

UCPB Savings Bank, Inc.

Audit Committee 2025 Accomplishment Report

The Audit Committee effectively discharged its responsibilities during Calendar Year 2025 in accordance with its Board-approved Audit Committee Charter. In fulfilling its mandate, the Committee supported the Board of Directors in the exercise of its statutory and fiduciary responsibilities, particularly in safeguarding the integrity of the Bank's financial reporting, strengthening internal control systems, and promoting sound risk management and governance practices.

Throughout the year, the Committee maintained close coordination with Management, the Internal Audit Division (IAD), the Commission on Audit (COA), the Bangko Sentral ng Pilipinas (BSP), and external specialists engaged by the Bank. These engagements enabled the Committee to actively oversee key financial, operational, and regulatory matters and ensure that emerging risks and operational issues were appropriately addressed.

The Committee convened regular meetings during the year, supplemented by discussions with external auditors and regulatory stakeholders to address audit-related matters and governance concerns. The Committee likewise confirmed that the internal audit function continued to operate with the necessary independence, authority, and organizational support required to effectively carry out its mandate.

In the performance of its oversight functions, the Audit Committee provided strategic guidance to the Internal Audit Division in the execution of its audit plans and related initiatives. The outcomes of these engagements contributed to Management's continuing efforts to strengthen the Bank's internal control environment, governance framework, and risk management processes.

This report summarizes the significant actions and activities undertaken by the Audit Committee from January to December 2025 in carrying out its oversight responsibilities over the Bank's internal control and compliance systems, internal audit and assurance processes, financial reporting, risk management, and corporate governance.

I. Summary of 2025 Audit Committee Accomplishments

1. Review of Internal Audit Results

The Committee reviewed key Internal Audit reports covering assurance engagements, consulting services, special or fraud investigations, and other audit activities. Through these reviews, the Committee ensured that identified control deficiencies, policy deviations, and regulatory compliance issues were addressed by Management through appropriate and timely corrective actions.

2. Approval and Oversight of Internal Audit Plans

The Committee reviewed and approved the Internal Audit Division's annual audit plan and recalibrated short-term audit plans anchored on the approved long-term audit plan. These plans were formulated based on enterprise-wide risk assessments, regulatory priorities, and emerging operational risks.

The Committee likewise monitored the implementation of the audit plan throughout the year to ensure that audit coverage remained responsive to evolving risk conditions and regulatory expectations.

3. Monitoring of Management Action Plans

Through the Internal Audit Division, the Committee monitored Management's action plans on audit findings through the Corrective Action Tracking Report (CATR). This strengthened the process for tracking corrective actions and ensured that risk issues and operational weaknesses across branches, head office units, IT functions, and information systems were addressed in a timely manner.

The Committee noted the continued reduction in long-outstanding audit issues and emphasized the importance of sustained follow-through on corrective actions.

4. Review of Internal Audit Reports and Governance Documents

The Committee reviewed and noted various reports submitted by the Internal Audit Division, including:

- Internal Audit Annual Report
- IAD budget
- Semestral accomplishment reports
- Summary of common audit exceptions
- Declaration of Organizational Independence

These reports provided the Committee with independent assurance on the effectiveness of the Bank's internal control, governance, and risk management processes.

5. Oversight of Ongoing Audit Engagements

The Committee regularly monitored the status and progress of ongoing audit engagements to ensure the timely completion of audit projects and the adequacy of audit coverage across the Bank's operations.

6. Strengthening Audit Focus on High-Risk Areas

The Committee continued to identify areas with heightened risk exposures requiring enhanced audit attention. This included approval of special audit engagements and updates to audit methodologies, including enhancements to Audit Program Guides and continued alignment of the Bank's Internal Audit Division with LANDBANK's Internal Audit Group.

7. Assessment of Internal Audit Effectiveness and Resources

Based on the most recent BSP Report of Examination, the Bank's internal audit function continues to be rated "Acceptable," reflecting its effectiveness in providing independent and objective assurance that internal controls, governance processes, and risk management systems are operating as intended.

The Committee likewise reviewed the adequacy of the Internal Audit Division's resources, personnel competencies, and capability to deliver its mandate.

8. Regulatory and Compliance Oversight

The Committee monitored validation activities conducted by Internal Audit in relation to the Bank's commitments to the Bangko Sentral ng Pilipinas and provided guidance on the reporting and presentation of Anti-Money Laundering audit findings to the Bank's Anti-Money Laundering Committee.

9. Operational, Legal, and Program Updates

The Committee received updates from relevant business units on operational and asset management matters, including Real and Other Properties Acquired (ROPA). It also noted updates from the Legal Services Division on court cases related to special audit engagements and fraud investigations conducted by the Internal Audit Division.

10. Review of Internal Audit Annual Report and CAE Assurance Opinion

The Committee reviewed and noted the Internal Audit Annual Report submitted by the Chief Audit Executive covering the Internal Audit Division's activities for the period 1 January to 31 December 2025. The report provided the CAE's independent opinion on the adequacy and effectiveness of the Bank's governance, risk management, and internal control systems based on risk-based audit engagements conducted across branch banking units, head office units, and IT functions.

11. Monitoring of Audit Rating Trends and Control Environment

The Committee reviewed the comparative analysis of internal audit ratings across audited units and noted that the majority of units either improved or maintained stable audit ratings compared with prior audit cycles, while a limited number of units experienced rating deterioration due to specific operational issues, fraud-related cases, or special audit circumstances requiring management intervention.

12. Oversight of Process Improvements Arising from Audit Findings

The Committee monitored the implementation of improvements to policies, procedures, and operational controls arising from audit observations and Audit Committee directives. These improvements resulted in enhancements to various operational, IT, security, and governance processes across the Bank, demonstrating the value-adding role of Internal Audit in strengthening internal controls and governance practices.

II. Conclusion

Through these initiatives, the Audit Committee remained committed to promoting transparency, accountability, and sound governance practices within the Bank. The Committee will continue to strengthen its oversight role to ensure that the Bank's internal control environment, risk management processes, and governance structures remain robust and responsive to the evolving banking landscape.