



3RD QUARTER

2018
**QUARTERLY
 REPORT TO
 SHAREHOLDERS**

COMPANY STOCK ATLO

NASDAQ Capital Market

September 30, 2018 Closing Price: \$27.25
 Third Quarter Price Range: \$26.20 - 32.15
 Declared Quarterly Cash Dividend: \$0.23
 (To be paid on November 15, 2018)

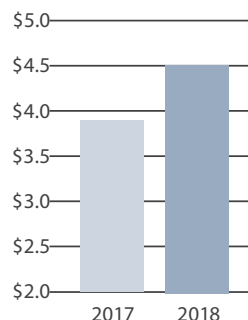
Third Quarter Financial Highlights

- We are pleased to announce the completion of the acquisition of Clarke County State Bank located in Osceola and Murray, Iowa by First National Bank, the Company's largest affiliate bank, on Sept. 14, 2018. We look forward to the opportunity to grow our client base and expand our community banking model.
- Net income for Ames National Corporation totaled \$4,459,000 or \$0.48 per share, compared to \$3,928,000 or \$0.42 per share earned in 2017. The improvement in earnings is primarily the result of an increase in loan interest income and lower federal income tax expense, offset in part by higher deposit interest expense, an increase in salaries and benefits and non-routine costs associated with the acquisition.
- Total assets were \$1,448,252,000, an \$83.3 million increase, compared to last year. Net loans as of quarter-end increased 13%, to \$859,830,000, as compared to \$764,229,000 last year. Deposits totaled \$1,215,761,000 on Sept. 30, 2018, compared to \$1,114,538,000 recorded at Sept. 30, 2017, a 9% increase from a year ago.
- Third quarter net interest income totaled \$10,586,000, an increase of \$434,000, or 4%, compared to the same quarter a year ago. The improvement in net interest income was mainly due to increased loan volume and rates and recognition of nonaccrual interest income.
- Noninterest income for the third quarter of 2018 totaled \$2,162,000 as compared to \$1,860,000 for the same period in 2017, an increase of 16%. The increase is primarily due to higher wealth management income and a one-time gain on the foreclosure of other real estate owned.
- On August 8, 2018, Ames National Corporation declared a cash dividend of \$0.23 per common share, payable November 15, 2018 to shareholders of record at the close of business on November 1, 2018.

Net Income

MILLIONS OF DOLLARS
 QUARTER ENDED SEPT. 30

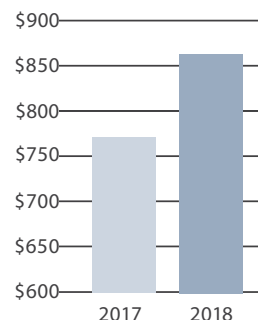
\$3.9 \$4.5



Loans

MILLIONS OF DOLLARS
 AS OF SEPT. 30

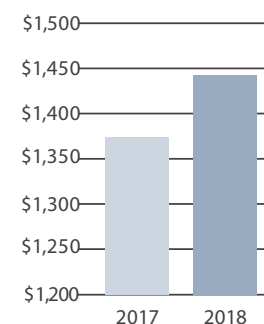
\$764 \$860



Assets

MILLIONS OF DOLLARS
 AS OF SEPT. 30

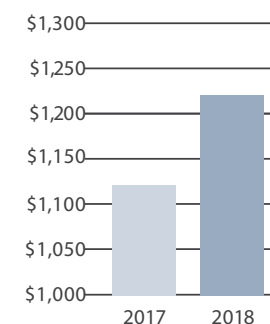
\$1,365 \$1,448



Deposits

MILLIONS OF DOLLARS
 AS OF SEPT. 30

\$1,115 \$1,216



AT A GLANCE... FINANCIAL HIGHLIGHTS

	Three Months Ended Sept. 30,		Nine Months Ended Sept. 30,	
	2017	2018	2017	2018
Net Income	\$ 3,928,000	\$ 4,459,000	\$ 11,011,000	\$ 12,813,000
Earnings Per Share - Basis	\$0.42	\$0.48	\$1.18	\$1.38
Dividends Per Share	\$0.22	\$0.23	\$0.66	\$0.94
Return on Average Assets (ROA)	1.15%	1.31%	1.07%	1.25%
Return on Average Equity (ROE)	9.08%	10.54%	8.64%	10.15%
Efficiency Ratio	52.4%	54.8%	53.2%	55.7%
Net Interest Margin (FTE)	3.29%	3.28%	3.25%	3.21%
Equity Capital Ratio			12.70%	11.64%

Consolidated Balance Sheets

(unaudited)	September 30, 2018	September 30, 2017
ASSETS		
Cash and due from banks	\$ 25,318,944	\$ 23,087,890
Interest bearing deposits in financial institutions	38,048,525	35,486,284
Securities available-for-sale	474,442,299	503,368,435
Federal Home Loan Bank and Federal Reserve Bank stock, at cost	2,946,100	3,242,000
Loans receivable, net	859,830,015	764,228,850
Loans held for sale	279,940	279,800
Bank premises and equipment, net	16,071,119	15,595,418
Accrued income receivable	9,485,035	8,423,038
Other real estate owned	729,795	385,509
Bank-owned life insurance	2,757,310	--
Deferred income taxes, net	4,803,300	1,817,543
Other intangible assets, net	2,842,085	1,133,736
Goodwill	9,618,621	6,732,216
Other assets	1,079,179	1,159,533
	<u>\$ 1,448,252,267</u>	<u>\$ 1,364,940,252</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES		
Deposits		
Demand, noninterest bearing	\$ 220,806,001	\$ 202,368,921
NOW accounts	369,779,264	337,062,117
Savings and money market	414,057,574	380,454,650
Time, \$250,000 and over	42,849,563	36,776,010
Other time	168,268,111	157,876,361
Total deposits	<u>1,215,760,513</u>	<u>1,114,538,059</u>
Securities sold under agreements to repurchase	48,858,900	39,001,050
Federal Home Loan Bank advances and other borrowings	8,400,000	32,000,000
Dividend payable	2,141,510	2,048,401
Accrued expenses and other liabilities	4,461,535	4,023,858
Total liabilities	<u>\$ 1,279,622,458</u>	<u>\$ 1,191,611,368</u>
STOCKHOLDERS' EQUITY		
Common stock, \$2 par value, authorized 18,000,000 shares; issued and outstanding 9,310,913 shares as of September 30, 2018 and 2017	18,621,826	\$ 18,621,826
Additional paid-in capital	20,878,728	20,878,728
Retained earnings	135,828,253	131,047,038
Accumulated other comprehensive income (loss)	(6,698,998)	2,781,292
Total stockholders' equity	<u>168,629,809</u>	<u>173,328,884</u>
Total liabilities and stockholders' equity	<u>\$ 1,448,252,267</u>	<u>\$ 1,364,940,252</u>

Consolidated Statements of Income

(unaudited)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
INTEREST INCOME:				
Loans	\$ 9,557,527	\$ 8,729,702	\$ 27,442,604	\$ 25,345,116
Securities				
Taxable	1,545,541	1,557,872	4,638,503	4,637,498
Tax-exempt	1,085,131	1,210,510	3,451,084	3,819,380
Interest bearing deposits and federal funds sold	<u>272,358</u>	<u>114,820</u>	<u>721,417</u>	<u>365,346</u>
Total interest income	<u>12,460,557</u>	<u>11,612,904</u>	<u>36,253,608</u>	<u>34,167,340</u>
INTEREST EXPENSE:				
Deposits	1,740,579	1,169,296	4,736,455	3,204,115
Other borrowed funds	<u>134,017</u>	<u>292,054</u>	<u>533,870</u>	<u>862,798</u>
Total interest expense	<u>1,874,596</u>	<u>1,461,350</u>	<u>5,270,325</u>	<u>4,066,913</u>
Net interest income	10,585,961	10,151,554	30,983,283	30,100,427
Provision for loan losses	<u>100,000</u>	<u>57,277</u>	<u>192,978</u>	<u>1,221,620</u>
Net interest income after provision for loan losses	<u>10,485,961</u>	<u>10,094,277</u>	<u>30,790,305</u>	<u>28,878,807</u>
NONINTEREST INCOME:				
Wealth management income	877,146	747,634	2,534,510	2,180,941
Service fees	363,993	401,237	1,036,841	1,126,122
Securities gains, net	--	37,881	--	498,560
Gain on sale of loans held for sale	207,856	179,553	576,441	544,095
Merchant and card fees	358,816	348,847	1,035,338	1,017,362
Gain on foreclosure of other real estate owned	162,862	--	162,862	--
Other noninterest income	<u>191,130</u>	<u>144,953</u>	<u>570,685</u>	<u>598,791</u>
Total noninterest income	<u>2,161,803</u>	<u>1,860,105</u>	<u>5,916,677</u>	<u>5,965,871</u>
NONINTEREST EXPENSE:				
Salaries and employee benefits	4,331,976	4,026,932	13,216,844	12,058,903
Data processing	838,414	807,419	2,506,804	2,481,331
Occupancy expenses, net	536,004	527,071	1,490,395	1,546,657
FDIC insurance assessments	99,934	111,987	308,002	326,958
Professional fees	423,172	307,484	1,123,577	919,157
Business development	327,985	262,408	821,344	722,869
Intangible asset amortization	94,883	89,861	266,337	280,837
Other operating expenses, net	<u>335,464</u>	<u>162,826</u>	<u>832,729</u>	<u>835,414</u>
Total noninterest expense	<u>6,987,832</u>	<u>6,295,988</u>	<u>20,566,032</u>	<u>19,172,126</u>
Income before income taxes	5,659,932	5,658,394	16,140,950	15,672,552
INCOME TAX EXPENSE:				
	<u>1,201,100</u>	<u>1,729,987</u>	<u>3,328,100</u>	<u>4,661,687</u>
NET INCOME	<u>\$ 4,458,832</u>	<u>\$ 3,928,407</u>	<u>\$ 12,812,850</u>	<u>\$ 11,010,865</u>
Basic and diluted earnings per share	<u>\$ 0.48</u>	<u>\$ 0.42</u>	<u>\$ 1.38</u>	<u>\$ 1.18</u>
Declared dividends per share	<u>\$ 0.23</u>	<u>\$ 0.22</u>	<u>\$ 0.94</u>	<u>\$ 0.66</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 and 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



Ames National Corporation

405 5th Street • Ames, IA 50010

PHONE 515-232-6251

FAX 515-663-3033

EMAIL info@amesnational.com

WEBSITE www.amesnational.com