AMES NATIONAL CORP
Form 10-Q
May 07, 2015
UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

[Mark One]
[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2015

[_] 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	**42-1039071**
(State or Other Jurisdiction of Incorporation or Organization)	(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 __X__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 __X__ No ____

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

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	**9,310,913**
(Class)	(Shares Outstanding at April 30, 2015)

AMES NATIONAL CORPORATION

INDEX

AMES NATIONAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(unaudited)

	March 31, 2015	December 31, 2014
ASSETS		
Cash and due from banks	$24,944,438	$23,730,257
Federal funds sold	-	6,000
Interest bearing deposits in financial institutions	62,209,248	31,463,382
Securities available-for-sale	554,649,829	542,502,381
Loans receivable, net	660,790,412	658,440,998
Loans held for sale	352,200	704,850
Bank premises and equipment, net	15,798,836	15,956,989
Accrued income receivable	7,518,141	7,471,023
Other real estate owned	7,365,534	8,435,885
Deferred income taxes	1,364,975	2,633,177
Core deposit intangible, net	1,616,608	1,730,231
Goodwill	6,732,216	6,732,216
Other assets	1,388,911	1,223,328
Total assets	$1,344,731,348	$1,301,030,717
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES		
Deposits		
Demand, noninterest bearing	$191,229,947	$188,725,609
NOW accounts	308,945,497	298,581,556
Savings and money market	348,930,524	321,700,422
Time, $250,000 and over	33,398,309	36,169,601
Other time	200,285,917	206,946,069
Total deposits	1,082,790,194	1,052,123,257
Securities sold under agreements to repurchase	58,801,317	51,265,011
Federal Home Loan Bank (FHLB) advances	14,449,174	14,467,737
Other borrowings	22,944,947	23,000,000
Dividend payable	1,862,183	1,675,964
Accrued expenses and other liabilities	5,237,675	3,824,330
Total liabilities	1,186,085,490	1,146,356,299

STOCKHOLDERS' EQUITY		
Common stock, $2 par value, authorized 18,000,000 shares; issued and outstanding 9,310,913 shares as of March 31, 2015 and December 31, 2014	18,621,826	18,621,826
Additional paid-in capital	20,878,728	20,878,728
Retained earnings	112,474,593	110,701,847
Accumulated other comprehensive income - net unrealized gain on securities available-for-sale	6,670,711	4,472,017
Total stockholders' equity	158,645,858	154,674,418
Total liabilities and stockholders' equity	$ 1,344,731,348	$ 1,301,030,717

See Notes to Consolidated Financial Statements.

3

AMES NATIONAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

(unaudited)

	Three Months Ended March 31,	
	2015	**2014**
Interest income:		
Loans, including fees	$7,399,690	$6,409,431
Securities:		
Taxable	1,566,398	1,763,603
Tax-exempt	1,486,360	1,674,108
Interest bearing deposits and federal funds sold	93,378	73,139
Total interest income	10,545,826	9,920,281
Interest expense:		
Deposits	762,396	892,010
Other borrowed funds	338,163	294,486
Total interest expense	1,100,559	1,186,496
Net interest income	9,445,267	8,733,785
Provision for loan losses	77,300	39,231
Net interest income after provision for loan losses	9,367,967	8,694,554
Noninterest income:		
Wealth management income	687,910	696,819
Service fees	394,559	357,479
Securities gains, net	4,949	135,081
Gain on sale of loans held for sale	213,986	98,653
Merchant and card fees	314,594	259,389
Gain (loss) on the sale of premises and equipment, net	(1,132)	1,256,924
Other noninterest income	151,353	141,439
Total noninterest income	1,766,219	2,945,784
Noninterest expense:		
Salaries and employee benefits	3,724,934	3,291,452
Data processing	664,535	571,350
Occupancy expenses, net	526,087	469,220

FDIC insurance assessments	182,996	162,344
Professional fees	292,438	282,447
Business development	232,844	207,861
Other real estate owned expense, net	148,063	704
Core deposit intangible amortization	113,623	65,748
Other operating expenses, net	253,337	277,976
Total noninterest expense	6,138,857	5,329,102
Income before income taxes	4,995,329	6,311,236
Provision for income taxes	1,360,400	1,785,145
Net income	$3,634,929	$4,526,091
Basic and diluted earnings per share	$0.39	$0.49
Dividends declared per share	$0.20	$0.18

See Notes to Consolidated Financial Statements.

AMES NATIONAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(unaudited)

	Three Months Ended March 31,	
	2015	**2014**
Net income	$3,634,929	$4,526,091
Other comprehensive income, before tax:		
Unrealized gains on securities before tax:		
Unrealized holding gains arising during the period	3,494,946	3,676,974
Less: reclassification adjustment for gains realized in net income	4,949	135,081
Other comprehensive income before tax	3,489,997	3,541,893
Tax effect related to other comprehensive income	(1,291,303)	(1,310,499)
Other comprehensive income, net of tax	2,198,694	2,231,394
Comprehensive income	$5,833,623	$6,757,485

See Notes to Consolidated Financial Statements.

AMES NATIONAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS’ EQUITY

(unaudited)

Three Months Ended March 31, 2015 and 2014

	Common Stock	Additional Paid-in-Capital	Retained Earnings	Accumulated Other Comprehensive Income, Net of Taxes	Treasury Stock	Total Stockholders' Equity
Balance, December 31, 2013	$ 18,865,830	$ 22,651,222	$ 102,154,498	$ 451,132	$ (2,016,498)	$ 142,106,184
Net income	-	-	4,526,091	-	-	4,526,091
Other comprehensive income	-	-	-	2,231,394	-	2,231,394
Cash dividends declared, $0.18 per share	-	-	(1,675,964)	-	-	(1,675,964)
Balance, March 31, 2014	$ 18,865,830	$ 22,651,222	$ 105,004,625	$ 2,682,526	$ (2,016,498)	$ 147,187,705
Balance, December 31, 2014	$ 18,621,826	$ 20,878,728	$ 110,701,847	$ 4,472,017	$ -	$ 154,674,418
Net income	-	-	3,634,929	-	-	3,634,929
Other comprehensive income	-	-	-	2,198,694	-	2,198,694
Cash dividends declared, $0.20 per share	-	-	(1,862,183)	-	-	(1,862,183)
Balance, March 31, 2015	$ 18,621,826	$ 20,878,728	$ 112,474,593	$ 6,670,711	$ -	$ 158,645,858

See Notes to Consolidated Financial Statements.

AMES NATIONAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited)

Three Months Ended March 31, 2015 and 2014

	2015	**2014**
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$3,634,929	$4,526,091
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	77,300	39,231
Provision for off-balance sheet commitments	-	35,000
Amortization, net	887,871	1,099,195
Amortization of core deposit intangible asset	113,623	65,748
Depreciation	259,680	187,611
Debit (credit) for deferred income taxes	(23,101)	667,448
Securities gains, net	(4,949)	(135,081)
(Gain) loss on sale of premises and equipment, net	1,132	(1,256,924)
Impairment of other real estate owned	27,453	-
Loss on sale of other real estate owned, net	55,742	-
Change in assets and liabilities:		
Decrease in loans held for sale	352,650	295,618
(Increase) decrease in accrued income receivable	(47,118)	5,171
(Increase) in other assets	(167,275)	(150,386)
Increase in accrued expenses and other liabilities	1,413,345	1,128,595
Net cash provided by operating activities	6,581,282	6,507,317
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of securities available-for-sale	(23,877,871)	(35,980,382)
Proceeds from sale of securities available-for-sale	517,076	3,478,851
Proceeds from maturities and calls of securities available-for-sale	13,761,096	14,209,166
Net (increase) in interest bearing deposits in financial institutions	(30,745,866)	(16,738,691)
Decrease in federal funds sold	6,000	
Net (increase) decrease in loans	(2,390,660)	15,939,754
Net proceeds from the sale of other real estate owned	987,156	-
Net proceeds from the sale of bank premises and equipment	-	1,746,444
Purchase of bank premises and equipment, net	(100,967)	(34,163)
Other	-	(2,750)
Net cash (used in) investing activities	(41,844,036)	(17,381,771)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in deposits	30,690,209	16,028,464
Increase in securities sold under agreements to repurchase and federal funds purchased	7,536,306	293,530

Payments on FHLB borrowings and other borrowings	(73,616)	(17,980)
Proceeds from short-term FHLB borrowings, net	-	2,200,000
Dividends paid	(1,675,964)	(1,489,746)
Net cash provided by financing activities	36,476,935	17,014,268
Net increase in cash and due from banks	1,214,181	6,139,814
CASH AND DUE FROM BANKS		
Beginning	23,730,257	24,270,031
Ending	$24,944,438	$30,409,845

7

AMES NATIONAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)

(unaudited)

Three Months Ended March 31, 2015 and 2014

	2015	**2014**
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash payments for:		
Interest	$1,179,859	$1,275,692
Income taxes	44,982	48,701
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING ACTIVITIES		
Transfer of loans receivable to other real estate owned	$-	$16,610

See Notes to Consolidated Financial Statements.

AMES NATIONAL CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements *(unaudited)*

1. Significant Accounting Policies

The consolidated financial statements for the three months ended March 31, 2015 and 2014 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 accounting principles generally accepted in the United States of America 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, 2014 (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.

Goodwill: Goodwill represents the excess of cost over the fair value of net assets acquired. Goodwill resulting from acquisitions is not amortized, but is tested for impairment annually or whenever events change and circumstances indicate that it is more likely than not that an impairment loss has occurred. Goodwill is tested for impairment using a two-step process that begins with an estimation of the fair value of a reporting unit. The second step, if necessary, measures the amount of impairment, if any.

Significant judgment is applied when goodwill is assessed for impairment. This judgment includes developing cash flow projections, selecting appropriate discount rates, identifying relevant market comparables, incorporating general economic and market conditions and selecting an appropriate control premium. At March 31, 2015, Company management has performed a goodwill impairment analysis and determined goodwill was not impaired.

2. Branch Acquisition

On August 29, 2014, First National Bank (FNB) completed the purchase of three bank branches of First Bank located in West Des Moines and Johnston, Iowa (the “Acquisition”). The Acquisition was consistent with the Bank’s strategy to strengthen and expand its Iowa market share. The acquired assets and liabilities were recorded at fair value at the date of acquisition and were reflected in the September 30, 2014 financial statements as such. These branches were purchased for cash consideration of $4.1 million. As a result of the acquisition, the Company recorded a core deposit intangible asset of $1,018,000 and goodwill of $1,131,000. The results of operations for this acquisition have been included since the transaction date of August 29, 2014. The fair value of credit deteriorated purchased loans related to this Acquisition is $1,507,000. These purchase loans are included in the impaired loan category in the financial statements.

The following table summarizes the fair value of the total consideration transferred as a part of the Acquisition as well as the fair value of identifiable assets acquired and liabilities assumed as of August 29, 2014, the effective date of the transaction.

Cash consideration transferred	$4,147,680
Recognized amounts of identifiable assets acquired and liabilities assumed:	
Cash and Due from Banks	$20,576,661
Interest bearing deposits in financial institutions	5,719,000
Securities available-for-sale	10,602,454
Loans receivable	44,620,021
Accrued interest receivable	230,332
Bank premises and equipment	3,864,900
Other real estate owned	1,267,720
Core deposit intangible asset	1,018,000
Other assets	748,511
Deposits	(81,962,650)
Securities sold under agreements to repurchase	(2,815,297)
Accrued interest payable and other liabilities	(853,439)
Total identifiable net assets	$3,016,213
Goodwill	$1,131,467

On August 29, 2014, the contractual balance of loans receivable acquired was $45,584,000 and the contractual balance of the deposits assumed was $81,841,000. Loans receivable acquired include commercial real estate, 1-4 family real estate, commercial operating and consumer loans.

The acquired loans at contractual values as of August 29, 2014 were determined to be risk rated as follows:

Pass	$29,840,000
Watch	6,659,000
Special Mention	1,478,000
Substandard	5,460,000
Deteriorated credit	2,147,000
Total loans acquired at book value	$45,584,000

Loans acquired as deteriorated credit loans will be included with impaired loans.

The core deposit intangible asset is amortized to expense on a declining basis over a period of nine years. The loan market valuation is accreted to income on a declining basis over a six year period. The time deposits market valuation is amortized to expense on a declining basis over a two year period.

The excess cash in the transaction has been utilized through reductions in federal funds purchased and other borrowings at FNB. Going forward any excess cash will be used in the form of investment and or loan growth.

3. Dividends

On February 11, 2015, the Company declared a cash dividend on its common stock, payable on May 15, 2015 to stockholders of record as of May 1, 2015, equal to $0.20 per share.

4. 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 March 31, 2015 and 2014 were 9,310,913. The Company had no potentially dilutive securities outstanding during the periods presented.

5. 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, 2014.

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; quoted process for identical or similar assets or liabilities in markets that are not active; inputs other than quoted prices that are observable for the asset or liability (such as interest rates, volatility, prepayment speeds, credit risk); or inputs derived principally from or can be corroborated by observable market data by correlation or other means.

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 March 31, 2015 and December 31, 2014. *(in thousands)*

Description	Total	Level 1	Level 2	Level 3
2015				
U.S. government treasuries	$1,472	$1,472	$-	$ -
U.S. government agencies	100,856	-	100,856	-
U.S. government mortgage-backed securities	115,948	-	115,948	-
State and political subdivisions	284,033	-	284,033	-
Corporate bonds	48,600	-	48,600	-
Equity securities, common stock	745	745	-	-
Equity securities, other	2,996	-	2,996	-
	$554,650	$2,217	$552,433	$ -
2014				
U.S. government treasuries	$1,447	$1,447	$-	$ -
U.S. government agencies	87,307	-	87,307	-
U.S. government mortgage-backed securities	120,985	-	120,985	-
State and political subdivisions	281,776	-	281,776	-
Corporate bonds	47,320	-	47,320	-
Equity securities, common stock	758	758	-	-
Equity securities, other	2,909	-	2,909	-
	$542,502	$2,205	$540,297	$ -

Level 1 securities include equity securities 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. U.S government mortgage-backed securities, state and political subdivisions, most corporate bonds and other equity securities are reported at fair value utilizing Level 2 inputs. For these securities, the Company obtains fair value measurements from an independent pricing service. The fair value measurements consider observable data that may include dealer quotes, market spreads, cash flows, the U.S. Treasury yield curve, live trading levels, trade execution data, market consensus prepayment speeds, credit information and the security’s terms and conditions, among other things.

The Company's policy is to recognize transfers between Levels at the end of each reporting period, if applicable. There were no transfers between Levels of the fair value hierarchy during the three months ended March 31, 2015.

12

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 March 31, 2015 and December 31, 2014. *(in thousands)*

Description	Total	Level 1	Level 2	Level 3
2015				
Loans receivable	$684	$ -	$ -	$684
Other real estate owned	7,366	-	-	7,366
Total	$8,050	$ -	$ -	$8,050
2014				
Loans receivable	$692	$ -	$ -	$692
Other real estate owned	8,436	-	-	8,436
Total	$9,128	$ -	$ -	$9,128

Loans Receivable: Loans in the tables above consist of impaired credits held for investment. In accordance with the loan impairment guidance, impairment was measured based on the fair value of collateral less estimated selling costs for collateral dependent loans. Fair value for impaired loans is based upon appraised values of collateral adjusted for trends observed in the market. A valuation allowance was recorded for the excess of the loan's recorded investment over the amounts determined by the collateral value method. This valuation is a component of the allowance for loan losses. The Company considers these fair value measurements as level 3.

Other Real Estate Owned: Other real estate owned in the table above consists of real estate obtained through foreclosure. Other real estate owned is recorded at fair value less estimated selling costs, at the date of transfer, with any impairment amount charged to the allowance for loan losses. Subsequent to the transfer, other real estate owned is carried at the lower of cost or fair value, less estimated selling costs, with any impairment amount recorded as a noninterest expense. The carrying value of other real estate owned is not re-measured to fair value on a recurring basis but is subject to fair value adjustments when the carrying value exceeds the fair value less estimated selling costs. Management uses appraised values and adjusts for trends observed in the market and for disposition costs in determining the value of other real estate owned. A valuation allowance was recorded for the excess of the asset's recorded investment over the amount determined by the fair value, less estimated selling costs. This valuation allowance is a component of the allowance for other real estate owned. The valuation allowance was $6,392,000 as of March 31, 2015 and $6,389,000 as of December 31, 2014. The Company considers these fair values level 3.

13

The significant inputs used in the fair value measurements for Level 3 assets measured at fair value on a nonrecurring basis as of March 31, 2015 and December 31, 2014 are as follows: *(in thousands)*

	2015 Estimated Fair Value	Valuation Techniques	Range of Unobservable Inputs	Range (Average)
Impaired Loans	$ 684	Evaluation of collateral	Estimation of value	NM*
Other real estate owned	$ 7,366	Appraisal	Appraisal adjustment	6% - 10% (8%)

	2014 Estimated Fair Value	Valuation Techniques	Range of Unobservable Inputs	Range (Average)
Impaired Loans	$ 692	Evaluation of collateral	Estimation of value	NM*
Other real estate owned	$ 8,436	Appraisal	Appraisal adjustment	4% - 10% (7%)

* Not Meaningful. Evaluations of the underlying assets are completed for each impaired loan with a specific reserve. The types of collateral vary widely and could include accounts receivables, inventory, a variety of equipment and real estate. Collateral evaluations are reviewed and discounted as appropriate based on knowledge of the specific type of collateral. In the case of real estate, an independent appraisal may be obtained. Types of discounts considered included aging of receivables, condition of the collateral, potential market for the collateral and estimated disposal costs. These discounts will vary from loan to loan, thus providing a range would not be meaningful.

Accounting principles generally accepted in the United State of America (GAAP) requires disclosure of the fair value of financial assets and financial liabilities, including those that are not measured and reported at fair value on a recurring basis or nonrecurring basis. The methodologies for estimating the fair value of financial assets and financial liabilities that are measured at fair value on a recurring or nonrecurring basis are discussed above. The methodologies for other financial assets and financial liabilities are discussed below.

Fair value of financial instruments:

Disclosure of fair value information about financial instruments, for which it is practicable to estimate that value, is required whether or not recognized in the consolidated balance sheets. In cases in which quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimate of future cash flows. In that regard, the derived fair value estimates cannot be substantiated by comparison to independent markets and, in many cases could not be realized in immediate settlement of the instruments. Certain financial instruments with a fair value that is not practicable to estimate and all non-financial instruments are excluded from the disclosure requirements. Accordingly, the aggregate fair value amounts presented do not necessarily represent the underlying value of the Company.

The following disclosures represent financial instruments in which the ending balances at March 31, 2015 and December 31, 2014 are not carried at fair value in their entirety on the consolidated balance sheets.

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

Securities available-for-sale: Fair value measurement for Level 1 securities is based upon quoted prices. Fair value measurement for Level 2 securities are based upon quoted prices, if available. If quoted prices are not available, the Company obtains fair value measurements from an independent pricing service. The fair value measurements consider observable data that may include dealer quotes, market spreads, cash flows, the U.S. Treasury yield curve, live trading levels, trade execution data, market consensus prepayment speeds, credit information and the security's terms and conditions, among other things. Level 1 securities include equity securities 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. U.S government mortgage-backed securities, state and political subdivisions, some corporate bonds and other equity securities are reported at fair value utilizing Level 2 inputs.

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 and NOW accounts, 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.

Securities sold under agreements to repurchase: The carrying amounts of securities sold under agreements to repurchase approximate fair value because of the generally short-term nature of the instruments.

FHLB advances and other borrowings: Fair values of FHLB advances and other 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 accrued interest payable approximate fair value.

Commitments to extend credit and standby letters of credit: The fair values of commitments to extend credit and standby letters of credit are based on fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreement and credit worthiness of the counterparties. The carry value and fair value of the commitments to extend credit and standby letters of credit are not considered significant.

Limitations: Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instrument. Because no market exists for a significant portion of the Company’s financial instruments, fair value estimates are based on judgments regarding future expected loss experience, current economic conditions, risk characteristics of various financial instruments, and other factors. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and, therefore, cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

The estimated fair values of the Company's financial instruments as described above as of March 31, 2015 and December 31, 2014 are as follows: *(in thousands)*

	Fair Value Hierarchy Level	**2015** Carrying Amount	Estimated Fair Value	**2014** Carrying Amount	Estimated Fair Value
Financial assets:					
Cash and due from banks	Level 1	$24,944	$24,944	$23,730	$23,730
Federal funds sold	Level 1	-	-	6	6
Interest bearing deposits	Level 1	62,209	62,209	31,463	31,463
Securities available-for-sale	See previous table	554,650	554,650	542,502	542,502
Loans receivable, net	Level 2	660,790	661,330	658,441	656,896
Loans held for sale	Level 2	352	352	705	705
Accrued income receivable	Level 1	7,518	7,518	7,471	7,471
Financial liabilities:					
Deposits	Level 2	$1,082,790	$1,084,437	$1,052,123	$1,052,082
Securities sold under agreements to repurchase	Level 1	58,801	58,801	51,265	51,265
FHLB advances	Level 2	14,449	15,302	14,468	15,281
Other borrowings	Level 2	22,945	24,176	23,000	24,339
Accrued interest payable	Level 1	480	480	536	536

The methodologies used to determine fair value as of March 31, 2015 did not change from the methodologies described in the December 31, 2014 Annual Financial Statements.

7. Debt and Equity Securities

The amortized cost of securities available-for-sale and their fair values as of March 31, 2015 and December 31, 2014 are summarized below: *(in thousands)*

2015:	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
U.S. government treasuries	$1,435	$37	$ -	$1,472
U.S. government agencies	99,548	1,464	(156)	100,856

U.S. government mortgage-backed securities	112,732	3,216	-	115,948
State and political subdivisions	278,529	5,765	(261)	284,033
Corporate bonds	48,192	706	(298)	48,600
Equity securities, common stock	630	115	-	745
Equity securities, other	2,996	-	-	2,996
	$ 544,062	$ 11,303	$ (715)	$ 554,650

2014:	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
U.S. government treasuries	$ 1,431	$ 16	$ -	$ 1,447
U.S. government agencies	86,997	822	(512)	87,307
U.S. government mortgage-backed securities	118,349	2,744	(108)	120,985
State and political subdivisions	277,328	5,097	(649)	281,776
Corporate bonds	47,760	471	(911)	47,320
Equity securities, common stock	630	128	-	758
Equity securities, other	2,909	-	-	2,909
	$ 535,404	$ 9,278	$ (2,180)	$ 542,502

The proceeds, gains and losses from securities available-for-sale are summarized as follows: *(in thousands)*

	Three Months Ended March 31,	
	2015	**2014**
Proceeds from sales of securities available-for-sale	$ 517	$ 3,479
Gross realized gains on securities available-for-sale	5	135
Gross realized losses on securities available-for-sale	-	-
Tax provision applicable to net realized gains on securities available-for-sale	2	50

Unrealized losses and fair value, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position are summarized as of March 31, 2015 and December 31, 2014 are as follows: *(in thousands)*

	Less than 12 Months		12 Months or More		Total	
2015:	Estimated Fair Value	Unrealized Losses	Estimated Fair Value	Unrealized Losses	Estimated Fair Value	Unrealized Losses
Securities available-for-sale:						
U.S. government agencies	$ 12,489	$ (59)	$ 7,857	$ (97)	$ 20,346	$ (156)
State and political subdivisions	26,025	(169)	8,141	(92)	34,166	(261)
Corporate bonds	2,629	(5)	16,936	(293)	19,565	(298)
	$ 41,143	$ (233)	$ 32,934	$ (482)	$ 74,077	$ (715)

2014:	Less than 12 Months Fair Value	Less than 12 Months Unrealized Losses	12 Months or More Fair Value	12 Months or More Unrealized Losses	Total Fair Value	Total Unrealized Losses
Securities available-for-sale:						
U.S. government agencies	$14,016	$ (64)	$17,523	$ (448)	$31,539	$ (512)
U.S. government mortgage-backed securities	6,934	(20)	16,123	(88)	23,057	(108)
State and political subdivisions	45,618	(252)	24,880	(397)	70,498	(649)
Corporate bonds	89,637	(73)	20,724	(838)	110,361	(911)
	$156,205	$ (409)	$79,250	$ (1,771)	$235,455	$ (2,180)

Gross unrealized losses on debt securities totaled $715,000 as of March 31, 2015. These unrealized losses are generally due to changes in interest rates or general market conditions. In analyzing an issuer's financial condition, management considers whether the securities are issued by the federal government or its agencies, whether downgrades by bond rating agencies have occurred, and industry analysts' reports. Management concluded that the gross unrealized losses on debt securities were temporary. Due to potential changes in conditions, it is at least reasonably possible that changes in fair values and management's assessments will occur in the near term and that such changes could materially affect the amounts reported in the Company's financial statements.

8. Loans Receivable and Credit Disclosures

Activity in the allowance for loan losses, on a disaggregated basis, for the three months ended March 31, 2015 and 2014 is as follows: *(in thousands)*

	Three Months Ended March 31, 2015							
	Construction Real Estate	1-4 Family Residential Real Estate	Commercial Real Estate	Agricultural Real Estate	Commercial	Agricultural	Consumer and Other	Total
Balance, December 31, 2014	$495	$ 1,648	$ 3,214	$ 737	$ 1,247	$ 1,312	$ 186	$8,839
Provision (credit) for loan losses	36	100	24	32	(111)	(14)	10	77
Recoveries of loans charged-off	5	4	-	-	1	1	1	12
Loans charged-off	-	-	-	-	-	(2)	-	(2)
Balance, March 31, 2015	$536	$ 1,752	$ 3,238	$ 769	$ 1,137	$ 1,297	$ 197	$8,926

	Three Months Ended March 31, 2014							
	Construction Real Estate	1-4 Family Residential Real Estate	Commercial Real Estate	Agricultural Real Estate	Commercial	Agricultural	Consumer and Other	Total
Balance, December 31, 2013	$392	$ 1,523	$ 3,230	$ 686	$ 1,435	$ 1,165	$ 141	$8,572
Provision (credit) for loan losses	48	18	(31)	45	(31)	(58)	48	39
Recoveries of loans charged-off	-	4	-	-	1	-	5	10
Loans charged-off	-	(5)	-	-	-	-	(48)	(53)
Balance, March 31, 2014	$440	$ 1,540	$ 3,199	$ 731	$ 1,405	$ 1,107	$ 146	$8,568

18

Allowance for loan losses disaggregated on the basis of impairment analysis method as of March 31, 2015 and December 31, 2014 is as follows: *(in thousands)*

2015	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	$ -	$ 247	$ 30	$ -	$ 50	$ -	$ -	$ 327
Collectively evaluated for impairment	536	1,505	3,208	769	1,087	1,297	197	8,599
Balance March 31, 2015	$ 536	$ 1,752	$ 3,238	$ 769	$ 1,137	$ 1,297	$ 197	$ 8,926

2014	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	$ -	$ 244	$ 33	$ -	$ 60	$ -	$ -	$ 337
Collectively evaluated for impairment	495	1,524	3,181	737	1,067	1,312	186	8,502
Balance December 31, 2014	$ 495	$ 1,768	$ 3,214	$ 737	$ 1,127	$ 1,312	$ 186	$ 8,839

Loans receivable disaggregated on the basis of impairment analysis method as of March 31, 2015 and December 31, 2014 is as follows *(in thousands)*:

2015	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	$ 189	$ 897	$ 745	$ -	$ 537	$ 11	$ 2	$ 2,381
Collectively evaluated for impairment	38,253	119,436	263,550	61,064	91,537	76,741	16,838	667,419
Balance March 31, 2015	$ 38,442	$ 120,333	$ 264,295	$ 61,064	$ 92,074	$ 76,752	$ 16,840	$ 669,800

2014	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	$ 195	$ 811	$ 833	$ -	$ 540	$ 19	$ 9	$ 2,407
Collectively evaluated for impairment	35,821	121,966	256,221	57,449	92,163	85,590	15,754	664,964
Balance December 31, 2014	$ 36,016	$ 122,777	$ 257,054	$ 57,449	$ 92,703	$ 85,609	$ 15,763	$ 667,371

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. The credit deteriorated loans acquired as a part of the Acquisition have been included in the following information. 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 March 31, 2015 and December 31, 2014: *(in thousands)*

	2015			**2014**		
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Recorded Investment	Unpaid Principal Balance	Related Allowance
With no specific reserve recorded:						
Real estate - construction	$189	$ 343	$ -	$195	$ 346	$ -
Real estate - 1 to 4 family residential	119	122	-	24	29	-
Real estate - commercial	590	1,132	-	675	1,204	-
Real estate - agricultural	-	-	-	-	-	-
Commercial	459	535	-	456	535	-
Agricultural	11	11	-	19	19	-
Consumer and other	2	2	-	9	6	-
Total loans with no specific reserve:	1,370	2,145	-	1,378	2,139	-
With an allowance recorded:						
Real estate - construction	-	-	-	-	-	-
Real estate - 1 to 4 family residential	778	898	247	787	903	244
Real estate - commercial	155	157	30	158	158	33
Real estate - agricultural	-	-	-	-	-	-
Commercial	78	78	50	84	84	60
Agricultural	-	-	-	-	-	-
Consumer and other	-	-	-	-	-	-
Total loans with specific reserve:	1,011	1,133	327	1,029	1,145	337
Total						
Real estate - construction	189	343	-	195	346	-
Real estate - 1 to 4 family residential	897	1,020	247	811	932	244
Real estate - commercial	745	1,289	30	833	1,362	33
Real estate - agricultural	-	-	-	-	-	-
Commercial	537	613	50	540	619	60
Agricultural	11	11	-	19	19	-
Consumer and other	2	2	-	9	6	-
	$2,381	$ 3,278	$ 327	$2,407	$ 3,284	$ 337

20

The following is a recap of the average recorded investment and interest income recognized on impaired loans for the three months ended March 31, 2015 and 2014: *(in thousands)*

	Three Months Ended March 31,			
	2015		**2014**	
	Average Recorded Investment	Interest Income Recognized	Average Recorded Investment	Interest Income Recognized
With no specific reserve recorded:				
Real estate - construction	$192	$ -	$503	$ -
Real estate - 1 to 4 family residential	72	-	274	5
Real estate - commercial	633	-	262	28
Real estate - agricultural	-	-	-	-
Commercial	458	3	43	-
Agricultural	15	-	19	-
Consumer and other	6	1	38	-
Total loans with no specific reserve:	1,376	4	1,139	33
With an allowance recorded:				
Real estate - construction	-	-	-	-
Real estate - 1 to 4 family residential	783	-	349	-
Real estate - commercial	157	-	46	-
Real estate - agricultural	-	-	-	-
Commercial	81	-	764	-
Agricultural	-	-	5	-
Consumer and other	-	-	-	-
Total loans with specific reserve:	1,021	-	1,164	-
Total				
Real estate - construction	192	-	503	-
Real estate - 1 to 4 family residential	855	-	623	5
Real estate - commercial	790	-	308	28
Real estate - agricultural	-	-	-	-
Commercial	539	3	807	-
Agricultural	15	-	24	-
Consumer and other	6	1	38	-
	$2,397	$ 4	$2,303	$ 33

The interest foregone on nonaccrual loans for the three months ended March 31, 2015 and 2014 was approximately $44,000 and $37,000, respectively.

The Company had loans meeting the definition of a troubled debt restructuring (TDR) of $1,043,000 as of March 31, 2015, of which all were included in impaired loans and nonaccrual loans. The Company had TDRs of $1,129,000 as of December 31, 2014, all of which were included in impaired and nonaccrual loans.

The following table sets forth information on the Company’s TDRs, on a disaggregated basis, occurring in the three months ended March 31, 2015 and 2014: *(dollars in thousands)*

	Three Months Ended March 31,					
	2015			**2014**		
	Number of Contracts	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment	Number of Contracts	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
Real estate - construction	-	$ -	$ -	-	$ -	$ -
Real estate - 1 to 4 family residential	-	-	-	-	-	-
Real estate - commercial	-	-	-	1	43	43
Real estate - agricultural	-	-	-	-	-	-
Commercial	-	-	-	-	-	-
Agricultural	-	-	-	1	19	19
Consumer and other	-	-	-	1	6	6
	-	$ -	$ -	3	$ 68	$ 68

The Company did not grant any concessions on any loans experiencing financial difficulties during the three months ended March 31, 2015.

During the three months ended March 31, 2014, the Company granted concessions to two borrowers experiencing financial difficulties. The commercial real estate loan was restructured as an interest only loan for a period of time. The agricultural and consumer loan’s maturity dates were extended one year with interest only until maturity.

A TDR loan is considered to have payment default when it is past due 60 days or more.

No TDR loan modified during the three months ended March 31, 2015 had a payment default. There was one charge-off related to a TDR for the three months ended March 31, 2014 in the amount of $44,000.

An aging analysis of the recorded investments in loans, on a disaggregated basis, as of March 31, 2015 and December 31, 2014, is as follows: *(in thousands)*

2015	30-89 Past Due	90 Days or Greater Past Due	Total Past Due	Current	Total	90 Days or Greater Accruing
Real estate - construction	$-	$ -	$-	$38,442	$38,442	$ -
Real estate - 1 to 4 family residential	514	199	713	119,620	120,333	8
Real estate - commercial	-	-	-	264,295	264,295	-
Real estate - agricultural	-	-	-	61,064	61,064	-
Commercial	473	94	567	91,507	92,074	-
Agricultural	327	-	327	76,425	76,752	-
Consumer and other	29	-	29	16,811	16,840	-
	$1,343	$ 293	$1,636	$668,164	$669,800	$ 8

2014	30-89 Past Due	90 Days or Greater Past Due	Total Past Due	Current	Total	90 Days or Greater Accruing
Real estate - construction	$64	$ -	$64	$35,952	$36,016	$ -
Real estate - 1 to 4 family residential	888	57	945	121,832	122,777	36
Real estate - commercial	467	45	512	256,542	257,054	-
Real estate - agricultural	28	-	28	57,421	57,449	-
Commercial	264	84	348	92,355	92,703	-
Agricultural	-	-	-	85,609	85,609	-
Consumer and other	63	-	63	15,700	15,763	-
	$1,774	$ 186	$1,960	$665,411	$667,371	$ 36

The credit risk profile by internally assigned grade, on a disaggregated basis, as of March 31, 2015 and December 31, 2014 is as follows: *(in thousands)*

2015	Construction Real Estate	Commercial Real Estate	Agricultural Real Estate	Commercial	Agricultural	Total
Pass	$ 32,488	$ 231,612	$ 54,434	$ 77,919	$ 69,023	$465,476

Watch	3,764	18,490	6,307	11,110	7,447	47,118
Special Mention	-	1,117	-	474	81	1,672
Substandard	2,001	12,331	323	2,034	190	16,879
Substandard-Impaired	189	745	-	537	11	1,482
	$ 38,442	$ 264,295	$ 61,064	$ 92,074	$ 76,752	$ 532,627

23

2014	Construction Real Estate	Commercial Real Estate	Agricultural Real Estate	Commercial	Agricultural	Total
Pass	$ 30,055	$ 223,775	$ 51,024	$ 79,117	$ 78,387	$462,358
Watch	3,893	18,617	6,275	10,086	6,827	45,698
Special Mention	-	1,296	88	585	-	1,969
Substandard	1,873	12,532	62	2,376	395	17,238
Substandard-Impaired	195	834	-	539	-	1,568
	$ 36,016	$ 257,054	$ 57,449	$ 92,703	$ 85,609	$528,831

The credit risk profile based on payment activity, on a disaggregated basis, as of March 31, 2015 and December 31, 2014 is as follows:

2015	1-4 Family Residential Real Estate	Consumer and Other	Total
Performing	$ 119,396	$ 16,840	$136,236
Non-performing	937	-	937
	$ 120,333	$ 16,840	$137,173

2014	1-4 Family Residential Real Estate	Consumer and Other	Total
Performing	$ 121,928	$ 15,756	$137,684
Non-performing	849	7	856
	$ 122,777	$ 15,763	$138,540

9. Other Real Estate Owned

The following table provides the composition of other real estate owned as of March 31, 2015 and December 31, 2014: *(in thousands)*

	2015	**2014**
Construction and land development	$5,386	$6,751

1 to 4 family residential real estate	1,149	1,316
Commercial real estate	831	814
	$7,366	$8,881

The Company is actively marketing the assets referred in the table above. Management uses appraised values and adjusts for trends observed in the market and for disposition costs in determining the value of other real estate owned. The assets above are primarily located in the metropolitan Des Moines, Iowa and Ames, Iowa areas.

10. Goodwill

As of August 29, 2014, FNB acquired three bank branches located in West Des Moines and Johnston, Iowa, which resulted in the recognition of $1.1 million of goodwill. Goodwill recognized in the Acquisition was primarily attributable to an expanded market share and economies of scale expected from combining the operations of the West Des Moines and Johnston, Iowa branches with FNB. The goodwill is not amortized but is evaluated for impairment at least annually. For income tax purposes, goodwill is amortized over fifteen years.

11. Core deposit intangible asset

In conjunction with the Acquisition of the three bank branches in 2014, the Company recorded $1.0 million in core deposit intangible assets. The following sets forth the carrying amounts and accumulated amortization of core deposit intangible assets at March 31, 2015 and December 31, 2014: *(in thousands)*

	2015		**2014**	
	Gross Amount	Accumulated Amortization	Gross Amount	Accumulated Amortization
Core deposit intangible asset	$2,518	$ 901	$2,518	$ 788

The weighted average life of the core deposit intangible is 3 years as of March 31, 2015 and December 31, 2014.

The following sets forth the activity related to core deposit intangible assets for the three months ended March 31, 2015 and 2014: *(in thousands)*

	Three Months Ended March 31,	
	2015	**2014**
Beginning core deposit intangible, net	$1,730	$1,029
Amortization	(113)	(65)
Ending core deposit intangible, net	$1,617	$964

Estimated remaining amortization expense on core deposit intangible for the years ending is as follows: *(in thousands)*

2015	$308
2016	354
2017	299
2018	251
2019	127
2020	71
After	207
	$1,617

12. Secured Borrowings

The following sets forth the pledged collateral at estimated fair value related to securities sold under repurchase agreements and term repurchase agreements as of March 31, 2015 and December 31, 2014: *(in thousands)*

	2015			**2014**		
	Remaining Contractual Matruity of the Agreements					
	Overnight	Greater than 90 days	Total	Overnight	Greater than 90 days	Total
Securities sold under agreements to repurchase:						
U.S. government treasuries	$1,471	$-	$1,471	$1,447	$-	$1,447
U.S. government agencies	50,826	-	50,826	46,880	-	46,880
U.S. government mortgage-backed securities	50,029	-	50,029	51,472	-	51,472
Total	$102,326	$-	$102,326	$99,799	$-	$99,799
Term repurchase agreements:						
U.S. government agencies	$-	$12,208	$12,208	$-	$12,151	$12,151
U.S. government mortgage-backed securities	-	1,620	1,620	-	1,771	1,771
Total	$-	$13,828	$13,828	$-	$13,922	$13,922
Total borrowings	$102,326	$13,828	$116,154	$99,799	$13,922	$113,721

In the event the repurchase agreements exceed the estimated fair value of the pledged securities available-for-sale, the Company has unpledged securities available-for-sale that may be pledged on the repurchase agreements.

13. Regulatory Matters

The Company and the Banks capital amounts and ratios are as follows:

	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
As of March 31, 2015:						
Total capital (to risk- weighted assets):						
Consolidated	$154,093	16.9 %	$73,103	8.0 %	N/A	N/A
Boone Bank & Trust	14,066	15.8	7,105	8.0	$8,882	10.0 %
First National Bank	70,771	15.2	37,244	8.0	46,555	10.0
Reliance State Bank	23,040	13.9	13,234	8.0	16,543	10.0
State Bank & Trust	18,924	16.2	9,340	8.0	11,675	10.0
United Bank & Trust	14,227	20.7	5,508	8.0	6,885	10.0
Tier 1 capital (to risk- weighted assets):						
Consolidated	$144,633	15.8 %	$54,827	6.0 %	N/A	N/A
Boone Bank & Trust	13,199	14.9	5,329	6.0	$7,105	8.0 %
First National Bank	66,646	14.3	27,933	6.0	37,244	8.0
Reliance State Bank	21,266	12.9	9,926	6.0	13,234	8.0
State Bank & Trust	17,463	15.0	7,005	6.0	9,340	8.0
United Bank & Trust	13,451	19.5	4,131	6.0	5,508	8.0
Tier 1 capital (to average- weighted assets):						
Consolidated	$144,633	11.1 %	$51,999	4.0 %	N/A	N/A
Boone Bank & Trust	13,199	10.2	5,160	4.0	$6,450	5.0 %
First National Bank	66,646	9.5	28,012	4.0	35,015	5.0
Reliance State Bank	21,266	10.3	8,267	4.0	10,334	5.0
State Bank & Trust	17,463	10.8	6,489	4.0	8,111	5.0
United Bank & Trust	13,451	12.4	4,326	4.0	5,407	5.0
Common equity tier 1 capital (to risk-weighted assets):						
Consolidated	$144,633	15.8 %	$41,121	4.5 %	N/A	N/A
Boone Bank & Trust	13,199	14.9	3,997	4.5	$5,773	6.5 %
First National Bank	66,646	14.3	20,950	4.5	30,261	6.5
Reliance State Bank	21,266	12.9	7,444	4.5	10,753	6.5
State Bank & Trust	17,463	15.0	5,254	4.5	7,589	6.5
United Bank & Trust	13,451	19.5	3,098	4.5	4,475	6.5

27

	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
As of December 31, 2014:						
Total capital (to risk- weighted assets):						
Consolidated	$151,146	16.6 %	$72,879	8.0 %	N/A	N/A
Boone Bank & Trust	13,948	15.7	7,123	8.0	$8,904	10.0 %
First National Bank	69,174	14.7	37,568	8.0	46,960	10.0
Reliance State Bank	21,727	13.2	13,166	8.0	16,457	10.0
State Bank & Trust	18,708	15.8	9,485	8.0	11,856	10.0
United Bank & Trust	14,089	21.3	5,295	8.0	6,618	10.0
Tier 1 capital (to risk- weighted assets):						
Consolidated	$141,739	15.6 %	$36,440	4.0 %	N/A	N/A
Boone Bank & Trust	13,084	14.7	3,562	4.0	$5,342	6.0 %
First National Bank	65,112	13.9	18,784	4.0	28,176	6.0
Reliance State Bank	19,966	12.1	6,583	4.0	9,874	6.0
State Bank & Trust	17,224	14.5	4,742	4.0	7,113	6.0
United Bank & Trust	13,313	20.1	2,647	4.0	3,971	6.0
Tier 1 capital (to average- weighted assets):						
Consolidated	$141,739	11.0 %	$51,604	4.0 %	N/A	N/A
Boone Bank & Trust	13,084	9.8	5,325	4.0	$6,656	5.0 %
First National Bank	65,112	9.4	27,671	4.0	34,589	5.0
Reliance State Bank	19,966	9.6	8,321	4.0	10,402	5.0
State Bank & Trust	17,224	10.9	6,318	4.0	7,898	5.0
United Bank & Trust	13,313	12.3	4,315	4.0	5,394	5.0

The March 31, 2015 capital ratios are calculated under the Basel III capital rules that became effective on January 1, 2015. Prior period capital ratios were calculated under the prompt corrective capital rules that were in effect for those periods.

As disclosed in the Company's Form 10-K filed with the Securities and Exchange Commission on March 12, 2015, in July 2013, the Federal Reserve Board and the FDIC issued final rules implementing the Basel III regulatory capital framework and related Dodd-Frank Wall Street Reform and Consumer Protection Act changes. The rules revise minimum capital requirements and adjust prompt corrective action thresholds. The final rules revise the regulatory capital elements, add a new common equity Tier I capital ratio, increase the minimum Tier 1 capital ratio requirements and implement a new capital conservation buffer. The rules also permit certain banking organizations to retain, through a one-time election, the existing treatment for accumulated other comprehensive income. The Company and the Banks have made the election to retain the existing treatment for accumulated other comprehensive income. The final rules took effect for the Company and the Banks on January 1, 2015, subject to a transition period for certain parts of the rules.

The March 31, 2015 table above includes the new regulatory capital ratio requirements that became effective on January 1, 2015. Beginning in 2016, an additional capital conservation buffer will be added to the minimum requirements for capital adequacy purposes, subject to a three year phase-in period. The capital conservation buffer will be fully phased-in on January 1, 2019 at 2.5 percent. A banking organization with a conservation buffer of less than 2.5 percent (or the required phase-in amount in years prior to 2019) will be subject to limitations on capital distributions, including dividend payments and certain discretionary bonus payments to executive officers. At the present time, the ratios for the Company and the Banks are sufficient to meet the fully phased-in conservation buffer.

14. Subsequent Events

Management evaluated subsequent events through the date the financial statements were issued. There were no significant events or transactions occurring after March 31, 2015, but prior to May 7, 2015, that provided additional evidence about conditions that existed at March 31, 2015. There were no other significant events or transactions that provided evidence about conditions that did not exist at March 31, 2015.

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), Reliance State Bank (Reliance 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.

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 wealth management services. The Banks also offer investment services through a third-party broker-dealer. The Company employs twelve individuals to assist with financial reporting, human resources, audit, compliance, marketing, technology systems and the coordination of management activities, in addition to 209 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 wealth management services provided by those Banks exercising trust powers; (iv) service charges on deposit accounts maintained at the Banks and (v) Merchant and card fees. 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; and (v) occupancy expenses for maintaining the Banks' facilities. 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.

On August 29, 2014, First National purchased substantially all of the assets, including loans, and assumed substantially all of the liabilities, including deposit accounts, of First Bank., an Iowa state charted bank located in West Des Moines, Iowa for $4.1 million. First National will operate all three bank offices previously operated by First Bank in West Des Moines, Iowa and Johnston, Iowa.

The Company had net income of $3,635,000, or $0.39 per share, for the three months ended March 31, 2015, compared to net income of $4,526,000, or $0.49 per share, for the three months ended March 31, 2014. Total equity capital as of March 31, 2015 totaled $158.6 million or 11.8% of total assets.

The decrease in quarterly earnings can be primarily attributed to the gain on the sale of premises and equipment in 2014 of $1,257,000 with no corresponding gain in 2015.

Net loan recoveries totaled $10,000 and net loan charge-offs totaled $43,000 for the three months ended March 31, 2015 and 2014, respectively. The provision for loan losses totaled $77,000 and $39,000 for the three months ended March 31, 2015 and 2014, respectively.

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 Review 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. These challenges are addressed in the Company's most recent Annual Report on Form 10-K filed on March 12, 2015.

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 Federal Deposit Insurance Corporation (the "FDIC") and are derived from 6,812 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.

Selected Indicators for the Company and the Industry

	Quarter Ended March 31, 2015	**2014**		**2013**		**2012**	
	Company	Company	Industry *	Company	Industry	Company	Industry
Return on assets	1.10 %	1.21 %	1.01 %	1.14 %	1.07 %	1.24 %	1.00 %
Return on equity	9.25 %	10.09 %	9.03 %	9.76 %	9.56 %	10.08 %	8.92 %
Net interest margin	3.27 %	3.31 %	3.14 %	3.18 %	3.26 %	3.35 %	3.42 %
Efficiency ratio	54.76 %	53.37 %	61.88 %	52.78 %	60.54 %	52.33 %	61.60 %
Capital ratio	11.94 %	12.05 %	9.46 %	11.67 %	9.41 %	12.31 %	9.15 %

*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 1.10% and 1.45% for the three months ended March 31, 2015 and 2014, respectively. The decrease in this ratio in 2015 from the previous period is due to an increase in average assets in 2015 along with a decrease in net income due to the gain on the sale of premises and equipment in 2014 with no corresponding gain in 2015.

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 9.25% and 12.43% for the three months ended March 31, 2015 and 2014, respectively. The decrease in this ratio in 2015 from the previous period is due to the decrease in net income due to the gain on the sale of premises and equipment in 2014 with no corresponding gain in 2015

Net Interest Margin

The net interest margin for the three months ended March 31, 2015 and 2014 was 3.27% and 3.24%, 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 increase in this ratio in 2015 is primarily the result of an increase in the average balance of loans, offset in part by a decrease in the average balances of investment securities.

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 54.76% and 45.63% for the three months ended March 31, 2015 and 2014, respectively. The increase in the efficiency ratio in 2015 from the previous period is primarily the result of lower noninterest income in 2015 as compared to 2014 due to the gain on the sale of premises and equipment in 2014.

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 of 11.94% as of March 31, 2015 is significantly higher than the industry average as of December 31, 2014.

Industry Results

The FDIC Quarterly Banking Profile reported the following results for the fourth quarter of 2014:

Quarterly ROA Falls Below 1% for First Time in 2 Years

Strengthening loan growth helped lift revenues at most banks, but higher litigation expenses at a few large banks and lower noninterest income from sales, securitization, and servicing of residential mortgage loans caused the industry's fourth-quarter net income to fall below the level of a year earlier. A majority of banks, 61%, reported improved quarterly earnings, while the proportion of unprofitable institutions fell to 9.4% from 12.7% in fourth quarter 2013. However, fourth-quarter net income of $36.9 billion was $2.9 billion (7.3%) less than in fourth quarter 2013, as the four largest banks reported year-over-year declines in quarterly net income totaling $4.1 billion. The average return on assets (ROA) fell to 0.96% from 1.09% the year before. This is the first time in two years that the average quarterly ROA has fallen below 1%.

Most Banks Report Increased Revenues

Net operating revenue, the sum of net interest income and total noninterest income, increased by $923 million (0.6%) in the fourth quarter, compared with fourth quarter 2013. Net interest income was $1.1 billion (1%) higher, while total noninterest income was $160 million (0.3%) lower. The increase in net interest income was attributable to growth in interest-bearing assets, which increased 6.2% in the 12 months ended December 31. Almost 71% of all banks reported higher net interest income than a year earlier. The average net interest margin in the fourth quarter was 3.12%, compared with 3.27% in fourth quarter 2013 and 3.15% in third quarter 2014. The decline in noninterest income was primarily the result of a $1.6 billion (30.8%) drop in revenue from the sale, securitization, and servicing of residential mortgage loans. More than half of all banks (54.4%) reported higher noninterest income than the year-earlier quarter.

Loss Provisions Rise for a Second Consecutive Quarter

For a second consecutive quarter, the amount that banks set aside for loan-loss provisions was higher than a year earlier. Loan-loss provisions totaled $8.2 billion in the fourth quarter, up $878 million (12%) versus fourth quarter 2013. Noninterest expenses were $4.9 billion (4.8%) higher, as itemized litigation expenses at a few of the largest banks were $4.4 billion more than the year-earlier quarter.

Full-Year Earnings Post First Decline in Five Years

Full-year 2014 net income totaled $152.7 billion, $1.7 billion (1.1%) less than the industry earned in 2013. This is the first decline in annual net income in five years. The full-year ROA was 1.01%, marking the third year in a row that annual ROA has been above 1%. Reduced revenues from mortgage sales, securitization, and servicing (down $9.1 billion, or 35.1%), and increased litigation expenses (up $6.5 billion) were the main contributors to the drop in full-year earnings. Almost two out of every three banks (64%) reported increased earnings in 2014, but 7 of the 10 largest banks reported lower earnings. Although more than two-thirds of all banks reported higher net operating revenue, the industry total was essentially unchanged from 2013, as net interest income rose by $5.5 billion (1.3%), and noninterest income fell by $5.5 billion (2.2%). This is the first time in four years that annual net interest income has increased. Full-year loan-loss provisions were $2.7 billion (8.4%) lower in 2014. Noninterest expenses were $5.2 billion (1.2%) higher, as the higher litigation expenses were offset in part by a $3.5 billion (72.9%) reduction in goodwill impairment charges.

Net Charge-Off Rate Falls to an Eight-Year Low

Asset-quality indicators continued to improve in the fourth quarter, as net charge-offs (NCOs) posted a year-over-year decline for the 18th consecutive quarter. Fourth-quarter NCOs were $2.2 billion (18.3%) lower than in fourth quarter 2013. The largest improvements were in retail loan categories. Residential mortgage loan NCOs fell by $785 million (49.9%), while charge-offs of home equity lines of credit were $446 million (39.1%) lower, and credit card NCOs were $356 million (6.4%) less than in fourth quarter 2013. The average net charge-off rate in the fourth quarter fell to 0.48%, from 0.62% a year earlier. This is the lowest fourth quarter NCO rate since 2006.

The Noncurrent Loan Rate Falls Below 2%

The amount of loans that were noncurrent (90 days or more past due or in nonaccrual status) declined for the 19th quarter in a row. During the three months ended December 31, noncurrent loan balances fell by $9.2 billion (5.4%). The biggest improvements occurred in real estate loan portfolios. Noncurrent residential mortgage balances fell by $5.3 billion (4.9%) during the quarter, while noncurrent nonfarm nonresidential real estate loans declined by $1.6 billion (9.4%), and noncurrent real estate construction and development loan balances declined by $887 million (15.1%). The percentage of total loans and leases that were noncurrent fell from 2.11% to 1.96% during the quarter. This is the first time since the end of first quarter 2008 that the noncurrent rate has been below 2%.

The Industry Continues to Release Reserves

Insured institutions reduced their reserves for loan losses by $2.6 billion (2.1%) in the fourth quarter, as net charge-offs of $9.9 billion exceeded the $8.2 billion that banks set aside in loan-loss provisions. This is the 19th consecutive quarter that the industry's loss reserves have declined. At the end of 2014, reserves totaled $122.6 billion, the lowest since the end of first quarter 2008. The ratio of reserves to total loans and leases fell to 1.48% at year-end, a seven-year low. Despite the reduction in reserves, the industry's coverage ratio of reserves to noncurrent loans and leases improved for the ninth quarter in a row, rising from 72.9% to 75.4%. This is the highest level for the coverage ratio since third quarter 2008.

Retained Earnings Are More Than Double the Year-Ago Level

Equity capital increased by $15.7 billion (0.9%) during the quarter. Retained earnings contributed $13.9 billion to capital growth, more than twice the $4.8 billion of a year earlier. Total risk-based capital rose by $20.3 billion (1.3%). At the end of 2014, 98.6% of all insured institutions, representing 99.8% of industry assets, met or exceeded the requirements for the highest regulatory capital category, as defined for Prompt Corrective Action purposes.

12-Month Loan Growth Rate Rises Above 5%

Total assets increased by $204.4 billion (1.3%), as loan and lease balances rose by $149.4 billion (1.8%), holdings of U.S. Treasury securities increased by $59.9 billion (17.3%), and balances at Federal Reserve banks grew by $58.6 billion (4.4%). Loan growth was led by commercial and industrial (C&I) loans, which increased by $42.2 billion (2.5%); credit cards, which posted a seasonal $35.4 billion (5.2%) increase; nonfarm nonresidential real estate loans, which rose by $16.7 billion (1.5%); and real estate construction and development loans, which grew by $7.9 billion (3.4%). Loans to small businesses and farms increased by $2.9 billion (0.4%), as small C&I loans rose by $4.2 billion (1.4%). For the 12 months ended December 31, total loan and lease balances were up by 5.3%, the highest 12-month growth rate since mid-year 2008. Eighty percent of the increase in Treasury securities and 85% of the growth in Federal Reserve balances in the fourth quarter occurred at banks with assets greater than $250 billion, which are subject to a new Liquidity Coverage Ratio rule.

Large Denomination Deposits Continue to Lead Growth in Liabilities

Deposits increased by $167.3 billion (1.4%) in the fourth quarter, as balances in domestic offices rose by $195.2 billion (1.9%), and deposits in foreign offices fell by $27.9 billion (2%). Most of the growth in domestic deposits occurred in accounts with balances greater than $250,000. Balances in these large denomination accounts increased by $158.9 billion (3.1%), while balances in domestic accounts of less than $250,000 rose by $50.3billion (1%). Time deposits posted their largest quarterly increase since third quarter 2008, rising by $96.8 billion (6%). Nondeposit liabilities increased by $22.5 billion (1.1%), as banks increased their Federal Home Loan Bank advances by $21.1 billion (4.8%).

No New Charters Added in 2014

The number of FDIC-insured commercial banks and savings institutions reporting financial results fell to 6,509 at year-end, from 6,589 at the end of September, and 6,812 at the end of 2013. During the fourth quarter, mergers absorbed 75 institutions, while four insured institutions failed. For the full year, there were 274 institutions absorbed by mergers and 18 failures. This is the smallest number of bank failures in a year since 2007. In 2013, there were 24 failures. No new banks were chartered in 2014, marking the second time in the last three years that there have been no new bank charters. There were 2,047,879 full-time equivalent employees reported at year-end 2014, down 761 from September 30, and down 20,840 from year-end 2013. The number of banks on the FDIC's "Problem List" declined from 329 to 291 during the fourth quarter, and total assets of "problem" banks fell from $102 billion to $87 billion. The "Problem List" is at its lowest level since year-end 2008.

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 December 31, 2014 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, the assessment of other-than-temporary impairment of certain securities available-for-sale and the valuation of goodwill.

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, independent appraisals or evaluations 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, 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. 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. The 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.

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.

Goodwill

Goodwill arose in connection with two acquisitions. For the purposes of goodwill impairment testing, determination of the fair value of the reporting units involves the use of significant estimates and assumptions. Through March 31, 2015, no conditions indicated impairment has incurred. The next annual test will be performed in the fourth quarter of 2015. Actual future test results may differ from the present evaluation of impairment due to changes in the conditions used at the time of that evaluation.

Income Statement Review for the Three Months ended March 31, 2015

The following highlights a comparative discussion of the major components of net income and their impact for the three months ended March 31, 2015 and 2014:

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 March 31,					
	2015			2014		
	Average balance	Revenue/ expense	Yield/ rate	Average balance	Revenue/ expense	Yield/ rate
ASSETS						
(dollars in thousands)						
Interest-earning assets						
Loans 1						
Commercial	$91,417	$1,016	4.44 %	$83,388	$959	4.60 %
Agricultural	74,025	865	4.68 %	72,178	871	4.83 %
Real estate	479,311	5,351	4.47 %	390,850	4,396	4.50 %
Consumer and other	16,091	168	4.17 %	12,779	185	5.79 %
Total loans (including fees)	660,844	7,400	4.48 %	559,195	6,411	4.59 %
Investment securities						
Taxable	272,519	1,566	2.30 %	293,804	1,763	2.40 %
Tax-exempt 2	264,869	2,286	3.45 %	295,074	2,574	3.49 %
Total investment securities	537,388	3,852	2.87 %	588,878	4,337	2.95 %
Interest bearing deposits with banks and federal funds sold	53,863	93	0.69 %	41,782	73	0.70 %

Total interest-earning assets	1,252,095	$ 11,345	3.62 %	1,189,855	$ 10,821	3.64 %
Noninterest-earning assets	64,817			55,326		
TOTAL ASSETS	$ 1,316,912			$ 1,245,181		

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%.

AVERAGE BALANCE SHEETS AND INTEREST RATES

	Three Months ended March 31,					
	2015			**2014**		
	Average balance	Revenue/ expense	Yield/ rate	Average balance	Revenue/ expense	Yield/ rate
LIABILITIES AND STOCKHOLDERS' EQUITY						
(dollars in thousands)						
Interest-bearing liabilities						
Deposits						
NOW, savings accounts and money markets	$ 628,094	$ 267	0.17 %	$ 612,752	$ 296	0.19 %
Time deposits > $100,000	91,179	208	0.91 %	96,000	245	1.02 %
Time deposits < $100,000	145,100	287	0.79 %	144,045	351	0.98 %
Total deposits	864,373	762	0.35 %	852,797	892	0.42 %
Other borrowed funds	94,217	338	1.44 %	71,490	294	1.65 %
Total Interest-bearing liabilities	958,590	1,100	0.46 %	924,287	1,186	0.51 %
Noninterest-bearing liabilities						
Demand deposits	194,239			169,427		
Other liabilities	6,817			5,869		
Stockholders' equity	157,266			145,598		
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 1,316,912			$ 1,245,181		
Net interest income		$ 10,245	3.27 %		$ 9,635	3.24 %
Spread Analysis						
Interest income/average assets	$ 11,345	3.45 %		$ 10,821	3.48 %	
Interest expense/average assets	$ 1,100	0.33 %		$ 1,186	0.38 %	

Net interest income/average assets	$	10,245	3.11	%	$	9,635	3.10	%

Net Interest Income

For the three months ended March 31, 2015 and 2014, the Company's net interest margin adjusted for tax exempt income was 3.27% and 3.24%, respectively. Net interest income, prior to the adjustment for tax-exempt income, for the three months ended March 31, 2015 totaled $9,445,000 compared to $8,734,000 for the three months ended March 31, 2014.

For the three months ended March 31, 2015, interest income increased $626,000, or 6.3%, when compared to the same period in 2014. The increase from 2014 was primarily attributable higher average balance of loans, offset in part by lower average balances of investment securities. The higher average balances of loans were due primarily to increased loan demand and the Acquisition. The lower average balance of investments securities is due primarily to fund the loan growth.

Interest expense decreased $86,000, or 7.2%, for the three months ended March 31, 2015 when compared to the same period in 2014. The lower interest expense for the period is primarily attributable to lower average rates paid on time deposits. The lower rates were due primarily to continued low market interest rates.

Provision for Loan Losses

The Company's provision for loan losses was $77,000 and $39,000 for the three months ended March 31, 2015 and 2014, respectively. Net loan recoveries were $10,000 and net loan charge-offs were $43,000 for the three months ended March 31, 2015 and 2014, respectively.

Noninterest Income and Expense

Noninterest income decreased $1,180,000 for the three months ended March 31, 2015 compared to the same period in 2014. The decrease in noninterest income is primarily due to a gain on the sale of premises and equipment in 2014 with no corresponding gain in 2015. Excluding this gain, noninterest income increased $77,000, or 4.6%. This increase was primarily due to gain on the sale of loans held for sale and merchant and card fees, offset in part by a decrease in securities gains. The increase in the gain on the sale of loans held for sale is due to increased secondary market volume. The increase in merchant and card income is due primarily to the Acquisition.

Noninterest expense increased $810,000 or 15.2% for the three months ended March 31, 2015 compared to the same period in 2014 primarily as a result of increased salaries and benefits, data processing costs and other real estate owned expenses. The increase in salaries and benefits and data processing was mainly the result of the Acquisition. The increase in other real estate owned expenses was due to costs incurred to maintain properties and losses on the sale of the properties.

Income Taxes

The provision for income taxes expense for the three months ended March 31, 2015 and 2014 was $1,360,000 and $1,785,000, representing an effective tax rate of 27% and 28%, respectively. The decrease in the effective rate is due primarily to the impact of the one-time gain on premises and equipment in 2014.

Balance Sheet Review

As of March 31, 2015, total assets were $1,344,731,000, a $43,701,000 increase compared to December 31, 2014. The increase in assets was in the interest bearing deposits in financial institutions and securities available-for-sale. The increase in assets was funded primarily by increases in deposits and securities sold under agreements to repurchase.

Investment Portfolio

The investment portfolio totaled $554,650,000 as of March 31, 2015, an increase of $12,147,000 or 2.2% from the December 31, 2014 balance of $542,502,000. The increase in the investment portfolio was primarily due to purchases of U.S. government agencies and an increase in the unrealized gain on securities, offset in part by pay downs of U.S. government mortgage-backed securities.

On a quarterly basis, the investment portfolio is reviewed for other-than-temporary impairment. As of March 31, 2015, gross unrealized losses of $715,000, are considered to be temporary in nature due to the interest rate environment of 2015 and other general economic factors. As a result of the Company’s favorable liquidity position, the Company does not have the intent to sell securities with an unrealized loss at the present time. In addition, management believes it is more likely than not that the Company will hold these securities until recovery of their fair value to cost basis and avoid considering present unrealized loss positions to be other-than-temporary.

At March 31, 2015, the Company's investment securities portfolio included securities issued by 317 government municipalities and agencies located within 25 states with a fair value of $284.0 million. At December 31, 2014, the Company's investment securities portfolio included securities issued by 314 government municipalities and agencies located within 25 states with a fair value of $281.8 million. No one municipality or agency represents a concentration within this segment of the investment portfolio. The largest exposure to any one municipality or agency as of March 31, 2015 was $5.4 million (approximately 1.9% of the fair value of the governmental municipalities and agencies) represented by the Urbandale, Iowa Community School District to be repaid by sales tax revenues and property taxes.

The Company's procedures for evaluating investments in states, municipalities and political subdivisions include but are not limited to reviewing the offering statement and the most current available financial information, comparing yields to yields of bonds of similar credit quality, confirming capacity to repay, assessing operating and financial performance, evaluating the stability of tax revenues, considering debt profiles and local demographics, and for revenue bonds, assessing the source and strength of revenue structures for municipal authorities. These procedures, as applicable, are utilized for all municipal purchases and are utilized in whole or in part for monitoring the portfolio of municipal holdings. The Company does not utilize third party credit rating agencies as a primary component of determining if the municipal issuer has an adequate capacity to meet the financial commitments under the security for the projected life of the investment, and, therefore, does not compare internal assessments to those of the credit rating agencies. Credit rating downgrades are utilized as an additional indicator of credit weakness and as a reference point for historical default rates.

The following table summarizes the total general obligation and revenue bonds in the Company's investment securities portfolios as of March 31, 2015 and December 31, 2014 identifying the state in which the issuing government municipality or agency operates. *(Dollars in thousands)*

	2015		**2014**	
	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
Obligations of states and political subdivisions:				
General Obligation bonds:				
Iowa	$78,611	$79,801	$75,879	$76,857
Texas	10,830	11,094	10,352	10,537
Minnesota	8,776	8,925	8,797	8,932
Other (2015: 18 states; 2014: 18 states)	37,648	38,355	31,028	31,549
Total general obligation bonds	$135,865	$138,175	$126,056	$127,875
Revenue bonds:				
Iowa	$134,747	$137,869	$134,683	$137,250
Other (2015: 9 states; 2014: 11 states)	7,917	7,989	9,212	9,261

Total revenue bonds	$142,664	$145,858	$143,895	$146,511
Total obligations of states and political subdivisions	$278,529	$284,033	$269,951	$274,386

As of March 31, 2015 and December 31, 2014, the revenue bonds in the Company's investment securities portfolios were issued by government municipalities and agencies to fund public services such as community school facilities, college and university dormitory facilities, water utilities and electrical utilities. The revenue bonds are to be paid from primarily 9 revenue sources. The revenue sources that represent 5% or more, individually, as a percent of the total revenue bonds are summarized in the following table. *(Dollars in thousands)*

	2015		**2014**	
	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
Revenue bonds by revenue source				
Sales tax	$86,296	$88,712	$86,386	$88,449
College and universities, primarily dormitory revenues	14,208	14,406	14,005	14,108
Water	11,632	11,725	12,155	12,191
Leases	9,230	9,281	9,551	9,599
Electric	7,348	7,585	7,357	7,578
Other	13,950	14,149	14,441	14,586
Total revenue bonds by revenue source	$142,664	$145,858	$143,895	$146,511

Loan Portfolio

The loan portfolio, net of the allowance for loan losses of $8,926,000, totaled $660,790,000 as of March 31, 2015, an increase of $2,349,000, or 0.4%, from the December 31, 2014 balance of $658,441,000. The increase in the loan portfolio is primarily due increased loan volume in the one-to-four family, commercial and agricultural real estate portfolios, offset by payments received in the agricultural operating portfolio.

Deposits

Deposits totaled $1,082,790,000 as of March 31, 2015, an increase of $30,667,000, or 2.9%, from the December 31, 2014 balance of $1,052,123,000. The increase in deposits was primarily due to increases in commercial NOW accounts and retail, commercial and public money market accounts, offset in part by decreases in time deposits.

Securities Sold Under Agreements to Repurchase

Securities sold under agreements to repurchase totaled $58,801,000 as of March 31, 2015, an increase of $7,536,000, or 14.7%, from the December 31, 2014 balance of $51,265,000. The increase was primarily related to a commercial customer transferring funds to a repurchase account from commercial checking account and an increase in an existing commercial customer's repurchase account balance.

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, 2014.

Asset Quality Review and Credit Risk Management

The Company's credit risk is historically centered in the loan portfolio, which on March 31, 2015 totaled $660,790,000 compared to $658,441,000 as of December 31, 2014. Net loans comprise 49.1% of total assets as of March 31, 2015. 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 nonaccrual loans and loans past due 90 days or more) as a percentage of total loans was 0.36% at March 31, 2015, as compared to 0.37% at December 31, 2014 and 0.34% at March 31, 2014. The Company's level of problem loans as a percentage of total loans at March 31, 2015 of 0.36% is lower than the Company's peer group (343 bank holding companies with assets of $1 billion to $3 billion) of 1.04% as of December 31, 2014.

Impaired loans, net of specific reserves, totaled $2,054,000 as of March 31, 2015 and were relatively unchanged as compared to the impaired loans of $2,070,000 as of December 31, 2014 and $1,434,000 as of March 31, 2014. The impaired loans as of March 31, 2015 include credit deteriorated loans from the Acquisition, offset by credit improvements and payments received on other impaired loans during the twelve months ended March 31, 2015.

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.

The Company had TDRs of $1,043,000 as of March 31, 2015, of which all were included in impaired loans and on nonaccrual status. The Company had TDRs of $1,129,000 as of December 31, 2014, all of which were included in impaired and nonaccrual loans.

TDRs are monitored and reported on a quarterly basis. Certain TDRs are on nonaccrual status at the time of restructuring. These borrowings are typically returned to accrual status after the following: sustained repayment performance in accordance with the restructuring agreement for a reasonable period of at least six months; and, management is reasonably assured of future performance. If the TDR meets these performance criteria and the interest rate granted at the modification is equal to or greater than the rate that the Company was willing to accept at the time of the restructuring for a new loan with comparable risk, then the loan will return to performing status.

For TDRs that were on nonaccrual status before the modification, a specific reserve may already be recorded. In periods subsequent to modification, the Company will continue to evaluate all TDRs for possible impairment and, as necessary, recognizes impairment through the allowance. The Company had no charge-off related to TDRs for the three months ended March 31, 2015 and one charge-offs in the amount of $44,000 for the three months ended March 31, 2014.

Loans past due 90 days or more that are still accruing interest are reviewed 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 March 31, 2015, non-accrual loans totaled $2,381,000 and loans past due 90 days and still accruing totaled $8,000. This compares to non-accrual loans of $2,407,000 and $36,000 loans past due 90 days and still accruing as of December 31, 2014. Other real estate owned totaled $7,366,000 as of March 31, 2015 and $8,436,000 as of December 31, 2014.

The allowance for loan losses as a percentage of outstanding loans as of March 31, 2015 was 1.33%, relatively unchanged from 1.32% at December 31, 2014. The allowance for loan losses totaled $8,926,000 and $8,838,000 as of March 31, 2015 and December 31, 2014, respectively. Net recoveries of loans totaled $10,000 for the three month ended March 31, 2015 as compared to net charge-offs of loans of $43,000 for the three months ended March 31, 2014.

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.

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 securities available-for-sale; 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 March 31, 2015, the level of liquidity and capital resources of the Company remain at a satisfactory level. 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 March 31, 2015 and December 31, 2014 totaled $87,154,000 and $55,200,000, respectively, and provide a level of liquidity.

Other sources of liquidity available to the Banks as of March 31, 2015 include outstanding lines of credit with the FHLB of Des Moines, Iowa of $149,312,000, with $14,449,000 of outstanding FHLB advances at March 31, 2015. Federal funds borrowing capacity at correspondent banks was $115,491,000, with no outstanding federal fund purchase balances as of March 31, 2015. The Company had securities sold under agreements to repurchase totaling $58,801,000, term repurchase agreements of $13,000,000 and financing agreements of $9,945,000 as of March 31, 2015.

Total investments as of March 31, 2015 were $554,650,000 compared to $542,502,000 as of December 31, 2014. These investments provide the Company with a significant amount of liquidity since all of the investments are classified as available-for-sale as of March 31, 2015.

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 three months ended March 31, 2015 totaled $6,581,000 compared to the $6,507,000 for the three months ended March 31, 2014. The increase of $74,000 in net cash provided by operating activities was primarily due to the gain on the sale of premises in 2014 with no corresponding gain in 2015.

Net cash used in investing activities for the three months ended March 31, 2015 was $41,844,000 and compares to $17,382,000 for the three months ended March 31, 2014. The change in cash used in investing activities of $24,462,000 was primarily due to changes in loans and interest bearing deposits in financial institutions, offset by changes in securities available-for-sale.

Net cash provided by financing activities for the three months ended March 31, 2015 totaled $36,477,000 compared to $17,014,000 for the three months ended March 31, 2014. The increase of $19,463,000 in net cash provided by financing activities was primarily due to an increase in deposits and securities sold under agreements to repurchase. As of March 31, 2015, 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. Dividends paid by the Banks to the Company amounted to $1,900,000 for the three months ended March 31, 2015 and 2014. 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 $0.20 per share in 2015 from $0.18 per share in 2014.

The Company, on an unconsolidated basis, has interest bearing deposits and marketable investment securities totaling $8,633,000 as of March 31, 2015 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 other 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 March 31, 2015 that are of concern to management.

Capital Resources

The Company’s total stockholders’ equity as of March 31, 2015 totaled $158,646,000 and was higher than the $154,674,000 recorded as of December 31, 2014. The increase in stockholders’ equity was primarily due to net income, reduced by dividends declared and increased by accumulated other comprehensive income. The increase in other comprehensive income is created by 2015 market interest rates trending lower, which resulted in higher fair values in the securities available-for-sale portfolio. At March 31, 2015 and December 31, 2014, stockholders’ equity as a percentage of total assets was 11.80% and 11.89%, respectively. The capital levels of the Company exceed applicable regulatory guidelines as of March 31, 2015.

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; the Company’s ability to successfully integrate the assets being purchased from First Bank into its operations on a timely and cost effective basis; 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.

Item 3. 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 2015 changed significantly when compared to 2014.

Item 4. 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.

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.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

Nota pplicable

Item 1.A. Risk Factors

None.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

In November, 2014, 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 March 31, 2015, there were 100,000 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 March 31, 2015.

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
January 1, 2015 to January 31, 2015	-	$ -	-	100,000
February 1, 2015 to February 28, 2015	-	$ -	-	100,000
March 1, 2015 to March 31, 2015	-	$ -	-	100,000
Total	-		-	

Item 3. Defaults Upon Senior Securities

Not applicable

Item 4. Mine Safety Disclosures

Not applicable

Item 5. Other information

Not applicable

Item 6. Exhibits

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)
101.DEF XBRL Taxonomy Extension Definition Linkbase Document (1)

(1) These interactive date 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.

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

By: /s/ Thomas H. Pohlman

Thomas H. Pohlman, Chief Executive Officer and President

DATE: May 7, 2015

By: /s/ John P. Nelson

John P. Nelson, Chief Financial Officer and Vice President

EXHIBIT INDEX

The following exhibits are filed herewith:

Exhibit No.	Description
31.1	Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes Oxley Act of 2002
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101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document (1)
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document (1)

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