

Ames National Corporation
Ames, Iowa

Audit Committee Charter

May 9, 2018

Purpose

The primary function of the Audit Committee (Committee) is to assist the Board of Directors in fulfilling its financial oversight responsibilities. The Committee shall review the Company's financial reports and other financial information; the Company's systems of internal controls and ethics policies that management and the Board have established; and the Company's auditing, accounting and financial reporting process. Consistent with this function, the Committee should foster adherence to, and should encourage continuous improvement of the Company's policies, procedures and practices. The Committee's primary duties and responsibilities are to:

- Serve as an independent and objective party to oversee the Company's accounting and financial reporting processes, internal control systems and audits of the Company's financial statements.
- Review and appraise the audit efforts of the Company's internal and external auditors.
- Confirm and assure the independence of the external auditors.
- Provide an open avenue of communication among the internal and external auditors, financial and senior management, and the Board of Directors.

Membership

The members of the Audit Committee shall be elected by the Board at the annual meeting or until their successors are elected and qualified. The Board shall appoint the Chairperson of the Committee. The Committee shall be comprised of three or more directors, each of whom shall be free from any relationships that, in the opinion of the Board, would interfere with the exercise of his or her independent judgment as a member of the Audit Committee. Each Committee member shall be determined by the Board to be "independent" as defined by the rules and regulations of the Securities and Exchange Commission (SEC), the NASDAQ Stock Market (or by the rules and regulations of any other exchange or national market on which the Company's common stock is quoted or listed for trading) and any other body with regulatory authority over the Company. All members of the Committee shall be able to read and understand financial statements, including the Company's balance sheet, income statement and cash flow statement. At least one member of the Committee shall have employment experience in accounting or related financial management, requisite professional certification in accounting, or other comparable experience or background providing for financial expertise. The Committee shall

also determine that a member of the Committee qualifies as an “audit committee financial expert” as defined by the rules and regulations of the SEC. Committee members shall be encouraged to enhance their familiarity with finance and accounting by participating in educational programs.

Meetings

The Committee shall meet at least quarterly, or more frequently as circumstances dictate. As part of its job to foster open communication, the Committee should meet at least annually with management and the external auditor in separate executive sessions to discuss any matters that the Committee or each of these groups believe should be discussed privately. In addition, the Committee or its Chair shall meet with the external auditor as needed during each audit year. After each meeting, a report will be prepared and submitted to the Board of Directors.

Responsibilities and Duties

The Audit Committee shall:

Annual or Periodic Activities

- Review annually this Charter and update the Charter as deemed necessary.
- Review the Company’s annual financial statements, annual 10-K, quarterly 10-Q’s and any certification, report, opinion, or review rendered by the external auditor.
- Review and approve the annual internal audit plan, Audit Charter, and organizational documents of the Internal Audit function.
- Review significant findings in reports issued by the internal auditor.

Relations with Internal and External Auditors

- In its capacity as a committee of the board of directors, shall be directly responsible and have authority for the appointment, termination, compensation and oversight of the work of the external auditor (including resolution of disagreements between management and the external auditor regarding financial reporting) for the purpose of preparing or issuing an audit report or related work. The external and internal auditors shall report directly to the Committee.
- Shall pre-approve all audit and any permitted non-audit services provided to the Company by the external auditors and the fees to be paid for those services. The Committee may delegate authority to one or more members when appropriate, including the authority to grant pre-approvals of certain audit and permitted non-audit services, provided that decisions of such subcommittee to grant pre-approvals shall be presented to the full Committee at its next scheduled meeting.

- Periodically consult with the internal and external auditors out of the presence of management about the effectiveness of internal controls including information technology security and the fullness and accuracy of the Company's financial statements.
- Review all material written communications between the independent auditors and management.
- Receive from the external auditor a formal written statement delineating all relationships between the auditor and the Company, consistent with Independence Standards Board Standard 1.
- Engage in a dialogue with the internal or external auditor with respect to any disclosed relationships or services that may impact the objectivity and independence of the auditor.

Financial Reporting Process

- In consultation with the external auditor, review the integrity of the Company's financial reporting processes.
- Consider the external auditor's judgments about the quality and appropriateness of the Company's accounting principles as applied in its financial reporting.
- Review disclosures to the Committee by the CEO and CFO during their certification of the Company's Forms 10-K and 10-Q regarding any significant deficiencies or material weaknesses in the design or operation of internal controls over financial reporting and any fraud involving any employees who have a significant role in the Company's internal controls over financial reporting.
- Consider and approve, if appropriate, changes to the Company's auditing and accounting principles and practices as suggested by the external auditor, management, or the internal auditing department.
- Establish regular and separate systems of reporting to the Audit Committee by management and the internal and external auditors regarding any significant judgments made in management's preparation of the financial statements and the view of each as to appropriateness of such judgments.
- Following completion of the annual audit, review separately with management and the external auditor any significant difficulties encountered during the course of the audit, including any restrictions on the scope of work or access to required information.
- Review any significant disagreement among management and the internal and external auditors in connection with the preparation of the financial statements.

- Review with the internal and external auditors and management the extent to which changes or improvements in financial or accounting practices, as approved by the Audit Committee, have been implemented.

Ethical and Legal Compliance

- Review annually and update as necessary the Ethics and Confidentiality Policy and ensure that management has established a system to enforce this Code.
- Review management's monitoring of compliance with the Company's Ethics and Confidentiality Policy, and ensures that management has the proper review system in place to ensure that financial statements, reports and other financial information disseminated to governmental organizations and the public satisfy legal requirements.
- Establish procedures for (i) the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters, and (ii) the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters. Such procedures may be amended from time to time by the Committee.
- Shall have the authority, to the extent it deems necessary or appropriate, to retain special legal, accounting or other advisers to assist in carrying out the responsibilities of the Committee. The Company shall provide for appropriate funding, as determined by the Audit Committee, for payment of compensation to the external auditor for the purpose of rendering or issuing an audit report or performing other permitted services, ordinary administrative expenses of the Committee and to any advisers engaged by the Committee.
- Review as needed, with the organization's counsel, any legal matter that could have significant impact on the organization's financial statements.
- Review and approve any transaction in which the Company or any of its affiliate banks is a participant and which constitutes a "related party transaction" under rules adopted by the Securities and Exchange Commission (pursuant to Item 404 of SEC Regulation S-K), provided that any loan made by an affiliate bank in the ordinary course of business and otherwise meeting the requirements of Regulation O shall not be subject to such approval. Approval of a "related party transaction" shall require a determination by the Audit Committee that the transaction is fair and reasonable to the Company or the affiliate bank.
- Perform any other activities consistent with this Charter, the Company's By-Laws and governing law, as the Audit Committee or the Board deems necessary or appropriate.