



AUDIT COMMITTEE CHARTER

A . Purpose

- To assist the board of directors in fulfilling its oversight responsibilities:
 - for the financial reporting process,
 - the system of internal control, and
 - the bank's process for monitoring compliance with laws and regulations and the code of conduct.
- To provide reasonable assurance to the board on the overall management of credit, market, liquidity, operational, legal and other risks of the bank.

B. Power and Authority

The audit committee has authority to conduct or authorize investigations into any matters within its scope of responsibility. It is empowered to:

- Appoint, compensate, and oversee the work of any registered public accounting firm employed by the organization.
- Oversee the resolution of disagreement between management and the external auditors, in the event they arise.
- Pre-approve all auditing and permitted non-audit services.
- Retain and compensate independent counsel, consultants and other experts and advisors (accounting, financial or otherwise) and may use the services of the corporation's regular counsel or other advisors to the bank. The bank will provide appropriate funding, as determined by the committee, for payment of compensation to the independent auditor for the purpose of preparing or issuing an audit report or performing other audit, review or attest services, for payment of compensation to any experts or advisors retained by the committee and for payment of ordinary administrative expenses of the committee.
- Seek any information it requires from employees (all of whom are directed to cooperate with the committee's request) or external parties.
- Meet with the company officers, external auditors, or outside counsel, as necessary.
- The powers and responsibilities delegated to the committee may be exercised in any manner the committee deems appropriate (including delegation to subcommittees) and without any requirement for board approval except as otherwise specified in this charter or the board's delegation. Any decision by the committee, including any decision to exercise or refrain from exercising any of its delegated powers, is at the committee's sole discretion. While acting within the scope of the powers and responsibilities delegated to it, the committee may exercise all the powers and authority of the board and, to the fullest extent permitted by law, has the authority to determine which matters are within the scope of its delegated authority.

C. Membership

- The Board of Directors shall determine the number of Audit Committee members in accordance with SEC and BSP regulations. The committee shall be composed of at least three (3) non-executive members of the board of directors, majority of whom shall be independent directors, including the Chairperson. The audit committee shall have accounting, auditing or related financial management expertise or experience, commensurate with the size, complexity of operations and risk profile of the bank.
- An independent director may serve as such for a maximum cumulative term of nine (9) years but may continue to serve as regular director.

D. Meetings

- The Audit Committee shall meet at least four times annually, or more frequently as circumstances dictate. To the extent practicable, each of the Audit Committee members shall attend each of the regularly scheduled meetings in person.
- A majority of the Audit Committee members currently holding office constitutes a quorum for the transaction of business. The Audit Committee shall take action by the affirmative vote of a majority of the Audit Committee members present at a duly held meeting.
- The Audit Committee shall meet periodically in separate executive sessions with management (including the chief executive officer, chief operating officer and chief finance officer), the internal auditors and the independent auditor, and have such other direct and independent interaction with such persons from time to time as the members of the Audit Committee deem appropriate.
- The Audit Committee may request any officer or employee of the bank or the bank's outside counsel or independent auditor to attend a meeting of the Committee or to meet with any members of, or consultants to, the Committee.

E. Duties and Responsibilities

The Audit Committee shall generally be responsible for the following:

1. Oversight of the financial reporting framework.

- Oversee the financial reporting process, accounting policies, practices, and controls
- Ensure that the reporting framework enables the generation and preparation of accurate and comprehensive information and reports.
- Monitor the integrity of the bank's financial statements and any formal announcements relating to the bank's financial performance.
- Review significant financial reporting judgments contained in the financial statements.
- Review with management and the external auditors, recent accounting, tax and regulatory pronouncements, and understand their impact on the financial statements.
- Discuss with the external auditor the report that the auditor is required to make to the committee regarding:
 - All accounting policies and practices to be used that the independent auditor identifies as critical.
 - All alternative treatments within generally accepted accounting principles for policies and practices related to material items that have been discussed among management and the independent auditor, including the ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the auditor.
 - Other material written communications between the independent auditor and management of the bank, such as any management letter, management representation letter, reports on observations and recommendations on internal controls, independent auditor's engagement and independence letters, schedule of unadjusted audit differences and any listing of adjustments and reclassifications not recorded.
- Review and discuss with management and the external auditor the annual audited financial statements, including the bank's specific disclosures made in management's discussion and analysis, and recommend to the Board whether the audited financial statements should be included in the bank's Annual Report.
- Review with management and the independent auditor: (1) major issues regarding accounting principles and financial statement presentation, including any significant changes in the bank's selection or application of accounting principles; and (2) major issues as to the adequacy of the bank's internal controls and any special audit steps adopted in light of material control deficiencies and the adequacy of disclosures about changes in internal control over financial reporting; and (3) the effect of regulatory and accounting initiatives, as well as off-balance sheet structures, on the financial statements of the bank.

- Discuss with management the bank's major risk exposures and the steps management has taken to monitor and control such exposures including the bank's risk assessment and risk management policies.
- Review disclosures made to the Audit Committee by the bank's CEO and CFO about any significant deficiencies in the design or operations of internal controls or material weaknesses therein and any fraud involving management or other employees who have a significant role in the bank's internal controls.
- Review procedures by which bank employees and other concerned parties may confidentially raise concerns or complaints about possible improprieties in matters of financial reporting.

2. Monitoring and evaluation of the adequacy and effectiveness of the internal control.

- Oversee the implementation of internal control policies and activities.
- Ensure that periodic assessment of the internal control system is conducted to identify the weaknesses and evaluate its robustness considering the bank's risk profile and strategic direction.
- Ensure that senior management establishes and maintains an adequate and effective internal control system and processes. The system and processes should be designed to provide assurance in areas including financial, operational and compliance controls, and risk management system.
- Consider the effectiveness of the bank's internal control system, including information technology security and control.
- Understand the scope of internal and external auditors' review of internal control over financial reporting and obtain reports on significant findings and recommendation.

3. Oversight of the internal audit function.

- Monitor and review the effectiveness of the internal audit function, including compliance with the Institute of Internal Auditors' Standards for the Professional Practice of Internal Auditing.
- Review and approve the charter, plans, activities, staffing, budget and organizational structure of the internal audit function annually. Ensure that the scope covers the review of the effectiveness of the bank's internal controls, including financial, operational and compliance controls, and risk management system.
- Report to the board of directors on the status of accomplishments of the outsourced internal audit activities, including significant findings noted during the conduct of the internal audit.
- Review significant findings contained in reports prepared by the internal audit together with management's response and follow-up for corrective action.
- Ensure that the internal audit function maintains open communication with senior management, external auditors, the supervisory authority, and the audit committee.
- Ensure there are no unjustified restrictions or limitations in the performance of the internal audit function.
- On a regular basis, meet separately with the Chief Audit Executive (CAE) to discuss any matters that the committee or internal audit believes warrant audit committee attention that should be discussed privately.
- Review all reports concerning significant fraud or regulatory non-compliance that occurred at the bank considering internal controls that should be strengthened to reduce the risk of a similar event in the future.
- Assess and report to the board the annual performance appraisal of the Chief Audit Executive (CAE).
- Approve, or recommend to the board for its approval, the annual remuneration of the Chief Audit Executive (CAE) and personnel of internal audit function.
- Review and approve the appointment, reappointment and replacement of the Chief Audit Executive (CAE) and key internal auditors.

4. Oversight of the external audit function.

- Responsible for the appointment, fees, and replacement of external auditor.
- Ensure that the scope of audit likewise cover areas specifically prescribed by the Bangko Sentral and other regulators.
- Ensure that senior management is taking necessary corrective actions to address the findings and recommendations of external auditors and regulatory authority in a timely manner.
- Review and confirm the independence of the external auditors on relationships by obtaining statements from the auditors on the relationships between the auditors and the bank, including non-audit services, and discussing the relationships with the auditors.
- Prior to publishing the year-end earnings, discuss the results of the audit with the external auditors.
- On an annual basis, the audit committee should review and discuss with the external auditors all significant relationships they have with the bank that could impair the auditors' independence.
- On a regular basis, meet separately with the external auditors to discuss any matters that the committee or auditors believe should be discussed privately.

5. Oversight of implementation of corrective actions

- Ensure the senior management is taking necessary corrective actions to address the findings and recommendations of internal auditors and external auditors in a timely manner.
- Addressing control weaknesses, non-compliance with policies, laws and regulations and other problems identified by internal auditors and external auditors.
- Ensuring the deficiencies identified by supervisory authorities related to the internal audit function are remedied within appropriate time frame and that progress of necessary corrective actions are reported to the board of directors.

6. Investigation of significant issues / concerns raised.

- Investigate any matter within its terms of reference,
- Have full access to and cooperation by management
- Have full discretion to invite any director or executive officer to attend its meetings.

7. Establishment of whistleblowing mechanism.

- Establish and maintain mechanisms by which officers and staff shall, in confidence, raise concerns about possible improprieties or malpractices in matters of financial reporting, internal control, auditing or other issues to persons or entities that have the power to take corrective action.
- Ensure that the Board and Senior Management set the right tone through its policy statements, communications, and actions.
- Ensure that whistleblowing policies and procedures are established to facilitate the receipt of reports and that these are effectively communicated to all levels.
- Ensure that there are adequate procedures to track the action taken in relation to concerns raised thru the whistleblowing arrangement.
- Ensure that appropriate follow-up action has been taken to investigate and resolve the issues noted.

F. Reporting Responsibilities

- The committee shall submit the minutes of all meeting of the Committee to the Board of Directors.
- Provide an open avenue of communication between internal audit, the external auditors, and the board of directors.
- Report annually to the shareholders, describing the committee’s composition, responsibilities and how they were discharged, and any other information required by rule, including approval of non-audit services.
- Review any other reports the company issues that relate to committee responsibilities.

G. Other Responsibilities

- Perform other activities related to this charter as requested by the board of directors.
- Maintain minutes of meetings and periodically report to the Board of Directors on significant results of the foregoing activities.
- Review and assess the adequacy of the committee charter annually, requesting board approval for proposed changes, and ensure appropriate disclosure as may be required by law or regulation.
- Confirm annually that all responsibilities outlined in this charter have been carried out.
- Conduct performance self-assessment as prescribed under and in accordance with the Corporate Governance Manual.
- Monitor results of internal audit activities provided to EastWest Rural Bank (EWRB) through quarterly reports on completion of internal audit plan and significant audit exceptions.
- The Committee may rely on reports and recommendations of and may delegate all or part of the oversight matters described above to the audit committee of its subsidiaries.

H. Functional Support

The Internal Audit of EastWest Bank shall ensure and provide functional support to the Audit Committee in the rendition of its function.

APPROVED BY:

GREGORIO U. KILAYKO
Audit Committee Chairman

JOSE MARIA G. HOFILENA
Member

JOSEPHINE GOTIANUN-YAP
Member

ARMANDO L. SURATOS
Member

FRANCIS H. JARDELEZA
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