$ -	\$ 14,199,000

Loans receivable in the tables above consist of impaired credits held for investment. Impaired loans are valued by management based on collateral values underlying the loans. Other real estate owned in the table above consists of real estate obtained through foreclosure. Management uses appraised values and adjusts for trends observed in the market and the expected disposition costs in determining the value of loans receivable and other real estate owned which have been evaluated for impairment.

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## 7. Debt and Equity Securities

The amortized cost of securities available for sale and their fair values are summarized below:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
September 30, 2011:				
U.S. government agencies	\$68,798,237	\$2,662,207	\$(6,712 )	\$71,453,732
U.S. government mortgage-backed securities	147,436,251	4,478,057	(59,734 )	151,854,574
State and political subdivisions	241,539,860	9,331,351	(64,830 )	250,806,381
Corporate bonds	20,006,407	581,561	(190,303 )	20,397,665
Equity securities, financial industry common stock	3,402,389	-	(968,428 )	2,433,961
Equity securities, other	3,137,800	-	-	3,137,800
	\$484,320,944	\$17,053,176	\$(1,290,007)	\$500,084,113

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
December 31, 2010:				
U.S. treasury	\$499,885	\$3,265	\$-	\$503,150
U.S. government agencies	86,336,578	1,190,768	(114,727 )	87,412,619
U.S. government mortgage-backed securities	125,740,846	2,237,443	(629,668 )	127,348,621
State and political subdivisions	226,352,715	3,254,157	(1,234,045)	228,372,827
Corporate bonds	19,220,366	1,183,213	(31,575 )	20,372,004
Equity securities, financial industry common stock	3,402,389	-	(588,208 )	2,814,181
Equity securities, other	3,074,999	9,500	-	3,084,499
	\$464,627,778	\$7,878,346	\$(2,598,223)	\$469,907,901

Non-interest income for the three months ended September 30, 2011 and 2010 was impacted by net security gains of approximately \$361,000 and \$297,000, respectively. Non-interest income for the nine months ended September 30, 2011 and 2010 was impacted by net security gains of approximately \$948,000 and \$969,000, respectively.

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Unrealized losses and fair value, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position as of September 30, 2011 and December 31, 2010, are summarized as follows:

	Less than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
September 30, 2011:						
Securities available-for-sale:						
U.S. government agencies	\$3,192,980	\$(6,712 )	\$-	\$-	\$3,192,980	\$(6,712 )
U.S. government mortgage-backed securities	10,078,404	(59,734 )	-	-	10,078,404	(59,734 )
State and political subdivisions	3,883,304	(61,756 )	453,563	(3,074 )	4,336,867	(64,830 )
Corporate obligations	4,714,281	(190,303 )	-	-	4,714,281	(190,303 )
Equity securities, financial industry common stock	-	-	2,433,961	(968,428 )	2,433,961	(968,428 )
	\$21,868,969	\$(318,505 )	\$2,887,524	\$(971,502 )	\$24,756,493	\$(1,290,007)

	Less than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
December 31, 2010:						
Securities available-for-sale:						
U.S. government agencies	\$15,321,189	\$(107,139 )	\$372,404	\$(7,588 )	\$15,693,593	\$(114,727 )
U.S. government mortgage-backed securities	43,327,689	(629,668 )	-	-	43,327,689	(629,668 )
State and political subdivisions	53,299,308	(1,218,282)	497,051	(15,763 )	53,796,359	(1,234,045)
Corporate obligations	2,022,914	(31,575 )	-	-	2,022,914	(31,575 )
Equity securities, financial industry common stock	-	-	2,814,181	(588,208 )	2,814,181	(588,208 )
	\$113,971,100	\$(1,986,664)	\$3,683,636	\$(611,559 )	\$117,654,736	\$(2,598,223)

At September 30, 2011, debt securities have unrealized losses of \$321,579. These losses are generally due to changes in interest rates or general market conditions. In analyzing an issuers' financial condition, management considers whether the securities are issued by the federal government or its agencies, whether downgrades by bond ratings agencies have occurred and industry analysts' reports. Unrealized losses on equity securities totaled \$968,428 as of September 30, 2011. Management analyzed the financial condition of the equity issuers and considered the general market conditions and other factors in concluding that the unrealized losses on equity securities were not other-than-temporary. Due to potential changes in conditions, it is at least reasonably possible changes in fair values and management's assessments will occur in the near term and that such changes could lead to additional impairment charges, thereby materially affecting the amounts reported in the Company's financial statements.



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## 8. Credit Disclosures

Activity in the allowance for loan losses, on a disaggregated basis, for the three and nine months ended September 30, 2011 and 2010 is as follows:

	Three Months Ended September 30, 2011							
	Construction	1-4 Family Residential	Commercial	Agricultural	Consumer			Total
	Real Estate	Real Estate	Real Estate	Real Estate	Commercial	Agricultural	and Other	
Balance, June 30, 2011	\$ 747,000	\$ 1,437,000	\$ 2,788,000	\$ 525,000	\$ 1,433,000	\$ 703,000	\$ 243,000	\$ 7,876,000
Provision (credit) for loan losses	25,000	(17,000 )	4,000	(18,000 )	(35,000 )	27,000	19,000	5,000
Recoveries of loans charged-off	-	-	-	-	5,000	4,000	5,000	14,000
Loans charged-off	-	-	-	-	(2,000 )	(7,000 )	(21,000 )	(30,000 )
Balance, September 30, 2011	\$ 772,000	\$ 1,420,000	\$ 2,792,000	\$ 507,000	\$ 1,401,000	\$ 727,000	\$ 246,000	\$ 7,865,000

	Nine Months Ended September 30 2011							
	Construction	1-4 Family Residential	Commercial	Agricultural	Consumer			Total
	Real Estate	Real Estate	Real Estate	Real Estate	Commercial	Agricultural	and Other	
Balance, December 31, 2010	\$ 731,000	\$ 1,404,000	\$ 2,720,000	\$ 486,000	\$ 1,152,000	\$ 735,000	\$ 293,000	\$ 7,521,000
Provision (credit) for loan losses	41,000	22,000	123,000	21,000	231,000	(2,000 )	(26,000 )	410,000
Recoveries of loans charged-off	-	-	-	-	20,000	11,000	12,000	43,000
Loans charged-off	-	(6,000 )	(51,000 )	-	(2,000 )	(17,000 )	(33,000 )	(109,000 )
Balance, September 30, 2011	\$ 772,000	\$ 1,420,000	\$ 2,792,000	\$ 507,000	\$ 1,401,000	\$ 727,000	\$ 246,000	\$ 7,865,000

	Three Months Ended September 30, 2010							
	Construction	1-4 Family Residential	Commercial	Agricultural	Consumer			Total
	Real Estate	Real Estate	Real Estate	Real Estate	Commercial	Agricultural	and Other	

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Balance, June 30, 2010	\$1,135,000	\$1,323,000	\$2,719,000	\$544,000	\$1,174,000	\$677,000	\$278,000	\$7,850,000
Provision (credit) for loan losses	(385,000 )	57,000	129,000	30,000	114,000	21,000	108,000	74,000
Recoveries of loans charged-off	-	-	-	-	-	-	11,000	11,000
Loans charged-off	-	(22,000 )	-	(50,000 )	(279,000 )	-	(13,000 )	(364,000 )
Balance, September 30, 2010	\$750,000	\$1,358,000	\$2,848,000	\$524,000	\$1,009,000	\$698,000	\$384,000	\$7,571,000

Nine Months Ended September 30, 2010

	Construction Real Estate	1-4 Family Residential Real Estate	Commercial Real Estate	Agricultural Real Estate	Commercial	Agricultural	Consumer and Other	Total
Balance, December 31, 2009	\$1,040,000	\$1,133,000	\$2,683,000	\$523,000	\$1,199,000	\$642,000	\$432,000	\$7,652,000
Provision (credit) for loan losses	(268,000 )	363,000	185,000	51,000	85,000	61,000	91,000	568,000
Recoveries of loans charged-off	-	-	-	-	4,000	23,000	30,000	57,000
Loans charged-off	(22,000 )	(138,000 )	(20,000 )	(50,000 )	(279,000 )	(28,000 )	(169,000)	(706,000 )
Balance, September 30, 2010	\$750,000	\$1,358,000	\$2,848,000	\$524,000	\$1,009,000	\$698,000	\$384,000	\$7,571,000

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Allowance for loan losses, on a disaggregated basis of impairment analysis method as of September 30, 2011 and December 31, 2010 is as follows:

	September 30, 2011							Total
	Construction	1-4 Family Residential	Commercial	Agricultural	Consumer			
	Real Estate	Real Estate	Real Estate	Real Estate	Commercial	Agricultural and Other		
Individually evaluated for impairment	\$ 186,000	\$ 139,000	\$ -	\$ -	\$ 400,000	\$ -	\$ 3,000	\$ 728,000
Collectively evaluated for impairment	586,000	1,281,000	2,792,000	507,000	1,001,000	727,000	243,000	7,137,000
Balance September 30, 2011	\$ 772,000	\$ 1,420,000	\$ 2,792,000	\$ 507,000	\$ 1,401,000	\$ 727,000	\$ 246,000	\$ 7,865,000

	December 31, 2010							Total
	Construction	1-4 Family Residential	Commercial	Agricultural	Consumer			
	Real Estate	Real Estate	Real Estate	Real Estate	Commercial	Agricultural and Other		
Individually evaluated for impairment	\$ 223,000	\$ 158,000	\$ 42,000	\$ -	\$ -	\$ -	\$ 22,000	\$ 445,000
Collectively evaluated for impairment	508,000	1,246,000	2,678,000	486,000	1,152,000	735,000	271,000	7,076,000
Balance December 31, 2010	\$ 731,000	\$ 1,404,000	\$ 2,720,000	\$ 486,000	\$ 1,152,000	\$ 735,000	\$ 293,000	\$ 7,521,000

Loans receivable disaggregated on the basis of impairment analysis method as of September 30, 2011 and December 31, 2010 is as follows:

	September 30, 2011							Total
	Construction	1-4 Family Residential	Commercial	Agricultural	Consumer			
	Real Estate	Real Estate	Real Estate	Real Estate	Commercial	Agricultural and Other		
Individually evaluated for impairment	\$ 2,412,000	\$ 2,420,000	\$ 899,000	\$ -	\$ 618,000	\$ -	\$ 3,000	\$ 6,352,000
Collectively evaluated	15,128,000	89,043,000	152,704,000	31,556,000	73,113,000	47,620,000	20,880,000	430,044,000



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for  
impairment

Balance

September

30, 2011 \$ 17,540,000 \$ 91,463,000 \$ 153,603,000 \$ 31,556,000 \$ 73,731,000 \$ 47,620,000 \$ 20,883,000 \$ 436,396

December 31, 2010

	Construction Real Estate	1-4 Family Residential Real Estate	Commercial Real Estate	Agricultural Real Estate	Commercial	Agricultural	Consumer and Other	Total
--	-----------------------------	--	---------------------------	-----------------------------	------------	--------------	-----------------------	-------

Individually  
evaluated

for  
impairment \$ 4,156,000 \$ 1,395,000 \$ 802,000 \$ - \$ 45,000 \$ - \$ 34,000 \$ 6,432,000

Collectively  
evaluated

for  
impairment 15,441,000 87,538,000 138,568,000 31,931,000 78,128,000 45,630,000 22,018,000 419,254

Balance

December

31, 2010 \$ 19,597,000 \$ 88,933,000 \$ 139,370,000 \$ 31,931,000 \$ 78,173,000 \$ 45,630,000 \$ 22,052,000 \$ 425,686

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A loan is considered impaired when, based on current information and events, it is probable that the Company will be unable to collect the scheduled payment of principal and interest when due according to the contractual terms of the loan agreement. Factors considered by management in determining impairment include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due. The Company will apply its normal loan review procedures to identify loans that should be evaluated for impairment. The following is a recap of impaired loans, on a disaggregated basis, at September 30, 2011 and December 31, 2010 and the average recorded investment and interest income recognized on these loans for the three and nine months ended September 30, 2011 and 2010:

		September 30, 2011	
	Recorded Investment	Unpaid Principal Balance	Related Allowance
With no specific reserve recorded:			
Real estate - construction	\$ 478,000	\$ 478,000	\$ -
Real estate - 1 to 4 family residential	2,025,000	2,025,000	-
Real estate - commercial	899,000	899,000	-
Real estate - agricultural	-	-	-
Operating - commercial	-	-	-
Operating - agricultural	-	-	-
Consumer and other	-	-	-
Total loans with no specific reserve:	3,402,000	3,402,000	-
With an allowance recorded:			
Real estate - construction	1,934,000	1,934,000	186,000
Real estate - 1 to 4 family residential	395,000	395,000	139,000
Real estate - commercial	-	-	-
Real estate - agricultural	-	-	-
Operating - commercial	618,000	618,000	400,000
Operating - agricultural	-	-	-
Consumer and other	3,000	3,000	3,000
Total loans with specific reserve:	2,950,000	2,950,000	728,000
Total			
Real estate - construction	2,412,000	2,412,000	186,000
Real estate - 1 to 4 family residential	2,420,000	2,420,000	139,000
Real estate - commercial	899,000	899,000	-
Real estate - agricultural	-	-	-
Operating - commercial	618,000	618,000	400,000
Operating - agricultural	-	-	-
Consumer and other	3,000	3,000	3,000
	\$ 6,352,000	\$ 6,352,000	\$ 728,000

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	Three Months ended September 30,		Nine Months Ended September 30,	
	2011		2011	
	Average Recorded Investment	Interest Income Recognized	Average Recorded Investment	Interest Income Recognized
With no specific reserve recorded:				
Real estate - construction	\$ 239,000	\$ -	\$ 729,000	\$ 182,000
Real estate - 1 to 4 family residential	1,940,000	1,000	1,307,000	1,000
Real estate - commercial	558,000	-	393,000	-
Real estate - agricultural	-	-	-	-
Operating - commercial	-	-	23,000	-
Operating - agricultural	-	-	-	-
Consumer and other	-	-	3,000	-
Total loans with no specific reserve:	2,737,000	1,000	2,455,000	183,000
With an allowance recorded:				
Real estate - construction	2,218,000	6,000	2,519,000	6,000
Real estate - 1 to 4 family residential	437,000	3,000	491,000	3,000
Real estate - commercial	318,000	-	488,000	-
Real estate - agricultural	-	-	-	-
Operating - commercial	624,000	-	312,000	-
Operating - agricultural	-	-	-	-
Consumer and other	8,000	-	14,000	-
Total loans with specific reserve:	3,605,000	9,000	3,824,000	9,000
Total				
Real estate - construction	2,457,000	6,000	3,248,000	188,000
Real estate - 1 to 4 family residential	2,377,000	4,000	1,798,000	4,000
Real estate - commercial	876,000	-	881,000	-
Real estate - agricultural	-	-	-	-
Operating - commercial	624,000	-	335,000	-
Operating - agricultural	-	-	-	-
Consumer and other	8,000	-	17,000	-
	\$ 6,342,000	\$ 10,000	\$ 6,279,000	\$ 192,000
	Three Months ended September 30,		Nine Months Ended September 30,	
	2010		2010	
	Average Recorded Investment	Interest Income Recognized	Average Recorded Investment	Interest Income Recognized
Total	\$ 7,242,000	\$ 125,000	\$ 8,185,000	\$ 232,000



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		December 31, 2010	
	Recorded Investment	Unpaid Principal Balance	Related Allowance
With no specific reserve recorded:			
Real estate - construction	\$ 1,290,000	\$ 1,290,000	\$ -
Real estate - 1 to 4 family residential	846,000	846,000	-
Real estate - commercial	136,000	136,000	-
Real estate - agricultural	-	-	-
Operating - commercial	45,000	145,000	-
Operating - agricultural	-	-	-
Consumer and other	10,000	10,000	-
Total loans with no specific reserve:	2,327,000	2,427,000	-
With an allowance recorded:			
Real estate - construction	2,866,000	2,866,000	223,000
Real estate - 1 to 4 family residential	549,000	549,000	158,000
Real estate - commercial	666,000	666,000	42,000
Real estate - agricultural	-	-	-
Operating - commercial	-	-	-
Operating - agricultural	-	-	-
Consumer and other	24,000	24,000	22,000
Total loans with specific reserve:	4,105,000	4,105,000	445,000
Total			
Real estate - construction	4,156,000	4,156,000	223,000
Real estate - 1 to 4 family residential	1,395,000	1,395,000	158,000
Real estate - commercial	802,000	802,000	42,000
Real estate - agricultural	-	-	-
Operating - commercial	45,000	145,000	-
Operating - agricultural	-	-	-
Consumer and other	34,000	34,000	22,000
	\$ 6,432,000	\$ 6,532,000	\$ 445,000

There are no significant differences between nonaccrual and impaired loan balances at September 30, 2011 and December 31, 2010.

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An aging analysis of the recorded investment in loans, on a disaggregated basis, as of September 30, 2011 and December 31, 2010, are as follows:

	September 30, 2011					
	30-89 Past Due	Greater Than 90 Days	Total Past Due	Current	Total	Greater Than 90 Days Accruing
Real estate - construction	\$-	\$-	\$-	\$17,540,000	\$17,540,000	\$-
Real estate - 1 to 4 family residential	640,000	2,178,000	2,818,000	88,645,000	91,463,000	75,000
Real estate - commercial	-	279,000	279,000	153,324,000	153,603,000	-
Real estate - agricultural	35,000	-	35,000	31,521,000	31,556,000	-
Operating - commercial	396,000	-	396,000	73,335,000	73,731,000	-
Operating - agricultural	-	-	-	47,620,000	47,620,000	-
Consumer and other	43,000	-	43,000	20,840,000	20,883,000	-
	\$1,114,000	\$2,457,000	\$3,571,000	\$432,825,000	\$436,396,000	\$75,000

	December 31, 2010					
	30-89 Past Due	Greater Than 90 Days	Total Past Due	Current	Total	Greater Than 90 Days Accruing
Real estate - construction	\$135,000	\$-	\$135,000	\$19,462,000	\$19,597,000	\$-
Real estate - 1 to 4 family residential	413,000	684,000	1,097,000	87,836,000	88,933,000	21,000
Real estate - commercial	205,000	136,000	341,000	139,029,000	139,370,000	-
Real estate - agricultural	49,000	-	49,000	31,883,000	31,931,000	-
Operating - commercial	1,399,000	45,000	1,444,000	76,728,000	78,173,000	-
Operating - agricultural	-	-	-	45,630,000	45,630,000	-
Consumer and other	131,000	10,000	141,000	21,911,000	22,052,000	-
	\$2,332,000	\$875,000	\$3,207,000	\$422,479,000	\$425,686,000	\$21,000

The credit risk profile as of September 30, 2011 and December 31, 2010 is as follows:

The credit risk profile by internally assigned grade, on a disaggregated basis, at September 30, 2011 is as follows:

	Construction Real Estate	Commercial Real Estate	Agricultural Real Estate	Commercial Operating	Agricultural Operating	Total
Pass	\$3,256,000	\$99,996,000	\$28,404,000	\$62,651,000	\$43,932,000	\$238,239,000
Special Mention	3,993,000	43,599,000	2,605,000	8,133,000	3,153,000	61,483,000
Substandard	7,880,000	9,110,000	547,000	2,329,000	535,000	20,401,000

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Substandard-Impaired	2,411,000	898,000	-	618,000	-	3,927,000
	\$ 17,540,000	\$ 153,603,000	\$ 31,556,000	\$ 73,731,000	\$ 47,620,000	\$ 324,050,000

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The credit risk profile based on payment activity, on a disaggregated basis, at September 30, 2011 is as follows:

	1-4 Family Residential Real Estate	Consumer and Other	Total
Performing	\$ 88,968,000	\$ 20,880,000	\$ 109,848,000
Non-performing	2,495,000	3,000	2,498,000
	\$ 91,463,000	\$ 20,883,000	\$ 112,346,000

The credit risk profile by internally assigned grade, on a disaggregated basis, at December 31, 2010 is as follows:

	Construction Real Estate	Commercial Real Estate	Agricultural Real Estate	Commercial Operating	Agricultural Operating	Total
Pass	\$6,739,000	\$83,235,000	\$29,580,000	\$64,791,000	\$42,941,000	\$227,286,000
Special Mention	3,694,000	42,137,000	2,351,000	8,922,000	1,318,000	58,422,000
Substandard	5,008,000	13,196,000	-	4,415,000	1,371,000	23,990,000
Substandard-Impaired	4,156,000	802,000	-	45,000	-	5,003,000
	\$19,597,000	\$139,370,000	\$31,931,000	\$78,173,000	\$45,630,000	\$314,701,000

The credit risk profile based on payment activity, on a disaggregated basis, at December 31, 2010 is as follows:

	1-4 Family Residential Real Estate	Consumer and Other	Total
Performing	\$ 87,538,000	\$ 22,018,000	\$ 109,556,000
Non-performing	1,395,000	34,000	1,429,000
	\$ 88,933,000	\$ 22,052,000	\$ 110,985,000

## 9. Subsequent Events

Management evaluated subsequent events through the date the financial statements were issued. There were no significant events or transactions occurring after September 30, 2011, but prior to November 9, 2011 that provided additional evidence about conditions that existed at September 30, 2011. There were no events or transactions that provided evidence about conditions that did not exist at September 30, 2011.

## Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

### Overview

Ames National Corporation (the "Company") is a bank holding company established in 1975 that owns and operates five bank subsidiaries in central Iowa (the "Banks"). The following discussion is provided for the consolidated operations of the Company and its Banks, First National Bank, Ames, Iowa (First National), State Bank & Trust Co. (State Bank), Boone Bank & Trust Co. (Boone Bank), Randall-Story State Bank (Randall-Story Bank) and United



Bank & Trust NA (United Bank). The purpose of this discussion is to focus on significant factors affecting the Company's financial condition and results of operations.

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The Company does not engage in any material business activities apart from its ownership of the Banks. Products and services offered by the Banks are for commercial and consumer purposes including loans, deposits and trust services. The Banks also offer investment services through a third-party broker-dealer. The Company employs eleven individuals to assist with financial reporting, human resources, audit, compliance, marketing, technology systems and the coordination of management activities, in addition to 181 full-time equivalent individuals employed by the Banks.

The Company's primary competitive strategy is to utilize seasoned and competent Bank management and local decision making authority to provide customers with faster response times and more flexibility in the products and services offered. This strategy is viewed as providing an opportunity to increase revenues through creating a competitive advantage over other financial institutions. The Company also strives to remain operationally efficient to provide better profitability while enabling the Company to offer more competitive loan and deposit rates.

The principal sources of Company revenues and cash flow are: (i) interest and fees earned on loans made by the Company and Banks; (ii) interest on fixed income investments held by the Company and Banks; (iii) fees on trust services provided by those Banks exercising trust powers; (iv) service charges on deposit accounts maintained at the Banks and (v) securities gains. The Company's principal expenses are: (i) interest expense on deposit accounts and other borrowings; (ii) provision for loan losses; (iii) salaries and employee benefits; (iv) data processing costs associated with maintaining the Banks' loan and deposit functions; (v) occupancy expenses for maintaining the Banks' facilities; and (vi) Federal Deposit Insurance Corporation ("FDIC") insurance assessments. The largest component contributing to the Company's net income is net interest income, which is the difference between interest earned on earning assets (primarily loans and investments) and interest paid on interest bearing liabilities (primarily deposits and other borrowings). One of management's principal functions is to manage the spread between interest earned on earning assets and interest paid on interest bearing liabilities in an effort to maximize net interest income while maintaining an appropriate level of interest rate risk.

The Company had net income of \$3,590,000, or \$0.38 per share, for the three months ended September 30, 2011, compared to net income of \$3,551,000, or \$0.38 per share, for the three months ended September 30, 2010. Total equity capital as of September 30, 2011 totaled \$133.5 million or 13.1% of total assets.

Change in the quarterly earnings can be primarily attributed to higher net interest income and a reduction in FDIC insurance assessments, offset in part by an increase in salaries and employee benefits and other real estate owned costs.

Net loan charge-offs for the quarter totaled \$16,000, compared to net charge-offs of \$353,000 in the third quarter of 2010. The provision for loan losses for the third quarter of 2011 totaled \$5,000, compared to the provision for loan losses of \$74,000 for the same period in 2010.

The Company had net income of \$10,306,000, or \$1.09 per share, for the nine months ended September 30, 2011, compared to net income of \$9,947,000, or \$1.05 per share, for the nine months ended September 30, 2010.

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The increase in year to date earnings can also be primarily attributed to higher net interest income and a reduction in FDIC insurance assessments, offset in part by an increase in salaries and employee benefits and other real estate owned costs.

Net loan charge-offs for the nine months ended September 30, 2011 totaled \$65,000, compared to net charge-offs of \$649,000 for the nine months ended September 30, 2010. The provision for loan losses for the nine months ended September 30, 2011 totaled \$410,000, compared to the provision for loan losses of \$568,000 for the same period in 2010. Net loan charge-offs and the provision for loan losses remain manageable as a result of stable economic conditions in the Company's lending.

The following management discussion and analysis will provide a review of important items relating to:

- Challenges
- Key Performance Indicators and Industry Results
- Critical Accounting Policies
- Income Statement Review
- Balance Sheet Review
- Asset Quality and Credit Risk Management
- Liquidity and Capital Resources
- Forward-Looking Statements and Business Risks

### Challenges

Management has identified certain events or circumstances that may negatively impact the Company's financial condition and results of operations in the future and is attempting to position the Company to best respond to those challenges.

- Interest rates are likely to increase as the economy continues its gradual recovery and an increasing interest rate environment may present a challenge to the Company. Increases in interest rates may negatively impact the Company's net interest margin if interest expense increases more quickly than interest income. The Company's earning assets (primarily its loan and investment portfolio) have longer maturities than its interest bearing liabilities (primarily deposits and other borrowings); therefore, in a rising interest rate environment, interest expense may increase more quickly than interest income as the interest bearing liabilities reprice more quickly than earning assets. In response to this challenge, the Banks model quarterly the changes in income that would result from various changes in interest rates. Management believes Bank earning assets have the appropriate maturity and repricing characteristics to optimize earnings and the Banks' interest rate risk positions.
- The Company's market in central Iowa has numerous banks, credit unions, and investment and insurance companies competing for similar business opportunities. This competitive environment will continue to compress the Banks' net interest margins and thus affect profitability. Strategic planning efforts at the Company and Banks continue to focus on capitalizing on the Banks' strengths in local markets while working to identify opportunities for improvement to gain competitive advantages.
- Other real estate owned amounted to \$9.9 million and \$10.5 million as of September 30, 2011 and December 31, 2010, respectively. Other real estate owned costs amounted to \$567,000 and \$154,000 for the nine months ended September 30, 2011 and 2010, respectively. Management obtains independent appraisals or performs evaluations to determine that these properties are carried at the lower of the new cost basis or fair value less cost to sell. It is at least reasonably possible that change in fair values will occur in the near term and that such changes could have a negative impact on the Company's earnings.



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- The Company operates in a highly regulated environment and is subject to extensive regulation, supervision and examination. The compliance burden and impact on the Company's operations and profitability is significant. Additionally, in July 2010, the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act") was signed into law. The impacts on operations of the Dodd-Frank Act are currently unknown, as the Dodd-Frank Act delegates to various federal agencies the task of implementing its many provisions through regulation. Hundreds of new federal regulations, studies and reports addressing all of the major areas of the new law, including the regulation of financial institutions and their holding companies, will be required, ensuring that federal rules and policies in this area will be further developing for months and years to come. Based on the provisions of the Dodd-Frank Act and anticipated implementing regulations, it is highly likely that financial institutions as well as their holding companies will be subject to significantly increased regulation and compliance obligations that expose them to noncompliance risk and consequences. The Bureau of Financial Consumer Protection ("BCFP") has broad rulemaking authority to administer and carry out the purposes and objectives of the new federal consumer protection laws, and to prevent evasions thereof, with respect to all financial institutions that offer financial products and services to consumers. The BCFP is also authorized to prescribe rules, applicable to any covered person or service provider, identifying and prohibiting acts or practices that are "unfair, deceptive, or abusive" in connection with any transaction with a consumer for a consumer financial product or service, or the offering of a consumer financial product or service ("UDAP authority"). The full reach and impact of the BCFP's broad new rulemaking powers and UDAP authority on the operations of financial institutions offering consumer financial products or services is currently unknown. Notwithstanding, insured depository institutions with assets of \$10 billion or less will continue to be supervised and examined by their primary federal regulators, rather than the BCFP, with respect to compliance with the federal consumer protection laws. Regulatory authorities have extensive discretion in connection with their supervisory and enforcement activities, including but not limited to the imposition of restrictions on the operation of an institution, the classification of assets by the institution and the adequacy of an institution's allowance for loan losses. Any change in such regulation and oversight, whether in the form of restrictions on activities, regulatory policy, regulations, or legislation, including but not limited to changes in the regulations governing banks, could have a material impact on the Company's operations. It is unknown at this time to what extent legislation will be passed into law or regulatory proposals will be adopted, or the effect that such passage or adoption will have on the banking industry or the Company. Applicable laws and regulations may change, and there is no assurance that such changes will not adversely affect the Company's business.

Key Performance Indicators and Industry Results

Certain key performance indicators for the Company and the industry are presented in the following chart. The industry figures are compiled by the FDIC and are derived from 7,513 commercial banks and savings institutions insured by the FDIC. Management reviews these indicators on a quarterly basis for purposes of comparing the Company's performance from quarter to quarter against the industry as a whole.

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## Selected Indicators for the Company and the Industry

	September 30, 2011		June 30, 2011						Year Ended December 31,					
	3 Months Ended Company	9 Months Ended Company	6 Months Ended Company		Industry*		Company		Industry		Company		Industry	
Return on assets	1.43 %	1.37 %	1.34 %	0.86 %	1.40 %	0.66 %	1.02 %	0.09 %						
Return on equity	10.91 %	10.80 %	10.74 %	7.65 %	10.91 %	5.99 %	8.31 %	0.90 %						
Net interest margin	3.67 %	3.61 %	3.58 %	3.64 %	3.74 %	3.76 %	3.78 %	3.47 %						
Efficiency ratio	50.00 %	50.25 %	50.37 %	61.15 %	50.26 %	57.22 %	63.87 %	55.53 %						
Capital ratio	13.07 %	12.69 %	12.50 %	9.20 %	12.80 %	8.90 %	12.32 %	8.65 %						

\*Latest available data

Key performances indicators include:

- Return on Assets

This ratio is calculated by dividing net income by average assets. It is used to measure how effectively the assets of the Company are being utilized in generating income. The Company's annualized return on average assets was 1.43% and 1.54%, respectively, for the three month periods ending September 30, 2011 and 2010. The decrease in this ratio in 2011 from the previous period is primarily the result of an increase in average assets.

- Return on Equity

This ratio is calculated by dividing net income by average equity. It is used to measure the net income or return the Company generated for the shareholders' equity investment in the Company. The Company's return on average equity was 10.91% and 11.72%, respectively for the three month periods ending September 30, 2011 and 2010. The decrease in this ratio in 2011 from the previous period is primarily the result of higher average equity.

- Net Interest Margin

The net interest margin for the three months ended September 30, 2011 and 2010 was 3.67% and 3.82%, respectively. The ratio is calculated by dividing net interest income by average earning assets. Earning assets are primarily made up of loans and investments that earn interest. This ratio is used to measure how well the Company is able to maintain interest rates on earning assets above those of interest-bearing liabilities, which is the interest expense paid on deposits and other borrowings. The decrease in this ratio in 2011 is primarily the result of the lower yield associated with available-for-sale securities versus loans receivable.

- Efficiency Ratio

This ratio is calculated by dividing noninterest expense by net interest income and noninterest income. The ratio is a measure of the Company's ability to manage noninterest expenses. The Company's efficiency ratio was 50.00% and

48.14% for the three months ended September 30, 2011 and 2010, respectively. The change in the efficiency ratio in 2011 from the previous period is primarily the result of increased net interest income, offset in part by higher salaries and employee benefits.

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- Capital Ratio

The average capital ratio is calculated by dividing average total equity capital by average total assets. It measures the level of average assets that are funded by shareholders' equity. Given an equal level of risk in the financial condition of two companies, the higher the capital ratio, generally the more financially sound the company. The Company's capital ratio is significantly higher than the industry average.

## Industry Results

The FDIC Quarterly Banking Profile reported the following results for the second quarter of 2011:

### Banks Earned \$28.8 Billion in the Second Quarter

FDIC-insured institutions reported net income of \$28.8 billion in second quarter 2011, an increase of \$7.9 billion (37.9%) from a year earlier. This is the eighth consecutive quarter that industry earnings have improved year-over-year, but it is the smallest such improvement in the past seven quarters. Lower expenses for loan-loss provisions were the principal source of the increase in quarterly net income. More than half of all institutions (59.6%) reported improved earnings compared with a year ago. This represents an improvement over first quarter 2011, when 56% of institutions reported year-over-year earnings gains. Only 15.2% of institutions reported a net loss for the quarter. This is the smallest percentage of institutions that were unprofitable since first quarter 2008. The average return on assets (ROA) rose to 0.85%, from 0.63% a year earlier. At community banks (institutions with less than \$1 billion in assets), the average ROA of 0.57% was below the industry average, but more than twice the 0.26% registered a year ago.

### Loss Provisions Continue to Fall

Loan-loss provisions totaled \$19 billion, a decline of \$21.4 billion (53%) from second quarter 2010. This is the seventh consecutive quarter that provisions have declined from year-earlier levels. The \$21.4 billion provision decline was the smallest year-over-year decline in the past five quarters. Half of all institutions (50.4%) reported reduced provisions, while fewer than a third (32.6%) increased their provisions. Among community banks, 48.6% reported lower provisions, while 68.5% of institutions with more than \$1 billion in assets reduced their provisions. As has been the case in recent quarters, the largest reductions in provisions occurred at credit card lenders that had reported large increases in loss reserves in first quarter 2010.

### Revenues Decline for a Second Consecutive Quarter

Net operating revenue (net interest income plus total noninterest income) was lower than a year ago for the second quarter in a row, as net interest income declined by \$1.9 billion (1.7%) and noninterest income fell by \$1.1 billion (1.9%). The decline in net interest income was caused by lower asset yields at a number of the largest banks, reflecting growth in low-yielding balances at Federal Reserve banks. Net interest margins (NIMs) were lower than a year earlier at nine of the ten largest banks. Industry-wide, half of all banks (50.7%) had NIM declines, although only 39.4% reported declines in net interest income. The average NIM in the second quarter was 3.61%, down from 3.76% in second quarter 2010. At community banks, the average NIM improved slightly, from 3.80% to 3.83%. The reduction in the industry's noninterest income reflected lower loan-servicing fee income (down \$1.5 billion, or 40.9%), and a decline in service charges on deposit accounts (down \$1.3 billion, or 12.8%). The only categories of noninterest income that had year-over-year growth were income from fiduciary activities (up \$595 million, or 9.3%), investment banking fees (up \$416 million, or 17.7%), and trading revenue (up \$388 million, or 5.5%). Slightly more than half of all institutions (51.6%) reported year-over-year declines in noninterest income. In addition to the decline in net operating revenue, realized gains on securities and other assets fell by \$1.3 billion (61.1%). Total noninterest expenses



were \$6 billion (6.2%) higher than a year ago.

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### Trend in Loan Losses Remains Favorable

Net loan charge-offs (NCOs) declined year-over-year for a fourth consecutive quarter, as the pace of improvement in loan losses continued to gain momentum. The \$20.9 billion (42.1%) decline was the largest since the recovery in credit quality began. NCOs were lower across all major loan categories. The largest decline was in credit card NCOs, which were \$9.6 billion (51.6%) lower than in second quarter 2010. Real estate construction loan NCOs were \$2.9 billion (55.3%) less than a year earlier, while commercial and industrial loan (C&I) NCOs fell by \$2.7 billion (50.9%). Half of all institutions (50.3%) reported year-over-year declines in NCOs, while 41.3% reported increases.

### Banks Report Sizable Declines in Noncurrent Loans

At the end of June, insured institutions reported \$319.8 billion in noncurrent loans (loans 90 days or more past due or in nonaccrual status), which was \$22.2 billion (6.5%) less than they reported at the end of the first quarter. The decline in noncurrent balances in the second quarter was led by a \$6.8 billion (3.9%) reduction in noncurrent closed-end 1-4 family residential real estate loans, and by a \$6.1 billion (12.8%) reduction in noncurrent real estate construction and development loans. All other major loan categories also had declines in noncurrent levels during the quarter. This is the fifth consecutive quarter in which noncurrent loan balances have fallen; they are now \$90.2 billion (22%) below the peak level reached at the end of first quarter 2010.

### Most Large Banks Continued to Reduce Their Loss Reserves

Reserves for loan losses declined by \$10.9 billion (5%) during the second quarter. This is the fifth consecutive quarter that reserves have fallen; at \$207.6 billion, they are down \$55.6 billion (21.1%) from their cyclical peak at the end of first quarter 2010. Banks added \$9.8 billion less in loss provisions to their reserves than they charged-off during the quarter. Reserve reductions were more prevalent among the largest banks. Seventy of the 100 largest banks reduced their reserve balances during the quarter; in the remainder of the industry, only 36.8% reported reserve declines. The coverage ratio of reserves to noncurrent loans improved slightly, despite the decline in industry reserves, from 63.9% to 64.9%, reflecting lower noncurrent loan balances.

### Higher Securities Values Provide a Boost to Equity Capital

Equity capital increased by \$26.6 billion (1.8%), due in part to a \$12.6 billion increase in unrealized gains on securities held for sale. Much of the increase in unrealized gains consisted of appreciation in the values of banks' mortgage-backed securities portfolios. Retained earnings contributed \$8.5 billion to equity formation, as banks paid \$20.3 billion of their quarterly earnings in dividends. A year ago, second quarter dividends totaled \$12.9 billion. Tangible common equity (equity less intangible assets, preferred stock, and deferred tax assets) increased by \$35 billion (3.3%). At the end of the second quarter, the industry's equity-to-assets ratio was 11.3%, the highest level since 1938. The industry's three regulatory capital ratios—the leverage capital ratio, tier 1 risk-based capital ratio, and total risk-based capital ratio—were at all-time highs at the end of the quarter.

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## Loan Balances Post a \$64.4 Billion Increase

Total loans and leases at insured institutions rose by \$64.4 billion (0.9%) during the quarter. Apart from the \$221 billion increase in reported balances in first quarter 2010 that was caused by new accounting rules, this is the first actual growth in loan balances since second quarter 2008. C&I loans increased for a fourth consecutive quarter, rising by \$34.3 billion (2.8%), while auto loans were up by \$9.7 billion (3.4%), credit card loan balances rose by \$5.2 billion (0.8%), and closed-end first lien residential mortgages increased by \$2.6 billion (0.2%). Loans to depository institutions increased by \$27 billion (22.6%), but the increase in reported balances consisted of growth in intracompany loans between related institutions. Real estate construction loans declined for a 13th consecutive quarter, falling by \$20.7 billion (7%). Home equity lines of credit declined by \$8.5 billion (1.4%), and closed-end second-lien mortgage loans fell by \$8.1 billion (5.8%). A majority of banks (53%) reported growth in loan balances in the second quarter.

## Large Banks Increase Their Balances at Federal Reserve Banks

Total assets increased by \$185.9 billion (1.4%) during the quarter. Excluding the accounting-driven increase in first quarter 2010, this is the largest quarterly increase in assets reported by the industry since fourth quarter 2008. Most of the growth in assets consisted of increases in balances at Federal Reserve banks, which rose by \$137.3 billion (22.5%). Assets in trading accounts fell by \$39.6 billion (5.4%). Total securities holdings declined by \$1.6 billion, as institutions' holdings of mortgage-backed securities rose by \$27.3 billion (1.8%), and holdings of U.S. Treasuries, U.S. agency securities, and government-sponsored enterprise securities fell by \$36.7 billion (7.7%). Only half of all institutions (50.1%) reported growth in their total assets in the second quarter.

## Large Noninterest-bearing Deposits Register Strong Growth

Total deposits increased by \$163.1 billion (1.7%) in the second quarter. Deposits in domestic offices rose by \$234.4 billion (2.9%), while foreign office deposits fell by \$71.3 billion (4.4%). Noninterest bearing domestic deposits increased by \$165.6 billion (9.5%), and domestic deposits in accounts with balances greater than \$250,000 rose by \$279.6 billion (8.8%). Balances in large (greater than \$250,000) noninterest-bearing transaction accounts that have temporary unlimited deposit insurance coverage through 2012 increased by \$161.8 billion (15.4%). Most of the growth in large denomination deposits occurred at the largest banks. The 19 banks with assets greater than \$100 billion reported an aggregate increase of \$241.4 billion (12.6%) in domestic deposits with balances greater than \$250,000 during the quarter. More than half of this increase (\$127.7 billion) consisted of growth in large noninterest-bearing transaction accounts with unlimited deposit insurance coverage. All other insured institutions reported an aggregate increase of \$35.1 billion (2.8%) in large-balance deposits. Time deposits declined for the 10th quarter in a row, falling by \$41.3 billion (2.1%). Fed funds purchased and securities sold under repurchase agreements fell by \$24.6 billion (4.6%). Advances from Federal Home Loan Banks declined by \$16.9 billion (4.7%), and other secured borrowings fell by \$30 billion (8.1%).

## Numbers of "Problem" Banks and Bank Failures Decline

The number of insured commercial banks and savings institutions reporting quarterly financial results declined to 7,513, from 7,574 in first quarter 2011. Two new charters were created to absorb failed institutions during the second quarter, while 39 institutions were absorbed by mergers, and 22 insured institutions failed. This is the smallest number of failures in a quarter since first quarter 2009. The number of institutions on the FDIC's "Problem List" declined for the first time since third quarter 2006. At the end of the second quarter, there were 865 "problem" institutions, down from 888 at the end of the first quarter. Total assets of "problem" institutions declined from \$397 billion to \$372 billion. The number of full-time equivalent employees reported by insured institutions—2,104,698—was 12,124 (0.6%) higher than in first quarter 2011.



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### Critical Accounting Policies

The discussion contained in this Item 2 and other disclosures included within this report are based, in part, on the Company's audited consolidated financial statements. These statements have been prepared in accordance with accounting principles generally accepted in the United States of America. The financial information contained in these statements is, for the most part, based on the financial effects of transactions and events that have already occurred. However, the preparation of these statements requires management to make certain estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses.

The Company's significant accounting policies are described in the "Notes to Consolidated Financial Statements" contained in the Company's Annual Report. Based on its consideration of accounting policies that involve the most complex and subjective estimates and judgments, management has identified its most critical accounting policies to be those related to the allowance for loan losses, valuation of other real estate owned and the assessment of other-than-temporary impairment of certain securities available-for-sale.

### Allowance for Loan Losses

The allowance for loan losses is established through a provision for loan losses that is treated as an expense and charged against earnings. Loans are charged against the allowance for loan losses when management believes that collectability of the principal is unlikely. The Company has policies and procedures for evaluating the overall credit quality of its loan portfolio, including timely identification of potential problem loans. On a quarterly basis, management reviews the appropriate level for the allowance for loan losses, incorporating a variety of risk considerations, both quantitative and qualitative. Quantitative factors include the Company's historical loss experience, delinquency and charge-off trends, collateral values, known information about individual loans and other factors. Qualitative factors include the general economic environment in the Company's market area. To the extent actual results differ from forecasts and management's judgment, the allowance for loan losses may be greater or lesser than future charge-offs. Due to potential changes in conditions, it is at least reasonably possible that change in estimates will occur in the near term and that such changes could be material to the amounts reported in the Company's financial statements.

### Other Real Estate Owned

Real estate properties acquired through or in lieu of foreclosure are initially recorded at the fair value less estimated selling cost at the date of foreclosure. Any write-downs based on the asset's fair value at the date of acquisition are charged to the allowance for loan losses. After foreclosure, valuations are periodically performed by management and property held for sale is carried at the lower of the new cost basis or fair value less cost to sell. Impairment losses are measured as the amount by which the carrying amount of a property exceeds its fair value. Costs of significant property improvements are capitalized, whereas costs relating to holding property are expensed. The portion of interest costs relating to development of real estate is capitalized. Independent appraisals or evaluations are periodically performed by management, and any subsequent write-downs are recorded as a charge to operations, if necessary, to reduce the carrying value of a property to the lower of its cost basis or fair value less cost to sell. These appraisals or evaluations are inherently subjective and require estimates that are susceptible to significant revisions as more information becomes available. Due to potential changes in conditions, it is at least reasonably possible that changes in fair values will occur in the near term and that such changes could materially affect the amounts reported in the Company's financial statements.

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Other-Than-Temporary Impairment of Available-for-Sale Securities

Declines in the fair value of securities available-for-sale below their cost that are deemed to be other-than-temporary are generally reflected in earnings as realized losses. In estimating other-than-temporary impairment losses, management considers: (1) the intent to sell the investment securities and the more likely than not requirement that the Company will be required to sell the investment securities prior to recovery; (2) the length of time and the extent to which the fair value has been less than cost; and (3) the financial condition and near-term prospects of the issuer. Due to potential changes in conditions, it is at least reasonably possible that change in management's assessment of other-than-temporary impairment will occur in the near term and that such changes could be material to the amounts reported in the Company's financial statements.

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## Income Statement Review for the Three Months ended September 30, 2011

The following highlights a comparative discussion of the major components of net income and their impact for the three month periods ended September 30, 2011 and 2010:

## AVERAGE BALANCES AND INTEREST RATES

The following two tables are used to calculate the Company's net interest margin. The first table includes the Company's average assets and the related income to determine the average yield on earning assets. The second table includes the average liabilities and related expense to determine the average rate paid on interest bearing liabilities. The net interest margin is equal to the interest income less the interest expense divided by average earning assets.

## AVERAGE BALANCE SHEETS AND INTEREST RATES

Three Months ended September 30,

	2011				2010			
	Average balance	Revenue/expense	Yield/rate		Average balance	Revenue/expense	Yield/rate	
<b>ASSETS</b>								
(dollars in thousands)								
Interest-earning assets								
Loans 1								
Commercial	\$72,278	\$954	5.28	%	\$65,289	\$977	5.99	%
Agricultural	46,226	644	5.58	%	43,636	636	5.83	%
Real estate	293,691	4,035	5.50	%	287,179	4,202	5.85	%
Consumer and other	20,136	273	5.41	%	20,841	280	5.37	%
<b>Total loans (including fees)</b>	<b>432,331</b>	<b>5,906</b>	<b>5.46</b>	<b>%</b>	<b>416,945</b>	<b>6,095</b>	<b>5.85</b>	<b>%</b>
Investment securities								
Taxable	267,249	1,907	2.85	%	237,946	1,737	2.92	%
Tax-exempt 2	220,820	2,497	4.52	%	191,528	2,274	4.75	%
<b>Total investment securities</b>	<b>488,069</b>	<b>4,404</b>	<b>3.61</b>	<b>%</b>	<b>429,474</b>	<b>4,011</b>	<b>3.74</b>	<b>%</b>
Interest bearing deposits with banks and federal funds sold								
	31,871	112	1.41	%	23,385	108	1.85	%
<b>Total interest-earning assets</b>	<b>952,271</b>	<b>\$10,422</b>	<b>4.38</b>	<b>%</b>	<b>869,804</b>	<b>\$10,214</b>	<b>4.70</b>	<b>%</b>
Noninterest-earning assets								
	54,946				54,369			
<b>TOTAL ASSETS</b>	<b>\$1,007,217</b>				<b>\$924,173</b>			

1 Average loan balance includes nonaccrual loans, if any. Interest income collected on nonaccrual loans has been included.

2 Tax-exempt income has been adjusted to a tax-equivalent basis using an incremental tax rate of 35%.





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## AVERAGE BALANCE SHEETS AND INTEREST RATES

Three Months ended September 30,

	2011			2010		
	Average balance	Revenue/ expense	Yield/ rate	Average balance	Revenue/ expense	Yield/ rate
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>						
(dollars in thousands)						
Interest-bearing liabilities						
Deposits						
NOW, savings accounts and money markets	\$ 428,462	\$ 309	0.29 %	\$ 373,959	\$ 324	0.35 %
Time deposits > \$100,000	104,733	410	1.57 %	87,459	393	1.80 %
Time deposits < \$100,000	141,657	604	1.70 %	146,236	736	2.01 %
Total deposits	674,852	1,323	0.78 %	607,654	1,453	0.96 %
Other borrowed funds	80,702	354	1.75 %	96,372	455	1.89 %
<b>Total Interest-bearing liabilities</b>	<b>755,554</b>	<b>1,677</b>	<b>0.89 %</b>	<b>704,026</b>	<b>1,908</b>	<b>1.08 %</b>
Noninterest-bearing liabilities						
Demand deposits	114,302			94,110		
Other liabilities	5,749			4,854		
Stockholders' equity	131,612			121,183		
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$ 1,007,217</b>			<b>\$ 924,173</b>		
Net interest income						
		\$ 8,745	3.67 %		\$ 8,306	3.82 %
Spread Analysis						
Interest income/average assets	\$ 10,422	4.14 %		\$ 10,214	4.42 %	
Interest expense/average assets	\$ 1,677	0.67 %		\$ 1,908	0.83 %	
Net interest income/average assets	\$ 8,745	3.47 %		\$ 8,306	3.59 %	

Net Interest Income

For the three months ended September 30, 2011 and 2010, the Company's net interest margin adjusted for tax exempt income was 3.67% and 3.82%, respectively. Net interest income, prior to the adjustment for tax-exempt income, for the three months ended September 30, 2011 totaled \$7,873,000 compared to \$7,514,000 for the three months ended September 30, 2010.

For the three months ended September 30, 2011, interest income increased \$128,000 or 1.4% when compared to the same period in 2010. The increase from 2010 was primarily attributable to higher average balance of investment securities and loans, offset in part by lower average yields on loans and investment securities.

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Interest expense decreased \$231,000 or 12.1% for the three months ended September 30, 2011 when compared to the same period in 2010. The lower interest expense for the period is primarily attributable to lower average rates paid on time deposits.

Provision for Loan Losses

The Company's provision for loan losses for the three months ended September 30, 2011 was \$5,000 compared to a provision for loan losses of \$74,000 for the three months ended September 30, 2010. Net charge-offs of \$16,000 were realized in the three months ended September 30, 2011 and compare to net charge-offs of \$353,000 for the three months ended September 30, 2010.

Non-interest Income and Expense

Non-interest income increased \$84,000 or 4.6% for the three months ended September 30, 2011 compared to the same period in 2010. The increase in non-interest income is primarily due to security gains of \$361,000 for the third quarter of 2011 as compared to security gains of \$297,000 for the third quarter of 2010. Excluding net security gains for the three months ending September 30, 2011 and 2010, non-interest income increased \$20,000, or 1.3%.

Non-interest expense increased \$396,000 or 8.8% for the three months ended September 30, 2011 compared to the same period in 2010 primarily as a result of higher costs of salaries and employee benefits and other real estate owned, offset in part by a decrease in FDIC insurance assessments. The higher salaries and benefit costs are due primarily to normal salary increases, increasing incentive pay as a result of higher profitability at several of the affiliated banks and one-time personnel costs associated with succession of key management. The increase in other real estate owned costs were due primarily to impairment write-downs in 2011 as compared to 2010. The lower FDIC insurance assessments are due primarily to lower assessment rates.

Income Taxes

The provision for income taxes expense for the three months ended September 30, 2011 and 2010 was \$1,305,000 and \$1,227,000, representing an effective tax rate of 27% and 26%, respectively. The increase in income tax expense was due primarily to higher pretax earnings in 2011.

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## Income Statement Review for the Nine Months ended September 30, 2011

The following highlights a comparative discussion of the major components of net income and their impact for the nine month periods ended September 30, 2011 and 2010:

## AVERAGE BALANCES AND INTEREST RATES

The following two tables are used to calculate the Company's net interest margin. The first table includes the Company's average assets and the related income to determine the average yield on earning assets. The second table includes the average liabilities and related expense to determine the average rate paid on interest bearing liabilities. The net interest margin is equal to the interest income less the interest expense divided by average earning assets.

## AVERAGE BALANCE SHEETS AND INTEREST RATES

Nine Months ended September 30,

	2011				2010			
	Average balance	Revenue/ expense	Yield/ rate		Average balance	Revenue/ expense	Yield/ rate	
<b>ASSETS</b>								
(dollars in thousands)								
Interest-earning assets								
Loans 1								
Commercial	\$76,216	\$2,965	5.19	%	\$67,618	\$2,896	5.71	%
Agricultural	44,327	1,844	5.55	%	42,069	1,843	5.84	%
Real estate	286,609	12,011	5.59	%	286,242	12,584	5.86	%
Consumer and other	21,118	826	5.21	%	22,641	896	5.28	%
<b>Total loans (including fees)</b>	<b>428,270</b>	<b>17,646</b>	<b>5.49</b>	<b>%</b>	<b>418,570</b>	<b>18,219</b>	<b>5.80</b>	<b>%</b>
Investment securities								
Taxable	264,812	5,365	2.70	%	237,940	5,336	2.99	%
Tax-exempt 2	219,471	7,519	4.57	%	181,388	6,564	4.83	%
<b>Total investment securities</b>	<b>484,283</b>	<b>12,884</b>	<b>3.55</b>	<b>%</b>	<b>419,328</b>	<b>11,900</b>	<b>3.78</b>	<b>%</b>
Interest bearing deposits with banks and federal funds sold								
	36,591	338	1.23	%	28,541	368	1.72	%
<b>Total interest-earning assets</b>	<b>949,144</b>	<b>\$30,868</b>	<b>4.34</b>	<b>%</b>	<b>866,439</b>	<b>\$30,487</b>	<b>4.69</b>	<b>%</b>
Noninterest-earning assets					54,856			
<b>TOTAL ASSETS</b>	<b>\$1,002,658</b>				<b>\$921,295</b>			

1 Average loan balance includes nonaccrual loans, if any. Interest income collected on nonaccrual loans has been included.

2 Tax-exempt income has been adjusted to a tax-equivalent basis using an incremental tax rate of 35%.



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## AVERAGE BALANCE SHEETS AND INTEREST RATES

Nine Months ended September 30,

	2011			2010		
	Average balance	Revenue/ expense	Yield/ rate	Average balance	Revenue/ expense	Yield/ rate
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>						
(dollars in thousands)						
Interest-bearing liabilities						
Deposits						
NOW, savings accounts and money markets	\$ 434,622	\$ 1,003	0.31 %	\$ 382,321	\$ 1,032	0.36 %
Time deposits > \$100,000	101,035	1,226	1.62 %	88,459	1,258	1.90 %
Time deposits < \$100,000	141,602	1,848	1.74 %	148,627	2,389	2.14 %
Total deposits	677,259	4,077	0.80 %	619,407	4,679	1.01 %
Other borrowed funds	84,895	1,087	1.71 %	88,191	1,260	1.91 %
<b>Total Interest-bearing liabilities</b>	<b>762,154</b>	<b>5,164</b>	<b>0.90 %</b>	<b>707,598</b>	<b>5,939</b>	<b>1.12 %</b>
Noninterest-bearing liabilities						
Demand deposits	107,863			91,601		
Other liabilities	5,405			4,804		
Stockholders' equity	127,236			117,292		
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$ 1,002,658</b>			<b>\$ 921,295</b>		
<b>Net interest income</b>		<b>\$ 25,704</b>	<b>3.61 %</b>		<b>\$ 24,548</b>	<b>3.78 %</b>
Spread Analysis						
Interest income/average assets	\$ 30,868	4.10 %		\$ 30,487	4.41 %	
Interest expense/average assets	\$ 5,164	0.69 %		\$ 5,939	0.86 %	
Net interest income/average assets	\$ 25,704	3.42 %		\$ 24,548	3.55 %	

### Net Interest Income

For the nine months ended September 30, 2011 and 2010, the Company's net interest margin adjusted for tax exempt income was 3.61% and 3.78%, respectively. Net interest income, prior to the adjustment for tax-exempt income, for the nine months ended September 30, 2011 totaled \$23,078,000 compared to \$22,258,000 for the nine months ended September 30, 2010.

For the nine months ended September 30, 2011, interest income increased \$44,000 or 0.02% when compared to the same period in 2010. The increase from 2010 was primarily attributable to higher average balance of investment securities and loans, offset in part by lower average yields on loans and investment securities.

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Interest expense decreased \$776,000 or 13.1% for the nine months ended September 30, 2011 when compared to the same period in 2010. The decrease from 2010 was primarily attributable to lower average rates paid on time deposits.

### Provision for Loan Losses

The Company's provision for loan losses for the nine months ended September 30, 2011 was \$410,000 compared to a provision for loan losses of \$568,000 for the nine months ended September 30, 2010. The provision for loan losses in 2011 was primarily due to an increase in the allowance for loan losses on an impaired credit. The provision for loan losses in 2010 was to restore the level of the allowance for loan losses primarily due to net charge-offs of \$649,000. Net charge-offs of \$65,000 were realized in the nine months ended September 30, 2011 and compare to net charge-offs of \$649,000 for the nine months ended September 30, 2010

### Non-interest Income and Expense

Non-interest income increased \$94,000 or 1.7% for the nine months ended September 30, 2011 compared to the same period in 2010 primarily as the result of an increase in gain on the sale of loans held for sale and trust services income, offset in part by a decrease in service fees. The increase in gain on sale of loans held for sale is primarily due to an increased volume of loans sold. The increase in trust services income was due primarily to increases in the number of customer relationships and income related to improving fair values for fee based managed assets. The decreases in service fees are primarily due to lower overdraft fees due in part to regulatory changes associated with the Dodd-Frank Act. Excluding net security gains for the nine months ending September 30, 2011 and 2010, non-interest income increased \$116,000, or 2.6%.

Non-interest expense increased \$689,000 or 5.0% for the nine months ended September 30, 2011 compared to the same period in 2010 can be mainly attributed to higher salaries and employee benefit costs and other real estate owned costs, offset in part by a decrease in FDIC insurance assessments. The higher salaries and benefit costs are due primarily to normal salary increases, increasing incentive pay as a result of higher profitability at several of the affiliated banks and personnel costs associated with succession of key management. The higher other real estate owned costs are primarily due to impairment write downs. The lower FDIC insurance assessments are due primarily to lower assessment rates.

### Income Taxes

The provision for income taxes expense for the nine months ended September 30, 2011 and 2010 was \$3,507,000 and \$3,482,000, representing an effective tax rate of 25% and 26%, respectively. The increase in income tax expense was due primarily to higher pretax earnings in 2011, offset in part by the increased effect of income from tax exempt securities in 2011.

### Balance Sheet Review

As of September 30, 2011, total assets were \$1,020,228,000, a \$57,253,000 increase compared to December 31, 2010. The increase in securities available-for-sale, interest bearing deposits in financial institutions and loans were funded primarily by an increase in deposits, partially offset by a decrease in securities sold under repurchase agreement.



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### Investment Portfolio

The investment portfolio totaled \$500,084,000 as of September 30, 2011, an increase of \$30,176,000 or 6.4% from the December 31, 2010 balance of \$469,908,000. The increase in the investment portfolio was primarily due to an increase in U.S. government mortgage-backed securities and state and political subdivisions bonds, offset in part by a decrease in U.S. government agency securities.

On a quarterly basis, the investment securities portfolio is reviewed for other-than-temporary impairment. As of September 30, 2011, gross unrealized losses of \$1,290,000, are considered to be temporary in nature due to the general economic conditions and other factors. As a result of the Company's favorable liquidity position, the Company does not have the intent to sell impaired securities and management believes it is more likely than not that the Company will hold these securities until recovery of their cost basis to avoid considering an impairment to be other-than-temporary.

### Loan Portfolio

The loan portfolio, net of the allowance for loan losses, totaled \$428,364,000 as of September 30, 2011, an increase of \$10,271,000 or 2.5% from the December 31, 2010 balance of \$418,094,000. The increase in the loan portfolio is primarily due to increases in the commercial real estate loan portfolio.

### Deposits

Deposits totaled \$800,236,000 as of September 30, 2011, an increase of \$56,374,000 or 7.6% from the December 31, 2010 balance of \$743,862,000. The increase in deposits occurred in NOW, savings, money market and time deposit accounts \$100,000 and over and the increases occurred in public, commercial and retail types of deposit accounts.

### Federal Funds Purchased and Securities Sold Under Agreements to Repurchase

Federal funds purchased and securities sold under agreements to repurchase totaled \$40,088,000 as of September 30, 2011, a decrease of \$14,771,000 or 26.9% from the December 31, 2010 balance of \$54,859,000. This decrease is due primarily to a decrease in securities sold under agreement to repurchase, offset in part by an increase in federal funds purchased. The decrease in securities sold under agreements to repurchase is primarily due to decreases related to three customers' accounts.

### Federal Home Loan Bank ("FHLB") Advances and Other Long-Term Borrowings

FHLB advances and other long-term borrowings totaled \$39,195,000 and \$36,745,000 as of September 30, 2011 and December 31, 2010, respectively. During the nine months ended September 30, 2011, new borrowing at the FHLB amounted to \$4,000,000 and payments on FHLB advances amounted to \$1,550,000.

### Off-Balance Sheet Arrangements

The Company is party to financial instruments with off-balance-sheet risk in the normal course of business. These financial instruments include commitments to extend credit and standby letters of credit. These instruments involve, to varying degrees, elements of credit risk in excess of the amount recognized in the balance sheet. No material changes in the Company's off-balance sheet arrangements have occurred since December 31, 2010.



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### Asset Quality Review and Credit Risk Management

The Company's credit risk is historically centered in the loan portfolio, which on September 30, 2011 totaled \$428,364,000 compared to \$418,094,000 as of December 31, 2010. Net loans comprise 42.0% of total assets as of September 30, 2011. The object in managing loan portfolio risk is to reduce the risk of loss resulting from a customer's failure to perform according to the terms of a transaction and to quantify and manage credit risk on a portfolio basis. The Company's level of problem loans (consisting of non-accrual loans and loans past due 90 days or more) as a percentage of total loans was 1.47% at September 30, 2011, as compared to 1.79% at December 31, 2010 and 1.72% at September 30, 2010. The Company's level of problem loans as a percentage of total loans at September 30, 2011 of 1.47% is lower than the Company's peer group (304 bank holding companies with assets of \$1 billion to \$3 billion) of 3.43% as of June 30, 2011.

Impaired loans, net of specific reserves, totaled \$5,624,000 as of September 30, 2011 and were relatively unchanged as compared to impaired loans of \$5,987,000 as of December 31, 2010 and \$6,214,000 as of September 30, 2010. A loan is considered impaired when, based on current information and events, it is probable that the Company will be unable to collect the scheduled payment of principal and interest when due according to the contractual terms of the loan agreement. Factors considered by management in determining impairment include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due. The Company applies its normal loan review procedures to identify loans that should be evaluated for impairment.

We monitor and report our troubled debt restructuring on a quarterly basis. At September 30, 2011, troubled debt restructurings were not a material portion of the loan portfolio. We review 90 days past due loans that are still accruing interest no less frequently than quarterly to determine if there is a strong reason that the credit should not be placed on non-accrual. As of September 30, 2011, non-accrual loans totaled \$6,352,000; loans past due 90 days and still accruing totaled \$75,000. This compares to non-accrual loans of \$6,277,000 and loans past due 90 days and still accruing of \$21,000 on December 31, 2010. Other real estate owned totaled \$9,886,000 as of September 30, 2011 and \$10,539,000 as of December 31, 2010.

The allowance for loan losses as a percentage of outstanding loans as of September 30, 2011 and December 31, 2010 was 1.80% and 1.77%, respectively. The allowance for loan losses totaled \$7,865,000 and \$7,521,000 as of September 30, 2011 and December 31, 2010, respectively. Net charge-offs of loans for the nine months ended September 30, 2011 totaled \$65,000, compared to net charge-offs of loans of \$649,000 for the nine months ended September 30, 2010.

The allowance for loan losses is management's best estimate of probable losses inherent in the loan portfolio as of the balance sheet date. Factors considered in establishing an appropriate allowance include: an assessment of the financial condition of the borrower, a realistic determination of value and adequacy of underlying collateral, the condition of the local economy and the condition of the specific industry of the borrower, an analysis of the levels and trends of loan categories and a review of delinquent and classified loans.

### Liquidity and Capital Resources

Liquidity management is the process by which the Company, through its Banks' Asset and Liability Committees (ALCO), ensures that adequate liquid funds are available to meet its financial commitments on a timely basis, at a reasonable cost and within acceptable risk tolerances. These commitments include funding credit obligations to borrowers, funding of mortgage originations pending delivery to the secondary market, withdrawals by depositors, maintaining adequate collateral for pledging for public funds, trust deposits and borrowings, paying dividends to shareholders, payment of operating expenses, funding capital expenditures and maintaining deposit reserve requirements.



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Liquidity is derived primarily from core deposit growth and retention; principal and interest payments on loans; principal and interest payments, sale, maturity and prepayment of investment securities; net cash provided from operations; and access to other funding sources. Other funding sources include federal funds purchased lines, FHLB advances and other capital market sources.

As of September 30, 2011, the level of liquidity and capital resources of the Company remain at a satisfactory level and compare favorably to that of other FDIC insured institutions. Management believes that the Company's liquidity sources will be sufficient to support its existing operations for the foreseeable future.

The liquidity and capital resources discussion will cover the following topics:

- Review of the Company's Current Liquidity Sources
- Review of Statements of Cash Flows
- Company Only Cash Flows
- Review of Commitments for Capital Expenditures, Cash Flow Uncertainties and Known Trends in Liquidity and Cash Flows Needs
- Capital Resources

### Review of the Company's Current Liquidity Sources

Liquid assets of cash and due from banks and interest-bearing deposits in financial institutions as of September 30, 2011 and December 31, 2010 totaled \$57,615,000 and \$37,708,000, respectively, and provide a level of liquidity.

Other sources of liquidity available to the Banks as of September 30, 2011 include outstanding lines of credit with the Federal Home Loan Bank of Des Moines, Iowa of \$72,750,000, with \$19,195,000 of outstanding FHLB advances at September 30, 2011. Federal funds borrowing capacity at correspondent banks was \$109,352,000, with \$5,900,000 of outstanding federal fund balances as of September 30, 2011. The Company had securities sold under agreements to repurchase totaling \$34,188,000 and long-term repurchase agreements of \$20,000,000 as of September 30, 2011.

Total investments as of September 30, 2011 were \$500,084,000 compared to \$469,908,000 as of December 31, 2010. These investments provide the Company with a significant amount of liquidity since all of the investments are classified as available-for-sale as of September 30, 2011.

The investment portfolio serves an important role in the overall context of balance sheet management in terms of balancing capital utilization and liquidity. The decision to purchase or sell securities is based upon the current assessment of economic and financial conditions, including the interest rate environment, liquidity and credit considerations. The portfolio's scheduled maturities represent a significant source of liquidity.

### Review of Statements of Cash Flows

Net cash provided by operating activities for the nine months ended September 30, 2011 totaled \$14,586,000 compared to the \$11,082,000 provided by the nine months ended September 30, 2010. The increase of \$3,504,000 in net cash provided by operating activities was primarily related to changes in loans held for sale and an increase in amortization, offset in part by the change in other assets.

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Net cash used in investing activities for the nine months ended September 30, 2011 was \$45,462,000 and compares to \$2,095,000 for the nine months ended September 30, 2010. The increase of \$43,367,000 in net cash used in investing activities was primarily due to changes in securities available-for-sale, interest bearing deposits in financial institutions and loans.

Net cash provided by financing activities for the nine months ended September 30, 2011 totaled \$38,431,000 compares to net cash used in financing activities of \$13,464,000 for the nine months ended September 30, 2010. The increase of \$51,895,000 in net cash provided by financing activities was primarily due to changes in deposits, offset in part by changes in securities sold under agreements to repurchase and federal funds purchased. As of September 30, 2011, the Company did not have any external debt financing, off-balance sheet financing arrangements, or derivative instruments linked to its stock.

### Company Only Cash Flows

The Company's liquidity on an unconsolidated basis is heavily dependent upon dividends paid to the Company by the Banks. The Company requires adequate liquidity to pay its expenses and pay stockholder dividends. For the nine months ended September 30, 2011, dividends paid by the Banks to the Company amounted to \$3,963,000 compared to \$2,550,000 for the same period in 2010. Various federal and state statutory provisions limit the amounts of dividends banking subsidiaries are permitted to pay to their holding companies without regulatory approval. Federal Reserve policy further limits the circumstances under which bank holding companies may declare dividends. For example, a bank holding company should not continue its existing rate of cash dividends on its common stock unless its net income is sufficient to fully fund each dividend and its prospective rate of earnings retention appears consistent with its capital needs, asset quality and overall financial condition. In addition, the Federal Reserve and the FDIC have issued policy statements, which provide that insured banks and bank holding companies should generally pay dividends only out of current operating earnings. Federal and state banking regulators may also restrict the payment of dividends by order. The quarterly dividend declared by the Company increased to \$0.13 per share in 2011 from \$0.11 per share in 2010.

The Company, on an unconsolidated basis, has interest bearing deposits and marketable investment securities totaling \$13,543,000 as of September 30, 2011 that are presently available to provide additional liquidity to the Banks.

### Review of Commitments for Capital Expenditures, Cash Flow Uncertainties and Known Trends in Liquidity and Cash Flows Needs

No material capital expenditures or material changes in the capital resource mix are anticipated at this time. The primary cash flow uncertainty would be a sudden decline in deposits causing the Banks to liquidate securities. Historically, the Banks have maintained an adequate level of short-term marketable investments to fund the temporary declines in deposit balances. There are no known trends in liquidity and cash flow needs as of September 30, 2011 that are of concern to management.

### Capital Resources

The Company's total stockholders' equity as of September 30, 2011 totaled \$133,516,000 and was higher than the \$121,363,000 recorded as of December 31, 2010. At September 30, 2011 and December 31, 2010, stockholders' equity as a percentage of total assets was 13.09% and 12.60%, respectively. The capital levels of the Company currently exceed applicable regulatory guidelines as of September 30, 2011.



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Forward-Looking Statements and Business Risks

The Private Securities Litigation Reform Act of 1995 provides the Company with the opportunity to make cautionary statements regarding forward-looking statements contained in this Quarterly Report, including forward-looking statements concerning the Company's future financial performance and asset quality. Any forward-looking statement contained in this Quarterly Report is based on management's current beliefs, assumptions and expectations of the Company's future performance, taking into account all information currently available to management. These beliefs, assumptions and expectations can change as a result of many possible events or factors, not all of which are known to management. If a change occurs, the Company's business, financial condition, liquidity, results of operations, asset quality, plans and objectives may vary materially from those expressed in the forward-looking statements. The risks and uncertainties that may affect the actual results of the Company include, but are not limited to, the following: economic conditions, particularly in the concentrated geographic area in which the Company and its affiliate banks operate; competitive products and pricing available in the marketplace; changes in credit and other risks posed by the Company's loan and investment portfolios, including declines in commercial or residential real estate values or changes in the allowance for loan losses dictated by new market conditions or regulatory requirements; fiscal and monetary policies of the U.S. government; changes in governmental regulations affecting financial institutions (including regulatory fees and capital requirements); changes in prevailing interest rates; credit risk management and asset/liability management; the financial and securities markets; the availability of and cost associated with sources of liquidity; and other risks and uncertainties inherent in the Company's business, including those discussed under the headings "Risk Factors" and "Forward-Looking Statements and Business Risks" in the Company's Annual Report. Management intends to identify forward-looking statements when using words such as "believe", "expect", "intend", "anticipate", "estimate", "should" or similar expressions. Undue reliance should not be placed on these forward-looking statements. The Company undertakes no obligation to revise or update such forward-looking statements to reflect current events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.

Item3. Quantitative and Qualitative Disclosures About Market Risk

The Company's market risk is comprised primarily of interest rate risk arising from its core banking activities of lending and deposit taking. Interest rate risk results from the changes in market interest rates which may adversely affect the Company's net interest income. Management continually develops and applies strategies to mitigate this risk. Management does not believe that the Company's primary market risk exposure and how it has been managed year-to-date in 2011 changed significantly when compared to 2010.

Item4. Controls and Procedures

As of the end of the period covered by this report, an evaluation was performed under the supervision and with the participation of the Company's management, including the Principal Executive Officer and Principal Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Rule 13a-15(e) promulgated under the Securities and Exchange Act of 1934, as amended). Based on that evaluation, the Company's management, including the Principal Executive Officer and Principal Financial Officer, concluded that the Company's disclosure controls and procedures are effective to ensure that information required to be disclosed by the Company in the reports that it files or submits under Securities Exchange Act of 1934 is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission's rules and forms.



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There was no change in the Company's internal control over financial reporting that occurred during the Company's last fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

## PARTOTHER INFORMATION

## II.

## ItemLegal Proceedings

1.

Not applicable

## ItemRisk Factors

1.A.

None.

## ItemUnregistered Sales of Equity Securities and Use of Proceeds

2.

In May, 2011, the Company approved a Stock Repurchase Plan which provided for the repurchase of up to 100,000 shares of the Company's common stock. As of September 30, 2011, there were 33,769 shares remaining to be purchased under the plan.

The following table provides information with respect to purchase made by or on behalf of the Company or any "affiliated purchases" (as defined in rule 10b-18(a)(3) under the Securities Exchange Act of 1934), of the Company's common stock during the three months ended September 30, 2011.

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans	Maximum Number of Shares that May Yet Be Purchased Under The Plan
July 1, 2011 to July 31, 2011	-	\$ -	-	77,967
August 1, 2011 to August 31, 2011	14,444	\$ 16.98	14,444	63,523
September 1, 2011 to September 30, 2011	29,754	\$ 15.80	29,754	33,769
Total	44,198		44,198	

## ItemDefaults Upon Senior Securities

3.

Not applicable

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ItemRemoved and Reserved

4.

ItemOther information

5.

Not applicable

ItemExhibits

6.

31.1 Certification of Principal Executive Officer Pursuant to Section 302 of Sarbanes-Oxley Act of 2002.

31.2 Certification of Principal Financial Officer Pursuant to Section 302 of Sarbanes-Oxley Act of 2002.

32.1 Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350.

32.2 Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350.

101.INS XBRL Instance Document(1)

101.SCH XBRL Taxonomy Extension Schema Document(1)

101.CAL XBRL Taxonomy Extension Calculation Linkbase Document(1)

101.LAB XBRL Taxonomy Extension Label Linkbase Document(1)

101.PRE XBRL Taxonomy Extension Presentation Linkbase Document(1)

(1) These interactive data files shall not be deemed filed for purposes of Section 11 or 12 of the Securities Act of 1933, as amended, or Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to liability under those sections.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

AMES NATIONAL CORPORATION

DATE: November 9, 2011

By: /s/ Thomas H. Pohlman

Thomas H. Pohlman, President  
(Principal Executive Officer)

By: /s/ John P. Nelson

John P. Nelson, Vice President  
(Principal Financial Officer)

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EXHIBIT INDEX

The following exhibits are filed herewith:

Exhibit Description  
No.

31.1-Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes Oxley Act of 2002

31.2-Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes Oxley Act of 2002

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