

SHAREHOLDER INFORMATION

The Company stockholders' equity represented 12.4% of total assets as of March 31, 2010, with all the Company's five affiliate banks considered well-capitalized as defined by federal capital regulations. Total stockholder equity totaled a record high \$115,322,000 as of March 31, 2010, compared to \$103,940,000 as of March 31, 2009. The Company's stock, which is listed under the symbol ATLO, closed at \$20.05 on March 31, 2010. During the first quarter, the price ranged from \$17.00 to \$21.99.

At the February 2010 board meeting, the board of directors voted to raise the quarterly dividend \$0.01 to \$0.11 beginning with the dividend payable to shareholders on May 17, 2010. The increase in the dividend reflects an improvement in 2009 earnings and the Company's commitment to maintain a strong capital structure. Your board of directors reviews dividend payments to shareholders each quarter to ensure the Company maintains a strong financial position with the expectation of improving shareholder return as economic conditions improve.

Ames National Corporation is forecasting earnings for 2010 in the range of \$1.04 to \$1.12 per share compared to the \$0.95 earned in 2009. In 2010, we do not anticipate experiencing the same level of other real estate costs and the subsequent charges taken against income as in 2009.

2009 ANNUAL MEETING REVIEW

The 35th Annual Meeting of Shareholders was held on April 28, 2010, at Reiman Gardens in Ames, Iowa. The board of directors voted to reduce the size of the board to eleven members with the retirement of Daniel L. Krieger. The three Ames National Corporation directors re-nominated for three-year terms on the Company board were Larry A. Ramon, Frederick C. Samuelson and Marvin J. Walter. Changes made last year in affiliate bank directors were announced and Marvin J. Walter, Chair of the Audit Committee, reported on 2009 audit activity. In addition, the annual financial report was presented.

With the close of the Annual Meeting, Daniel L. Krieger's service to the Company came to an end as he retired from the Company after a distinguished career of service spanning over fifty years. Throughout his career, Dan has held many positions with the Company, serving both First National Bank and Ames National Corporation with distinction. Dan will continue to serve on the First National Bank Board of Directors through April 2011. We offer Dan our sincerest thanks for all of his contributions and service to the Company.

Sincerely,


DANIEL L. KRIEGER
Chairman


THOMAS H. POHLMAN
President

COMPANY DIRECTORS

DANIEL L. KRIEGER
Chairman

THOMAS H. POHLMAN
President

BETTY A. BAUDLER HORRAS
President, Baudler Enterprises, Inc.

ROBERT L. CRAMER
Retired President,
Fareway Stores, Inc.

STEVEN D. FORTH
Farmer

DOUGLAS C. GUSTAFSON, DVM
Boone Veterinary Hospital

CHARLES D. JONS, MD
Medical Consultant

JAMES R. LARSON, II
President, Larson Development Corporation

WARREN R. MADDEN
Vice President for Business & Finance,
Iowa State University

LARRY A. RAYMON
Chief Executive Officer
Raymon Enterprises, Inc.

FREDERICK C. SAMUELSON
President, James Michael & Associates, Inc.

MARVIN J. WALTER
President, Dayton Road Development Corporation

AFFILIATE BANKS

UNITED BANK & TRUST

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LETTER TO SHAREHOLDERS**FIRST QUARTER 2010 RESULTS**

First quarter 2010 net income was \$3,270,000, or \$0.35 per share, 34% more than the \$2,441,000, or \$0.26 per share, earned in the first quarter 2009. Return on average assets was 1.43% and 1.15%, respectively, and return on average equity was 11.46% and 9.32%, respectively, for the three-month periods ended March 31, 2010 and March 31, 2009.

The higher earnings can be primarily attributed to net securities gains and lower non-interest expense. Net securities gains totaled \$537,000 for the first quarter of 2010 compared to net securities losses of \$351,000 for the same period one year ago. For the quarter ended March 31, 2010, FDIC insurance assessments and other real estate owned costs declined \$167,000 and \$370,000, respectively. The reduction in the FDIC insurance assessment was due mainly to lower FDIC assessment rates, while the decline in other real estate owned costs was the result of no impairment charges in 2010.

First quarter 2010 net interest income of \$7,357,000 was 2.1% higher than the \$7,207,000 reported for the same period a year ago. Despite a nearly \$695,000 drop in interest income, an \$844,000 decrease in total interest expense more than offset the lower interest income. The higher net interest income is mostly the result of lower cost of funds on deposits and other borrowings and an increase in the average balance of securities available-for-sale. These gains were offset in part by lower yields on interest earning assets. The lower yields and cost of funds were due primarily to lower market interest rates as interest earning assets and interest-bearing liabilities are re-pricing. The Company's net interest margin was 3.78% for the quarter ended March 31, 2010, compared to 3.97% for the quarter ended March 31, 2009.

BALANCE SHEET REVIEW

Deposits on March 31, 2010, were a record high \$723,505,000, a 5.6% increase from the \$658,041,000 recorded at March 31, 2009. The increase in deposits was mostly due to an increase of approximately \$24,433,000 in public funds. In addition, the mix of deposits changed over 2009, as depositors have moved deposits to demand, NOW, savings and money market accounts from time deposit accounts.

Loan demand continued to be soft during the quarter. Net loans as of March 31, 2010, decreased 6.6%, to \$408,906,000 compared to \$437,646,000 on March 31, 2009. This decrease was mainly as a result of declining demand and normal portfolio paydowns. The allowance for loan losses on March 31, 2010, totaled \$7,682,000, or 1.84% of gross loans, compared to \$6,932,000, or 1.55% of gross loans, as of March 31, 2009. Impaired loans as of March 31, 2010, were \$7,250,000, or 1.7% of gross loans, compared to \$7,469,000, or 1.7% of gross loans, as of March 31, 2009. Other real estate owned was \$11,141,000 on March 31, 2010, compared to \$13,249,000 as of March 31, 2009. The net change in other real estate is mostly due to impairment write-offs and sales of other real estate owned.

Total assets of \$926,355,000, a record high, were \$56,623,000 higher than reported on March 31, 2009. The increase in total assets is primarily the result of increased deposit levels over the previous year.

FIRST QUARTER 2010



Quarterly Report
to Shareholders

CONSOLIDATED BALANCE SHEETS

(unaudited)	March 31 2010	March 31 2009
ASSETS		
Cash and due from banks	\$ 25,422,556	\$ 17,392,449
Federal funds sold	—	48,774,000
Interest bearing deposits in financial institutions	34,097,282	12,634,196
Securities available-for-sale	419,052,593	318,347,128
Loans receivable, net	408,906,164	437,646,282
Loans held for sale	1,708,365	679,000
Bank premises and equipment, net	11,780,912	12,407,047
Accrued income receivable	6,450,914	6,210,789
Deferred income taxes	3,228,044	5,956,122
Other real estate owned	11,140,683	13,248,946
Other assets	4,567,509	436,176
Total assets	\$ 926,355,022	\$ 873,732,135
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES		
Deposits		
Demand, noninterest bearing	\$ 94,569,046	\$ 74,455,066
NOW accounts	195,451,550	183,032,806
Savings and money market	191,829,393	187,309,171
Time, \$100,000 and over	92,014,067	77,892,158
Other time	149,641,257	162,352,259
Total deposits	723,505,313	685,041,460
Federal funds purchased and securities sold under agreements to repurchase	44,557,180	37,808,994
Short-term borrowings	101,535	372,757
FHLB advances and other long-term borrowings	38,500,000	41,500,000
Dividend payable	1,037,620	943,291
Accrued expenses and other liabilities	3,331,051	4,125,428
Total liabilities	811,032,699	769,791,930
STOCKHOLDERS' EQUITY		
Common stock, \$2 par value, authorized 18,000,000 shares; 9,432,915 issued and outstanding	18,865,830	18,865,830
Additional paid-in capital	22,651,222	22,651,222
Retained earnings	69,935,681	63,968,930
Accumulated other comprehensive income (loss)-net unrealized income (loss) on securities available-for-sale	3,869,590	(1,545,777)
Total stockholders' equity	115,322,323	103,940,205
Total liabilities and stockholders' equity	\$ 926,355,022	\$ 873,732,135

CONSOLIDATED STATEMENTS OF INCOME

(unaudited)	Three Months Ended, March 31	
	2010	2009
Interest and dividend income:		
Loans	\$6,099,479	\$6,611,175
Securities		
Taxable	1,827,521	2,111,495
Tax-exempt	1,365,582	1,278,656
Federal funds sold	—	11,075
Interest bearing deposits	130,113	105,071
Total interest and dividend income	9,422,695	10,117,472
Interest expense:		
Deposits	1,662,354	2,441,530
Other borrowed funds	403,158	468,384
Total interest expense	2,065,512	2,909,914
Net interest income	7,357,183	7,207,558
Provision for loan losses	323,798	229,654
Net interest income after provision for loan losses	7,033,385	6,977,904
Non-interest income:		
Trust department income	530,716	382,552
Service fees	399,823	421,450
Securities gains (losses), net	536,983	(350,675)
Other-than-temporary impairment of investment securities	—	(22,661)
Gain on sale of loans held for sale	153,536	262,906
Merchant and ATM fees	165,387	146,010
Other	171,320	166,390
Total non-interest income	1,957,765	1,005,972
Non-interest expense:		
Salaries and employee benefits	2,598,039	2,346,759
Data processing	450,964	478,635
Occupancy expenses	401,154	392,804
FDIC insurance assessments	313,357	479,911
Other real estate owned	56,353	426,844
Other operating expenses	713,072	701,467
Total non-interest expense	4,532,939	4,826,420
Income before income taxes	4,458,211	3,157,456
Income tax expense	1,188,611	716,316
Net income	\$3,269,600	\$2,441,140
Basic and diluted earnings per share	\$0.35	\$0.26
Declared dividends per share	\$0.11	\$0.10