

NEWS RELEASE

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AMES NATIONAL CORPORATION
ANNOUNCES THIRD QUARTER 2006 FINANCIAL RESULTS

The Company had net income of \$2,546,000, or \$0.27 per share for the three months ending September 30, 2006, compared to net income of \$2,917,000, or \$0.31 per share, for the three months ending September 30, 2005, a 13% decrease. The decline in net income can be attributed primarily to a \$704,000, or 11% decrease in net interest income as the result of significantly higher deposit interest expense this quarter compared to the same period a year ago. Partially offsetting the higher cost of deposits was an increase in interest income of \$730,000, or 7%, and the non-interest income categories of trust department fees of \$65,000, or 24%, and gains from security transactions of \$65,000, or 25%.

The return on average assets was 1.25% and 1.41% respectively, for the three months ending September 30, 2006 and 2005. Return on average equity was 9.36% for the three months ending September 30, 2006 compared to 10.54% for the same period a year ago. Total assets ended the quarter at \$822 million nearly identical to the \$823 million on September 30, 2005. The net interest margin for the most recent quarter was 3.25% compared to 3.58% for the same period in 2005.

Net income was \$8,223,000 or \$0.87 per share for the nine months ending September 30, 2006, compared to \$8,900,000, or \$0.95 per share, for the nine months ending September 30, 2005, a decrease of 8%. Net interest income for the first nine months of 2006 decreased by \$2,061,000, or 11% compared to the first nine months of 2005. Partially offsetting the lower net interest income was the 2006 year-to-date credit provision for loan losses of \$227,000, higher gains on security transactions of \$213,000, and gains on the foreclosure of real estate properties of \$482,000.

The Company's return on average assets was 1.34% and 1.43% with a return on average equity of 10.08% and 10.78%, for the nine month periods ending September 30, 2006 and 2005, respectively. The net interest margin for the most recent nine month period was 3.29% compared to 3.60% for the same period in 2005.

Deposits decreased 1% to \$650 million compared to September 30, 2005 primarily as the result of lower level of public funds deposit balances.

Net loans decreased 2% to \$425 million as of September 30, 2006 compared to the \$436 million as of September 30, 2005. The allowance for loan losses on September 30, 2006 and 2005 was \$6,503,000 and \$6,729,000, respectively, with net charged-off loans of \$11,000 recorded for the quarter ending September 30, 2006.

Capital levels increased to \$112 million for September 30, 2006 compared to \$110 million one year ago as the result of higher retained earnings and net unrealized gains on securities available for sale. Capital at the end of September 2006 represented 13.6% of total assets.

Company stock, under the symbol ATLO, traded in the \$19.95 to \$22.75 range in the third quarter of 2006 and closed at \$21.41 on September 30, 2006.

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. Additional information about the Company can be found at www.amesnational.com.

AMES NATIONAL CORPORATION AND SUBSIDIARIES

Consolidated Balance Sheets
(unaudited)

| ASSETS | September 30, 2006 | September 30, 2005 |
|--|-------------------------------|-------------------------------|
| Cash and due from banks | \$ 18,014,733 | \$ 18,749,571 |
| Federal funds sold | 50,000 | 100,000 |
| Interest bearing deposits in financial institutions | 3,331,089 | 6,973,569 |
| Securities available-for-sale | 351,928,869 | 343,497,810 |
| Loans receivable, net | 424,848,430 | 435,708,073 |
| Loans held for sale | 591,185 | 756,219 |
| Bank premises and equipment, net | 11,913,843 | 9,221,385 |
| Accrued income receivable | 8,328,348 | 7,471,349 |
| Other assets | 2,895,230 | 420,048 |
| Total assets | \$ 821,901,727 | \$ 822,898,024 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| LIABILITIES | | |
| Deposits | | |
| Demand, noninterest bearing | \$ 73,742,114 | \$ 71,040,005 |
| NOW accounts | 150,119,248 | 163,803,373 |
| Savings and money market | 149,674,765 | 153,653,610 |
| Time, \$100,000 and over | 92,706,421 | 90,796,789 |
| Other time | 183,418,287 | 176,630,452 |
| Total deposits | 649,660,835 | 655,924,229 |
| Federal funds purchased and securities sold under agreements to repurchase | 49,069,784 | 50,678,317 |
| Other short-term borrowings | 2,272,894 | |
| FHLB term advances | 2,000,000 | |
| Dividend payable | 2,450,503 | 2,354,818 |
| Deferred income taxes | 717,188 | 423,282 |
| Accrued expenses and other liabilities | 3,954,891 | 3,623,182 |
| Total liabilities | 710,126,095 | 713,003,828 |
| STOCKHOLDERS' EQUITY | | |
| Common stock, \$2 par value, authorized 18,000,000 shares; 9,425,013 shares issued and outstanding September 30, 2006 and 9,419,271 shares issued and outstanding September 31, 2005 | 18,850,026 | 18,838,542 |
| Additional paid-in capital | 22,498,904 | 22,383,375 |
| Retained earnings | 65,586,270 | 64,359,425 |
| Accumulated other comprehensive income, net unrealized gain on securities available-for-sale | 4,840,432 | 4,312,854 |
| Total stockholders' equity | 111,775,632 | 109,894,196 |
| Total liabilities and stockholders' equity | \$ 821,901,727 | \$ 822,898,024 |

AMES NATIONAL CORPORATION AND SUBSIDIARIES

Consolidated Statements of Income
(unaudited)

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|--|---|---------------------|--|---------------------|
| | 2006 | 2005 | 2006 | 2005 |
| Interest and dividend income: | | | | |
| Loans | \$ 7,504,606 | \$ 7,036,222 | \$ 22,064,447 | \$ 19,888,720 |
| Securities | | | | |
| Taxable | 2,320,638 | 2,121,380 | 6,488,712 | 6,469,383 |
| Tax-exempt | 1,045,124 | 1,040,237 | 3,121,681 | 3,162,676 |
| Federal funds sold | 40,918 | 3,277 | 144,911 | 131,557 |
| Dividends | <u>353,659</u> | <u>333,722</u> | <u>1,052,437</u> | <u>1,053,311</u> |
| Total interest income | <u>11,264,945</u> | <u>10,534,838</u> | <u>32,872,188</u> | <u>30,705,647</u> |
| Interest expense: | | | | |
| Deposits | 5,111,121 | 3,691,821 | 14,515,383 | 10,237,119 |
| Other borrowed funds | <u>497,354</u> | <u>482,849</u> | <u>1,097,577</u> | <u>1,148,575</u> |
| Total interest expense | <u>5,608,475</u> | <u>4,174,670</u> | <u>15,612,960</u> | <u>11,385,694</u> |
| Net interest income | 5,656,470 | 6,360,168 | 17,259,228 | 19,319,953 |
| Provision (credit) for loan losses | <u>45,859</u> | <u>118,431</u> | <u>(227,371)</u> | <u>247,038</u> |
| Net interest income after provision (credit) for loan losses | <u>5,610,611</u> | <u>6,241,737</u> | <u>17,486,599</u> | <u>19,072,915</u> |
| Non-interest income: | | | | |
| Trust department income | 336,207 | 271,730 | 1,089,285 | 1,015,260 |
| Service fees | 474,633 | 465,027 | 1,379,684 | 1,335,672 |
| Securities gains, net | 330,827 | 265,771 | 846,135 | 633,554 |
| Gain on sale of loans held for sale | 173,163 | 186,812 | 457,150 | 468,833 |
| Merchant and ATM fees | 127,108 | 145,006 | 403,328 | 429,209 |
| Gain on foreclosure of real estate | 10,734 | — | 482,203 | — |
| Other | <u>118,701</u> | <u>110,473</u> | <u>404,894</u> | <u>351,314</u> |
| Total non-interest income | <u>1,571,373</u> | <u>1,444,819</u> | <u>5,062,679</u> | <u>4,233,842</u> |
| Non-interest expense: | | | | |
| Salaries and employee benefits | 2,341,368 | 2,354,097 | 7,128,646 | 7,065,595 |
| Data processing | 541,865 | 469,622 | 1,624,142 | 1,515,026 |
| Occupancy expenses | 294,113 | 285,962 | 891,991 | 864,370 |
| Other operating expenses | <u>639,067</u> | <u>697,397</u> | <u>2,024,029</u> | <u>1,999,283</u> |
| Total non-interest expense | <u>3,816,413</u> | <u>3,807,078</u> | <u>11,668,808</u> | <u>11,444,274</u> |
| Income before income taxes | 3,365,571 | 3,879,478 | 10,880,470 | 11,862,483 |
| Income tax expense | <u>819,999</u> | <u>962,102</u> | <u>2,657,713</u> | <u>2,962,871</u> |
| Net income | <u>\$ 2,545,572</u> | <u>\$ 2,917,376</u> | <u>\$ 8,222,757</u> | <u>\$ 8,899,612</u> |
| Basic and diluted earnings per share | <u>\$ 0.27</u> | <u>\$ 0.31</u> | <u>\$ 0.87</u> | <u>\$ 0.95</u> |
| Declared dividends per share | <u>\$ 0.26</u> | <u>\$ 0.25</u> | <u>\$ 0.78</u> | <u>\$ 0.75</u> |
| Comprehensive Income | <u>\$ 6,971,732</u> | <u>\$ 473,204</u> | <u>\$ 9,771,334</u> | <u>\$ 5,744,755</u> |

