

Non-interest income for the first nine months of 2010 totaled \$5,412,000 as compared to \$5,105,000 for the same period in 2009. The increase in non-interest income related to higher trust department income and security gains, offset in part by a decrease in gain on sale of loans held for sale.

Non-interest expense as of September 30, 2010, totaled \$13,673,000, compared to \$15,882,000 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 was 49.41% in the first nine months of 2010, compared to 59.75% for the same period in 2009.

#### BALANCE SHEET REVIEW

As of September 30, 2010, total assets were \$916,708,000, a \$35,504,000 increase compared to September 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 September 30, 2010, increased to \$437,266,000, compared to \$372,917,000 as of September 30, 2009, mainly as a result of increases in U.S. government mortgage backed securities and state and political subdivisions bonds.

Net loans decreased to \$399,820,000 as of September 30, 2010, compared to \$416,149,000 as of September 30, 2009, or a 3.9% decrease, primarily as a result of a continued weakness in loan demand. The allowance for loan losses on September 30, 2010, totaled \$7,571,000, or 1.86% of gross loans, compared to \$7,300,000 or 1.72% of gross loans as of September 30, 2009. Impaired loans as of September 30, 2010, were \$6,214,000, or 1.5% of gross loans, compared to \$9,967,000, or 2.4% of gross loans as of September 30, 2009.

Other real estate owned was \$10,451,000 as of September 30, 2010, compared to \$12,802,000 as of September 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.

Deposits totaled \$704,937,000 on September 30, 2010, a 3.9% increase from the \$678,591,000 as of September 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, NOW, savings and money market accounts from time deposit accounts.

#### SHAREHOLDER INFORMATION

The Company's stockholders' equity represented 13.4% of total assets as of September 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 \$123,191,000 as of September 30, 2010, compared to \$112,924,000 as of September 30, 2009.

The Company's stock, which is listed on the NASDAQ Capital Market under the symbol ATLO, closed at \$19.94 on September 30, 2010. During the third quarter of 2010, the price ranged from \$16.61 to \$20.25.

Although signals are mixed, there are indications that the economy is improving. Locally, farmers are completing a favorable harvest, and crop and livestock prices are at extremely attractive levels. Strong farm income will continue to strengthen the economy in central Iowa. Commercially, borrowers continue to have cautious attitudes; however, we are seeing signs that the business environment is beginning to recover.

Sincerely,



MARVIN J. WALTER  
Chairman

THOMAS H. POHLMAN  
President

## COMPANY DIRECTORS

#### MARVIN J. WALTER

Chairman of the Board  
President, Dayton Road Development Corporation

#### THOMAS H. POHLMAN

President, Ames National Corporation

#### BETTY A. BAUDLER HORRAS

President, Baudler Enterprises, Inc.

#### ROBERT L. CRAMER

Retired President,  
Fareway Stores, Inc.

#### STEVEN D. FORTH

Farmer

#### DOUGLAS C. GUSTAFSON, DVM

Boone Veterinary Hospital

#### CHARLES D. JONS, MD

Medical Consultant

#### JAMES R. LARSON, II

President, Larson Development Corporation

#### WARREN R. MADDEN

Vice President for Business & Finance,  
Iowa State University

#### LARRY A. RAYMON

Chief Executive Officer  
Raymon Enterprises, Inc.

#### FREDERICK C. SAMUELSON

President, James Michael & Associates, Inc.

## AFFILIATE BANKS



UNITED BANK & TRUST



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## LETTER TO SHAREHOLDERS

### THIRD QUARTER 2010 RESULTS

On behalf of the Ames National Corporation Board of Directors, we are pleased to report the Company posted record earnings and record capital during the third quarter of 2010. Net income totaled \$3,551,000, or \$0.38 per share, compared to \$2,574,000, or \$0.27 per share, for the same period in 2009. Return on average assets was 1.54% for the quarter, compared to 1.17% for the same period in 2009. Return on average equity was 11.72% for the quarter, compared to the 9.38% for the same period in 2009.

The increase in net income is primarily due to lower other real estate owned costs, provision for loan losses and deposit interest expense, which declined \$1,005,000, \$561,000 and \$513,000, respectively, offset in part by lower security gains of \$581,000. The decline in other real estate owned costs was due to impairment charges in 2009, with no impairment charges in 2010.

Net interest income increased \$411,000, or 5.8%, 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 3.82% for the quarter ended September 30, 2010, compared to 3.75% for the quarter ended September 30, 2009.

The provision for loan losses was \$74,000 for the third quarter of 2010, compared to \$635,000 for the same period in 2009. Net charge-offs for the quarter were \$353,000, compared to \$23,000 for the same period in 2009.

Non-interest income for the third quarter of 2010 totaled \$1,843,000 as compared to \$2,370,000 for the same period in 2009. The lower non-interest income related to decreased securities gains, offset in part by an increase in trust department income.

Non-interest expense for the third quarter of 2010 totaled \$4,505,000, compared to \$5,518,000 recorded in the same period in 2009. The lower non-interest expense can be mainly attributed to lower other real estate costs. The efficiency ratio for the third quarter of 2010 was 48.14%, an improvement from the 58.25% for the same period in 2009.

### NINE MONTHS 2010 RESULTS

For the nine months ended September 30, 2010, net income totaled \$9,947,000, or \$1.05 per share, compared to \$7,424,000, or \$0.79 per share, for the same period in 2009. Return on average assets was 1.44% for the nine months, compared to 1.14% for the same period in 2009. Return on average equity was 11.31% for the nine months ended September 30, 2010, compared to the 9.26% for the same period in 2009. Net income increased primarily due to lower other real estate owned costs, interest expense, provision for loan losses and FDIC insurance assessments, offset in part by a decrease in interest income. For the nine months of 2010, other real estate owned costs, interest expense, provision for loan losses and FDIC insurance assessments declined \$2,040,000, \$2,050,000, \$623,000 and \$523,000, 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 in 2010 and a one-time assessment in 2009.

Net interest income increased \$781,000, or 3.6%, 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 3.78% for 2010, compared to 3.80% for the same period in 2009.

The provision for loan losses was \$568,000 for the nine months ended September 30, 2010, compared to \$1,191,000 for the same period in 2009. Net charge-offs for the nine months ended September 30, 2010 were \$649,000 compared to \$670,000 for the same period in 2009.



Quarterly Report  
to Shareholders

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## CONSOLIDATED BALANCE SHEETS

(unaudited)	September 30, 2010	September 30, 2009
<b>ASSETS</b>		
Cash and due from banks	\$ 14,319,612	\$ 17,318,877
Interest bearing deposits in financial institutions	28,194,512	32,066,038
Securities available-for-sale	437,265,590	372,917,003
Loans receivable, net	399,819,954	416,149,000
Loans held for sale	2,501,159	1,262,070
Bank premises and equipment, net	11,665,434	12,013,279
Accrued income receivable	7,121,758	6,958,321
Deferred income taxes	1,090,543	2,429,874
Other real estate owned	10,451,219	12,802,478
Other assets	4,278,585	7,287,201
<b>Total assets</b>	<b>\$ 916,708,366</b>	<b>\$ 881,204,141</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>LIABILITIES</b>		
Deposits		
Demand, non-interest bearing	\$ 95,397,470	\$ 84,766,682
NOW accounts	187,557,316	175,036,231
Savings and money market	188,286,088	177,281,664
Time, \$100,000 and over	89,197,772	87,446,696
Other time	144,498,041	154,059,331
<b>Total deposits</b>	<b>704,936,687</b>	<b>678,590,604</b>
Federal funds purchased and securities sold under agreements to repurchase	47,246,451	45,268,119
Short-term borrowings	163,311	42,471
FHLB advances and other long-term borrowings	36,500,000	39,500,000
Dividend payable	1,037,621	943,292
Accrued expenses and other liabilities	3,633,313	3,935,192
<b>Total liabilities</b>	<b>793,517,383</b>	<b>768,279,678</b>
<b>STOCKHOLDERS' EQUITY</b>		
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	74,537,756	67,064,818
Accumulated other comprehensive income-net unrealized income on securities available-for-sale	7,136,175	4,342,593
<b>Total stockholders' equity</b>	<b>123,190,983</b>	<b>112,924,463</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$916,708,366</b>	<b>\$ 881,204,141</b>

## CONSOLIDATED STATEMENTS OF INCOME

(unaudited)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
<b>Interest and dividend income:</b>				
Loans	\$6,094,728	\$6,096,002	\$18,217,937	\$19,096,804
Securities				
Taxable	1,737,458	2,007,724	5,335,686	6,146,849
Tax-exempt	1,480,513	1,281,768	4,275,663	3,880,031
Interest bearing deposits	108,764	137,422	368,075	342,972
<b>Total interest and dividend income</b>	<b>9,421,463</b>	<b>9,522,916</b>	<b>28,197,361</b>	<b>29,466,656</b>
<b>Interest expense:</b>				
Deposits	1,452,764	1,965,914	4,678,728	6,590,594
Other borrowed funds	454,747	453,667	1,260,209	1,398,549
<b>Total interest expense</b>	<b>1,907,511</b>	<b>2,419,581</b>	<b>5,938,937</b>	<b>7,989,143</b>
Net interest income	7,513,952	7,103,335	22,258,424	21,477,513
Provision for loan losses	74,197	635,171	568,411	1,191,495
Net interest income after provision for loan losses	7,439,755	6,468,164	21,690,013	20,286,018
<b>Non-interest income:</b>				
Trust department income	522,892	411,166	1,518,906	1,184,600
Service fees	410,107	486,370	1,245,295	1,357,202
Securities gains, net	297,046	877,925	968,859	782,338
Gain on sale of loans held for sale	255,899	245,540	580,888	765,222
Merchant and ATM fees	193,059	179,765	553,583	478,934
Other	163,935	169,662	544,715	536,728
<b>Total non-interest income</b>	<b>1,842,938</b>	<b>2,370,428</b>	<b>5,412,246</b>	<b>5,105,024</b>
<b>Non-interest expense:</b>				
Salaries and employee benefits	2,691,013	2,695,613	7,995,597	7,745,478
Data processing	483,436	391,185	1,429,081	1,411,498
Occupancy expenses	350,284	387,433	1,116,393	1,082,477
FDIC insurance assessments	268,867	345,877	860,333	1,382,879
Other real estate owned	34,602	1,039,368	153,909	2,194,005
Other operating expenses	676,601	658,928	2,118,078	2,065,631
<b>Total non-interest expense</b>	<b>4,504,803</b>	<b>5,518,404</b>	<b>13,673,391</b>	<b>15,881,968</b>
Income before income taxes	4,777,890	3,320,188	13,428,868	9,509,074
Income tax expense	1,226,579	746,621	3,481,951	2,085,462
<b>Net income</b>	<b>\$3,551,311</b>	<b>\$2,573,567</b>	<b>\$9,946,917</b>	<b>\$7,423,612</b>
Basic and diluted earnings per share	\$0.38	\$0.27	\$1.05	\$0.79
Declared dividends per share	\$0.11	\$0.10	\$0.33	\$0.30