

Capital ended this quarter at \$110 million, the same level as a year ago as higher retained earnings were offset by lower net unrealized gains on securities of \$3.5 million compared to September 30, 2004. The capital to assets ratio ended the quarter at 13.4%.

Company Stock

During the third quarter, Company stock, which is listed on the NASDAQ SmallCap market under the symbol ATLO, ranged from \$25.57 to \$42.50 per share and closed at \$27.60 on September 30, 2005. At the high of \$42.50 per share, ATLO was trading at over 30 times earnings, which is considerably above the historical norm for peer bank stock prices. The addition of Company stock to the Russell 2000 Index may have helped drive the stock price higher. To date, dividends of \$0.75 per share have been declared, compared to \$0.64 per share in 2004.

Physical Facilities

State Bank & Trust plans to provide better access to the bank's drive-up facilities and enhance its presence on Main Street will be completed by the end of the year. United Bank & Trust is reviewing its options for an additional bank facility in downtown Marshalltown. First National Bank has purchased land in Ankeny, Iowa, one of the fastest growing communities in Iowa, to build an office for occupancy in late 2006.

Economic Factors

The consumer price index (CPI) rose 1.2% in September 2005, the largest increase since June 1982. With energy and food excluded, the increase was 0.1%. The Federal Reserve has raised the Fed Funds rate twice during this quarter to 3.75% with the possibility of two more rate increases this year.

Excellent reports are being received on central Iowa crops with corn over 200 bu. per acre and soybeans over 60 bu. per acre with the higher yields driving grain prices lower. The price for central Iowa farmland has exceeded \$4,000 per acre with reports of some Iowa farm land selling for over \$5,000 per acre.

The price of oil has continued to climb nearing \$70 a barrel. It's interesting to note that oil on an inflation adjusted basis would have to go over \$90 a barrel to exceed the price set 25 years ago. With higher energy costs a certainty for consumers as we enter the heating season, there will be continued pressure to allocate more disposable income for utility costs this winter.

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,

Financial Results

Net income for third quarter 2005 was \$2.9 million, or \$.31 per share, adjusted for the three-for-one stock split on July 15, 2005, a 13% decrease over the \$3.4 million or \$.36 per share earned during the same quarter in 2004. Return on equity was 10.54% and return on assets was 1.41% for third quarter this year. For the same period in 2004, return on equity was 12.66% and return on assets was 1.70%. The efficiency ratio for third quarter was 48.78% compared to 45.85% for the same period last year. Net interest margin for the third quarter 2005 was 3.58% compared to 3.95% for third quarter 2004.

The decline in earnings this quarter compared to third quarter 2004 can be attributed to the increase in total interest expense from \$1.5 million to \$4.2 million, which was 57% higher than the \$2.7 million paid in the same period a year ago. The higher total interest expense compared to third quarter 2004 was partially offset by a 13% increase in total interest income primarily as the result of higher loan volume. Realized securities gains for the quarter were nearly \$245 thousand over those of the same quarter a year ago.

Earnings for the first nine months of 2005 were \$8.9 million, or \$0.95 per share, which was 3% lower than the \$9.2 million, or \$0.98 per share, posted for the first nine months of 2004. Total interest expense for this period was nearly \$4 million, or 52% higher than for the same period last year. The increase in total interest expense was partially offset by a 12% increase in total interest income and higher net gains on security transactions.

Deposit growth was nearly flat compared to a year ago with the September 30, 2005 figure at \$656 million; only slightly higher than the \$649 million recorded September 30, 2004. With most banks experiencing increased demand for loans, the rates to attract deposits have become extremely competitive. This scenario combined with the influx of new players in the financial services field has put pressure on banks' net interest margin and earnings.

Loan volume was up to \$436 million, a 12% increase over the \$387 million registered a year ago. Commercial loans increased 34% and agricultural loans increased 19% over September 30, 2004. This growth indicates that business spending was high despite higher energy costs prior to the natural disasters we have seen recently. State Bank & Trust, Nevada, First National Bank, Ames and United Bank & Trust, Marshalltown had significant loan growth this past year.

Total assets increased slightly to \$823 million, 3% over the \$800 million for September 30, 2004. United Bank & Trust raised its assets 13% to over \$96 million from a year ago and continues to attract new deposit and loan customers.

QUARTERLY REPORT TO SHAREHOLDERS



3RD QUARTER 2005

CONSOLIDATED BALANCE SHEETS

(unaudited)	September 30 2005	September 30 2004
Assets		
Cash and due from banks	\$18,749,571	\$30,392,905
Federal funds sold	100,000	335,000
Interest bearing deposits in financial institutions	6,973,569	9,214,595
Securities available-for-sale	343,497,810	356,253,991
Loans receivable, net	435,708,073	387,402,492
Loans held for sale	756,219	340,150
Bank premises and equipment, net	9,221,385	8,783,819
Accrued income receivable	7,471,349	6,716,873
Other assets	420,048	908,172
Total assets	\$822,898,024	\$800,347,997
Liabilities and Stockholders' Equity		
Deposits:		
Demand	\$71,040,005	\$ 65,855,704
NOW accounts	163,803,373	173,726,694
Savings and money market	153,653,610	171,534,487
Time, \$100,000 and over	90,796,789	66,861,191
Other time	176,630,452	170,939,177
Total deposits	655,924,229	648,917,253
Federal funds purchased and securities sold under agreements to repurchase	50,678,317	32,992,304
Dividends payable	2,354,818	3,074,325
Deferred taxes	423,282	2,553,015
Accrued interest and other liabilities	3,623,182	3,166,620
Total liabilities	713,003,828	690,703,517
Stockholders' Equity:		
Common stock, \$2 par value; authorized 18,000,000 shares; 9,419,271 shares issued and outstanding at September 30, 2005; 9,459,690 and 9,411,198 shares issued and outstanding at September 30, 2004, respectively	18,838,542	15,766,150
Additional paid-in-capital	22,383,375	25,378,746
Retained earnings	64,359,425	61,546,936
Treasury stock, at cost; 48,492 shares at September 30, 2004	-	(889,020)
Accumulated other comprehensive income – net unrealized gain on securities available-for-sale	4,312,854	7,841,668
Total stockholders' equity	109,894,196	109,644,480
Total liabilities and stockholders' equity	\$822,898,024	\$800,347,997

CONSOLIDATED STATEMENTS OF INCOME

(unaudited)	Three Months Ended September 30		Nine Months Ended September 30	
	2005	2004	2005	2004
Interest and dividend income				
Loans	\$7,036,222	\$5,721,244	\$19,888,720	\$16,545,006
Securities				
Taxable	2,121,380	2,157,631	6,469,383	6,385,422
Tax-exempt	1,040,237	1,061,069	3,162,676	3,206,725
Federal funds sold	3,277	3,065	131,557	81,161
Dividends	333,722	380,838	1,053,311	1,129,368
Total interest income	10,534,838	9,323,847	30,705,647	27,347,682
Interest expense:				
Deposits	3,691,821	2,470,179	10,237,119	7,144,678
Other borrowed funds	482,849	192,070	1,148,575	360,697
Total interest expense	4,174,670	2,662,249	11,385,694	7,505,375
Net interest income	6,360,168	6,661,598	19,319,953	19,842,307
Provision for loan losses	118,431	(63,820)	247,038	204,888
Net interest income after provision for loan losses	6,241,737	6,725,418	19,072,915	19,637,419
Non-interest income:				
Trust department income	271,730	266,539	1,015,260	875,697
Service fees	465,027	503,027	1,335,672	1,320,895
Securities gains, net	265,771	19,821	633,554	51,363
Gain on sale of loans held for sale	186,812	125,764	468,833	473,505
Merchant and ATM fees	145,006	137,384	429,209	406,789
Other	110,473	365,236	351,314	680,362
Total non-interest income	1,444,819	1,417,771	4,233,842	3,808,611
Non-interest expense:				
Salaries and employee benefits	2,354,097	2,240,214	7,065,595	6,768,289
Data processing	469,622	482,341	1,515,026	1,590,621
Occupancy expenses	285,962	250,782	864,370	755,734
Other operating expenses	697,397	730,908	1,999,283	1,918,551
Total non-interest expense	3,807,078	3,704,245	11,444,274	11,033,195
Income before income taxes	3,879,478	4,438,944	11,862,483	12,412,835
Income tax expense	962,102	1,066,557	2,962,871	3,213,867
Net income	\$2,917,376	\$3,372,387	\$8,899,612	\$9,198,968
Basic and diluted earnings per share	\$0.31	\$0.36	\$0.95	\$0.98
Declared dividends per share	\$0.25	\$0.16	\$0.75	\$0.64