

Ames National stock traded in the \$39 to \$41 per share range ending the quarter at \$40.

Preliminary approval has been received from the Office of the Controller of the Currency on the application for a new national bank in Marshalltown, Iowa, United Bank & Trust National Association (in organization). The organizers/directors have been approved, key staff members identified and a site selected. Based on final regulatory approval, the new bank could begin operation in the second quarter of this year.

The Federal Reserve is poised to raise interest rates if the economy continues to show positive signs of recovery. First quarter corporate earnings reports are showing isolated strength which may lead to a stronger rebound in the economy than expected. It will be a challenge to match this quarter's earnings the rest of the year if interest rates rise as expected in the second half of 2002.

Sincerely,



DANIEL L. KRIEGER
President



COMPANY DIRECTORS

ROBERT W. STAFFORD

Chairman of the Board

DANIEL L. KRIEGER

President

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Medical Consultant

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Chairman Randall-Story State Bank

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President ACI Mechanical

MARVIN J. WALTER

President

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AFFILIATE BANKS



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PRESIDENT'S LETTER

April 22, 2002

DEAR SHAREHOLDERS,

The company's net income for the first quarter increased 14% over the same period a year ago. Loans decreased 12%, deposits increased 2% and total assets reached a record \$646 million.

NET INCOME increased to \$2.94 million compared to \$2.58 million for first quarter 2001. The higher earnings were helped by a 45% decrease in interest paid on deposits and borrowed funds. Return on average assets for the first quarter was 1.91% compared to 1.69% a year ago.

DEPOSITS at affiliate banks increased 2% over first quarter 2001 with all affiliate banks recording higher figures. A 6% increase in core deposits helped offset a 16% decrease in large time certificates. Attracting deposits continues to be a very competitive endeavor in our affiliate bank markets.

LOANS decreased 12% over first quarter 2001 to \$305 million compared to \$345 million recorded a year ago. Affiliate banks are experiencing lower loan demand due to the economic slowdown and the abundance of both multi-family and commercial space available. With new construction at a lower level, competing financial institutions are offering extremely competitive rates.

CAPITAL increased 6% to a record \$95 million including \$4.7 million in net unrealized securities gains, the same as a year ago. This figure represents 14.8% of assets. During the first quarter

QUARTERLY REPORT TO SHAREHOLDERS



1ST QUARTER 2002

CONSOLIDATED BALANCE SHEET

(unaudited)	March 31, 2002	March 31, 2001
Assets		
Cash and due from banks	\$40,864,403	25,873,564
Federal funds sold	60,960,000	31,030,000
Interest bearing deposits in financial institutions	600,000	250,000
Securities available-for-sale	225,187,867	224,674,938
Loans receivable, net	304,510,264	345,264,244
Bank premises and equipment, net	7,483,997	5,334,792
Accrued income receivable	5,836,053	6,600,498
Other assets	324,837	363,743
Total assets	<u>\$645,767,421</u>	<u>639,391,779</u>
Liabilities and Stockholders' Equity		
Deposits:		
Demand	51,991,931	51,935,747
NOW accounts	131,319,934	115,472,264
Savings and money market	145,667,064	123,808,976
Time, \$100,000 and over	49,064,946	68,050,624
Other time	152,358,206	161,552,125
Total deposits	530,402,081	520,819,737
FHLB advances	—	11,500,000
Federal funds purchased and securities sold under agreements to repurchase	13,830,133	10,510,587
Dividends payable	1,312,596	1,248,917
Deferred taxes	1,224,826	1,295,986
Accrued interest and other liabilities	3,685,309	4,384,534
Total liabilities	<u>550,454,945</u>	<u>549,759,761</u>
Stockholders' Equity:		
Common stock, \$5 par value; authorized 6,000,000 shares; issued 3,153,230 shares at March 31, 2002 and 2001	15,766,150	15,766,150
Treasury stock, at cost; 28,001 and 30,937 shares at March 31, 2002 and 2001, respectively	(1,530,805)	(1,677,605)
Surplus	25,393,028	25,428,994
Retained earnings	51,025,345	45,367,518
Accumulated other comprehensive income – net unrealized gain on securities available-for-sale	4,658,758	4,746,961
Total stockholders' equity	<u>95,312,476</u>	<u>89,632,018</u>
	<u>\$645,767,421</u>	<u>639,391,779</u>

CONSOLIDATED STATEMENTS OF INCOME

(unaudited)	2002	2001
Three Months Ended March 31		
Interest and dividend income		
Loans	\$5,865,172	7,268,782
Securities	2,699,085	3,097,922
Federal funds sold	200,784	92,424
Dividends	330,803	230,351
	<u>9,095,844</u>	<u>10,689,478</u>
Interest expense:		
Deposits	2,987,959	5,129,377
Other borrowed funds	74,135	397,162
	<u>3,062,094</u>	<u>5,526,539</u>
Net interest income	6,033,750	5,162,939
Provision for loan losses	104,219	77,678
Net interest income after provision for loan losses	<u>5,929,531</u>	<u>5,085,261</u>
Noninterest income:		
Trust department income	250,730	230,748
Service fees	357,675	353,315
Securities gains, net	188,733	486,525
Other	325,999	324,925
Total noninterest income	<u>1,123,137</u>	<u>1,395,513</u>
Noninterest expense:		
Salaries and employee benefits	1,782,335	1,693,114
Occupancy expenses	203,362	213,601
Data processing	404,411	439,657
Other operating expenses	542,148	522,382
Total noninterest expense	<u>2,932,256</u>	<u>2,868,754</u>
Income before income taxes	4,120,412	3,612,020
Income tax expense	1,179,482	1,031,962
Net income	<u>\$2,940,930</u>	<u>2,580,058</u>
Basic earnings per share	<u>\$0.94</u>	<u>0.83</u>
Declared dividends per share	<u>\$0.42</u>	<u>0.40</u>