

Embassy Bancorp, Inc.
AUDIT COMMITTEE CHARTER

Board Approval Request Date: March 15, 2019
Revised: March 2019

Purpose

The purpose of the Audit Committee of Embassy Bancorp, Inc. and subsidiary (the “Company”) is to assist Board of Director oversight of: (i) the independent auditor’s qualifications, independence and performance; (ii) the performance of the Company’s internal audit function; and (iii) management’s responsibility to assure that there is in place an effective system of controls reasonably designed to safeguard the assets and income of the Company, assure the integrity of the Company’s financial statements, and maintain compliance with the Company’s ethical standards, policies, plans and procedures, and with laws and regulations.

Membership

The Audit Committee shall be composed of not fewer than three members, appointed annually by the Board of Directors at its annual reorganization meeting. Each member shall: (i) be “independent” as defined in NASDAQ Stock Market Rule 5605(a)(2) and SEC Rule 10A-3(b)(1); (ii) not have participated in the preparation of the financial statements of the Company or any current subsidiary of the Company at any time during the past three (3) years; (iii) shall not accept any consulting, advisory or other compensatory fee from the Company other than for Board service; and (iv) be able to read and understand fundamental financial statements including the Company’s balance sheet, income statement, comprehensive income, and cash flow statement and footnotes. One of the members shall be designated “Chairman”.

Duties and Responsibilities

The Audit Committee shall provide assistance to the Board in fulfilling its responsibilities to the shareholders in the areas of financial controls and reporting. Principally, these responsibilities entail assessing the effectiveness of the internal control system over financial reporting, reviewing adherence to policies and procedures and assuring the safeguarding of all Company assets and the accuracy of the Company’s financial statements and reports. In so doing, it is the responsibility of the Audit Committee to monitor and maintain the lines of communications between the Board of Directors, external auditors, internal auditors and the senior management of the Company. The external auditor shall be ultimately accountable to the Audit Committee.

In carrying out these responsibilities, the Audit Committee will:

1. Be responsible for the appointment, compensation, retention and oversight of the independent auditor to be selected to conduct the annual audit of the financial statements of the Company. The independent auditor shall report directly to the Audit Committee on all matters affecting the Company and the audit process.
2. Ensure the independent auditor’s independence by requiring that the independent auditor submit a formal written independence letter on a periodic basis and by monitoring disclosed relationships or services that may impact objectivity on independence.
3. Meet with the independent auditor and financial management of the Company to review the scope of the annual audit for the current year and at the conclusion thereof and review

such audit findings. This review will include both the independent auditor's recommendations and the related management response.

4. Review with the independent auditor and Company management the adequacy and effectiveness of the internal financial and accounting controls of the Company and elicit any recommendations that they may have for the improvement of such control procedures. Particular attention shall be given to the adequacy of such controls to expose any payments, transactions or other procedures, which might be deemed illegal or otherwise improper. Further, the Audit Committee should periodically review Company policy statements in terms of their adequately representing the Company's Code of Conduct and Business Ethics Policy.
5. Comply with SEC Audit Committee Rules. Specifically, the Audit Committee shall comply with Item 306 of Regulations S-K and Item 7(e)(3) of Schedule 14A, which requires the Audit Committee to provide a report in the Company's proxy statement. This disclosure requirement is intended to help inform shareholders of the Audit Committee's oversight with respect to financial reporting, and underscore the importance of that role. In a report to be included in the Company's annual proxy statement, the Audit Committee will state whether it has:
 - Reviewed and discussed the audited financial statements with management;
 - Discussed with the independent auditor the matters required to be discussed by PCAOB Auditing Standard ("AS") 1301: "Communications with Audit Committees," and as may be further modified or supplemented;
 - Received the written disclosures and the letter from the independent auditor required by PCAOB rule 3526: "Communications with Audit committees Concerning Independence," as may be modified or supplemented, and discussed with the auditors the auditors' independence; and
 - Based on the review and discussion referred to in the items above, recommended to the Board of Directors that the financial statements be included in the Annual Report on Form 10-K for the last fiscal year for filing with the SEC.

The Audit Committee must also indicate in the report whether, based on its discussions with management and the independent auditor, its members became aware of any material misstatements or omissions in the financial statements. The report in the proxy statement will appear over the printed names of each member of the Audit Committee.

6. Comply with the requirements of Part 363 of the FDIC's regulations concerning annual independent audit and reporting requirements.
7. Monitor activities of the Company and determine appropriate internal audit functions, as applicable, including scope.
 - Review and recommend to the Board the appointment of a competent outsourcing vendor for internal audit services and/or in-house staff.
 - Review and approve the Internal Audit Program's proposed audit schedule and the coordination of such programs with the external auditors' year-end requirements.

Particular attention should be given to maintaining the best effective balance between external and internal auditing resources.

- Monitor the activities of the Internal Audit Program and ensure that the Internal Audit process adequately discharges responsibilities for the examination, review and reporting to the Audit Committee that:
 - a) Internal accounting and financial controls of the various areas are adequate and efficient and can be relied upon to produce accurate financial information.
 - b) Internal controls adequately safeguard the assets of the Company.
 - c) Financial records of the operational areas are complete and accurate and are in conformity with corporate policy, generally accepted accounting principles and requirements of the various regulatory bodies.
 - d) Operational areas are in compliance with FDIC, FRB and all other applicable Federal and State laws and regulations.
 - e) Control over the development, maintenance and operation of management information systems (“MIS”) are sufficient to ensure the accuracy, security and completeness of data processing results.
 - Prior to each periodic meeting, the Audit Committee will be provided a report prepared by Internal Audit, which outlines the findings of all audit engagements completed during the period.
8. Review and discuss, at least quarterly, with management, the independent auditor and the Internal Auditor, the annual audited financial statements, quarterly financial statements and significant current reports, including the independent auditor’s attestation reports on the assertions made by the CEO and CFO regarding the effectiveness of internal controls, if any, and the specific disclosures made in “Management’s Discussion and Analysis of Financial Condition and Results of Operation,” and recommend to the Board whether the audited financial statements should be included in the Company’s Annual Report on Form 10-K.
 9. Review all reports on examinations made by the various regulatory agencies and evaluate management’s responses to them.
 10. Investigate, report and make written recommendations to the Board, within 15 business days, concerning all complaints, oral or written, received by the Company regarding accounting, internal accounting controls, auditing matters and all submissions by Company employees or directors, anonymous or otherwise, regarding questionable accounting or auditing methods.
 11. Resolve any disputes between management and the independent auditor retained by the Audit Committee.
 12. Meet regularly with the independent auditor without any member of management of the Company being present to address any and all questions or concerns of the independent auditor.

13. Minutes of the Audit Committee meetings shall be submitted to the Board of Directors at the next regular Board meeting.
14. The Chairman of the Audit Committee shall meet annually with the Board of Directors to advise and explain the Board's responsibilities in connection with the Company's accounting, financial controls, and reporting obligations.

The foregoing list of functions is not intended to limit the Audit Committee in fulfilling its responsibilities, but rather is intended to provide an overview of the principal duties to be performed by the Audit Committee.

In performance of its duties, the Committee shall meet at least 4 times per year and have full use of the Company's internal audit resources and is expressly permitted to engage, to the extent it deems necessary to discharge its duties and at the Company's expense, independent counsel and other advisors to advise the Committee.

Handling of Complaints and Concerns

The Audit Committee shall investigate complaints and concerns regarding the Company's accounting, internal accounting controls, auditing or other matters related to its responsibilities and received by it from officers, directors or employees of the Company in accordance with the procedures set forth in the Company's Whistleblower Policy, as the same may be updated from time to time, the terms of which are incorporated herein by this reference. If, in the course of discharging its duties hereunder, the Audit Committee determines that inquiries should be made of the Company's officers, directors, customers, vendors or affiliates, such inquiries shall be made by the Chairman, acting on behalf of the Audit Committee, and not by any other member of the Committee.