

Your board of directors at the February board meeting voted to increase the quarterly dividend by 53% from the present \$.49 per quarter to \$.75 per quarter beginning with the dividend paid to shareholders on May 16, 2005. With this increased payment, the Company does not anticipate paying a special dividend.

Ames National Corporation is forecasting earnings for the year ending December 31, 2005, of \$4.05 to \$4.10 per share compared to the \$3.95 per share earned for the year ending December 31, 2004. The higher earnings are the result of a projected increase in net interest income and a higher level of realized capital gains on securities in 2005.

The 30th Annual Meeting of Shareholders, held at Reiman Gardens on April 27, 2005, included the re-election of Betty Baudler Horras, Douglas C. Gustafson and Charles D. Jons for three year terms. Marvin J. Walter, chairman of the Company's Audit Committee reported on last year's audit requirements, including the additional procedures required under SEC 404 of the Sarbanes-Oxley Act which resulted in a 92% increase in audit fees for 2004 over those paid in 2003.

Walter also reported to shareholders that a committee has been named to address the issue of executive management succession.

The Federal Reserve has already increased interest rates twice this year on top of the five times in 2004 and will probably raise them again in May. Higher energy prices, the growing federal deficit and the risk of an increasing rate of inflation will no doubt have a negative effect on the economy this year. The Iraq situation seems to be improving although a resolution to the conflict does not seem to be in sight at this time. The higher interest rates which affect our affiliate Banks' net interest margins puts pressure on earnings. Managing both sides of the balance sheet will be extremely important in this rising rate environment to keep margins from slipping to a lower level.

Sincerely,



DANIEL L. KRIEGER
Chairman & President



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, Larson Development Corporation

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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CHAIRMAN'S LETTER

DEAR SHAREHOLDERS,

The Company earned net income of \$3,014,000, or \$0.96 per share for the three months ended March 31, 2005, compared to net income of \$2,965,000, or \$0.95 per share, for the three months ended March 31, 2004, an increase of 2%. The Company's return on average assets was 1.45% and 1.56% respectively, for the three-month periods ending March 31, 2005 and 2004. The Company's return on average equity was 10.90% and 10.91%, respectively for the three-month periods ending March 31, 2005 and 2004. Total assets increased from \$799 million for the quarter ended March 31, 2004, to \$863 million for the same period this year, an increase of 8%.

Net interest income increased marginally for the first quarter of 2005 compared to the same period in 2004. Non-interest expense was 4% higher in the first quarter of 2005 primarily as the result of higher expenses associated with auditing costs as well as employee salaries and benefits. The efficiency ratio for the three months ended March 31, 2005 and 2004, was 48.38% and 48.02%, respectively. Higher quarterly earnings were posted primarily as the result of an increase in non-interest income which included higher securities gains in the Company's investment portfolio for first quarter 2005 compared to the same period a year ago.

Deposits increased 5% to a record \$691 million with the majority of the growth in interest-bearing checking and money market accounts. First National Bank, Ames; State Bank & Trust, Nevada; and United Bank & Trust, Marshalltown accounted for most of the increase in this area. United Bank & Trust, which opened for business in June 2002, has grown to over \$82 million in deposits.

Loans increased 18% to \$425 million, a \$66 million increase since March 31, 2004, with steady growth in all loan categories. United Bank & Trust, Marshalltown and First National Bank, Ames, both increased their loan portfolios over 20% in the past year.

Capital decreased 3% to \$107 million from one year ago due to a decline in the equity related to lower market values of the investment portfolio. Capital at the end of March 2005 represented over 12% of total assets. Ames National Corporation stock, under the symbol ATLO, traded in the \$82.71 to \$98.00 range during the first quarter of 2005 and closed at \$94.00 on March 31, 2005.

QUARTERLY REPORT TO SHAREHOLDERS



1ST QUARTER 2005

CONSOLIDATED BALANCE SHEETS

(unaudited)	March 31, 2005	March 31, 2004
Assets		
Cash and due from banks	\$24,733,223	\$26,268,260
Federal funds sold	31,070,000	38,690,000
Interest bearing deposits in financial institutions	7,340,508	8,588,576
Securities available-for-sale	356,561,743	350,165,660
Loans receivable, net	424,922,071	359,405,771
Loans held for sale	202,000	660,000
Bank premises and equipment, net	8,706,945	8,447,894
Accrued income receivable	6,471,383	5,981,800
Other assets	3,451,592	514,182
Total assets	\$863,459,465	\$798,722,143
Liabilities and Stockholders' Equity		
Deposits:		
Demand, noninterest bearing	\$65,577,644	\$64,423,914
NOW accounts	186,747,294	165,640,307
Savings and money market	188,598,917	185,799,563
Time, \$100,000 and over	79,171,833	67,780,557
Other time	170,999,798	176,115,766
Total deposits	691,095,486	659,760,107
Federal funds purchased and securities sold under agreements to repurchase	58,652,611	18,854,237
Dividend payable	2,352,800	1,441,204
Deferred income taxes	-	4,340,041
Accrued expenses and other liabilities	3,773,689	3,571,076
Total liabilities	755,874,586	687,966,665
Stockholders' Equity:		
Common stock, \$5 par value, authorized 6,000,000 shares; issued March 31, 2005 and 2004 3,153,230 shares; outstanding March 31, 2005 and 2004 3,137,066 and 3,133,053 shares, respectively	15,766,150	15,766,150
Additional paid-in capital	25,378,746	25,351,979
Retained earnings	63,861,476	59,923,998
Treasury stock, at cost; 2005 16,164 shares, 2004 20,177 shares	(889,020)	(1,109,735)
Accumulated other comprehensive income, net unrealized gain on securities available-for-sale	3,467,527	10,823,086
Total stockholders' equity	107,584,879	110,755,478
Total liabilities and stockholders' equity	\$863,459,465	\$798,722,143

CONSOLIDATED STATEMENTS OF INCOME

(unaudited)	2005	2004
Interest and dividend income:		
Loans, including fees	\$6,252,751	\$5,352,668
Securities:		
Taxable	2,230,118	2,076,081
Tax-exempt	1,060,849	1,051,986
Federal funds sold	52,567	56,873
Dividends	347,451	377,196
Total interest income	9,943,736	8,914,804
Interest expense:		
Deposits	2,982,306	2,316,646
Other borrowed funds	366,593	74,528
Total interest expense	3,348,899	2,391,174
Net interest income	6,594,837	6,523,630
Provision for loan losses	53,725	58,355
Net interest income after provision for loan losses	6,541,112	6,465,275
Noninterest income:		
Trust department income	332,509	283,871
Service fees	420,156	356,931
Securities gains, net	134,938	31,542
Gain on sale of loans held for sale	113,825	164,188
Merchant and ATM fees	145,930	149,080
Other	128,236	155,321
Total noninterest income	1,275,594	1,140,933
Noninterest expense:		
Salaries and employee benefits	2,375,948	2,258,919
Data processing	476,713	541,053
Occupancy expenses	310,175	267,977
Other operating expenses	644,820	584,805
Total noninterest expense	3,807,656	3,652,754
Income before income taxes	4,009,050	3,953,454
Provision for income taxes	995,126	988,912
Net income	\$3,013,924	\$2,964,542
Basic and diluted earnings per share	\$0.96	\$0.95