

Ames National Corporation
Ames, Iowa

Audit Committee Charter

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 judgement 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 whether a member of the Committee

qualifies as, and if appropriate designate, 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 annually, 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.

Responsibilities and Duties

The Audit Committee shall:

Review

- Annually review 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
- Review significant reports issued by the internal auditor

Relations with Internal and External Auditors

- The Committee, 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 independent auditor (including resolution of disagreements between management and the independent auditor regarding financial reporting) for the purpose of preparing or issuing an audit report or related work. The independent auditor shall report directly to the Committee.
- The Committee shall pre-approve all audit and any permitted non-audit services provided to the Company by the independent 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 internal controls and the fullness and accuracy of the Company's financial statements.
- Ensuring the receipt from the external auditor of a formal written statement delineating all relationships between the auditor and the Company, consistent with Independence Standards Board Standard 1.
- Engaging in a dialogue with the 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 judgements about the quality and appropriateness of the Company's accounting principles as applied in its 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 judgements made in management's preparation of the financial statements and the view of each as to appropriateness of such judgements.
- 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 Code of Ethics and Finance Code of Ethics and ensure that management has established a system to enforce these Codes.
- Review management's monitoring of compliance with the Company's Code of Ethics and Finance Code of Ethics, and ensure 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.
- 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 independent 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 all "related party transactions". The term "related party transactions" shall refer to transactions required to be disclosed pursuant to Item 404 of SEC Regulation S-K.
- 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.