

AMES NATIONAL CORP
Form DEF 14A
March 14, 2019

Table of Contents

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934

Filed by the Registrant

Filed by a party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, For Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
- Definitive Proxy Statement
- Definitive Additional Materials
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AMES NATIONAL CORPORATION

(Name of Registrant as Specified In Its Charter)

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Table of Contents

March 14, 2019

Dear Shareholder:

You are cordially invited to attend the 2019 Annual Meeting of Shareholders of Ames National Corporation (“Company”) to be held Tuesday, April 23, 2019, at Reiman Gardens, 1407 University Boulevard, Ames, Iowa. Registration begins at 4:00 p.m., with the Annual Meeting to commence at 4:30 p.m.

In connection with the Annual Meeting, we have prepared a Notice of Annual Meeting of Shareholders, a Proxy Statement and our 2018 Annual Report on Form 10-K. On or about March 14, 2019, we began mailing to our shareholders a Notice of Internet Availability of Proxy Materials containing instructions on how to access these materials online at the Company’s website.

Two proposals will be voted upon at the Annual Meeting, consisting of the election of directors and the ratification of the appointment of CliftonLarsonAllen LLP as the Company’s independent registered public accounting firm for 2019.

The Board of Directors of the Company presently consists of eleven directors. Three of the current directors, whose terms of service will expire at the Annual Meeting, have been nominated by the Board of Directors to stand for re-election to a three-year term. One director will not stand for re-election as he has reached mandatory retirement age for directors established by Company policy. One individual who has not previously served as director has been nominated for election to a three-year term at the Annual Meeting. Consequently, you will be asked to vote on the election of four members of the Board of Directors.

The Annual Meeting will also provide management with the opportunity to report on the operations and activities of the Company and will give shareholders time to ask questions.

Your vote is important regardless of the number of shares you own. Whether or not you plan to attend the Annual Meeting, the Board of Directors encourages you to submit your proxy via the Internet or to mark, sign and return the proxy card if you have requested to receive printed annual meeting information the Company will be mailing on or around March 14, 2019. If you submit your proxy via the Internet, the web address is www.amesnational.com and you should use the identification numbers indicated on the Notice of Internet Availability of Proxy Materials. Submitting your proxy via the Internet or returning the proxy card will not prevent you from voting in person at the Annual Meeting, but will assure that your vote is counted if you are unable to attend.

On behalf of the Boards of Directors, officers and staff of Ames National Corporation, Boone Bank & Trust Co., First National Bank, Reliance State Bank, State Bank & Trust Co. and United Bank & Trust NA, we thank you for your continued support and look forward to visiting with you at the Annual Meeting.

Sincerely,

Thomas H. Pohlman

Chairman

Table of Contents

AMES NATIONAL CORPORATION

405 5th Street

Ames, Iowa 50010

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

April 23, 2019

NOTICE IS HEREBY GIVEN that the Annual Meeting of Shareholders of Ames National Corporation, an Iowa corporation (the “Company”), will be held on Tuesday, April 23, 2019, at 4:30 p.m., local time, at Reiman Gardens, 1407 University Boulevard, Ames, Iowa, and at any adjournment or postponement thereof (the “Meeting”), for the following purposes:

1. To elect four members of the Board of Directors who will serve for a three-year term.
2. To ratify the appointment of CliftonLarsonAllen LLP as the Company’s independent registered public accounting firm for 2019.
3. To consider such other business as may properly be brought before the Meeting.

Important Notice Regarding the Internet Availability of

Proxy Materials for the Meeting to be held on April 23, 2019

The Company is mailing to its shareholders a Notice of Internet Availability of Proxy Materials (“Notice of Availability”), rather than mailing a paper copy of the proxy materials. The Notice of Availability contains instructions on how to access the proxy materials on the Internet, as well as instructions for obtaining a paper copy. Any shareholder who requests to receive a paper copy of the proxy materials will receive a full set of paper proxy materials without charge by U.S. mail. Internet availability of proxy materials will reduce the Company’s costs to print and distribute its proxy materials.

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You may vote if you are a shareholder of record on February 28, 2019. It is important that your shares be represented and voted at the Meeting. The Board of Directors recommends that you vote your shares in the manner described in the Proxy Statement. Please vote in one of the following ways:

VISIT WWW.AMESNATIONAL.COM TO VIEW THE PROXY MATERIALS AND VOTE VIA THE INTERNET, using the identification numbers indicated on the Notice of Availability or proxy card mailed to you;

MARK, SIGN, DATE AND PROMPTLY RETURN THE PROXY CARD if you have requested to receive a paper copy of the proxy materials; or

VOTE BY WRITTEN BALLOT at the Meeting.

By Order of the Board of Directors

March 14, 2019 John L. Pierschbacher
Ames, Iowa Chief Financial Officer and Secretary

Table of Contents

TABLE OF CONTENTS

| | <u>Page</u> |
|---|-------------|
| <u>GENERAL INFORMATION ABOUT THE MEETING AND VOTING</u> | 1 |
| <u>CORPORATE GOVERNANCE</u> | |
| <u>Board of Directors</u> | 7 |
| <u>Director Independence</u> | 8 |
| <u>Meetings</u> | 8 |
| <u>Board Committees</u> | 8 |
| <u>Nominations for Directors</u> | 9 |
| <u>Leadership Structure</u> | 10 |
| <u>Risk Oversight</u> | 10 |
| <u>Shareholder Communications</u> | 11 |
| <u>Director Attendance at Annual Meetings</u> | 11 |
| <u>Director Compensation for 2018</u> | 11 |
| <u>PROPOSALS TO BE VOTED ON AT MEETING</u> | |
| <u>Proposal 1 – Election of Directors</u> | 13 |
| <u>Proposal 2 – Ratification of Appointment of Public Accounting Firm</u> | 16 |
| <u>SECURITY OWNERSHIP OF MANAGEMENT AND CERTAIN BENEFICIAL OWNERS</u> | |
| <u>Directors and Named Executive Officers</u> | 17 |
| <u>Other Beneficial Owners</u> | 19 |
| <u>Section 16(a) Beneficial Ownership Reporting Compliance</u> | 19 |
| <u>EXECUTIVE COMPENSATION</u> | |
| <u>Summary Compensation Table for 2018</u> | 20 |
| <u>Narrative Discussion of Summary Compensation Table</u> | 21 |
| <u>LOANS TO DIRECTORS AND EXECUTIVE OFFICERS AND RELATED PARTY TRANSACTIONS</u> | 25 |
| <u>REPORT OF THE AUDIT COMMITTEE</u> | 26 |
| <u>RELATIONSHIP WITH INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM</u> | 27 |
| <u>PROPOSALS BY SHAREHOLDERS</u> | 28 |
| <u>AVAILABILITY OF FORM 10-K REPORT</u> | 28 |
| <u>OTHER MATTERS</u> | 28 |

Table of Contents

AMES NATIONAL CORPORATION

405 5th Street

Ames, Iowa 50010

PROXY STATEMENT FOR ANNUAL MEETING OF SHAREHOLDERS

To Be Held on April 23, 2019

This Proxy Statement is furnished to the shareholders of Ames National Corporation, an Iowa corporation (the “Company”), in connection with the solicitation of proxies by the Board of Directors of the Company (the “Board”) for use at the Annual Meeting of Shareholders to be held Tuesday, April 23, 2019, at 4:30 p.m., local time, at Reiman Gardens, 1407 University Boulevard, Ames, Iowa, and at any adjournment or postponement thereof (the “Meeting”). The Notice of Internet Availability of Proxy Materials (“Notice of Availability”) and the Notice of Annual Meeting of Shareholders are being mailed to the shareholders on or about March 14, 2019. If you have requested to receive a paper copy of the proxy materials, those materials (including a proxy card and return envelope) will also be mailed on or about March 14, 2019.

GENERAL INFORMATION ABOUT THE MEETING AND VOTING

Why is the Company making these materials available to me?

The Board is soliciting your proxy to vote at the Meeting because you were a shareholder of record of the Company at the close of business on February 28, 2019 (the “Record Date”). As a shareholder of record on the Record Date, you are entitled to vote at the Meeting. You are invited to attend the Meeting and vote your shares on the proposals described in this Proxy Statement, including the election of directors to the Board.

What is included in these materials?

The materials made available to you by the Company include (i) this Proxy Statement containing information about the Meeting, (ii) the Annual Report on Form 10-K for the year ended December 31, 2018, which includes the Company's audited consolidated financial statements, and (iii) a proxy card (if you have requested a paper copy of the proxy materials) that can be completed and returned to the Company by mail to vote your shares. As described below, you may choose to submit your vote through the Internet instead of returning the proxy card by mail.

Where do I obtain these materials?

The Company has elected to take advantage of the Securities and Exchange Commission's rule that allows it to furnish proxy materials to you online at its Internet website. The Company believes electronic delivery will expedite shareholders' receipt of materials and lower costs by reducing printing and mailing of paper copies of the materials. On or about March 14, 2019, the Company mailed to its shareholders a Notice of Availability containing instructions on how to access the proxy materials online. You will not receive a paper copy of the proxy materials unless you previously requested the Company to provide you with paper copies of the proxy materials or you specifically request a paper copy for this Meeting by following the instructions in the Notice of Availability.

Table of Contents

How do I receive a paper or electronic copy of the materials?

If you previously requested the Company to provide you with paper copies of its proxy materials, a paper copy of the proxy materials (including a proxy card) will automatically be mailed to you on or about March 14, 2019. If you have not previously requested paper copies of proxy materials, you can obtain a paper copy of the proxy materials for this Meeting by following the instructions in the Notice of Availability on how to receive a paper copy of the materials through the U.S. mail. You can also request that an electronic copy of the proxy materials be sent to you by email by following the instructions in the Notice of Availability. There is no charge to you for requesting a paper or electronic copy of the proxy materials.

What information is contained in this Proxy Statement?

The information included in this Proxy Statement relates to the proposals to be voted on at the Meeting, the voting process, the Company's corporate governance, the compensation of directors and executive officers and certain other required information.

What am I being requested to vote on at the Meeting?

There are two proposals to be voted on at the Meeting:

Proposal 1 - To elect four directors to the Board, with each director to serve for a three-year term. The nominees are David W. Benson, John P. Nelson and Kevin L. Swartz, each of whom is currently serving as a director of the Company and is standing for re-election to the Board, and Michelle R. Cassabaum, who has not previously served as a director.

Proposal 2 - To ratify the appointment of CliftonLarsonAllen LLP as the Company's independent registered public accounting firm for 2019. CliftonLarsonAllen LLP was appointed by the Audit Committee of the Board, and the Board is requesting that the shareholders ratify this appointment.

What are my choices when voting?

Depending on the proposal, you have a choice when voting as follows:

Proposal 1 - With respect to the election of directors, your vote may be cast “FOR” one or more of the nominees or your vote may be “VOTE WITHHELD” with respect to one or more of the nominees.

Proposal 2 – With respect to the ratification of the appointment of the independent registered public accounting firm, your vote may be cast “FOR” or “AGAINST” such proposal, or you may choose to “ABSTAIN” from voting on the proposal.

Does the Board have a recommendation for voting?

The Board unanimously recommends you vote your shares as follows:

Proposal 1 - “**FOR**” each of the persons nominated for election to the Board.

Proposal 2 - “**FOR**” ratification of the appointment of the Company’s independent registered public accounting firm.

Table of Contents

What are the voting requirements for the proposals at the Meeting?

The vote required to approve each of the proposals to be acted on at the Meeting is set forth below for each proposal under the heading **“PROPOSALS TO BE VOTED ON AT MEETING.”**

What is the quorum requirement for the Meeting?

A majority of the outstanding shares of the Company’s common stock (the “Common Stock”), present at the Meeting, in person or represented by proxy, constitutes a quorum for the Meeting. On the Record Date there were 9,242,822 shares of Common Stock outstanding, all of which will be entitled to vote at the Meeting. Shares represented at the Meeting which abstain from voting on any proposal will be counted toward determining the presence of a quorum. Proxies containing broker non-votes will also be counted toward determining the presence of a quorum (see **“What is the effect of broker non-votes?”** below).

What shares can I vote?

You are entitled to cast one vote for each share of Common Stock you owned on the Record Date. These include shares held directly in your name as a shareholder of record and shares held for you as a beneficial owner through a stockbroker, bank or other nominee.

What is the difference between holding shares as a shareholder of record and as a beneficial owner?

Many shareholders of the Company hold their shares through a stockbroker, bank or other nominee rather than directly in their own name. As described below, there are some differences between shares held of record and shares beneficially owned when determining how to vote your shares at the Meeting.

Shareholder of Record

If your shares are registered directly in your name with the Company’s transfer agent, you are considered to be the “shareholder of record” with respect to those shares, and these proxy materials are being made available directly to you

by the Company. As the shareholder of record, you have the right to vote in person at the Meeting or to grant your voting proxy directly to the persons named in the proxy card (who will vote your shares on your behalf at the Meeting). You can vote your shares by submitting your proxy via the Internet or, if you have requested a paper copy of the proxy materials, by completing and returning the proxy card as described below under **“How can I vote my shares without attending the Meeting?”**.

Beneficial Owner

If your shares are held in a stock brokerage account or by a bank or other nominee, you are considered to be the beneficial owner of shares held in “street name,” and these proxy materials are being made available to you by your stockbroker, bank or other nominee who is considered to be the shareholder of record with respect to those shares. Your stockbroker, bank or other nominee has enclosed a voting instruction card for you to use in directing it how to vote your shares and you should complete and return that card as directed by your stockbroker, bank or other nominee. Alternatively, the voting instruction card provided by your stockbroker, bank or other nominee may include instructions on how you can submit your voting instructions via an Internet website or by telephone. As the beneficial owner, you have the right to direct your stockbroker, bank or other nominee on how to vote your shares at the Meeting. As beneficial owner, you are also invited to attend the Meeting. However, since you are not the shareholder of record, you may not vote your shares in person at the Meeting unless you obtain a proxy signed by the shareholder of record of your shares.

Table of Contents

How can I vote my shares in person at the Meeting?

Shares held directly in your name as the shareholder of record may be voted by you in person at the Meeting. Even if you plan to attend the Meeting, the Company recommends you vote your shares in advance, as described below, so that your vote will be counted if you later decide not to attend the Meeting. Shares held in “street name,” of which you are the beneficial owner, may be voted by you in person only if you obtain a signed proxy from the stockbroker, bank or other nominee that is the shareholder of record giving you the right to vote the shares at the Meeting.

How can I vote my shares without attending the Meeting?

Shareholder of Record

If you are the shareholder of record with respect to your shares, you can vote your shares without attending the Meeting by submitting your proxy through either of the following methods:

By Internet – You can vote via the Internet at www.amesnational.com. Your identification numbers for Internet voting are on the Notice of Availability, and voting is available 24 hours a day. Those numbers can also be found on your proxy card if you requested a paper copy of the proxy materials.

By Mail – Complete, sign and date the proxy card that will be mailed to you if you have requested a paper copy of the proxy materials. Return it to the Company in the postage prepaid envelope that will be included in the mailing.

If your proxy is submitted via the Internet or mail (and your proxy is not later revoked), your shares will be voted in accordance with your instructions as indicated in the proxy. If, however, you do not indicate the manner in which your shares should be voted in your proxy, your shares will be voted in accordance with the recommendations of the Board as set forth above under **“Does the Board have a recommendation for voting?”**

Beneficial Owner

If you are the beneficial owner of your shares, you can vote your shares without attending the Meeting by following the directions contained in the voting instruction card sent to you by your stockbroker, bank or other nominee. Typically, voting instruction cards allow you to direct the voting of your shares by returning the voting instruction card by mail or by submitting your directions via the Internet or by telephone. Your stockbroker, bank or other nominee is required to vote your shares according to the directions you have given.

Table of Contents

Can I revoke my proxy or change my vote?

Shareholder of Record

If you are the shareholder of record of your shares, you may revoke your proxy at any time prior to the vote at the Meeting. Your proxy may be revoked through any of the following methods:

By sending a written revocation of your proxy to the attention of the Secretary of the Company at the Company's principal executive office located at P.O. Box 846, 405 5th Street, Ames, IA 50010, Attn: Secretary.

By submitting to the Company by mail a signed proxy card bearing a later date.

By submitting a new proxy via the Internet.

By attending the Meeting in person, requesting your proxy be withdrawn and voting your shares in person. Attendance at the Meeting without voting in person, however, will not serve as a revocation of a proxy.

Beneficial Owner

If you are the beneficial owner of your shares, you may revoke or change your voting instructions prior to the Meeting. To do so, you should contact your stockbroker, bank or other nominee who is the shareholder of record of your shares and obtain directions as to how you can revoke or change the voting instructions you have previously given.

What is the effect of "broker non-votes"?

If your broker holds your shares in its name and you have not provided voting instructions for your shares, your broker may choose to either leave your shares unvoted or vote your shares on certain "routine" matters on which the

broker is deemed to have discretionary voting authority. Of the matters to be voted on at the Meeting, only Proposal 2 (ratifying the appointment of the Company's independent registered public accounting firm) is considered a "routine" matter on which your broker would have discretionary voting authority. Proposal 1 (election of directors), is considered a "non-routine" matter and, without your instructions, your broker cannot vote your shares on this proposal. If your broker returns a proxy card but does not have discretionary authority to vote your shares, this results in a so-called "broker non-vote" with respect to the "non-routine matter". Broker non-votes will be counted as present for the purpose of determining a quorum at the Meeting. However, because brokers do not have discretionary authority to vote on Proposal 1 (election of directors), broker non-votes will not be counted for purposes of determining the number of votes cast on Proposal 1 and will not affect the outcome of the vote on this proposal. Because Proposal 2 (ratification of the appointment of the independent public accounting firm) is considered a "routine" matter, your broker can vote your shares on this proposal even though you have not provided voting instructions for your shares. Since brokers have discretionary authority to vote on Proposal 2, shares voted in this manner will be counted for purposes of determining the number of votes cast on this proposal and will affect the outcome of this vote.

Who will count the votes?

The Board has appointed an inspector of election who will be responsible for tabulating the votes by proxy, counting the votes cast in person at the Meeting and announcing the results of voting at the Meeting.

Table of Contents

Who will pay the expenses of soliciting proxies for the Meeting and how will proxies be solicited?

The Company will pay all expenses associated with soliciting proxies for the Meeting. In addition to making these proxy materials available on-line and mailing a paper copy or emailing an electronic copy of the materials to those shareholders who request them, proxies may be solicited by officers, directors and regular employees of the Company, without extra compensation, by telephone, facsimile, personal contact or electronic means. To assist the Company in limiting its expenses in connection with the Meeting, you are requested to promptly submit your proxy via the Internet or return a signed proxy card by mail, even if you plan to attend the Meeting.

How can I obtain directions to attend the Meeting?

The meeting will be held at Reiman Gardens in Ames, Iowa. To obtain directions to this location, please contact Lori Hill at (515) 663-3059.

Table of Contents**CORPORATE GOVERNANCE****Board of Directors**

The Board currently consists of eleven directors separated into three classes elected on a staggered basis, with each director serving a term of three years. Each director (with the exception of John P. Nelson, President and Chief Executive Officer of the Company; John L. Pierschbacher, Chief Financial Officer of the Company; and Thomas H. Pohlman, Chairman of Board) also serves on one or more of the three standing committees (Audit, Compensation and Nominating) established by the Board. The following table lists each director currently serving on the Board, the director's term of service and the committee(s) to which the director is currently appointed, if any.

| Name of Director | Term⁽¹⁾ | Audit Committee | Compensation Committee | Nominating Committee |
|-------------------------|---------------------------|----------------------------|-----------------------------------|---------------------------------|
| Betty A. Baudler Horras | 2020 | X | | X |
| David W. Benson | 2019 | | X | X |
| Lisa M. Eslinger | 2021 | X | X | |
| Steven D. Forth | 2021 | | X | X |
| Patrick G. Hagan | 2020 | | | X |
| James R. Larson II | 2021 | X | X | |
| John P. Nelson | 2019 | | | |
| Richard O. Parker | 2019 | | | X |
| John L. Pierschbacher | 2021 | | | |

Thomas H. Pohlman 2020

Kevin L. Swartz 2019 X

Note:

(1) A director's term of service expires at the annual meeting of shareholders to be held in the year indicated for each director.

7

Table of Contents

Director Independence

The Common Stock is listed and traded on the NASDAQ Capital Market. The corporate governance rules of the NASDAQ Capital Market require that a majority of the Board consist of directors who are "independent" of the Company. The Board has determined each of the directors and the nominees for director qualify as "independent" under the NASDAQ standards for determining independence, with the exception of Mr. Nelson, Mr. Pierschbacher and Mr. Pohlman who do not qualify as independent directors as a result of their current or past employment relationships with the Company.

Meetings

The Board holds regular quarterly meetings and held four such meetings during 2018. The Board also held two special meetings during 2018. During 2018, each director of the Company attended at least 75% of all meetings of the Board and meetings of committees to which such director was appointed.

Board Committees

The Board has established an Audit Committee, a Compensation Committee and a Nominating Committee as standing committees of the Board. Additional information is set forth below concerning each of the committees and the directors serving thereon.

Audit Committee

The Audit Committee is responsible for oversight of the Company's auditing, accounting, financial reporting and internal control functions and for the appointment, compensation and oversight of the Company's independent accountants. Additionally, the Audit Committee is responsible for monitoring the quality of the Company's accounting policies and financial reporting as well as the independence of the Company's independent accountants. The Audit Committee is also required to preapprove any audit or permissible non-audit services to be provided by the independent accountants and to review and approve any transaction constituting a "related party transaction" under rules adopted by the Securities and Exchange Commission. The Board has adopted a written charter for the Audit Committee, a copy of which may be accessed on the Company's website at www.amesnational.com. A report of the Audit Committee appears in this Proxy Statement. The Audit Committee currently consists of Mr. Larson, who acts as chair, Ms. Baudler Horras, Mr. Swartz and Ms. Eslinger, each of whom qualify as an independent director. Ms. Eslinger has been designated by the Board to serve in the capacity as the "financial expert" for the Audit Committee.

The Audit Committee met on four occasions during 2018.

Compensation Committee

The Compensation Committee determines and makes recommendations to the Board on all elements of compensation for the executive officers of the Company and certain executive officers of the Company's subsidiary banks (the "Banks"). The Compensation Committee also assists the Board in establishing fees to be paid to the directors of the Company and in determining appropriate employee benefit programs to be provided to eligible employees of the Company and the Banks. The Board has adopted a written charter for the Compensation Committee, a copy of which can be accessed on the Company's website at www.amesnational.com. The Compensation Committee currently consists of Mr. Benson, who acts as chair, Ms. Eslinger, Mr. Larson and Mr. Forth, each of whom qualify as an independent director. The Compensation Committee met on two occasions during 2018.

Table of Contents

Nominating Committee

The Nominating Committee is responsible for evaluating and recommending to the Board the names of nominees for election as directors. The Nominating Committee also reviews and recommends to the Board the desired characteristics of the composition of the Board, including the number of directors, age, experience and other appropriate attributes. The Board has adopted a written charter for the Nominating Committee, a copy of which may be accessed on the Company's website at www.amesnational.com. The Nominating Committee currently consists of Ms. Baudler Horras, who acts as chair, Mr. Benson, Mr. Forth, Mr. Hagan and Mr. Parker, each of whom qualify as an independent director. The Nominating Committee met once during 2018.

Nominations for Directors

The Nominating Committee evaluates and recommends to the Board the names of nominees for election as directors. The Nominating Committee will consider, as part of its nomination process, any nominee submitted by a shareholder of the Company, provided the shareholder has complied with the procedure set forth in the Company's bylaws (the "Bylaws") for the submission of nominees. In order to submit the name of a nominee, a shareholder must provide written notice of such nominee, accompanied by other information concerning the nominee as specified in Section 3.1(c) of the Bylaws, to the Secretary of the Company no less than 120 days prior to the first anniversary of the date of the proxy statement distributed by the Company in connection with the prior year's annual meeting of shareholders. A nomination with respect to the election of directors at the annual meeting of shareholders to be held in 2020 would need to be submitted no later than November 18, 2019. A copy of the relevant provisions of the Bylaws pertaining to nominations may be obtained by contacting the Secretary of the Company or by accessing the Bylaws on the Company's website at www.amesnational.com. A shareholder who has complied with the procedure set forth in the Bylaws for submitting the name of a nominee may nominate such individual at an annual meeting notwithstanding that such individual has not been nominated for election by the Board.

On an annual basis the Board compiles a list of candidates for submission to the Nominating Committee for its evaluation. As noted above, the list of candidates will include any person nominated by a shareholder in compliance with the nomination procedures set forth in the Bylaws. The Nominating Committee may also identify and evaluate any other person that may come to the attention of the Nominating Committee as a candidate for nomination. The Nominating Committee evaluates each candidate utilizing the minimum qualifications specified in the Nominating Committee Charter and taking into account any other information deemed by the Nominating Committee to be relevant to the evaluation process. The evaluation process for director and shareholder-nominated candidates is applied on a uniform basis. The Nominating Committee may, to the extent it deems appropriate, contact other directors not serving on the Nominating Committee, directors and officers of the Banks and any shareholder nominating an individual, to ensure the necessary information is obtained to properly evaluate the desirability of each candidate. Upon completion of the evaluation process, the Nominating Committee will make its recommendations to the Board based upon the desired composition of the Board, review of minimum qualifications, readily ascertainable strengths and weaknesses of each candidate and other information deemed by the Nominating Committee to be relevant.

The Nominating Committee Charter identifies the following minimum qualifications under which a candidate will be evaluated: (i) the ability to understand financial affairs and complexities of business organizations; (ii) business experience and community involvement in the market areas in which the Banks conduct their business; (iii) although not required, the prior experience of a candidate as a director of one of the Banks; (iv) reputation for high moral and ethical business standards that will add to the stature of the Board; and (v) compliance with the requirements of the Company's age limitation policies. The age limitation policy provides that a newly-nominated director must be under age 60 (unless the nominee also serves as an executive officer of the Company or a Bank or as a director of a Bank) and that a current director will be eligible for re-election only if such director will not be more than 75 years of age at the end of the term for which the director would be re-elected.

Table of Contents

The Board has not adopted a formal policy with respect to the consideration of diversity in identifying or selecting nominees for election as directors. The Nominating Committee Charter does, however, include the concept of diversity as being a factor the Nominating Committee may wish to consider in making recommendations to the Board with respect to the composition of the Board, although no specific recommendation regarding diversity has been made.

With respect to the nominees for election as directors at the Meeting, Mr. Benson, Mr. Nelson and Mr. Swartz currently serve as directors of the Company and are standing for re-election, while Ms. Cassabaum has not previously served as a director of the Company. Ms. Cassabaum, who currently serves as a director of one of the Banks, was recommended for nomination by John P. Nelson, President and Chief Executive Officer of the Company.

Leadership Structure

During 2017 and 2018, the leadership structure of the Company has been undergoing a transition related to the retirement of the previous Chairman of the Board in 2017 and the announcement by Thomas H. Pohlman, President and Chief Executive Officer, that he would retire in mid-2018. In response, a succession plan was developed by the Board under which Mr. Pohlman was appointed as Chairman of the Board in 2017, with the intent that he would continue in that position after retiring as President and Chief Executive Officer. As a result, during the first six months of 2018, the leadership structure of the Company was combined under Mr. Pohlman who served as both President and Chief Executive Officer and as Chairman of the Board pending completion of the succession plan. Effective June 29, 2018, John P. Nelson was appointed President and Chief Executive Officer and the leadership structure became separated between Mr. Nelson and Mr. Pohlman, who continued serving as Chairman of the Board following his retirement as President and Chief Executive Officer on June 29, 2018. The separation of these leadership positions is consistent with the Company's past practice and the Board's belief that separating these positions is a sound corporate governance practice. During the period of time that the leadership positions were combined in Mr. Pohlman, the Board had appointed Betty A. Baudler-Horras to serve as the lead independent director who was responsible, among other things, for chairing executive sessions of the independent directors, chairing meetings in the absence of the Chairman of the Board, and consulting and meeting with independent directors for discussions with management on corporate governance issues and other matters.

Risk Oversight

Risk is inherent with every business, and how well a business manages risk can ultimately determine its success. The Company faces a number of risks, including general economic risks, credit risks, regulatory risks, audit risks, reputational risks and others, such as interest rate risk or the impact of competition. Management is responsible for the day-to-day management of risks the Company faces, while the Board, as a whole and through its committees, has responsibility for the oversight of risk management. In its risk oversight role, the Board has the responsibility to satisfy itself that the risk management processes designed and implemented by management are adequate and

functioning as designed.

10

Table of Contents

While the full Board is charged with ultimate oversight responsibility for risk management, various committees of the Board and members of management also have responsibilities with respect to the Company's risk oversight. In particular, the Audit Committee plays a large role in monitoring and assessing the Company's financial, legal and organizational risks, and receives quarterly reports from the Chief Financial Officer regarding organizational risk as well as particular areas of concern. The Compensation Committee monitors and assesses the various risks associated with compensation policies, and oversees incentive plans to ensure a reasonable and manageable level of risk-taking consistent with the Company's overall strategy. Additionally, the Directors and Officers Loan Committees at the Bank level are directly responsible for overseeing the Banks' credit risk.

The Board believes that establishing the right "tone at the top" and providing for full and open communication between management and the Board are essential for effective risk management and oversight. Members of the Company's executive management team meet regularly with other senior officers to discuss strategy and risks facing the Company. Senior officers attend many of the Board meetings or, if not in attendance, are available to address any questions or concerns raised by the Board on risk management-related and any other matters.

Shareholder Communications

The Board has adopted a process whereby a shareholder may direct written communications to the Board. A shareholder desiring to communicate with the Board may send a written communication addressed to the Board and directed, if by e-mail, to info@amesnational.com with Attention: "Board of Directors" in the subject line or, if sent by regular mail, addressed to Ames National Corporation, P.O. Box 846, 405 5th Street, Ames, Iowa 50010, Attention: Board of Directors. Upon receipt of a written communication from a shareholder addressed to the Board in a manner described above, the communication will be reviewed by the Chairman and President of the Company for purposes of determining whether the communication raises an issue of appropriate concern to the Board. Communications raising issues of appropriate concern will be forwarded to each member of the Board for consideration by the Board as a whole. All written communications directed to the Board and submitted in the manner prescribed by the process will, regardless of whether such communication is ultimately submitted to the Board, receive a written response from the Chairman of the Company.

Director Attendance at Annual Meetings

The Board has adopted a policy providing that each member of the Board shall use his or her reasonable efforts to attend each annual meeting of shareholders of the Company, giving appropriate consideration to the business and travel schedule of the director. Each person who was serving as a director of the Company at the time of the 2