



# 1ST QUARTER

2018

QUARTERLY  
REPORT TO  
SHAREHOLDERS

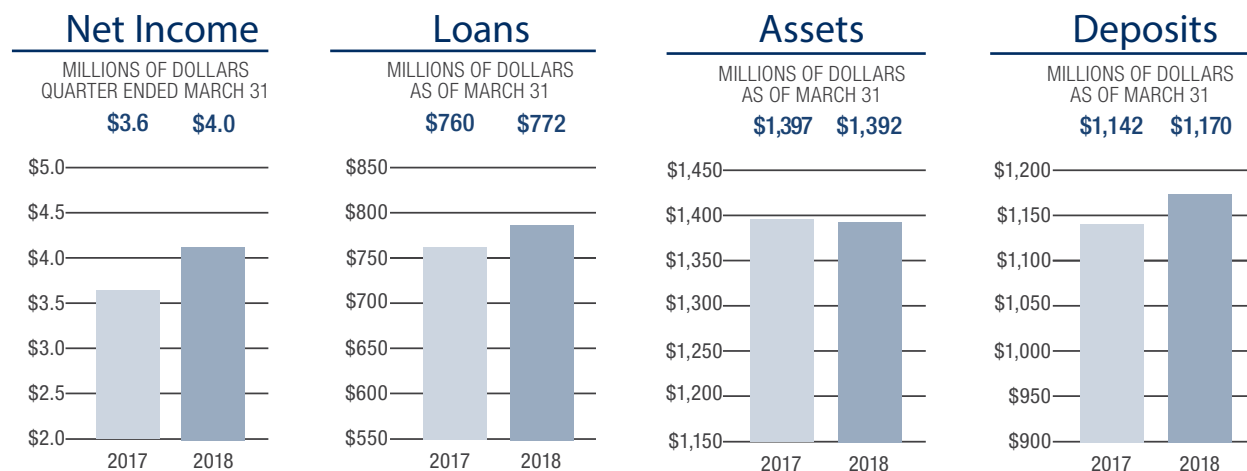
COMPANY STOCK  
**ATLO**

NASDAQ Capital Market

March 31, 2018 Closing Price: **\$27.50**  
 First Quarter Price Range: **\$26.00 - \$30.00**  
 Declared Quarterly Cash Dividend: **\$0.23**  
**SPECIAL one-time Declared Cash Dividend: \$0.25**  
 (Payable on May 15, 2018)

## First Quarter Financial Highlights

- Net income totaled \$4,037,000 or \$0.43 per share, for the first quarter, compared to \$3,610,000 or \$0.39 per share during the same time period last year. The improvement in earnings is mainly the result of an increase in loan interest income, a reduction in the provision for loan losses and lower federal income tax expense.
- On February 14, 2018, Ames National Corporation declared a cash dividend of \$0.23 per common share. The Company also declared a special one-time cash dividend of \$0.25 per common share. Both dividends are payable May 15, 2018 to shareholders of record at the close of business on May 1, 2018.
- On April 19, 2018, First National Bank, Ames, Iowa, a 100% owned subsidiary of Ames National Corporation, entered into a purchase and subsequent merger agreement to acquire Clarke County State Bank in Osceola, Iowa. The Agreement provides for the purchase of 100% of the outstanding stock of Clarke County State Bank, which has assets of approximately \$111 million, including loans of \$78 million and \$99 million in deposits. The transaction is expected to close in the third quarter of 2018, subject to regulatory approval and other standard closing conditions.
- First quarter net interest income totaled \$10,186,000, an increase of \$303,000, or 3%, compared to the same quarter a year ago. The improvement in net interest income was mainly due to increased loan volume.
- Total assets were \$1,391,779,000, a \$3.5 million decrease compared to last year. Net loans as of quarter-end increased 2.0%, to \$772,495,000, as compared to \$759,786,000 last year. Deposits totaled \$1,170,424,000 on March 31, 2018, compared to \$1,141,672,000 recorded at quarter-end 2017, a 2.5% increase from a year ago.



## AT A GLANCE... FINANCIAL HIGHLIGHTS

	Three Months Ended March 31,	
	2017	2018
Net Income	\$ 3,610,000	\$ 4,037,000
Earnings Per Share-Basic	\$0.39	\$0.43
Dividends Per Share	\$0.22	\$0.23
Return on Average Assets (ROA)	1.05%	1.19%
Return on Average Equity (ROE)	8.66%	9.55%
Efficiency Ratio	54.1%	57.4%
Net Interest Margin (FTE)	3.20%	3.19%
Equity Capital Ratio	11.95%	12.05%

## Consolidated Balance Sheets

(unaudited)	March 31, 2018	March 31, 2017
<b>ASSETS</b>		
Cash and due from banks	\$ 22,484,501	\$ 24,843,933
Interest bearing deposits in financial institutions	68,832,839	49,361,944
Securities available-for-sale	489,091,103	513,288,393
Federal Home Loan Bank and Federal Reserve Bank stock, at cost	2,557,400	3,064,500
Loans receivable, net	772,494,978	759,786,001
Loans held for sale	148,906	196,145
Bank premises and equipment, net	15,348,582	15,901,957
Accrued income receivable	7,730,256	7,270,957
Other real estate owned	385,509	542,812
Deferred income taxes, net	3,849,437	2,850,082
Other intangible assets, net	1,018,887	1,238,290
Goodwill	6,732,216	6,732,216
Other assets	1,104,703	10,228,498
Total assets	<u>\$ 1,391,779,317</u>	<u>\$ 1,395,305,728</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>LIABILITIES</b>		
Deposits		
Demand, noninterest bearing	\$ 217,191,985	\$ 202,797,222
NOW accounts	357,058,832	343,459,201
Savings and money market	401,030,635	396,934,766
Time, \$250,000 and over	38,904,107	37,253,819
Other time	156,237,985	161,227,296
Total deposits	<u>1,170,423,544</u>	<u>1,141,672,304</u>
Securities sold under agreements to repurchase	36,534,018	50,373,505
Federal Home Loan Bank advances and other borrowings	9,000,000	27,500,000
Dividend payable	4,469,238	2,048,401
Accrued expenses and other liabilities	4,806,299	5,584,808
Total liabilities	<u>\$ 1,225,233,099</u>	<u>\$ 1,227,179,018</u>
<b>STOCKHOLDERS' EQUITY</b>		
Common stock, \$2 par value, authorized 18,000,000 shares; issued and outstanding 9,310,913 shares as of March 31, 2018 and 2017	18,621,826	18,621,826
Additional paid-in capital	20,878,728	20,878,728
Retained earnings	131,335,175	127,743,103
Accumulated other comprehensive income (loss)	(4,289,511)	883,053
Total stockholders' equity	<u>166,546,218</u>	<u>168,126,710</u>
Total liabilities and stockholders' equity	<u>\$ 1,391,779,317</u>	<u>\$ 1,395,305,728</u>

## Consolidated Statements of Income

(unaudited)	Three Months Ended March 31,	
	2018	2017
<b>INTEREST INCOME:</b>		
Loans	\$ 8,888,855	\$ 8,115,685
Securities		
Taxable	1,556,838	1,512,919
Tax-exempt	1,186,346	1,318,062
Interest bearing deposits and federal funds sold	165,319	137,173
Total interest income	<u>11,797,358</u>	<u>11,083,839</u>
<b>INTEREST EXPENSE:</b>		
Deposits	1,362,481	921,430
Other borrowed funds	248,390	279,401
Total interest expense	<u>1,610,871</u>	<u>1,200,831</u>
Net interest income	10,186,487	9,883,008
Provision for loan losses	29,000	397,574
Net interest income after provision for loan losses	<u>10,157,487</u>	<u>9,485,434</u>
<b>NONINTEREST INCOME:</b>		
Wealth management income	751,000	698,932
Service fees	338,242	359,132
Securities gains, net	-	365,035
Gain on sale of loans held for sale	177,200	138,012
Merchant and card fees	309,659	315,036
Other noninterest income	187,901	187,504
Total noninterest income	<u>1,764,002</u>	<u>2,063,651</u>
<b>NONINTEREST EXPENSE:</b>		
Salaries and employee benefits	4,568,045	4,045,644
Data processing	781,032	823,779
Occupancy expenses, net	494,946	544,030
FDIC insurance assessments	105,995	103,831
Professional fees	345,407	298,145
Business development	254,548	237,741
Intangible asset amortization	87,535	98,802
Other operating expenses, net	227,629	307,785
Total noninterest expense	<u>6,865,137</u>	<u>6,459,757</u>
Income before income taxes	<u>5,056,352</u>	<u>5,089,328</u>
<b>INCOME TAX EXPENSE:</b>		
	<u>1,019,600</u>	<u>1,479,200</u>
NET INCOME	<u>\$ 4,036,752</u>	<u>\$ 3,610,128</u>
Basic and diluted earnings per share	<u>\$ 0.43</u>	<u>\$ 0.39</u>
Declared dividends per share	<u>\$ 0.48</u>	<u>\$ 0.22</u>

## Mission

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

## Core Values

**Excellence:**

Striving to exceed expectations

**Integrity:**

Demonstrating high moral and ethical conduct

**Leadership:**

Creating and developing opportunities that benefit our employees, customers, communities and shareholders

**Stability:**

Maintaining financial strength and a dedicated staff to successfully serve the current and future needs of our employees, customers, communities, and shareholders

**Trust:**

Acting in the best interest of our employees, customers, and shareholders

**Community:**

Dedicated to serving our communities through local decision making, community involvement and active boards of directors

## Company Directors

**THOMAS H. POHLMAN**

Chairman, President & CEO,  
Ames National Corporation

**JOHN P. NELSON**

Chief Financial Officer, Ames National Corporation

**DAVID W. BENSON**

Attorney, Nyemaster Goode, P.C.

**LISA M. ESLINGER**

Chief Financial and Administrative Officer,  
Iowa State University Foundation

**STEVEN D. FORTH**

Farmer

**PATRICK G. HAGAN**

Senior Vice President & Treasurer,  
Fareway Stores, Inc.

**BETTY A. BAUDLER HORRAS**

President, Baudler Enterprises, Inc.

**JAMES R. LARSON, II**

President, Larson Development Corporation

**RICHARD O. PARKER**

Attorney, Parker Law Firm

**KEVIN L. SWARTZ**

Chief Executive Officer, Wolfe Clinic PC

## Affiliate Banks



UNITED BANK & TRUST



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