

REVISED CHARTER OF THE AUDIT COMMITTEE

INTRODUCTION

The Audit Committee of Philtrust Bank has been established to assist the Board of Directors in fulfilling its duties and responsibilities pursuant to the provisions of the Bank's Corporate Governance Manual, pertinent provisions of the BSP Manual of Regulations for Banks (MORB) and Recommendation 3.2 of SEC Memorandum Circular No. 19, series of 2016, and Internal Audit Standards.

This Audit Committee Charter sets out the composition, powers, authority, roles, and responsibilities of the Committee.

Section 1. Composition and Qualifications

- 1.1** Members of the Audit Committee shall be appointed by the Board of Directors.
- 1.2** The Audit Committee shall consist of at least three (3) members of the Board of Directors, majority of whom shall be independent directors, including the Chairman. All members must have relevant background, knowledge, skills, and/or experience in accounting, auditing, and finance. The Chairman of the Audit Committee should not be the chairman of the board or chairman of any other committees.
- 1.3** The Chief Executive Officer, Chief Financial Officer and/or Treasurer, or officers holding equivalent positions, shall not be appointed as members of the Audit Committee.

Section 2. Powers, Authorities, Roles, and Responsibilities for Audit

- 2.1** The Audit Committee shall have the explicit powers and authority to:
 - a. Investigate any matter within its terms of reference;
 - b. Have full access to, and cooperation from, management;
 - c. Have full discretion to invite any director or executive officer to attend its meetings; and
 - d. Have adequate resources to enable it to effectively discharge its functions.
- 2.2** The Audit Committee shall have the following roles and responsibilities:
 - a. Appointing and removing of the Chief Audit Executive (CAE) or Head of Internal Audit (HIA) and the independent external auditor both of whom shall both report directly to the Committee;

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b. Oversee the Internal Audit function. The Audit Committee will:

- Discuss the appropriate authority, role, responsibilities, scope, and services (assurance and/or advisory) of the Internal Audit Department with the CAE/HIA and Senior Management.
- Ensure the CAE can independently perform its duties and responsibilities and should have unrestricted access to and communicates and interacts directly with the Audit Committee, including executive sessions without Senior Management present, to discuss sensitive and confidential matters.
- Discuss with the CAE/HIA and Senior Management other topics that should be included in the Internal Audit Department's Charter.
- Participate in discussions with the CAE/HIA and Senior Management about the "essential conditions," described in the Internal Audit Standards, which establish the foundation that enables an effective Internal Audit Department.
- Approve the Internal Audit Department's Charter, which includes the internal audit mandate and the scope and types of internal audit services.
- Review the Internal Audit Department's Charter annually with the CAE/HIA to consider changes affecting the organization, such as the employment of a new CAE/HIA or changes in the type, severity, and interdependencies of risks to the organization; and approve the Internal Audit Department's Charter annually.
- Approve the risk-based internal audit plan.
- Collaborate with Senior Management to determine the qualifications and competencies required for a CAE/HIA, as specified in the Internal Audit Standards.
- Review the CAE's/HIA's performance.
- Receive communications from the CAE/HIA about the Internal Audit Department including its performance relative to its plan.
- Ensure a quality assurance and improvement program has been established.
- Review of the results of the quality assurance and improvement program annually.
- Make appropriate inquiries of management and the CAE/HIA to evaluate whether scope or resource limitations are inappropriate.
- Undertake special audits as may be required or requested.

2.3 Oversee the external audit function by:

- a. Reviewing the external auditor's proposed annual audit scope, plan, and approach;
- b. Reviewing the performance of the independent auditor;
- c. Making recommendations to the Board of Directors on the appointment, renewal or termination of engagement of an external auditor;
- d. Reviewing and confirming the qualifications and independence of the independent auditor, at least annually;
- e. Obtaining and reviewing the external auditor's report, describing the its internal control procedures, and any material issues raised in the most recent internal control review.

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- f. Discussing the external auditor's independence and reviewing a written statement prepared by the external auditor describing all relationships between the auditor and the Bank;
 - g. Pre-approving audit and non-audit services performed by the external auditor, consistent with applicable independence rules;
 - h. Confirming with the external auditor compliance with the partner rotation requirements established by the Securities and Exchange Commission.
- 2.4** Recommend to Senior Management the imposition sanctions to identified bank employees and ensure that timely corrective actions are taken to address the weaknesses, non-compliance with policies, laws and regulations and other exceptions/violation noted by the internal auditors;
- 2.5** Ensure that Senior Management maintains the reliability and integrity of the accounting policies and financial reporting and disclosure practices of the Bank in compliance with BSP regulations and consistent with the Philippine Financial Reporting Standards or Philippine Accounting Standards.
- 2.6** Review with Senior Management and the external auditor:
 - a. The Bank's annual financial statements and related notes, and Management's Discussion and Analysis of Financial Condition and Results of Operations;
 - b. The external auditor's audit of the financial statements and audit report;
 - c. Major issues regarding accounting principles and financial statement presentations, including any significant changes in the Bank's selection or application of accounting principles, and major issues as to the adequacy of the bank's internal controls and any special audit steps adopted in light of material control deficiencies;
 - d. Any analyses prepared by management or the external auditor setting forth significant financial reporting issues and judgments made in connection with the preparation of the Bank's financial statements;
 - e. The effect of regulatory and accounting initiatives on the Bank's financial statements;
 - f. Correspondence from or with the regulators or governmental agencies and any employee complaints or published reports that raise material issues regarding the Bank's financial statements, financial reporting process, accounting policies or internal audit function.
- 2.7** Review the basis for, and discuss with Senior Management and the internal auditor, the Bank's annual audited financial statements, as well as the external auditor's opinion on the financial statements;
- 2.8** Provide an independent, direct channel of communication between the Board and the internal and external auditors, granting them unrestricted access to the Committee;

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- 2.9** Conduct or authorize investigations into any matters within the Committee's scope and responsibilities;
- 2.10** Establish a whistleblowing policy that allows officers and staff to confidentially raise concerns about possible improprieties or malpractices in matters of financial reporting, internal control, auditing or other issued to persons or entities that have the power to take corrective action.

Section 3. Powers, Authorities, Roles, and Responsibilities for Compliance

- 3.1** The Audit Committee shall oversee the design and effective implementation of the Bank's compliance program. The compliance program must clearly identify the avenues through which business risks may occur for the Bank. Business risk refers to the conditions which may be detrimental to a bank's business model and its ability to generate returns from operations, which in turn erodes its franchise value. Business risk shall include, but not limited to the following:
 - a. Risks to reputation that may arise from internal decisions that may damage the Bank's market standing;
 - b. Risks to reputation that arise from internal decisions and practices that could ultimately erode public trust in the Bank;
 - c. Risks from the actions of the Bank that are contrary to existing regulations and identified best practices, reflecting weaknesses in the implementation of codes of conduct and standards of good practice; and
 - d. Legal risks arising from changes in the interpretation or provisions of laws and regulations that directly affect the bank's business model.
- 3.2** The compliance function shall have a formal status within the organization. The charter or other formal document that defines the compliance function's standing, authority and independence shall be reviewed by the Audit Committee and endorsed to the Board of Directors for approval. The Audit Committee shall ensure that the charter addresses the following:
 - a. measures to ensure the independence of the compliance function;
 - b. the organizational structure and responsibilities of the unit or department administering the compliance program;
 - c. the relationship of the compliance unit/department with other functions or units of the organization, including the delineation of responsibilities and lines of cooperation;
 - d. its right to obtain access to information necessary to carry out its responsibilities;
 - e. its right to conduct investigations of possible breaches of the compliance policy;
 - f. its formal reporting relationships to Senior Management, the Board of Directors, and the appropriate Board-level Committee; and
 - g. its right of direct access to the Board of Directors and to the appropriate Board-level Committee.

The Audit Committee shall ensure that the Compliance Charter defining the status of the compliance function shall be communicated throughout the organization.

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3.3 The Audit Committee shall ensure the effective monitoring of the Bank's compliance with relevant laws, rules and regulations by:

- a. Reviewing and approving the annual testing plan and any changes thereto;
- b. Ensuring that material breaches to the compliance program and/or compliance matters as reported by the Chief Compliance Officer are promptly addressed/given appropriate attention by the Bank.
- c. Receive reports concerning the Bank's record or state of compliance with rules and regulations of BSP and other regulatory bodies, including the status of previous exceptions to avoid recurring exceptions/violations.

3.4 The Audit Committee shall oversee the implementation of the Compliance Program.

Section 4. Meetings

4.1 Schedule of Meetings. The Committee shall meet once every quarter, or more frequently as needed, as determined by the Chairperson or upon request of the majority of the members.

4.2 Quorum. A quorum will comprise a majority of the members of the Audit Committee. A majority vote of all members present shall constitute an official action of the Audit Committee.

4.3 Minutes of the meeting shall be submitted to the Board of Directors for notation/approval.

Section 5. Reporting

5.1 The Audit Committee shall report quarterly or as needed to the Board of Directors;

5.2 The Audit Committee Secretariat shall prepare the minutes of the meeting for the Committee's approval.

Section 6. Self-Assessment

6.1 The Audit Committee shall conduct a self-assessment at least once annually in accordance with SEC Memorandum Circular No. 4, series of 2012 of the Guidelines for Assessment of the Performance of Audit Committees and Companies listed on the Exchange.

Section 7. Charter Review and Amendments

7.1 The Audit Committee shall periodically assess the adequacy of the Charter and recommend changes thereto to the Board; and

7.2 The Audit Committee Charter shall be approved by the Board of Directors, and reviewed and updated as needed to discuss and assess significant changes that affect its mandate.