



2ND QUARTER

2018

QUARTERLY
REPORT TO
SHAREHOLDERS

COMPANY STOCK
ATLO

NASDAQ Capital Market

June 30, 2018 Closing Price: **\$30.85**
 Second Quarter Price Range: **\$26.80 - \$31.55**
 Declared Quarterly Cash Dividend: **\$0.23**
 (Paid on August 15, 2018)

Second Quarter Financial Highlights

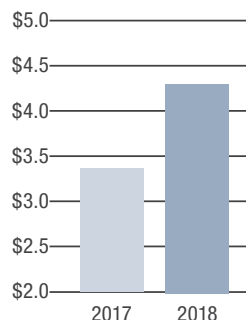
- Net income totaled \$4,317,000 or \$0.46 per share, as of June 30, 2018, compared to \$3,472,000 or \$0.37 per share earned second quarter to date in 2017. The improvement in earnings is primarily the result of an increase in loan interest income, a reduction in the provision for loan losses and lower federal income tax expense.
 - Second quarter net interest income totaled \$10,211,000, an increase of \$145,000, or 1%, compared to the same quarter a year ago. The improvement in net interest income was mainly due to rate increases on loans.
- Total assets were \$1,362,055,000, a \$7.6 million decrease compared to last year. Net loans as of quarter-end increased 2.0%, to \$780,260,000, as compared to \$768,208,000 last year. Deposits totaled \$1,151,815,000 on June 30, 2018, compared to \$1,126,771,000, a 2% increase over a year earlier.

- The provision for income taxes expense for second quarter was \$1,107,000 and \$1,453,000, respectively, representing an effective tax rate of 20% and 29%, respectively. The reduction in the effective income tax rate from one year ago was primarily related to the enactment of the Tax Cut and Jobs Act legislation signed on December 22, 2017.
- On May 9, 2018, Ames National Corporation declared a cash dividend of \$0.23 per common share, payable August 15, 2018 to shareholders of record at the close of business on August 1, 2018.
- Thomas H. Pohlman, Chairman, President & CEO of Ames National Corporation retired on June 29, 2018, with more than 41 years of leadership and banking experience. John P. Nelson assumed the role of President & CEO. Nelson has served as Chief Financial Officer for the Company since 1999 and as a director since 2013. Pohlman will continue to serve as Chairman of the Company Board of Directors.

Net Income

MILLIONS OF DOLLARS
QUARTER ENDED JUNE 30

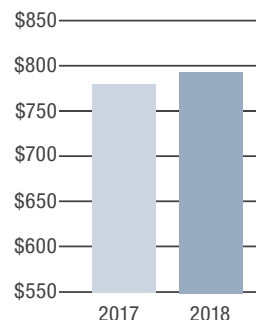
\$3.5 \$4.3



Loans

MILLIONS OF DOLLARS
AS OF JUNE 30

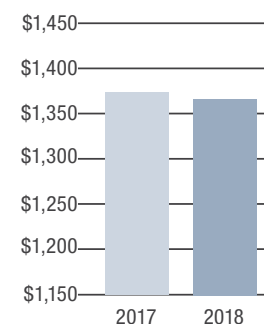
\$768 \$780



Assets

MILLIONS OF DOLLARS
AS OF JUNE 30

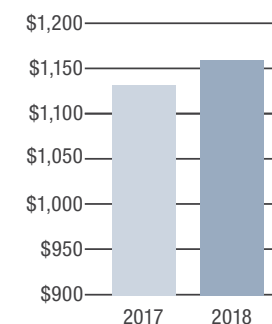
\$1,370 \$1,362



Deposits

MILLIONS OF DOLLARS
AS OF JUNE 30

\$1,127 \$1,152



AT A GLANCE... FINANCIAL HIGHLIGHTS

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2018	2017	2018
Net Income	\$ 3,472,000	\$ 4,317,000	\$ 7,082,000	\$ 8,354,000
Earnings Per Share - Basis	\$0.37	\$0.46	\$0.76	\$0.90
Dividends Per Share	\$0.22	\$0.23	\$0.44	\$0.71
Return on Average Assets (ROA)	1.01%	1.26%	1.03%	1.22%
Return on Average Equity (ROE)	8.17%	10.35%	8.41%	9.95%
Efficiency Ratio	52.9%	55.0%	53.5%	56.2%
Net Interest Margin (FTE)	3.25%	3.16%	3.22%	3.17%
Equity Capital Ratio			12.53%	12.33%

Consolidated Balance Sheets

(unaudited)	June 30, 2018	June 30, 2017
ASSETS		
Cash and due from banks	\$ 20,554,902	\$ 19,753,969
Interest bearing deposits in financial institutions	41,831,023	28,126,299
Securities available-for-sale	478,733,417	515,886,446
Federal Home Loan Bank and Federal Reserve Bank stock, at cost	2,561,200	3,027,800
Loans receivable, net	780,259,704	768,208,213
Loans held for sale	1,480,648	543,683
Bank premises and equipment, net	15,203,655	15,845,997
Accrued income receivable	7,755,177	7,413,393
Other real estate owned	385,509	425,359
Deferred income taxes, net	4,135,552	1,713,812
Other intangible assets, net	934,968	1,212,470
Goodwill	6,732,216	6,732,216
Other assets	1,486,743	915,960
Total assets	<u>\$ 1,362,054,714</u>	<u>\$ 1,369,625,617</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES		
Deposits		
Demand, noninterest bearing	\$ 218,222,877	\$ 202,864,782
NOW accounts	338,858,159	332,846,478
Savings and money market	400,566,104	393,254,840
Time, \$250,000 and over	39,727,075	37,291,573
Other time	154,440,954	160,513,103
Total deposits	<u>1,151,815,169</u>	<u>1,126,770,776</u>
Securities sold under agreements to repurchase	34,107,530	38,683,268
Federal Home Loan Bank advances and other borrowings	2,000,000	26,500,000
Dividend payable	2,141,510	2,048,401
Accrued expenses and other liabilities	4,049,475	3,979,793
Total liabilities	<u>\$ 1,194,113,684</u>	<u>\$ 1,197,982,238</u>
STOCKHOLDERS' EQUITY		
Common stock, \$2 par value, authorized 18,000,000 shares; issued and outstanding 9,310,913 shares as of June 30, 2018 and 2017	18,621,826	18,621,826
Additional paid-in capital	20,878,728	20,878,728
Retained earnings	133,510,931	129,167,032
Accumulated other comprehensive income (loss)	(5,070,455)	2,975,793
Total stockholders' equity	<u>167,941,030</u>	<u>171,643,379</u>
Total liabilities and stockholders' equity	<u>\$ 1,362,054,714</u>	<u>\$ 1,369,625,617</u>

Consolidated Statements of Income

(unaudited)	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
INTEREST INCOME:				
Loans	\$ 8,996,222	\$ 8,499,729	\$ 17,885,077	\$ 16,615,414
Securities				
Taxable	1,590,138	1,566,707	3,146,976	3,079,626
Tax-exempt	1,179,607	1,290,808	2,365,953	2,608,870
Interest bearing deposits and federal funds sold	<u>229,726</u>	<u>113,353</u>	<u>395,045</u>	<u>250,526</u>
Total interest income	<u>11,995,693</u>	<u>11,470,597</u>	<u>23,793,051</u>	<u>22,554,436</u>
INTEREST EXPENSE:				
Deposits	1,633,395	1,113,389	2,995,876	2,034,819
Other borrowed funds	<u>151,463</u>	<u>291,343</u>	<u>399,853</u>	<u>570,744</u>
Total interest expense	<u>1,784,858</u>	<u>1,404,732</u>	<u>3,395,729</u>	<u>2,605,563</u>
Net interest income	10,210,835	10,065,865	20,397,322	19,948,873
Provision for loan losses	<u>63,978</u>	<u>766,769</u>	<u>92,978</u>	<u>1,164,343</u>
Net interest income after provision for loan losses	<u>10,146,857</u>	<u>9,299,096</u>	<u>20,304,344</u>	<u>18,784,530</u>
NONINTEREST INCOME:				
Wealth management income	906,364	734,375	1,657,364	1,433,307
Service fees	334,606	365,753	672,848	724,885
Securities gains, net	-	95,644	-	460,679
Gain on sale of loans held for sale	191,385	226,530	368,585	364,542
Merchant and card fees	366,863	353,479	676,522	668,515
Other noninterest income	191,654	249,367	379,555	453,838
Total noninterest income	<u>1,990,872</u>	<u>2,025,148</u>	<u>3,754,874</u>	<u>4,105,766</u>
NONINTEREST EXPENSE:				
Salaries and employee benefits	4,316,823	3,986,327	8,884,868	8,031,971
Data processing	887,358	850,133	1,668,390	1,673,912
Occupancy expenses, net	459,445	475,556	954,391	1,019,586
FDIC insurance assessments	102,073	111,140	208,068	214,971
Professional fees	354,998	313,528	700,405	611,673
Business development	238,811	222,720	493,359	460,461
Intangible asset amortization	83,919	92,174	171,454	190,976
Other operating expenses, net	269,636	347,836	497,265	672,588
Total noninterest expense	<u>6,713,063</u>	<u>6,399,414</u>	<u>13,578,200</u>	<u>12,876,138</u>
Income before income taxes	<u>5,424,666</u>	<u>4,924,830</u>	<u>10,481,018</u>	<u>10,014,158</u>
INCOME TAX EXPENSE:				
	<u>1,107,400</u>	<u>1,452,500</u>	<u>2,127,000</u>	<u>2,931,700</u>
NET INCOME	<u>\$ 4,317,266</u>	<u>3,472,330</u>	<u>\$ 8,354,018</u>	<u>\$ 7,082,458</u>
Basic and diluted earnings per share	<u>\$ 0.46</u>	<u>0.37</u>	<u>\$ 0.90</u>	<u>\$ 0.76</u>
Declared dividends per share	<u>\$ 0.23</u>	<u>0.22</u>	<u>\$ 0.71</u>	<u>\$ 0.44</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,
Ames National Corporation

JOHN P. NELSON

President & CEO, 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

JOHN L. PIERSCHBACHER

Chief Financial Officer, Ames National Corporation

KEVIN L. SWARTZ

Chief Executive Officer, Wolfe Clinic PC

Affiliate Banks



UNITED BANK & TRUST



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