

NEWS RELEASE

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**AMES NATIONAL CORPORATION
ANNOUNCES
2006 AND FOURTH QUARTER EARNINGS**

FOURTH QUARTER 2006 RESULTS

For the quarter ended December 31, 2006, net income for Ames National Corporation (Company) totaled \$2,721,000, or \$0.29 per share, which was slightly higher than the \$2,709,000, or \$0.29 per share earned in the fourth quarter of 2005. An increase in security gains and higher net Merchant and ATM fees offset the lower net interest income for the quarter compared to the same quarter one year ago. Net interest income declined 5% to \$5,731,000 for quarter ended December 31, 2006 compared to \$6,053,000 for the same quarter in 2005. Fourth quarter 2006 interest expense increased 25% while interest income rose 8% compared to fourth quarter 2005. The Company's annual net interest margin for the quarter declined to 3.29% in 2006 compared to the 3.45% posted in 2005.

Fourth quarter 2006 return on average assets was 1.32% and was unchanged when compared to the same period in 2005. Return on average equity was 9.74% for the three months ended December 31, 2006 compared to the 9.94% posted a year ago. Average equity for the quarter was higher than in 2005 due to an increase in net unrealized gains in the Company and banks' investment portfolios. The improvement in unrealized gains resulted in a lower return on average equity for the quarter compared to one year ago. The efficiency ratio for the fourth quarter was 52.23%, compared to 50.67% last year. Non-interest expense increased 2% for the quarter compared to the same quarter in 2005.

ANNUAL RESULTS FOR 2006

Net income for the year ended December 31, 2006 decreased 6% to \$10,944,000 or \$1.16 per share compared to 2005 results of \$11,609,000 or \$1.23 per share. Rising market interest rates through the first half of 2006 resulted in annual net interest income declining 9% as deposits repriced more quickly than loans and investments. The flat yield curve in 2006 has also contributed to lower net interest income. Net interest income was \$22,990,000 for the year ending December 31, 2006 compared to \$25,373,000 recorded in 2005. The Company's annual net interest margin declined to 3.29% in 2006 compared to the 3.56% posted in 2005.

Annual interest expense on interest bearing liabilities rose to \$21,306,000 for 2006 compared to \$15,933,000 posted for 2005, a 34% increase. The higher interest expense was offset by a 10% increase in annual interest income to \$44,296,000 for 2006 compared to the \$41,306,000 recorded for 2005. Partially offsetting the lower net interest income were higher gains on security transactions of \$339,000, gains on the foreclosure or sale of real estate properties of \$482,000 and 2006 credit provision for loan losses of \$183,000.

Return on average assets for 2006 and 2005 was 1.34% and 1.40%, respectively. Return on equity for the same periods was 9.99% and 10.57%, respectively. The efficiency ratio for the year ending December 31, 2006 was 52.26% compared to 49.09% for the previous year. The decline in the efficiency ratio in 2006 was primarily the result of lower net interest income as annual non-interest expense increased less than 2% compared to the same period in 2005.

Deposits increased to \$680,356,000 on December 31, 2006, a 2% increase over the \$668,342,000 recorded at year-end 2005. Demand and interest bearing checking accounts (NOW) showed the highest percentage growth.

Net loans as of December 31, 2006 declined 3% to \$429,123,000 compared to the \$440,318,000 recorded a year ago as the result of softening loan demand in the local markets. The allowance for loan losses on December 31, 2006 totaled \$6,533,000 compared to \$6,765,000 on December 31, 2005. Net charge-offs for the year ended December 31, 2006 were \$50,000 compared to \$41,000 for the previous year.

Year end equity capital grew 3% to \$112,923,000 compared to \$109,227,000 on December 31, 2005 as the result of higher unrealized gains on securities available for sale and the retention of earnings. Capital represented over 13% of total assets at the end of 2006 and 2005.

Company stock, which is listed on the NASDAQ Capital Market under the symbol ATLO, closed at \$21.00 on December 31, 2006. During the fourth quarter, the price ranged from \$19.82 to \$22.69. The 2006 dividends paid of \$1.03 per share were 13% higher than the \$0.91 per share paid in 2005.

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.