

NEWS RELEASE

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**AMES NATIONAL CORPORATION
ANNOUNCES
2010 SECOND QUARTER EARNINGS RESULTS**

Second Quarter 2010 Results:

For the quarter ended June 30, 2010, net income for Ames National Corporation (the Company) totaled \$3,126,000, or \$0.33 per share, compared to \$2,409,000, or \$0.26 per share, for the same period in 2009. Net income increased primarily due to lower other real estate owned costs and FDIC insurance assessments which declined \$665,000 and \$279,000, respectively. The reduction in the FDIC insurance assessment was mostly due to lower FDIC assessment rates and a one-time assessment in 2009, while the decline in other real estate owned costs was due to impairment charges in 2009, with no significant impairment charges in 2010.

For the quarter ended June 30, 2010, net interest income increased \$221,000, or 3.1%, compared to the same period in 2009. This increase is primarily due to lower interest expense on deposit balances as interest rates have fallen more quickly on deposits and other borrowing liabilities than on the Company's earning assets. The Company's net interest margin was 3.73% for the quarters ended June 30, 2010 and 2009.

The provision for loan losses was \$170,000 for the second quarter of 2010 compared to \$327,000 for the same period in 2009. Net charge-offs for the quarter ended June 30, 2010 were \$2,000 compared to \$571,000 for the same period in 2009.

Non-interest income for the second quarter of 2010 totaled \$1,612,000 as compared to \$1,729,000 for the same period in 2009. The lower non-interest income related to decreased securities gains and gain on loans held for sale, offset in part by an increase in trust department income.

Non-interest expense for the second quarter of 2010 totaled \$4,636,000 compared to \$5,537,000 recorded in the same period in 2009. The lower non-interest expense can be mainly attributed to lower other real estate costs and FDIC insurance assessments. The efficiency ratio for the second quarter of 2010 was 51.51%, compared to 62.25% for the same period in 2009.

Six Months 2010 Results:

For the six months ended June 30, 2010, net income for the Company totaled \$6,396,000, or \$0.68 per share, compared to \$4,850,000, or \$0.51 per share, for the same period in 2009. Net income increased primarily due to higher net interest income, net securities gains and lower non-interest expense. Net securities gains totaled \$672,000 for the six months ended June 30, 2010 compared to net securities losses of \$96,000 for the same period one year ago. For the six months ended June 30, 2010, other real estate costs and FDIC insurance assessments declined \$1,035,000 and \$446,000, respectively. The decline in other real estate owned costs was due to

impairment charges in 2009, with no significant impairment charges in 2010. The reduction in the FDIC insurance assessment was due primarily to lower FDIC assessment rates and a one-time assessment in 2009.

For the six months ended June 30, 2010, net interest income increased \$370,000, or 2.6%, compared to the same period in 2009. This increase is primarily due to lower interest expense on deposit balances as interest rates have fallen more quickly on deposits and other borrowing liabilities than on the Company's earning assets. The Company's net interest margin was 3.76% for the six months ended June 30, 2010 compared to 3.83% for the same period in 2009.

The provision for loan losses was \$494,000 for the six months ended June 30, 2010 compared to \$556,000 for the same period in 2009. Net charge-offs for the six months ended June 30, 2010 were \$296,000 compared to \$647,000 for the same period in 2009.

Non-interest income for the six months ended June 30, 2010 totaled \$3,569,000 as compared to \$2,735,000 for the same period in 2009. The increase in non-interest income related to security gains and higher trust department income, offset in part by a decrease in gain on sale of loans held for sale.

Non-interest expense for the six months ended June 30, 2010 totaled \$9,169,000 compared to \$10,364,000 recorded in the same period in 2009. The lower non-interest expense can be mainly attributed to lower other real estate costs and FDIC insurance assessments, offset in part by higher salaries and employee benefits. The efficiency ratio for the six months ended June 30, 2010 was 50.06%, compared to 60.57% for the same period in 2009.

Balance Sheet Review:

As of June 30, 2010, total assets were \$926,978,000, a \$43,053,000 increase compared to June 30, 2009. Securities available for sale grew significantly funded primarily by a growth in deposits and a reduction in loan volume and interest bearing deposits in financial institutions.

Securities available-for-sale as of June 30, 2010 increased to \$436,929,000, compared to \$369,919,000 as of June 30, 2009, mainly as a result of increases in U.S. government agencies, U.S. government mortgage backed securities and state and political subdivisions bonds.

Net loans as of June 30, 2010 decreased to \$410,433,000 compared to \$422,261,000 as of June 30, 2009, or 2.8%, primarily as a result of a decrease in loan volume as a result of a continuing weakness in loan demand. The allowance for loan losses on June 30, 2010, totaled \$7,850,000, or 1.88% of gross loans, compared to \$7,652,000 or 1.81% of gross loans as of December 31, 2009 and \$6,688,000 or 1.56% of gross loans as of June 30, 2009. Impaired loans as of June 30, 2010, were \$6,834,000, or 1.6% of gross loans, compared to \$9,188,000, or 2.2% of gross loans as of December 31, 2009 and \$9,614,000, or 2.2% of gross loans as of June 30, 2009.

Other real estate owned was \$10,630,000 as of June 30, 2010 compared to \$13,197,000 as of June 30, 2009. The net change in other real estate is primarily due to impairment write offs and sales of other real estate owned, offset in part by transfers from loan receivables. Due to potential changes in the real estate markets, it is at least reasonably possible that management's assessments of fair value will change in the near term and that such changes could materially affect the amounts reported in the Company's financial statements.

Deposits totaled \$715,205,000 on June 30, 2010, a 4.5% increase from the \$684,121,000 recorded at June 30, 2009. The increase in deposits was due to a general increase of public funds, commercial and retail deposits. Also the mix of deposits has changed, as depositors have moved deposits to demand and NOW accounts from savings, money market and time deposit accounts.

The Company's stockholders' equity represented 12.8 % of total assets as of June 30, 2010 with all of the Company's five affiliate banks considered well-capitalized as defined by federal capital regulations. Total stockholder's equity totaled \$118,698,000 as of June 30, 2010, \$112,340,000 as of December 31, 2009 and \$107,358,000 as of June 30, 2009.

Shareholder Information:

Return on average assets was 1.35% for the quarter ended June 30, 2010, compared to 1.08% for the same period in 2009. Return on average equity was 10.73% for the quarter ended June 30, 2010, compared to the 9.09% for the same period in 2009. Return on average assets was 1.39% for the six months ended June 30, 2010, compared to 1.12% for the same period in 2009. Return on average equity was 11.09% for the six months ended June 30, 2010, compared to the 9.20% for the same period in 2009.

The Company's stock, which is listed on the NASDAQ Capital Market under the symbol ATLO, closed at \$19.54 on June 30, 2010. During the second quarter of 2010, the price ranged from \$17.26 to \$20.84.

Ames National Corporation affiliate Iowa banks are First National Bank, Ames; Boone Bank & Trust Co., Boone; State Bank & Trust Co., Nevada; Randall-Story State Bank, Story City; and United Bank & Trust, Marshalltown.

AMES NATIONAL CORPORATION AND SUBSIDIARIES

Consolidated Balance Sheets

(unaudited)

June 30, 2010 and 2009

| ASSETS | 2010 | 2009 |
|--|-----------------------|-----------------------|
| Cash and due from banks | \$ 16,671,320 | \$ 16,091,796 |
| Interest bearing deposits in financial institutions | 25,357,030 | 37,303,384 |
| Securities available-for-sale | 436,928,802 | 369,918,685 |
| Loans receivable, net | 410,432,696 | 422,261,193 |
| Loans held for sale | 2,510,258 | 2,657,569 |
| Bank premises and equipment, net | 11,666,390 | 12,201,689 |
| Accrued income receivable | 5,918,291 | 5,478,330 |
| Deferred income taxes | 2,513,174 | 4,194,872 |
| Other real estate owned | 10,630,371 | 13,197,056 |
| Other assets | 4,350,105 | 621,215 |
| | <hr/> | <hr/> |
| Total assets | \$ 926,978,437 | \$ 883,925,789 |
| | <hr/> <hr/> | <hr/> <hr/> |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| LIABILITIES | | |
| Deposits | | |
| Demand, noninterest bearing | \$ 91,706,784 | \$ 81,211,180 |
| NOW accounts | 208,779,142 | 173,626,736 |
| Savings and money market | 179,879,101 | 188,908,676 |
| Time, \$100,000 and over | 86,614,339 | 83,791,254 |
| Other time | 148,225,335 | 156,583,479 |
| | <hr/> | <hr/> |
| Total deposits | 715,204,701 | 684,121,325 |
| Federal funds purchased and securities sold under agreements to repurchase | 50,279,602 | 46,461,406 |
| Short-term borrowings | 6,819 | 325,219 |
| FHLB advances and other long-term borrowings | 38,500,000 | 40,500,000 |
| Dividend payable | 1,037,620 | 943,292 |
| Accrued expenses and other liabilities | 3,251,797 | 4,217,006 |
| | <hr/> | <hr/> |
| Total liabilities | 808,280,539 | 776,568,248 |
| | <hr/> | <hr/> |
| 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 | 72,024,066 | 65,434,543 |
| Accumulated other comprehensive income-net unrealized income on securities available-for-sale | 5,156,780 | 405,946 |
| | <hr/> | <hr/> |
| Total stockholders' equity | 118,697,898 | 107,357,541 |
| | <hr/> | <hr/> |
| Total liabilities and stockholders' equity | \$ 926,978,437 | \$ 883,925,789 |
| | <hr/> <hr/> | <hr/> <hr/> |

AMES NATIONAL CORPORATION AND SUBSIDIARIES

Consolidated Statements of Income
(unaudited)

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|--------------------------------|--------------|------------------------------|---------------|
| | 2010 | 2009 | 2010 | 2009 |
| Interest and dividend income: | | | | |
| Loans | \$ 6,023,730 | \$ 6,389,627 | \$ 12,123,209 | \$ 13,000,802 |
| Securities | | | | |
| Taxable | 1,770,707 | 2,027,630 | 3,598,228 | 4,139,125 |
| Tax-exempt | 1,429,568 | 1,319,607 | 2,795,150 | 2,598,263 |
| Federal funds sold | — | 8,253 | — | 19,328 |
| Interest bearing deposits | 129,198 | 81,151 | 259,311 | 186,222 |
| Total interest and dividend income | 9,353,203 | 9,826,268 | 18,775,898 | 19,943,740 |
| Interest expense: | | | | |
| Deposits | 1,563,610 | 2,183,150 | 3,225,964 | 4,624,680 |
| Other borrowed funds | 402,304 | 476,498 | 805,462 | 944,882 |
| Total interest expense | 1,965,914 | 2,659,648 | 4,031,426 | 5,569,562 |
| Net interest income | 7,387,289 | 7,166,620 | 14,744,472 | 14,374,178 |
| Provision for loan losses | 170,416 | 326,670 | 494,214 | 556,324 |
| Net interest income after provision for loan losses | 7,216,873 | 6,839,950 | 14,250,258 | 13,817,854 |
| Non-interest income: | | | | |
| Trust department income | 465,298 | 390,882 | 996,014 | 773,434 |
| Service fees | 435,365 | 449,382 | 835,188 | 870,832 |
| Securities gains (losses), net | 134,830 | 255,088 | 671,813 | (95,587) |
| Gain on sale of loans held for sale | 171,453 | 256,776 | 324,989 | 519,682 |
| Merchant and ATM fees | 195,137 | 153,159 | 360,524 | 299,169 |
| Other | 209,460 | 223,337 | 380,780 | 367,066 |
| Total non-interest income | 1,611,543 | 1,728,624 | 3,569,308 | 2,734,596 |
| Non-interest expense: | | | | |
| Salaries and employee benefits | 2,706,545 | 2,703,106 | 5,304,584 | 5,049,865 |
| Data processing | 494,681 | 541,678 | 945,645 | 1,020,313 |
| Occupancy expenses | 364,955 | 302,240 | 766,109 | 695,044 |
| FDIC insurance assessments | 278,109 | 557,091 | 591,466 | 1,037,002 |
| Other real estate owned | 62,954 | 727,793 | 119,307 | 1,154,637 |
| Other operating expenses | 728,405 | 705,236 | 1,441,477 | 1,406,703 |
| Total non-interest expense | 4,635,649 | 5,537,144 | 9,168,588 | 10,363,564 |
| Income before income taxes | 4,192,767 | 3,031,430 | 8,650,978 | 6,188,886 |
| Income tax expense | 1,066,761 | 622,525 | 2,255,372 | 1,338,841 |
| Net income | \$ 3,126,006 | \$ 2,408,905 | \$ 6,395,606 | \$ 4,850,045 |
| Basic and diluted earnings per share | \$ 0.33 | \$ 0.26 | \$ 0.68 | \$ 0.51 |
| Declared dividends per share | \$ 0.11 | \$ 0.10 | \$ 0.22 | \$ 0.20 |