

MORRIS STEWART  
Form 4  
March 09, 2011

**FORM 4**

**UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549**

OMB APPROVAL

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**STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES**

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person \*  
MORRIS STEWART

2. Issuer Name and Ticker or Trading Symbol  
STEWART INFORMATION SERVICES CORP [STC]

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

(Last) (First) (Middle)  
1980 POST OAK BLVD., SUITE 900  
(Street)

3. Date of Earliest Transaction (Month/Day/Year)  
01/06/2010

\_\_\_\_ Director  
\_\_\_\_ Officer (give title below)  Other (specify below)  
Advisory Director

HOUSTON, TX 77056

4. If Amendment, Date Original Filed(Month/Day/Year)

6. Individual or Joint/Group Filing(Check Applicable Line)  
 Form filed by One Reporting Person  
 Form filed by More than One Reporting Person

(City) (State) (Zip)

**Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned**

1. Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)	4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)	5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Ownership (Instr. 4)
				Code V Amount (A) or (D) Price			
Common Stock, \$1 par value	01/06/2010		G	125,000 D \$ 0	103,556	D	

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474 (9-02)

**Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned (e.g., puts, calls, warrants, options, convertible securities)**

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1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)	5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)	6. Date Exercisable and Expiration Date (Month/Day/Year)	7. Title and Amount of Underlying Securities (Instr. 3 and 4)	8. Price of Derivative Security (Instr. 5)	9. Nu Deriv Secur Bene Own Follo Repo Trans (Instr
						Date Exercisable	Expiration Date	Title	Amount or Number of Shares
						Code	V	(A)	(D)

## Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
MORRIS STEWART 1980 POST OAK BLVD. SUITE 900 HOUSTON, TX 77056				Advisory Director

## Signatures

/s/ Stewart  
Morris

03/09/2011

\*\*Signature of Reporting Person                      Date

## Explanation of Responses:

\* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

\*\* Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure. Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. **etermining 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 2016 annual meeting of shareholders attended such meeting.

### **Director Compensation for 2016**

Compensation paid to the directors of the Company is determined on an annual basis by the Board upon recommendation of the Compensation Committee. Each year, the President of the Company develops a recommendation to the Compensation Committee with respect to fees to be paid to directors of the Company for attendance at meetings of the Board and of committees of the Board and fees to be paid to members of the boards of directors of the Banks for board and committee meetings. The recommendation is provided to the Compensation Committee which, in turn, reviews and makes its recommendation to the Board with respect to director fees to be paid for the year.

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The following table provides information concerning all compensation paid to each director during 2016 for services as a member of the Board and, to the extent applicable, for services as a member of the board of directors of one of the Banks.

<b>Name</b>	<b>Fees Earned or Paid in Cash<sup>(1)</sup> (\$)</b>
Betty A. Baudler Horras	\$25,790
David W. Benson	\$25,520
Lisa M. Eslinger	\$25,850
Steven D. Forth	\$21,335
Douglas C. Gustafson, DVM	\$27,670
James R. Larson II	\$26,960
John P. Nelson	None
Richard O. Parker	\$20,670
Thomas H. Pohlman	None
Larry A. Raymon <sup>(2)</sup>	\$12,330

Explanation of Responses:

Kevin L. Swartz

\$18,340

Notes:

- Consists of cash payments of director fees determined as follows: (i) \$1,700 for each regular meeting of the Board attended by a director during 2016 and an annual retainer of \$7,000; and (ii) \$440 for members and \$580 for the committee chair for each meeting of a committee of the Board attended by a director during 2016. In addition,
- (1) eight (8) directors also received cash payments of director fees for service as a member of the board of directors of one of the Banks determined as follows: (i) fees ranging from \$570 to \$820 for Bank board meetings attended by a director during 2016; and (ii) fees ranging from \$215 to \$420 for meetings of Bank board committees attended by a director during 2016. Each quarter, Dr. Gustafson, Chairman of the Board, received a retainer of \$1,000 in addition to the regular fees paid to directors. No other form of compensation was paid to any director during 2016.
- (2) Mr. Raymon's term of service as a director expired at the 2016 annual meeting of shareholders.

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**PROPOSALS TO BE VOTED ON AT MEETING**

**Proposal 1 – Election of Directors**

The Board of the Company currently consists of ten directors, divided into two classes of three directors each and one class of four directors for the purpose of electing and defining the terms of service of such directors. The terms of three directors will expire at the Meeting, two of whom have been nominated for re-election to the Board and one who is no longer eligible for re-election due to the Board's age limitation policy. A nominee who has not previously served on the Board has been nominated to fill the vacancy resulting from the retirement. The three nominees standing for election will serve for a three-year term expiring at the annual meeting of shareholders to be held in 2020.

Each director elected at the Meeting will serve until his or her successor is elected and qualified, or until his or her earlier death, resignation or removal. The Board has no reason to believe that any nominee named in this Proxy Statement will be unable to serve as a director, if elected. However, in case any nominee should become unavailable for election, the proxy will be voted for such substitute, if any, as the Board may designate.

Set forth below are the names of the three persons nominated by the Board for election as directors at the Meeting, along with certain information concerning such persons.

*Nominees for Three-Year Terms Expiring in 2020*

Betty A. Baudler Horras Ms. Baudler Horras has served as a director of the Company since 2000. She is the President of Baudler Enterprises, Inc., dba Sign Pro, a sign and graphics business located in Ames, Iowa, and the former owner and General Manager of radio stations KASI and KCCQ located in Ames, Iowa, and KIKD located in Carroll, Iowa. She has served on the board of directors of First National Bank since 1991.  
Age 63

Patrick G. Hagan Mr. Hagan's nomination to stand for election as a director of the Company was approved by the Board on February 8, 2017. He is the Senior Vice President and Treasurer of Fareway Stores, Inc. (Fareway), a privately owned company operating grocery stores in Iowa, Illinois, Minnesota and Nebraska. He joined Fareway in 1996 and serves on its board of directors. Prior to joining Fareway, he was an Executive Vice President and director of Citizens National Bank in Boone, Iowa for five years. Mr. Hagan has served on the board of directors of Boone Bank & Trust Co. since 2015.  
Age 60

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Thomas H. Mr. Pohlman has served as a director of the Company since 2007. He has served as President and Chief  
Pohlman Executive Officer of the Company since 2007. From 2000 to 2008, he served as President of First  
National Bank. He also currently serves as Chairman of the Board of First National Bank, State Bank and  
Age 66 Trust Co., Boone Bank & Trust Co. and United Bank & Trust, N.A. Mr. Pohlman has announced his  
anticipated retirement at the end of 2018.

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***Board Recommendation***

**The Board unanimously recommends a vote “FOR” the election of each of the foregoing nominees to the Board.**

*Required Vote*

The three nominees who receive the greatest number of votes “FOR” their election will be elected to the Board, regardless of whether any individual nominee receives votes from a majority of the votes cast at the Meeting. Brokers or other nominees who hold shares in “street name”, and who have not received voting instructions from the beneficial owner of such shares, will have no discretionary authority to vote on the election of directors.

*Directors Continuing in Office*

Set forth below is certain information with respect to directors of the Company who will continue to serve subsequent to the Meeting and who are not nominees for election at the Meeting.

*Terms Expiring in 2018*

Steven D.

Forth Mr. Forth has served as a director of the Company since 2007. He owns and operates a large row crop farm in western Story County, Iowa. He has served on the board of directors of Reliance State Bank since 1999.

Age 66

James R. Larson II Mr. Larson has served as a director of the Company since 2000. He is President of Larson Development Corporation, a real estate development and property management company located in Ames, Iowa. He retired in 2004 from ACI Mechanical, Inc., a commercial and industrial mechanical contracting and engineering company of which he served as President. He has served on the board of directors of First National Bank since 1994.

Age 65

Lisa M. Eslinger Ms. Eslinger has served as a director of the Company since 2015. Ms. Eslinger serves as the Chief Financial and Administrative Officer for the Iowa State University Foundation. Prior to joining the Foundation as Controller in 1998, she was a senior manager with the international public accounting firm KPMG LLP, providing audit and consulting services to governmental and not-for-profit entities. She has

Age 54

Explanation of Responses:

served on the board of directors of First National Bank since 2011.

*Terms Expiring in 2019*

David W. Benson     Mr. Benson has served as a director of the Company since 2011. He is an attorney with Nyemaster Goode, P.C. in Ames, Iowa, assisting clients in real estate, estate planning, estate and trust settlement, tax planning and charitable giving matters. He has served on the board of directors of First National Bank since 2008.  
Age 65

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John P. Nelson Age 50	Mr. Nelson has served as a director of the Company since 2013. On November 9, 2016, he was appointed Executive Vice President and Chief Operating Officer of the Company. Mr. Nelson's new job responsibilities will include duties associated with his contemplated transition to the role of Chief Executive Officer upon Mr. Pohlman's anticipated retirement at the end of 2018. He retains his position as Chief Financial Officer and Secretary of the Company that he has held since 1999. He also currently serves as Chairman of the Board of Reliance State Bank.
Richard O. Parker Age 69	Mr. Parker has served as a director of the Company since 2013. He is an attorney and owner of the Parker Law Firm in Nevada, Iowa, advising clients in real estate, business planning, tax law, estate and trust settlement, litigation matters and charitable giving matters. Mr. Parker has served on the board of directors of State Bank & Trust since 2001.
Kevin L. Swartz Age 57	Mr. Swartz has served as a director of the Company since 2016. He is the Chief Executive Officer of Wolfe Clinic PC, a medical clinic headquartered in Marshalltown, Iowa that specializes in treating eye conditions. Wolfe Clinic has over 20 locations throughout the state of Iowa. Mr. Swartz has served on the board of directors of United Bank & Trust since 2003.

None of the directors or nominees currently serves, or has served in the past five years, as a director of another company whose securities are registered under the Securities Exchange Act of 1934 or a company registered under the Investment Company Act of 1940. There are no family relationships among the Company's directors, nominees for director and executive officers.

*Director Qualifications*

Under rules adopted by the Securities and Exchange Commission, the Company is required to describe the experience and qualifications of those persons serving as directors or nominated for election as directors. The Nominating Committee, which is charged with the responsibility of evaluating nominees for director, has historically sought individuals with prior experience in business, professional practice or government, a commitment to community involvement and, perhaps most importantly, prior service as a member of the board of directors of one of the Banks. Experience gained through these pursuits is viewed by the Nominating Committee as a strong indication that individuals nominated for election as directors will possess the attributes for successful service as a member of the Board.

Ms. Baudler Horras and Messrs. Forth, Hagan, Larson and Swartz all have substantial business experience as the owner and/or a senior executive officer of a small or medium-sized business enterprise through which they have obtained, to varying degrees, knowledge with respect to financial and accounting matters, operational matters, risk management issues, marketing issues and human resources issues. Ms. Eslinger possesses a high level of qualification with respect to financial and accounting matters based on her experience as the senior financial officer of the Iowa State University Foundation and as a former senior manager of a public accounting firm. Mr. Benson and Mr. Parker have practiced business, real estate and trust and estate law for over 39 years and 42 years, respectively, and contribute

their legal and business knowledge to the Board. Mr. Pohlman, whose career in the financial services industry has spanned 40 years, brings his knowledge and experience as a senior bank executive to the Board. Mr. Nelson was a commissioned bank examiner for the Federal Deposit Insurance Corporation prior to joining the Company as Auditor in 1993 and brings a high level of qualification with respect to banking, accounting and regulatory matters, as well as his many years of service as the Company's senior financial officer.

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Each of the directors and nominees has demonstrated active involvement in the community in which he or she resides, all of which are included in the trade areas in which the Banks conduct their business operations. This demonstrated commitment to community involvement is important to the Company as the directors are viewed as key links to clients and prospective clients, as well as furthering the reputation of the Banks in those communities.

Each of the directors and nominees has served on the board of directors of one of the Banks prior to his or her election to the Board of the Company. This prior experience is highly desired for members of the Board, as it enables the individual to become familiar with the Company's practices and business philosophy, as well as the financial and operational aspects of a financial institution, before accepting a position on the Board of the Company. Prior service on the board of a Bank has also enabled the Nominating Committee to assess the performance of the individual as a director of a Bank and to determine that such performance merits elevation to the Board of the Company.

**Proposal 2 – Advisory Vote on Compensation of Named Executive Officers**

The Company is requesting shareholder approval, on an advisory basis, of the compensation of the Company's named executive officers for 2016 as listed in the Summary Compensation Table (appearing on page 29 of this Proxy Statement). The Board and the Compensation Committee have developed and administer an executive compensation program that is described more fully under the Compensation Discussion and Analysis section of this Proxy Statement, including the related compensation tables and narrative. This proposal, commonly known as a "say on pay" proposal, gives shareholders the opportunity, on a non-binding advisory basis, to approve, reject or abstain from voting with respect to the Company's executive compensation program and the compensation paid to the named executive officers during 2016.

As discussed in the "Compensation Discussion and Analysis" section of this Proxy Statement, the primary objective of the Company's executive compensation program is to provide a fair and competitive compensation package that will enable the Company to compete for and retain talented executives who will enhance the Company's ability to continue its history of steady growth and financial stability, thereby increasing shareholder value over the long-term. The Board and the Compensation Committee believe that the executive compensation program promotes a performance-based culture and aligns the interests of the named executive officers with those of the shareholders by linking a substantial portion of their compensation to the Company's performance. The advisory vote will serve as an additional tool to guide the Board and the Compensation Committee in aligning the executive compensation program with the interests of the Company and its shareholders and is consistent with the Board's commitment to the observance of high standards of corporate governance. The Company is accordingly requesting the vote of the shareholders on the following resolution:

RESOLVED, that the shareholders of Ames National Corporation approve, on an advisory basis, the compensation of its named executive officers for 2016 as disclosed in this Proxy Statement (which disclosure includes the

Compensation Discussion and Analysis, the compensation tables and the related narrative discussion contained in this Proxy Statement).

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Because the vote on this proposal is advisory in nature, it will not affect any compensation already paid or awarded to any named executive officer and will not be binding on or overrule any decision by the Board; nor will it create or imply any additional fiduciary duty on the part of the Board. The Board and the Compensation Committee value the opinions of the shareholders and will take into account the outcome of the advisory vote when considering future compensation arrangements for the named executive officers.

***Board Recommendation***

**The Board unanimously recommends a vote “FOR” approval, on an advisory basis, of the compensation of the named executive officers for 2016 as disclosed in this Proxy Statement.**

***Required Vote***

The “say on pay” proposal will be approved if the number of votes cast “FOR” the proposal exceeds the number of votes cast “AGAINST” the proposal. Shares which abstain from voting on this proposal, as well as broker non-votes, will not be counted as votes cast and will not affect the outcome.

**Proposal 3 – Advisory Vote on Frequency of Future Shareholder Advisory Votes on Executive Compensation**

The Company is requesting shareholder approval, on an advisory basis, as to whether the Company should conduct future shareholder advisory votes on executive compensation at the annual meeting of shareholders to be held every year, every second year or every third year. This proposal, commonly known as a “say on frequency” proposal, gives shareholders the opportunity, on a non-binding advisory basis, to vote on the frequency with which the Company should conduct an advisory vote on executive compensation by selecting the vote to be held every year, every second year, every third year or by abstaining from voting on this proposal.

After careful consideration of the alternatives, the Board has determined that an advisory vote on executive compensation every three years, or a triennial vote, is the best approach for the Company based upon a number of considerations, including the following:

The Company's executive compensation program is based on a "pay for performance" philosophy, with a significant portion of each named executive officer's total compensation dependent on the Company's results of operations for the year. The Board believes that the compensation results for the named executive officers should be judged based on longer-term operating results of the Company, and not simply on an annual basis, and a triennial advisory vote is consistent with this view.

The executive compensation program has resulted in levels of compensation that are relatively modest in comparison to compensation paid by other public companies in the financial services industry and the Board believes that a triennial vote will provide the shareholders with a sufficient voice in the Company's executive compensation practices.

A triennial vote gives the Board and the Compensation Committee sufficient time to thoughtfully respond to shareholder views as expressed through previous advisory votes and to implement any necessary changes to its executive compensation program.

The Board is available to engage with shareholders on matters of executive compensation in between the recommended triennial advisory votes. As noted elsewhere in this Proxy Statement, shareholders may communicate directly with the Board, including on issues of executive compensation.

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As an advisory vote, this proposal will not be binding on the Company and will not create or imply any additional fiduciary duty on the part of the Board. The Board, however, values the opinions expressed by the shareholders through their vote on this proposal and will consider the outcome of the vote when making a determination as to the frequency of future shareholder advisory votes for approval of executive compensation.

***Board Recommendation***

**The Board unanimously recommends a vote of “THREE YEARS” with respect to the frequency of future shareholder advisory votes for approval of executive compensation.**

***Required Vote***

The advisory vote regarding the frequency of future shareholder votes for approval of executive compensation will be determined by a plurality of the votes cast. Shares which abstain from voting on this proposal, as well as broker non-votes, will not be counted as votes cast and will not affect the outcome.

**Proposal 4 – Ratification of Appointment of Public Accounting Firm**

The Audit Committee of the Board has appointed CliftonLarsonAllen LLP to serve as the Company’s independent registered public accounting firm to audit its consolidated financial statements for 2017. During 2016, CliftonLarsonAllen LLP served as the Company’s independent registered public accounting firm and also provided certain tax and other non-audit services. Although the Company is not required to seek shareholder approval of this appointment, the Board believes it to be sound corporate governance to do so. If the appointment is not ratified, the Audit Committee will investigate the reasons for shareholder rejection and will reconsider the appointment. Representatives of CliftonLarsonAllen LLP are expected to attend the Meeting, where they will be able to respond to questions and, if they desire, make a statement.

***Board Recommendation***

**The Board unanimously recommends a vote “FOR” ratification of the appointment of CliftonLarsonAllen LLP as the Company’s independent registered public accounting firm for 2017.**



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The proposal to ratify the appointment of the Company's independent registered public accounting firm will be approved if the number of votes cast "FOR" the proposal exceeds the number of votes cast "AGAINST" the proposal. Shares which abstain from voting on this proposal will not be counted as votes cast and will not affect the outcome. Brokers or other nominees who hold shares in "street name", and who do not receive voting instructions from the beneficial owner of such shares, will have discretionary voting authority on this proposal and shares voted by such brokers or nominees will be counted in determining the outcome of this matter.

**SECURITY OWNERSHIP OF MANAGEMENT AND****CERTAIN BENEFICIAL OWNERS****Directors and Named Executive Officers**

The following table sets forth the shares of Common Stock beneficially owned as of February 28, 2017, by each director of the Company, each nominee for director, each executive officer of the Company or the Banks named in the Summary Compensation Table included herein (the "named executive officers") and by all directors and executive officers (including the named executive officers) as a group.

<u>Name</u>	<u>Shares Beneficially Owned</u> <sup>(1)(2)</sup>	<u>Percent of Total Shares Outstanding</u>
Betty A. Baudler Horras <sup>(3)</sup>	24,450	*
Scott T. Bauer <sup>(4) (5)</sup>	595,434	6.40%
David W. Benson <sup>(5)(6)</sup>	10,300	*
Lisa M. Eslinger <sup>(5)</sup>	1,323	*
Steven D. Forth <sup>(5)</sup>	2,520	*
Douglas C. Gustafson, DVM <sup>(5)(7)</sup>	51,045	*
Patrick G. Hagan <sup>(8)</sup>	1,700	*
James R. Larson II <sup>(9)</sup>	26,465	*
Stephen C. McGill <sup>(5)(10)</sup>	43,681	*
John P. Nelson <sup>(11)</sup>	595,701	6.40%
Richard O. Parker <sup>(12)</sup>	18,441	*
Thomas H. Pohlman <sup>(5) (13)</sup>	603,831	6.49%

Explanation of Responses:

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Jeffrey K. Putzier <sup>(5)(14)</sup>	4,724	*
Kevin L. Swartz <sup>(5)</sup>	1,680	*
<hr/>		
Directors and Executive Officers as a Group <sup>(15)</sup>	832,340	8.94%

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Notes:

\* Indicates ownership of less than 1% of outstanding shares.

Shares "beneficially owned" includes, in addition to shares directly owned by the named individual, shares owned by or for the benefit of, among others, the spouse and/or minor children of the named individual and any other (1)relative who has the same home as such individual, as well as other shares with respect to which the named individual has sole investment or voting power or shares investment or voting power. Beneficial ownership may be disclaimed as to certain of the shares.

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(2) Except as otherwise indicated in the following notes, each named individual owns his or her shares directly and has sole investment and voting power with respect to such shares.

(3) Includes 3,200 shares held in her spouse's name over which she has shared investment and voting power.

(4) Includes: (i) 3,771 shares held by the Ames National Corporation 401(k) Plan (the "Company 401(k) Plan") for the benefit of Mr. Bauer over which he has investment and voting power in his personal capacity; and (ii) shares over which Mr. Bauer has sole or shared investment and/or voting power in his capacity as trust officer of First National for the various trust clients, as follows:

Shares Held By:	Investment Power	Voting Power
Various First National Bank Trust Clients	239,535 (sole)	105,734 (sole)
Various First National Bank Trust Clients	350,089 (shared)	355,342 (shared)

Mr. Bauer disclaims any pecuniary interest in shares reported in the preceding table. Beneficial ownership of shares over which Mr. Bauer has sole or shared investment and/or voting power in his capacity as a trust officer have also been reported below under the holdings of Mr. Pohlman and Mr. Nelson who also act as trust officers for First National Bank.

(5) Consists of, or includes, shares held jointly with his or her spouse over which he or she has shared investment and voting power.

(6) Includes 3,400 shares held in a 401(k) Plan for the benefit of Mr. Benson over which Mr. Benson has sole investment and voting power.

(7) Includes 7,500 shares held in his spouse's name over which he has shared investment and voting power.

(8) Consists of shares held through individual retirement account (IRA) over which Mr. Hagan has sole investment and voting power.

(9) Consists of shares held in the name of James R. & Teresa B. Larson Revocable Trust dated November 28, 1990, James R. & Teresa B. Larson Trustees over which he has shared investment and voting power.

(10) Includes 494 shares held by the Company 401(k) Plan for the benefit of Mr. McGill over which he has investment and voting power and an additional 41,189 shares owned by trust clients of State Bank & Trust Co., over which Mr. McGill has shared investment and/or voting power in his capacity as trust officer of State Bank

& Trust Co. which serves as trustee of the trusts. Mr. McGill disclaims any pecuniary interest in shares owned by such trusts.

(11) Includes: (i) 6,077 shares held by the Company 401(k) Plan for the benefit of Mr. Nelson over which he has investment and voting power in his personal capacity; and (ii) shares over which Mr. Nelson has sole or shared investment and/or voting power in his capacity as trust officer of First National for the various trust clients, as follows:

Shares Held By:	Investment Power	Voting Power
Various First National Bank Trust Clients	239,535 (sole)	105,734 (sole)
Various First National Bank Trust Clients	350,089 (shared)	355,342 (shared)

Mr. Nelson disclaims any pecuniary interest in shares reported in the preceding table. Beneficial ownership of shares over which Mr. Nelson has sole or shared investment and/or voting power in his capacity as a trust officer have also been reported under the holdings of Mr. Bauer and Mr. Pohlman who also act as trust officers for First National Bank.

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(12) Includes 1,300 shares held in an individual retirement account for the benefit of his spouse over which he has shared investment and voting power; 6,000 shares held in a Simplified Employee Pension (SEP) Plan for the benefit of Mr. Parker over which he has sole investment and voting power; 990 shares owned jointly by Mr. Parker and his son over which he has shared investment and voting power; and 2,000 shares in the Harold L. Parker Family Trust dated December 18, 1989; Delores E. Parker, Richard O. Parker, and Ronald L. Parker, Trustees over which he has shared investment and voting power.

(13) Includes: (i) 2,087 shares held by the Company 401(k) Plan for the benefit of Mr. Pohlman over which Mr. Pohlman has investment and voting power in his personal capacity; and (ii) shares over which Mr. Pohlman has sole or shared investment and/or voting power in his capacity as trust officer of First National Bank, which acts as trustee for various trust clients, as follows:

Shares Held By:	Investment Power	Voting Power
Various First National Bank Trust Clients	239,535 (sole)	105,734 (sole)
Various First National Bank Trust Clients	350,089 (shared)	355,342 (shared)

Mr. Pohlman disclaims any pecuniary interest in shares reported in the preceding table. Beneficial ownership of shares over which Mr. Pohlman has sole or shared investment and/or voting power in his capacity as a trust officer have also been reported above under the holdings of Mr. Bauer and Mr. Nelson who also act as trust officers for First National Bank.

(14) Includes 2,049 shares held by the Company 401(k) Plan for the benefit of Mr. Putzier over which he has investment and voting power.

(15) Includes, in addition to shares owned by the directors and named executive officers, a total of 30,293 shares owned by three other executive officers of the Company or the Banks for whom disclosure of individual share ownership is not required, including 18,727 shares held by the Company 401(k) Plan for their benefit over which they have investment and voting power.

**Other Beneficial Owners**

The following table sets forth certain information on each person who is known to the Company to be the beneficial owner, as of February 28, 2017, of more than five percent of the Common Stock.

Shares	Percent of Total
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<u>Name and Address</u>	<u>Beneficially Owned Shares Outstanding</u>	
BlackRock, Inc. <sup>(1)</sup>		
55 East 52 <sup>nd</sup> Street	537,373	5.8%
New York, NY 10055		
Royce & Associates, LP <sup>(2)</sup>		
745 Fifth Avenue	689,357	7.4%
New York, NY 10151		

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Notes:

This information is based solely on the contents of a Schedule 13G/A filed by BlackRock, Inc. on January 19, 2017, indicating beneficial ownership of 537,373 shares, with sole voting power over 529,635 shares and sole dispositive power over 537,373 shares.

This information is based solely on the contents of a Schedule 13G/A filed by Royce & Associates, LP on January 3, 2017, disclosing beneficial ownership of 689,357 shares, with sole voting and dispositive power over all of such shares.

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**Section 16(a) Beneficial Ownership Reporting Compliance**

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires the directors and executive officers of the Company and the holders of more than ten percent of the Common Stock to file with the Securities and Exchange Commission reports regarding their ownership and changes in ownership of the Common Stock. The Company believes that during 2016 its directors and executive officers complied with all Section 16(a) filing requirements. In making the foregoing statement, the Company has relied upon an examination of the copies of Forms 3, 4, and 5 provided to the Company and on the written representations of its directors and executive officers. The Company, to its knowledge, does not have any holder of more than ten percent of the Common Stock.

**EXECUTIVE COMPENSATION**

**Compensation Discussion and Analysis**

The following discussion describes the material elements of the compensation program as established by the Board and the process followed in determining the compensation provided during 2016 to the executive officers identified in the Summary Compensation Table. Those executive officers consist of Thomas H. Pohlman and John P. Nelson, who are employed by the Company (each, a "Company Executive"), Scott T. Bauer, who is employed by First National Bank, Jeffrey K. Putzier, who is employed by Boone Bank & Trust Co., and Stephen C. McGill, who is employed at State Bank & Trust Co. (each, a "Bank Executive" and, together with the Company Executives, the "Executive Officers"). Decisions regarding compensation of the Executive Officers are made by the Board upon recommendation of the Compensation Committee of the Board (the "Compensation Committee") and, in the case of the Bank Executives, upon the additional recommendation of the board of directors of the Bank by which a Bank Executive is employed. The Company and the Banks have all adopted the same compensation program and follow the same process in setting the compensation of their respective Executive Officers. Accordingly, the following description of the compensation program and process as followed by the Compensation Committee and the Board is equally applicable to compensation decisions made both for the Company Executives and the Bank Executives.

*Objectives of Compensation Program*

The executive compensation program is administered under the terms of the Management Incentive Compensation Plan (the "MIC Plan") which covers the Company's executive management team and the executive management team in place at each Bank. The MIC Plan is designed to provide a fair and competitive compensation package that will

enable the Company to compete for and retain talented executives who will enhance the Company's ability to continue its history of steady growth and financial stability. As the business activities of the Company are conducted entirely within the State of Iowa, the Board believes the level of compensation paid to the Executive Officers must be competitive within the Iowa banking industry and, more particularly, within a peer group of Iowa banking institutions that are similar in size and located in communities of similar populations as the Banks. The MIC Plan also seeks to encourage superior performance through incentive compensation consisting of: (i) the deferral of payment of a designated portion of each Executive Officer's salary until earned by performance ("deferred salary"); and (ii) the opportunity to earn additional incentive compensation based on performance ("performance awards"). Both deferred salary and performance awards are dependent upon actual performance as compared to a performance target established for each Bank through use of an industry-accepted profitability ratio. Bank Executives are eligible to earn deferred salary and receive performance awards based on the performance of the Bank by which each of them is employed, while the Company Executives are eligible to earn deferred salary and receive performance awards based on the performance of all the Banks, with each Bank being viewed on an individual basis for purposes of determining its performance. This approach permits a Bank Executive, whose Bank performs favorably compared to its performance target, to receive incentive compensation even though the performance of another Bank may have fallen short of its target, thus resulting in a reduction in compensation for its management team. The sub-standard performance of one or more of the Banks would, however, negatively impact the incentive compensation received by a Company Executive. This result follows from the Board's philosophy that a Bank Executive should receive incentive compensation based solely upon the performance of the Bank for which that Bank Executive is responsible, while the Company Executives, being responsible for the ultimate oversight and management of all the Banks, should receive incentive compensation based upon the performance of all of the Banks.

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The executive compensation program as administered through the MIC Plan is designed to reward both individual performance and the collective performance of the executive management team of a Bank or the Company, as applicable. The MIC Plan rewards individual performance primarily through the salary established for each Executive Officer, as the evaluation of individual performance is a significant factor taken into account in establishing salary. The MIC Plan rewards collective performance through the deferred salary and performance award components of the program, both of which are dependent upon the efforts of the Executive Officer, working together with his management team, to achieve actual performance which compares favorably with the performance target for an individual Bank or, in the case of the Company Executives, the performance target for each of the Banks.

*Consideration of Results of "Say on Pay" Vote*

At the 2014 annual meeting, shareholders of the Company were given the opportunity to cast an advisory vote on the compensation paid to the Executive Officers (as disclosed in the proxy statement for that meeting) under the "say on pay" rules adopted by the Securities and Exchange Commission. Of the votes cast on this matter, approximately 96% were cast to approve the compensation paid to the Executive Officers. The Compensation Committee and the Board have reviewed the results of the advisory vote and consider the substantial favorable vote to be an endorsement by the shareholders of the objectives and policies of the Company's executive compensation program. The results of the advisory vote were considered in connection with establishing executive compensation for 2016, although there were no material changes to the program in response to the results of the advisory vote given the high rate of approval. Consistent with the three year schedule adopted by the Company for holding "say on pay" votes, the shareholders are being asked to cast an advisory vote at the Meeting on the compensation paid to the Executive Officers during 2016 as disclosed in this Proxy Statement – See "PROPOSALS TO BE VOTED ON AT MEETING – Proposal 2 – Advisory Vote on Compensation of Named Executive Officers."

*Components of the Compensation Program*

The executive compensation program, as administered through the MIC Plan, consists of total salary (with total salary being divided between base salary and deferred salary) and performance awards. Deferred salary and performance awards are considered to be forms of incentive compensation as they are dependent upon performance. The components of the MIC Plan are described in greater detail as follows:

Base salary - This is the portion of total salary not contingent upon performance. Base salary is paid to the Executive Officer in equal bi-weekly installments.



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Deferred salary - This is the portion of total salary that is contingent, in that it is "deferred" until earned through performance by a Bank in the case of a Bank Executive and performance by all the Banks in the case of a Company Executive. The right to receive deferred salary is reviewed on a semi-annual basis (based on performance during the previous two calendar quarters) and, if earned, is paid on June 15 and December 15 of each year. If the review indicates the performance target has been achieved for the semi-annual period, the Executive Officer will receive all of the deferred salary for which he was eligible during the period. If, on the other hand, the review indicates the performance target was not satisfied, the amount of deferred salary to be paid will be reduced in accordance with a formula contained in the MIC Plan and could be forfeited entirely in the event actual performance trails targeted performance by an amount which results in an elimination of the deferred salary for the period. Any deferred salary not earned during the particular semi-annual period for which it was established will be forfeited and not carried over to the following period. The deferred salary component can, in essence, be viewed as placing a portion of total salary "at risk" in that the Executive Officer must work with his management team to achieve a level of performance that is adequate, based on the performance target, to earn all deferred salary for which he is eligible.

Performance awards - Performance awards are additional incentive compensation an Executive Officer is eligible to earn (over and above deferred salary) upon exceeding the performance target for a Bank in the case of a Bank Executive or, in the case of a Company Executive, exceeding the performance targets of one or more of the Banks. The right to receive a performance award is also reviewed on a semi-annual basis (based on performance during the previous two calendar quarters) and, if earned, is paid on June 15 and December 15 of each year. If the review determines actual performance has exceeded the performance target (which is established at the same level as used for purposes of determining entitlement to deferred salary), the Executive Officer will receive a performance award, the amount of which is calculated in accordance with a formula contained in the MIC Plan and is dependent upon the amount by which actual performance has exceeded targeted performance. As with deferred salary, any performance award not earned during the particular semi-annual period for which it was established will be forfeited and not carried over to the following period.

There are two additional components of the Company's compensation program, neither of which are encompassed within the scope of the MIC Plan and both of which provide for broad-based participation by eligible employees of the Company and the Banks, as follows:

401(k) Plan - The Ames National Corporation 401(k) Profit Sharing Plan (the "Company 401(k) Plan") is a defined contribution plan in which participating employees (including the Executive Officers) are eligible to receive a matching employer contribution of up to 3% of total compensation (assuming an employee contribution up to that amount), plus an additional employer contribution of 3% of total compensation that is not dependent upon an employee contribution to the plan.

Bank Awards - The "Bank Award" program is an incentive arrangement covering all Company and Bank employees eligible to participate in the Company 401(k) Plan (including the Executive Officers). Under this program, participating employees are eligible to receive additional cash compensation based on the profitability of their

employer (with profitability being determined in accordance with the formula contained in the MIC Plan, including the use of the same performance target).

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*Compensation Policy*

The Board's rationale in dividing executive compensation between base salary, deferred salary and performance awards as encompassed within the MIC Plan is that an Executive Officer should be assured of receiving a fair base salary that is reflective of the Executive Officer's individual performance, tenure and responsibilities within the organization, while at the same time being eligible to receive incentive compensation in the form of deferred salary and performance awards contingent upon the ability of the Executive Officer, in working together with his management team, to achieve the applicable performance targets. As described in greater detail below, eligibility to receive deferred salary is contingent upon satisfaction of performance targets which, in the judgment of the Board, represent an acceptable level of profitability for the particular Bank, based on historical earnings and industry profitability ratios. In essence, the right to receive all deferred salary for which an Executive Officer is eligible in a given year is contingent upon the Bank achieving an acceptable level of profitability. In contrast, eligibility to receive performance awards is conditioned upon achievement of profitability levels exceeding those levels determined by the Board to be acceptable for the particular Bank, thus entitling the Executive Officer to receive additional incentive compensation in the form of performance awards. Taken together, deferred salary can be viewed as a reward for achieving acceptable performance (and, conversely, a penalty for failing to achieve acceptable performance), while performance awards can be viewed as a reward for achieving performance beyond what would be deemed to be acceptable for the particular Bank. By structuring the compensation package in this manner, the Board believes an Executive Officer is provided with a powerful incentive to achieve results that are not only acceptable, thus earning deferred salary, but results that are better than expected, thus earning additional performance awards. The Board also believes this compensation structure, with its significant focus on "pay for performance," is a powerful tool to align the interests of the Executives with the creation of shareholder value.

*Compensation Process and Decisions for 2016*

In determining compensation on an annual basis, the Board, based on recommendation of the Compensation Committee, must establish the parameters required under the terms of the MIC Plan to implement the three components of executive compensation discussed above. These parameters consist of: (i) performance criteria for each Bank which are used to determine entitlement to deferred salary and performance awards; (ii) an allocation percentage for each Executive Officer which is also used in determining entitlement to deferred salary and performance awards; and (iii) total salary for each Executive Officer which, as noted above, is divided between base salary and deferred salary. The following is a description of the process by which these parameters are established and the manner in which the three components of compensation under the MIC Plan interact in determining compensation for the Executive Officers:

Performance criteria - Performance criteria are established by the Compensation Committee for each Bank to define the performance target (also known as the "earnings threshold"), as well as a performance "floor" and a performance "cap." Each of these criteria is defined by reference to an appropriate "return on assets" ratio selected by the Compensation Committee. The return on assets ratio is an industry-accepted measure of profitability for which

substantial information is available (through the Federal Deposit Insurance Corporation ("FDIC") in the form of Uniform Bank Performance Reports) to enable the Compensation Committee to evaluate the profitability of the Banks as compared to other financial institutions of similar size and characteristics. The performance target is defined by selecting a specific return on assets target that the Compensation Committee views as representing an acceptable level of Bank profitability, such that the Executive Officer will receive all deferred salary to which he was entitled and, in addition, become eligible to receive performance awards based on the amount by which actual performance exceeds the performance target. In establishing the performance target, the Compensation Committee reviews and relies primarily on historical earnings of the Bank and on national and state peer group return on asset ratios of financial institutions of similar size and characteristics as reported by the FDIC. Although the MIC Plan provides that the Banks are generally expected to achieve profitability results above the peer group average, the MIC Plan does not include specific methodology for establishing the performance target (or the margin by which the target should exceed the peer group average) and, ultimately, selection of the appropriate target is a subjective decision of the Compensation Committee. The MIC Plan also requires the Compensation Committee to establish a performance "floor" and a "cap," both of which are also expressed in terms of specific return on asset ratios. Generally, the "floor" and the "cap" are established at equal intervals under and over the performance target selected for each Bank. The "floor" represents a level of profitability sufficiently below the performance target that the Executive Officer should not be entitled to receive any portion of his deferred salary for the year. The "cap," on the other hand, establishes an upper limit on the receipt of additional compensation in the form of performance awards in situations in which the level of Bank profitability has exceeded the performance target.

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The Compensation Committee recommended, and the Board approved, the following performance criteria for each Bank for the first and second semi-annual evaluation periods during 2016 (with such criteria being expressed in terms of designated “return on assets” earnings ratios):

	<u>Floor</u>	<u>Target</u>	<u>Cap</u>
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First 6 Months of 2016	0.69%	1.09%	1.49%
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Second 6 Months of 2016	0.71%	1.11%	1.51%
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The foregoing performance criteria were established by setting the “target” return on assets ratio for each Bank at the peer group average for the relevant period and then adding an additional margin of 15 basis points. The effect of the additional margin is to boost the “target” ratio above the peer group average, meaning that the Banks must achieve a higher level of profitability, relative to the financial performance of the peer group, in order for the Executive Officers to earn all their deferred salary and become eligible for performance awards under the MIC Plan. Although the size of the additional margin has varied slightly during the past several years, the 15 basis point margin selected for 2016 was consistent with the 2015 margin and the margin generally selected on a historic basis. The increase in the performance criteria levels during the second 6 months of 2016 was due solely to an increase in the peer group average used to calculate the “target” ratio for this period.

Entitlement to deferred salary and performance awards in 2016 was determined by comparing the earnings of each Bank against the performance target. The earnings of each Bank were based on net income of the Bank as determined in accordance with generally accepted accounting principles (“GAAP”), subject to an addition to net income for the loan loss provision of each Bank (to reverse the effect of the loan loss provision deducted in calculating net income on a GAAP basis) and a deduction in the amount of the net charge-offs for the loan portfolio of each Bank.

Allocation percentage - An allocation percentage for each Executive Officer is determined by the Compensation Committee for purposes of dividing the “performance award pool” between the executive management team of each Bank and, in the case of the Company Executives, the “performance award pool” of the Company. The performance award pool provides the source for payment of performance awards to an executive management team when the profitability of a Bank has exceeded its performance target, thus resulting in the right to receive performance awards. The performance award pool is an amount equal to 10% of the amount by which the actual earnings exceed the performance target. Each member of the management team is assigned an allocation percentage which, in turn, defines the portion of the performance award pool to which the executive will be entitled as a performance award. Allocation percentages are generally determined on the basis of the level of responsibility within the Bank, with higher allocation percentages being awarded to the president of a Bank and lower allocation percentages being awarded to lower-level executive officers. Allocation percentages typically remain static over time, but may be altered as a result of additions or departures to or from the executive management team or to reflect performance.



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Total salary - Total salary (consisting of base salary and deferred salary) of an Executive Officer is established on an annual basis by the Board upon recommendation of the Compensation Committee. In establishing total salary, the Compensation Committee reviews individual performance, Bank performance in the case of a Bank Executive and Company performance (including performance of all the Banks) in the case of a Company Executive (primarily in terms of profitability ratios) as compared to peer groups both on a national and state basis. Also reviewed is a compensation survey prepared by the Iowa Bankers Association providing state-wide peer group compensation data by position for similarly-sized institutions and for institutions located in communities with similar populations. No specific weight is accorded to the various factors considered, and the total salary established is ultimately a subjective decision of the Board based upon recommendation of the Compensation Committee. The Compensation Committee does not maintain any policy or practice with respect to the level within the range of peer group salaries at which an Executive Officer will be compensated. Although the allocation of total salary between base salary and deferred salary is accomplished through use of a formula outlined in the MIC Plan, the Compensation Committee takes the proposed allocation into account when establishing total salary. Under the MIC Plan, deferred salary is determined according to a formula based on the average assets of the particular Bank (as calculated for the two quarters ended September 30 of the year prior to the year for which compensation is being determined). For 2016, the formula provided that deferred salary would be an amount equal to \$100 for each \$1 million of average assets of the Bank multiplied by the allocation percentage assigned to the Executive Officer. By way of example, if the average assets of a Bank for the previous two quarters were \$350 million and the Executive Officer's allocation percentage was 20%, the portion of that Executive Officer's total salary deferred would be equal to  $\$100 \times 350 \times .20$  or \$7,000.

For 2016, Thomas H. Pohlman, President and Chief Executive Officer of the Company, received an increase of approximately 10% in base salary, reflecting the Board's judgment that a merit increase was appropriate, and John P. Nelson, Executive Vice President and Chief Financial Officer, received an increase of approximately 8.5% in base salary, reflecting both a merit increase and an additional amount to more closely align his base salary to the compensation paid to chief financial officers employed by other Iowa financial institutions similar in asset size to the Company.

Under the MIC Plan, the entitlement to deferred salary and performance awards are reviewed and determined on a semi-annual basis, with such review comparing the actual performance during the two prior calendar quarters against the performance target established under the MIC Plan. The first semi-annual review occurs in May of each year and is based upon results for the fourth quarter of the previous year and the first quarter of the current year. A second semi-annual review occurs in November of each year and is based on results during the second and third quarters of the current year. If the review determines actual performance is below the target, the Executive Officer will receive only a portion of the deferred salary (or no deferred salary at all if actual performance is below the "floor") and no performance award. The reduction in deferred salary is determined by multiplying the Executive Officer's assigned allocation percentage times 10% of the shortfall between the performance target and actual performance for the two quarters. If the review determines actual performance has exceeded the target, the Executive Officer will receive all deferred salary to which he was eligible. In addition, the Executive Officer will receive his allocation percentage of the performance award pool established under the MIC Plan, with such pool being an amount equal to 10% of the amount by which the actual performance exceeded the performance target for the two quarters, subject to the "cap" established by the Compensation Committee over and above which additional performance awards will not be earned.



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The determination of whether an Executive Officer is entitled to deferred salary and performance award varies depends on whether the Executive Officer is a Bank Executive or a Company Executive. For Bank Executives, deferred salary and performance awards are determined solely with respect to the actual performance of the Bank by which the Bank Executive is employed based on a comparison of actual performance to the performance target as described above. In the case of a Company Executive, however, the performance of each Bank is analyzed on an individual basis and the Company Executive will earn or forfeit deferred salary and become entitled to additional performance awards based on a comparison of the actual performance of each Bank to its target performance. Under this approach, a Company Executive could forfeit a portion of his deferred salary and earn no performance award with respect to the performance of one Bank, while earning all deferred salary and additional performance awards based on the performance of another Bank.

*Participation in Company 401(k) Plan*

Each Executive Officer also receives contributions to the Company 401(k) Plan. Under the Company 401(k) Plan, an Executive Officer, along with all other eligible employees of the Company and the Banks, may defer up to the IRS limit of total compensation on an annual basis and receive a matching contribution from the Company or applicable Bank in an amount of up to 3% of total compensation (subject to a cap of \$265,000 on total compensation). An additional contribution of 3% of total compensation (which is subject to the same cap but a different vesting schedule than the 3% matching contribution) is made by the Company or applicable Bank to the account of each Executive Officer, as well as to the accounts of all other eligible employees of the Company and the Banks. All contributions are subject to certain ceilings established by applicable law.

*Bank Awards Program*

Under the Bank Awards program, all employees eligible to participate in the Company's 401(k) Plan are also eligible to receive Bank Awards based on the profitability of their employer. Profitability under the program is determined based on the formula contained in the MIC Plan (including the target return on assets ratio). Assuming the employer's profitability meets or exceeds the performance target, the resulting award pool (which is determined by the greater of 10% of the profits in excess of the target ratio or 1.5% of MIC Plan earnings) is distributed as additional cash compensation and is allocated among eligible employees (including the Executive Officers) on a pro rata basis relative to total compensation.

**Compensation Committee Procedures for 2016**

The Compensation Committee is authorized under its charter to review, determine and recommend to the Board the compensation to be paid to those members of the executive management teams of the Company and the Banks who are covered by the MIC Plan (including the Executive Officers). In particular, the Compensation Committee is authorized to review, determine and recommend to the Board those members of the executive management teams covered by the MIC Plan and the various parameters required under the terms of the MIC Plan to establish compensation for each covered executive, including performance criteria for each Bank (which are used to determine entitlement to deferred salary and performance awards), an allocation percentage for each covered executive and total salary for each covered executive (and the allocation thereof between base salary and deferred salary). Apart from the involvement of certain executive officers in the compensation process for 2016 as described below, the Compensation Committee did not delegate its responsibilities to other persons. The Compensation Committee did, however, receive and review the recommendations of the boards of directors of the Banks with respect to members of the executive management teams of the Banks covered by the MIC Plan. All decisions of the Compensation Committee were subject to ultimate approval by the Board.

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Mr. Pohlman and Mr. Nelson had significant roles in the executive compensation process for each executive covered by the MIC Plan during 2016. With respect to the executive management team of each Bank, Mr. Pohlman worked with the president of each Bank to formulate a recommendation for compensation of each member of the bank executive management team who was covered by the MIC Plan. This recommendation was made to the compensation committee of the board of directors of each Bank by which the executives were employed. The recommendation was reviewed by the Bank compensation committee and its recommendation was, in turn, forwarded to the board of directors of the Bank. Mr. Pohlman or Mr. Nelson attended meetings of both the Bank compensation committee and the Bank board of directors and presented the recommendations and acted as a resource in addressing the manner in which the recommendations were developed. With respect to members of the executive management team of the Company covered by the MIC Plan, Mr. Pohlman also made a recommendation to the Compensation Committee with respect to the various components of the compensation decisions for the executives. The Compensation Committee then took the recommendations for the Bank Executives received from the board of directors of each Bank, and the recommendations for the Company Executives, and reached decisions with respect to the compensation for each Bank Executive and Company Executive. Mr. Pohlman's compensation was also determined by the Compensation Committee, although he was not involved in making any recommendation as to his own compensation. Mr. Pohlman and Mr. Nelson were also involved in supervising the process by which the compensation materials, consisting of peer group compensation surveys, performance information for similarly-situated financial institutions and related materials were prepared for use by the compensation committee and board of directors of each Bank and by the Compensation Committee and Board in reviewing and approving all compensation decisions for members of the executive management teams covered by the MIC Plan.

**Summary Compensation Table for 2016**

The following table sets forth information concerning all forms of compensation paid to or earned by the following Executive Officers during 2016, 2015 and 2014: (i) Thomas H. Pohlman, in his capacity as principal executive officer of the Company; (ii) John P. Nelson, in his capacity as principal financial officer of the Company; and (iii) Scott T. Bauer, Jeffrey K. Putzier and Stephen C. McGill, in their capacities as the three most highly compensated Executive Officers other than the principal executive officer and principal financial officer.

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Name and Principal Position	Year	Non-Equity			Total <sup>(4)</sup>
		Incentive Plan		All Other	
		Salary <sup>(1)</sup>	Compensation <sup>(2)</sup>	Compensation <sup>(3)</sup>	
	(\$)	(\$)	(\$)	(\$)	
Thomas H. Pohlman	2016	\$337,480	\$67,341	\$22,546	\$427,367
President of the Company	2015	\$306,800	\$72,117	\$22,843	\$401,760
(Principal Executive Officer)	2014	\$287,690	\$80,590	\$24,597	\$392,877
		\$254,780			
John P. Nelson	2016	\$50,504		\$22,670	\$327,954
Executive Vice President & Secretary of the Company	2015	\$234,780	\$54,087	\$23,161	\$312,028
(Principal Financial Officer)	2014	\$214,760	\$60,443	\$24,447	\$299,650
	2016	\$196,300	\$36,862	\$19,794	\$252,956
Scott T. Bauer	2015	\$190,580	\$51,287	\$21,812	\$263,679
President of First National Bank	2014	\$184,210	\$57,209	\$22,659	\$264,078
	2016	\$154,570	\$31,284	\$22,699	\$208,553
Stephen C. McGill	2015	\$147,940	\$31,159	\$21,363	\$200,462
President of State Bank & Trust Co.	2014	\$142,090	\$30,130	\$19,765	\$191,985
	2016	\$167,520	\$17,107	\$15,974	\$200,601
Jeffrey K. Putzier	2015	\$162,830	\$14,928	\$14,881	\$192,639
President of Boone Bank & Trust Co.					

2014	\$157,800	\$17,755	\$15,470	\$191,025
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## Notes:

- (1) Amounts reported in this column represent the base salary paid to each Executive Officer during 2016, 2015 and 2014.

- Amounts reported in this column represent the total amount of incentive compensation paid to each Executive Officer during 2016, 2015 and 2014, consisting of deferred salary and, if applicable, performance awards. During 2016, Mr. Pohlman earned deferred salary of \$25,272 and performance awards of \$42,069 for total incentive compensation of \$67,341; Mr. Nelson earned deferred salary of \$18,953 and performance awards of \$31,551 for total incentive compensation of \$50,504; Mr. Bauer earned deferred salary of \$20,226 and performance awards of \$16,636 for total incentive compensation of \$36,862; Mr. McGill earned deferred salary of \$6,460 and performance awards of \$24,824 for total incentive compensation of \$31,284 and Mr. Putzier earned deferred salary of \$5,392 and performance awards of \$11,715 for total incentive compensation of \$17,107.

- Amounts reported in this column represent: (i) employer contributions by the Bank, in the case of a Bank Executive, and by the Company, in the case of a Company Executive, to the Company 401(k) Plan in which each of the Executive Officers participated during 2016, 2015 and 2014; and (ii) cash awards under the Bank Awards Program in which each of the Executive Officers participated during 2016, 2015 and 2014. During 2016, Mr. Pohlman received contributions to his 401(k) account of \$15,900 and Bank Awards of \$6,646; Mr. Nelson received contributions to his 401(k) account of \$15,900 and Bank Awards of \$6,770; Mr. Bauer received contributions to his 401(k) account of \$14,318 and Bank Awards of \$5,476; Mr. McGill received contributions to his 401(k) account of \$11,811 and Bank Awards of \$10,888 and Mr. Putzier received contributions to his 401(k) account of \$11,355 and Bank Awards of \$4,619.

- Amounts reported in this column consist of total compensation paid to each Executive Officer during 2016, 2015 and 2014, calculated by adding the figures appearing in the Salary column, the Non-Equity Incentive Plan Compensation column and the All Other Compensation column for each Executive Officer.

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The following table sets forth information concerning the incentive compensation potentially available to the Executive Officers under the MIC Plan during 2016 in the form of deferred salary and performance awards. The notes following the table indicate the amounts of deferred salary and performance awards actually earned by each Executive Officer during 2016.

Name	Estimated Payouts Under Non-Equity Incentive Plan Awards	
	Target <sup>(1)</sup>	Maximum <sup>(2)</sup>
	(\$)	(\$)
Thomas H. Pohlman	\$25,847	\$129,275
John P. Nelson	\$19,385	\$96,956
Scott T. Bauer	\$20,227	\$100,698
Stephen C. McGill	\$6,460	\$31,284
Jeffrey K. Putzier	\$5,392	\$27,377

## Notes:

- (1) Amounts reported in this column represent the deferred salary potentially available to each Executive Officer for 2016 based upon actual performance of the Bank by which a Bank Executive is employed or, in the case of a Company Executive, based on actual performance of each of the Banks. A Bank Executive would earn all of the deferred salary reported in this column in the event the actual performance of the Bank by which he is employed met its performance target for 2016. A Company Executive would earn all of the deferred salary reported in this column if the actual performance of each of the Banks met their respective performance targets for 2016. In the event a Bank did not meet its performance target during 2016, the amount of deferred salary earned by the Executive Officer was reduced based on a formula contained in the MIC Plan. For 2016, Mr. Pohlman earned \$25,272 of his

available deferred salary and Mr. Nelson earned \$18,953 of his available deferred salary. Mr. Bauer, Mr. McGill and Mr. Putzier earned all of the deferred salary available to them under the MIC Plan during 2016.

(2) Amounts reported in this column represent the sum of: (i) the deferred salary potentially available to each Executive Officer for 2016 (as reported in the Target column); and (ii) the maximum amount of performance awards potentially available to each Executive Officer for 2016 based on the actual performance of the Bank by which a Bank Executive is employed or, in the case of a Company Executive, based on the actual performance of each of the Banks. The amount of performance awards earned by each Executive Officer is determined by a formula contained in the MIC Plan that is primarily dependent upon the amount by which actual performance exceeds targeted performance for 2016, subject to a “cap” establishing a maximum award as reported in the table. For 2016, Mr. Pohlman earned performance awards of \$42,069; Mr. Nelson earned performance awards of \$31,551; Mr. Bauer earned performance awards of \$16,636; Mr. McGill earned performance awards of \$24,824 and Mr. Putzier earned performance awards of \$11,715.

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**Compensation Committee Report**

The Compensation Committee has reviewed the disclosures contained in the Compensation Discussion and Analysis and has discussed those disclosures with management of the Company. Based on its review and discussions with management, the Compensation Committee has recommended to the Board that the Compensation and Discussion and Analysis be included in this Proxy Statement and in the Annual Report on Form 10-K to be filed by the Company with the Securities and Exchange Commission.

The undersigned members of the Compensation Committee have submitted this report.

David W. Benson, Chair  
Lisa M. Eslinger  
Steven D. Forth  
James R. Larson II

**Compensation Committee Interlocks and Insider Participation**

There are no members of the Compensation Committee who were officers or employees of the Company or any of the Banks during 2016, who were previously officers or employees of the Company or the Banks, or who had any relationship otherwise requiring disclosure hereunder.

**LOANS TO DIRECTORS AND EXECUTIVE OFFICERS**

**AND RELATED PARTY TRANSACTIONS**

Certain directors, nominees for director and executive officers of the Company, their associates or members of their families, were customers of, and have had transactions with the Banks from time to time in the ordinary course of business, and additional transactions may be expected to take place in the ordinary course of business in the future. All loans and commitments included in such transactions have been made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other persons. In the opinion of management of the Company, such loan transactions do not involve more than the normal risk of

Explanation of Responses:

collectability or present other unfavorable features.

The Audit Committee is responsible for reviewing and approving any transaction involving the Company or a Bank which constitutes a “related party transaction” under rules adopted by the Securities and Exchange Commission, except that any loan made by any of the Banks in the ordinary course of business which would otherwise constitute a related party transaction is not subject to Audit Committee review if the loan is made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with non-related parties and the loan otherwise meets the requirements of Regulation O of the Federal Reserve System. Approval of a transaction constituting a related party transaction requires a determination by the Audit Committee that the transaction is “fair and reasonable” to the Company or the Bank involved in the transaction. The requirement for review and approval of related party transactions is set forth in the Audit Committee Charter.

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**REPORT OF THE AUDIT COMMITTEE**

The Audit Committee assists the Board in carrying out its oversight responsibilities for the Company's financial reporting process, audit process and its internal control over financial reporting. The Audit Committee also reviews the audited financial statements and recommends to the Board whether the financial statements should be included in the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission. The Audit Committee is comprised solely of independent directors.

The Audit Committee has reviewed and discussed the Company's audited financial statements for the year ended December 31, 2016 with management and CliftonLarsonAllen LLP, the Company's independent registered public accounting firm. The Audit Committee has also discussed with CliftonLarsonAllen LLP the matters required to be discussed by AS 1301, "Communications with Audit Committees". The Audit Committee received and reviewed the written disclosures and the letter from CliftonLarsonAllen LLP required by the applicable standards of the Public Company Accounting Oversight Board regarding the independent accountant's communications with the Audit Committee concerning independence, and discussed with CliftonLarsonAllen LLP its independence with respect to the Company. Based on the review and discussions with management and CliftonLarsonAllen LLP, the Audit Committee recommended to the Board that the audited financial statements be included in the Company's Annual Report on Form 10-K for the year ending December 31, 2016, to be filed with the Securities and Exchange Commission.

The undersigned members of the Audit Committee have submitted this report.

James R. Larson, II, Chair  
Betty A. Baudler Horras  
Lisa M. Eslinger  
Kevin L. Swartz

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CliftonLarsonAllen LLP, Certified Public Accountants, provided professional services to the Company during the year ended December 31, 2016, and has been appointed by the Audit Committee to provide professional services to the Company for the year ending December 31, 2017. A representative of CliftonLarsonAllen LLP is expected to be present at the Meeting. This representative will have the opportunity to make a statement at the Meeting and is expected to be available to respond to appropriate questions from shareholders.

The following table presents professional fees for services rendered by CliftonLarsonAllen LLP for the years ended December 31, 2016 and 2015.

	2016	2015
Audit Fees <sup>(1)</sup>	\$ 173,300	\$ 168,700
Audit-Related Fees <sup>(2)</sup>	17,200	16,600
Tax Fees <sup>(3)</sup>	19,500	23,700
Other Fees	0	0
Total	\$210,000	\$209,000

## Notes:

Audit fees consist of fees for professional services provided for the audit of the Company's annual financial (1) statements, review of the Company's quarterly financial reports on Form 10-Q and the audit of the Company's internal control over financial reporting.

(2) Audit-related fees consist of fees for an audit of financial statements of the Company 401(k) Plan.

(3) Tax fees consist of fees for tax consultation and tax compliance services for the Company and its employee benefit plans.

The Audit Committee pre-approves all audit and permissible non-audit services provided by the Company's independent registered public accounting firm and pre-approved all such services provided in 2016. The non-audit services include audit-related services, tax services and other services. The Audit Committee's policy is to pre-approve all services and fees for up to one year, which approval includes the appropriate detail with regard to each particular service and its related fees. In addition, the Audit Committee can be convened on a case-by-case basis to pre-approve any services not anticipated or services whose costs exceed the previously pre-approved amounts.

## **PROPOSALS BY SHAREHOLDERS**

In order for any proposals of shareholders pursuant to the procedures prescribed in Rule 14a-8 under the Securities Exchange Act of 1934, as amended, to be presented as an item of business at the annual meeting of shareholders to be held in 2018, the proposal must be received at the Company's principal executive offices no later than November 18, 2017. Such proposals will need to comply with the regulations of the Securities and Exchange Commission regarding the inclusion of shareholder proposals in the Company's proxy materials. Any shareholder proposal submitted outside the procedures prescribed in Rule 14a-8 shall be considered untimely under the Bylaws unless received at the Company's principal executive offices no later than November 18, 2017, and unless such proposal contains the information required by the Bylaws. Proposals should be submitted to the Company at its principal executive offices at P.O. Box 846, 405 5th Street, Ames, Iowa 50010, Attention: Secretary. A copy of the Bylaws may be obtained by contacting John P. Nelson, Executive Vice President and Secretary, at the Company's principal executive offices or by accessing the Company's website at [www.amesnational.com](http://www.amesnational.com).

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**AVAILABILITY OF FORM 10-K REPORT**

**Copies of the Company's Annual Report to the Securities and Exchange Commission (Form 10-K) including the financial statements and schedules thereto for the year ended December 31, 2016 (except for exhibits), will be mailed when available without charge to a holder of shares of the Common Stock upon written request directed to John P. Nelson, Executive Vice President and Secretary, Ames National Corporation, P.O. Box 846, 405 5th Street, Ames, Iowa 50010.**

**OTHER MATTERS**

Management of the Company knows of no matters which will be presented for consideration at the Meeting other than those stated in the Notice of Annual Meeting which is part of this Proxy Statement, nor does management intend itself to present any other business. If any other matters do properly come before the Meeting, it is intended that the persons named in the accompanying proxy will vote thereon in accordance with their judgment. The persons named in the proxy will also have the power to vote for the adjournment of the Meeting from time to time.

At the Annual Meeting of Shareholders held in 2011, the shareholders of the Company voted, on an advisory basis, to hold an advisory vote on executive compensation every three (3) years. The Board, based on the results of the shareholder advisory vote, approved the frequency of an advisory vote on executive compensation every three (3) years. The most recent advisory vote on executive compensation occurred at the Annual Meeting of Shareholder held in 2014. Consistent with the three-year schedule, shareholders are being asked to cast an advisory vote on executive compensation at the Meeting.

A copy of the Annual Report on Form 10-K for the year ended December 31, 2016, has been posted on the Company's website at [www.amesnational.com](http://www.amesnational.com), together with a copy of this Proxy Statement. Such report is not incorporated in this Proxy Statement and is not to be considered a part of the proxy soliciting material.

The Report of the Compensation Committee and the Report of the Audit Committee (including the reference to the independence of the Audit Committee members) contained herein are not being filed with the Securities and Exchange Commission and shall not be deemed incorporated by reference in any prior or future filings made by the Company under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, except to the extent the Company specifically incorporates such information by reference.



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