

COMPANY DIRECTORS

DANIEL L. KRIEGER

Chairman & President

BETTY A. BAUDLER HORRAS

President, Baudler Enterprises, Inc.

ROBERT L. CRAMER

President & Chief Operating Officer,
Fareway Stores, Inc.

DOUGLAS C. GUSTAFSON, DVM

Boone Veterinary Hospital

CHARLES D. JONS, MD

Medical Consultant

JAMES R. LARSON, II

President, ACI Mechanical

WARREN R. MADDEN

Vice President for Business & Finance,
Iowa State University

FREDERICK C. SAMUELSON

President, James Michael & Associates, Inc.

MARVIN J. WALTER

President, Dayton Road Development Corporation

AFFILIATE BANKS



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STATE BANK & TRUST CO.



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QUARTERLY REPORT TO SHAREHOLDERS



4TH QUARTER 2004

CHAIRMAN'S LETTER

DEAR SHAREHOLDERS,

Record numbers were posted in 2004 for net income, total assets, loans and capital. Net income for the year ending December 31, 2004, increased 6.6% to \$12,390,000 or \$3.95 per share compared to 2003 results of \$11,625,000 or \$3.71 per share. The improvement in net income is the result of higher net interest income on loans and investments with interest expense only slightly higher than a year ago.

Net income for the quarter ending December 31, 2004, was \$3,191,000, 11% higher than the \$2,864,000 earned in fourth quarter last year. Earnings per share were \$1.02 for the quarter compared to \$.91 for the same period in 2003. Interest paid on deposits was nearly 18% higher this quarter than paid in fourth quarter 2003, but was offset by a 12% increase in interest income and a 5% increase in non-interest income over the same period a year ago. Return on average assets was 1.53% this quarter compared to 1.52% in fourth quarter 2003 while return on average equity was 11.56%, slightly higher than the 10.83% posted a year ago. The efficiency ratio for fourth quarter was 46.41% compared to the 49.66% for the same period last year.

Deposits increased to \$658,176,000 as of December 31, 2004, a 6% increase over the \$618,549,000 recorded at the end of 2003. The growth was the result of higher interest bearing checking deposits. Loans rose 16% to \$411,639,000 or \$56 million over year-end 2003 with the increase primarily in commercial operating and commercial real estate loans.

Year-end 2004 capital was \$110,924,000, 4% higher than December 31, 2003. Included in capital were unrealized capital gains on securities available for sale of \$7,468,000 compared to \$8,916,000 last year. December 31, 2004, capital represented 13.2% of total assets.

During the quarter, Nicole Gebhart was named Company marketing officer. Gebhart has worked for First National Bank for nearly nine years as marketing officer and brings a great deal of experience to the position. Her responsibilities will include the coordination of Company and affiliate bank marketing programs as well as assisting with Company public relations.

Our affiliate, Randall-Story State Bank in Story City, Iowa recently completed the exterior restoration of its

main office located on the city's Main Street to its original early 1900's look. A photo of the finished product will be included in the 2004 Annual Report to Shareholders. The improvements were timely as two out of town banks have built banking offices in the community that were not present a year ago.

Company stock was listed on the NASDAQ SmallCap Market on December 3, 2004, under the symbol ATLO, and closed at \$80.50 on December 31, 2004. During fourth quarter, the price ranged from \$70.50 to \$105.00 per share. The fourth quarter dividend was \$.98 per share compared to \$.92 per share paid during the same period a year ago. In 2004, shareholders were paid dividends of \$2.39 per share, \$.13 higher than the \$2.26 per share paid in 2003.

The Federal Reserve announced two quarter percent interest rate increases during the fourth quarter resulting in the prime rate rising to 5.25%. With the risk that the overly accommodative interest rates will encourage consumers to take on more debt, plus the threat of rising inflation, the Federal Reserve will likely announce further interest rates hikes in early 2005.

With the election over and President Bush in the White House for four more years, the issues of social security and tax reform as well as the rising costs for health care will keep congress busy for some time. It is unclear how the United States can continue to wage war in Iraq, reform Social Security and still pay for the many programs Americans have come to expect from our government.

This year's annual meeting will again be held at Reiman Gardens in Ames, Iowa on Wednesday, April 27, 2005. In mid-March, we will send the 2004 Annual Report, Proxy information and registration materials for the annual meeting. Please mark the date on your calendar and plan to join us.

Sincerely,

DANIEL L. KRIEGER
Chairman & President



CONSOLIDATED BALANCE SHEETS

(unaudited)	December 31, 2004	December 31, 2003
Assets		
Cash and due from banks	\$18,759,086	\$31,982,144
Federal funds sold	19,865,000	20,380,000
Interest bearing deposits in financial institutions	9,575,174	6,363,538
Securities available-for-sale	363,459,462	323,115,914
Loans receivable, net	411,638,565	355,533,119
Loans held for sale	234,469	859,139
Bank premises and equipment, net	8,790,636	8,377,807
Accrued income receivable	6,262,424	5,842,247
Other assets	1,167,971	332,556
Total assets	<u>\$839,752,787</u>	<u>\$752,786,464</u>
Liabilities and Stockholders' Equity		
Deposits:		
Demand	\$71,666,385	\$71,372,534
NOW accounts	172,313,429	138,308,140
Savings and money market	174,358,165	166,387,319
Time, \$100,000 and over	69,063,977	69,486,570
Other time	170,773,883	173,993,964
Total deposits	658,175,839	619,548,527
Federal funds purchased and securities sold under agreements to repurchase	64,072,475	18,198,403
Dividends payable	1,537,162	1,441,204
Deferred taxes	2,334,670	3,238,665
Accrued interest and other liabilities	2,708,701	3,034,670
Total liabilities	<u>728,828,847</u>	<u>645,461,469</u>
Stockholders' Equity:		
Common stock, \$5 par value; authorized 6,000,000 shares; issued 2004 and 2003 3,153,230 shares; outstanding 2004 3,137,066 shares, 2003 3,133,053 shares	15,766,150	15,766,150
Additional paid-in-capital	25,378,746	25,351,979
Retained earnings	63,200,352	58,400,660
Treasury stock, at cost; 16,164 shares at December 31, 2004, and 20,177 shares at December 31, 2003	(889,020)	(1,109,735)
Accumulated other comprehensive income – net unrealized gain on securities available-for-sale	7,467,712	8,915,941
Total stockholders' equity	<u>110,923,940</u>	<u>107,324,995</u>
Total liabilities and stockholders' equity	<u>\$839,752,787</u>	<u>\$752,786,464</u>

CONSOLIDATED STATEMENTS OF INCOME

(unaudited)	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2004	2003	2004	2003
Interest and dividend income				
Loans, including fees	\$6,327,758	\$5,413,257	\$22,872,764	\$22,197,335
Securities:				
Taxable	2,151,337	1,992,467	8,536,759	7,510,671
Tax-exempt	1,067,308	1,051,491	4,274,033	3,604,641
Federal funds sold	78,277	93,338	159,438	628,203
Dividends	381,297	354,787	1,510,665	1,372,890
Total interest income	10,005,977	8,905,340	37,353,659	35,313,740
Interest expense:				
Deposits	2,797,572	2,380,561	9,942,250	10,045,178
Other borrowed funds	260,380	77,535	621,077	293,604
Total interest expense	3,057,952	2,458,096	10,563,327	10,338,782
Net interest income	6,948,025	6,447,244	26,790,332	24,974,958
Provision for loan losses	274,467	132,707	479,355	645,447
Net interest income after provision for loan losses	6,673,558	6,314,537	26,310,977	24,329,511
Non-interest income:				
Trust department income	309,984	343,840	1,185,681	1,225,099
Service fees	274,824	376,474	1,595,719	1,513,964
Securities gains, net	272,667	209,090	324,030	1,395,320
Loan and secondary market fees	136,572	217,337	610,077	1,155,311
Merchant and ATM fees	128,108	101,619	534,897	513,832
Other	338,549	147,947	1,018,911	631,949
Total non-interest income	1,460,704	1,396,307	5,269,315	6,435,475
Non-interest expense:				
Salaries and employee benefits	2,250,850	2,345,763	9,019,139	9,044,896
Data processing	650,820	598,708	2,241,441	2,188,488
Occupancy expenses	292,589	246,530	1,048,323	1,088,438
Other operating expenses	707,900	704,011	2,626,451	2,497,692
Total non-interest expense	3,902,159	3,895,012	14,935,354	14,819,514
Income before income taxes	4,232,103	3,815,832	16,644,938	15,945,472
Income tax expense	1,041,525	951,342	4,255,392	4,320,787
Net income	<u>\$3,190,578</u>	<u>\$2,864,490</u>	<u>\$12,389,546</u>	<u>\$11,624,685</u>
Basic and diluted earnings per share	<u>\$1.02</u>	<u>\$0.91</u>	<u>\$3.95</u>	<u>\$3.71</u>
Declared dividends per share	<u>\$0.49</u>	<u>\$0.46</u>	<u>\$2.42</u>	<u>\$2.28</u>