AMES NATIONAL CORP
Form 10-K
March 12, 2019

Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

Annual Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the fiscal year ended December 31, 2018. Commission File Number 0-32637.

AMES NATIONAL CORPORATION

(Exact name of registrant as specified in its charter)

IOWA	**42-1039071**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
405 5TH STREET, AMES, IOWA	**50010**
(Address of principal executive offices)	(Zip Code)

(515) 232-6251

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Exchange Act: **NONE**

Securities registered pursuant to Section 12(g) of the Exchange Act:

COMMON STOCK, $2.00 PAR VALUE

(Title of Class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes__ No_X_

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes__ No_X_

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes __X__ No _____

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

Yes _X__ No ____

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [X]

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See definition of "accelerated filer, large accelerated filer, a smaller reporting company or an emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer____ Accelerated filer _X__ Non-accelerated filer ____ Smaller reporting company _X__ Emerging growth company____

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ____

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes _ No _X_

As of June 30, 2018, the aggregate market value of voting stock held by non-affiliates of the registrant, based upon the closing sale price for the registrant's common stock in the NASDAQ Capital Market, was $282,319,086. Shares of common stock beneficially owned by each executive officer and director of the Company have been excluded on the basis that such persons may be deemed to be an affiliate of the registrant. This determination of affiliate status is not necessarily a conclusive determination for any other purpose.

The number of shares outstanding of the registrant's common stock on February 28, 2019, was 9,242,822.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive proxy statement, as filed with the Securities and Exchange Commission on or about March 14, 2019, are incorporated by reference into Part III of this Form 10-K.

Table of Contents

TABLE OF CONTENTS

Table of Contents

PART I

ITEM 1. BUSINESS

General

Ames National Corporation (the "Company") is an Iowa corporation and bank holding company registered under the Bank Holding Company Act of 1956, as amended. The Company owns 100% of the stock of five banking subsidiaries consisting of two national banks and three state-chartered banks, as described below. All of the Company's operations are conducted in the State of Iowa and primarily within the central, north-central and south-central Iowa counties of Boone, Clarke, Hancock, Marshall, Polk and Story where the Company's banking subsidiaries are located. The Company does not engage in any material business activities apart from its ownership of its banking subsidiaries and the management of its own investment and loan portfolios. The principal executive offices of the Company are located at 405 5th Street, Ames, Iowa 50010. The Company's telephone number is (515) 232-6251 and website address is www.amesnational.com.

The Company was organized and incorporated on January 21, 1975 under the laws of the State of Iowa to serve as a holding company for its principal banking subsidiary, First National Bank, Ames, Iowa ("First National") located in Ames, Iowa. In 1983, the Company acquired the stock of the State Bank & Trust Co. ("State Bank") located in Nevada, Iowa; in 1991, the Company, through a newly-chartered state bank known as Boone Bank & Trust Co. ("Boone Bank"), acquired certain assets and assumed certain liabilities of the former Boone State Bank & Trust Company located in Boone, Iowa; in 1995, the Company acquired the stock of the Reliance State Bank, ("Reliance Bank") located in Story City, Iowa; and in 2002, the Company chartered and commenced operations of a new national banking organization, United Bank & Trust NA ("United Bank"), located in Marshalltown, Iowa. First National, State Bank, Boone Bank, Reliance Bank and United Bank are each operated as a wholly owned subsidiary of the Company. These five financial institutions are referred to in this Form 10-K collectively as the "Banks" and individually as a "Bank".

The principal sources of Company revenue are: (i) interest and fees earned on loans made or held by the Company and Banks; (ii) interest on investments, primarily on bonds, held by the Banks; (iii) fees on wealth management services; (iv) service charges on deposit accounts maintained at the Banks; (v) merchant and card fees; (vi) gain on the sale of loans; and (vii) securities gains. The Company's principal expenses are: (i) interest expense on deposit accounts and other borrowings; (ii) salaries and employee benefits; (iii) data processing costs primarily associated with maintaining the Banks' loan and deposit functions; (iv) occupancy expenses for maintaining the Banks' facilities; (v) professional fees; and (vi) business development. The largest component contributing to the Company's net income is net interest income, which is the difference between interest earned on earning assets (primarily loans and investments) and interest paid on interest bearing liabilities (primarily deposit accounts and other borrowings). One of management's principal functions is to manage the spread between interest earned on earning assets and interest paid on interest bearing liabilities in an effort to maximize net interest income while maintaining an appropriate level of interest rate risk.

The Banks' lending activities consist primarily of short-term and medium-term commercial and agricultural real estate loans, residential real estate loans, agricultural and business operating loans and lines of credit, equipment loans, vehicle loans, personal loans and lines of credit, home improvement loans and origination of mortgage loans for sale into the secondary market. The Banks also offer a variety of demand, savings and time deposits, cash management services, merchant credit card processing, safe deposit boxes, wire transfers, direct deposit of payroll and social security checks and automated/video teller machine access. Four of the five Banks also offer trust services, which includes wealth management services.

The Company provides various services to the Banks which include, but are not limited to, management assistance, internal auditing services, human resources services and administration, compliance management, marketing assistance and coordination, loan review, support with respect to computer systems and related procedures, financial reporting, training and the coordination of management activities.

Banking Subsidiaries

First National Bank, Ames, Iowa. First National is a nationally-chartered, commercial bank insured by the FDIC. It was organized in 1903 and became a wholly owned subsidiary of the Company in 1975 through a bank holding company reorganization whereby the then shareholders of First National exchanged all of their First National stock for stock in the Company. In 2014, First National completed the purchase of a bank with offices in West Des Moines and Johnston, Iowa. In 2018, First National completed the purchase of a bank with offices located in Osceola and Murray, Iowa (the "Clarke County Acquisition"). First National provides full-service banking to businesses and residents within the Ames community through its three Ames offices; the Greater Des Moines area through its four offices located in Ankeny, Johnston, and West Des Moines; and South Central Iowa through its three offices in Osceola and Murray. It provides a variety of products and services designed to meet the needs of the markets it serves. It has an experienced staff of bank officers including many who have spent the majority of their banking careers with First National and who emphasize long-term customer relationships.

As of December 31, 2018, First National had capital of $79,037,000 and 138 full-time equivalent employees. Full-time equivalents represent the number of people a business would employ if all its employees were employed on a full-time basis. It is calculated by dividing the total number of hours worked by all full and part-time employees by the number of hours a full-time individual would work for a given period of time. First National had net income for the years ended December 31, 2018, 2017 and 2016 of approximately $9,036,000, $7,154,000 and $7,858,000, respectively. Total assets as of December 31, 2018, 2017 and 2016 were approximately $841,750,000, $756,222,000 and $755,296,000, respectively.

State Bank & Trust Co., Nevada, Iowa. State Bank is an Iowa, state-chartered, FDIC insured commercial bank. State Bank was acquired by the Company in 1983 through a stock transaction whereby the then shareholders of State Bank exchanged all their State Bank stock for stock in the Company. State Bank was organized in 1939 and provides full-service banking to businesses and residents within the Nevada area from its Nevada location. It has a strong presence in agricultural, commercial and residential real estate lending.

As of December 31, 2018, State Bank had capital of $18,367,000 and 19 full-time equivalent employees. State Bank had net income for the years ended December 31, 2018, 2017 and 2016 of approximately $2,526,000, $1,672,000 and $2,323,000, respectively. Total assets as of December 31, 2018, 2017 and 2016 were approximately $162,974,000, $158,988,000 and $160,739,000, respectively.

Boone Bank & Trust Co., Boone, Iowa. Boone Bank is an Iowa, state-chartered, FDIC insured commercial bank. Boone Bank was organized in 1992 by the Company under a new state charter in connection with a purchase and assumption transaction whereby Boone Bank purchased certain assets and assumed certain liabilities of the former Boone State Bank & Trust Company in exchange for a cash payment. It provides full service banking to businesses and residents within the Boone community and surrounding area. It is actively engaged in agricultural, consumer and commercial lending, including real estate, operating and equipment loans. It conducts business from its main office and a full service office, both located in Boone.

As of December 31, 2018, Boone Bank had capital of $14,108,000 and 22 full-time equivalent employees. Boone Bank had net income for the years ended December 31, 2018, 2017 and 2016 of approximately $1,655,000, $1,522,000 and $1,763,000, respectively. Total assets as of December 31, 2018, 2017 and 2016 were approximately $125,631,000, $134,278,000 and $133,837,000, respectively.

Reliance State Bank, Story City, Iowa. Reliance Bank is an Iowa, state-chartered, FDIC insured commercial bank. Reliance Bank was organized in 1928. Reliance Bank was acquired by the Company in 1995 through a stock transaction whereby the then shareholders of Reliance Bank exchanged all their Reliance Bank stock for stock in the Company. In 2012, Reliance Bank completed the purchase of a bank office of Liberty Bank, F.S.B. located in Garner, Iowa. Reliance Bank provides full banking services to businesses and residents within the Story City and Garner communities and surrounding areas. While its primary emphasis is in agricultural lending, Reliance Bank also provides the traditional lending services typically offered by community banks. It conducts business from its main office located in Story City and full service office located in Garner.

As of December 31, 2018, Reliance Bank had capital of $30,221,000 and 32 full-time equivalent employees. Reliance Bank had net income for the years ended December 31, 2018, 2017 and 2016 of approximately $3,095,000, $2,515,000 and $2,779,000, respectively. Total assets as of December 31, 2018, 2017 and 2016 were approximately $226,265,000, $220,385,000 and $222,664,000, respectively.

United Bank & Trust NA, Marshalltown, Iowa. United Bank is a nationally-chartered, commercial bank insured by the FDIC. It was chartered in 2002 and offers a broad range of deposit and loan products, as well as wealth management services to customers located in the Marshalltown and surrounding Marshall County area. It conducts business from its main office and a full service office, both located in Marshalltown.

As of December 31, 2018, United Bank had capital of $13,780,000 and 20 full-time equivalent employees. United Bank had net income for the years ended December 31, 2018, 2017 and 2016 of approximately $1,082,000, $1,033,000 and $1,271,000, respectively. Total assets as of December 31, 2018, 2017 and 2016 were approximately $108,222,000, $107,848,000 and $111,226,000, respectively.

Table of Contents

Business Strategy and Operations

As a multi-bank holding company for five community banks, the Company emphasizes strong personal relationships to provide products and services that meet the needs of the Banks' customers. The Company seeks to achieve growth and maintain a strong return on equity. To accomplish these goals, the Banks focus on small-to-medium size businesses that traditionally wish to develop an exclusive relationship with a single bank. The Banks, individually and collectively, have the size to give the personal attention required by business owners, in addition to the credit expertise to help businesses meet their goals.

The Banks offer a full range of deposit services that are typically available in most financial institutions, including checking accounts, savings accounts and time deposits of various types, ranging from money market accounts to longer-term certificates of deposit. One major goal in developing the Banks' product mix is to keep the product offerings as simple as possible, both in terms of the number of products and the features and benefits of the individual services. The transaction accounts and time certificates are tailored to each Bank's principal market area at rates competitive in that Bank's market. In addition, retirement accounts such as IRAs (Individual Retirement Accounts) are available. The FDIC insures all deposit accounts up to the maximum amount. The Banks solicit these accounts from small-to-medium sized businesses in their respective primary trade areas, and from individuals who live and/or work within these areas. No material portion of the Banks' deposits has been obtained from a single person or from a few persons. Therefore, the Company does not believe that the loss of the deposits of any person or of a few persons would have an adverse effect on the Banks' operations or erode their deposit base.

Loans are provided to creditworthy borrowers regardless of their race, color, national origin, religion, sex, age, marital status, disability, receipt of public assistance or any other basis prohibited by law. The Banks intend to fulfill this commitment while maintaining prudent credit standards. In the course of fulfilling this obligation to meet the credit needs of the communities which they serve, the Banks give consideration to each credit application regardless of the fact that the applicant may reside in a low to moderate income neighborhood, and without regard to the geographic location of the residence, property or business within their market areas.

The Banks provide innovative, quality financial services, such as: Online Management, Mobile Banking, Private Banking and Wealth Management that meet the evolving banking needs of their customers and communities. The loan programs and acceptance of certain loans may vary from time-to-time depending on the funds available and regulations governing the banking industry. The Banks offer all basic types of credit to their local communities and surrounding rural areas, including commercial, agricultural and consumer loans. The types of loans within these categories are as follows:

Commercial Loans. Commercial loans are typically made to sole proprietors, partnerships, corporations, limited liability companies and other business entities including municipalities where the loan is to be used primarily for business purposes. These loans are typically secured by assets owned by the borrower and often times involve personal guarantees given by the owners of the business. Approximately 53% of the loan portfolio consists of loans made for commercial purposes.

The types of loans the Banks offer include:

- operating and working capital loans
- loans to finance equipment and other capital purchases
- commercial real estate loans
- business lines of credit
- term loans
- loans to professionals
- financing guaranteed under Small Business Administration programs
- letters of credit

Agricultural Loans. The Banks, by virtue of their location in central, north-central and south-central Iowa, are directly and indirectly involved in agriculture and agri-business lending. This includes short-term seasonal lending associated with cyclical crop and livestock production, intermediate term lending for machinery, equipment and breeding stock acquisition and long-term real estate lending. These loans are typically secured by the crops, livestock, equipment or real estate being financed. The basic tenets of the Banks' agricultural lending philosophy are strong, positive cash flows, adequate collateral positions, and sufficient liquidity to withstand short-term negative impacts if necessary. Applicable governmental subsidies and affiliated programs are utilized if warranted to accomplish these parameters. Approximately 21% of the loan portfolio consists of loans made for agricultural purposes.

Table of Contents

Consumer Loans. Consumer loans are typically available to finance home improvements and consumer purchases, such as automobiles, household furnishings and boats. These loans are made on both a secured and an unsecured basis. Approximately 2% of the loan portfolio consists of loans made for consumer purposes. The following types of consumer loans are available:

automobiles and trucks
boats and recreational vehicles
personal loans and lines of credit
home equity lines of credit
home improvement and rehabilitation loans
consumer real estate loans

Other types of credit programs, such as loans to nonprofit organizations, to public entities, for community development and to other governmental programs also are available.

First National, Boone Bank, State Bank and United Bank offer wealth management services typically found in a commercial bank with trust powers, including the administration of estates, conservatorships, personal and corporate trusts and agency accounts. Assets under management amount to $271.7 million and $222.8 million as of December 31, 2018 and 2017, respectively. The Banks also provide farm management, investment and custodial services for individuals, businesses and non-profit organizations.

The Banks earn income from the origination of residential mortgages that are sold in the secondary real estate market without retaining the mortgage servicing rights.

The Banks offer traditional banking services, such as safe deposit boxes, wire transfers, direct deposit of payroll and social security checks, automated/video teller machine access and automatic drafts (ACH) for various accounts.

Lending Credit Management

The Company strives to achieve sound credit risk management. In order to achieve this goal, the Company has established uniform credit policies and underwriting criteria for the Banks’ loan portfolios. The Banks diversify in the types of loans offered and are subject to regular credit examinations, annual internal audits and annual review of large loans, as well as quarterly reviews of loans experiencing deterioration in credit quality. The Company attempts to identify potential problem loans early, charge off loans promptly and maintain an adequate allowance for loan losses. The Company has established credit guidelines for the Banks’ lending portfolios which include guidelines relating to the more commonly requested loan types, as follows:

Commercial Real Estate Loans - Commercial real estate loans, including agricultural real estate loans, are normally based on loan to appraisal value ratios of not to exceed 80% and secured by a first priority lien position. Loans are typically subject to interest rate adjustments no less frequently than 5 years from origination. Fully amortized monthly repayment terms normally do not exceed twenty five years. Projections and cash flows that show ability to service debt within the amortization period are required. Property and casualty insurance is required to protect the Banks' collateral interests. Commercial and agricultural real estate loans represent approximately 55% of the loan portfolio. Major risk factors for commercial real estate loans, as well as the other loan types described below, include a geographic concentration in central Iowa; the dependence of the local economy upon several large governmental entities, including Iowa State University and the Iowa Department of Transportation; and the health of Iowa's agricultural sector that is heavily dependent on commodity prices, weather conditions, government programs and trade policies.

Commercial and Agricultural Operating Lines - These loans are typically made to businesses and farm operations with terms up to twelve months. The credit needs are generally seasonal with the source of repayment coming from the entity's normal business cycle. Cash flow reviews are completed to establish the ability to service the debt within the terms of the loan. A first priority lien on the general assets of the business normally secures these types of loans. Loan-to-value limits vary and are dependent upon the nature and type of the underlying collateral and the financial strength of the borrower. Crop and hail insurance is required for most agricultural borrowers. Loans are generally guaranteed by the principal(s).

Commercial and Agricultural Term Loans – These loans are made to businesses and farm operations to finance equipment, breeding stock and other capital expenditures. Terms are generally the lesser of five years or the useful life of the asset. Term loans are normally secured by the asset being financed and are often additionally secured with the general assets of the business. Loan to value is generally 75% of the cost or value of the assets. Loans are normally guaranteed by the principal(s). Commercial and agricultural operating and term loans represent approximately 19% of the loan portfolio.

Residential First Mortgage Loans – Proceeds of these loans are used to buy or refinance the purchase of residential real estate with the loan secured by a first lien on the real estate. Most of the residential mortgage loans originated by the Banks (including servicing rights) are sold in the secondary mortgage market due to the higher interest rate risk inherent in the 15 and 30 year fixed rate terms consumers prefer. Loans that are originated and not sold in the secondary market generally have fixed rates of up to fifteen years. The maximum amortization of first mortgage residential real estate loans is 30 years. The loan-to-value ratios normally do not exceed 90% without credit enhancements such as mortgage insurance. Property insurance is required on all loans to protect the Banks' collateral position. Loans secured by one to four family residential properties, home equity term loans and home equity lines of credit represent approximately 19% of the loan portfolio.

Table of Contents

Home Equity Term Loans – These loans are normally for the purpose of home improvement or other consumer purposes and are secured by a junior mortgage on residential real estate. Loan-to-value ratios normally do not exceed 90% of market value.

Home Equity Lines of Credit - The Banks offer a home equity line of credit generally with a maximum term of 60 months. These loans are secured by a junior mortgage on the residential real estate and normally do not exceed a loan-to-market value ratio of 90% with the interest adjusted quarterly.

Consumer Loans – Consumer loans are normally made to consumers under the following guidelines. Automobiles - loans on new and used automobiles generally will not exceed 90% and 75% of the value, respectively. Recreational vehicles and boats will not exceed 90% and 66% of the value, respectively. Each of these loans is secured by a first priority lien on the assets and requires insurance to protect the Banks' collateral position. Unsecured - The term for unsecured loans generally does not exceed 12 months. Consumer and other loans represent approximately 2% of the loan portfolio.

Investments available-for-sale

The investment policy of the Company generally is to invest funds among various categories of investments and maturities based upon the Company's need for liquidity, to achieve the proper balance between its desire to minimize risk and maximize yield, and to fulfill the Company's asset/liability management policies. The Company's investment portfolios are managed in accordance with a written investment policy adopted by the Board of Directors. It is the Company's general policy to purchase investment securities which are U.S. Government securities, U.S. government agency, state and local government obligations, corporate debt securities and overnight federal funds.

Employees

At December 31, 2018, the Banks had a total of 231 full-time equivalent employees and the Company had an additional 14 full-time employees. The Company and Banks provide their employees with a comprehensive program of benefits, including comprehensive medical, vision and dental plans, long-term and short-term disability coverage, and a 401(k) profit sharing plan. Management considers its relations with employees to be satisfactory. Unions represent none of the employees.

Market Area

The Company operates five commercial banks with locations in Boone, Clarke, Hancock, Marshall, Polk and Story Counties in central, north-central and south-central Iowa that all offer a full line of business and consumer loan and retail and commercial deposit services. All banks, but Reliance State, offer trust services, which include wealth management services.

First National is headquartered in Ames, Iowa with a population of 65,005. The major employers are Iowa State University, National Center for Animal Health, Iowa Department of Transportation, Mary Greeley Medical Center, Ames Community Schools, City of Ames, Danfoss and McFarland Clinic. First National maintains four offices in the Des Moines metro area with a population of approximately 682,000. The major employers in the Des Moines metro market are State of Iowa, Principal Financial Group, Wells Fargo, UnityPoint Health, Mercy Medical Center, Nationwide Insurance, Corteva Agriscience, Hy-Vee Food Corp and John Deere. First National maintains three offices in Clarke County Iowa with a population of approximately 9,309. Osceola is the county seat of Clarke county. The major employers in Clarke County are Hormel Foods, Miller Products Co., SIMCO Drilling Equipment, Inc., Clarke County Hospital, Paul Mueller Company and Boyt Harness Company. First National has a small exposure to agricultural lending.

Boone Bank is located in Boone, Iowa with a population of 12,538. Boone is the county seat of Boone County. The major employers are Fareway Stores, Inc., Iowa National Guard, Union Pacific Railroad, Boone County Hospital and Communication Data Services. Boone Bank provides lending services to the agriculture, commercial and real estate markets.

State Bank is located in Nevada, Iowa with a population of 6,790. Nevada is the county seat of Story County. The major employers are Story County Medical Center, Mid-American Manufacturing, Mid-States Millwright & Builders, Inc., Burke Corporation and Almaco. State Bank provides various types of loans with a major agricultural presence.

Table of Contents

Reliance Bank is headquartered in Story City, Iowa with a population of 3,412. The major employers in the Story City area are Bethany Manor, American Packaging, M.H. Eby, Inc. and Record Printing. The Bank also maintains an office in Garner, Iowa with a population of 3,080. Garner is the county seat of Hancock County. The major employers in the Garner area are Iowa Mold & Tooling and Stellar Industries. All locations are in agricultural areas and the Bank has a strong presence in this type of lending.

United Bank is located in Marshalltown, Iowa with a population of 27,440. The major employers are Iowa Veterans Home, Marshalltown School District, JBS Swift & Co., Emerson Process Management/Fisher Division, Lennox Industries and UnityPoint Health. Marshalltown is the county seat of Marshall County. Loan services include primarily commercial and consumer types of credit including operating lines, equipment loans, automobile financing and real estate loans.

Competition

The geographic market area served by the Banks is highly competitive with respect to both loans and deposits. The Banks compete principally with other commercial banks, savings and loan associations, credit unions, mortgage companies, finance divisions of auto and farm equipment companies, agricultural suppliers and other financial service providers. Some of these competitors are local, while others are statewide or nationwide. The major commercial bank competitors include Great Western Bank, U.S. Bank National Association and Wells Fargo Bank, each of which maintains an office or offices within the Banks’ primary central Iowa trade areas. Among the advantages such larger banks have are their ability to finance extensive advertising campaigns and to allocate their investment assets to geographic regions of higher yield and demand. These larger banking organizations have much higher legal lending limits than the Banks and thus are better able to finance large regional, national and global commercial customers.

In order to compete with the other financial institutions in their primary trade areas, the Banks use, to the fullest extent possible, the flexibility which is accorded by independent status. This includes an emphasis on specialized services, local promotional activity and personal contacts by the Banks' officers, directors and employees. In particular, the Banks compete for deposits principally by offering depositors a wide variety of deposit programs, convenient office locations, hours and other services. The Banks compete for loans primarily by offering competitive interest rates, experienced local lending personnel and quality products and services.

As of December 31, 2018, there were 46 FDIC insured institutions having approximately 110 locations within Boone, Clarke, Hancock, Marshall, Polk and Story County, Iowa where the Banks' offices are located. First National, State Bank and Reliance Bank together have the largest percentage of deposits in Story County.

The Banks also compete with the financial markets for funds. Yields on corporate and government debt securities and commercial paper affect the ability of commercial banks to attract and hold deposits. Commercial banks also compete for funds with equity, money market, and insurance products offered by brokerage and insurance companies. This competitive trend will likely continue in the future.

The Company anticipates bank competition will continue to change materially over the next several years as more financial institutions, including the major regional and national banks, continue to consolidate. Credit unions, which are not subject to income taxes, have a significant competitive advantage and provide additional competition in the Company's local markets.

Supervision and Regulation

The following discussion refers to certain statutes and regulations affecting the banking industry in general. These references provide brief summaries and therefore do not purport to be complete and are qualified in their entirety by reference to those statutes and regulations. In addition, due to the numerous statutes and regulations that apply to and regulate the banking industry, many are not referenced below.

Dodd-Frank Wall Street Reform and Consumer Protection Act of *2010 ("the Dodd-Frank Act").* Pursuant to the Dodd-Frank Act, the Banks are subject to regulations promulgated by the consumer protection bureau housed within the Federal Reserve, known as the Bureau of Consumer Financial Protection (the "Bureau" or "BCFP"). The Bureau promulgates rules and orders with respect to consumer financial products and services and has substantial power to define the rights of consumers and responsibilities of lending institutions, such as the Banks. The Bureau will not, however, examine or supervise the Banks for compliance with such regulations; rather, enforcement authority will remain with the Banks' primary federal regulator although the Banks may be required to submit reports or other materials to the Bureau upon its request.

The Company and the Banks are subject to extensive federal and state regulation and supervision. Regulation and supervision of financial institutions is primarily intended to protect depositors and the FDIC rather than shareholders of the Company. The laws and regulations affecting banks and bank holding companies have changed significantly over recent years. There is reason to expect that similar changes may continue in the future. Any change in applicable laws, regulations or regulatory policies may have a material effect on the business, operations and prospects of the Company. The Company is unable to predict the nature or the extent of the effects on its business and earnings that any fiscal or monetary policies or new federal or state legislation may have in the future.

Table of Contents

The Company

The Company is a bank holding company by virtue of its ownership of the Banks, and is registered as such with the Board of Governors of the Federal Reserve System (the "Federal Reserve"). The Company is subject to regulation under the Bank Holding Company Act of 1956, as amended (the "BHCA"), which subjects the Company and the Banks to supervision and examination by the Federal Reserve. Under the BHCA, the Company files with the Federal Reserve annual reports of its operations and such additional information as the Federal Reserve may require.

Source of Strength to the Banks. The Federal Reserve takes the position that a bank holding company is required to serve as a source of financial and managerial strength to its subsidiary banks and may not conduct its operations in an unsafe or unsound manner. In addition, it is the Federal Reserve's position that in serving as a source of strength to its subsidiary banks, bank holding companies should use available resources to provide adequate capital funds to its subsidiary banks during periods of financial stress or adversity. It should also maintain the financial flexibility and capital raising capacity to obtain additional resources for providing assistance to its subsidiary banks. A bank holding company's failure to meet its obligation or to serve as a source of strength to its subsidiary banks, will generally be considered by the Federal Reserve to be an unsafe and unsound banking practice, or a violation of the Federal Reserve's regulations, or both.

Federal Reserve Approval. Bank holding companies must obtain the approval of the Federal Reserve before they: (i) acquire direct or indirect ownership or control of any voting stock of any bank if, after such acquisition, they would own or control, directly or indirectly, more than 5% of the voting stock of such bank; (ii) merge or consolidate with another bank holding company; or (iii) acquire substantially all of the assets of any additional banks.

Non-Banking Activities. With certain exceptions, the BHCA also prohibits bank holding companies from acquiring direct or indirect ownership or control of voting stock in any company other than a bank or a bank holding company unless the Federal Reserve finds the company's business to be incidental to the business of banking. When making this determination, the Federal Reserve in part considers whether allowing a bank holding company to engage in those activities would offer advantages to the public that would outweigh possible adverse effects. A bank holding company may engage in permissible non-banking activities on a de novo basis, if the holding company meets certain criteria and notifies the Federal Reserve within ten (10) business days after the activity has commenced.

Financial Holding Company. Under the Financial Services Modernization Act, eligible bank holding companies may elect (with the approval of the Federal Reserve) to become a "financial holding company." Financial holding companies are permitted to engage in certain financial activities through affiliates that had previously been prohibited activities for bank holding companies. Such financial activities include securities and insurance underwriting and merchant banking. At this time, the Company has not elected to become a financial holding company, but may choose to do so at some time in the future.

Control Transactions. The Change in Bank Control Act of 1978, as amended, requires a person or group of persons acquiring "control" of a bank holding company to provide the Federal Reserve with at least 60 days prior written notice of the proposed acquisition. Following receipt of this notice, the Federal Reserve has 60 days to issue a notice disapproving the proposed acquisition, but the Federal Reserve may extend this time period for up to another 30 days. An acquisition may be completed before the disapproval period expires if the Federal Reserve issues written notice of its intent not to disapprove the action. Under a rebuttable presumption established by the Federal Reserve, the acquisition of 10% or more of a class of voting stock of a bank holding company with a class of securities registered under Section 12 of the Securities Exchange Act of 1934, as amended, would constitute the acquisition of control. In addition, any "company" would be required to obtain the approval of the Federal Reserve under the BHCA before acquiring 25% (or 5% if the "company" is a bank holding company) or more of the outstanding shares of the Company, or otherwise obtain control over the Company.

Affiliate Transactions. The Company and the Banks are deemed affiliates within the meaning of the Federal Reserve Act, and transactions between affiliates are subject to certain restrictions. Generally, the Federal Reserve Act: (i) limits the extent to which the financial institution or its subsidiaries may engage in "covered transactions" with an affiliate; and (ii) requires all transactions with an affiliate, whether or not "covered transactions," to be on terms substantially the same, or at least as favorable to the institution or subsidiary, as those provided to a non-affiliate. The term "covered transaction" includes the making of loans, purchase of assets, issuance of a guarantee and similar transactions.

State Law on Acquisitions. Iowa law permits bank holding companies to make acquisitions throughout the state. However, Iowa currently has a deposit concentration limit of 15% on the amount of deposits in the state that any one banking organization can control and continue to acquire banks or bank deposits (by acquisitions), which applies to all depository institutions doing business in Iowa.

Table of Contents

Banking Subsidiaries

Applicable federal and state statutes and regulations governing a bank's operations relate, among other matters, to capital adequacy requirements, required reserves against deposits, investments, loans, legal lending limits, certain interest rates payable, mergers and consolidations, borrowings, issuance of securities, payment of dividends, establishment of branches and dealings with affiliated persons.

First National and United Bank are national banks subject to primary federal regulation and supervision by the Office of Comptroller of the Currency ("OCC"). The FDIC, as an insurer of the deposits to the maximum extent permitted by law, also has some limited regulatory authority over First National and United Bank. State Bank, Boone Bank and Reliance Bank are state banks subject to regulation and supervision by the Iowa Division of Banking. The three state Banks are also subject to regulation and examination by the FDIC, which insures their respective deposits to the maximum extent permitted by law. The federal laws that apply to the Banks regulate, among other things, the scope of their business, their investments, their reserves against deposits, the timing of the availability of deposited funds and the nature and amount of and collateral for loans. The laws and regulations governing the Banks generally have been promulgated to protect depositors and the deposit insurance fund of the FDIC and not to protect stockholders of such institutions or their holding companies.

The OCC and FDIC each have authority to prohibit banks under their supervision from engaging in what it considers to be an unsafe and unsound practice in conducting their business. The Federal Deposit Insurance Corporation Improvement Act of 1991 ("FDICIA") requires federal banking regulators to adopt regulations or guidelines in a number of areas to ensure bank safety and soundness, including internal controls, credit underwriting, asset growth, management compensation, ratios of classified assets to capital and earnings. FDICIA also contains provisions which are intended to change independent auditing requirements, restrict the activities of state-chartered insured banks, amend various consumer banking laws, limit the ability of "undercapitalized banks" to borrow from the Federal Reserve's discount window, require regulators to perform periodic on-site bank examinations and set standards for real estate lending.

Borrowing Limitations. Each of the Banks is subject to limitations on the aggregate amount of loans that it can make to any one borrower, including related entities. Subject to numerous exceptions based on the type of loans and collateral, applicable statutes and regulations generally limit loans to one borrower of 15% of total equity and reserves. Each of the Banks is in compliance with applicable loans to one borrower requirements.

FDIC Insurance. The deposit insurance coverage limit is $250,000 per depositor, per insured depository institution for each account ownership category. The FDIC has adopted a risk-based insurance assessment system under which depository institutions contribute funds to the FDIC insurance fund based on their risk classification. The FDIC may terminate the deposit insurance of any insured depository institution if it determines after an administrative hearing that the institution has engaged or is engaging in unsafe or unsound practices, is in an unsafe or unsound condition to continue operations or has violated any applicable law.

Capital Adequacy Requirements. The Federal Reserve, the FDIC and the OCC (collectively, the "Agencies") have adopted risk-based capital guidelines for banks and bank holding companies that are designed to make regulatory capital requirements more sensitive to differences in risk profiles among banks and bank holding companies and account for off-balance sheet items. Failure to achieve and maintain adequate capital levels may give rise to supervisory action through the issuance of a capital directive to ensure the maintenance of required capital levels. Each of the Banks is in compliance with applicable risk-based capital level requirements as of December 31, 2018.

Basel III Capital Requirements. In July, 2013, the Agencies, approved final rules (the “Basel III Capital Rules”) establishing a new comprehensive capital framework for U.S. banking organizations. The Basel III Capital Rules generally implement the Basel Committee on Banking Supervision’s (the “Basel Committee”) December 2010 final capital framework referred to as “Basel III” for strengthening international capital standards. The Basel III Capital Rules revise the definitions and the components of regulatory capital, as well as address other issues affecting the numerator in banking institutions’ regulatory capital ratios. The Basel III Capital Rules also address asset risk weights and other matters affecting the denominator in banking institutions’ regulatory capital ratios and replace the existing general risk-weighting approach, which was derived from the Basel Committee’s 1988 “Basel I” capital accords, with a more risk-sensitive approach based, in part, on the “standardized approach” in the Basel Committee’s 2004 “Basel II” capital accords. In addition, the Basel III Capital Rules implement certain provisions of the Dodd-Frank Act, including the requirements of Section 939A to remove references to credit ratings from the federal agencies’ rules. The Basel III Capital Rules were effective for the Company and Banks on January 1, 2015, subject to phase-in periods for certain of their components and other provisions.

Table of Contents

Among other matters, the Basel III Capital Rules: (i) introduce a new capital measure called "Common Equity Tier 1" ("CET1") and related regulatory capital ratio of CET1 to risk-weighted assets; (ii) specify that Tier 1 capital consists of CET1 and "Additional Tier 1 capital" instruments meeting certain revised requirements; (iii) mandate that most deductions/adjustments to regulatory capital measures be made to CET1 and not to the other components of capital; and (iv) expand the scope of the deductions from and adjustments to capital as compared to existing regulations. Under the Basel III Capital Rules, for most banking organizations, the most common form of Additional Tier 1 capital is non-cumulative perpetual preferred stock and the most common form of Tier 2 capital is subordinated notes and a portion of the allowance for loan and lease losses, in each case, subject to the Basel III Capital Rules' specific requirements.

Pursuant to the Basel III Capital Rules, the Company and Banks are subject to new regulatory capital adequacy requirements promulgated by the Federal Reserve and the OCC. Failure by the Company or Bank to meet minimum capital requirements could result in certain mandatory and discretionary actions by the regulators that could have a material adverse effect on the Company's consolidated financial statements. Under the capital requirements and the regulatory framework for prompt corrective action, the Company and Banks must meet specific capital guidelines that involve quantitative measures of the Company and Banks' assets, liabilities and certain off-balance-sheet items as calculated under regulatory accounting practices. The Company's and Banks' capital amounts and classifications are also subject to qualitative judgments by regulators about components, risk weightings and other factors.

The Basel III Capital Rules provide for a number of deductions from and adjustments to CET1. These include, for example, the requirement that deferred tax assets arising from temporary differences that could not be realized through net operating loss carrybacks and significant investments in non-consolidated financial entities be deducted from CET1 to the extent that any one such category exceeds 10% of CET1 or all such items, in the aggregate, exceed 15% of CET1. See Note 15 to the "Notes to Consolidated Financial Statements," which is included in Part II, Item 8 "Financial Statements and Supplementary Data" of this Annual Report on Form 10-K.

Pursuant to the Basel III Capital Rules, the effects of certain accumulated other comprehensive income or loss ("AOCI") items are not excluded; however, the Company and Banks, made a one-time permanent election to continue to exclude these items. This election was made concurrently with the first filing of certain of the Company and Banks' periodic regulatory reports in the beginning of 2015 in order to avoid significant variations in the level of capital depending upon the impact of interest rate fluctuations on the fair value of their securities portfolio. The Basel III Capital Rules also preclude certain hybrid securities, such as trust preferred securities issued prior to May 19, 2010, from inclusion in Tier 1 capital, subject to grandfathering in the case of companies, such as us, that had less than $15 billion in total consolidated assets as of December 31, 2009.

Implementation of the deductions and other adjustments to CET1 began on January 1, 2015, and will be phased in over a four-year period (beginning at 40% on January 1, 2015, and an additional 20% per year thereafter). The implementation of the capital conservation buffer began on January 1, 2016, at the 0.625% level and increases by 0.625% on each subsequent January 1, until it reaches 2.5% on January 1, 2019.

With respect to the Banks, the Basel III Capital Rules revise the Prompt Corrective Action ("PCA") regulations adopted pursuant to Section 38 of the Federal Deposit Insurance Act, by: (i) introducing a CET1 ratio requirement at each PCA category (other than critically undercapitalized), with the required CET1 ratio being 6.5% for well-capitalized status; (ii) increasing the minimum Tier 1 capital ratio requirement for each category, with the minimum Tier 1 capital ratio for well-capitalized status being 8%; and (iii) eliminating the provision that provides that a bank with a composite supervisory rating of 1 may have a 3% leverage ratio and still be adequately capitalized. The Basel III Capital Rules do not change the total risk-based capital requirement for any PCA category.

The Basel III Capital Rules prescribe a standardized approach for risk weightings for a large and risk-sensitive number of categories, depending on the nature of the assets, generally ranging from 0% for U.S. Government and agency securities, to 600% for certain equity exposures, and resulting in high-risk weights for a variety of asset classes.

Should the Company or Banks not meet the requirements of the Basel III Capital Rules, the Company and Banks would be subject to adverse regulatory action by their regulators, which action could result in material adverse consequences for the Company, Banks, and Company shareholders.

As of December 31, 2018, the Banks exceeded all of their regulatory capital requirements and were designated as "well-capitalized" under federal guidelines. See Note 15 to the "Notes to Consolidated Financial Statements," which is included in Part II, Item 8 "Financial Statements and Supplementary Data" of this Annual Report on Form 10-K.

As a result of the recently enacted Economic Growth, Regulatory Relief, and Consumer Protection Act, the federal banking agencies are required to develop a "Community Bank Leverage Ratio" (the ratio of a bank's tangible equity capital to average total consolidated assets) for financial institutions with assets of less than $10 billion. A "qualifying community bank" that exceeds this ratio will be deemed to be in compliance with all other capital and leverage requirements, including the capital requirements to be considered "well capitalized" under Prompt Corrective Action statutes. The federal banking agencies may consider a financial institution's risk profile when evaluating whether it qualifies as a community bank for purposes of the capital ratio requirement. The federal banking agencies must set the minimum capital for the new Community Bank Leverage Ratio at not less than 8% and not more than 10%. A financial institution can elect to be subject to this new definition.

Table of Contents

Prompt Corrective Action. Regulations adopted by the Agencies impose even more stringent capital requirements under prompt corrective action. The FDIC and other Agencies must take certain "prompt corrective action" when a bank fails to meet capital requirements. The regulations establish and define five capital levels: (i) "well-capitalized," (ii) "adequately capitalized," (iii) "undercapitalized," (iv) "significantly undercapitalized" and (v) "critically undercapitalized." Increasingly severe restrictions are imposed on the payment of dividends and management fees, assees the independence requirements of the NASDAQ Stock Market. To our knowledge, none of the independent directors has any direct or indirect relationships with our Company or its subsidiaries and affiliates, other than serving as a director.

All members of the Audit, Compensation and Corporate Governance and Nominating Committees must be independent as defined by the Board’s Director Independence Standards. Members of the Audit Committee must also satisfy additional Securities and Exchange Commission ("SEC") independence requirements, which provide that they may not accept, directly or indirectly, any consulting, advisory or other compensatory fees from UEI or any of its subsidiaries other than their director compensation.

Leadership Structure

Combined Chairman and Chief Executive Officer. The Board’s current leadership structure is characterized by:

•a combined Chairman of the Board and CEO;
•a robust Committee structure with oversight of various types of risks; and
•engaged independent Board members.

Mr. Arling has served as our Chairman and Chief Executive Officer since July 2001. The Board believes that combining the roles of CEO and Chairman contributes to an efficient and effective Board. The CEO, with his in-depth knowledge and understanding of the Company, is best able to chair regular Board meetings by bringing key business issues and stockholder interests to the Board’s attention. In addition, the Board believes that combining these roles maximizes our CEO’s effectiveness. Within the Company, the CEO is primarily responsible for effectively leading significant change, improving operational efficiency, driving growth, managing the Company’s day-to-day business, managing the various risks facing the Company, and reinforcing the

4

expectation for all employees of uncompromising honesty and integrity. Our Board believes that combining the roles of CEO and Chairman gives management clarity of leadership. Because of this, management knows that when the CEO is speaking, it is with the voice of the Board and not merely that of an executive officer. Coupled with our independent directors, this combined structure provides independent oversight while avoiding unnecessary confusion regarding the Board's oversight responsibilities and the day-to-day management of business operations.

Other Leadership Components. Another key component of our leadership structure is our strong governance practices to ensure that the Board effectively carries out its responsibility for the oversight of management. All directors, with the exception of our Chairman, are independent, and all committees are made up entirely of independent directors. We do not have a lead independent director. Non-management directors meet in regularly scheduled executive sessions at the end of every regularly scheduled board meeting. The non-management directors may schedule additional executive sessions as appropriate. Members of management do not attend these executive sessions. The Board has full access to our management team at all times. In addition, the Board or any committee may retain, at such times and on such terms as determined by the Board or committee in its sole discretion, independent legal, financial and other consultants and advisors to advise and assist the Board or committee in discharging its oversight responsibilities.

Risk Management

Management is responsible for assessing and managing UEI's exposure to various risks while the Board of Directors has responsibility for the oversight of risk management. Management has an enterprise risk management process to identify, assess and manage the most significant risks facing UEI, including financial, strategic, operational, litigation, compliance and reputational risks.

The Audit Committee has oversight responsibility to review management's risk management process, including the policies and guidelines used by management to identify, assess and manage UEI's exposure to risk. The Audit Committee also has oversight responsibility for financial risks. The Board has oversight responsibility for all other risks. Management reviews financial risks with the Audit Committee at least quarterly and reviews its risk management process with the Audit Committee on an ongoing basis. Management reviews various significant risks with the Board throughout the year, as necessary and/or appropriate, and conducts a formal review of its assessment and management of the most significant risks with the Board on an annual basis.

Our Internal Auditor ("Auditor"), whose appointment and performance is reviewed and evaluated by the Audit Committee and who has direct access to the Committee, is responsible for leading the formal risk assessment and management process within the Company. The Auditor, through consultation with the Company's senior management, periodically assesses the major risks facing the Company and works with those executives responsible for managing each specific risk. The Auditor periodically reviews with the Audit Committee the major risks facing the Company and the steps management has taken to monitor and mitigate those risks. The Auditor's risk management report, which is provided in advance of the meetings, is reviewed by the entire Audit Committee. The executive responsible for managing a particular risk may also report to the Audit Committee or full Board on how the risk is being managed and mitigated.

Management's role to identify, assess and manage risk, and the Board's role in risk oversight, have been well defined for many years. The Board's role in risk oversight has had no significant effect on the Board's leadership structure. However, we believe that the Board's leadership structure, with Mr. Arling serving as Chairman and Chief Executive Officer, enhances the Board's effectiveness in risk oversight due to Mr. Arling's extensive knowledge of the Company's operations and the industries in which we conduct business.

In addition, the Board has delegated to other committees the oversight of risks within their areas of responsibility and expertise. For example, the Compensation Committee oversees the risks associated with the Company's compensation practices, including a periodic review of the Company's compensation policies and practices for its employees. The Corporate Governance and Nominating Committee oversees the risks associated with the Company's overall governance and its succession planning process to understand that the Company has a slate of future, qualified candidates for key management positions.

Communications with Directors

The Board has adopted a process by which stockholders and other interested parties may communicate with the Board, certain committee chairs or the non-management directors as a group by e-mail or regular mail. That process is described on the Corporate Governance page of our website at www.uei.com. Any communication by regular mail should be sent to Universal Electronics Inc., 201 E. Sandpointe Avenue, 8th Floor, Santa Ana, California 92707, to the attention, as applicable, of the (i) Chair, Board of Directors; (ii) Chair, Audit Committee; (iii) Chair, Compensation Committee; (iv) Chair, Corporate Governance and Nominating Committee; or (v) the Non-Management Directors.

Table of Contents

Concerns relating to accounting, internal control or auditing matters may be submitted by writing to Chair, Audit Committee, Universal Electronics Inc., 201 E. Sandpointe Avenue, 8th Floor, Santa Ana, California 92707. All correspondence will be handled in accordance with procedures established by the Audit Committee with respect to these matters.

Additionally, at the direction of the Board of Directors, management has established an "Ethics Line" to assist our employees in complying with their ethical and legal obligations and reporting suspected violations of applicable laws, policies or procedures. The Ethics Line is operated by Ethicspoint, an independent third party. Information about our Ethics Line may be found on the Corporate Governance page of our website at www.uei.com.

Complaint Procedures for Accounting, Auditing and Financial Related Matters

The Audit Committee has established procedures for receiving, retaining and treating complaints from any source regarding accounting, internal accounting controls and auditing matters. The Audit Committee has also established procedures for the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters. Interested parties may communicate such complaints by following the procedures described under the heading "Communications with Directors," above. Employees may report such complaints by following the procedures outlined in our Code of Conduct. We do not permit any retaliation of any kind against any person who, in good faith, submits a complaint or concern under these procedures.

Executive Sessions of Non-Management Directors

The non-management members of the Board of Directors meet in regularly scheduled executive sessions at the end of every regularly scheduled board of directors meetings. Additional executive sessions may be scheduled by the non-management directors. Members of management do not attend these executive sessions. The Board has full access to our management team at all times. In addition, the Board or any committee may retain, at such times and on such terms as determined by the Board or committee in its sole discretion, independent legal, financial and other consultants and advisors to advise and assist the Board or committee in discharging its oversight responsibilities.

Annual Board Self-Assessments

The Board of Directors has instituted self-assessments of the Board, as well as of the Audit, Compensation, and Corporate Governance and Nominating Committees, to assist in determining whether the Board and its committees are functioning effectively. During 2012, the Board and each of its committees informally completed self-evaluations and reviewed and discussed the results. The Corporate Governance and Nominating Committee oversees this evaluation process.

Board Committee Charters

The Board of Directors has adopted written charters for the Audit Committee, the Compensation Committee, and the Corporate Governance and Nominating Committee. Each committee reviews and evaluates the adequacy of its charter at least annually and recommends any proposed changes to the Board for approval. Copies of these written charters are available on our website at www.uei.com under the the heading "About Us," then "Investor" and then "Corporate Governance."

Stock Ownership Guidelines

The Board of Directors believes strongly that its directors and executive officers should have meaningful share ownership in UEI. Accordingly, in March 2011, the Board established minimum share ownership requirements. Each Board of Director member is expected to own, at a minimum, that number of shares of common stock equal in value to their annual compensation, and each executive officer is expected to own, at a minimum, that number of shares of common stock equal in value to a multiple of his or her base salary ranging from a low of one times for certain executive officers to a high of two times for our Chairman and Chief Executive Officer. Each director and executive officer will have until March 2016 to meet these minimum share ownership requirements, although any new director or executive officer will have five years from his or her start date. For purposes of meeting this minimum share ownership requirement, each equivalent share of common stock held under our benefits plans and each share of time-based restricted stock is considered as a share of common stock. Stock options and unissued shares of performance-based restricted stock are not considered towards meeting this requirement. More information pertaining to Executive Officer stock ownership guidelines is set forth under the heading "Executive Officer Stock Ownership Guidelines" in the "Compensation Discussion and Analysis" section. In addition, more information pertaining to

Board of Director stock ownership guidelines is set forth under the heading "Director Stock Ownership Guidelines" in the "Director Compensation and Stock Ownership Guidelines" section.

6

Table of Contents

Availability of Corporate Governance Materials

You may access all committee charters, our Code of Conduct, Corporate Governance Guidelines, our Director Independence Standards, and other corporate governance materials in the "Corporate Governance" section on the "Investor" page of our website at www.uei.com.

Board Structure and Committee Membership

How is the Board made up?

Our Board presently has set the maximum number of directors at nine, divided into two classes; a Class I Director is a director who is also an employee of UEI and is elected each year at the Annual Meeting of Stockholders to serve a one-year term and a Class II Director is a director who is not an employee and is elected every even-numbered year at the Annual Meeting of Stockholders to serve a two-year term.

We currently have seven directors; one is a Class I Director and six are Class II Directors. After this Annual Meeting, assuming the nominated director is elected, there will be seven members of the Board, one Class I director and six Class II directors. There will be two vacancies. We retain vacancies to accommodate additional qualified directors who come to the attention of the Board.

How often did the Board meet during 2012?

During 2012, the Board formally met nine times and acted once by unanimous written consent. Each director is expected to attend each meeting of the Board and those Committees on which he serves. During 2012, no director attended less than 75% of the aggregate of all Board meetings and meetings of Committees on which the director served. We encourage each director to attend every Annual Meeting of Stockholders; however, since attendance by our stockholders at these meetings has historically been via proxy and not in person, our outside directors have not regularly attended these meetings. At the 2012 Annual Meeting of Stockholders, one director, Mr. Arling, was present.

What is the role of the primary board committees?

The board has three standing committees — Audit, Compensation, and Corporate Governance and Nominating. Each committee is composed entirely of independent directors, as determined by the Board in accordance with applicable NASDAQ listing standards and the Board's Director Independence Standards. In addition, Audit Committee members meet additional heightened independence criteria applicable to audit committee members under applicable SEC independence requirements. Each of the Committees operates under a written charter that has been approved by the Board. The table below provides information about the current membership of the Committees and the number of meetings held in 2012.

Name/Item	Audit Committee	Compensation Committee	Corporate Governance and Nominating Committee
Satjiv S. Chahil		X	X
William C. Mulligan	X		Chair
J.C. Sparkman		Chair	X
Gregory P. Stapleton		X	
Carl E. Vogel	X		
Edward K. Zinser	Chair		
Number of Meetings	4	3	—
Action by Unanimous Written Consent	—	1	1

Audit Committee

The Audit Committee is primarily concerned with the integrity of our financial statements, our compliance with legal and regulatory requirements, the independence and qualifications of the independent auditor and the performance of our internal audit function and independent auditor. The Audit Committee's functions include:

- monitoring the Company's major risk exposures, including financial risk, and the steps management has taken to control such exposures;

7

Table of Contents

•meeting with our independent registered public accounting firm and management representatives;
•making recommendations to the Board regarding the appointment of the independent registered public accounting firm;
•approving the scope of audits and other services to be performed by the independent registered public accounting firm;
•establishing pre-approval policies and procedures for all audit, audit-related, tax and other fees to be paid to the independent registered public accounting firm;
•considering whether the performance of any professional service by the registered public accountants may impair their independence; and
•reviewing the results of external audits, the accounting principles applied in financial reporting, and financial and operational controls.

The independent registered public accountants have unrestricted access to the Audit Committee, and the members of the Audit Committee have unrestricted access to the independent registered public accountants.

All of the Audit Committee members are financially literate. The Board has determined that Mr. Zinser is qualified as an audit committee financial expert within the meaning of applicable SEC regulations and that Mr. Zinser acquired his expertise primarily through his experience as a Chief Financial Officer.

Audit Committee Report

The Audit Committee reviews our financial reporting process on behalf of the Board of Directors and while management has the primary responsibility for the financial statements and the reporting process, our independent registered public accountants are responsible for expressing an opinion on the conformity of our audited financial statements to generally accepted accounting principles, in all material respects.

In this context, the Audit Committee hereby reports as follows:

1. The Audit Committee has reviewed and discussed our audited financial statements for the year ended December 31, 2012 with management and the independent registered public accountants.
2. The Audit Committee has discussed the matters required to be discussed by the Statement on Auditing Standards No. 61, as amended (Codification of Statements on Auditing Standards, AU 380), as adopted by the Public Company Accounting Oversight Board ("PCAOB") in Rule 3200T with the independent registered public accounting firm.
3. The Audit Committee has received the written disclosures regarding the independent registered public accounting firm’s independence required by PCAOB Ethics and Independence Rule 3526, Communication with Audit Committees Concerning Independence, and has discussed with the independent registered public accounting firm its independence from the independent registered public accounting firm.
4. The Audit Committee has considered whether the independent registered public accountants’ provision of non-audit services provided to us, if any, is compatible with the registered public accountants’ independence.

Relying on the reviews and discussions referred to above, the Audit Committee recommended to the Board of Directors, and the Board has approved, that our financial statements for the year ended December 31, 2012, as presented to the Audit Committee, be included in our Annual Report on Form 10-K for the year ended December 31, 2012 to be filed with the Securities and Exchange Commission in accordance with the Securities Exchange Act of 1934, as amended and the rules and regulations promulgated thereunder.

Audit Committee of the Board of Directors
Edward K. Zinser — Chairman
William C. Mulligan
Carl E. Vogel

Compensation Committee

The Compensation Committee assists the Board in discharging its responsibilities relating to the compensation of the chief executive officer and other executive officers (including "Named Executive Officers" as such term is defined below in the "Compensation Discussion and Analysis"). Among other things, the Committee:
•Reviews the corporate goals and objectives approved by the Board relevant to the compensation of our chief executive officer and other executive officers, evaluates their performance in light of such goals and objectives and, based on its

evaluations and appropriate recommendations, reviews and approves the compensation of our chief executive officer and other executive officers, each on an annual basis;

Table of Contents

•Monitors potential risks relating to the Company's compensation policies and practices;
•Reviews and discusses with management the Compensation Discussion and Analysis required by SEC rules, recommends to the Board whether the Compensation Discussion and Analysis should be included in the Company’s Annual Report and Proxy Statement and prepares the Compensation Committee Report required by SEC rules for inclusion in the Company’s Annual Report and Proxy Statement;
•Reviews periodically compensation for non-management directors of the Company and recommends changes to the Board as appropriate;
•Reviews and approves compensation packages for new executive officers and severance packages for executive officers whose employment terminates with the Company;
•Reviews and makes recommendations to the Board with respect to the adoption or amendment of incentive and other stock-based compensation plans;
•Administers the Company’s stock incentive plans; and
•Assesses the independence of any outside compensation consultant of the Company.

Compensation Committee Interlocks and Insider Participation

During 2012, none of the members of the Compensation Committee had any business or financial relationship with UEI requiring disclosure in this Proxy Statement.

Corporate Governance and Nominating Committee

The Corporate Governance and Nominating Committee assists the Board in identifying qualified individuals to become board and committee members, considers matters of corporate governance and assists the board in evaluating the Board’s effectiveness. Among other things, the committee:
•Develops and recommends to the Board criteria for board membership;
•Identifies, reviews the qualifications of and recruits candidates for election to the Board and to fill vacancies or new positions on the Board as directed by the Board;
•Reviews candidates recommended by the Company’s stockholders, if any, for election to the Board;
•Reviews annually our corporate governance principles and recommends changes to the Board as appropriate;
•Recommends to the Board changes to our Code of Conduct;
•Reviews and makes recommendations to the Board with respect to the Board’s and each committee’s size, structure, composition and functions;
•Assists the Board in developing and evaluating potential candidates for executive positions and in overseeing the development of executive succession plans; and
•Oversees the process for evaluating the Board and its Committees.

The Committee will consider director candidates recommended by our stockholders. Stockholders recommending candidates for consideration by the corporate governance and nominating committee should send their recommendations to our Secretary at Universal Electronics Inc., 201 Sandpointe Avenue, 8th Floor, Santa Ana, California 92707. The recommendation must include the candidate’s name, biographical data and qualifications. Any such recommendation should be accompanied by:
•a written statement from the candidate of his or her consent to be named as a candidate and, if nominated and elected, to serve as a director;
•a completed written questionnaire in form and substance to be provided by the Secretary of UEI, covering matters including the background and qualifications of the candidate to serve on the Board; and
•a written representation and agreement in form and substance to be provided by the Secretary of UEI, regarding any agreement, arrangement or understanding to which the candidate is a party relating to any voting commitment or assurance made by the candidate, and certain other matters as more particularly described in our bylaws.

The Board endeavors to have members representing diverse experience at policymaking levels in business, finance and technology and other areas that are relevant to our global activities. The selection criteria for director candidates include the following:
•an individual of the highest personal and professional ethics, character, integrity and values;
•possess the appropriate characteristics, skills, and experience to make a significant contribution to the Board;

9

Table of Contents

•inquisitive and objective perspective, practical wisdom and mature judgment; and
•committed to representing the interests of our stockholders and demonstrate a commitment to long-term service on the Board.

The committee evaluates director candidates recommended by stockholders based on the same criteria used to evaluate candidates from other sources. The Corporate Governance and Nominating Committee may employ professional search firms (for which we would pay a fee) to assist in identifying potential Board members with the desired skills and disciplines.

Diversity

The Board of Directors values diversity as a factor in selecting nominees to serve on the Board, and believes that diversity in its composition may provide significant benefit to the Board and the Company. Although there is no specific policy on diversity on our Board, the Corporate Governance and Nominating Committee, when considering a particular nominee for selection as a director, will include such factors as diverse experience, gender, race, national origin, functional background, executive or professional experience, and international experience.

Additional Information About Our Directors

Experiences, Qualifications, Skills and Attributes of Directors and Nominee

In considering each director nominee and the composition of the Board of Directors as a whole, the Corporate Governance and Nominating Committee utilizes a diverse group of experiences, qualifications, skills and attributes, including diversity in gender, ethnicity and race, that the Corporate Governance and Nominating Committee believes enables a director nominee to make a significant contribution to the Board, UEI and our stockholders. These experiences, qualifications, skills and attributes, which are more fully described in the following table, are set forth in a director matrix and include management experience, independence, financial expertise, experience in manufacturing/distribution, technical/research and development, international operations, marketing and sales, retail operations and minority/diversity status.

These experiences, qualifications, skills and attributes relate directly to the management and operations of UEI. Success in each of these categories is a key factor in UEI’s overall operational success and creating stockholder value. The Corporate Governance and Nominating Committee believes that directors who possess these experiences, qualifications, skills and attributes are better able to provide oversight of UEI’s management and our long-term and strategic objectives.

Biographies of our Class II Directors

Satjiv S. Chahil Director since 2002 Compensation Committee Corporate Governance and Nominating Committee Age: 62	Since January 2010, Mr. Chahil has been an Executive Adviser to Hewlett-Packard Company. From September 2005 through January 2010, Mr. Chahil was the Senior Vice President-Marketing of Hewlett Packard's Personal Systems Group. Prior to that, from June 2002 to August 2005, he was advisor to the Chairman of Palm, Inc. (a manufacturer and marketer of handheld computing and mobile and wireless Internet solutions). Mr. Chahil was also a director at PalmSource, Inc. from June 2002 to August 2004. From March 2001 to June 2002, he was Interim Chief Operating Officer of Palm Solutions (a division of Palm, Inc.). From March 2000 to June 2002, he was Chief Marketing Officer of Palm, Inc. From March 1999 to March 2000, he was Chief Marketing Officer of Newbridge Networks, Inc. (an ATM technology networks company). From May 1997 to March 2000, Mr. Chahil served as a consultant to Sony Corporation. From 1988 to 1997, he was with Apple Computer holding various positions, his last being Senior Vice President Worldwide Marketing. Mr. Chahil earned a bachelor's degree in commerce from Punjab University in Chandigarh, India and a master's degree from the American (Thunderbird) Graduate School of International Management in Arizona. Mr. Chahil was a Class II director of the Company from 2002 until June 2006 when he did not stand for re-election due to a change in his employment which precluded him from serving as a director of the Company. In August 2006, Mr. Chahil rejoined the Board because his employment no longer precluded him from serving as one of our directors. He also serves

as a member of our Compensation and Corporate Governance and Nominating Committees. At the 2012 Annual Meeting of Stockholders, Mr. Chahil was reelected as a Class II Director of the Company to serve until the 2014 Annual Meeting of Stockholders.

Mr. Chahil provides our Board with proven leadership and business experience in the areas of digital convergence, new media and global marketing gained from serving in various executive management positions with multinational information technology, computing and wireless control companies and the extensive management and corporate governance experience gained from those roles.

Table of Contents

William C. Mulligan Director since 1992 Audit Committee Corporate Governance and Nominating Committee (Chairman) Age: 57	Mr. Mulligan has over 25 years of experience in private equity, having joined Primus Capital Funds in 1985 from McKinsey & Company, Inc. Mr. Mulligan has served as a Managing Director of Primus since 1987. His previous experience includes positions at Deere and Company and First Chicago Corporation. Mr. Mulligan serves as director of several private portfolio companies and TFS Financial Corporation (Nasdaq:TFSL). Mr. Mulligan serves on the audit (chairman), compensation and executive committees of TFS. Mr. Mulligan is also a trustee of The Cleveland Clinic Foundation, Denison University, and the Western Reserve Land Conservancy. Mr. Mulligan earned a Bachelor of Arts in economics from Denison University and an MBA from the University of Chicago. Mr. Mulligan has served as a member of our Board of Directors since 1992. He also serves as Chairman of our Corporate Governance and Nominating Committee and as a member of our Audit Committee. At the 2012 Annual Meeting of Stockholders, Mr. Mulligan was reelected as a Class II Director of the Company to serve until the 2014 Annual Meeting of Stockholders. Mr. Mulligan provides our Board and our Corporate Governance and Nominating Committee, of which he is Chairman, with extensive knowledge in the fields of financial services, investment banking, and accounting, and his experience in legal and corporate governance areas and audit oversight gained from his membership on the boards and audit committees of other public companies.
J.C. Sparkman Director since 1998 Compensation Committee (Chairman) Corporate Governance and Nominating Committee Age: 80	Mr. Sparkman is a co-founder and served as the Chairman of the Board of Broadband Services, Inc., a provider of telecommunications equipment services, including procurement, forecasting, warehousing, installation and repair, to domestic and institutional customers, from September 1999 through December 2003. Prior to that, Mr. Sparkman served as Executive Vice President and Chief Operating Officer of Tele-Communications, Inc. from 1987 until his retirement in 1995. He is a director of Shaw Communications, Inc., where he also serves on Shaw's Executive Committee and Human Resources and Compensation Committee. Mr. Sparkman is also a director of Liberty Global, Inc., where he also serves on Liberty Global's Compensation Committee as its chairman and on its Nominating and Corporate Governance Committee. Mr. Sparkman has served as a member of our Board of Directors since 1998. He also serves as Chairman of our Compensation Committee and as a member of our Corporate Governance and Nominating Committee. At the 2012 Annual Meeting of Stockholders, Mr. Sparkman was reelected as a Class II Director of the Company to serve until the 2014 Annual Meeting of Stockholders. Mr. Sparkman brings to the Board and our Compensation Committee, of which he is Chairman, operating, business and management experience gained from serving in various executive management positions for companies within the subscription broadcasting industry, extensive management and corporate governance experience gained from those roles and membership on the boards of those and other public companies.
Gregory P. Stapleton Director since 2008 Compensation Committee Age: 66	Mr. Stapleton is the founder and owner of Falcon One Enterprises LLC, a private equity firm that invests in early stage technology companies, since 2005. From 2000 to 2004, Mr. Stapleton was the President of Harman International and from 1998 to 2004, he was also the Chief Operating Officer. He was a director of Harmon International from 1997 until his retirement in 2004. He served as President of Harman's OEM Group from 1987

to 1998. From 1968 to 1987, Mr. Stapleton served at General Electric in various leadership positions including Senior Vice President Venture Capital. At the 2012 Annual Meeting of Stockholders, Mr. Stapleton was reelected as a Class II Director of the Company to serve until the 2014 Annual Meeting of Stockholders.

Mr. Stapleton provides the Board with extensive management experience, which includes his former role as President and COO of a multinational provider of premium audio and infotainment solutions, and his extensive management, finance and corporate governance experience gained from that role.

Table of Contents

Carl E. Vogel
Director since 2009
Audit Committee
Age: 55

Since November 2011, Mr. Vogel has served as a senior advisor to the Gores Group, a private-equity firm based in Los Angeles, California. In addition, since March 2009, Mr. Vogel has been a senior advisor to the Chairman, CEO and President of Dish Network Corporation. From February 2008 until March 2009, Mr. Vogel served as Vice Chairman of DISH Network Corporation (formerly Echostar Communications Corporation, a satellite-delivered digital television services provider) and Echostar Corp. (a developer of set-top boxes and other electronic technology). From May 2005 until February 2008, he was at Echostar Communication Corporation first joining as a director and later serving as its President and Vice Chairman. From 2001 until 2005, Mr. Vogel served as President and CEO and a director of Charter Communications Inc. (a publicly-traded, broadband services company). Prior to joining Charter, from 1998 to 2001 Mr. Vogel worked as an executive officer in various capacities for the companies affiliated with Liberty Media Corporation. rom 1994 until 1997. In 2011, Mr. Vogel joined the Board of Directors of SiriusXM Radio, Inc., and serves as its Chairman of the Compensation Committee. He is also currently serving on the Board of Directors and Audit Committee of Shaw Communications, Inc. Mr. Vogel is also a director, Chairman of the Executive Committee and member of the Audit and Nominating & Governance Committees of Ascent Media Corporation. Mr. Vogel received his Bachelor of Science from St. Norbert College, located in DePere, WI with an emphasis in finance and accounting, and was a former active Certified Public Accountant. Mr. Vogel joined the UEI Board in October 2009 to fill a director vacancy. He also serves on the UEI's Audit Committee. At the 2012 Annual Meeting of Stockholders, Mr. Vogel was reelected as a Class II Director of the Company to serve until the 2014 Annual Meeting of Stockholders.

As a result of his background as former Vice Chairman of DISH Network Corporation, Mr. Vogel brings to the Board demonstrated leadership capability and extensive knowledge of complex financial and operational issues facing large subscription broadcasting companies, as well as extensive management and corporate governance experience gained from that role and from membership on the boards of that company and other public and privately-held companies.

Edward K. Zinser
Director since 2006
Audit Committee
(Chairman)
Age: 55

From January 2008 until November 2012, Mr. Zinser served as Chief Financial Officer of Boingo Wireless, the Wi-Fi industry's leading provider of software and services worldwide. From April 2004 to November 2007, Mr. Zinser served as Executive Vice President and Chief Financial Officer of THQ, Inc., a developer, publisher and distributor of interactive software products. Prior to joining THQ, from May 2001 to February 2004, Mr. Zinser served as Executive Vice President and Chief Financial Officer of Vivendi Universal Games, a developer, publisher and distributor of software products. From June 1999 to March 2001, he was at USA Networks where he was initially Senior Vice President and Chief Financial Officer of Internet Shopping Network, the e-commerce division. In June 2000, he became President and Chief Operating Officer of Styleclick, Inc. From June 1993 to May 1998, Mr. Zinser served as Vice President and Chief Financial Officer/Chief Operating Officer of Disney Publishing, a division of The Walt Disney Company. Mr. Zinser's experience also includes positions at leading consumer products companies such as Pepsi-Cola and Campbell Soup. Mr. Zinser was appointed to the Company's Board of Directors in October 2006, to fill a vacancy. At the 2012 Annual Meeting of Stockholders, Mr. Zinser was reelected as a Class II Director of the Company to serve until the 2014 Annual Meeting of Stockholders.

Mr. Zinser provides our Board and our Audit Committee, of which he is Chairman, with extensive knowledge in the fields of finance and accounting, his knowledge of investment banking, and his legal, corporate governance, and audit oversight experience gained from his positions on the boards and audit committees of other public companies.

Table of Contents

The following table sets forth the experiences, qualifications,skills and attributes of each director nominee that led the Board to conclude that such persons should serve as directors. The Board also considered the specific experiences, qualifications, skills and attributes described in each Director's biographical information, as disclosed above.

	Directors with Attribute
Management Experience Experience as a CEO, COO, President or Senior Vice President of a company or a significant subsidiary, operating division or business unit.	Paul D. Arling Satjiv S. Chahil William C. Mulligan J.C. Sparkman Gregory P. Stapleton Carl E. Vogel Edward K. Zinser
Independence Satisfy the independence requirements of the NASDAQ and the SEC.	Satjiv S. Chahil William C. Mulligan J.C. Sparkman Gregory P. Stapleton Carl E. Vogel Edward K. Zinser
Financial Expertise Possess the knowledge and experience to be qualified as an "audit committee financial expert."	William C. Mulligan J.C. Sparkman Gregory P. Stapleton Carl E. Vogel Edward K. Zinser
Manufacturing; Distribution Experience in, or experience in a senior management position responsible for, managing significant manufacturing and distribution operations.	Paul D. Arling J.C. Sparkman Gregory P. Stapleton Carl E. Vogel Edward K. Zinser
Technical; Research and Development Experience in, or experience in a senior management position responsible for, managing a significant technical or research and development function.	Paul D. Arling Satjiv S. Chahil J.C. Sparkman Gregory P. Stapleton Carl E. Vogel Edward K. Zinser
International Operations Experience working in a major organization with global operations with a thorough understanding of different cultural, political and regulatory requirements.	Paul D. Arling Satjiv S. Chahil William C. Mulligan J.C. Sparkman Gregory P. Stapleton Edward K. Zinser
Marketing; Sales Experience in, or experience in a senior management position responsible for, managing the marketing and/or sales function.	Paul D. Arling Satjiv S. Chahil J.C. Sparkman Gregory P. Stapleton

	Carl E. Vogel
Retail Operations Experience in, or experience in a senior management position responsible for, managing retail operations.	Paul D. Arling J.C. Sparkman Gregory P. Stapleton Carl E. Vogel Edward K. Zinser
Minority; Diversity Adds perspective through diversity in gender, ethnic background, race, etc.	Satjiv S. Chahil

Independence of Directors

The Board of Directors has adopted categorical Director Independence Standards to assist the Board in determining the independence of each director. To be considered independent, the Board must affirmatively determine that the director has no material relationship with UEI. In each case, the Board broadly considers all relevant facts and circumstances, including the director's commercial, industrial, banking, consulting, legal, accounting, charitable and familial relationships, and such other criteria as the Board may determine from time to time. A complete copy of our Director Independence Standards is attached as Appendix A.

Table of Contents

During the Board’s annual review of director independence, the Board considers transactions, relationships and arrangements between each director or an immediate family member of the director and UEI. The Board also considers transactions, relationships and arrangements between each director or an immediate family member of the director and UEI’s senior management. Under our Director Independence Standards, the following relationships are not considered to be material relationships that would impair a director’s independence:

- if the director is a current employee, or an immediate family member of the director is a current executive officer, of another company that has made payments to, or received payments from, UEI for property or services in an amount which, in any of the last three fiscal years, is less than $200,000 or five percent, whichever is greater, of such other company’s annual gross revenues;
- if the director, or an immediate family member of the director, received payments from UEI that is less than $120,000 in any twelve month period (not including compensation for Board and/or Board committee services);
- if the director is a member of, or associated with, the same professional association, or social, educational, civic, charitable, fraternal or religious organization or club as another UEI director or executive officer; or
- if the director is a current employee, or an immediate family member of the director is a current executive officer, of another company at which any UEI executive officer also serves on the board of directors of such other company (except for compensation committee interlocks).

Periodically, the Board performs an independence review. As a result of this review, the Board determined that for 2012, six of our seven current directors are independent. In addition, all members of the Audit Committee, the Compensation Committee, and the Corporate Governance and Nominating Committee are independent. The Board determined that Messrs. Chahil, Mulligan, Sparkman, Stapleton, Vogel, and Zinser meet these standards and are independent and, in addition, satisfy the independence requirements of the NASDAQ Stock Exchange. Mr. Arling is not considered to be independent because of his position as our Chief Executive Officer.

DIRECTOR COMPENSATION AND STOCK OWNERSHIP GUIDELINES

How are non-management directors compensated?

In June 2004, our stockholders adopted the 2004 Directors’ Compensation Plan, pursuant to which each Class II Director is to receive an annual cash retainer equal to $25,000 (or $6,250 quarterly), a fee of $1,500 for each board meeting attended in excess of four each fiscal year, a fee of $1,000 for each committee meeting attended, an annual fee of $10,000 for each committee chaired, and an annual award of 5,000 shares of our Common Stock, which vest ratably each quarter during the year awarded.

There were no modifications to the Board's compensation in 2012.

At the end of 2012, the Compensation Committee, in consultation with an independent compensation consultant (Pay Governance LLC), reviewed the compensation payable to Directors pursuant to the 2004 Directors' Compensation Plan. As part of this review, the Committee compared the 2004 Directors' Plan to the director compensation plans at the Company's compensation Peer Group (see page 31) and determined that aspects of compensation payable under the 2004 Directors' Plan were significantly below the level payable to directors at the Company's compensation comparator group. The Committee also took into account that the Company has not made any changes in director compensation since 2004 and the Company's strong performance during this period. After considering these factors, the Committee recommended that the Board of Directors approve amendments to the 2004 Directors' Plan to increase annual compensation to Class II Directors. Effective February 14, 2013, the annual cash retainer will be increased to $35,000, the board meeting fee will be increased to $1,875, and the committee meeting fee will be increased to $1,500.

Table of Contents

Non-Management Director Compensation Table

Name of Director	Year	Fees Earned or Paid in Cash [1] ($)	Stock Awards [2] ($)	Option Awards [3] ($)	Total Compensation($)
Mr. Chahil	2012	30,000	63,650	—	93,650
Mr. Mulligan	2012	43,500	63,650	—	107,150
Mr. Sparkman	2012	42,500	63,650	—	106,150
Mr. Stapleton	2012	32,500	63,650	—	96,150
Mr. Vogel	2012	29,500	63,650	—	93,150
Mr. Zinser	2012	43,500	63,650	—	107,150

(1) This column represents the cash compensation earned in 2012 for Board and committee service. See the "Additional Information about Fees Earned or Paid in Cash During 2012" table below.

(2) This column represents the grant date fair value of stock awards granted to Class II Directors as part of their compensation. The fair value of the stock awards is calculated using the high and low trades of our stock on the grant date. See the "Additional Information about Non-Management Director Equity Awards" for further information related to stock awards granted in 2012.

(3) This column represents the grant date fair value of stock options granted during 2012. Please see the "Additional Information about Non-Management Director Equity Awards" for further information related to option awards granted in 2012.

Mr. Arling, who is an officer and the Company's only Class I Director, received no additional compensation for his service as a director during 2012. However, all directors are reimbursed for travel expenses and other out-of-pocket costs incurred to attend meetings.

Additional Information about Fees Earned or Paid in Cash During 2012

The following table provides additional information about fees earned or paid in cash to non-management directors during 2012:

Name of Director	Year	Annual Retainers ($) [1]	Committee Chair Fees [2] ($)	Committee Meeting Attendance Fees [3] ($)	Additional BOD Meeting Attendance Fees [4] ($)	Total ($)
Mr. Chahil	2012	25,000	—	2,000	3,000	30,000
Mr. Mulligan	2012	25,000	10,000	4,000	4,500	43,500
Mr. Sparkman	2012	25,000	10,000	3,000	4,500	42,500
Mr. Stapleton	2012	25,000	—	3,000	4,500	32,500
Mr. Vogel	2012	25,000	—	3,000	1,500	29,500
Mr. Zinser	2012	25,000	10,000	4,000	4,500	43,500

(1) Effective February 14, 2013, the Annual Retainer was increased to $35,000.

(2) Mr. Mulligan, Mr. Sparkman, and Mr. Zinser are the chairmen of the Corporate Governance and Nominating Committee, Compensation Committee, and Audit Committee, respectively.

(3) Each committee member is paid $1,000 for the attendance of a committee meeting. Effective February 14, 2013, this fee was increased to $1,500.

(4) Each board member is paid $1,500 for each board of directors' meeting attended in excess of four. Effective February 14, 2013, this fee was increased to $1,875.

15

Table of Contents

Additional Information about Non-Management Director Equity Awards

The following table provides additional information about equity awards made to non-management directors during 2012:

Name of Director	Stock Awards Granted During 2012 (#)	Option Awards Granted During 2012 (#)	Grant Date Fair Value of Stock and Option Awards Granted During 2012 [1] ($)	Stock Awards Outstanding at Year End (#)	Option Awards Outstanding at Year End (#)
Mr. Chahil	5,000	—	63,650	2,500	20,000
Mr. Mulligan	5,000	—	63,650	2,500	25,357
Mr. Sparkman	5,000	—	63,650	2,500	20,000
Mr. Stapleton	5,000	—	63,650	2,500	20,000
Mr. Vogel	5,000	—	63,650	2,500	20,000
Mr. Zinser	5,000	—	63,650	2,500	20,000

(1) Represents the grant date fair value of stock option and stock awards granted during 2012. For stock awards, that number is calculated by multiplying the fair market value of our common stock on the date of grant by the number of shares awarded. For option awards, that number is calculated by multiplying the Black-Scholes value determined as of the date of grant by the number of options awarded. For additional information regarding the assumptions used in calculating the grant date fair value, please refer to Note 16 of our consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2012, as filed with the SEC.

Director Stock Ownership Guidelines

The Company maintains stock ownership guidelines for our independent Directors. These guidelines are designed to align the Directors' long-term financial interests with those of stockholders. The ownership guidelines are one times their total annual compensation for the previous year:

For the purposes of meeting this minimum stock ownership requirement, each equivalent share of common stock held under our benefit plans and each share of time-based restricted stock is considered as a share of common stock. Stock options and shares of unissued performance-based restricted stock are not considered towards meeting this requirement.

The Compensation Committee reviews ownership levels of our Directors annually. The requirements for our independent Directors, as well as their actual ownership levels at December 31, 2012, are set forth in the table below. All of our independent Directors have met, or are expected to meet, the required guidelines.

Table of Contents

PROPOSALS TO BE VOTED ON
Proposal 1 - Election of Director
Which director is nominated for election?
Paul D. Arling is nominated for election as a Class I Director to serve a one-year term expiring at our 2014 Annual Meeting of Stockholders.
What is the background of the nominee for the director position?

Paul D. Arling Chairman and Chief Executive Officer Director since 1996 Age: 50	Paul D. Arling is our Chairman and Chief Executive Officer. He joined us in May 1996 as Chief Financial Officer and was named to our Board of Directors in August 1996. He was appointed President and COO in September 1998, was promoted to Chief Executive Officer in October 2000 and appointed as Chairman in July 2001. From 1993 through May 1996, he served in various capacities at LESCO, Inc. (a manufacturer and distributor of professional turf care products). Prior to LESCO, he worked for Imperial Wall coverings (a manufacturer and distributor of wall covering products) as Director of Planning, and The Michael Allen Company (a strategic management consulting company) where he was employed as a management consultant. Mr. Arling earned a Bachelor of Science degree from the University of Pennsylvania and an MBA from the Wharton School of the University of Pennsylvania. At the 2012 Annual Meeting of Stockholders, Mr. Arling was reelected as Chairman of the Company to serve until the 2013 Annual Meeting of Stockholders. Mr. Arling, who has spent over 15 years with UEI and who currently serves as Chairman and Chief Executive Officer, has an extensive, in-depth knowledge of the Company's business, operations, opportunities and strategies. His wide-ranging roles throughout his career at UEI also provide him with significant leadership, corporate strategy, manufacturing, retail, marketing and international experience in the wireless controls industry.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE "FOR" THE NOMINEE.

Table of Contents

Proposal 2 - Advisory Vote on Executive Compensation

The Company seeks a non-binding advisory vote from its stockholders to approve the compensation of its Named Executive Officers as described in the Compensation Discussion and Analysis section beginning on page 21 and the Summary Compensation Table and supporting tables and information beginning on page 37. The Company designed our compensation programs to help recruit, retain and motivate key executives to deliver the successful operating, financial, and stockholder value performance expected by our investors. The Compensation Committee strongly believes that executive compensation - both pay opportunities and pay actually realized - should be tied to Company performance. As illustrated in the accompanying chart, in 2012, 67% of the reported Named Executive Officers' target total direct compensation consisted of annual and long-term incentives and 48% was in the form of long-term equity compensation.

In deciding how to vote on this proposal, the Board encourages you to read the Compensation Discussion and Analysis section beginning on page 21 for a detailed description of our executive compensation philosophy and programs, the compensation decisions the Compensation Committee has made under those programs and the factors considered in making those decisions. In particular, you should consider the following factors, which are more fully discussed in the Compensation Discussion and Analysis:

- In a year marked by continued uncertainty in our markets and the global economy, as well as highly competitive pricing in our markets leading to pressures on margins, we consolidated our market position and achieved relatively strong results in key financial metrics that correlate with long-term stockholder value. Since 2008, net sales have grown at a rate of 12.7% and cash flow from operations at a rate of 9.6%. Our share price increased 14.7% in 2012.
- The great majority of executive pay is not guaranteed. The Company sets clear financial goals for corporate and business unit performance and differentiates based on individual achievement. Pay for performance is evident in the chart on page 24 in the Compensation Discussion and Analysis section of this proxy.

Accordingly, we are asking our stockholders to vote "FOR" the following resolution:

"RESOLVED, that Universal Electronics Inc.'s stockholders hereby approve, on an advisory basis, the compensation of the Named Executive Officers as disclosed pursuant to the compensation disclosure rules of the SEC, including the "Compensation Discussion and Analysis," the compensation tables and any related material disclosed in this proxy statement."

This advisory vote on executive compensation is not binding on us. However, the Board and the Compensation Committee highly value the opinion of our stockholders. To the extent there is a significant vote against this proposal, we will seek to determine the reasons for our stockholders' concerns, and the Compensation Committee will evaluate whether any actions are necessary to address those concerns when making future executive compensation decisions.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE "FOR" PROPOSAL 2 RELATING TO THE ADVISORY VOTE ON EXECUTIVE COMPENSATION.

Table of Contents

Proposal 3 - Ratification of Appointment of Independent Registered Public Accounting Firm

The Board of Directors, acting on the recommendation of its Audit Committee, has appointed Grant Thornton LLP ("GT"), a firm of independent registered public accountants, as auditors, to examine and report to the Board and to our stockholders on the Company's and its subsidiaries 2013 consolidated financial statements. GT has served as our independent registered public accounting firm since 2005.

Although ratification of the appointment of GT is not legally required, the Board is submitting it to the stockholders as a matter of good corporate governance. If the stockholders do not ratify the appointment, the audit committee will consider the selection of another independent registered public accounting firm in future years.

Representatives of GT will be present at the Annual Meeting to make a statement, if they so desire, and will be available to respond to appropriate questions.

We engaged GT as our independent registered public accounting firm for the fiscal year ending December 31, 2012. The decision to engage GT was approved by the Board of Directors, upon the recommendation of the Audit Committee and ratified by our stockholders at our 2012 Annual Meeting of Stockholders.

Fees Paid to Independent Registered Public Auditing Firm

The aggregate fees we paid to GT for professional services delivered by them for the years ended December 31, 2012 and 2011 were as follows:

(In thousands)	For the Year Ended	
Type of Fees	12/31/2012[(1)]	12/31/2011[(1)]
Audit Fees [(2)]	$1,189	$1,203
Audit-Related Fees [(3)]	28	—
Tax Fees [(4)]	46	198
All Other Fees	—	2
Total Fees	$1,263	$1,403

(1) Fees billed in foreign currencies are converted using the average exchange rate over the period.

(2) Audit Fees consist of fees for professional services provided in connection with the integrated audit of our financial statements, review of our quarterly financial statements and audit services related to other statutory and regulatory filings. The audit fees for services provided related to our other statutory and regulatory filings were $137,000 and $139,000 for the years ended 2012 and 2011, respectively.

(3) Audit-Related Fees consist of the aggregate fees billed by GT for due diligence projects.

(4) Tax Fees consist of the aggregate fees billed by GT related to tax planning projects.

Audit Committee Pre-Approval Policy for Audit and Non-Audit Services of Independent Registered Public Accounting Firm

The Audit Committee’s policy requires that it pre-approve all audit and non-audit (greater than $20,000) services to be performed by the Company’s independent registered public accounting firm. Unless a service falls within a category of services that the Audit Committee has pre-approved, an engagement to provide the service requires pre-approval. Also, proposed services exceeding pre-approved cost levels require additional pre-approval.

Consistent with the rules established by the SEC, proposed services to be provided by the Company’s independent registered public accounting firm are evaluated by grouping the service fees under one of the following four categories: Audit Services, Audit-Related Services, Tax Services and All Other Services. All proposed services are discussed and approved by the Audit Committee. In order to render approval, the Audit Committee has available a schedule of services and fees approved by category for the current year for reference, and specific details are provided. The Audit Committee has delegated pre-approval authority to its chairman for cases where services must be expedited. The Company’s management provides the Audit Committee with reports of all pre-approved services and related fees by category incurred during the current fiscal year, with forecasts of additional services anticipated during the year.

Table of Contents

All of the services related to fees disclosed above were pre-approved by the Audit Committee.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE "FOR" PROPOSAL 3 RELATING TO THE RATIFICATION OF THE APPOINTMENT OF GRANT THORNTON LLP AS THE COMPANY’S INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR THE YEAR ENDED DECEMBER 31, 2013.

Table of Contents

COMPENSATION DISCUSSION AND ANALYSIS

This section provides a description of our executive compensation philosophy, programs and practices, the compensation decisions the Compensation Committee made under those programs and the factors considered in making those decisions. This Compensation Discussion and Analysis focuses on the following executives who were our Named Executive Officers ("NEOs") in 2012:

Name	Title
Paul D. Arling	Chairman and Chief Executive Officer
Bryan M. Hackworth	Chief Financial Officer and Senior Vice President
Paul J.M. Bennett	Executive Vice President and Managing Director, Europe
Mark S. Kopaskie	Executive Vice President and General Manager, U.S.
Richard A. Firehammer Jr.	Senior Vice President and General Counsel

Pay for Performance

Our compensation programs and practices are designed to help recruit, retain and motivate key executives to deliver the successful operating, financial, and stockholder value performance expected by our investors.

Performance-Based Compensation

The Compensation Committee believes that our compensation program and practices have been instrumental in supporting achievement of our operating success and performance for stockholders. The program emphasizes annual and long-term performance-based incentives so that the vast majority of our Named Executive Officers' total compensation is tied to the Company's financial and long-term stock price performance.

Mr. Arling received 74% of his total compensation opportunity in the form of annual and long-term incentives that are tied to the Company's operating results and stock price. The other Named Executive Officers as a group received 63% of their total compensation opportunity in the same annual and long-term incentives.

The Compensation Committee strongly believes that executive compensation - both pay opportunities and pay actually realized - should be tied to Company performance in two primary ways:

- the Company's operating and financial performance; and
- the return to stockholders over time, both on an absolute basis and relative to similar technology companies.

Table of Contents

Operating Performance

In a year marked by continued uncertainty in our markets and the global economy, as well as highly competitive pricing of our products in our markets leading to pressures on margins, we consolidated our market position and achieved relatively strong results in key financial metrics that correlate with long-term stockholder value, as reflected in the growth and absolute levels of key results since 2008:

(in millions, except per share amounts and percentages)	2008	2009	2010	2011	2012
Net Sales	$287.1	$317.5	$331.8	$468.6	$463.1
Net Income	$15.8	$14.7	$15.1	$19.9	$16.6
Diluted EPS	$1.09	$1.05	$1.07	$1.31	$1.10
Cash Flow from Operations	$30.2	$24.0	$38.1	$14.8	$43.5
Gross Margin %	33.5 %	32.0 %	31.3 %	27.8 %	28.8 %
Operating Margin %	7.2 %	6.9 %	6.4 %	5.7 %	5.6 %
Return on Average Assets	7.3 %	6.5 %	5.0 %	5.4 %	4.4 %

Since 2008, the Company has generated over $150 million in cash flow from operations.

Table of Contents

Key strategic initiatives and related achievements for 2012 are listed below:

Continue to develop industry-leading technologies and products with attractive gross margins in order to improve profitability	Research and development expenditures increased approximately 15% in 2012 compared to 2011 as we continued to develop advanced technologies for existing products as well as new products such as smart devices and game consoles.
Further penetrate the growing Asian and Latin American subscription broadcasting markets	Significantly increased our market share in the Latin American subscription broadcasting market, specifically Brazil.
Acquire new customers in historically strong regions	Increased our market share with existing customers as well as acquired new customers in North America and Europe.
Increase the utilization of Enson's factories by becoming less dependent on third-party contract manufacturers	Successfully transitioned more production units in-house resulting in gross margin expansion and less dependency on third-party manufacturers.
Place more operations, logistics, quality, program management, engineering, sales, and marketing personnel in the Asia region	Continued to transition certain jobs and hire sales and marketing personnel in the growing Asia region.

Return to Stockholders

The following chart shows how our total stockholder return compares to a consumer electronics peer index (Dolby Laboratories, DTS, Harman International, Logitech, Rovi, and VOXX International, weighted by 12/31/2008 market capitalization), S&P Small Cap 600 Index and the Russell MicroCap Index. The companies in the consumer electronics peer index compete in markets similar to those of the Company.

Table of Contents

Understanding the Chairman and Chief Executive Officer's Pay
As indicated above, 74% of Mr. Arling's total compensation is tied to performance in the form of annual cash incentives and long-term equity incentives. Hence, if the Company does not perform well for our stockholders, our CEO's actual compensation is significantly lower than his target compensation.
The following chart indicates the relationship between our CEO's target annual total compensation, the actual compensation realized or realizable, and the Company's total stockholder return for the past four years.
Target Compensation with respect to each year reflects salary received, target annual incentive, and the grant value of stock options and restricted stock units ("RSUs"). The stock option and RSU values are as determined for inclusion in the Summary Compensation Table below.
Actual Compensation with respect to each year reflects salary received, actual annual incentive earned, the value at vesting of RSUs granted each year that vested during 2009 to 2012, the value of remaining unvested RSUs granted each year calculated using the Company's year-end 2012 stock price, and the realizable value of stock options granted each year (both vested and unvested) using the potential gain if exercised at the Company's year-end 2012 stock price (the CEO did not exercise any of these options during the period).
All Other Compensation is not included in the analysis because it is small in value and does not vary between target and actual compensation.
The Compensation Committee believes that the relationship of our CEO's Actual Compensation to Total Stockholder Return and to Target Compensation demonstrates effective pay for performance in our executive compensation program.

Table of Contents

2012 Pay Decisions

In consideration of our performance, the Compensation Committee made the following decisions related to compensation for NEOs in 2012:

- maintained base salaries for all of our Named Executive Officers at 2011 levels;
- based on Company performance and our incentive plan funding schedule, paid annual incentives to our NEOs at approximately 60% of target (please see the 2012 Bonus Incentive Plan calculation chart on page 29);
- in consideration of the successful integration of our Enson acquisition and the resulting expanded scope of our operations, made annual grants of stock options and restricted stock units on February 8, 2012 at grant values that were increased over 2011 by 9% for CEO and 13% for our other Named Executive Officers; and
- beginning in 2013, discontinued payment of a tax gross-up for the imputed value of Company-paid life insurance.

Say on Pay

At the June 13, 2012 Annual Meeting of Stockholders, 73% of the votes cast were in favor of the advisory vote to approve executive compensation. The Compensation Committee considered this favorable outcome and believes it conveyed our stockholders' support of the Compensation Committee's decisions and our existing executive compensation programs. Consistent with this support, the Compensation Committee decided to retain the core design of our executive compensation programs for the remainder of 2012 and in 2013, as it believes the programs continue to attract, retain and appropriately incent senior management.

We also welcomed input on executive compensation as we interacted with stockholders on a number of matters throughout the year. The Board of Directors and the Compensation Committee duly considers stockholder input as well as the other factors discussed in this Compensation Discussion and Analysis and routinely reviews our executive compensation programs and practices.

In addition, at the June 9, 2011 Annual Meeting of Stockholders, 55.5% of the votes cast were in favor of holding future advisory votes on executive compensation every year. Accordingly, we will include an advisory vote on executive compensation in our proxy materials every year at least until the next "Say-on-Frequency" vote, which will be no later than our 2017 Annual Meeting of Stockholders.

Summary of Executive Compensation Practices

Below we list executive compensation practices that we have implemented to appropriately structure our executive rewards and practices that we have not implemented because we do not believe they would serve our stockholders' long-term interests.

What We Do

- Pay for performance (page 21)
- Maintain stock ownership guidelines (page 31)
- Utilize an independent compensation consulting firm which provides no other services to the Company (page 27)
- Provide reasonable post-employment/change in control provisions (page 34)
- Prohibit executives from hedging their ownership of our stock (page 31)
- Monitor potential risks relating to the Company's compensation policies and practices (page 8)
- Maintain a clawback policy in the event an executive engages in fraudulent or intentional misconduct (page 33)

What We Don't Do

- No repricing of underwater options
- No supplemental retirement benefits for executives
- No tax gross-ups for executive perquisites beginning in 2013

Table of Contents

Philosophy and Overview of Our Compensation Program

This section describes our executive compensation philosophy and provides an overview of our compensation program and the rationale for each component of the program.

Philosophy and Objectives

The Compensation Committee believes that stockholder interests are best advanced by attracting and retaining a high-performing management team. To promote this objective, the Compensation Committee was guided by the following underlying principles in developing our executive compensation program:

- Long-term commitment - The program should be designed to gain a long-term commitment from the proven, accomplished executives that lead our success. Our Named Executive Officers have a combined total of approximately 69 years with the Company, during which they have held different positions and have been promoted to increasing levels of responsibility due to their exceptional contributions.
- Pay-for-performance - A high proportion of total compensation should be at risk and tied to achievement of annual operating and strategic goals and increases in stockholder value.
- Stockholder alignment - Long-term incentives should be provided annually in Company equity to encourage executives to plan and act with the perspective of stockholders.
- Long-term performance orientation - The mix of incentives provided should motivate long-term sustainable growth in the value of Company.
- Focus on total compensation - Compensation opportunities should be considered in the context of total compensation relative to the pay practices of similar technology companies that compete with us for talent.

The Compensation Committee regularly evaluates the Company's compensation arrangements to assess whether they are appropriately structured to support these objectives and are effective in enabling the Company to attract and retain top talent in key leadership positions.

Program Overview

Our executive compensation program is simple in design and limited in scope. We provide only one low-cost executive benefit and no perquisites to our Named Executive Officers located in the United States. Each program component and the rationale for it are highlighted below.

Element	Role and Purpose
Base salary	Provide competitive foundation for total compensation.
Annual incentives	Motivate and reward achievement of annual financial targets, which drive the valuation of our stock. Enforce accountability for individual performance through discretionary reductions in awards as deemed appropriate.
Long-term incentives	Align executives with stockholders.
Retirement savings	Permit executives to participate in the Company's 401(k) plan to facilitate retirement saving.
Executive benefits	Provide for executives' families through supplemental life insurance policies.
Foreign benefits	Consistent with competitive practice in the Netherlands, provide Mr. Bennett with a pension, automobile, and reimbursement for representation costs.

How We Make Pay Decisions

This section describes the participants and process for setting executive compensation at the Company.

Table of Contents

Role of Executive Officers in Setting Compensation

Each year management and the Board identify operating objectives that we believe need to be achieved for the Company to be successful. These objectives are derived largely from the Company's financial and strategic planning sessions led by the Chief Executive Officer, during which the Company's growth opportunities are analyzed and goals are established for the upcoming year. In addition to financial targets, the goals include qualitative strategic and operational objectives that are aimed at creating long-term stockholder value. Achievement of these objectives is considered in making pay decisions for the Chief Executive Officer and our other executive officers.

The Compensation Committee reviews all elements of compensation for the Chief Executive Officer based upon consideration of his contribution to the development and operating performance of the Company and competitive pay practices. The Committee develops and recommends pay changes for the Chief Executive Officer to the full Board of Directors for their approval. The Committee considers the recommendations of the Chief Executive Officer in establishing compensation for all other Named Executive Officers. Throughout the process, the Committee also considers input from our independent compensation consultant.

Compensation Consultant

The Compensation Committee has the authority to retain compensation consulting firms exclusively to assist it in the evaluation of executive officer and employee compensation and benefit programs. During 2012, the Compensation Committee retained Pay Governance LLC, a nationally-recognized independent compensation consulting firm, to assist in performing its duties. In 2012, Pay Governance LLC advised the Company with respect to compensation trends and best practices, competitive pay levels, and proxy disclosure. While our adviser regularly consults with management in performing work requested by the Compensation Committee, Pay Governance LLC did not perform any separate additional services for management.

The Compensation Committee has determined that Pay Governance LLC is independent and there was no conflict of interest resulting from retaining Pay Governance LLC currently or during 2012. In reaching these conclusions, the Compensation Committee considered the factors set forth in Rule 10C-1 of the Exchange Act and applicable listing standards.

Setting Executive Compensation

In determining base salary, target annual incentives and guidelines for equity awards, the Compensation Committee reviews total compensation using the Named Executive Officers' current level of compensation as the starting point. Decisions to change compensation consider:

- the scope and complexity of the functions executives oversee;
- the contribution of those functions to our overall performance;
- individual capability and maturity in role;
- individual performance;
- role criticality and difficulty to replace the executive; and
- compensation practices of our peers.

The Chief Executive Officer assesses individual performance of each Named Executive Officer against established goals and expectations using criteria identified by the Compensation Committee. The CEO also provides the Committee with a self-assessment using the same criteria, including the following:

- results on key financial metrics;
- achievement of strategic operating objectives such as mergers and acquisitions, technological innovations, and global expansion;
- advancement of commercial excellence through new or improved products and services, market leadership, and customer attraction and retention;
- achieving operational goals in areas such as productivity, efficiency and risk management;
- improving organizational excellence through employee practices and organization structure; and
- support of Company values such as integrity and high ethical standards.

The Compensation Committee reviews the CEO's assessments and approves an overall rating for the Chief Executive Officer and each of the Named Executive Officers. The overall rating indicates the warranted placement of the individual executive in the lower, middle or upper third of the competitive market ranges for base salary, target annual incentive, guideline long-term incentive opportunity, and target total direct compensation (base salary, target performance bonus and guideline long-term equity award value).

Table of Contents

Competitive market ranges are based on benchmark pay data for comparable positions. For an individual executive the midpoint of the range is anchored to the market 50th percentile, the low end of the range reflects the market 25th percentile, and the high end of the range reflects the market 75th percentile. This approach to setting pay is consistent with our intent of offering compensation that is contingent on performance and contributions to the Company yet competitive within the marketplace.

2012 Total Direct Compensation Opportunity

Based on the Compensation Committee's review, the 2012 Total Direct Compensation opportunities of our Named Executive Officers were:

Incumbent	Base Salary	Target Bonus	Target Cash	Long-Term Incentives	Target Total Direct
Paul D. Arling	$550,000	80%	$990,000	$1,200,770	$2,190,770
Variance to market median	(2)%		(6)%		8%
Paul J.M. Bennett [1]	$328,000	60%	$524,800	$440,960	$965,760
Variance to market median	6%		14%		10%
Mark S. Kopaskie	$320,000	60%	$512,000	$460,650	$972,650
Variance to market median	4%		11%		11%
Bryan M. Hackworth	$310,000	50%	$465,000	$430,110	$895,110
Variance to market median	(7)%		(15)%		8%
Richard A. Firehammer Jr.	$290,000	50%	$435,000	$329,720	$764,720
Variance to market median	(7)%		(9)%		(15)%

[1] Paul Bennett's base salary was converted to U.S. dollars using 1.286 USD/EUR.

Elements of Executive Compensation

We generally allocate among the principal elements of our total compensation program (base salary, annual performance incentives, and long-term equity awards) based on market practices. This ensures that our compensation program is effective for attracting and retaining key leaders.

Base Salary

We review base salaries annually, but they are not automatically increased if the Compensation Committee believes that other elements of compensation are more appropriate in light of our stated objectives. In setting base salaries for the executives, the Compensation Committee considers inputs from our CEO on the performance ratings of executives and from our compensation consultant on competitive pay levels.

As indicated in the table below, no changes were made to the base salaries of our Named Executive Officers in 2012.

Executive	2012 Salary	2011 Salary	Percent Change
Paul D. Arling	$550,000	$550,000	0%
Bryan M. Hackworth	$310,000	$310,000	0%
Paul J.M. Bennett [1]	€255,000	€255,000	0%
Mark S. Kopaskie	$320,000	$320,000	0%
Richard A. Firehammer Jr.	$290,000	$290,000	0%

[1] The change in Mr. Bennett's USD base salary in the "Summary Compensation Table" found on page 37 is due solely to a change in the foreign exchange rate for the Euro versus the U.S. dollar.

Table of Contents

Annual Incentives

Our Named Executive Officers participate in the Universal Electronics Inc. Annual Bonus Incentive Plan (the "Bonus Incentive Plan"). Within 90 days after the commencement of the year, the Compensation Committee identifies the executive officers who will participate in the Bonus Incentive Plan for that year and establishes the annual performance criteria.

In 2012, the following formula was used to calculate the payment that may be awarded to a Named Executive Officer under the Bonus Incentive Plan.

Preliminary Bonus = Base Salary x Target Bonus % x Company Performance Factor x Individual Performance Factor

For 2012, the Compensation Committee selected Pro Forma Diluted Earnings Per Share ("EPS") as the appropriate performance measure for the Bonus Incentive Plan. Pro Forma Diluted EPS may be found in our press releases and excludes the following expenses:

- Amortization expense relating to the intangible assets acquired;
- Depreciation expense relating to the increase in fixed assets from cost to fair market value;
- Other employee related restructuring costs;
- One-time costs associated with moving our corporate headquarters from Cypress, CA to Santa Ana, CA; and
- The write-down of certain deferred tax assets resulting from tax law changes in China and the state of California.

Pro Forma Diluted EPS is a reflection on the operating performance of the Company and directly influences return to stockholders. In addition, management and stockholders use Pro Forma Diluted EPS to value the Company.

Given the challenging economic environment, the Compensation Committee established a Pro Forma Diluted EPS of $1.75 for Bonus Incentive Plan funding at target levels for 2012. In the course of determining the EPS target, the Compensation Committee concluded that its achievement was substantially uncertain. Actual 2012 Pro Forma Diluted EPS of $1.55 resulted in funding of 61.5% of target bonuses under the Bonus Incentive Plan.

	Threshold	Target	Maximum	Actual
EPS	$1.49	$1.75	$2.10	$1.55
Percent of Target Funding	50%	100%	200%	61.5%
Paul D. Arling	40%	80%	160%	
Bryan M. Hackworth	25%	50%	100%	
Paul J.M. Bennett (1)	30%	60%	120%	
Mark S. Kopaskie	30%	60%	120%	
Richard A. Firehammer Jr.	25%	50%	100%	

The Compensation Committee also evaluates individual performance in determining the final incentive awards for our Named Executive Officers. In making this evaluation, the CEO provides his assessment of the other Named Executive Officers as input to the Compensation Committee's evaluations. This assessment is described above in "Setting Executive Compensation."

The 2012 Bonus Incentive Plan award calculations for our Named Executive Officers are indicated in the following table:

Executive	Base Salary	Target Bonus (%)	Target Bonus ($)	Company Performance Factor	Individual Performance Rating	Incentive Award
Paul D. Arling	$550,000	80%	$440,000	61.5%	97.9%	$265,000
Bryan M. Hackworth	$310,000	50%	$155,000	61.5%	97.6%	$93,000
Paul J.M. Bennett (1)	$328,000	60%	$196,800	61.5%	99.1%	$120,000
Mark S. Kopaskie	$320,000	60%	$192,000	61.5%	101.6%	$120,000
Richard A. Firehammer Jr.	$290,000	50%	$145,000	61.5%	97.6%	$87,000

Table of Contents

Long-Term Incentives

The Compensation Committee sets guideline award levels for long-term equity compensation for participating executives including our Named Executive Officers. The 2012 guidelines were expressed as grant values and were informed by a survey of our Peer Group's pay practices. The guidelines were established to generally reflect the median grant values of our Peer Group.

Each executive's actual grant value of long-term equity compensation relative to the guideline value is individually determined at the discretion of the Compensation Committee, after considering:

- the executive's skills, experience, long-term contributions, and potential; and
- individual and Company performance in the prior year.

Existing stock ownership levels are not a factor in award determination, as we do not want to discourage executives from holding our stock.

In determining the value of long-term equity compensation awards to the Named Executive Officers in February 2012, the Compensation Committee took into consideration, among other things, the successful integration of our Enson acquisition in 2011 and the resulting expanded scope of our operations, and the Company's strong operating performance.

The Company uses a mix of stock options and restricted stock units when making annual long-term equity awards. Once the value of the long-term equity compensation award is determined, the Compensation Committee grants approximately 50% of this value in stock options and 50% in restricted stock units. The Compensation Committee believes this mix of equity vehicles strikes an appropriate balance between rewarding increases in the market value of our Common Stock (stock options) and motivating retention with the Company (restricted stock units). In addition, restricted stock unit awards provide executives the benefits of stock price increases while still carrying the risks that other stockholders assume for stock price declines.

The grant price of stock options and restricted stock awards granted to our employees under our stock incentive plans is the average of the high and low trades of our stock on the grant date. The grant price of our 2012 equity grants is $20.085 and the stock option Black-Scholes fair value is $9.65. We prohibit the re-pricing or backdating of stock options. Due to rounding in the number of shares granted, the amounts reported in the Summary Compensation Table may not reflect the exact same proportion of stock options and restricted shares.

Our 2012 equity awards are indicated in the table below:

Executive	Target Grant Value	Restricted Stock Units (Rounded)	Stock Options (Rounded)	Final Award Value Restricted Stock Units	Final Award Value Stock Options	Actual Grant Value
Paul D. Arling	$1,200,000	29,900	62,200	600,540	600,230	$1,200,770
Bryan M. Hackworth	$430,000	10,700	22,300	214,910	215,200	$430,110
Paul J.M. Bennett	$440,000	11,000	22,800	220,940	220,020	$440,960
Mark S. Kopaskie	$460,000	11,500	23,800	230,980	229,670	$460,650
Richard A. Firehammer Jr.	$330,000	8,200	17,100	164,700	165,020	$329,720

Stock Option Features. Our stock options have a maximum ten-year term. Our 2012 stock option awards granted to our Named Executive Officers become exercisable in equal installments each quarter over three years with the first vest occurring on May 8, 2012. We believe that this vesting schedule aids us in retaining executives and motivating long-term performance. Under the terms of our stock incentive plans, unvested stock options are forfeited if the executive voluntarily leaves the Company.

Restricted Stock Features. We determine the vesting schedule of each award after considering our performance, alignment, and retention objectives, as well as the financial impact of the award. Our 2012 restricted stock unit awards granted to our Named Executive Officers vest in equal installments each quarter over three years with the first vest occurring on May 8, 2012. Under the terms of our stock incentive plans, unvested restricted stock awards are forfeited if the executive voluntarily leaves the Company.

Table of Contents

Executive Officer Stock Ownership Guidelines. The Company maintains stock ownership guidelines for our executive officers, including the Named Executive Officers. These guidelines are designed to align the executives' long-term financial interests with those of stockholders. The ownership guidelines are as follows:

Position	Value of Common Stock to be Owned
Chief Executive Officer	Two times base salary
Other Named Executive Officers	One times base salary

For the purposes of meeting this minimum stock ownership requirement, each equivalent share of common stock held under our benefit plans and each share of time-based restricted stock is considered as a share of common stock. Stock options and shares of unissued performance-based restricted stock are not considered towards meeting this requirement.

The Compensation Committee reviews ownership levels of our Named Executive Officers annually. The requirements for our Named Executive Officers, as well as their actual ownership levels at December 31, 2012, are set forth in the table below. All Named Executive Officers have met the required guidelines.

Under our long-standing insider trading policy, our directors and executives are prohibited from trading in puts, calls, options or similar securities or engaging in short sales of our stock. As part of the Dodd-Frank Act, the SEC is scheduled to issue rules requiring disclosure in proxy materials of whether employees and directors are permitted to purchase financial instruments designed to hedge or offset a market value decrease of equity securities granted to them as compensation or otherwise held by them. We intend to continue to monitor the SEC rulemaking and revise our insider trading policy as appropriate.

Other Compensation

We provide our executives who reside in the United States, including the Named Executive Officers, only one benefit beyond those in which all full-time employees in the United States participate. We believe this approach is reasonable and consistent with our overall executive compensation philosophy that emphasizes pay for performance.

Executives receive imputed income for company-paid life insurance policies above IRS limits for non-taxation. In 2013, the Company discontinued its policy of providing an associated tax gross-up on the premiums paid on behalf of the executive officers (including the Named Executive Officers) for their life insurance policy.

Peer Group

The Compensation Committee believes that it is appropriate to offer competitive total compensation packages to our executive officers in order to attract and retain top executive talent. The compensation Peer Group allows the Compensation Committee to monitor the compensation practices of our primary competitors for executive talent. The Compensation Committee utilizes

Table of Contents

this information to establish pay ranges for our Named Executive Officers and each individual's pay is targeted within those market-based pay ranges in consideration of a range of factors as described earlier in this disclosure.

The Compensation Committee reviews and approves the Peer Group each year. Of the 17 companies in the 2011 study peer group 13 companies were retained and four companies were dropped; two due to acquisition by another company (SMART Modular Technologies and Gerber Scientific) and two due to high annual revenue relative to UEIC (TTM Technologies and Viasystems Group). Four companies from the Electronic Equipment & Instruments industry were added to the 2012 peer group (Coherent, GSI Group, FARO Technologies and RealD).

The Compensation Committee believes that these companies are an appropriate peer group for comparison, as well as a group that is large and diverse enough so that any one company does not alter the overall analysis.

Universal Electronics 2012 Executive Compensation Peer Group

Electronic Equipment & Instruments	Electronic Manufacturing Services	Electronic Components/ Household Appliances
Coherent Inc.	CTS Corporation	iRobot Corporation
FARO Technologies Inc.	KEMET Corp.	Littlefuse Inc.
GSI Group Inc.	Measurement Specialities Inc.	Rogers Corporation
MTS Systems Corp.	Methode Electronics, Inc.	
Newport Corp.	Multi-Fineline Electronix Inc.	
OSI Systems, Inc.	RadiSys Corporation	
RealD Inc.		
Rofin-Sinar Technologies Inc.		

The 17 companies in the Peer Group generally had 2012 revenue, market capitalization and total enterprise value (as of December 31, 2012) in a relevant range around those of the Company as set forth below.

(in millions)

Company	Revenue	Market Capitalization	Industry
KEMET Corp.	$869	$199	Electronic Manufacturing Services
Multi-Fineline Electronix Inc.	$819	$406	Electronic Manufacturing Services
OSI Systems, Inc.	$813	$1,225	Electronic Equipment and Instruments
Coherent Inc.	$769	$1,108	Electronic Equipment and Instruments
Littlefuse Inc.	$656	$1,355	Electronic Components
Newport Corp.	$615	$488	Electronic Equipment and Instruments
CTS Corporation	$583	$299	Electronic Manufacturing Services
MTS Systems Copr.	$542	$759	Electronic Equipment and Instruments
Rofin-Sinar Technologies Inc.	$540	$594	Electronic Equipment and Instruments
Rogers Corporation	$505	$737	Electronic Components
Methode Electronics, Inc.	$473	$335	Electronic Manufacturing Services
iRobot Corporation	$466	$523	Household Appliances
Universal Electronics Inc.	$463	$265	Consumer Electronics
Measurement Specialities Inc.	$339	$476	Electronic Manufacturing Services
GSI Group Inc.	$333	$256	Electronic Equipment and Instruments
RadiSys Corporation	$296	$64	Electronic Manufacturing Services
FARO Technologies Inc.	$270	$599	Electronic Equipment and Instruments
RealD Inc.	$222	$543	Electronic Equipment and Instruments
Peer Group Median	$540	$523	

Data source: Standard & Poors Capital IQ.

Table of Contents

Tax Deductibility of Compensation

Section 162(m) of the Internal Revenue Code of 1986, as amended (the "Code"), imposes a $1 million limit on the amount that a public company may deduct for compensation paid to a Company's CEO or other highly compensated executive officers. This limitation does not apply to compensation that meets the requirements under the Code for "qualifying performance-based" compensation.

We may from time to time pay or award compensation to our executive officers that may not be deductible. Furthermore, because of the ambiguities and uncertainties as to the application and interpretation of the Code and the regulations issued thereunder, no assurance can be given, notwithstanding our efforts in this area, that compensation intended by us to satisfy the requirements for deductibility under the Code does in fact do so. Deductible compensation for Mr. Arling for 2012 was limited. Deductible compensation for the other four Named Executive Officers for 2012 was not limited. The Compensation Committee does not believe that the Code will limit the deductibility of compensation expected to be paid by the Company during 2013 to the other four Named Executive Officers; however, in the event Mr. Arling receives compensation related to stock option exercises and restricted stock during 2013, some of his compensation may not be deductible under Section 162(m).

Potential Impact on Compensation from Executive Misconduct

If the Board determines that an executive officer has engaged in fraudulent or intentional misconduct, the Board will take action to remedy the misconduct, prevent its recurrence, and impose discipline on the wrongdoer as appropriate. Discipline may vary depending on the facts and circumstances, and may include, without limit, (i) termination of employment, (ii) initiating an action for breach of fiduciary duty, and (iii) if the misconduct resulted in a significant restatement of the Company's financial results, seeking reimbursement of any portion of performance-based or incentive compensation paid or awarded to the executive that is greater than would have been paid or awarded if calculated based on the restated financial results. These remedies would be in addition to, and not in lieu of, any actions imposed by law enforcement agencies, regulators or other authorities.

Compensation Agreements

Paul D. Arling

On April 23, 2003, the Company and Mr. Arling entered into an employment agreement with a three-year term that, unless terminated by either party in accordance with the terms of the agreement, automatically renews for successive one-year terms. In October 2005, the parties agreed to extend the expiration date of this employment agreement to April 30, 2009. In February 2008, the parties agreed to extend the expiration date of this employment agreement, to April 30, 2011. As a result of the renewal feature of this agreement, Mr. Arling's employment agreement was allowed to renew and is presently set to expire on April 30, 2014.

This agreement requires that, during its term, Mr. Arling must (i) devote his full working time and energy to us, (ii) refrain from disclosing and/or using any of our trade secrets and proprietary information, and (iii) during the term of the agreement and for a period of two years thereafter, refrain from soliciting certain of our large customers or any key employees. The agreement also provides Mr. Arling the opportunity to receive increases (but not decreases) in his annual salary as determined and set by the Compensation Committee in accordance with plans and policies established by that committee.

If, during the term of the agreement, Mr. Arling should resign for "good reason" (as defined in the agreement), Mr. Arling will receive salary, bonus, other incentive compensation and perquisites, and may continue to participate in our benefit plans, for an eighteen-month period following such resignation or twenty-four months if such resignation is due to a "Change in Control," as defined in the agreement (see "Potential Payments upon Termination or Change in Control" below).

Paul J.M. Bennett

On June 16, 1996, our subsidiary, Universal Electronics B.V., entered into an employment agreement with Mr. Bennett. We believe that the agreement contains terms and provisions that are typical of these types of agreements in the Netherlands. Mr. Bennett has also received a salary continuation agreement from us (see "Salary Continuation Agreements" below).

Salary Continuation Agreements

Messrs. Hackworth, Bennett, Kopaskie and Firehammer and certain other officers have salary continuation agreements ("SCA"). For Mr. Bennett, the SCA was entered into in June 1996, for Mr. Firehammer, February 1999, for Mr. Kopaskie,

Table of Contents

September 2006, and for Mr. Hackworth, December 2006. The SCAs were entered into as part of an employment hiring and retention practice. There have been no SCAs entered into since 2010 and the Company no longer offers SCAs to its employees. Each SCA represents a binding obligation of the Company that takes effect upon the occurrence of a "Change in Control." When effective, each SCA operates as an employment agreement providing for a term of employment with us for a period ranging from twelve to eighteen months (twenty-four to thirty-six months in the event of a hostile acquisition). In addition, each SCA provides that the executive or other officer receive increases in salary and bonuses during the term of the SCA in accordance with our standard policies and practices; however, in no event would this base salary and bonus be less than the base salary and bonus the executive or other officer received in the year immediately preceding the effective date of the SCA. Furthermore, each SCA provides that the executive or other officer be entitled to receive stock option grants and to otherwise participate in our incentive compensation and benefits plans and other customary benefit programs in effect from time to time, but in no event would such participation be less than that provided to the executive or other officer immediately prior to the effective date of the SCA.

Under each SCA, if we terminate the executive or other officer's employment for reasons other than the executive's or other officer's death or disability or "for cause" (as defined in each SCA) or if the executive or other officer resigns for "good reason" (as defined in each SCA which includes resignation in connection with a "Change in Control"), the executive or other officer would receive, in one lump sum, an amount equal to salary, bonus and other incentive compensation. In addition, the executive or other officer may continue all health, disability and life insurance benefits. Included in other incentive compensation is the cash value of all stock-based compensation held by the executive or other officer including any unvested stock-based compensation which, under the terms of the stock-based compensation agreements, would become fully vested on the date of the executive's or other officer's termination or resignation. The executive or officer would be eligible for these benefits under the SCA for periods ranging from twelve to eighteen months (twenty-four to thirty-six months in the event of a hostile acquisition) following such termination or resignation.

Potential Payments upon Termination or Change in Control

Severance Plan for Executive Officers

Except for the severance benefits provided to Mr. Arling as part of his employment agreement, we do not have a written severance benefits program for our Named Executive Officers. However, in the past we have provided severance packages to certain executives and in the future we will continue to provide such benefits if we determine they are in the best interest of the Company and our stockholders.

Definitions of Termination Scenarios

"For Cause" Termination - Generally speaking, "cause" is defined as (i) the willful and continued failure by the executive to substantially perform his or her duties after a demand for substantial performance is delivered by the Company which specifically identifies the manner in which it is believed that the executive has not substantially performed his duties; (ii) the willful engaging by the executive in gross misconduct materially and demonstrably injurious to the property or business of the Company; or (iii) the executive's commission of fraud, misappropriation or a felony.

"Constructive Termination" - In general, "constructive termination" occurs on that date on which the executive resigns from employment with the Company, if such resignation occurs within eighteen months after the occurrence of (i) the failure of the executive to be elected or re-elected or appointed or reappointed to such office that the executive holds (other than as a result of a termination for "cause") if the executive is an officer of the Company and the office which the executive holds is one to which they are elected according to the Company's By-laws; (ii) a change in the executive's functions, duties, or responsibilities such that the executive's position with the Company becomes substantially less in responsibility, importance, or scope; or (iii) a "Change in Control."

"Change in Control" - A "Change in Control" occurs when (i) anyone acquires 20% or more of the total voting power of the outstanding securities of the Company which are entitled to vote in the election of directors; (ii) a majority of our directors is replaced, other than by those approved by existing directors; (iii) a merger occurs where the voting stock of the Company outstanding immediately prior to the merger does not continue to represent at least 80% of the total voting power immediately after the merger; or (iv) the Company is dissolved or liquidated.

"Good Reason" - For Mr. Arling, a termination for "good reason" is defined in his employment agreement and includes his resignation as a result of one of the following:

- the attempted discontinuance or reduction in his "base cash salary";

34

Table of Contents

- the attempted discontinuance or reduction in his bonuses and/or incentive compensation award opportunities under plans or programs applicable to him, unless the discontinuance or reduction is a result of the Company's policy applied equally to all executive employees of the Company;
- the attempted discontinuance or reduction in his stock option and/or stock award opportunities under plans or programs applicable to him, unless the discontinuance or reduction is a result of the Company's policy applied equally to all executive employees of the Company;
- the attempted discontinuance or reduction in his perquisites from those historically provided during his employment with the Company and generally applicable to executive employees of the Company;
- his relocation to an office (other than the Company's headquarters) located more than fifty miles from his current office location;
- the significant reduction in his responsibilities and status within the Company or a change in his titles or positions;
- the attempted discontinuance of his participation in any benefit plans maintained by the Company unless the plans are discontinued by reason of law or loss of tax deductibility to the Company with respect to the contributions to or payments under the plans, or are discontinued as a matter of the Company's policy applied equally to all participants;
- the attempted reduction of his paid vacation to less than that provided in his agreement;
- the failure by the Company to obtain an assumption of Company's obligations under his agreement by any assignee of or successor to the Company, regardless of whether the entity becomes a successor to the Company as a result of merger, consolidation, sale of assets of the Company or other form of reorganization; or
- the occurrence of a "Change in Control."

For the Other Named Executive Officers, the term "Good Reason" is defined in the SCA's as (i) a significant change in the nature or scope or the location for the exercise or performance of the Executive's authority or duties from those referred to in the SCA, a reduction in total compensation, compensation plans, benefits or perquisites from those provided in the SCA, or the breach by the Corporation of any other provision of the SCA; or (ii) a reasonable determination by the Executive that, as a result of a Change in Control and a change in circumstances thereafter significantly affecting the Executive's position, the Executive is unable to exercise the authorities, power, function or duties attached to the Executive's position and contemplated by the SCA.

Stock Option and RSU Acceleration

In the event that an executive's employment with the Company is terminated without cause or in the event of constructive termination, the executive will become immediately fully vested in his equity incentive compensation grants, to the extent not previously vested.

Tax Gross-Up

In the event it is determined that any compensation payment or distribution as the result of a change in control would be subject to the excise tax imposed by section 4999 of the tax code, or any interest or penalties with respect to the excise tax (together the "excise tax"), the Company will pay to the participant an additional payment (a "gross-up payment") in an amount such that after payment by the participant of all taxes, including any excise tax imposed on any gross-up payment, the participant retains an amount of the gross-up payment equal to the excise tax imposed upon the payment.

Compensation Upon Termination

The amounts in the following table assume that the Named Executive Officers terminated employment effective December 31, 2012. The closing price of UEIC common stock was $19.35 on that date. These amounts are in addition to benefits generally available to U.S. employees upon termination of employment, such as distributions from our 401(k) Plan, the payment of accrued vacation, and payments, if any, provided as additional severance.

Table of Contents

(In thousands)

Name	Months of payment	Termination Scenario	Total ($)	Salary ($)	Bonus ($)	Other ($)	Aggregate Value of Vested Stock Options ($)	Aggregate Value of Unvested Stock Options ($)	Aggregate Value of Vested Restricted Stock ($)	Aggregate Value of Unvested Restricted Stock ($)	Tax Gross-Up ($)
Paul D. Arling	18	Without Cause	2,938	825	398	44	885	14	—	772	—
	18	Good Reason	2,938	825	398	44	885	14	—	772	—
	24	Change in Control	3,748	1,100	530	58	885	14	—	772	389
	24	Hostile Acquisition	3,748	1,100	530	58	885	14	—	772	389
Bryan M. Hackworth	—	Without Cause	386	—	—	—	98	5	—	283	—
	—	Good Reason	386	—	—	—	98	5	—	283	—
	12	Change in Control	800	310	93	11	98	5	—	283	—
	24	Hostile Acquisition	1,214	620	186	22	98	5	—	283	—
Paul J.M. Bennett	—	Without Cause	667	—	—	—	366	7	—	294	—
	—	Good Reason	667	—	—	—	366	7	—	294	—
	18	Change in Control	1,416	492	180	77	366	7	—	294	—
	36	Hostile Acquisition	2,164	984	360	153	366	7	—	294	—
Mark S. Kopaskie	—	Without Cause	429	—	—	—	115	7	—	307	—
	—	Good Reason	429	—	—	—	115	7	—	307	—
	18	Change in Control	1,118	480	180	29	115	7	—	307	—
	36	Hostile Acquisition	1,806	960	360	57	115	7	—	307	—
Richard A. Firehammer Jr.	—	Without Cause	265	—	—	—	43	3	—	219	—
	—	Good Reason	265	—	—	—	43	3	—	219	—
	18	Change in Control	860	435	131	29	43	3	—	219	—
	36	Hostile Acquisition	1,453	870	261	57	43	3	—	219	—

Compensation Committee Report

The Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis with management. Based on its review and discussions with management, the committee recommended to our Board of Directors that the Compensation Discussion and Analysis should be included in our Annual Report on Form 10-K for 2012 and in our 2013 proxy statement. This report is provided by the following independent directors, who comprise the committee:

J.C. Sparkman (Chairman)
Satjiv S. Chahil
Gregory P. Stapleton

Table of Contents

Summary Compensation Table

Name and Principal Position	Year ($)	Salary ($)	Bonus ($)	Stock Awards [(1)] ($)	Option Awards [(2)] ($)	All Other Compensation[(3)] ($)	Total ($)
Paul D. Arling,	2012	550,000	265,000	600,540	600,230	29,075	2,044,845
Chairman of the Board and	2011	550,000	—	549,900	550,040	30,000	1,679,940
Chief Executive Officer	2010	510,300	225,000	425,960	424,490	28,825	1,614,575
Bryan M. Hackworth,	2012	310,000	93,000	214,910	215,200	11,380	844,490
Chief Financial Officer and	2011	310,000	—	190,130	190,290	12,365	702,785
Senior Vice President	2010	280,000	105,000	179,350	180,470	12,145	756,965
Paul J.M. Bennett[(4)],	2012	328,000	120,000	220,940	220,020	51,295	940,255
Executive Vice President and	2011	355,000	—	190,130	190,290	55,190	790,610
Managing Director, Europe	2010	332,000	115,000	189,320	189,550	51,680	877,550
Mark S. Kopaskie,	2012	320,000	120,000	230,980	229,670	19,335	919,985
Executive Vice President and	2011	320,000	—	198,900	200,020	20,615	739,535
General Manager, U.S.	2010	310,000	115,000	199,280	199,760	20,095	844,135
Richard A. Firehammer Jr.,	2012	290,000	87,000	164,700	165,020	18,800	725,520
Senior Vice President and	2011	290,000	—	155,030	155,570	18,550	619,150
General Counsel	2010	270,000	100,000	139,500	139,610	18,550	667,660

(1) This column represents the total grant date fair value of restricted stock awards granted during 2012, 2011 and 2010. For additional information regarding stock-based compensation and the assumptions used in calculating the grant date fair value, please refer to Note 16 of our consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2012, as filed with the SEC.

(2) This column represents the total grant date fair value of stock options granted during 2012, 2011 and 2010. For additional information regarding stock-based compensation and the assumptions used in calculating the grant date fair value, please refer to Note 16 of our consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2012, as filed with the SEC.

(3) See the "All Other Compensation Table" below for additional information.

(4) Mr. Bennett's salary and other compensation is paid in Euros and was converted into U.S. dollars using the average rate of 1.286 USD, 1.392 USD and 1.328 USD for 2012, 2011, and 2010, respectively.

Table of Contents

All Other Compensation Table

The following table describes each component of the All Other Compensation column in the Summary Compensation Table.

Name of Executive	Year	Premiums for Life Insurance[1] ($)	Tax Payments[2] ($)	Contributions to Defined Contribution Plan ($)	Leased Vehicle ($)	Other Benefits ($)	Total All Other Compensation ($)
Mr. Arling	2012	13,774	6,801	8,500	—	—	29,075
	2011	13,774	7,976	8,250	—	—	30,000
	2010	13,774	6,801	8,250	—	—	28,825
Mr. Hackworth	2012	2,606	1,285	7,489	—	—	11,380
	2011	2,600	1,515	8,250	—	—	12,365
	2010	2,600	1,295	8,250	—	—	12,145
Mr. Bennett[3]	2012	—	—	12,254	35,890	3,151	51,295
	2011	—	—	13,265	38,515	3,410	55,190
	2010	—	—	12,655	34,273	4,752	51,680
Mr. Kopaskie	2012	6,088	3,007	10,239	—	—	19,335
	2011	6,088	3,527	11,000	—	—	20,615
	2010	6,088	3,007	11,000	—	—	20,095
Mr. Firehammer	2012	7,215	3,085	8,500	—	—	18,800
	2011	7,215	3,085	8,250	—	—	18,550
	2010	7,215	3,085	8,250	—	—	18,550

(1) This column represents taxable payments made for life insurance premiums for the Named Executive Officers. As of December 31, 2012, 2011 and 2010, the aggregate face value of the insurance policies for the Named Executive Officers was $3,625,000.

(2) This column represents taxes reimbursed to the Named Executive Officers resulting from the premiums we paid on their life insurance policies mentioned in note 1 above. Beginning in 2013, we will no longer reimburse the Named Executive Officers for these taxes.

(3) Mr. Bennett's compensation is paid in Euros and was converted into U.S. dollars using the average rate of 1.286 USD, 1.392 USD, and 1.328 USD for 2012, 2011, and 2010, respectively.

Table of Contents

Grants of Plan-Based Awards in Fiscal 2012

The following table provides information about restricted stock awards and stock options granted to our Named Executive Officers during 2012.

Name of Executive	Stock Incentive Plan	Grant Date (1)	All Other Stock Awards: Number of Shares of Stock or Units (#)	All Other Option Awards: Number of Securities Underlying Options (#)	Option Exercise or Base Price of Option Awards(2) ($/Share)	Closing Market Price on Option Grant Date ($/Share)	Grant Date Fair Value of Stock and Option Awards ($)
Mr. Arling	2010	2/8/2012	29,900				600,540
	2003	2/8/2012		11,563	20.085	20.30	111,583
	2006	2/8/2012		5,460	20.085	20.30	52,689
	2010	2/8/2012		45,177	20.085	20.30	435,958
Mr. Hackworth	2010	2/8/2012	10,700				214,910
	2010	2/8/2012		22,300	20.085	20.30	215,200
Mr. Bennett	2010	2/8/2012	11,000				220,940
	2010	2/8/2012		22,800	20.085	20.30	220,020
Mr. Kopaskie	2010	2/8/2012	11,500				230,980
	2010	2/8/2012		23,800	20.085	20.30	229,670
Mr. Firehammer	2010	2/8/2012	8,200				164,700
	2010	2/8/2012		17,100	20.085	20.30	165,020

(1) The restricted stock and stock option awards granted on February 8, 2012 are subject to a 3-year vesting period (8.33% each quarter).

(2) The option exercise price is based upon the average of the high and low trades on the grant date.

Table of Contents

Outstanding Equity Awards at Fiscal 2012 Year-End

The following table provides information on the stock options and restricted stock awards held by the Named Executive Officers at December 31, 2012:

	Option Awards					Stock Awards	
Name of Executive	Number of Securities Underlying Unexercised Options (#) Exercisable (1)	Number of Securities Underlying Unexercised Options (#) Unexercisable (1)		Option Exercise Price (2) ($)	Option Expiration Date(3)	Number of Shares or Units of Stock That Have Not Vested (4) (#)	Market Value of Shares or Units of Stock That Have Not Vested (5) ($)
Mr. Arling	80,000	—		12.58	3/24/2014	950	18,383
	80,000	—		17.585	1/21/2015	7,125	137,869
	65,342	4,358	*	16.25	3/10/2019	9,398	181,851
	21,816	15,584	**	24.91	1/25/2020	22,424	433,904
	19,800	19,800	***	29.25	4/6/2021		
	15,549	46,651	****	20.085	2/8/2022		
Mr. Hackworth	11,000	—		17.585	1/21/2015	368	7,121
	25,218	1,682	*	16.25	3/10/2019	3,000	58,050
	9,275	6,625	**	24.91	1/25/2020	3,248	62,849
	6,850	6,850	***	29.25	4/6/2021	8,024	155,264
	5,575	16,725	****	20.085	2/8/2022		
Mr. Bennett	32,811	—		12.58	3/24/2014	507	9,810
	20,000	—		17.585	1/21/2015	3,167	61,281
	34,875	2,325	*	16.25	3/10/2019	3,248	62,849
	9,741	6,959	**	24.91	1/25/2020	8,249	159,618
	6,850	6,850	***	29.25	4/6/2021		
	5,700	17,100	****	20.085	2/8/2022		
Mr. Kopaskie	5,000	—		18.07	9/1/2016	507	9,810
	34,875	2,325	*	16.25	3/10/2019	3,332	64,474
	10,266	7,334	**	24.91	1/25/2020	3,398	65,751
	7,200	7,200	***	29.25	4/6/2021	8,623	166,855
	5,950	17,850	****	20.085	2/8/2022		
Mr. Firehammer	13,968	932	*	16.25	3/10/2019	200	3,870
	7,175	5,125	**	24.91	1/25/2020	2,332	45,124
	5,600	5,600	***	29.25	4/6/2021	2,648	51,239
	4,275	12,825	****	20.085	2/8/2022	6,148	118,964

(1) The stock options marked with a (*) vest at a rate of 6.25% per quarter with full vesting on the fourth anniversary of the date of grant. The stock options marked with a (**) vest at a rate of 8.33% per quarter beginning on 1/25/2010 with full vesting on the fourth anniversary of the date of grant. The stock options marked with a (***) vest at a rate of 8.33% per quarter beginning on 7/6/2011 with full vesting on the third anniversary of the date of grant. The stock options marked with a (****) vest at a rate of 8.33% per quarter beginning on 5/8/2012 with full vesting on the third anniversary of the date of grant.

(2) The option exercise prices are based upon the average of the high and low trades on the grant dates.

(3) Stock options granted by us have a ten-year term.

(4) The unvested restricted stock awards will vest as follows:

- Mr. Arling: 22,884 shares during 2013, 14,522 shares during 2014, and 2,491 shares during 2015.

- Mr. Hackworth: 8,502 shares during 2013, 5,247 shares during 2014, and 891 shares during 2015.
- Mr. Bennett: 8,875 shares during 2013, 5,380 shares during 2014, and 916 shares during 2015.
- Mr. Kopaskie: 9,272 shares during 2013, 5,630 shares during 2014, and 958 shares during 2015.

Table of Contents

• Mr. Firehammer: 6,565 shares during 2013, 4,080 shares during 2014, and 683 shares during 2015.

Please see "Compensation Discussion and Analysis" under the heading "Long-Term Incentives" for further information related to our restricted stock awards.

(5) The market value of unvested restricted stock awards is calculated based on the $19.35 closing price of UEIC common stock on December 31, 2012.

Option Exercises and Stock Vested

The following table provides information about options exercised and stock vested for the Named Executive Officers during the year ended December 31, 2012:

Name of Executive	Option Awards Number of Shares Acquired on Exercise (#)	Value Realized on Exercise [1] ($)	Stock Awards Number of Shares Acquired on Vesting (#)	Value Realized on Vesting [2] ($)
Mr. Arling	118,000	865,113	23,244	373,409
Mr. Hackworth	—	—	8,719	140,015
Mr. Bennett	10,000	26,000	9,477	152,036
Mr. Kopaskie	—	—	9,837	157,829
Mr. Firehammer	—	—	6,487	104,367

(1) Represents the amounts realized based upon the difference between the market price of UEIC stock on the date of exercise and the exercise price.

(2) Represents the amounts realized based on the fair market value of UEIC stock on the vesting date, which is defined as the average of the high and low trades on that date.

RELATED PERSONS TRANSACTIONS

Review and Approval of Related Person Transactions

We review all relationships and transactions in which the Company and our directors and executive officers or their immediate family members are participants to determine whether such persons have a direct or indirect material interest. The legal staff is primarily responsible for developing and implementing processes and controls to obtain information from the directors and executive officers with respect to related person transactions and then determine, based on facts and circumstances, whether the Company or related person has a direct or indirect material interest in the transaction. As required by SEC rules, transactions that are determined to be directly or indirectly material to the Company or a related person are disclosed in the proxy statement.

We purchase certain printed circuit board assemblies from a related party vendor. The vendor is considered a related party because our Senior Vice President of Manufacturing, owns 40% of this vendor. Our purchases from this vendor for the year ended December 31, 2012 totaled approximately $8.8 million, or 3.8% of total inventory purchases. Our purchases from this vendor for the year ended December 31, 2011 totaled $8.7 million, or 3.0% of total inventory purchases. Payable amounts outstanding to this vendor were approximately $1.8 million and $1.9 million on December 31, 2012 and 2011, respectively. Our payable terms and pricing with this vendor are consistent with the terms offered by other vendors in the ordinary course of business. The accounting policies that we apply to our transactions with our related party are consistent with those applied in transactions with independent third parties. Corporate management routinely monitors purchases from our related party vendor to ensure these purchases remain consistent with our business objectives.

Table of Contents

Stock Ownership by Directors, Executive Officers and Other Beneficial Owners

Our Common Stock is our only outstanding class of equity securities. Ownership as of April 1, 2013 of our Common Stock by each director/nominee, each of the Named Executive Officers, and by all our directors and executive officers as a group, and any person we know to be the beneficial holder of more than five percent of our Common Stock, is as follows:

Name and Address[1]	Shares of Common Stock Beneficially Owned as of April 1, 2013		% of Shares Issued as of April 1, 2013
Directors and Nominee:			
Paul D. Arling	445,758	(2)	2.91%
Satjiv S. Chahil	85,061	(3)	*
William C. Mulligan	90,289	(4)	*
J.C. Sparkman	73,721	(5)	*
Gregory P. Stapleton	33,826	(6)	*
Carl E. Vogel	22,500	(7)	*
Edward K. Zinser	52,188	(8)	*
Non-Director Named Executive Officers:			
Bryan M. Hackworth	97,787	(9)	*
Paul J. M. Bennett	151,129	(10)	1.00%
Mark S. Kopaskie	106,481	(11)	*
Richard A. Firehammer Jr.	42,682	(12)	*
All Directors and Named Executive Officers as a Group (11 persons)	1,201,422		7.64%
Beneficial Owners of More than 5% of the Outstanding Company Stock:			
Eagle Asset Management, Inc.	2,516,094	(13)	16.79%
RBC Global Asset Management (U.S.) Inc.	1,280,541	(14)	8.55%
BlackRock, Inc.	1,234,216	(15)	8.24%
Artisan Partners Holdings, LP	1,033,200	(16)	6.90%
The Vanguard Group	790,424	(17)	5.28%

* Less than one percent.

(1) The address for each Director/Nominee and each Non-Director Named Executive Officer listed in this table is c/o Universal Electronics Inc., 201 E. Sandpointe Avenue, 8th Floor, Santa Ana, California 92707. To the knowledge of the Company, each stockholder named in this table has sole voting and investment power with respect to the shares shown as beneficially owned by that stockholder unless otherwise indicated in the footnotes to this table, and subject to community property laws where applicable.

(2) Includes 314,878 shares subject to options exercisable and 7,759 shares subject to restricted stock vesting within 60 days. Also includes 1,000 shares held by Mr. Arling's wife as to which Mr. Arling disclaims beneficial ownership.

(3) Includes 20,000 shares subject to options exercisable within 60 days.

(4) Includes 25,357 shares subject to options exercisable within 60 days.

(5) Includes 20,000 shares subject to options exercisable within 60 days.

(6) Includes 20,000 shares subject to options exercisable within 60 days.

(7) Includes 20,000 shares subject to options exercisable within 60 days.

(8) Includes 20,000 shares subject to options exercisable within 60 days.

(9) Includes 70,082 shares subject to options exercisable and 2,901 shares subject to restricted stock vesting within 60 days.

(10)

Includes 90,283 shares subject to options exercisable and 3,002 shares subject to restricted stock vesting within 60 days.

(11) Includes 76,932 shares subject to options exercisable and 3,142 shares subject to restricted stock vesting within 60 days.

(12) Includes 40,232 shares subject to options exercisable and 2,309 shares subject to restricted stock vesting within 60 days.

(13) As reported on Schedule 13G/A as filed on January 29, 2013 with the Securities and Exchange Commission by Eagle Asset Management, Inc., an investment advisor company, with its principal business office at 880 Carillon Parkway, St. Petersburg, FL 33716.

Table of Contents

(14) As reported on Schedule 13G as filed on February 8, 2013 with the Securities and Exchange Commission by The RBC Global Asset Management (U.S.) Inc., an investment advisor company, with its principal business office at 100 South Fifth Street, Suite 2300, Minneapolis, MN 55402.

(15) As reported on Schedule 13G/A as filed on February 1, 2013 with the Securities and Exchange Commission by BlackRock, Inc., an investment advisor company, with its principal business office at 40 East 52nd Street, New York, NY 10022.

(16) As reported on Schedule 13G as filed on February 6, 2013 with the Securities and Exchange Commission by Artisan Partners Holdings LP, an investment advisor company, with its principal business office at 875 East Wisconsin Avenue, Suite 800, Milwaukee, WI 53202.

(17) As reported on Schedule 13G as filed on February 11, 2013 with the Securities and Exchange Commission by The Vanguard Group, an investment advisor company, with its principal business office at 100 Vanguard Boulevard, Malvern, PA 19355.

OTHER MATTERS

Section 16(a) Beneficial Ownership Reporting Compliance

Did all directors and executive officers comply with Section 16(a) reporting requirements?

Section 16(a) of the Securities Exchange Act of 1934 (the "Exchange Act") requires any person who is a director or officer of Universal, or the beneficial owner of more than ten percent of any class of our registered class equity securities to file reports of ownership and changes in ownership on Forms 3, 4 and 5 with the Securities and Exchange Commission and the NASDAQ Stock Market. Such persons are further required to furnish us with copies of all such forms they file. Based solely on our review of the copies of such forms filed, we have determined that all of the documents required to be filed pursuant to Section 16(a) have been filed. Due to a change in the processing of these forms and delays caused by an email server malfunction, each of Messrs. Arling, Bennett, Chahil, Firehammer, Hackworth, Kopaskie, Mulligan, Sparkman, Stapleton, Vogel, and Zinser were late in filing three Form 4s in 2012 reporting transactions involving restricted stock issuances. We continue to take steps necessary to ensure the timely filing of all such reports by providing each reporting person clear information with respect to the Section 16(a) reporting requirements.

Stockholder Proposals for this Annual Meeting and for the 2014 Annual Meeting

How may stockholders make proposals or director nominations for this Annual Meeting and for the 2014 Annual Meeting?

If a stockholder desires to have a proposal included in our proxy statement and form of proxy for the 2014 Annual Meeting of Stockholders, the proposal must conform to the requirements of Exchange Act Rule 14a-8 and other applicable proxy rules and interpretations of the SEC concerning the submission and content of proposals, must be submitted in writing by notice delivered or mailed by first-class United States mail, postage prepaid, to our Secretary, Universal Electronics Inc., 201 E. Sandpointe Avenue, 8th Floor, Santa Ana, California 92707 and must be received no later than the close of business on December 31, 2013. Any such notice shall set forth: (a) the name and address of the stockholder and the text of the proposal to be introduced; (b) the number of shares of stock held of record, owned beneficially and represented by proxy by such stockholder as of the date of such notice; and (c) a representation that the stockholder intends to appear in person or by proxy at the meeting to introduce the proposal specified in the notice. In order for a stockholder’s proposal outside the processes of Rule 14a-8 to be considered timely within the meaning of Exchange Act Rule 14a-4(c)(2), the proposal must be received by us at the same address no later than March 15, 2014. In order for the Corporate Governance and Nominating Committee to consider any stockholder recommendation for director nominations at this Annual Meeting of Stockholders, the recommendation must have been received by the Company by the close of business on December 31, 2012 and must have complied with the requirements of, and be accompanied by all the information required by, the Securities and Exchange Commission’s proxy rules and Article IV of our Amended and Restated By-laws (Article IV is included with this Proxy Statement as Appendix B). We received no stockholder recommendations for director nominations for this Annual Meeting of Stockholders. In addition, proxy holders will use their discretion in voting proxies with respect to any stockholder proposal properly presented from the floor and not included in the Proxy Statement for this Annual Meeting, unless we had notice of the proposal and receive specific voting instructions with respect thereto by March 15, 2013.

43

Table of Contents

Other Business

Will there be any other business conducted at the annual meeting?

As of the date of this proxy statement, we know of no business that will be presented for consideration at this Annual Meeting other than the items referred to in this proxy statement. If any other matter is properly brought before the meeting for action by stockholders, proxies in the enclosed form returned to us will be voted in accordance with the recommendation of the Board or, in the absence of such a recommendation, in accordance with the judgment of the proxy holder.

Table of Contents

Appendix A
UNIVERSAL ELECTRONICS INC.
DIRECTOR INDEPENDENCE STANDARDS

The Board of Directors of Universal Electronics Inc. (the "Company") has adopted the following Director Independence Standards to assist in determining the independence of a director. In order for a director to be considered "independent," the Board must affirmatively determine that the director has no relationship that would interfere in the exercise of independent judgment in carrying out the responsibilities of a director. In each case, the Board will consider all relevant facts and circumstances, including the director’s commercial, industrial, banking, consulting, legal, accounting, charitable and familial relationships. The Board also will consider such other criteria as it may from time to time deem appropriate.

1. A director will not be considered "independent" if the director fails to qualify as an "independent director" under Rule 4200(a)(15) of the Nasdaq Stock Market, Inc. In addition, a director will not be independent if, during the current year or within the preceding three years: (a) the director was employed by the Company; (b) the director received, or an immediate family member received, more than $120,000 per year in payments from the Company, other than compensation (i) for board or board committee service, (ii) payments arising solely from investments in the Company’s securities, (iii) compensation paid to a family member who is a non-executive employee of the Company, (iv) benefits under a tax-qualified retirement plan or nondiscretionary compensation or (v) loans permitted under Section 13(k) of the Securities Exchange Act of 1934; (c) an immediate family member of the director was employed by the Company as an executive officer; (d) any organization, of which the director or an immediate family member is a partner, executive officer or controlling stockholder, received payments from the Company in any year exceeding the greater of $200,000 and 5% of the recipient’s consolidated gross revenues for that year, other than (i) payments arising solely from investments in the Company’s securities or (ii) payments under non-discretionary charitable contribution matching programs; or (e) any executive officer of the Company served on the compensation committee of a company which employed the director, or which employed an immediate family member of the director, as an executive officer. Finally, a director will not be considered independent if the director or an immediate family member is a current partner of the Company’s independent auditor or was a partner or employee of the Company’s independent auditor that worked on the Company’s audit at any time during the past three years.

2. In addition to the relationships described in paragraph 1, an Audit Committee member must not (i) directly or indirectly accept any consulting, advisory or other compensatory fee from the Company, except as a director or member of the Audit Committee or (ii) be an affiliated person of the Company, except as a director or member of any committee. An Audit Committee member may receive fees in the form of cash, stock, stock units, stock options or other consideration ordinarily available to directors, as well as regular benefits that other directors receive.

3. The Board will undertake an annual review of the independence of all directors. In advance of the meeting at which this review occurs, each director shall be asked to provide the Board with full information regarding the director’s (including immediate family members’) business, charitable and other relationships with the Company to enable the Board to evaluate the director’s independence.

4. A director has an affirmative obligation to inform the Board of any material changes in circumstances or relationships that may impact designation by the Board as "independent." This obligation includes all business, charitable and other relationships between directors (including immediate family members) and the Company.

For purposes of these Director Independence Standards, "immediate family member" includes a person’s spouse, parents, children and siblings and anyone who resides in such person’s home, and "Company" includes Universal Electronics Inc. and any subsidiary thereof.

Table of Contents

Appendix B
UNIVERSAL ELECTRONICS INC.
BY-LAWS, ARTICLE IV
STOCKHOLDER NOMINATION OF DIRECTOR CANDIDATES
Subject to the rights of holders of any class or series of stock having a preference over the Common Stock as to dividends or upon liquidation, nominations for the election of directors may be made by the Board of Directors or a committee appointed by the Board of Directors or by any stockholder entitled to vote in the election of directors generally. However, any stockholder entitled to vote in the election of directors generally may nominate one or more persons for election as directors at a meeting only if written notice of such stockholder’s intent to make such nomination or nominations has been given, either by personal delivery or by United States mail, postage prepaid, to the Secretary of the Corporation not later than (i) with respect to an election to be held at an annual meeting of stockholders, one hundred twenty (120) days in advance of the date of the Proxy Statement released to stockholders in connection with the previous year’s annual meeting of stockholders, and (ii) with respect to an election to be held at a special meeting of stockholders for the election of directors, a reasonable time in advance of the meeting. For purposes of this Section, a "reasonable time in advance of the meeting" is at least fifteen (15) days before the date that the Proxy Statement in connection with such meeting is to be mailed to the stockholders. Each such notice shall set forth: (a) the name and address of the stockholder who intends to make the nomination and of the person and persons to be nominated; (b) a representation that the stockholder is a holder of record of stock of the Corporation entitled to vote at such meeting and intends to appear in person or at the meeting to nominate the by proxy person or persons specified in the notice; (c) a description of all arrangements or understandings between the stockholder and each nominee and any other person or persons (naming such person or persons) pursuant to which the nomination or nominations are to be made by the stockholder; (d) such other information regarding each nominee proposed by such stockholder as would be required to be included in a Proxy Statement filed pursuant to the proxy rules of the Securities and Exchange Commission, had the nominee been nominated, or intended to be nominated, by the Board of Directors; and (e) the consent of each nominee to serve as a director of the Corporation if so elected. The presiding officer at the meeting may refuse to acknowledge the nomination of any person not made in compliance with the foregoing procedure.

Table of Contents

"font-family:'Times New Roman', Times, serif;font-size:10pt;margin:0pt;text-align:center;">**2018**

2017

2016

2015

2014

Amount

% *

Amount

% *

Amount

% *

Amount

%*

	Amount	% *	Amount	% *	Amount	% *	Amount	% *	Amount	% *
Balance at end of period applicable to:										
Real Estate										
Construction	$699	6%	$796	6%	$908	8%	$999	9%	$495	5%
1-4 family residential	1,820	19%	1,716	19%	1,711	20%	1,806	18%	1,648	18%
Commercial	4,615	43%	4,734	45%	3,960	41%	3,557	36%	3,214	38%
Agricultural	1,198	11%	997	11%	861	9%	760	9%	737	10%
Commercial	1,777	10%	1,739	9%	1,728	10%	1,371	14%	1,247	14%
Agricultural	1,384	9%	1,171	9%	1,216	10%	1,256	11%	1,312	13%
Consumer and other	191	2%	168	1%	123	2%	239	3%	185	2%
	$11,684	100%	$11,321	100%	$10,507	100%				

* Percent of loans in each category to total loans.

Liquidity and Capital Resources

Liquidity management is the process by which the Company, through its Banks' Asset and Liability Committees (ALCO), ensures adequate liquid funds are available to meet its financial commitments on a timely basis, at a reasonable cost and within acceptable risk tolerances. These commitments include funding credit obligations to borrowers, funding of mortgage originations pending delivery to the secondary market, withdrawals by depositors, maintaining adequate collateral for pledging for public funds, trust deposits and borrowings, paying dividends to shareholders, payment of operating expenses, funding capital expenditures and maintaining deposit reserve requirements.

Liquidity is derived primarily from core deposit growth and retention; principal and interest payments on loans; principal and interest payments, sale, maturity and prepayment of investment securities; net cash provided from operations; and access to other funding sources. Other funding sources include federal funds purchased lines, FHLB advances and other capital market sources.

As of December 31, 2018, the level of liquidity and capital resources of the Company remain at a satisfactory level and compare favorably to that of other FDIC insured institutions. Management believes that the Company's liquidity sources will be sufficient to support its existing operations for the foreseeable future.

The liquidity and capital resources discussion will cover the following topics:

- Review of the Company's Current Liquidity Sources
- Review of the Consolidated Statements of Cash Flows
- Review of Company Only Cash Flows
- Review of Commitments for Capital Expenditures, Cash Flow Uncertainties and Known Trends in Liquidity and Cash Flow Needs
- Capital Resources

Review of the Company's Current Liquidity Sources

Liquid assets of cash on hand, balances due from other banks and interest-bearing deposits in financial institutions for December 31, 2018 and 2017 totaled $56,442,000 and $69,420,000, respectively. The lower balance of liquid assets at December 31, 2018 primarily relates to a decrease in funds at the Federal Reserve Bank, partially offset by an increase in interest-bearing deposits at financial institutions.

Other sources of liquidity available to the Banks as of December 31, 2018 include available borrowing capacity with the FHLB of $171,611,000 and federal funds borrowing capacity at correspondent banks of $108,603,000. As of December 31, 2018, the Company had outstanding FHLB advances of $14,600,000, no federal funds purchased, securities sold under agreements to repurchase of $40,674,000 and no other borrowings.

Total investments as of December 31, 2018, were $458,971,000 compared to $495,322,000 as of year-end 2017. As of December 31, 2018 and 2017, the investment portfolio as a percentage of total assets was 32% and 36%, respectively. The investment portfolio provides the Company with a significant amount of liquidity since all investments are classified as available-for-sale as of December 31, 2018 and 2017 and have pretax net unrealized (losses) of $(5,433,000) and $(687,000), respectively.

The investment portfolio serves an important role in the overall context of balance sheet management in terms of balancing capital utilization and liquidity. The decision to purchase or sell securities is based upon the current assessment of economic and financial conditions, including the interest rate environment, liquidity and credit considerations. The portfolio’s scheduled maturities represent a significant source of liquidity.

Review of the Consolidated Statements of Cash Flows

Net cash provided by operating activities for the years ended December 31, 2018 and 2017 totaled $20,705,000 and $18,846,000, respectively. The increase in net cash provided by operating activities in 2018 as compared to 2017 was primarily due to an increase in net income.

Net cash provided by (used in) investing activities for the years ended December 31, 2018 and 2017 was $8,635,000 and $(16,895,000), respectively. The change in net cash provided by investing activities in 2018 was primarily due to fewer purchases of securities in 2018 and a decrease in interest-bearing deposits in financial institutions, partially offset by a decrease in the proceeds from the sale of securities, an increase in the loan portfolio and cash used and cash used to acquire a bank.

Net cash (used in) financing activities for the years ended December 31, 2018 and 2017 totaled $(25,354,000) and $(5,031,000), respectively. The increase in net cash (used in) financing activities in 2018 was due primarily to payments on FHLB borrowings and an increase in deposits, partially offset by proceeds from short-term borrowings and changes in securities sold under agreement to repurchase. The change in net cash provided by (used in) financing activities in 2017 was due primarily to a decrease in the securities sold under agreements to repurchase and to a lesser extent an increase in deposits in 2017 as compared to the increase in deposits 2016.

Review of Company Only Cash Flows

The Company's liquidity on an unconsolidated basis is heavily dependent upon dividends paid to the Company by the Banks. The Company requires adequate liquidity to pay its expenses and pay stockholder dividends. In 2018, dividends from the Banks amounted to $11,968,000 compared to $10,355,000 in 2017. Various federal and state statutory provisions limit the amount of dividends banking subsidiaries are permitted to pay to their holding companies without regulatory approval. Federal Reserve policy further limits the circumstances under which bank holding companies may declare dividends. For example, a bank holding company should not continue its existing rate of cash dividends on its common stock unless its net income is sufficient to fully fund each dividend and its prospective rate of earnings retention appears consistent with its capital needs, asset quality and overall financial condition. In addition, the Federal Reserve and the FDIC have issued policy statements which provide that insured banks and bank holding companies should generally pay dividends only out of current operating earnings. Federal and state banking regulators may also restrict the payment of dividends by order.

First National and United Bank, as national banks, generally may pay dividends, without obtaining the express approval of the Office of the Comptroller of the Currency ("OCC"), in an amount up to their retained net profits for the preceding two calendar years plus retained net profits up to the date of any dividend declaration in the current calendar year. Retained net profits, as defined by the OCC, consists of net income less dividends declared during the period. Boone Bank, Reliance Bank and State Bank are also restricted under Iowa law to paying dividends only out of their undivided profits. Additionally, the payment of dividends by the Banks is affected by the requirement to maintain adequate capital pursuant to applicable capital adequacy guidelines and regulations, and the Banks generally are prohibited from paying any dividends if, following payment thereof, the Bank would be undercapitalized.

The Company has unconsolidated cash and interest bearing deposits totaling $14,782,000 that were available at December 31, 2018 to provide additional liquidity to the Banks.

Review of Commitments for Capital Expenditures, Cash Flow Uncertainties and Known Trends in Liquidity and Cash Flow Needs

Commitments to extend credit totaled $158,787,000 as of December 31, 2018 compared to a total of $153,294,000 at the end of 2017. The timing of these credit commitments varies with the underlying borrowers; however, the Company has satisfactory liquidity to fund these obligations as of December 31, 2018. The primary cash flow uncertainty would be a sudden decline in deposits causing the Banks to liquidate securities. Historically, the Banks have maintained an adequate level of short term marketable investments to fund the temporary declines in deposit balances. There are no other known trends in liquidity and cash flow needs as of December 31, 2018, that are of concern to management.

Capital Resources

The Company’s total stockholders’ equity increased to $172,865,000 at December 31, 2018, from $170,753,000 at December 31, 2017. At December 31, 2018 and 2017, stockholders’ equity as a percentage of total assets was 11.9 % and 12.4%, respectively. The increase in stockholders’ equity was primarily the result of net income, offset in part by dividends declared. The capital levels of the Company currently exceed applicable regulatory guidelines as of December 31, 2018.

Table of Contents

From time to time, the Company's board of directors has authorized stock repurchase plans. Stock repurchase plans allow the Company to proactively manage its capital position and return excess capital to shareholders. 17,608 shares of common stock were repurchased under stock repurchase plans in 2018 and no shares of commons stock were repurchased in 2017. Also see Part II, Item 5 - Market For Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities, included elsewhere in this Annual Report.

Interest Rate Risk

Interest rate risk refers to the impact that a change in interest rates may have on the Company's earnings and capital. Management's objectives are to control interest rate risk and to ensure predictable and consistent growth of earnings and capital. Interest rate risk management focuses on fluctuations in net interest income identified through computer simulations to evaluate volatility, varying interest rate, spread and volume assumptions. The risk is quantified and compared against tolerance levels.

The Company uses a third-party computer software simulation modeling program to measure its exposure to potential interest rate changes. For various assumed hypothetical changes in market interest rates, numerous other assumptions are made such as prepayment speeds on loans, the slope of the Treasury yield curve, the rates and volumes of the Company's deposits and the rates and volumes of the Company's loans. This analysis measures the estimated change in net interest income in the event of hypothetical changes in interest rates.

Another measure of interest rate sensitivity is the gap ratio. This ratio indicates the amount of interest-earning assets repricing within a given period in comparison to the amount of interest-bearing liabilities repricing within the same period of time. A gap ratio of 1.0 indicates a matched position, in which case the effect on net interest income due to interest rate movements will be minimal. A gap ratio of less than 1.0 indicates that more liabilities than assets reprice within the time period, while a ratio greater than 1.0 indicates that more assets reprice than liabilities.

The simulation model process provides a dynamic assessment of interest rate sensitivity, whereas a static interest rate gap table is compiled as of a point in time. The model simulations differ from a traditional gap analysis, as a traditional gap analysis does not reflect the multiple effects of interest rate movement on the entire range of assets and liabilities and ignores the future impact of new business strategies.

Inflation

The primary impact of inflation on the Company’s operations is to increase asset yields, deposit costs and operating overhead. Unlike most industries, virtually all of the assets and liabilities of a financial institution are monetary in nature. As a result, interest rates generally have a more significant impact on a financial institution’s performance than they would on non-financial companies. Although interest rates do not necessarily move in the same direction or to the same extent as the price of goods and services, increases in inflation generally have resulted in increased interest rates. The effects of inflation can magnify the growth of assets and, if significant, require that equity capital increase at a faster rate than would be otherwise necessary.

Forward-Looking Statements and Business Risks

Certain statements contained in the foregoing Management’s Discussion and Analysis and elsewhere in this Annual Report that are not statements of historical fact constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 (the “Act”), notwithstanding that such statements are not specifically identified. In addition, certain statements may be contained in the Company’s future filings with the SEC, in press releases and in oral and written statements made by or with the Company’s approval that are not statements of historical fact and constitute forward-looking statements within the meaning of the Act. Examples of forward-looking statements include, but are not limited to: (i) projections of revenues, expenses, income or loss, earnings or loss per share, the payment or nonpayment of dividends, capital structure and other financial items; (ii) statements of plans, objectives and expectations of the Company or its management, including those relating to products or services; (iii) statements of future economic performance; and (iv) statements of assumptions underlying such statements. Words such as “believes”, “anticipates”, “expects”, “intends”, “targeted”, “projected”, “continue”, “remain”, “will”, “should”, “may” similar expressions are intended to identify forward-looking statements but are not the exclusive means of identifying such statements.

Forward-looking statements involve risks and uncertainties that may cause actual results to differ materially from those in such statement. Factors that could cause actual results to differ from those discussed in the forward-looking statements include, but are not limited to:

Local, regional and national economic conditions and the impact they may have on the Company and its customers, and management’s assessment of that impact on its estimates including, but not limited to, the allowance for loan losses and fair value of other real estate owned. Of particular relevance are the economic conditions in the concentrated geographic area in central, north-central and south-central Iowa in which the Banks conduct their operations.

Table of Contents

Adequacy of the allowance for loan losses and changes in the level of nonperforming assets and charge-offs.

Changes in the fair value of securities available-for-sale and management's assessments of other-than-temporary impairment of such securities.

The effects of and changes in trade and monetary and fiscal policies and laws, including the changes in assessment rates established by the Federal Deposit Insurance Corporation for its Deposit Insurance Fund and interest rate policies of the Federal Open Market Committee of the Federal Reserve Board.

Changes in sources and uses of funds, including loans, deposits and borrowings, including the ability of the Banks to maintain unsecured federal funds lines with correspondent banks.

Changes imposed by regulatory agencies to increase capital to a level greater than the level currently required for well-capitalized financial institutions.

Inflation and interest rate, securities market and monetary fluctuations.

Political instability, acts of war or terrorism and natural disasters.

The timely development and acceptance of new products and services and perceived overall value of these products and services by customers.

Revenues being lower than expected.

Changes in consumer spending, borrowings and savings habits.

Changes in the financial performance and/or condition of the Company's borrowers.

Credit quality deterioration, which could cause an increase in the provision for loan losses.

Technological changes and risks related to breaches of data security and cyber-attacks.

The ability to increase market share and control expenses.

Changes in the competitive environment among financial or bank holding companies and other financial service providers.

The effect of changes in laws and regulations with which the Company and the Banks must comply, including developments and changes related to the implementation of the Dodd-Frank Act and the effect of the recent Federal tax reform on the operations of the Company and its customers.

Changes in the securities markets.

The effect of changes in accounting policies and practices, as may be adopted by the regulatory agencies, as well as the Public Company Accounting Oversight Board, the FASB and other accounting standard setters, including the International Financial Reporting Standards.

The costs and effects of legal and regulatory developments, including the resolution of regulatory or other governmental inquiries and the results of regulatory examinations or reviews.

Recent changes in the U.S. trade policy, including imposition of tariffs by the U.S. government and retaliatory tariffs imposed by foreign governments and the potential negative effect of these actions on the Company’s borrowers.

The ability of the Company to successfully integrate the operations of financial institutions it has acquired or may acquire in the future.

Table of Contents

The Company’s success at managing the risks involved in the foregoing items.

Certain of the foregoing risks and uncertainties are discussed in greater detail under the heading “Risk Factors” in Item 1A herein.

These factors may not constitute all factors that could cause actual results to differ materially from those discussed in any forward-looking statement. The Company operates in a continually changing business environment and new facts emerge from time to time. The Company cannot predict such factors nor can it assess the impact, if any, of such factors on its financial condition or its results of operations. Accordingly, forward-looking statements should not be relied upon as a predictor of actual results. The Company disclaims any responsibility to update any forward-looking statement provided in this document.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The management of Ames National Corporation is responsible for establishing and maintaining adequate internal control over financial reporting. Ames National Corporation's internal control system was designed to provide reasonable assurance to the Company's management and board of directors regarding the preparation and fair presentation of published financial statements. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Ames National Corporation's management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2018. In making this assessment, it used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control-Integrated Framework (2013)*. Based on our assessment we determined that, as of December 31, 2018, the Company's internal control over financial reporting is effective based on those criteria.

The Company's internal control over financial reporting as of December 31, 2018 has been audited by CliftonLarsonAllen LLP, an independent registered public accounting firm, as stated in their report which appears herein.

/s/ John P. Nelson
John P. Nelson, Chief Executive Officer

/s/ John L. Pierschbacher
John L. Pierschbacher, Chief Financial Officer

Table of Contents

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Stockholders

Ames National Corporation

Ames, Iowa

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Ames National Corporation and subsidiaries (the "Company") as of December 31, 2018 and 2017, the related consolidated statements of income, comprehensive income, stockholders' equity and cash flows for the years then ended, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2018 and 2017, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the Company's internal control over financial reporting as of December 31, 2018, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated March 12, 2019, expressed an unqualified opinion.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ CliftonLarsonAllen LLP

We have served as the Company’s auditor since 2006.

West Des Moines, Iowa

March 12, 2019

Table of Contents

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Stockholders

Ames National Corporation

Ames, Iowa

Opinion on Internal Control over Financial Reporting

We have audited Ames National Corporation and subsidiaries' (the "Company's") internal control over financial reporting as of December 31, 2018, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2018, based on criteria established in *Internal Control—Integrated Framework (2013)* issued by the COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the consolidated balance sheets and the related consolidated statements of income, comprehensive income, stockholders' equity and cash flows of the Company, and our report dated March 12, 2019, expressed an unqualified opinion.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying "Management's Report On Internal Control Over Financial Reporting". Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Table of Contents

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ CliftonLarsonAllen LLP

West Des Moines, Iowa

March 12, 2019

Table of Contents

AMES NATIONAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
December 31, 2018 and 2017

ASSETS	**2018**	**2017**
Cash and due from banks	$30,384,066	$26,397,550
Interest bearing deposits in financial institutions	26,057,513	43,021,953
Securities available-for-sale	458,971,162	495,321,664
Federal Home Loan Bank (FHLB) and Federal Reserve Bank (FRB) stock, at cost	3,191,200	3,021,200
Loans receivable, net	890,461,479	771,549,655
Loans held for sale	401,287	-
Bank premises and equipment, net	15,813,196	15,399,146
Accrued income receivable	9,415,570	8,382,391
Other real estate owned	829,603	385,509
Bank-owned life insurance	2,773,729	-
Deferred income taxes	3,848,713	2,542,533
Other intangible assets, net	2,677,884	1,091,462
Goodwill	9,744,472	6,732,216
Other assets	1,117,477	1,214,371
Total assets	$1,455,687,351	$1,375,059,650
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES		
Deposits		
Demand, noninterest bearing	$230,113,170	$227,332,347
NOW accounts	366,178,715	322,392,945
Savings and money market	418,384,284	389,630,180
Time, $250,000 and over	40,014,550	38,838,782
Other time	166,393,120	156,196,433
Total deposits	1,221,083,839	1,134,390,687
Securities sold under agreements to repurchase	40,674,486	37,424,619
Federal Home Loan Bank (FHLB) advances	14,600,000	13,500,000
Other borrowings	-	13,000,000
Dividends payable	2,137,460	2,048,401
Accrued expenses and other liabilities	4,326,502	3,942,801
Total liabilities	1,282,822,287	1,204,306,508
STOCKHOLDERS' EQUITY		
Common stock, $2 par value, authorized 18,000,000 shares; issued and outstanding 9,293,305 and 9,310,913 shares as of December 31, 2018 and 2017, respectively	18,586,610	18,621,826

Additional paid-in capital	20,461,724	20,878,728
Retained earnings	137,891,821	131,684,961
Accumulated other comprehensive (loss)	(4,075,091)	(432,373)
Total stockholders' equity		