



**QUEEN CITY DEVELOPMENT BANK, INC.
AND SUBSIDIARIES**

FINANCIAL STATEMENTS

WITH INDEPENDENT AUDITOR'S REPORT

DECEMBER 31, 2022 AND 2021



R.G. Manabat & Co.
The KPMG Center, 6/F
6787 Ayala Avenue, Makati City
Philippines 1209
Telephone +63 (2) 8885 7000
Fax +63 (2) 8894 1985
Internet www.home.kpmg/ph
Email ph-inquiry@kpmg.com

REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Stockholders
Queen City Development Bank, Inc. and Subsidiaries
Queenbank Financial Center, Sky City Tower
Mapa Street, Iloilo City

Report on the Audit of Financial Statements

Opinion

We have audited the consolidated financial statements of Queen City Development Bank, Inc. and Subsidiaries (the Group) and the separate financial statements of Queen City Development Bank, Inc. (the Parent Company) (collectively, financial statements), which comprise the statements of financial position as at December 31, 2022 and 2021, and the statements of profit or loss and other comprehensive (loss) income, changes in equity and cash flows for the years then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Group and the Parent Company as at December 31, 2022 and 2021, and their financial performance and their cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRSS).

Basis for Opinion

We conducted our audit in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group and the Parent Company in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Firm Regulatory Registration & Accreditation:
PRC-BOA Registration No. 0003, valid until November 21, 2023
SEC Accreditation No. 0003-SEC, Group A, valid for five (5) years covering the audit of 2020 to 2024
financial statements (2019 financial statements are covered by SEC Accreditation No. 0004-FR-5)
IC Accreditation No. 0003-IC, Group A, valid for five (5) years covering the audit of 2020 to 2024
financial statements (2019 financial statements are covered by IC Circular Letter (CL) No. 2019-39, Transition clause)
BSP Accreditation No. 0003-BSP, Group A, valid for five (5) years covering the audit of 2020 to 2024
financial statements (2019 financial statements are covered by BSP Monetary Board Resolution No. 2161, Transition clause)

R.G. Manabat & Co., a Philippine partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee



Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with PFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group and the Parent Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's and the Parent Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group and the Parent Company to cease to continue as a going concern.



- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Reports on the Supplementary Information Required under Bangko Sentral ng Pilipinas Circular No. 1074 and Bureau of Internal Revenue Regulations Nos. 15-2010 and 34-2020

Our audit was made conducted for the purpose of forming an opinion on the Parent Company's financial statements taken as a whole. The supplementary information required under Bangko Sentral ng Pilipinas (BSP) Circular No. 1074 in Note 30 and Bureau of Internal Revenue (BIR) Revenue Regulations Nos. 15-2010 and 34-2020 in Note 31 to the Parent Company's financial statements is presented for purposes of filing with the BSP and the BIR, respectively, and is not a required part of the Parent Company's financial statements. Such supplementary information is the responsibility of the Parent Company's management. The supplementary information has been subjected to the auditing procedures applied in our audit of the Parent Company's financial statements. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the Parent Company's financial statements taken as a whole.

R.G. MANABAT & CO.

FLORIZZA C. SIMANGAN

Partner

CPA License No. 0147917

BSP Accreditation No. 147917-BSP, Group B, valid for five (5) years covering the audit of 2021 to 2025 financial statements

SEC Accreditation No. 147917-SEC, Group A, valid for five (5) years covering the audit of 2021 to 2025 financial statements

Tax Identification No. 429-267-284

BIR Accreditation No. 08-001987-150-2022

Issued January 27, 2022; valid until January 26, 2025

PTR No. MKT 9563847

Issued January 3, 2023 at Makati City

May 1, 2023

Makati City, Metro Manila

QUEEN CITY DEVELOPMENT BANK, INC. AND SUBSIDIARIES
STATEMENTS OF FINANCIAL POSITION

December 31					
	Note	Consolidated		Parent Company	
		2022	2021	2022	2021
ASSETS					
Cash and other cash items	4, 28	P89,412,188	P68,004,297	P82,823,952	P62,850,904
Due from Bangko Sentral ng Pilipinas	5, 28	1,293,398,002	1,092,116,197	1,288,590,589	1,087,135,565
Due from other banks	6, 28	327,592,725	152,998,053	175,317,053	135,611,184
Financial assets at fair value through other comprehensive income	7, 28	2,500,000	2,500,000	2,500,000	2,500,000
Loans and receivables - net	8, 28	1,402,651,648	1,720,877,376	1,326,881,165	1,493,704,031
Investments in subsidiaries	9	-	-	23,189,268	23,189,268
Property and equipment - net	10	207,685,543	178,907,113	199,617,676	170,307,243
Investment properties - net	11, 27	57,321,375	64,683,500	48,741,258	55,036,748
Right-of-use assets - net	23	21,549,115	16,515,689	20,690,902	15,179,418
Software - net	12	4,945,562	5,280,884	4,624,890	4,934,923
Deferred tax assets - net	24	4,247,051	73,083	4,028,006	-
Other assets - net	13, 28	11,142,716	10,518,882	8,963,791	8,750,117
		P3,422,445,925	P3,312,475,074	P3,185,968,550	P3,059,199,401
LIABILITIES AND EQUITY					
Liabilities					
Deposit liabilities:	15, 28				
Savings		P1,849,686,913	P1,800,372,637	P1,660,606,032	P1,595,848,576
Demand		607,671,615	552,185,319	618,327,427	559,166,936
Time		98,343,568	99,494,856	98,225,538	98,825,559
		2,555,702,096	2,452,052,812	2,377,158,997	2,253,841,071
Accounts payable and accrued expenses	16, 28	22,045,535	18,144,886	19,324,946	15,674,220
Income tax payable		1,922,765	1,901,911	1,888,097	1,759,922
Lease liabilities	23, 28	22,845,707	17,590,839	21,862,842	16,180,324
Retirement liability	22	10,671,676	8,639,360	10,671,676	8,639,360
Deferred tax liabilities - net	24	11,462	-	-	1,726,004
Other liabilities	17, 28	8,601,341	5,777,397	7,814,379	5,051,139
		2,621,800,582	2,504,107,205	2,438,720,937	2,302,872,040
Equity Attributable to Equity Holders of the Parent Company					
Common stock	19	687,999,500	687,999,500	687,999,500	687,999,500
Surplus		56,326,728	74,523,123	50,287,910	67,424,694
Appropriation for general loan loss provision	19	10,966,456	2,457,282	10,641,360	2,457,282
Retirement benefits reserve		(1,681,157)	(1,554,115)	(1,681,157)	(1,554,115)
		753,611,527	763,425,790	747,247,613	756,327,361
Noncontrolling interests		47,033,816	44,942,079	-	-
		800,645,343	808,367,869	747,247,613	756,327,361
		P3,422,445,925	P3,312,475,074	P3,185,968,550	P3,059,199,401

See Notes to the Financial Statements.

QUEEN CITY DEVELOPMENT BANK, INC. AND SUBSIDIARIES
STATEMENTS OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE (LOSS) INCOME

Years Ended December 31					
	Note	Consolidated		Parent Company	
		2022	2021	2022	2021
INTEREST INCOME					
Loans and receivables	8	P102,843,574	P123,429,891	P95,010,866	P115,692,451
Due from Bangko Sentral ng Pilipinas	5	38,752,061	13,679,404	38,752,061	13,679,404
Due from other banks	6	2,360,922	672,477	1,199,128	570,651
		143,956,557	137,781,772	134,962,055	129,942,506
INTEREST EXPENSE					
Deposit liabilities	15	13,637,721	10,601,253	13,236,739	10,110,769
Lease liabilities	23	1,428,975	956,041	1,398,942	899,865
		15,066,696	11,557,294	14,635,681	11,010,634
NET INTEREST INCOME					
		128,889,861	126,224,478	120,326,374	118,931,872
Service charges		14,890,025	11,605,027	13,140,755	10,057,199
Penalties		3,967,245	2,749,096	3,685,339	2,341,741
Foreign exchange gains		554,117	604,754	554,117	604,754
Miscellaneous income	20	21,139,221	9,639,905	17,212,945	7,618,633
TOTAL OPERATING INCOME		169,440,469	150,823,260	154,919,530	139,554,199
Compensation and fringe benefits	21	70,901,875	69,361,550	66,023,277	64,409,736
Provision for (recovery from) credit and impairment losses	14	20,973,202	(14,064,959)	20,973,202	(13,521,224)
Depreciation and amortization	10, 11, 12, 23	20,237,207	22,739,677	18,494,886	19,523,144
Security services		13,239,189	10,717,801	12,895,046	10,400,387
Taxes and licenses		11,725,151	11,265,799	10,721,323	10,595,355
Communication, light and water		8,168,155	7,093,580	7,784,910	6,760,842
Insurance		6,316,855	5,309,047	5,770,076	4,939,551
Management and professional fees		2,502,631	3,678,716	1,488,625	2,567,290
Repairs and maintenance		2,465,457	2,339,543	2,455,752	2,301,447
Transportation and travel		1,963,466	1,399,412	1,886,331	1,317,511
Stationery and supplies		1,777,100	1,436,725	1,646,292	1,307,364
Litigation and assets acquired expenses		1,043,091	1,302,612	936,125	1,032,773
Advertising and promotion		959,475	1,084,551	892,965	925,783
Entertainment, amusement and recreation		873,617	802,732	791,551	686,568
Membership fees and dues		274,796	308,812	257,336	294,532
Rent	23	309,896	157,300	309,896	157,300
Miscellaneous expense		4,814,331	4,307,943	4,204,490	3,699,049
		168,545,494	129,240,841	157,532,083	117,397,408
INCOME (LOSS) BEFORE INCOME TAX EXPENSE					
		894,975	21,582,419	(2,612,553)	22,156,791
INCOME TAX EXPENSE	24	8,310,504	7,224,482	6,340,153	7,618,792
NET (LOSS) INCOME		(7,415,529)	14,357,937	(8,952,706)	14,537,999
OTHER COMPREHENSIVE (LOSS) INCOME					
<i>Items that will not be reclassified to profit or loss</i>					
Remeasurement gains (losses) on retirement liability	22	(169,390)	9,090,313	(169,390)	9,090,313
Deferred tax effect	24	42,348	(2,272,578)	42,348	(2,272,578)
		(127,042)	6,817,735	(127,042)	6,817,735
TOTAL COMPREHENSIVE (LOSS) INCOME		(P7,542,571)	P21,175,672	(P9,079,748)	P21,355,734
Net (loss) income attributable to:					
Equity holders of the Parent Company		(P9,507,266)	P14,362,245	P -	P -
Noncontrolling interests		2,091,737	(4,308)	-	-
		(P7,415,529)	P14,357,937	P -	P -
Total comprehensive (loss) income attributable to:					
Equity holders of the Parent Company		(P9,634,308)	P21,179,980	P -	P -
Noncontrolling interests		2,091,737	(4,308)	-	-
		(P7,542,571)	P21,175,672	P -	P -

See Notes to the Financial Statements.

QUEEN CITY DEVELOPMENT BANK, INC. AND SUBSIDIARIES
STATEMENTS OF CHANGES IN EQUITY

Years Ended December 31

	Consolidated						Total Equity
	Equity Attributable to Equity Holders of the Parent Company						
	Common Stock (Note 19)	Surplus	Appropriation for General Loan Loss Provision (Note 19)	Retirement Benefits Reserve	Total	Noncontrolling Interests	
Balance at January 1, 2022	P687,999,500	P74,343,168	P2,457,282	(P1,554,115)	P763,245,835	P44,942,079	P808,187,914
Total Comprehensive Loss							
Net loss for the year	-	(9,507,266)	-	-	(9,507,266)	2,091,737	(7,415,529)
Other comprehensive loss	-	-	-	(127,042)	(127,042)	-	(127,042)
	-	(9,507,266)	-	(127,042)	(9,634,308)	2,091,737	(7,542,571)
Appropriation for general loan loss provision	-	(8,509,174)	8,509,174	-	-	-	-
Balance at December 31, 2022	P687,999,500	P56,326,728	P10,966,456	(P1,681,157)	P753,611,527	P47,033,816	P800,645,343
Balance at January 1, 2021	P687,999,500	P60,209,275	P2,408,885	(P8,371,850)	P742,245,810	P44,946,387	P787,192,197
Total Comprehensive Income							
Net income for the year	-	14,362,245	-	-	14,362,245	(4,308)	14,357,937
Other comprehensive income	-	-	-	6,817,735	6,817,735	-	6,817,735
	-	14,362,245	-	6,817,735	21,179,980	(4,308)	21,175,672
Appropriation for general loan loss provision	-	(48,397)	48,397	-	-	-	-
Balance at December 31, 2021	P687,999,500	P74,523,123	P2,457,282	(P1,554,115)	P763,425,790	P44,942,079	P808,367,869

See Notes to the Financial Statements.

QUEEN CITY DEVELOPMENT BANK, INC. AND SUBSIDIARIES
STATEMENTS OF CHANGES IN EQUITY

	Years Ended December 31				
	Common Stock (Note 19)	Surplus	Parent Company Appropriation for General Loan Loss Provision (Note 19)	Retirement Benefits Reserve	Total Equity
Balance at January 1, 2022	P687,999,500	P67,424,694	P2,457,282	(P1,554,115)	P756,327,361
Total Comprehensive Loss					
Net loss for the year	-	(8,952,706)	-	-	(8,952,706)
Other comprehensive loss	-	-	-	(127,042)	(127,042)
	-	(8,952,706)	-	(127,042)	(9,079,748)
Appropriation for general loan loss provision	-	(8,184,078)	8,184,078	-	-
Balance at December 31, 2022	P687,999,500	P50,287,910	P10,641,360	(P1,681,157)	P747,247,613
Balance at January 1, 2021	P687,999,500	P52,935,092	P2,408,885	(P8,371,850)	P734,971,627
Total Comprehensive Income					
Net income for the year	-	14,537,999	-	-	14,537,999
Other comprehensive income	-	-	-	6,817,735	6,817,735
	-	14,537,999	-	6,817,735	21,355,734
Appropriation for general loan loss provision	-	(48,397)	48,397	-	-
Balance at December 31, 2021	P687,999,500	P67,424,694	P2,457,282	(P1,554,115)	P756,327,361

See Notes to the Financial Statements.

QUEEN CITY DEVELOPMENT BANK, INC. AND SUBSIDIARIES
STATEMENTS OF CASH FLOWS

Years Ended December 31

	Note	Consolidated		Parent	
		2022	2021	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES					
Income before income tax expense		P894,975	P21,582,419	(P2,612,553)	P22,156,791
Adjustments for:					
Depreciation and amortization	10, 11, 12, 23	20,237,207	22,739,677	18,494,886	19,523,144
Interest expense	15, 23	15,066,696	11,557,294	14,635,681	11,010,634
Retirement expense	22	1,862,926	4,705,724	1,862,926	4,705,724
Foreign exchange (gain) loss - net		(554,117)	(604,754)	(554,117)	(604,754)
Provision for credit and impairment losses	14	20,973,202	(14,064,959)	20,973,202	(13,521,224)
Gains on:					
Lease modification	23	(53,022)	-	(42,685)	-
Sale of investment properties	11, 20	(15,902,246)	(4,072,658)	(12,517,398)	(2,320,284)
Interest income	5, 6, 8	(143,956,557)	(137,781,772)	(134,962,055)	(129,942,506)
		(101,430,936)	(95,939,029)	(94,722,113)	(88,992,475)
Changes in:					
Loans and receivables		154,666,519	132,785,696	147,783,968	143,823,687
Other assets		130,299	(1,207,174)	1,623,086	(1,243,029)
Deposit liabilities		103,649,284	486,396,317	123,317,926	447,249,153
Accounts payable and accrued expenses		3,941,985	(7,865,269)	3,651,016	(8,421,280)
Other liabilities		2,713,467	(6,374,684)	3,118,809	(6,762,351)
		163,670,618	507,795,857	184,772,692	485,653,705
Interest received		143,465,228	140,003,576	134,428,077	132,128,277
Contributions to retirement fund		-	-	-	-
Income taxes paid		(13,061,140)	(7,149,516)	(13,760,399)	(6,809,371)
Interest paid		(15,108,032)	(11,600,251)	(14,635,971)	(11,051,533)
Net cash provided by operating activities		278,966,674	629,049,666	290,804,399	599,921,078
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from:					
Sale of investment properties	11	18,563,677	4,876,947	14,500,000	2,786,428
Sale of property and equipment	10	-	-	-	-
Maturity of debt instruments at amortized cost		295,870,618	263,044,249	-	-
Acquisitions of:					
Software	12	(2,002,430)	(1,982,271)	(1,980,531)	(1,982,271)
Property and equipment	10	(37,611,005)	(7,174,009)	(37,308,131)	(3,822,939)
Debt instruments at amortized cost		(151,203,047)	(304,596,595)	-	-
Net cash (used in) provided by investing activities		123,617,813	(45,831,679)	(24,788,662)	(3,018,782)
CASH FLOWS FROM FINANCING ACTIVITIES					
Cash dividends paid		-	-	-	-
Payment of lease liabilities	23	(5,854,236)	(6,728,445)	(5,435,913)	(6,343,665)
Total cash used in financing activities		(5,854,236)	(6,728,445)	(5,435,913)	(6,343,665)
NET INCREASE IN CASH AND CASH EQUIVALENTS		396,730,251	576,489,542	260,579,824	590,558,631
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR					
Cash and other cash items		68,004,297	65,497,651	62,850,904	60,704,275
Due from Bangko Sentral ng Pilipinas		1,092,116,197	522,842,950	1,087,135,565	517,606,186
Due from other banks		152,998,053	147,683,650	135,611,184	116,123,807
		1,313,118,547	736,024,251	1,285,597,653	694,434,268
EFFECT OF MOVEMENTS IN EXCHANGE RATES ON CASH AND CASH EQUIVALENTS HELD					
		554,117	604,754	554,117	604,754
CASH AND CASH EQUIVALENTS AT END OF YEAR					
Cash and other cash items	4	89,412,188	68,004,297	82,823,952	62,850,904
Due from Bangko Sentral ng Pilipinas	5	1,293,398,002	1,092,116,197	1,288,590,589	1,087,135,565
Due from other banks	6	327,592,725	152,998,053	175,317,053	135,611,184
		P1,710,402,915	P1,313,118,547	P1,546,731,594	P1,285,597,653

See Notes to the Financial Statements.