

## COMPANY DIRECTORS

the symbol ATLO, traded in the \$40 1/4 to \$45 range in second quarter 2002 and closed at \$43 on June 30th.

United Bank & Trust, N.A. opened in Marshalltown, Iowa on June 20, 2002 doing business in a specially designed trailer with teller stations, a night depository, drive-up window and private offices. Construction on a new bank building began in early July with completion of the 5,300 square foot one story facility expected in December of this year.

The new bank is staffed by seasoned personnel with financial services experience in the Marshalltown area. We are fortunate to have a board of directors involved in the business community who recognize the need for a bank with local decision making which provides a wide variety of banking products and services on a personal level.

We are pleased that the board of directors has declared a \$.44 extra dividend payable on August 15, 2002. Based on declaration by the board, future dividends will be paid on the first business day following the 14th of November, February, May and August.

Sincerely,



DANIEL L. KRIEGER  
President



### ROBERT W. STAFFORD

Chairman of the Board

### DANIEL L. KRIEGER

President

### BETTY A. BAUDLER

President Baudler Enterprises, Inc.

### DALE F. COLLINGS

Former President State Bank & Trust Co.

### JAMES R. CHRISTY

Chairman State Bank & Trust Co.

### DOUGLAS C. GUSTAFSON, DVM

Veterinarian Boone Veterinary Hospital

### CHARLES D. JONS, MD

Medical Consultant

### JAMES R. LARSON, II

President ACI Mechanical

### MARVIN J. WALTER

President

Dayton Road Development Corporation

## AFFILIATE BANKS



STATE BANK & TRUST CO.



UNITED BANK & TRUST

## AMES NATIONAL CORPORATION

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## PRESIDENT'S LETTER

### DEAR SHAREHOLDERS,

Net income for second quarter 2002 was \$.88 per share, 1% higher than the \$.87 per share earned in second quarter 2001. For the first six months of 2002 net income increased 7% to \$1.82 per share compared to \$1.70 per share earned in the first half of 2001. Interest paid on deposits was 40% lower for the first half of 2002 compared to last year and was the primary contributor to higher first half earnings. Return on average assets for second quarter and first half 2002 was 1.73% and 1.81% respectively compared to 1.75% and 1.72% for the same periods a year ago.

Second quarter 2002 loans were down 7% to \$307 million compared to \$332 million in 2001. Demand has decreased despite the lowest borrowing rates in several decades. The factors which contributed to the drop in loan demand included economic uncertainty, the turmoil in the midwest and increased competition. An over supply of both commercial space and multi-family units has created a slowdown in construction in these areas. The low mortgage rates have kept our lenders busy originating loans for the secondary market.

Deposits as of June 30, 2002 were \$511 million, a 4% increase over \$491 million a year ago with time deposits accounting for most of the increase. The magnitude of the repercussions from the alleged accounting improprieties has created a lack of confidence in big business. A positive sign that these will be more strictly dealt with, including incarceration for those responsible, should help restore confidence in our business community. This skepticism has resulted in a lower stock market, which has re-focused investors' interest on more stable types of investments such as bank deposits.

Capital increased 7% to \$98 million, or 15.6% of assets. This strong increase can be attributed to a \$3 million increase in unrealized securities gains compared to a year ago. Company stock, under

# QUARTERLY REPORT TO SHAREHOLDERS



2<sup>ND</sup> QUARTER 2002

## CONSOLIDATED BALANCE SHEET

(unaudited)	June 30, 2002	June 30, 2001
<b>Assets</b>		
Cash and due from banks	\$35,832,841	\$25,404,673
Federal funds sold	42,370,000	18,985,000
Interest bearing deposits in financial institutions	600,000	250,000
Securities available-for-sale	229,223,802	223,407,992
Loans receivable, net	307,575,129	332,201,912
Bank premises and equipment, net	7,894,748	5,648,974
Accrued income receivable	5,297,369	5,673,159
Other assets	489,338	607,890
<b>Total assets</b>	<b>\$629,283,227</b>	<b>\$612,179,600</b>
<b>Liabilities and Stockholders' Equity</b>		
Deposits:		
Demand	52,293,228	53,498,859
NOW accounts	112,399,121	97,341,021
Savings and money market	145,496,094	126,257,885
Time, \$100,000 and over	52,422,160	54,350,899
Other time	148,383,361	159,211,770
<b>Total deposits</b>	<b>510,993,964</b>	<b>490,660,434</b>
FHLB advances	—	10,000,000
Federal funds purchased and securities sold under agreements to repurchase	12,037,383	14,981,103
Dividends payable	2,753,504	1,312,596
Deferred taxes	2,749,561	908,921
Accrued interest and other liabilities	2,655,714	3,827,279
<b>Total liabilities</b>	<b>531,190,126</b>	<b>521,690,333</b>
Stockholders' Equity:		
Common stock, \$5 par value; authorized 6,000,000 shares; issued 3,153,230 shares at June 30, 2002 and 2001	15,766,150	15,766,150
Treasury stock, at cost; 24,248 and 28,001 shares at June 30, 2002 and 2001, respectively	(1,333,640)	(1,530,805)
Surplus	25,354,014	25,393,028
Retained earnings	51,012,776	46,772,320
Accumulated other comprehensive income – net unrealized gain on securities available-for-sale	7,293,801	4,088,574
<b>Total stockholders' equity</b>	<b>98,093,101</b>	<b>90,489,267</b>
	<b>\$629,283,227</b>	<b>\$612,179,600</b>

## CONSOLIDATED STATEMENTS OF INCOME

(unaudited)	Three Months Ended June 30		Six Months Ended June 30	
	2002	2001	2002	2001
Interest and dividend income				
Loans	\$5,766,039	\$7,109,567	\$11,631,211	\$14,378,349
Securities	2,778,464	2,958,595	5,477,549	6,059,233
Federal funds sold	251,243	256,731	452,027	345,801
Dividends	374,867	269,391	705,670	500,379
	<b>9,170,613</b>	<b>10,594,284</b>	<b>18,266,457</b>	<b>21,283,762</b>
Interest expense:				
Deposits	2,971,413	4,840,597	5,959,373	9,969,974
Other borrowed funds	59,765	299,188	133,899	696,350
	<b>3,031,178</b>	<b>5,139,785</b>	<b>6,093,272</b>	<b>10,666,324</b>
Net interest income	6,139,435	5,454,499	12,173,185	10,617,438
Provision for loan losses	111,265	196,230	215,484	273,908
Net interest income after provision for loan losses	6,028,170	5,258,269	11,957,701	10,343,530
Noninterest income:				
Trust department income	276,425	257,054	527,155	487,802
Service fees	361,518	415,665	719,193	784,712
Securities gains, net	133,941	662,682	322,673	1,151,531
Other	295,947	322,850	621,947	629,719
<b>Total noninterest income</b>	<b>1,067,831</b>	<b>1,658,251</b>	<b>2,190,968</b>	<b>3,053,764</b>
Noninterest expense:				
Salaries and employee benefits	2,075,667	1,707,197	3,858,002	3,400,311
Occupancy expenses	226,202	155,348	429,564	368,949
Data processing	436,629	455,918	841,040	888,863
Other operating expenses	572,207	544,617	1,114,355	1,073,711
<b>Total noninterest expense</b>	<b>3,310,705</b>	<b>2,863,080</b>	<b>6,242,961</b>	<b>5,731,834</b>
Income before income taxes	3,785,296	4,053,440	7,905,708	7,665,460
Income tax expense	1,044,361	1,336,042	2,223,843	2,368,004
<b>Net income</b>	<b>\$2,740,935</b>	<b>\$2,717,398</b>	<b>\$5,681,865</b>	<b>\$5,297,456</b>
Basic earnings per share	<b>\$0.88</b>	<b>\$0.87</b>	<b>\$1.82</b>	<b>\$1.70</b>
Declared dividends per share	<b>\$0.88</b>	<b>\$0.40</b>	<b>\$1.30</b>	<b>\$0.80</b>