

of loans, which was an increase from the \$6,662,000, or 1.47% of loans a year ago. Third quarter provision for loan losses was \$635,000 compared to \$74,000 for the same period in 2008. Charge-offs for the quarter were \$23,000, compared to \$20,000 last year. For the first nine months of 2009, net charge-offs were \$671,000 compared to \$121,000 for the same period a year ago. Impaired loans as of September 30, 2009, were \$9,967,000 or 2.4% of gross loans, compared to \$6,324,000, or 1.4% of gross loans as of September 30, 2008.

Shareholder Information

Capital ended the quarter at \$112,924,000, a 9% increase over the \$103,751,000 posted third quarter 2008. The higher capital reflects an increase of over \$5,600,000 more in unrealized gains on securities compared to a year ago. The Company's stockholders' equity represented 12.8% of total assets as of September 30, 2009, with all of the Company's five affiliate banks considered well-capitalized as defined by federal capital regulations. Company stock, listed on the NASDAQ Capital Market under the symbol ATLO, traded this quarter in the \$22.21 to \$27.00 range and closed at \$24.11 on September 30, 2009, with 1,235,523 shares changing hands.

Economy

We are seeing signs of economic recovery from the financial downturn which was the most serious since the Great Depression. The Cash for Clunkers program and the \$8,000 credit for new homebuyers have both stimulated the economy. However, the sub-prime problem has yet to be resolved and the continuing high level of unemployment remains a serious obstacle. The question of resolving the country's problems including the issue of covering everyone with affordable health insurance and supporting the escalating military campaign in Afghanistan will remain in the forefront until Congress and the Administration agree on a course of action. As a result of the stimulus plan, the huge increase in the national debt carries an interest burden equal to 40% of every dollar paid in personal income taxes. Obviously, the escalation in our national debt cannot continue without substantial tax increases and/or decreases in spending.

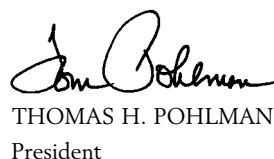
In Summary

We are pleased that Ames National and its affiliate banks are generating higher earnings and reporting higher capital levels as we move through these tumultuous times. The business of banking has, and will continue, to change as more rules and regulations are put in place to prevent a recurrence of the current economic situation and to help restore confidence in the financial services industry.

As always, we remain committed to protecting our customers' best interests and to enhancing our shareholders' return. Although the last twelve months have been challenging, we are continuing to strengthen our overall operations and have become a stronger, even more focused organization.

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
Retired Veterinarian

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



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Quarterly Report
to Shareholders

LETTER TO SHAREHOLDERS

DEAR SHAREHOLDERS,

Third Quarter 2009 Results

Third quarter 2009 net income was \$2,574,000 or \$0.27 per share compared to \$7,000 earned in third quarter 2008. The major factor contributing to this increase was a significant decrease in write-downs associated with the other-than-temporary impairment of investment securities. During the third quarter of 2009, no write-downs were taken compared to the \$8,692,000 in write-downs taken for FNMA and FHLMC preferred stock and corporate bond holdings in third quarter 2008. Another factor which helped to improve earnings was a 40% drop in interest paid on deposits. This drop assisted in offsetting an increase in FDIC insurance premiums of nearly \$300,000 more than was paid in third quarter 2008. It is also significant to note that all five affiliate banks posted increased earnings over the same period a year ago.

Net interest income this quarter was \$231,000 less than a year ago, the result of lower yields earned on both loans and securities and a reduction in loan activity. The lower net interest income was partially offset by a reduction in the cost of funds due to a decrease in market interest rates. The net interest margin fell from the 3.99% a year ago to 3.75% for third quarter this year. Non-interest expense rose 27% this quarter, primarily due to the increase in FDIC insurance premiums and the higher costs associated with other real estate owned.

Return on average assets increased to 1.17% compared to 0.003% for the three-month period ended September 30, 2008, while return on average equity was 9.38% compared to 0.03% for the same period a year ago. The efficiency ratio for the three months ended September 30, 2009, was 58%, an improvement from the 135% posted a year ago and a reflection of the increase in earnings.

Nine Months 2009 Results

Company earnings for the first nine months of 2009 were \$7,424,000 or \$0.79 per share compared to \$4,775,000 or \$0.51 per share earned during the same period in 2008. The higher earnings are the result of lower expense associated with the write down of other-than-temporary impairment of investment securities and a 42% reduction in interest paid on deposits. The higher earnings were partially offset by lower securities gains and increases in both other real estate owned expense of \$2,133,000 and FDIC insurance assessments of \$1,242,000.

Balance Sheet

Deposits were \$678,591,000 as of September 30, 2009, compared to \$647,264,000 posted a year ago with public fund and retail deposits accounting for most of the increase. All affiliate banks reported higher deposits compared to a year ago. The lower rates being paid on deposits have changed the mix from time certificates of deposit to demand, savings and money market accounts. Total assets increased 4.14% to \$881,204,000, with nearly \$50,000,000 added to the securities portfolio.

Net loans of \$416,149,000 decreased 6.7% from the \$446,225,000 reported a year ago. The allowance for loan losses at the end of September was \$7,300,000, or 1.72%

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CONSOLIDATED BALANCE SHEETS

(unaudited)	September 30, 2009	September 30, 2008
ASSETS		
Cash and due from banks	\$17,318,877	\$27,216,295
Interest bearing deposits in financial institutions	32,066,038	7,550,340
Securities available-for-sale	372,917,003	323,416,226
Loans receivable, net	416,149,000	446,224,818
Loans held for sale	1,262,070	1,169,084
Bank premises and equipment, net	12,013,279	12,785,372
Accrued income receivable	6,958,321	7,723,433
Deferred income taxes	2,429,874	7,263,335
Other real estate owned	12,802,478	12,648,962
Other assets	7,287,201	473,967
Total assets	\$881,204,141	\$846,471,832
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES		
Deposits		
Demand, non-interest bearing	\$84,766,682	79,518,096
NOW accounts	175,036,231	155,448,377
Savings and money market	177,281,664	161,470,338
Time, \$100,000 and over	87,446,696	85,408,343
Other time	154,059,331	165,418,906
Total deposits	678,590,604	647,264,060
Federal funds purchased and securities sold under agreements to repurchase	45,268,119	47,258,710
Other short-term borrowings	42,471	1,089,061
Long-term borrowings	39,500,000	39,500,000
Dividends payable	943,292	2,641,216
Accrued expenses and other liabilities	3,935,192	4,967,463
Total liabilities	768,279,678	742,720,510
STOCKHOLDERS' EQUITY		
Common stock, \$2 par value; authorized 18,000,000 shares; 9,432,915 issued and outstanding as of September 30, 2009 and 2008, respectively	18,865,830	18,865,830
Additional paid-in-capital	22,651,222	22,651,222
Retained earnings	67,064,818	63,535,036
Accumulated other comprehensive income (loss)-net unrealized gains (loss) on securities available-for-sale	4,342,593	(1,300,766)
Total stockholders' equity	112,924,463	103,751,322
Total liabilities and stockholders' equity	\$881,204,141	\$846,471,832

CONSOLIDATED STATEMENTS OF INCOME

(unaudited)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2009	2008	2009	2008
Interest and dividend income				
Loans	\$6,096,002	\$7,237,129	\$19,096,804	\$22,386,655
Securities				
Taxable	1,970,528	2,497,103	6,295,875	7,487,230
Tax-exempt	1,276,017	1,201,777	3,731,005	3,809,905
Federal funds sold	675	15,835	20,003	150,284
Dividends	179,694	229,216	322,969	898,953
Total interest income	9,522,916	11,181,060	29,466,656	34,733,027
Interest expense:				
Deposits	1,965,914	3,289,349	6,590,594	11,363,993
Other borrowed funds	453,667	557,783	1,398,549	1,687,382
Total interest expense	2,419,581	3,847,132	7,989,143	13,051,375
Net interest income	7,103,335	7,333,928	21,477,513	21,681,652
Provision for loan losses	635,171	73,514	1,191,495	1,002,208
Net interest income after provision for loan losses	6,468,164	7,260,414	20,286,018	20,679,444
Non-interest income (loss):				
Trust department income	411,166	391,115	1,184,600	1,222,268
Service fees	486,370	451,162	1,357,202	1,332,094
Securities gains, net	877,925	3,205,077	782,338	4,346,858
Other-than-temporary impairment of investment securities	-	(8,692,327)	(29,565)	(11,247,757)
Gain on sale of loans held for sale	245,540	217,928	765,222	604,467
Merchant and ATM fees	179,965	169,513	478,934	483,515
Other	169,662	143,802	566,293	520,704
Total non-interest income (loss)	2,370,428	(4,113,730)	5,105,024	(2,737,851)
Non-interest expense:				
Salaries and employee benefits	2,695,613	2,647,502	7,745,478	7,728,417
Data processing	391,185	511,166	1,411,498	1,681,526
Occupancy expenses	387,433	397,897	1,082,477	1,203,963
FDIC deposit assessments	345,877	51,871	1,385,879	140,777
Other real estate owned	1,039,368	-	2,194,005	60,881
Other operating expenses	658,928	725,325	2,065,631	2,044,118
Total non-interest expense	5,518,404	4,333,761	15,881,968	12,859,682
Income (loss) before income taxes	3,320,188	(1,187,077)	9,509,074	5,081,911
Income tax expense (credit)	746,621	(1,193,983)	2,085,462	307,176
Net income	\$2,573,567	\$6,906	\$7,423,612	\$4,774,735
Basic and diluted earnings per share	\$0.27	-	\$0.79	\$0.51
Declared dividends per share	\$0.10	\$0.28	\$0.30	\$0.84