UnionBank

UnionBank Plaza, Meralco Avenue cor. Onyx
& Sapphire Roads, Ortigas Center, Pasig City 1605

November 14, 2025

SECURITIES AND EXCHANGE COMMISSION
SEC Headquarters, 7907 Makati Avenue
Salcedo Village, Brgy. Bel-Air, Makati City

Attention : **DIRECTOR OLIVER O. LEONARDO**
Markets and Securities Regulation Department

via PSE EDGE
THE PHILIPPINE STOCK EXCHANGE, INC.
6th Floor, PSE Tower
28th Street corner 5th Avenue
Bonifacio Global City, Taguig City

Attention : **ATTY. JOHANNE DANIEL M. NEGRE**
Officer-in-Charge, Disclosure Department

via electronic mail
PHILIPPINE DEALING AND EXCHANGE CORP.
29/F BDO Equitable Tower
8751 Paseo de Roxas
Makati City

Attention : **ATTY. SUZY CLAIRE R. SELLEZA**
Head – Issuer Compliance and Disclosure Department

Gentlemen:

In compliance with the SEC reportorial requirements, we are pleased to submit the SEC Form 17-Q of the Union Bank of the Philippines for the nine months ended September 30, 2025.

Thank you.

Very truly yours,

EDGAR ALLAN G. OBLENA
SVP / Financial Controller

COVER SHEET

3 6 0 7 3

S.E.C. Registration Number

UNION BANK OF THE PHILIPPINES

(Company's Full Name)

UNION BANK PLAZA MERALCO AVENUE
COR ONYX AND SAPPHIRE STREETS
ORTIGAS CENTER, PASIG CITY

(Business Address : No. Street City / Town / Province)

EDGAR ALLAN G. OBLENA	(632)8841-8600
Contact Person	Company Telephone Number

1 2	3 1	SEC FORM 17Q	0 4	2 5
Month	*Day*	FORM TYPE	*Month*	*Day*
Fiscal Year			Annual Meeting	

UNDERWRITER OF SECURITIES

Secondary License Type, If Applicable

C F D	
Dept. Requiring this Doc.	Amended Articles Number/Section

Total Amount of Borrowings

4,943		
Total No. of Stockholders	Domestic	Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

Remarks = pls. use black ink for scanning purposes

SECURITIES AND EXCHANGE COMMISSION
SEC FORM 17-Q
QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER

1. For the quarterly period ended : **September 30, 2025**

2. Commission identification number : **36073**

3. BIR Tax Identification No. : **000-508-271-000**

4. Exact name of registrant as specified in its charter : **UNION BANK OF THE PHILIPPINES**

5. Province, country or other jurisdiction of incorporation or organization : **PHILIPPINES**

6. Industry Classification Code : _________ (SEC Use Only)

7. Address of principal office : **UBP Plaza, Meralco Avenue corner Onyx and Sapphire Roads, Ortigas Center, Pasig**

8. Registrant's telephone number, including area code : **(632) 8841-8600**

9. Former name, former address and former fiscal year if changed since last report : **Not Applicable**

10. Securities registered pursuant to Section 8 and 12 of the Code, or Sections 4 and 8 of the SRC

Title of Each Class	Number of Share of Common Stock Outstanding	Amount of Debt Outstanding (Unpaid Subscription)
Common Stock P10 par value	**3,316,405,584**	**None**

11. Are any or all of the securities listed on a Stock Exchange? **Yes (x) No ( )**
If yes, state the name of such stock exchange and the classes of securities listed therein:

Stock Exchange : Philippine Stock Exchange
Class of Securities : Common Shares

12. Indicate by check mark whether the registrant:

(a) Has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Section 11 of SRC and SRC Rule 11 (a)-1 thereunder and Section 26 and 141 of the Corporation Code of the Philippines during the preceding 12 months (or for such shorter period the registrant was required to file such reports)
Yes (x) No ( )

(b) Has been subject to such filing requirements for the past 90 days **Yes (x) No ( )**

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

Attached are the following:

Consolidated Statements of Financial Condition	-	Annex 1
Consolidated Statements of Income	-	Annex 2 (page 1 of 2)
Consolidated Statements of Comprehensive Income	-	Annex 2 (page 2 of 2)
Consolidated Statements of Changes in Equity	-	Annex 3
Consolidated Statements of Cash Flow	-	Annex 4
Notes to Consolidated Financial Statements	-	Annex 5
Financial Indicators	-	Annex 6

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations - Annex 7

PART II - OTHER INFORMATION

There are no material disclosures that have not been reported under SEC Form 17-C during the period covered by this report.

SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

MANUEL R. LOZANO
EVP, Chief Financial Officer

EDGAR ALLAN G. OBLENA
SVP, Financial Controller

UNION BANK OF THE PHILIPPINES AND SUBSIDIARIES
UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF CONDITION
September 30, 2025
(Amounts in PHP Thousands)

	September 30, 2025 (Unaudited)	December 31, 2024 (Audited)
RESOURCES		
Cash and Other Cash Items	**11,165,257**	10,143,777
Due From Bangko Sentral Ng Pilipinas	**58,394,945**	82,146,575
Due From Other Banks	**37,615,147**	33,890,538
Interbank Loans Receivable and Securities Purchased under Reverse Repurchase Agreements (SPURRA)	**17,730,721**	1,878,992
Trading and Investment Securities		
At fair value through profit or loss (FVTPL)	**19,282,169**	10,295,089
At amortized cost	**308,471,396**	323,412,938
At fair value through other comprehensive income (FVOCI)	**48,716,066**	39,512,654
Loans and Other Receivables - net	**521,663,004**	522,655,816
Investment in Associates	**360,478**	35,755
Bank Premises, Furniture, Fixtures and Equipment - net	**11,057,952**	11,001,211
Investment Properties - net	**10,192,609**	9,789,983
Goodwill	**53,992,565**	53,992,565
Other Resources - net	**45,912,901**	46,685,142
TOTAL RESOURCES	**1,144,555,210**	1,145,441,035
LIABILITIES AND CAPITAL FUNDS		
LIABILITIES		
Deposit Liabilities		
Demand	**241,284,049**	231,377,969
Savings	**215,051,616**	215,542,898
Time	**251,762,418**	229,401,929
	708,098,083	676,322,796
Bills Payable	**134,547,224**	162,256,379
Notes and Bonds Payable	**57,551,915**	57,565,582
Other Liabilities	**44,777,310**	53,228,656
Total Liabilities	**944,974,532**	949,373,413
CAPITAL FUNDS		
Capital Funds Attributable to the Parent Bank's Stockholders:		
Common stock	**33,164,056**	33,164,056
Additional paid-in capital	**64,367,634**	64,367,634
Surplus free	**101,038,030**	97,521,588
Surplus reserves	**2,857,327**	3,277,772
Net unrealized fair value losses on investment securities at FVOCI	**(1,327,262)**	(1,766,482)
Remeasurements of retirement plans	**(1,571,792)**	(1,615,135)
Other reserves	**259,419**	258,204
Total Capital Funds Attributable to the Parent Bank's Stockholders	**198,787,412**	195,207,637
Non-controlling Interests	**793,266**	859,985
Total Capital Funds	**199,580,678**	196,067,622
TOTAL LIABILITIES AND CAPITAL FUNDS	**1,144,555,210**	1,145,441,035

UNION BANK OF THE PHILIPPINES AND SUBSIDIARIES
UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF INCOME
For the Nine Months Ended September 30, 2025 and 2024
(Amounts in PHP Thousands, Except Earnings per Share)

	For the Nine Months Ended September 30		For the Quarters Ended September 30	
	2025	2024	**2025**	2024
INTEREST INCOME ON				
Loans and other receivables	**46,682,769**	47,108,243	**15,811,058**	16,355,814
Investment securities at amortized cost and FVOCI	**13,033,783**	11,953,120	**4,346,479**	4,049,553
Cash and cash equivalents	**1,603,773**	2,011,419	**502,681**	758,251
Interbank loans receivables and SPURRA	**1,039,988**	1,047,359	**286,258**	248,497
Trading securities at FVTPL	**517,385**	354,516	**166,269**	186,201
	62,877,698	62,474,657	**21,112,745**	21,598,316
INTEREST EXPENSE ON				
Deposit liabilities	**7,053,972**	9,896,717	**2,359,426**	2,922,249
Bills payable and other liabilities	**8,294,673**	9,992,206	**2,535,335**	3,587,788
	15,348,645	19,888,923	**4,894,761**	6,510,037
NET INTEREST INCOME	**47,529,053**	42,585,734	**16,217,984**	15,088,279
PROVISION FOR CREDIT LOSSES	**15,592,353**	12,257,680	**4,044,115**	4,182,920
NET INTEREST INCOME AFTER PROVISION FOR CREDIT LOSSES	**31,936,700**	30,328,054	**12,173,869**	10,905,359
OTHER INCOME				
Service charges, fees and commissions	**11,331,829**	9,926,048	**3,705,058**	3,427,879
Gains on trading and investment securities at FVTPL and FVOCI	**593,154**	1,550,807	**442,331**	1,252,756
Miscellaneous	**1,008,480**	2,351,725	**350,966**	247,697
	12,933,463	13,828,580	**4,498,355**	4,928,332
TOTAL OPERATING INCOME	**44,870,163**	44,156,634	**16,672,224**	15,833,691
OTHER EXPENSES				
Salaries and employee benefits	**11,556,756**	10,572,661	**4,038,158**	3,820,189
Taxes and licenses	**4,409,660**	4,591,364	**1,484,511**	1,489,087
Depreciation and amortization	**2,602,411**	2,057,630	**895,245**	724,663
Occupancy	**923,228**	875,508	**312,444**	283,789
Miscellaneous	**15,959,314**	14,929,903	**5,351,985**	5,141,336
	35,451,369	33,027,066	**12,082,343**	11,459,064
PROFIT BEFORE TAX	**9,418,794**	11,129,568	**4,589,881**	4,374,627
INCOME TAX EXPENSE	**2,944,333**	2,569,580	**1,366,900**	883,940
NET PROFIT	**6,474,461**	8,559,988	**3,222,981**	3,490,687
Attributable to:				
Equity holders of the Parent Bank's stockholders	**6,412,403**	8,453,958		
Non-controlling interests	**62,058**	106,030		
	6,474,461	8,559,988		
Basic/Diluted Earnings per Share Attributable to Parent Bank's stockholders (EPS)*	**2.58**	3.60		

**Basic and Diluted EPS is based on annualized figures.*

UNION BANK OF THE PHILIPPINES AND SUBSIDIARIES
UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the Nine Months Ended September 30, 2025 and 2024
(Amounts in PHP Thousands)

	For the Nine Months Ended September 30		For the Quarters Ended September 30	
	2025	2024	**2025**	2024
NET PROFIT	**6,474,461**	8,559,988	**3,222,981**	3,490,687
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that may be reclassified to profit or loss in subsequent periods:				
Unrealized mark to market gains on investment securities at FVOCI	**766,965**	1,285,830	**643,836**	2,052,856
Realized gains on sale of investment securities at FVOCI recognized in profit or loss	**(327,815)**	(112,209)	**(251,965)**	(112,209)
Cumulative translation adjustment	**1,215**	(9,210)	**6**	(65,653)
Items that will not be reclassified to profit and loss in subsequent periods:				
Remeasurement gains (losses) on retirement plans	**59,521**	(352,361)	**-**	-
Income tax expense (benefit)	**(14,880)**	88,090	**-**	-
Total Other Comprehensive Income	**485,006**	900,140	**391,877**	1,874,994
TOTAL COMPREHENSIVE INCOME	**6,959,467**	9,460,128	**3,614,858**	5,365,681
Attributable to the:				
Parent Bank's stockholders	**6,896,181**	9,351,609		
Non-controlling interests	**63,286**	108,519		
	6,959,467	9,460,128		

UNION BANK OF THE PHILIPPINES AND SUBSIDIARIES
UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the Nine Months Ended September 30, 2025 and 2024
(Amounts in PHP Thousands)

	Common Stock	Treasury Stock	Additional Paid-in Capital	Stock Dividends Distributable	Surplus Free	Surplus Reserves	Net Unrealized Fair Value Gains (Losses) on Investment Securities at FVOCI	Remeasurements of Retirement Plans	Other Reserves	Total	Non-controlling Interests	Total Capital Funds
Balance at January 1, 2025	**33,164,056**	**-**	**64,367,634**	**-**	**97,521,588**	**3,277,772**	**(1,766,482)**	**(1,615,135)**	**258,204**	**195,207,637**	**859,985**	**196,067,622**
Total comprehensive income for the period	-	-	-	-	**6,412,403**	-	**439,220**	**43,343**	**1,215**	**6,896,181**	**63,286**	**6,959,467**
Cash dividends	-	-	-	-	**(3,316,406)**	-	-	-	-	**(3,316,406)**	-	**(3,316,406)**
Stock dividends	-	-	-	-	-	-	-	-	-	-	-	-
Reversal of appropriations - net	-	-	-	-	**420,445**	**(420,445)**	-	-	-	-	-	-
NCI share on dividends of subsidiaries	-	-	-	-	-	-	-	-	-	-	**(130,005)**	**(130,005)**
Balance as at September 30, 2025	**33,164,056**	**-**	**64,367,634**	**-**	**101,038,030**	**2,857,327**	**(1,327,262)**	**(1,571,792)**	**259,419**	**198,787,412**	**793,266**	**199,580,678**
										0		
Balance at January 1, 2024	23,537,746	(2,097)	57,769,376	6,355,129	88,719,176	2,542,762	(2,195,087)	(1,627,698)	(108,141)	174,991,166	634,258	175,625,424
Total comprehensive income for the period	-	-	-	-	8,453,958	-	1,163,699	(256,838)	(9,210)	9,351,609	108,519	9,460,128
Cash dividends	-	-	-	-	(2,391,408)	-	-	-	-	(2,391,408)	-	(2,391,408)
Stock Dividends	6,355,129	-	(73,652)	(6,355,129)	-	-	-	-	-	(73,652)	-	(73,652)
Appropriations during the period	-	-	-	-	(472,506)	472,506	-	-	-	-	-	-
Issuance of new shares	3,271,181	-	6,671,910	-	-	-	-	-	-	9,943,091	-	9,943,091
Sale of treasury shares	-	2,097	-	-	(1,140)	-	-	-	-	957	-	957
NCI share on dividends of subsidiaries	-	-	-	-	-	-	-	-	-	-	(60,698)	(60,698)
Change in interest in subsidiary	-	-	-	-	-	-	-	-	414,278	414,278	143,721	557,999
Balance as at September 30, 2024	33,164,056	-	64,367,634	-	94,308,080	3,015,268	(1,031,388)	(1,884,536)	296,927	192,236,041	825,800	193,061,841

UNION BANK OF THE PHILIPPINES AND SUBSIDIARIES
UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Nine Months Ended September 30, 2025 and 2024
(Amounts in PHP Thousands)

	For The Nine Months Ended September 30	
	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	**9,418,794**	11,129,567
Adjustments for:		
Provision for credit losses	**15,592,353**	12,257,680
Depreciation and amortization	**3,070,881**	2,516,498
Unrealized foreign exchange losses - net	**789,527**	471,752
Amortization of premium or discount	**652,039**	(4,714,762)
Gains on foreclosure of investment properties	**(627,793)**	(678,856)
Gains on disposal of investment properties and property and equipment	**(426,220)**	(280,355)
Gains on sale of investment securities at FVOCI	**(327,815)**	(112,209)
Share in net loss (profit) of associates	**(43,856)**	1,920
Provision for impairment losses on investment properties	**12,570**	-
Changes in operating assets and liabilities:		
Decreases (increases) in:		
Loans and other receivables	**(14,611,865)**	(9,864,384)
Financial assets at FVTPL	**(8,987,080)**	(18,785,908)
Other assets	**(3,664,161)**	(8,953,153)
Increases (decreases) in:		
Deposit liabilities	**31,775,287**	(59,940,805)
Other liabilities	**(4,558,207)**	4,372,296
Net cash provided by (used in) operations	**28,064,454**	(72,580,719)
Income taxes paid	**(3,763,311)**	(2,872,110)
Net cash provided by (used in) operating activities	**24,301,143**	(75,452,829)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of:		
Investment securities at FVOCI	**(55,766,410)**	(7,564,896)
Investment securities at amortized cost	**(12,583,362)**	-
Investment in an associate	**(300,000)**	-
Bank premises, furniture, fixtures and equipment	**(756,173)**	(1,441,156)
Proceeds from maturities/sale of:		
Investment securities at FVOCI	**47,373,215**	8,185,607
Investment securities at amortized cost	**27,844,943**	741,700
Investment properties	**210,973**	397,780
Bank premises, furniture, fixtures and equipment	**70,882**	36,881
Proceeds from change in interest in subsidiary	**-**	557,999
Net cash provided by investing activities	**6,094,068**	913,915
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments of:		
Bills payable	**(543,017,996)**	(751,641,687)
Notes and bonds payable	**(20,494,451)**	(3,277,005)
Cash dividends	**(3,316,406)**	(2,391,408)
Lease liabilities	**(593,441)**	(526,346)
Cash dividends of subsidiaries to NCI	**(130,005)**	(60,698)
Proceeds from:		
Bills payable	**513,845,919**	785,957,874
Bonds payable	**20,257,600**	10,027,304
Sale of treasury shares	**-**	957
Issuance of new shares	**-**	9,869,439
Net cash provided by (used in) financing activities	**(33,448,780)**	47,958,430
EFFECTS OF FOREIGN CURRENCY TRANSLATION ADJUSTMENT	**(100,243)**	(10,086)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(3,153,812)**	(26,590,570)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		
Cash and Other Cash Items	**10,143,777**	10,439,112
Due from BSP	**82,146,575**	82,643,663
Due from Other Banks	**33,890,538**	27,263,347
Interbank Loans Receivable and SPURRA	**1,878,992**	25,411,119
	128,059,882	145,757,241
CASH AND CASH EQUIVALENTS AT END OF YEAR		
Cash and Other Cash Items	**11,165,257**	10,104,370
Due from BSP	**58,394,945**	68,749,304
Due from Other Banks	**37,615,147**	26,869,374
Interbank Loans Receivable and SPURRA	**17,730,721**	13,443,623
	124,906,070	119,166,671

UNION BANK OF THE PHILIPPINES
GENERAL NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2025

1. Corporate Information

Union Bank of the Philippines (the Bank, UnionBank or the Parent Bank) was incorporated in the Philippines on August 16, 1968 and operates as a universal bank through its universal banking license acquired in July 1992.

The Bank provides expanded commercial banking products and services such as loans and deposits, cash management, retail banking, foreign exchange, capital markets, corporate and consumer finance, investment management and trust banking.

As of September 30, 2025, the Bank and its subsidiaries (collectively referred to as the "Group") has 382 branches and 424 on-site and 174 off-site automated teller machines (ATMs), located nationwide.

The Bank's common shares are listed in The Philippine Stock Exchange, Inc. (PSE). The Bank is effectively 49.99% owned by Aboitiz Equity Ventures, Inc. (AEVI), a company incorporated and domiciled in the Philippines. AEVI is the holding and management company of the Aboitiz Group of Companies.

2. Summary of Significant Accounting Policies

The significant accounting policies that have been used in the preparation of these financial statements are summarized below. These policies have been consistently applied to all the years presented unless otherwise stated.

Basis of Preparation of Financial Statements
The accompanying interim consolidated financial statements have been prepared on a historical cost basis except for financial assets at fair value through profit or loss (FVTPL), financial assets at fair value through other comprehensive income (FVOCI) and derivative financial instruments that are measured at fair value. The unaudited interim consolidated financial statements are presented in Philippine peso (₱). All values are rounded to the nearest thousands in peso except when otherwise indicated.

Statement of Compliance
The unaudited interim consolidated financial statements of the Group have been prepared in accordance with PAS 34, *Interim Financial Reporting*. Accordingly, the unaudited interim consolidated financial statements do not include all of the information and disclosures required in the annual audited financial statements and should be read in conjunction with the Group's annual audited financial statements as at and for the year ended December 31, 2024.

Basis of Consolidation
The Group's unaudited interim consolidated financial statements comprise the accounts of the Parent Bank and its subsidiaries, after the elimination of material intercompany transactions. All intercompany resources and liabilities, equity, income, and expenses and cash flows relating to transactions with subsidiaries are eliminated in full. Unrealized profits and losses from intercompany transactions that are recognized in the separate

financial statements are also eliminated in full. Intercompany losses that indicate impairment are recognized in the Group's unaudited interim condensed financial statements.

The Group controls an entity when it has the power over the entity, it is exposed, or has rights to, variable returns from its involvement with the entity, and it has the ability to affect those returns though its power the entity.

The financial statements of the subsidiaries are prepared on the same reporting period as the Parent Bank using consistent accounting policies.

The Bank's subsidiaries are all incorporated in the Philippines, except for UBX SG and UBX Remit, and the Bank's effective percentage of ownership and the nature of the subsidiaries' businesses as of September 30, 2025 are as follows:

Name of Subsidiary	Percentage of Ownership	Nature of Business
City Savings Bank, Inc. (CSB)	99.80%	Thrift bank
PetNet, Inc. (PETNET) [a]	51.00%	Foreign currency trader and remittance business
UBP Investments Corporation (UIC)	100.00%	Holding company
First Union Plans, Inc. (FUPI) [b]	100.00%	Pre-need
First Union Insurance and Financial Agencies, Inc. (FUIFAI) [c]	100.00%	Agent for insurance and financial products
UBP Securities, Inc. (UBPSI) [b]	100.00%	Securities brokerage
Interventure Capital Corporation (IVCC) [b]	60.00%	Venture capital
UBX Philippines Corporation (UBX) [d]	83.33%	Investment holding and innovation company
UBX Private Limited (UBX SG) [e]	83.33%	Holding company
UBX Remit Pte. Ltd. (UBX Remit) [f]	83.33%	Remittance company
Bangko Kabayan, Inc. (A Private Development Bank) (Bangko Kabayan) [g]	97.75%	Private development bank
UnionDigital Bank, Inc. (UnionDigital)	100.00%	Digital bank
Unionbank Financial Services and Insurance Brokerage Philippines, Inc. (UFSI)	100.00%	Insurance and securities brokerage

(a) Subsidiary through CSB and UIC, with 40% and 11% share in ownership, respectively.
(b) Non-operating subsidiaries.
(c) Wholly-owned subsidiary through UIC.
(d) On September 27, 2024, Parent Bank's ownership interest reduced to 83.33%.
(e) Wholly-owned subsidiary of UBX.
(f) Wholly-owned subsidiary of UBX SG.
(g) 24.96% owned by the Parent Bank; 49% and 23.79% owned through CSB and UIC, respectively.

Business Acquisitions and Related Investments

Other relevant information about the subsidiaries' nature of businesses and their status of operations are discussed in the sections that follow:

a. On November 7, 2024, the Board of Directors (BOD) of the Parent Bank approved the acquisition of ATR Asset Management, Inc. (AAMI) shareholdings and sale of its shareholdings in UBIMTC. On November 8, 2024, the Parent Bank and AAMI entered into an agreement for UBP's acquisition of a 27.5% shareholding in AAMI and a share purchase agreement for the sale of 100% UBP's shareholding in UBIMTC to AAMI.

   In May 2025, following the approval of the BSP of the transactions last April 2025, the Parent Bank paid ₱300.0 million to ATR KimEng AMG Holdings, Inc. and AAMI. This was funded by the proceeds from the sale of the Parent Bank's ownership interest in UBIMTC.

b. On September 27, 2024, UBX issued 8.0 million shares to a third party for a 16.67% ownership interest at $10.0 million (or ₱558.0 million). This resulted in a decrease in the Parent Bank's ownership interest in UBX to 83.33%. The reduction in the Parent Bank's ownership interest in UBX resulted in the recognition of other equity reserves of ₱372.16 million in the Group's statement of financial position where the amounts represent the difference between the Parent Bank's "deemed share" in the proceeds from the issuance of UBX shares and the carrying amount of the equity interest "deemed disposed" in UBX.

c. On September 23, 2024 and February 28, 2025, the BOD of the Parent Bank approved the infusion of additional capital of up to ₱1.6 billion and another up to ₱1.2 billion, respectively, in UnionDigital to support its ongoing business operations and enable it to deliver sustainable growth.

   Pursuant to the aforementioned approvals, on September 30, 2024, January 31, 2025, the Parent Bank infused capital totaling ₱1.6 billion and on June 30, 2025, August 29, 2025 and September 30, 2025, the Parent Bank infused capital totaling ₱1.0 billion.

   As of September 30, 2025 and December 31, 2024, the Parent Bank's total equity investment in UnionDigital amounted to ₱8.3 billion and ₱7.6 billion, respectively.

d. The BOD of FUDC authorized to temporarily suspend its business operations effective June 1, 2022 and until such time that management, with the approval of the BOD of FUDC, deems it appropriate to resume operations. The BOD of FUDC, in its special meeting on July 5, 2024, approved the cessation of business effective December 31, 2024. On November 6, 2024, the BIR issued the tax clearance for the cessation of business of FUDC. On June 5, 2025, the SEC approved and issued the certificate of amended articles of incorporation pertaining to Article IV shortening the term of its existence thereby dissolving the corporation.

Non-controlling Interests

Non-controlling interest represents portion of profit or loss and net assets not owned, directly or indirectly, by the Parent Bank.

The Group's transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions - that is, as transaction with the owners of the Group in their capacity as owners. The difference between the fair value of any consideration paid and the relevant share acquired of the carrying value of the net assets of the subsidiary is recognized in capital funds. Disposals of equity investments to non-controlling interests may result in gains and losses for the Group that are also recognized in capital funds.

When the Group ceases to have control over a subsidiary, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognized in the statement of income. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related resources or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

Changes in Accounting Policies and Disclosures

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended December 31, 2024, except for the adoption of new standards, interpretations and amendments effective as of January 1, 2025. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Unless otherwise indicated, adoption of these new standards did not have an impact on the interim condensed consolidated financial statements of the Group.

- PFRS 17, *Insurance Contracts*
- Amendments to PAS 21, *Lack of Exchangeability*

The amendments are effective for annual reporting periods beginning on or after January 1, 2025 and apply retrospectively.

3. Significant Accounting Judgments and Estimates

The preparation of the Group's interim consolidated financial statements in accordance with PFRS requires management to make judgments and estimates that affect the amounts reported in the interim consolidated financial statements and related notes. Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may ultimately differ from these estimates.

Significant Management Judgments in Applying Accounting Policies

In the process of applying the Group's accounting policies, management has made the following judgments that are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended December 31, 2024 apart from those involving estimation, which have the most significant effect on the amounts recognized in the financial statements.

Among those significant judgments applied for the nine months ended September 30, 2025 are discussed below:

Evaluation of business model in managing financial instruments

The Group manages its financial assets based on business models that maintain adequate level of financial assets to match its expected cash outflows, largely arising from customers' withdrawals and continuing loan disbursements to borrowers, while maintaining a strategic portfolio of financial assets for investment and trading activities consistent with its risk appetite.

In determining the classification of a financial instrument under PFRS 9, the Group developed business models which reflect how it manages its portfolio of financial instruments. The Group's business models need not be assessed at entity level or as a whole but applied at the level of a portfolio of financial instruments (i.e., group of financial instruments that are managed together by the Group) and not on an instrument-by-instrument basis (i.e., not based on intention or specific characteristics of individual financial instrument). The Group evaluates in which business model a financial instrument or a portfolio of financial instrument belong to taking into consideration the objectives of each business model established by the Group.

PFRS 9 emphasizes that if more than an infrequent and more than an insignificant sale is made out of a portfolio of financial assets carried at amortized cost, an entity should assess whether and how such sales are consistent with the objective of collecting contractual cash flows. In making this judgment, the Group considers certain circumstances documented in its business model manual to assess that an increase in the frequency or value of sales of financial instruments in a particular period is not necessarily inconsistent with a held-to-collect business model if the Group can explain the reasons for those sales and why those sales do not reflect a change in the Group's objective for the business model.

Determining functional and presentation currency
The financial statements of the Group include the accounts maintained in the Regular Banking Unit (RBU) and Foreign Currency Deposit Unit (FCDU). The functional currency of RBU and FCDU is Philippine Peso (PHP) and United States Dollar (USD), respectively. For financial reporting purposes, FCDU accounts and foreign currency-denominated accounts in the RBU are translated into their equivalents in PHP (see accounting policy on Foreign Currency Translation).

The financial statements of these units are combined after eliminating inter-unit accounts. These are presented in Philippine pesos, and all values are presented in thousands of Philippine Pesos except when otherwise indicated.

Items included in the financial statements of the Group are measured using its functional currency, the currency of the primary economic environment in which the Group operates.

Testing the cash flow characteristics of financial assets
In determining the classification of financial assets under PFRS 9, the Group assesses whether the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal outstanding, with interest representing time value of money and credit risk associated with the principal amount outstanding. The assessment as to whether the cash flows meet the test is made in the currency in which the financial asset is denominated. Any other contractual term that changes the timing or amount of cash flows (unless it is a variable interest rate that represents time value of money and credit risk) does not meet the amortized cost criteria. In cases where the relationship between the passage of time and the interest rate of the financial instrument may be imperfect, known as modified time value of money, the Group assesses the modified time value of money feature to determine whether the financial instrument still meets the SPPI criterion. The objective of the assessment is to determine how different the undiscounted contractual cash flows could be from the undiscounted cash flows that would arise if the time value of money element was not modified (the benchmark cash flows). If the resulting difference is significant, the SPPI criterion is not met.

In view of this, the Group considers the effect of the modified time value of money element in each reporting period and cumulatively over the life of the financial instrument.

Determining the lease term of contracts with renewal and termination options – Group as lessee
The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has several lease contracts that include extension and termination options. The Group determined that generally, the options to extend or terminate the lease are not included in the determination of the lease term. These optional periods are not enforceable, as the Group cannot enforce the extension of the lease without the agreement from the lessor, and therefore, the Group does not have the right to use the asset beyond the non-cancellable period.

<u>Key Sources of Estimation Uncertainty</u>

The following are the key assumptions about future events and other significant sources of estimation uncertainty at the end of the reporting period that could have a material impact on the measurement of expected credit losses (ECL) in the next reporting period.

Estimation of impairment losses on Loans and other receivables, Financial assets at amortized cost and Financial assets at FVOCI

The measurement of impairment losses under PFRS 9 for all types of financial assets involves judgment, particularly when estimating the amount and timing of future cash flows, as well as the value of collateral, in determining impairment losses. Additionally, assessing a significant increase in credit risk requires careful consideration. These estimates are influenced by various factors, and changes in these factors can lead to different levels of allowances.

The Group's expected credit loss (ECL) is generated through detailed modeling, supported by data analysis regarding the choice of variable inputs and their interdependencies.

Significant factors affecting the estimates on the ECL model include:

- The Group's internal rating system, which assigns probability of default (PD) to individual grades. Qualitative assessments were also considered during risk rating to account for other relevant potential drivers of credit risk.
- The Group's criteria for assessing if there has been a Significant Increase in Credit Risk (SICR) which is the basis for measuring allowances for financial assets on a Lifetime Expected Credit Loss (LTECL) basis. There are also qualitative assessments to consider significant increase in credit risk based on the identified risk profiles. The Bank updated the stage assessment to include enhancements on the factors considered in the movements in the borrower's credit rating when determining the significant increase in credit risk, which include rating threshold triggers.
- The Group's definition of default. The Bank considers the regulatory requirement and the Bank's indicators of loss.
- Development of ECL models, including the various formulas and the choice of inputs. Models have been developed, reviewed and/or revised as appropriate based on latest reviews, economic outlook and studies from external sources. The Group updated the PD models for wholesale. For wholesale sectors, which incorporates environmental and social (E&S) factors into the calculation of PDs based on E&S client due diligence.

The provisioning methodology for Wholesale Stage 3 accounts are also enhanced to consider specific factors affecting its recoverability.

- For retail products, the group updated some of its models to reflect more recent performance. Likewise, the probability weights for ECL calculations have been recalibrated to reflect current economic conditions.
- Determination of associations between macroeconomic scenarios and economic inputs, such as unemployment levels, level of government spending, and collateral values, and their effect on PDs, EADs and LGDs. As the economy progresses, analyses and forecasts were continuously reviewed and updated as needed. The quantitative overlays were complemented by experience-based expert judgment inputs through management adjustments which are considered integral to the systematic process.

Fair value of derivatives
Management applies valuation techniques to determine the fair value of derivatives that are not quoted in active markets. This requires management to develop estimates and assumptions based on market inputs, using observable data that market participants would use in pricing the instrument. Where such data is not observable, management uses its best estimate. Estimated fair values of financial instruments may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

Valuation techniques are used to determine fair values which are validated and periodically reviewed. To the extent practicable, models use observable data, however, areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. Changes in assumptions could affect reported fair value of financial instruments. The Group uses judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period.

Recognition of deferred tax assets
Deferred tax assets are recognized for all unused tax losses and temporary differences to the extent that it is probable that future taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable income together with future tax planning strategies.

Impairment of goodwill
The Group conducts an annual review for any impairment in the value of goodwill. Goodwill is written down for impairment where the recoverable amount of the related cash generating unit (CGU) is insufficient to support its carrying value. The Group determines the recoverable value of the CGU to which goodwill is allocated by discounting the estimated free cash flows using the weighted-average cost of capital (WACC) as the discount rate. The Group estimates the discount rate used for the computation of the net present value by reference to industry cost of capital.

The recoverable amount of the CGU is determined based on a value-in-use calculation using cash flow projections from financial budgets covering a five-year period. Financial budget for the immediately succeeding year is approved by senior management and BOD of the Parent Bank, while the financial budgets for the other years of cash flow projections are determined by corporate planning group and the relevant business units. In 2024, the assumptions used in the calculation of value-in-use have been updated to factor in economic conditions expected by management during the period the CGUs generate cash flows. The discount rates used for the computation of the value in use for various CGUs are based on the pre-tax discount rates ranging from 13.7% to 48.8% as of December 31, 2024. The long-term growth rates used are 5.8% as of December 31, 2024.

Though management believes that the assumptions used in the estimation of fair values reflected in the financial statements are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse effect on the results of operations.

---

4. Risk Management Objectives and Policies

Risks are inherent in the business activities of the Group. Among its identified risks are credit risk, liquidity risk, market risk, interest rate risk, foreign exchange risk, operational risk, information security risk, legal risk, and regulatory risk. These are managed through a risk management framework and governance structure that provides comprehensive controls and management of major risks on an ongoing basis.

Risk management is the process by which the Group identifies its key risks, collects consistent and understandable risk measures, decides which risks to take on or reduce and establishes procedures for monitoring the resulting risk positions. The objective of risk management is to ensure that the Group conducts its business within the risk levels set by the BOD while business units pursue their objective of maximizing returns.

<u>Risk Management Structure</u>
The BOD of the Parent Bank exercises oversight over the Parent Bank's risk management process as a whole and through its various risk committees. For the purpose of day-to-day management of risks, the Parent Bank has established independent Risk Management Units (RMUs) that objectively review and ensure compliance with the risk parameters set by the BOD. The RMUs are responsible for the monitoring and reporting of risks to senior management and the various committees of the Parent Bank.

On the other hand, the risk management processes of its subsidiaries are handled separately by their respective BODs.

The Parent Bank's BOD is primarily responsible for setting the risk appetite, approving risk parameters, proposed credit policies, and investment guidelines, as well as establishing the overall risk-taking capacity of the Parent Bank. To fulfill its responsibilities in risk management, the BOD has established the following committees, whose functions are described below.

(a) The Executive Committee (EXCOM) is composed of seven (7) members of the BOD. The EXCOM exercises certain functions as delegated by the BOD, including among others, the approval of credit and loan transactions, asset recovery, real and other properties acquired (ROPA) sales, and such other transactions as may be initiated by the Bank units within the EXCOM's delegated limits.

(b) The Risk Management Committee (RMC) is composed of at least seven (7) members of the BOD, majority of whom are independent directors including the Chairman, who cannot be the chairman of the board or any other board committee. The RMC advises the BOD regarding the Bank's overall current and future risk appetite, oversees Senior Management's adherence to the risk appetite statement, and reports on the state of risk culture of the Parent Bank. The RMC oversees the Bank's risk management framework and the risk management function. The RMC also provides oversight, direction, and guidance to the other risk committees, specifically the Market Risk Committee (MRC) and the Operations Risk Management Committee (ORMC).

(c) The MRC is composed of nine (9) members of the BOD, majority of whom are independent directors, including the Chairman. The MRC is primarily responsible for reviewing the risk management policies and practices relating to market risk including interest rate risk in the banking book and liquidity risk.

(d) The ORMC, composed of at least seven non-executive Board members (including an independent Chair), oversees the Bank's operational risk management. This oversight includes policy review and approval of the Operational Risk Management Framework (a component of the Enterprise Risk Management System), as well as ensuring its implementation across all business and functional units, including insourced, outsourced, and external services. The ORMC's objective is to minimize financial losses, exceed customer expectations, and maintain operational resilience. Furthermore, it fosters a culture of operational risk accountability through a framework emphasizing proactive prevention, root cause analysis, and lessons learned.

(e) The Audit Committee is composed of seven (7) members, all non-executive and majority of whom are independent, including the Chairman, most of whom are with accounting, auditing, or related financial management expertise or experience. The skills, qualifications, and experience of the committee members are appropriate for them to perform their duties as laid down by the BOD.

The Audit Committee serves as principal agent of the BOD in ensuring independence of the Parent Bank's external auditors and the internal audit function. It also oversees the Parent Bank's financial reporting process on behalf of the BOD. It assists the BOD in fulfilling its fiduciary responsibilities as to accounting policies, reporting practices and the sufficiency of auditing relative thereto, and regulatory compliance.

To effectively perform these functions, the Audit Committee has a good understanding of the Parent Bank's business, including the following: Parent Bank's structure, businesses, controls, and the types of transactions or other financial reporting matters applicable to the Parent Bank as well as to determine whether the controls are adequate, functioning as designed, and operating effectively. It also considers the potential effects of emerging business risks and their impact on the Parent Bank's financial position and results of operations.

Among the responsibilities of the Audit Committee are:

- *Oversight of the financial reporting process.* The Audit Committee ensures that the Parent Bank has a high-quality reporting process that provides transparent, consistent, and comparable financial statements. In this regard, the Audit Committee works closely with management especially the Office of the Financial Controller, the Internal Audit Group (IAG), as well as the external auditors, to effectively monitor the financial reporting process and resolution of any significant financial reporting issues and concerns.

- *Monitoring and evaluation of internal control.* The Audit Committee, through the IAG, monitors and evaluates the adequacy and effectiveness of the Parent Bank's internal control framework, integrity of financial reporting, and security of physical assets, and ensures that a proactive and forward-looking approach to evaluation of risks and controls is taken. The Audit Committee also ensures that periodic assessment of the internal control system is conducted to identify weaknesses and evaluates its robustness considering the risk profile and strategic direction of the Parent Bank.

- *Oversight of the audit process*. The Audit Committee is knowledgeable on the audit function and the audit process. The Audit Committee maintains supportive, trusting, and inquisitive relationships with both internal and external auditors to enhance its effectiveness.

- *Oversight of outsourced internal audit activities*. The Audit Committee oversees the performance of the internal audit service provider and ensures that they comply with sound internal auditing standards and other supplemental standards issued by regulatory authorities/government agencies, as well as with relevant codes of ethics.

- *Oversees the implementation of Group Internal Audit Policy.* The Audit Committee oversees the implementation of the policy through the periodic reports on oversight of the Group Internal Audit and takes appropriate action on any group internal oversight issues identified. The Audit Committee reviews and evaluates the group internal audit policy, and any amendments thereto, and endorses the same to the BOD for approval.

- *Oversight of the whistle blowing mechanism.* The Audit Committee oversees the establishment of a whistle blowing mechanism in the Parent Bank 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. It also ensures that independent investigation, appropriate follow-up, action, and subsequent resolution of complaints are in place.

- *Reporting responsibilities.* The Audit Committee regularly reports to the Board of Directors about committee activities in relation to its responsibilities and how they were discharged, issues, and related recommendations.

In the performance of these functions, the Audit Committee is supported by the IAG. The Chief Audit Executive derives authority from and is directly accountable to the Audit Committee. However, administratively, the Chief Audit Executive reports to the President of the Parent Bank.

The IAG is entirely independent from all the other organizational units of the Parent Bank, as well as from the personnel and work that are to be audited. It operates under the direct control of the Audit Committee and is given an appropriate standing within the Parent Bank to be free from bias and interference. The IAG is free to report its findings and appraisals internally at its own initiative to the Audit Committee.

The IAG is authorized by the Audit Committee to have unrestricted access to all functions, records, property, and personnel of the Bank subject to existing mandates and applicable laws. This includes the authority to allocate resources, set audit frequencies, select subjects, determine scope of work, and apply the techniques required to accomplish the audit engagement objectives.

The IAG is also authorized to obtain the necessary assistance from personnel within the Parent Bank units where they perform audits, as well as other specialized services within or outside the Parent Bank.

The IAG presents its risk-based and forward-looking audit plan consistent with the Parent Bank's strategic plans and priorities every quarter for approval by the Audit Committee.

At least once a month, the Audit Committee meets to discuss the results of the assurance and advisory engagements, and case investigations by IAG. Financial reporting and Controllership related topics are also included as needed. The results of these meetings are regularly reported by the Audit Committee Chairman to the BOD in its monthly meetings.

(f) The Corporate Governance Committee (CGC) is primarily responsible for helping the BOD fulfill its corporate governance and compliance responsibilities. It is responsible for ensuring the BOD's effectiveness and due observance of corporate governance principles and of oversight over the compliance risk management. It assists in the establishment of a compliance program that facilitates the escalation and resolution of compliance issues expeditiously.

The CGC is composed of nine (9) members of the BOD, all non-executive, majority of whom, including its Chairman, are independent directors. Its specific duties include, among others, making recommendations to the BOD regarding continuing education of directors, providing a communication channel for its subsidiaries and affiliates to ensure that the Bank, as the Parent company, is kept well abreast of material issues, and overseeing the periodic performance evaluation of the 1) Board; 2) Board Committees; 3) Individual Directors; 4) Management-level Committees (through the respective committee secretariats); and 5) Chief Compliance and Corporate Governance Officer (CCO).

The CGC also performs oversight functions over the Compliance and Corporate Governance Office (CCGO) and the following management-level committees: 1) Anti-Money Laundering Committee and 2) Discipline Committee.

Senior management, through the CCO, periodically reports to the CGC the status of regulatory audit and compliance testing findings until their closure. Any material breaches of the compliance program are reported to and promptly addressed by the CCO within the mechanisms defined by the Compliance Manual.

The Parent Bank's CCO defines the Group's governance and compliance requirements and works closely with the subsidiaries' Chief Compliance Officers in the execution of these standards.

The CGC acts as the Bank's Nominations Committee and reviews the qualifications of and screens candidates for the board including nominees for independent directors and key officers of the Parent Bank. The CGC likewise reviews the qualifications of and screens candidates of its nominees to its subsidiaries. It also oversees the succession plan for board members and senior officers, and directs the alignment of the latter's remuneration with corporate and individual performance.

The Parent Bank's CCO assists the CGC in fulfilling its functions by apprising the same of (1) pertinent regulations and other issuances relating to compliance and corporate governance, (2) related regulatory issues and compliance initiatives affecting the various units and the status of the corrective action plans, and (3) continuously giving updates thereon. In addition, the CCO keeps the CGC abreast of best governance practices and discusses issues brought up among private organizations and individuals advocating good governance philosophy.

(g) The Related Party Transactions Committee is composed of five (5) members of the BOD, all of whom are independent directors. The Internal Audit Head and Chief Compliance Officer may sit as resource persons. The Committee assists the BOD in the fulfillment of its corporate governance responsibilities on related party transactions by ensuring that these are transacted on arm's length terms. The Committee reviews and endorses the related party transactions to the BOD for approval or confirmation, as applicable based on BSP regulations.

The major risk types identified by the Group are discussed in the following sections:

<u>Credit Risk</u>
Credit risk is the risk of loss resulting from the failure of a borrower or counterparty to honor its financial or contractual obligation to the Group. The risk may arise from lending, trade finance, treasury, investments, derivatives and other activities undertaken by the Group. Credit risk is managed through strategies, policies and limits that are approved by the respective BOD and/or Credit Committee of the various companies within the Group. With respect to the Parent Bank, it has a well-structured and standardized credit approval process and credit scoring system for each of its business and/or product segments.

The Enterprise Risk Management (ERM) function serves as the independent second line of defense for credit risk management. ERM provides objective oversight, challenge, and governance support across all credit product lines including consumer, commercial, and corporate exposures. It also ensures that the Parent Bank's credit risk framework policies, procedures, and assessment methodologies remains robust, aligned with risk appetite, and updated to address evolving business and risk profiles. ERM reports directly to the Board, ensuring escalation of material issues and oversight of credit risk governance.

The ERM's portfolio management function involves the review of the Parent Bank's loan portfolio, including the portfolio risks associated with particular customer segment, industry sectors, regions, loan size and maturity, and the development of a strategy for the Parent Bank to achieve its desired portfolio mix and risk profile. The ERM reviews the Parent Bank's loan portfolio quality in line with the Parent Bank's policy of avoiding significant concentrations of exposure to specific industries or groups of borrowers. Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features. Concentrations indicate the relative sensitivity of the Parent Bank's performance to developments affecting a particular industry or geographical location.

The Group and the Parent Bank consider concentration risk to be present when the total exposure to a particular industry exceeds 30.0% of the total exposure, which is similar to the BSP requirement. As of September 30, 2025 and December 31, 2024, the Group and the Parent Bank did not exceed the limit in any of its industry concentration.

In order to avoid excessive concentrations of risk, the Parent Bank's policies and procedures include guidelines for maintaining a diversified portfolio mix (e.g., concentration limits). Identified concentrations of credit risks are controlled and managed accordingly. The ERM also monitors compliance to the BSP's limit on exposures.

The following summarizes the Group's credit risk management practices and the relevant quantitative and qualitative financial information regarding the credit exposure according to portfolios:

Credit risk management practices and credit quality disclosures
Corporate Loans

The Parent Bank's Corporate Banking Center handles all corporate lending activities. The customer accounts under this segment comprise top-tier corporations, conglomerates, and large multinational companies.

The Bank applies a comprehensive credit evaluation and risk assessment process for large corporate borrowers, guided by its obligor risk rating master scale. Currently, the Parent Bank employs a single rating system for both Corporate and Commercial accounts. However, the results for Commercial accounts are further refined through an additional model that captures the distinct characteristics of the commercial banking portfolio compared to the corporate loan book.

The rating system assesses default risk based on financial profile, management capacity, industry performance, and other factors deemed relevant. Significant changes in the credit risk considering movements in credit rating, among other account-level profile and performance factors, define whether the accounts are classified in either Stage 1, Stage 2, or Stage 3 per PFRS 9 loan impairment standards. In 2023, the Parent Bank updated the stage assessment to enhance the considerations related to movements in the borrower's credit rating when determining significant increase in credit risk, which include rating threshold triggers.

Based on foregoing factors, each borrower is assigned a Borrower Risk Rating (BRR), from AAA to D. In addition to the BRR, the Parent Bank assigns a loan exposure rating (LER), a 100-point system which consists of a Facility Tenor Rating (FTR) and a Security Risk Rating (SRR). The FTR measures the maturity risk based on the length of loan exposure, while the SRR measures the quality of the collateral and risk of its potential deterioration over the term of the loan. The FTR and the SRR, each a 100-point scoring system, are given equal weight in determining the LER.

Once the BRR and the LER have been determined, the credit limit to a borrower is determined under the Risk Asset Acceptance Criteria (RAAC) which is a range of acceptable combinations of the BRR and the LER. Under the RAAC system, a borrower with a high BRR will have a broader range of acceptable LERs.

The credit rating for each borrower is reviewed annually or earlier when there are extraordinary or adverse developments affecting the borrower, the industry and/or the Philippine economy such as the COVID-19 pandemic. Any major change in the credit scoring system, the RAAC range and/or the risk-adjusted pricing system is presented to and approved by the RMC.

Commercial Loans
The Parent Bank's commercial banking activities are undertaken by its Commercial Banking Center (ComBank). These consist of banking products and services rendered to customers which are entities that are predominantly middle market companies. These products and services are similar to those provided to large corporate customers, with the predominance of trade finance-related products and services.

The non-financial ComBank accounts use an adjusted obligor rating scale derived from the one applied for corporate loans, and follows the same RAAC framework, while ComBank accounts classified as banks and non-bank financial institutions are still rated using the 2018 rating scale.

<u>Consumer Financial Products</u>
The Parent Bank's Consumer Loan portfolio comprises five main product lines: Home Loans, Credit Cards, Personal Loans, Small and Medium Enterprise (SME) financial products, and Auto Loans. The SME portfolio, in particular, consists primarily of established business lines, with a small portion attributed to emerging products. Each product line operates under well-defined credit risk guidelines and management systems designed to monitor and control credit risk across all portfolios. Credit models are regularly reviewed and updated as necessary, supported by advanced data analytics to enhance portfolio quality and optimize product offerings.

The Consumer products' respective masterscale is defined by the credit scoring models, which consider demographic variables and behavioral performance, to segment the portfolio according to risk masterscale per product. The stages are defined by the approved SICR for Consumer which takes into account the following: NPL status, days past due, and credit score rating for Application Score (point of application) and Behavior Score (monthly credit performance).

Both Home Loans (except Contract to Sell - CTS) and Legacy Credit Cards use rating scale of 1 to 6, while Blue Credit Cards and Personal Loans use rating scale of 1 to 13 and 1 to 17, respectively. CTS utilizes the Corporate ratings ranging from 1 to 9. Meanwhile, Auto Loans and SME use rating scale 1 to 5.

CSB Salary Loans
For the subsidiary, CSB, an accredited lending institution of the Department of Education (DepEd), provides salary loans to teachers under an agreement with DepEd for payroll deductions. CSB also provides motorcycle loans as a result of its acquisition and subsequent merger with PR Savings Bank.

Exposure to credit risk is managed through diligent assessment upon onboarding and regular portfolio and segment analysis of the ability of borrowers to meet interest and principal repayment obligations and by changing these lending limits when appropriate.

For CSB salary loans, which relates to the DepEd loans of CSB, each borrower is assigned a credit score with E as minimal risk, D as low risk, C as moderate risk, B as average risk and A as high risk.

<u>Other receivables from customers</u>
Other receivables from customers of the Group and the Parent Bank include small portfolios such as, with respect to the Parent Bank (i) HR loans, (ii) bills purchased and (iii) customer liabilities under acceptances, (iv) home credit receivables, (v) teacher's loans acquired from CSB, (vi) high-net-worth individual loans, (vii) corporate retail loans and, with respect to the subsidiaries, (i) personal loans, and (ii) motorcycle loans. Each of the products has established credit risk guidelines and systems for managing credit risk across all business.

Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment of obligations and by changing these lending limits when appropriate.

Each product was risk rated using techniques appropriate to the Group's and Parent Bank's credit experience. Such methods consider the payment history that are reflected in aging, delinquency, and/or change in rating. These provide the bases for the ECL stage determination.

Investments and Placements

Investments and placements include financial assets at amortized cost, debt financial assets through other comprehensive income, due from BSP, interbank loans receivable and securities purchased under reverse repurchase agreements (SPURRA), and due from other banks. Each has established credit risk guidelines and systems for managing credit risk across all businesses.

Collateral Held as Security and Other Credit Enhancements

The Group holds collateral against loans and other receivables from customers in order to mitigate risk. The collateral may be in the form of mortgages over real estate property, chattels, inventory, cash, securities and/or guarantees. The Bank regularly monitors and updates the fair value of the collateral depending on the type of credit exposure.

Estimates of the fair value of collateral are considered in the review and assessment of the adequacy of allowance for credit losses. In general, the Bank does not require collateral for loans and advances to other banks, except when securities are held as part of reverse repurchase agreements.

Liquidity Risk

Liquidity risk is the risk that there are insufficient funds available to adequately meet the credit demands of the Group's customers and repay deposits on maturity. The Asset and Liability Committee (ALCO) and the Treasurer of the Group ensure that sufficient liquid assets are available to meet short-term funding and regulatory requirements. Liquidity is monitored by the Group on a daily basis and under stressed situations. A contingency plan is formulated to set out the amount and the sources of funds (such as unused credit facilities) that are available to the Group and the circumstances under which the Group may use such funds.

Liquidity ratios are used to monitor and manage the Bank's liquidity. The MRC approves the ratios to be used for monitoring the performance of the Bank and for mapping out areas where improvements are needed. These ratios include Liquid Assets to Deposits Ratio, Liquidity ratio, Leverage Ratio and Intermediation Ratio.

The Group also manages its liquidity risks through the use of a Maximum Cumulative Outflow (MCO) limit which regulates the outflow of cash on a cumulative basis and on a tenor basis. To maintain sufficient liquidity in foreign currencies, the Group has also set an MCO limit for certain designated foreign currencies. The MCO limits are endorsed by the MRC and approved by the BOD. The Bank has separate limits for the short term (generally less than 30 days) and the medium-term tenor (from 30 days to one year).

Market Risk
Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rate, foreign exchange rates and equity prices. The Group classifies exposures to market risk into either trading book or banking book. The market risk for the trading portfolio is managed and monitored based on a Value-at-Risk (VaR) methodology. Meanwhile, the market risk for the non-trading positions are managed and monitored using other sensitivity analyses.

The Parent Bank applies a VaR methodology to assess the market risk of positions held and to estimate the potential economic loss based upon a number of parameters and assumptions for various changes in market conditions. VaR is a method used in measuring financial risk by estimating the potential negative change in the market value of a portfolio at a given confidence level and over a specified time horizon.

The Bank uses a 10-day 99% historical simulation with full revaluation approach. The historical simulation with full revaluation approach is the general market accepted methodology in the measurement of VaR. This methodology recalculates the market value of each financial product for each scenario by applying simulated risk factors based on historical movements to the market-accepted valuation methodology defined for each product.

VaR may also be underestimated or overestimated due to the assumptions placed on risk factors and the relationship between such factors for specific instruments. Even though positions may change throughout the day, the VaR only represents the risk of the portfolios at the close of each business day, and it does not account for any losses that may occur beyond the 99% confidence level.

The VaR figures are backtested daily against actual and hypothetical profit and loss of the trading book to validate the robustness of the VaR model. To supplement the VaR, the Parent Bank performs stress tests wherein the trading portfolios are valued under extreme market scenarios not covered by the confidence interval of the Parent Bank's VaR model.

Since VaR is an integral part of the Parent Bank's market risk management, VaR limits are established annually for all financial trading activities and exposures against the VaR limits and are monitored on a daily basis. Limits are based on the tolerable risk appetite of the Parent Bank.

Interest Rate Risk
Interest rate risk in the banking book (IRRBB) is the current and prospective risk to earnings and capital arising from adverse movements in interest rates that affect the bank's banking book positions. When interest rates change, the present value and timing of future cash flows change. This, in turn, changes the underlying value of the Bank's assets, liabilities and off-balance sheet items, and hence its economic value. On the other hand, changes in interest rates also affect the Bank's earnings by altering interest rate-sensitive income and expenses, affecting its net interest income (NII). The ALCO establishes appropriate asset and liability pricing in support of the Bank's balance sheet objectives.

The Group employs "gap analysis" to measure rate-sensitivity of the income and expenses, also known as Earnings-at-Risk (EaR). This sensitivity analysis is performed at least every month. The EaR measures the impact on the net interest income for any mismatch between the amounts of interest-earning assets and interest-bearing liabilities within a one-year period. The EaR is calculated by first distributing the interest-sensitive assets, liabilities, and off-balance sheet items based on the current balance sheet composition into tenor buckets based on time remaining to the next repricing date or the time remaining to maturity if there is no repricing and then subtracting the liabilities from the assets to obtain the repricing gap. The repricing gap per tenor bucket is then multiplied by the assumed interest rate shock and appropriate time factor to derive the EaR per tenor. The 1st year (one-year) EaR is derived from the summation of the EaR per tenor within one year is subject to the established EaR limit per currency. EaR limits are reviewed and updated regularly to ensure that the risks brought by the changes in the balance sheet and liquidity strategies are within the risk appetite of the Bank.

The Bank also calculates EaR for the 2nd and 3rd years in order to measure medium-term vulnerabilities, i.e., those occurring in the 2nd and 3rd years. In addition, EaR is also calculated based on the current balance sheet composition plus projections to provide additional valuable insights in managing IRRBB. However, these are not subject to the EaR limit but are for monitoring purposes only.

Non-maturing or repricing assets or liabilities are considered to be non-interest rate sensitive and are not included in the measurement.

A positive gap occurs when the amount of interest rate-sensitive assets exceeds the amount of interest rate-sensitive liabilities while a negative gap occurs when the amount of interest rate-sensitive liabilities exceeds the amount of interest rate-sensitive assets. Accordingly, during a period of rising interest rates, an entity with a positive gap will have more interest rate-sensitive assets repricing at a higher interest rate than interest rate-sensitive liabilities which will be favorable to it. During a period of falling interest rates, an entity with a positive gap will have more interest rate-sensitive assets repricing at a lower interest rate than interest rate sensitive liabilities, which will be unfavorable to it.

EAR is complemented by stress tests which are conducted quarterly. It involves subjecting the total interest rate-sensitive assets and liabilities within one year to probable short-term and medium-term interest rate movements, assuming parallel and non-parallel shifts (flatteners and steepeners) in the yield curve.

Additionally, the Bank also monitors long-term sensitivity to interest rate risk of the Bank's balance sheet through the Economic Value of Equity (EVE) method at least on a monthly basis. EVE measures the economic value which provides a more comprehensive view of potential long-term effects of changes in interest rates. EVE is defined as the net cash flows of the Bank's assets and liabilities which affect the Bank's capital. Similar to EaR, EVE is also complemented by stress tests conducted quarterly. It involves subjecting the Bank's total interest rate sensitive assets and liabilities to probable short, medium and long-term interest rate movements, assuming parallel and non-parallel (flatteners and steepeners) in the yield curve.

The Bank's interest rate sensitive asset and liability positions are analyzed based on its cash flows, and its present value are computed using appropriate market rates which include the current risk-free rate plus the corresponding margin. On the other hand, the present values of non-interest sensitive assets and liabilities will be kept at their carrying values.

The Bank's IRRBB models and its assumptions are validated by an independent party prior to use. The Bank's risk management program includes measuring and monitoring the risks associated with fluctuations in market interest rates on its net interest income and capital ensuring that the exposures in interest rates are kept within acceptable limits.

Foreign Exchange Risk
Foreign exchange risk is the risk to earnings or capital arising from changes in foreign exchange rates.

The Group's net foreign exchange exposure, taking into account any spot or forward exchange contracts, is computed as foreign currency assets less foreign currency liabilities. The foreign exchange exposure is limited to the day-to-day, over-the-counter buying and selling of foreign exchange in the Group's branches, as well as foreign exchange trading with corporate accounts and other financial institutions. The Group is permitted to engage in proprietary trading to take advantage of foreign exchange fluctuations.

The Parent Bank's policy is to maintain foreign currency exposure within acceptable limits and within existing regulatory guidelines. The Parent Bank believes that its profile of foreign currency exposure on its assets and liabilities is within conservative limits for a financial institution engaged in the type of business in which the Parent Bank is involved.

Operational Risk
Operational risk is the risk of loss arising from inadequate or failed internal processes, people and systems, or external events. This definition includes legal risk but excludes strategic and reputational risks.

The Bank's Operational Risk Management (ORM) Framework and Manual are aligned with the overall business strategy of the Bank. Specifically, this aims to ensure that the Bank has a robust operational risk culture by embedding risk awareness and consciousness in each of the business and functional units in line with *BSP's Circular 900 - Guidelines on ORM*. Further, the framework aims to standardize the risk management, monitoring and reporting of operational risk across the Bank.

Key to the effective implementation of the ORM Framework is a governance structure that transparently defines the lines of responsibility from the Board down to the business and functional unit as follows:

Operational Risk Management Committee (ORMC)
The ORMC is a Board-level committee whose principal responsibility is to review risk management policies and practices relating to bank-wide operational risk.

Operational Risk Management (ORM)
ORM, as the second line of defense, shall support management in its endeavor to oversee the operational risks of the Bank, including integration of environment and sustainability related operational risk requirements, and ensure that operational risk policies and procedures are designed and executed adequately and consistently across the organization. ORM reports directly to the Chief Risk Officer.

Business/Functional Unit
Business and functional units act as the first line of defense where the responsibility to manage risks resides. It sees to it that the controls and practices implemented within the lines of operations conform to the enterprise-wide policies and procedures that address operational risks.

Other Operational Risk-related Functions
Specialist departments e.g., Legal Division, CCGO, Human Resources Group, Enterprise Fraud Management Division, Information Security Office, and Financial Controllership functions have dual responsibilities to manage both the operational risks within their own functions as well as provide support to other departments for ORM.

The Bank has a mechanism in place for operational risk identification and assessment, risk measurement, risk control/mitigation, and risk monitoring and reporting. There is regular monitoring of its operational risk profiles and material exposures to losses to ensure that it is still within the approved thresholds. In doing so, it utilizes operational risk tools (Risk and Control Self-Assessment, Key Risk Indicator, Incident Report, Issue Management & Remediation, New Product/ Process Risk Assessment) to assess the adequacy of controls and mitigants to address identified risks appropriately.

<u>Legal Risk and Regulatory Risk Management</u>
Legal risk pertains to the Parent Bank's exposure to losses arising from cases decided not in favor of the Parent Bank where significant legal costs have already been incurred, or in some instances, where the Parent Bank may be required to pay damages. The Parent Bank is involved in litigation to enforce its collection rights under loan agreements in case of borrower default. The Parent Bank may incur significant legal expenses as a result of these events, but the Parent Bank may still end up being unable to collect or enforce its claims, depending on the outcome of litigation.

The Parent Bank has established measures to avoid or mitigate the effects of these adverse decisions and engages several qualified legal advisors, who were endorsed to and carefully approved by senior management. At year-end, the Parent Bank also ensures that material adjustments or disclosures are made in the financial statements for any significant commitments or contingencies which may have arise from legal proceedings involving the Parent Bank.

Regulatory risk refers to the potential risk for the Parent Bank and its subsidiaries to suffer financial loss due to changes in the laws, monetary, tax, or other governmental regulations of the country. Compliance risk is the Bank's potential exposure to legal penalties, financial forfeiture and material loss resulting from its failure to act in accordance with industry laws and regulations, internal policies or prescribed best practices. While the proper and consistent implementation of these rules and regulations is the primary responsibility of the respective units within the Bank and its subsidiaries, the monitoring of the latter's compliance with these regulations rests on the entity's CCO. The study of the potential impact of new laws and regulations is coordinated by the CCO with the Legal Division. The CCO is responsible for communicating and disseminating new rules and regulations to all units, analyzing and addressing potential compliance issues, performing periodic compliance testing, and regularly reporting to the CGC and the BOD.

5. Fair Value Measurement

Fair Value Hierarchy
In accordance with PFRS 13, *Fair Value Measurement*, the fair value of financial assets and liabilities and non-financial assets which are measured at fair value on a recurring or non-recurring basis and those assets and liabilities not measured at fair value but for which fair value is disclosed in accordance with other relevant PFRS, are categorized into three levels based on the significance of inputs used to measure the fair value. The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the resource or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and,
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level within which the financial asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

For purposes of determining the market value at Level 1, a market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

For investments which do not have quoted market price, the fair value is determined by using generally acceptable pricing models and valuation techniques or by reference to the current market of another instrument which is substantially the same after taking into account the related credit risk of counterparties, or is calculated based on the expected cash flows of the underlying net asset base of the instrument.

When the Group uses valuation technique, it maximizes the use of observable market data where it is available and relies as little as possible on entity specific estimates. If all significant inputs required to determine the fair value of an instrument are observable, the instrument is included in Level 2. Otherwise, it is included in Level 3.

For assets and liabilities that are recognized at fair value in the statement of financial position on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The financial assets and financial liabilities measured at fair value in the consolidated statements of financial position are grouped into the fair value hierarchy (amounts in millions of Philippine pesos):

	September 30, 2025 (Unaudited)				December 31, 2024 (Audited)			
	Level 1	**Level 2**	**Level 3**	**Total**	Level 1	Level 2	Level 3	Total
Resources								
Financial Assets at FVTPL								
Debt securities	**₱16,827**	**₱-**	**₱-**	**₱16,827**	₱7,694	₱-	₱-	₱7,694
Derivative assets	**-**	**1,849**	**55**	**1,904**	-	1,406	55	1,461
Equity securities	**36**	**492**	**23**	**551**	35	1,075	31	1,141
Financial Assets at FVOCI								
Debt securities	**48,416**	**-**	**-**	**48,416**	39,213	-	-	39,213
Equity securities	**-**	**-**	**300**	**300**	-	-	300	300
Liabilities								
Derivative liabilities	**-**	**993**	**-**	**993**	-	3,088	-	3,088

The following table summarizes the carrying amounts and fair values of those financial resources and liabilities not presented in the statement of financial position at their fair values (amounts in millions of Philippine pesos):

	September 30, 2025 (Unaudited)		December 31, 2024 (Audited)	
	Carrying Values	**Fair Values**	Carrying Values	Fair Values
Financial Assets				
Financial assets at amortized cost	**308,471**	**291,532**	323,413	303,086
Loans and other receivables - net	**521,663**	**489,872**	522,656	489,826
Financial Liabilities				
Deposit liabilities	**708,098**	**714,181**	676,323	685,523
Bills payable	**134,547**	**138,083**	162,256	163,091
Notes and bonds payable	**57,552**	**57,836**	57,566	56,045

For Cash and other cash items, Due from BSP and other banks, Interbank loans receivable, SPURRA and Returned checks and other cash items, and Other liabilities such as Manager's checks, Bills purchased, Accounts payable, Accrued interest payable and Payment orders payable and Due to Treasurer of the Philippines, management considers that the carrying amounts approximate their fair value due to their short-term nature. Accordingly, these are not presented in the tables above.

6. Segment Information

Business Segments

The Group's main operating businesses are organized and managed separately according to the nature of products and services provided and the different markets served, with each segment representing a strategic business unit. These are also the basis of the Group in reporting to its chief operating decision-maker for its strategic decision-making activities.

The Group's main business segments are presented below.

(a) **Consumer Banking** – This segment principally handles individual customer deposits, funds transfer facilities and provides consumer type loans, such as personal loans, automobiles and mortgage financing, and credit card facilities and small and medium enterprises loan products.

(b) **Institutional Banking** – This segment principally handles loans and other credit facilities and deposit and current accounts for corporate, institutional and middle market customers.

(c) **Mass Market/Digital Banking –** Mass Market banking primarily provides a range of mass market financial products and services such as salary loans, pension loans, seafarer loans, motorcycle loans, company loans, LGU salary loans, and traditional deposits. Digital Banking offers retail financial products, including deposits and loans, on a highly secure digital banking platform.

(d) **Treasury Banking –** This segment is principally responsible for managing the Bank's liquidity and funding requirements, and handling transactions in the financial markets covering foreign exchange, fixed income trading and investments, and derivatives.

(e) **Trust and Insurance** - The segment handles trust, asset management and fiduciary services provided by the Bank to its customers.

(f) **Headquarters** – This segment includes corporate management, support and administrative units not specifically identified with the above-mentioned segments.

These segments are the basis on which the Group reports its primary segment information. Transactions between segments are conducted at estimated market rates on an arm's length basis.

Segment resources and liabilities comprise operating resources and liabilities including items such as taxation and borrowings. Revenues and expenses that are directly attributable to a particular business segment and the relevant portions of the Group's revenues and expenses that can be allocated to that business segment are accordingly reflected as revenues and expenses of that business segment.

In 2025, the Bank revised its segment reporting related to the deposit products within its Retail Banking Center (RBC). Previously, all RBC deposits were reported under the Consumer Banking segment. To better reflect the underlying business dynamics and enhance clarity in the Group's segment performance measurement, the Group restructured its reporting approach. RBC deposit products are now allocated across Consumer Banking and Institutional Banking, based on their respective sub-product segments: SME and Retail Personal under Consumer Banking, and Retail Commercial and Retail Corporate under Institutional Banking. As a result, the comparative segment reporting for the nine months ended September 30, 2024 and as of December 31, 2024 has been restated.

Segment information of the Group as of September 30, 2025 and December 31, 2024 and for the periods ended September 30, 2025 and 2024 is presented as follows (amounts in millions of Philippine pesos):

Segment Information as of September 30, 2025	Consumer Banking	Mass Market / Digital Banking	Institutional Banking	Treasury Banking	Trust & Insurance	Headquarters	Total
Results of operations							
Net interest income and other income	**₱29,568**	**₱10,067**	**₱13,200**	**₱1,635**	**₱924**	**₱5,069**	**₱60,463**
Other expenses	**18,555**	**7,779**	**6,306**	**1,465**	**410**	**937**	**35,452**
Income before provision for credit losses and income tax	**11,013**	**2,288**	**6,894**	**170**	**514**	**4,132**	**25,011**
Provision for credit losses							**(15,592)**
Tax expense							**(2,944)**
Net income for the period							**₱6,474**
Segment assets, September 30, 2025	**₱258,846**	**₱187,793**	**₱203,157**	**₱442,328**	**₱1,359**	**₱51,072**	**₱1,144,555**
Segment liabilities, September 30, 2025	**₱262,650**	**₱160,308**	**₱348,389**	**₱161,574**	**₱430**	**₱11,624**	**₱944,975**

Segment Information as of September 30, 2024	Consumer Banking	Mass Market / Digital Banking	Institutional Banking	Treasury Banking	Trust & Insurance	Headquarters	Total
Results of operations							
Net interest income and other income	₱27,058	₱10,567	₱13,451	₱1,261	₱976	₱3,101	₱56,414
Other expenses	14,223	6,944	4,806	860	551	5,643	33,027
Income before provision for credit losses and income tax	12,835	3,623	8,645	401	425	(2,542)	12,387
Provision for credit losses							(12,258)
Tax expense							(2,570)
Net income for the period							₱8,560
Segment assets, December 31, 2024	₱225,181	₱180,709	₱193,167	₱446,237	₱1,640	₱98,507	₱1,145,441
Segment liabilities, December 31, 2024	₱456,093	₱152,862	₱142,704	₱186,581	₱391	₱10,742	₱949,373

7. Capital Funds

The Bank's capital stock as of September 30, 2025 and December 31, 2024 consists of the following:

	Shares		Amount (in thousands)	
	September 30, 2025	December 31, 2024	**September 30, 2025**	December 31, 2024
Common - ₱10 par value				
Authorized	**5,030,785,238**	5,030,785,238	**₱50,307,852**	₱50,307,852
Issued and Outstanding	**3,316,405,584**	3,316,405,584	**33,164,056**	33,164,056
Preferred - ₱100 par value, non-voting				
Authorized	**100,000,000**	100,000,000	**₱10,000,000**	₱10,000,000
Issued and Outstanding	**-**	-	**-**	-

The authorized capital stock of the Bank is ₱60.3 billion comprised of 5.0 billion common shares at ₱10 par value and 100.0 million preferred shares at ₱100 par value. The Bank's outstanding common stock as of September 30, 2025 is 3.3 billion common shares. No preferred shares have been issued to date.

The following is a summary of the cash dividends declared and distributed by the Bank in 2025 and 2024 (amounts in thousands):

Date of Declaration	Date of Record	Date of Payment	Dividend per Share	Shares Outstanding	Total Amount
31-Jan-25	**17-Feb-25**	**24-Feb-25**	**₱1.00**	**3,316,405,584**	**₱3,316,406**
26-Jan-24	13-Feb-24	20-Feb-24	0.80	2,989,259,518	2,391,408

In compliance with BSP regulations, the Bank ensures that adequate reserves are in place for future bank expansion requirements. The foregoing cash dividend declarations were made within the BSP's allowable limit of dividends.

8. Related Party Transactions

Related Party Transactions are transactions or dealings with related parties, regardless of whether a price is charged. These covers all types of transactions both on and off-balance sheet and regardless of which side of the transaction/deal of the bank is acting.

Parties are said to be related if one has direct or indirect control as well as significant influence over the other. Related Parties of the Bank include, but is not limited to:
(a) DOSRI, subsidiaries, affiliates, and any party that directly or indirectly has control over or is subjected to the control of the Bank as well as those with direct and indirect linkages to it, (b) the Bank's and its affiliated companies' directors, officers, stockholders, and their related interests and close family members, and (c) other persons and juridical entities whose interests may pose potential conflict with the Bank.

The Bank has a Related Party Transaction (RPT) Committee composed of five (5) members, all of whom are independent directors including the Chairperson, and directly reports to the BOD. The Committee is primarily responsible for assisting the board in fulfilling its corporate governance responsibilities on related party transactions and reviewing and endorsing the RPTs for board approval or confirmation, as applicable.

It is the policy of the Bank to ensure that all transactions entered into by the Bank with its related parties are undertaken only on an arm's length basis and subjected to appropriate oversight of the BOD and relevant committees so as to protect the Bank from conflicts of interest and abusive RPTs that may arise.

9. Commitments and Contingent Liabilities

In the normal course of the Group's operations, there are various outstanding commitments and contingent liabilities such as guarantees, commitments to extend credit, which are not reflected in the accompanying financial statements. The Group recognizes in its books any losses and liabilities incurred in the course of its operations as soon as these become determinable and quantifiable. Management believes that, as of September 30, 2025, no additional material losses or liabilities are required to be recognized in the accompanying financial statements as a result of the above commitments and transactions.

There are several suits, assessments or notices and claims that remain unsettled. Management believes, based on the opinion of its legal counsels, that the ultimate outcome of such suits, assessments and claims will not have a material effect on the Group's and the Parent Bank's financial position and results of operations.

Following is a summary of the Group's commitments and contingent accounts (amounts in thousands):

	September 30, 2025 (Unaudited)	December 31, 2024 (Audited)
Commitments	**₱539,505,293**	₱510,778,231
Forward exchange bought	**91,453,643**	84,778,570
Forward exchange sold	**30,314,670**	23,326,152
Other derivatives	**36,837,395**	30,532,781
Inward bills for collections	**28,167,393**	19,042,984
Spot exchange sold	**13,336,602**	4,912,824
Spot exchange bought	**8,077,454**	5,860,221
Unused commercial letters of credit	**4,987,124**	5.958,221
Outstanding guarantees issued	**1,047,168**	888,228
Other commitment and contingent accounts	**19,092**	91,454
Trust department accounts	**-**	101,121,266

10. Earnings Per Share

Basic earnings per share were computed as follows:

	September 30, 2025	September 30, 2024
Net income attributable to equity holders of the Parent Company	**₱6,412,403**	₱8,453,958
Divided by the weighted average number of outstanding common shares	**3,316,406**	3,134,652
Basic earnings per share	**₱1.93**	₱2.70
Annualized basic and diluted earnings per share	**₱2.58**	₱3.60

As of September 30, 2025 and 2024, the Group has no outstanding potentially dilutive securities, hence, basic earnings per share are equal to diluted earnings per share.

11. Other Matters

None to report.

12. Events After the Reporting Period

Capital Infusion in CSB
At a special meeting held on October 8, 2025, the BOD of the Parent Bank approved the infusion of additional capital of up to ₱1.5 billion in CSB to support its growth and ongoing business operations.

Capital Infusion in Union Digital
On October 27, 2025, the Parent Bank infused capital amounting to ₱200.0 million out of the approved amount of ₱1.20 billion to UnionDigital to support its ongoing business operations.

Annex 6

UNION BANK OF THE PHILIPPINES AND SUBSIDIARIES
FINANCIAL INDICATORS
AS OF INDICATED DATES

Ratios	September 30, 2025	December 31, 2024
a. Current Ratio	**47.9%**	47.3%
b. Debt to Equity Ratio	**4.8:1**	4.8:1
c. Asset to Equity Ratio	**5.8:1**	5.8:1
d. Capital Adequacy Ratio	**15.9%**	17.3%
Ratios	**September 30, 2025**	September 30, 2024
e. Interest Rate Coverage Ratio	**161.4%**	156.0 %
f. Return on Average Equity	**4.3%**	6.1%
g. Return on Average Assets	**0.8%**	1.0%
h. Net Interest Margin	**6.4%**	5.9%
i. Cost-to-Income Ratio	**58.6%**	58.5%

UNION BANK OF THE PHILIPPINES
SEC FORM 17-Q
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2025

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operation

Statement of Income for the Nine Months Ended September 30, 2025 vs. September 30, 2024

Union Bank of the Philippines posted a net income of ₱6.5 billion for the first nine months of 2025, a 24% decline from ₱8.6 billion in the same period last year.

Net revenues, consisting of **Net Interest Income** and **Other Income**, expanded to ₱60.5 billion, a 7% increase from ₱56.4 billion in the prior year. **Net interest income** rose by 12% to ₱47.5 billion, supported by a 51 basis points expansion of **Net Interest Margins** to 6.40%, driven by a lower cost of funds and volume growth of total earning assets.

Interest Income increased by 0.6% to ₱62.9 billion. **Interest Income from Loans and Other Receivables** declined by 1% to ₱46.7 billion. **Income from Investment Securities at Amortized Cost and FVOCI** rose by 9% to ₱13.0 billion, reflecting higher average balances and improved yields. **Interest Income from Cash and Cash Equivalents** fell by 20% to ₱1.6 billion, while **Trading Securities at FVTPL** rose by 46% to ₱0.5 billion. **Income from Interbank Loans and SPURRA** remained flat at ₱1.0 billion.

Interest Expense dropped by 23% to ₱15.3 billion. **Interest Expense on Deposit Liabilities** fell by 29% to ₱7.1 billion, benefiting from the lower policy rates and the Bank's shift to more efficient funding sources. **Interest Expense on Bills Payable and Other Liabilities** declined by 17% to ₱8.3 billion.

Provision for Credit Losses amounted to ₱15.6 billion, a 27% increase, driven by the Bank's consumer-focused portfolio.

Net Interest Income after Provision for Credit Losses rose by 5% to ₱31.9 billion, reflecting the Bank's improving **Net Credit Margin**.

Other Income decreased by 6% to ₱12.9 billion. **Service Charges, Fees, and Commissions** grew by 14% to ₱11.3 billion, driven by higher recurring transaction flows from the Bank's expanding consumer franchise. **Gains on Trading and Investment Securities at FVTPL and FVOCI** declined by 62% to ₱0.6 billion, due to limited market opportunities. **Miscellaneous Income** fell by 57% to ₱1.0 billion, mainly due to foreign exchange-related losses.

Operating Expense totaled ₱35.5 billion, a 7% increase from the previous year. **Salaries and Employee Benefits** rose by 9% to ₱11.6 billion, while **Depreciation and Amortization** increased by 27% to ₱2.6 billion, largely due to higher software amortization. **Occupancy Costs** increased by 6% to ₱0.9 billion, and **Miscellaneous Expense** edged up 7% to ₱16.0 billion, reflecting higher volume-related costs. These were partly offset by a 4% decline in **Taxes and Licenses** to ₱4.4 billion.

Profit before Tax fell by 15% to ₱9.4 billion, while **Income Tax Expense** increased by 15% to ₱2.9 billion, reflecting higher taxable profit in certain segments.

Net Income Attributable to Non-controlling Interests decreased by 42% to ₱62 million, while **Net Income Attributable to Equity Holders of the Parent Bank** was ₱6.4 billion, down 24% from ₱8.5 billion in 2024.

Statement of Comprehensive Income for the Nine Months Ended September 30, 2025 vs. September 30, 2024

Total Comprehensive Income was ₱7.0 billion, compared to ₱9.5 billion in the same period last year, a 26% decline. The decrease was due to lower **Net Income** and a decline in **Other Comprehensive Income**.

Other Comprehensive Income totaled ₱0.5 billion, down 46% from ₱0.9 billion in 2024. The decline was mainly driven by **Unrealized Mark-to-market Gains on Investment Securities at FVOCI**, which fell by 40% to ₱0.8 billion, and **Realized Losses on the Sale of FVOCI** securities of ₱0.3 billion. Remeasurement gains on retirement plans added ₱0.06 billion, reversing a prior year loss of ₱0.35 billion.

Total Comprehensive Income Attributable to Equity Holders of the Parent Bank was ₱6.9 billion, while that **Attributable to Non-controlling Interests** amounted to ₱63.3 million.

Statement of Condition as of September 30, 2025 vs. December 31, 2024

As of September 30, 2025, the Bank's **Total Resources** stood at ₱1.14 trillion, broadly unchanged compared to the ₱1.15 trillion level as of year-end 2024.

Cash and other cash items increased by 10% to ₱11.2 billion. **Due from Bangko Sentral ng Pilipinas** declined by 29% to ₱58.4 billion due to the reduction in reserve requirements earlier in the year. **Due from Other Banks** increased by 11% to ₱37.6 billion, reflecting higher working balances in foreign banks. **Interbank Loans Receivable and Securities Purchased under Resale Agreements** rose significantly to ₱17.7 billion from ₱1.9 billion, supported by higher short-term placements from excess liquidity.

Trading and Investment Securities increased by 1% to ₱376.5 billion. **Financial Assets at Fair Value Through Profit or Loss (FVTPL)** rose by 87% to ₱19.3 billion. **Financial Assets at Fair Value Through Other Comprehensive Income (FVOCI)** increased by 23% to ₱48.7 billion, while **Financial Assets at Amortized Cost** declined by 5% to ₱308.5 billion.

Loans and Other Receivables - net was stable at ₱521.7 billion compared to ₱522.7 billion as of year-end 2024. The Bank's loan-to-deposit ratio was at 73.7% versus 77.3% previously.

Bank Premises, Furniture, Fixtures, and Equipment increased slightly to ₱11.1 billion, while **Investment Properties** rose by 4% to ₱10.2 billion. **Investment in Associates** increased to ₱0.4 billion. **Other Resources** declined by 2% to ₱45.9 billion.

Total Liabilities amounted to ₱945.0 billion, a 1% decrease from year-end 2024. **Deposit Liabilities** increased by 5% to ₱708.1 billion. **Demand Deposits** increased by 4% to ₱241.3 billion, and **Savings Deposits** were broadly stable at ₱215.1 billion. **Time Deposits** increased by 10% to ₱251.8 billion. The Bank's CASA ratio stood at 64.4% compared to 66.1% at year-end 2024.

Bills Payable declined by 17% to ₱134.5 billion, while **Notes and Bonds Payable** remained at ₱57.6 billion. **Other Liabilities** decreased by 16% to ₱44.8 billion, primarily due to lower accounts payable.

Total Capital Funds increased to ₱199.6 billion from ₱196.1 billion at year-end 2024. **Surplus Free** rose by 4% to ₱101.0 billion, primarily reflecting year-to-date earnings net of dividends. **Surplus Reserves** declined to ₱2.9 billion. The **Net Unrealized Fair Value Loss on Investment Securities at FVOCI** improved to ₱1.3 billion from ₱1.8 billion at year-end 2024. **Remeasurements of Retirement Plans** of a ₱1.6 billion loss is relatively flat against last year. **Other Reserves** remained steady at ₱0.3 billion. **Non-controlling Interests** declined to ₱0.8 billion from ₱0.9 billion.

Key performance indicators of the Bank are as follows:

	September 2025*	September 2024*
Return on Average Assets	0.8%	1.0%
Return on Average Equity	4.3%	6.1%
Cost-to-Income Ratio	58.6%	58.5%

	September 2025*	December 2024
Net Non-Performing Loan Ratio	3.4%	4.0%
Common Equity Tier 1 Ratio	15.1%	15.6%
Capital Adequacy Ratio	15.9%	17.3%

**Based on unaudited figures*

The manner by which the Bank calculates the above indicators is as follows:

Return on Average Assets:	Net income divided by average total resources for the period indicated
Return on Average Equity:	Net income divided by average total capital funds for the period indicated
Cost-to-Income Ratio:	Total operating expenses divided by the sum of net interest income and other income
Net Non-Performing Loan Ratio:	(Total non-performing loans less specific loan loss reserves for NPL) divided by (total loans inclusive of interbank loans receivables)
Common Equity Tier 1 Ratio:	Total common equity tier 1 capital divided by total risk-weighted assets (inclusive of credit, market and operational risk charge)
Capital Adequacy Ratio:	Total qualifying capital divided by total risk-weighted assets (inclusive of credit, market and operational risk charge)

As to material event/s and uncertainties, the Bank has nothing to disclose on the following apart from those already disclosed elsewhere or presented in the accompanying audited financial statements:

- Any known trends, demands, commitments, events or uncertainties that will have a material impact on the issuer's liquidity.
- Any events that will trigger direct or contingent financial obligation, including any default or acceleration of an obligation.
- Any material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company.

- Any material commitments for capital expenditures, the general purpose of such commitments and the expected sources of funds for such expenditures.
- Any known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales/revenues/income from continuing operations.
- Any significant elements of income or loss that did not arise from the issuer's continuing operations.
- Any seasonal aspects that had a material effect on the financial condition or results of operations.

UNIONBANK OF THE PHILIPPINES
Aging of Accounts Receivable
As of September 30, 2025

ANNEX II

Type of Accounts Receivable	Total	Current	90 days or less	91 to 120 days	121 to 180 days	181 days to 1 year	more than 1 year	total past due	ITL
1) Interbank Loans Receivable	730,721	730,721							
2) Loans	530,163,694	474,197,115	15,719,626	6,574,427	3,989,078	6,485,783	23,090,434	55,859,348	107,231
3) Accrued Interest Receivable	10,276,268	4,108,330	268,735	57,371	95,627	3,100,851	2,645,353	6,167,938	-
4) Sales Contract Receivable	2,238,830	2,161,702	23,357	7,381	15,720	2,782	27,887	77,128	-
5) Accounts Receivable	8,527,645	6,971,746	496,923	62,756	70,496	(352,710)	1,107,180	1,384,644	171,254
6) Installment Contract Receivable	-	-	-	-	-	-	-	-	-
Less: Allow. For Doubtful Account	29,543,432								
TOTAL	522,393,725	488,169,615	16,508,641	6,701,936	4,170,922	9,236,705	26,870,854	63,489,058	278,485