

AUDIT COMMITTEE CHARTER

I. Overall Purpose/Objectives

The Audit Committee (the Committee) of Rizal Commercial Banking Corporation (the Bank) is appointed by the Board of Directors of the Bank to assist the Board of Directors in fulfilling its oversight responsibilities of the Bank's accounting and financial reporting process, the system of internal control, risk management, governance processes, the audit process and the Bank's process for monitoring compliance with laws and regulations, internal policies and own Code of Business Conduct. To perform this role effectively and be able to help management and the Board of Directors in protecting the bank and its reputation, each Committee member will obtain an understanding of the responsibilities of Committee membership as well as the Bank's business, operations and risks.

II. Authority

The Audit Committee has the authority to conduct or authorize investigation into any matters within its scope of responsibility. It is empowered to:

- Pass for review and comments all reports from internal and external auditors as well as those from regulatory bodies (e.g. BSP). Based on the review, a summary report of the Committee comments and recommendations is submitted to the Board.
- Seek any information it required from employees - all of whom are directed to cooperate with the Committee's requests or external parties.
- Retain outside advisors, including counsel as it deemed necessary to carry out its duties.
- Meet with any Bank officer, external auditor at Committee meetings as necessary.
- Appoint the external auditor of the Bank and pre-approve all auditing and non-audit services.
- Review and approve the internal audit activities to be outsourced.

The Committee shall have contact throughout the year with senior management, other committee chairpersons and advisors, external auditors, and internal auditors, as applicable, to strengthen the Committee's knowledge of relevant current and prospective business issues.

III. Organization

A. Membership

The Audit Committee shall consist of at least three (3) members of the Board preferably with accounting and finance background, two of whom shall be independent directors and another with audit experience. The Board shall appoint the Committee chair, who should be an independent director, on the recommendation of the Bank's Corporate Governance Committee. All members are independent of and impartial to management.

It is this independence which allows the Committee to challenge management decisions and evaluate corporate performance from completely free and objective perspective.

Each member should be capable of making a valuable contribution to the Committee. The Committee members shall have (a) the knowledge of the industry in which the Bank operates; (b) the ability to read and understand fundamental financial statements; and (c) the ability to understand key business and financial risks and related controls and control processes.

The individual Committee members shall be encouraged to participate in relevant and appropriate self-study or other educational opportunities to assure understanding of the business and environment in which the Bank operates.

B. Meetings

The Committee shall meet every month prior to the Board of Directors meeting scheduled on the last Monday of the month. Special meetings may be convened as considered necessary by the Committee. A quorum for any meeting shall constitute two (2) members. Voting on Committee matters shall be on one member - one vote basis. Majority vote of all members present shall constitute an official action of the Committee.

The Committee may invite members of management team or any Bank officer or employee, internal auditor and external auditors to attend the meetings and to provide pertinent information as it deem necessary.

The Internal Audit shall be the Secretary to the Audit Committee. The Secretary shall prepare meeting agenda which shall be provided in advance to the members along with appropriate briefing materials. The proceedings of all meeting will be recorded in the minutes and submitted to the Board.

The Committee is governed by the same rules regarding remuneration of director as provided by the Corporate Governance Committee.

IV. Roles and Responsibilities

The Audit Committee's policies and procedures should remain flexible in order to best react to changing conditions and provide reasonable assurance to the Board that the accounting and reporting practices are in accordance with the requirements and an effective legal compliance and business ethics program exists. The Audit Committee will fulfill their duties and responsibilities as follows:

A. Internal Control and Risk Management

- Monitor and evaluate the adequacy and effectiveness of internal control system and risk management including financial reporting control and information technology security
- Provide oversight over the senior management's activities in managing material risk facing the bank, which include among others, credit, country and transfer, market, interest rate, liquidity, operational, compliance, legal and reputational risk. This includes receiving periodic information on risk exposures and risk management activities.
- Evaluate whether management is setting the appropriate control culture by communicating the importance of internal control and the management of risk and

ascertain that all officers and employees have an understanding of their roles and responsibilities in the Bank's risk and control system.

- Consider the effectiveness of the Bank's information technology, security control and contingency plans.
- Ascertain whether internal control recommendations made by internal and external auditors and regulating bodies have been implemented by management.

B. Financial Reporting

- Review and discuss with management and external auditor significant accounting and financial reporting issues including complex or unusual transactions and highly judgmental areas and recent professional and regulatory pronouncement and understand their impact on the financial statements.
- Review with management and the external auditor the results of audit including any difficulties encountered during the audit, any restriction on the scope of activities and access to information and any disagreement with management.
- Review the annual and quarterly financial statements before submission to the Board and regulators focusing on the following matters:
 - any changes in accounting policies and practices;
 - significant adjustments arising from audit;
 - compliance with accounting standards;
 - compliance with tax, legal and regulatory requirements;
 - going concern assumptions;
 - major judgmental areas; and
 - completeness of disclosures of material information including subsequent events and related party transactions.
- Review and communicate with legal counsel any legal matters, fraud or illegal acts which could significantly impact the financial statements.
- Understand how management develops financial information and sufficiency of risk controls over the financial reporting process.

C. Internal and External Audit

- Perform oversight functions over the corporation's internal and external auditors including external service providers of permitted outsourced audit activities. It shall ensure that the internal and external auditors act independently from each other, and that both auditors are given unrestricted access to all records, properties and personnel to enable them to perform their respective audit functions;
- Review the reports submitted by the internal and external auditors as well as those submitted by external service providers.

1. Internal Audit

- Organize an internal audit department, and consider the appointment of an independent internal auditor and the terms and conditions of its engagement and removal.

- Review the extent and scope, activities, staffing, resources and organizational structure of the Internal Audit function¹ including outsourced activities and ensure no unjustified restrictions or limitation are made. The Audit Committee shall ensure functional reporting of the Internal Audit to the Audit Committee. The Audit Committee shall ensure that, in the performance of the work of the Internal Auditor, he shall be free from interference by outside parties and maintains an open communication with senior management, the Audit Committee, external auditors and examiners / representatives of regulatory agencies.
- Review and approve the audit plan taking into consideration the internal audit activities that will be outsourced to ensure its conformity with the objectives of the Bank. The plan shall include the audit scope, resources and budget necessary to implement it.
- Meet regularly with Internal Audit Head and/or deputies to discuss the results of audit work and the implications of audit findings on the overall quality of internal control and procedures within the Bank organization. If necessary, conduct special meetings with the Internal Audit Head and/or deputies to discuss any matters that the Committee or auditors believe should be discussed privately.
- Review the effectiveness of the Internal Audit function including the performance of external service providers and assess compliance to sound internal auditing standards such as the Institute of Internal Auditors International Standards for the Professional Practice of Internal Auditing and other supplemental standards issued by regulatory authorities / government agencies, as well as with relevant code of ethics.
- Review audit reports including those pertaining to fraud discoveries and the corresponding recommendations to address the noted weaknesses. Ascertain that management responds to the recommendations by the internal auditors and is taking appropriate corrective actions in a timely manner.
- Ensure that significant findings and recommendations made by the internal auditors are received and discussed on a timely basis. Discuss the same with Internal Audit Head and report significant matters to the Board of Directors.
- Ensure that outsourced internal audit activities are permitted by the bank's internal policy and existing requirements of regulatory bodies including their independence.
- Review and approve the Internal Audit Group Charter.
- Review and concur in the appointment, replacement or dismissal of Internal Audit Head, as well as the external service providers based on fair and transparent criteria.
- Review qualifications of Internal Audit Head and deputies and assess their performance. Also, set, review and approve the compensation of the Internal Audit Head and key internal auditors.
- Review and report to the Board the annual performance appraisal of the Internal Audit Head.
- Recommend for approval of the Board the frequency of reporting of the subsidiaries with own internal audit function to IA head of the parent bank².

¹According to BSP Cir. 871, Section 3.a (2), In case the parent bank's internal audit function shall cover the internal audit activities in the subsidiary or affiliate BSP-supervised financial institution, the board of directors of the parent bank shall ensure that the scope of internal audit activities is adequate considering the size, risk profile and complexity of operations of the subsidiary or affiliated concerned.

² BSP Circular 871 In case each BSP-supervised financial institution belonging to group structures has its own internal audit function, said internal audit (IA) function shall be accountable to the financial institution's own Board of Directors and shall ***likewise report to the head of the IA function of the parent bank within a reasonable period and frequency prescribed by the Board of Directors of the parent bank.*** In addition, the establishment of internal audit function centrally by the parent bank in group structures shall not fall under the outsourcing framework. In this respect, the head of the internal audit function of the parent bank shall define the audit strategies, methodology, scope and quality assurance measures for the entire

2. External Audit

- Recommend to the Board the selection of the external auditors, considering professional qualification, independence and effectiveness, and recommend the fees to be paid. Recommend any replacement of the external auditors.
- Consult with external auditors without management's presence about internal controls and the accuracy of the financial statements.
- Prior to the commencement of the audit, discuss with the external auditor the nature, scope, approach and expenses of the audit, including coordination of audit efforts with Internal Audit, and ensure proper coordination if more than one audit firm is involved in the activity to secure proper coverage and minimize duplication of efforts;
- Evaluate and determine non-audit work, if any, of the external auditor and review periodically the non-audit fees paid to the external auditor both in relation to their significance to the total annual income³ of the external auditor and in relation to the Bank's total expenditure on consultancy.
- The Committee shall disallow any non-audit work that will conflict with his duties as an external auditor or may pose a threat to his independence. If allowed, the non-audit work shall be disclosed in the Company's Annual Report.
- Ascertain the rotation of audit partner or external audit firm as required by regulations.
- Ascertain that management responds to recommendations by the external auditors and is taking appropriate corrective actions in a timely manner.

D. Compliance with Laws and Regulations

Coordinate, monitor and facilitate compliance with laws, rules and regulations. In this regard, the Audit Committee shall:

- Review the effectiveness of the management system for monitoring compliance with laws, rules and regulations and the results of management's investigation and follow-up (including disciplinary action) of any fraudulent acts, accounting irregularities or noncompliance.
- Obtain regular updates from management, Bank compliance officer and Bank's legal counsel regarding compliance matters.
- Assess whether all regulatory compliance matters have been considered in the preparation of the financial statements.
- Review the findings of any examinations by regulatory agencies.

E. Ethics and Business Conduct

- Ascertain that a Code of Conduct exists in writing and that arrangements are made for all employees to be aware of it.
- Review the Bank's Code of Conduct annually and ensure that a system reasonably designed to assure compliance with the Code is in place.

group. Provided, That: this shall be done in consultation and coordination with the respective Board of Directors of the subsidiary or affiliate BSP-supervised financial institution. Provided, further, That: the Board of Directors of the subsidiary or affiliate BSP-supervised financial institution, shall remain ultimately responsible for the performance of the internal audit activities.

³ This may also be read as "fees paid by the company to the external auditor."

F. Other Responsibilities

- Perform other oversight functions as requested by the Board.
- Where necessary, require and institute special investigations and, if appropriate, hire external counsel or experts to assist.
- Review and update the Charter, receive approval of changes from the Board.

V. Reporting

The Committee shall report periodically to the Board of Directors. Minutes of meetings of the Committee which specify opinions of the Committee on various matters, summary report of activities during the year, and reports concerning comments on financial reports and internal audit work shall be disclosed to the Board of Directors.

The Committee shall make available to the shareholders a summary report on the activities carried out during the year according to the duties and responsibilities delegated by the Board of Directors including the annual report issued by the Internal Audit Head.

VI. Committee Self Assessment

To ensure that the performance of work of the Audit Committee is efficient and meets the objectives, the Committee shall review, discuss and assess its own performance as well as the Committee role and responsibilities through a self-assessment worksheet attached hereto and made an integral part hereof.

Moreover, the Audit Committee shall rate its overall level of compliance based on the parameters set forth in the attached worksheet. It shall use a quantitative rating of 1 to 10 with corresponding qualitative description for each rating as follows:

- 1-2: Poor [set criteria i.e. fails to comply with parameters]
- 3-6: Satisfactory [set criteria i.e. complies with parameters with major deviations]
- 7-8: Very Satisfactory [set criteria i.e. complies with parameters with minor deviations]
- 9-10: Outstanding [set criteria i.e. fully complies with parameters]

The assessment shall be done by the Audit Committee on an annual basis or in such shorter intervals as may be set by the Board of Directors. The results of said assessment shall be validated by the Bank's Corporate Governance Committee.

A feedback mechanism shall be in place to receive comments from management, internal auditor, general counsel and external auditor. The mechanism shall facilitate dialogue within the organization about possible ways to improve its performance.

The entire assessment process shall be documented and shall form part of the records of the Bank that may be examined by the Securities and Exchange Commission from time to time.

Changes in role and responsibilities, if any, shall be recommended to the Board for approval.

This Charter is issued for the information and guidance of all concerned.

Adopted by the Audit Committee on April 17, 2015.

For the Audit Committee:

MR. ARMANDO M. MEDINA
Chairman, Audit Committee

Approved By:

Rizal Commercial Banking Corporation
Board of Directors