

NEWS RELEASE

FOR IMMEDIATE RELEASE

CONTACT: DANIEL L. KRIEGER,  
CHAIRMAN & PRESIDENT  
OR  
JOHN P. NELSON  
VICE PRESIDENT

(515) 232-6251

OCTOBER 14, 2005

**AMES NATIONAL CORPORATION  
ANNOUNCES THIRD QUARTER 2005 FINANCIAL RESULTS**

The Company had net income of \$2,917,000, or \$0.31 per share for the three months ended September 30, 2005, compared to net income of \$3,372,000, or \$0.36 per share, for the three months ended September 30, 2004, a 13% decrease. The return on average assets was 1.41% and 1.70% respectively, for the three-months ending September 30, 2005 and 2004. Return on average equity was 10.54% for the three months ending September 30, 2005 compared to 12.66% for the same period a year ago. Total assets rose from \$800 million as of the quarter ended September 30, 2004 to \$823 million for the quarter ended September 30, 2005, an increase of 3%.

Net income was \$8,900,000, or \$0.95 per share for the nine months ended September 30, 2005, compared to \$9,199,000, or \$0.98 per share, for the three months ended September 30, 2004, a decrease of 3%. Return on average assets was 1.43% and 1.57% respectively, for the nine month periods ending September 30, 2005 and 2004. Return on average equity was 10.78% for the nine months ended September 30, 2005 compared to 11.44% for the same period a year ago.

The decline in profitability for the third quarter primarily relates to a decrease in net interest income of \$301,000 compared to the same quarter a year ago with interest expense on deposits and other borrowings increasing more than the interest income generated on loans and investments. Net interest margin for the quarter ended September 30, 2005 was 3.58% compared to 3.95% for the same period in 2004.

Another factor impacting third quarter profitability was increased provision for loan losses. This expense for third quarter was \$118,000 compared to a negative provision of \$64,000 for the same quarter last year. Provision expense this quarter was related to higher loan volume with quarterly loan losses and recoveries of \$34,000 and \$16,000, respectively.

Higher net securities gains on the Company's equity portfolio partially offset the decline in earnings from lower net interest income and higher provision expense. Net securities gains for third quarter were \$266,000 compared to \$20,000 for the same period in 2004. This higher figure was partially offset by a decrease in non interest income with the divestiture of an insurance agency owned by the Company in the third quarter of 2004.

Third quarter non-interest expense was 3% higher primarily as the result of an increase in salaries and benefits. The efficiency ratio for third quarter 2005 and 2004 was 48.78% and 45.85%, respectively.

Deposits increased 1% to \$656 million over September 30, 2004 with most of the growth in large certificates of deposit. Money market balances have declined as depositors are seeking higher yielding investment alternatives. The decline in NOW account deposits is the result of a significantly lower balance of one customer from one year ago.

Loans increased 12% to \$436 million at September 30, 2005, a \$48 million increase over September 30, 2004 with growth realized in all loan categories. Commercial and commercial real estate loans posted the largest dollar volume increases. The allowance for loan losses on September 30, 2005 and 2004 was \$6,729,000 and \$6,312,000, respectively.

Capital levels remained stable at \$110 million for both September 30, 2005 and 2004. Higher retained earnings were offset by lower net unrealized gains on securities available for sale as of September 30, 2005. Capital at the end of September 2005 represented 13% of total assets.

Company stock, under the symbol ATLO, traded in the \$25.57 to \$42.50 range in the third quarter of 2005 and closed at \$27.60 on September 30, 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.