



European Merchant Bank UAB

Charter of Audit Committee

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I. PURPOSE AND SCOPE

- 1.1. This document presents the Charter of the Audit Committee of European Merchant Bank UAB (hereinafter referred to as the 'Bank').
- 1.2. This Charter describes the purpose, obligations, authority, composition, appointment, responsibilities and duties of the Audit Committee of the Bank.

II. FUNCTION

- 2.1. The primary function of the Audit Committee is to assist the Supervisory Board in fulfilling its oversight responsibilities for financial reporting processes, effectiveness of internal controls, the internal audit process and monitoring over compliance with laws, regulations and Bank's policies and procedures. Any delegation to the Audit Committee shall not amend the authority or responsibility of the Supervisory Board.
- 2.2. In performing its functions, the Audit Committee will be governed by the legislation of the Republic of Lithuania, applicable Regulations of the Bank of Lithuania, Guidelines on corporate governance principles for banks, other applicable guidelines of the Basel Committee on Banking Supervision of the Bank for International Settlements, as well as the Bank's Articles of Association, decisions of the Bank's Supervisory Board, the Bank's internal regulations, and this Charter.

III. AUTHORITY

- 3.1. Audit Committee is established by the Supervisory Board and receives its authority from the Supervisory Board. Audit Committee maintains free and open communication with Supervisory Board, Management Board, the independent auditors, Internal audit and any other party affected by work of the Audit Committee. The Bank provides funding for compensation to the independent auditor, to any advisors that the Committee chooses to engage. Non-disclosure agreement should be signed with external parties.

IV. COMPOSITION, APPOINTMENT AND INDEPENDENCE

- 4.1. The Audit Committee consists of no less than three members and at least one member shall have no less than three years accounting or financial audit experience. The committee as a whole shall have competencies relevant to the financial sector.
- 4.2. The members and chairman of the Audit Committee are elected by the Supervisory Board to serve until their successors are elected.
- 4.3. The members and chairman of the Audit Committee can be dismissed upon Supervisory Board decision.
- 4.4. Member of the Audit Committee shall have the right to resign submitting a written notice to the Bank 14 (fourteen) days in advance. New Audit Committee member shall be elected instead of resigned member by the Supervisory Board (for the remaining term of office).

V. MEETINGS AND MINUTES

- 5.1. Meetings are held as often as the Chairman of the Audit Committee considers necessary subject to a minimum of two meetings annually. Any member of the Audit Committee, Head

of Internal Audit, Internal Control Officer / Manager and/or the external auditor can request a meeting with the Audit Committee if considers it necessary.

- 5.2. Members of the Management Board, Head of Internal Audit, Internal Control Officer / Manager, external auditor and/or other relevant employees of the Bank shall participate in meetings of the Audit Committee at the request of the Audit Committee.
- 5.3. The quorum necessary for the Audit Committee decisions shall be two members of the Committee. Meetings can be held in person, by telephone, by video link or any combination thereof. In case of equality of votes, the Chairman of the Audit Committee shall have a casting vote.
- 5.4. Meetings of the Committee shall be coordinated by the appointed Secretary at the request of its members or at the request of the internal or external auditors. The Secretariat of the Supervisory Board might serve as secretariat for the Audit Committee.
- 5.5. The assigned Secretary prepares and keeps minutes of meetings of the Audit Committee.
- 5.6. Depending on the Agenda, Members of the Management Board, Head of Internal Audit, Internal Control Officer / Manager, external auditor and/or other relevant employees of the Bank should present material for the Audit Committee at least five business days in advance of the meeting.

VI. RESPONSIBILITIES, TASKS AND DUTIES

6.1. External audit

- 6.1.1. The Audit Committee shall monitor the external audit and effectiveness of financial reporting process.
- 6.1.2. Determine the criteria for selection of external auditor and assessment of qualification and experience. Prepare and submit recommendations to the Supervisory Board for the appointment of the external auditor.
- 6.1.3. Review and discuss internal quality control procedures applied by external auditors.
- 6.1.4. Investigate the circumstances of resignation of the external auditor and make recommendations on steps deemed to be required in consequence thereof.
- 6.1.5. Review annual Transparency Reports from external auditors and other available information from competent institutions on the quality of audit of the financial statements.
- 6.1.6. Monitor the independence, objectivity and competences of the appointed external auditor, ensure implementation of audit partner rotation principles.
- 6.1.7. Develop policy and approve non-financial reporting audit services provided by external audit.
- 6.1.8. Review the process of external audit. The independent auditor reports directly to the Audit Committee which oversees the resolution of disagreements between management and the independent auditor, if they arise.
- 6.1.9. Prepare and submit recommendations to the Supervisory Board on the terms of engagement and fees of the external auditor; discuss with the external audit firm or external auditor fees for the audit of financial statements. Where a discount is proposed for financial reporting audit services, the audit committee must make sure that the discount does not increase the materiality level applied by the external audit firm and does not reduce the scope and focus of the financial statement audit services to identify significant risks.

- 6.1.10. Review and consider guidelines or policies for non-audit services.
- 6.1.11. Review the scope of the services the external auditor, discuss materiality levels applied, key assigned staff and their experience and competencies, ensure sufficiency of resources to perform the tasks specified in the audit agreement.
- 6.1.12. The Audit Committee monitors and evaluates whether the financial reporting process is effective.
- 6.1.13. Receive and review reporting on significant activities, observations and conclusions of the external auditor and discuss with the independent auditor any material areas for attention:
 - Fraud and illegal acts,
 - New accounting policies or material changes to accounting policies,
 - Material weaknesses of internal controls,
 - Material breaches of policies and regulations found during audit process,
 - Financial accounting and reporting problems or difficulties,
 - Considering independent auditor's judgements about quality and appropriateness of Bank's accounting principles,
 - The Management Letter and schedule of unadjusted differences, etc.
- 6.1.14. Review follow-up on external audit finding implementation.
- 6.1.15. Review results from audits or inspections from regulator or other competent authorities and review implementation of recommendations.

6.2. Internal Audit

The Head of the Internal audit function shall be appointed by the Supervisory Board of the Bank and shall report functionally and be directly accountable to the Audit Committee of the Bank. The Audit Committee shall monitor the Internal Audit function and its processes, and as part hereof:

- 6.2.1. Approving the Internal Audit Charter, resourcing, budget and organizational structure of internal audit function,
- 6.2.2. Together with the Head of Internal Audit periodically evaluate if the audit function has adequate resources and competencies to accomplish expected audits of the Bank, approve training budget for internal audit function,
- 6.2.3. Continuously monitor the independence, objectivity and capabilities of the Internal Audit function,
- 6.2.4. Coordinate and periodically evaluate the work of the internal audit, receive and review internal audit reports, discuss audit results, audit follow-up status, take appropriate action if necessary,
- 6.2.5. Performs periodic appraisal of the Internal Audit function and provides recommendations to the Supervisory Board on the remuneration for Head of Internal Audit,
- 6.2.6. Review risk scoring of audit areas and approve strategic and annual audit plan and any changes in plans during the course,
- 6.2.7. Reviewing the scope and budget of any outsourced or co-sourced internal audit activities and require the use of external personnel,
- 6.2.8. Monitor remedial actions required to address audit observations and receive reports on any outstanding observations,

- 6.2.9. Reviewing and approving appropriate key performance indicators that measure the performance of audit function,
- 6.2.10. Review the effectiveness of internal audit considering periodic independent reviews of the function and self-assessments. Commission external independent assessments of the effectiveness of the Internal Audit Department and determine the frequency of such assessments,
- 6.2.11. Audit Committee Chairman approves any consulting work, not specifically planned in the audit plan.

6.3. Risk Management

- 6.3.1. The Audit Committee shall monitor, consider and present recommendations to the Supervisory Board on the effectiveness of the risk management systems, governance and internal control system within the Bank.
- 6.3.2. Review the information on major events, operational risk events and / or non-conformities, whether they have been subject to timely and appropriate measures.
- 6.3.3. Make recommendations to the Supervisory Board for improvement of internal governance.
- 6.3.4. Discuss with the Bank's internal and external auditors those compliance issues that may have a material impact for the Bank.

6.4. Control of Regulatory Compliance and Anti-money Laundering

- 6.4.1. Review the effectiveness of Bank's compliance system and related monitoring processes,
- 6.4.2. Monitor and consider on a regular basis the Bank's systems and processes to ensure compliance with rules and regulations applicable to the Bank and examine the anti-money laundering and counter terrorist financing control framework of the Bank.
- 6.4.3. Oversee communication with financial supervisory authorities and follow-up on all orders issued by financial supervisory authorities.
- 6.4.4. Resource, budget and arrange organizational structure of internal control function.
- 6.4.5. Together with the Internal Control Manager / Officer, periodically evaluate if the internal control function has adequate resources and competencies to accomplish expected compliance controls of the Bank.
- 6.4.6. Continuously monitor the independence, objectivity and capabilities of the Internal Control function.
- 6.4.7. Coordinate and periodically evaluate the work of the internal control, receive and review internal control reports, discuss results and follow-up status, take appropriate actions if necessary.
- 6.4.8. Perform periodic appraisal of the Internal Control function and provide recommendations to the Supervisory Board on the remuneration for Internal Control Manager / Officer.
- 6.4.9. Review the scope and budget of any outsourced or co-sourced internal control activities and requirement for use of external personnel.
- 6.4.10. Review and approve annual internal control plan and changes to plan during the course of the year.

- 6.4.11. Monitor remedial actions required to address internal control observations and receive reports on any outstanding observations.
- 6.4.12. Reviewing and approving appropriate key performance indicators that measure the performance of control function.

6.5. Whistle-blower Scheme

- 6.5.1. The Audit Committee shall monitor and consider the effectiveness of the whistle-blower scheme in the Bank. As part hereof, the Audit Committee shall ensure that the employees and other relevant stakeholders have the opportunity to, in full confidence, express their concerns about possible incorrect financial reporting and other suspected wrongdoings relating to the Bank and that the reported cases are handled expediently and followed through.

VII. RIGHTS AND PROHIBITIONS

- 7.1. In performing its functions, the Audit Committee shall be provided with the possibility to receive any information and documents.
- 7.2. The Audit Committee shall be entitled to involve independent third parties for special investigations and to obtain advice/assistance from independent external third-party advisors at the Bank's expense without prior approval of the Management Board and receive appropriate funding for this purpose from the Bank. Non-disclosure agreement should be signed with external parties.
- 7.3. The Audit Committee shall be prohibited from performing functions of other committees of the Bank.

VIII. REPORTING

- 8.1. The Audit Committee reports at least annually and makes recommendations to the Supervisory Board on the matters set out in this Charter.
- 8.2. The Audit Committee's recommendations are documented in the minutes of the Audit Committee meeting and reported to the Supervisory Board.

IX. AMENDMENTS

- 9.1. The Audit Committee must conduct an annual review of the Charter with the purpose of assessing, if the Charter is adequate and compliant. The reviewed Charter is to be approved by Supervisory Board.