

PURPOSE

The Audit Committee is established to aid the Board of Directors in fulfilling its oversight responsibility over the Bank's financial reporting, internal control framework, internal and external audit process conducted by Internal Audit Group, External Auditors and BSP Examiners; and compliance with applicable laws and regulations and the code of conduct.

AUTHORITY

In compliance with BSP Circular No. 969, the Audit Committee shall have explicit authority to investigate any matter within its scope of responsibility, full access to and cooperation by management and full discretion to invite any director or executive officer to attend to its meeting and adequate resources to enable it to effectively discharge its functions. The Committee shall have the authority to appoint and oversee the work conducted by External Auditors and to resolve disagreements between the management and external auditors regarding financial reporting. Furthermore, the Committee shall ensure that a review is conducted at least annually on the effectiveness of the Bank's internal controls, including but not limited to financial, operational and compliance controls and risk management.

The Audit Committee, under BSP Circular No. 871(Sec. X186), shall establish Internal Audit Function in Group Structure covering internal audit activities in the subsidiaries or affiliates of BSP supervised financial institution.

MEMBERSHIP

Under Article VII section 7.12-C of the Asia United Bank amended By-Laws, the Board created an Audit Committee in compliance with Bangko Sentral ng Pilipinas Circular No. 871, Security and Exchange Commission's (SEC) Y2016 Code of Corporate Governance for Publicly Listed Companies and BSP Circular No. 969. In effect, the members of the Audit Committee shall be appointed by the Board of Directors.

The Audit Committee shall be composed of at least three (3) appropriately qualified non-executive directors, wherein two are independent directors, including the chairman. All of the members have relevant background, knowledge, skills, and/or experience in the areas of accounting, auditing or related financial management. Moreover, the Chairman of the Audit Committee shall not be the Chairman of the Board or of any other Committees.

Each member shall serve the committee with a term coinciding with their term as a director of the Bank and can be reappointed according to the prescribed procedures; whereas the term for independent directors shall coincide with the required cumulative term prescribed by BSP Circular No. 969. In the event that a member resigns or if a member is removed from office, the vacancy will be filled up by the remaining Board of Directors, who shall also be appointed according to the prescribed procedures and qualifications of an Audit Committee member.

Composition:

Chairman & Independent Director: (Ret.) Justice Adolfo S. Azcuna
Vice Chairman: George T. Chua
Member & Independent Director: Atty. Maria Gracia Pulido-Tan
Internal Auditor & Committee Secretary: Florante C. Del Mundo

DUTIES AND RESPONSIBILITIES

The Audit Committee shall have the following duties and responsibilities in accordance with SEC's Code of Corporate Governance for Publicly Listed Companies, BSP Circular No. 871(Series 2015) and BSP Circular No. 969(Series 2017):

- i. Recommends the approval of the Internal Audit Charter (IA Charter), which formally defines the role of the Internal Audit as well as oversees the implementation of the IA Charter;
- ii. Approves the internal audit plan, scope and budget; further ensures that the audit plan is aligned with the overall plan strategy and budget of the bank and is based on robust risk assessment;
- iii. Evaluates the committee's and individual members' performance on a regular basis;
- iv. Promotes continuing education by endorsing the members in taking courses or trainings relative to the enhancement and implementation of internal control frameworks.
- v. Through the Internal Audit (IA) Department, monitors and evaluates the adequacy and effectiveness of the corporation's internal control system, integrity of financial reporting, and security of physical and information assets. Well-designed internal control procedures and processes that will provide a system of checks and balances should be in place in order to (a) safeguard the company's resources and ensure their effective utilization, (b) prevent occurrence of fraud and irregularities, (c) protect the accuracy and reliability of the company's financial data, and (d) ensure compliance with applicable laws and regulations;
- vi. Oversees the Internal Audit Department by monitoring and reviewing its effectiveness through the internal audit reports and the corresponding recommendations to address the weaknesses noted; discusses the same with the internal audit head and escalate significant matters to the board of directors;
- vii. Recommends the appointment and/or grounds for approval of an internal audit head or Chief Audit Executive (CAE) and reports to the board of directors the annual performance appraisal of the internal audit head;
- viii. Establishes and identifies the reporting line of the Internal Auditor to enable him to properly fulfil his duties and responsibilities. For this purpose, he should directly report to the Audit

Committee of the Bank and communicate with the Board of Directors of the Bank's subsidiaries.

- ix. Ensures that in the performance of the work of Internal Auditor, he shall be free from interference by outside parties;
- x. Reviews and monitors the Management's responsiveness to the Internal Auditor's findings and recommendations by ensuring that senior management is taking necessary corrective actions in a timely manner;
- xi. Reviews discoveries of fraud and violations of laws and regulations as raised by the Internal Audit Department;
- xii. Ensures that an effective mechanism by which officers and staff may, in confidence, raise concerns about possible improprieties or malpractices in the Bank is in place such that procedures for independent investigation, appropriate action and resolutions of complaints are established and adequately performed;
- xiii. Recommends for the approval of the board of directors the annual remuneration of the head of the internal audit function and key internal auditors; also ensures that the Internal Audit Department has adequate human resources with sufficient qualifications and skills necessary to accomplish the internal audit activities;
- xiv. Reports annually to the shareholders regarding its composition, responsibilities and how these responsibilities were discharged, and other relevant information required by existing rules and regulations, including approval of non-audit services;
- xv. Annually recommends the appointment and reappointment, removal and fees of the External Auditor, duly accredited by the Commission, who undertakes an independent audit of the corporation, and provides an objective assurance on the manner by which the financial statements should be prepared and presented to the stockholders. Such shall be approved by the Board and ratified by the stockholders.
 - a. Appointment and/or re-appointment process of external auditor:
 - 1. External Auditor shall be selected from the top three (3) local external audit firms with the following criteria:
 - a. External Auditor maintains reputable affiliation with a global external audit outfit acceptable to the Bank's counter parties abroad.
 - b. External Auditor is highly reputable to local and foreign banks.
 - c. External Auditor is accredited by BSP and SEC based on BSP and SEC Circulars.
 - d. External Auditor maintains high level of professionalism and independence.
 - e. External Auditor has no existing disputes to any subsidiaries and affiliates of the Bank.
 - f. External Auditor has no current legal case related to professionalism and integrity issues resulting to financial/ reputable risks.
 - g. External Auditor's fees are reasonable and competitive.

2. The External Auditor's partners and associate profile shall be presented to the Audit Committee for review and evaluation.
 3. Recommendation by Audit Committee for the appointment/re-appointment of External Auditor shall be submitted to the Board for approval and ratification by shareholders in the regular stockholder's meeting.
 - b. Removal of the External Auditor:
 1. The External Auditor shall be removed under the following circumstances:
 - a. External Auditor violates the criteria for appointment/ re-appointment stated in this charter.
 - b. External Auditor violates 9.2 of the SEC Code of Corporate Governance for Publicly Listed Companies.
 2. After evaluating the reasons for removal, the Audit Committee shall recommend for approval of the Board and ratification of stockholders in the regular stockholders meeting.
 - c. Fees of the External Auditor:
 1. The Audit Committee shall assess reasonableness of the submitted fees of the auditing firm's engagement.
 2. The Audit Committee approves the fees of the External Auditor.
- xvi. Assess the integrity and independence of External Auditor by reviewing the independence and objectivity and the effectiveness of the audit process with consideration of relevant Philippine professional and regulatory requirements. The following will be considered in assessing the independence of the External Auditor:
- a. External Auditor and its partners/officers/employees shall not hold any financial interest in the Bank and its subsidiaries.
 - b. No member of the engagement team is an immediate or a close family member holding a prohibited position in the Group.
 - c. External Auditor and its partners/officers/employees and their immediate family member have not obtained or negotiated loans from the Group, other than those obtained under commercial terms and where terms and conditions of the borrowings are met in full. Neither the External Auditor and immediate family members renegotiate the terms of the loans;
 - d. External Auditor and its partners/officers/employees or their immediate family members have purchased goods and services other than as a consumer in the ordinary course of business nor have entered into a material on-going sales agreement for goods and services (directly or through a family business) with the Group;
 - e. No partners, officers, employees and its immediate family members have entered into a joint investment with the Group, or persons associated with the Group, in a decision-making capacity such as officers, directors or substantial stakeholders;
 - f. Partners, officers and employees did not serve as a director, officer, promoter, underwriter, general partner, voting trustee or in any other capacity equivalent to a member of management or employees of the Group.
 - g. There is no actual or threatened litigation between the Firm and the Group, which may affect the willingness of management of the Group to conduct an open and effective

- relationship with the Firm or permit continued unrestricted access to management and access to information relevant to the audit engagement;
- h. The Firm does not render prohibited services to the Group, such as bookkeeping and payroll services, internal audit outsourcing, legal services;
 - i. No fees relating to the prior year's audit remained unpaid prior to issuance of current year's audit report;
 - j. The Firm has not entered into arrangements with the Group, in which fee is contingent on the finding or results of our services, nor has the Firm accepted a payment or commission referring to the products or services of a third party to the Group, or for referring products or services of the Group to a third party.
- xvii. Prior to the commencement of the audit, discusses with the External Auditor the nature, scope, and expenses of the audit, and ensures the proper coordination if more than one audit firm is involved in the activity to secure proper coverage and minimize duplication of efforts;
- xviii. Evaluates and determines the non-audit work, if any, of the External Auditor, and periodically reviews the non-audit fees paid to the External Auditor in relation to the total fees paid to him and to the corporation's overall consultancy expenses. The committee should disallow any non-audit work that will conflict with his duties as an External Auditor or may pose a threat to his independence. The non-audit work, if allowed, should be disclosed in the corporation's Annual Report and Annual Corporate Governance Report;
- xix. Reviews and approves the Interim and Annual Financial Statements before their submission to the Board, with particular focus on the following matters:
- Any change/s accounting policies and practices
 - Areas where a significant amount of judgement has been exercised
 - Significant adjustments resulting from the audit
 - Going concern assumptions
 - Compliance with accounting standards
 - Compliance with tax, legal and regulatory requirements
- xx. Reviews the disposition of the recommendations in the External Auditor's management letter;
- xxi. Performs oversight functions over the corporation's Internal and External Auditors. It ensures the independence of Internal and External Auditors, and that both auditors are given unrestricted access to all records, properties and personnel to enable them to perform their respective audit functions;
- xxii. Coordinates, monitors and facilitates compliance by the Bank with laws, rules and regulations of BSP and other regulatory government agencies, including but not limited to AML, BIR, PDIC, SEC as well as compliance to the Bank's policies contained in the various manuals of operating policies and procedures of the Bank, business code of conduct or ethics;
- xxiii. Ensures independence of the Internal Audit Department and compliance with the 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;

- xxiv. Acts as an oversight of the Bank's compliance function by reviewing, evaluating, recommending and approving all compliance related matters, which may include but not limited to the following:
- a. Compliance Organizational Structure, including appointment of Compliance Officers across all business units and recommend appointment of Compliance Officers to the respective Board of the subsidiaries and affiliates
 - b. Recommendation of appointment of Chief Compliance Officer, who shall report directly to the Chairman of the Board through the Audit Committee
 - c. Annual compliance program and plan and any significant changes to the program or plan.
 - d. Board approved compliance programs across all business and ensure compliance recommendations are addressed by the senior management or respective Board of the Bank subsidiaries and affiliates on a timely basis.
 - e. AML Compliance framework through the Bank's Compliance Group.
 - f. Compliance and AML testing review reports.
 - g. Assess and evaluate the performance of the Compliance Officer annually.

MEETINGS

The Committee shall meet every two (2) months at 12:00 noon or such other time as may be agreed upon by the members.

The Committee may invite members of management, auditors or others to attend meetings and provide information as necessary.

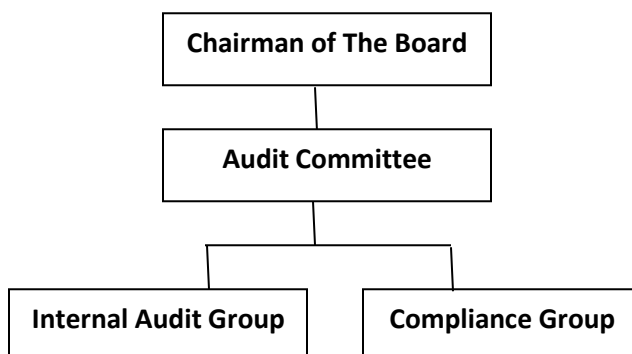
Meeting agendas will be prepared and provided in advance to members, along with appropriate briefing materials. The Audit Committee Chairman will review the meeting agenda to ensure that critical issues are identified and addressed early in the agenda in order to allow sufficient time for discussion.

Minutes of all meetings will be prepared by the committee secretary, approved by the Committee and maintained.

REPORTING PROCESS AND LINE

The Audit Committee shall report directly to the Chairman of the Board about the committee activities, issues and related recommendations. The Committee shall also communicate to the Board about the activities of the Internal Audit Group, External Auditors and Compliance Group.

The Internal Auditor and Compliance Officer shall functionally report to the Audit Committee. To illustrate:



SELF-ASSESSMENT

In accordance with SEC Memorandum Circular No. 4 (series of 2012), the Audit Committee shall conduct an annual self-assessment to test effectiveness of its performance as well as to identify ways to improve its performance.

CHARTER

The Committee shall review and assess the adequacy of the charter annually or as the need arises, requesting board approval for proposed changes, and ensure appropriate disclosure as may be required by law or regulation.