



QUEEN CITY DEVELOPMENT BANK, INC.
AND SUBSIDIARIES

FINANCIAL STATEMENTS

WITH INDEPENDENT AUDITOR'S REPORT

DECEMBER 31, 2023 AND 2022





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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, 2023 and 2022, and the statements of profit or loss and other comprehensive loss, changes in equity and cash flows for the years then ended, and notes, comprising material 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, 2023 and 2022, 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 September 20, 2026
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)

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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 basic 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 basic 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 basic 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 basic financial statements. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the Parent Company's basic 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

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 10075200

Issued January 2, 2024 at Makati City

April 30, 2024
Makati City, Metro Manila

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

December 31					
		Consolidated		Parent Company	
	Note	2023	2022	2023	2022
ASSETS					
Cash and other cash items	4, 28	P68,275,287	P89,412,188	P61,938,293	P82,823,952
Due from Bangko Sentral ng Pilipinas	5, 28	1,486,248,645	1,293,398,002	1,481,517,450	1,288,590,589
Due from other banks	6, 28	238,208,257	327,592,725	224,349,106	175,317,053
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	1,508,336,466	1,402,651,648	1,254,905,536	1,326,881,165
Investments in subsidiaries	9	-	-	25,973,933	23,189,268
Property and equipment - net	10	205,881,219	207,685,543	198,492,213	199,617,676
Investment properties - net	11, 27	53,709,520	57,321,375	46,827,587	48,741,258
Right-of-use assets - net	23	30,013,960	21,549,115	29,603,510	20,690,902
Software - net	12	6,624,449	4,945,562	6,486,768	4,624,890
Deferred tax assets - net	24	4,346,495	4,235,589	3,694,380	4,028,006
Other assets - net	13, 28	23,406,566	11,142,716	19,227,951	8,963,791
		P3,627,550,864	P3,422,434,463	P3,355,516,727	P3,185,968,550
LIABILITIES AND EQUITY					
Liabilities					
Deposit liabilities:	15, 28				
Savings		P1,894,283,867	P1,849,686,913	P1,686,556,502	P1,660,606,032
Demand		705,731,921	607,671,615	714,006,612	618,327,427
Time		118,383,154	98,343,568	118,383,154	98,225,538
		2,718,398,942	2,555,702,096	2,518,946,268	2,377,158,997
Accounts payable and accrued expenses	16, 28	30,647,965	22,045,535	27,793,944	19,324,946
Income tax payable		151,326	1,922,765	-	1,888,097
Lease liabilities	23, 28	31,591,341	22,845,707	31,087,922	21,862,842
Retirement liability	22	15,235,074	10,671,676	14,210,859	10,671,676
Other liabilities	17, 28	3,549,068	8,601,341	3,677,065	7,814,379
		2,799,573,716	2,621,789,120	2,595,716,058	2,438,720,937
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		75,298,798	56,326,728	65,475,093	50,287,910
Appropriation for general loan loss provision	19	10,966,456	10,966,456	10,641,360	10,641,360
Retirement benefits reserve		(4,315,284)	(1,681,157)	(4,315,284)	(1,681,157)
		769,949,470	753,611,527	759,800,669	747,247,613
Noncontrolling interests		58,027,678	47,033,816	-	-
		827,977,148	800,645,343	759,800,669	747,247,613
		P3,627,550,864	P3,422,434,463	P3,355,516,727	P3,185,968,550

See Notes to the Financial Statements.

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

Years Ended December 31					
		Consolidated		Parent Company	
	Note	2023	2022	2023	2022
INTEREST INCOME					
Loans and receivables	8	P106,314,167	P102,843,574	P94,183,861	P95,010,866
Due from Bangko Sentral ng Pilipinas	5	83,826,962	38,752,061	83,826,962	38,752,061
Due from other banks	6	8,993,803	2,360,922	5,502,129	1,199,128
		199,134,932	143,956,557	183,512,952	134,962,055
INTEREST EXPENSE					
Deposit liabilities	15	26,032,684	13,637,721	25,638,399	13,236,739
Lease liabilities	23	3,428,676	1,428,975	3,410,533	1,398,942
		29,461,360	15,066,696	29,048,932	14,635,681
NET INTEREST INCOME					
Service charges		169,673,572	128,889,861	154,464,020	120,326,374
Gain on loans restructuring	8	17,720,204	14,890,025	15,935,039	13,140,755
Penalties		10,764,871	-	10,764,871	-
Foreign exchange gains		692,405	3,967,245	461,441	3,685,339
Miscellaneous income	20	268,316	554,117	268,316	554,117
		13,391,465	21,139,221	7,594,244	17,212,945
TOTAL OPERATING INCOME					
		212,510,833	169,440,469	189,487,931	154,919,530
Compensation and fringe benefits	21	73,717,330	70,901,875	67,969,147	66,023,277
Depreciation and amortization	10, 11, 12, 23	21,900,905	20,237,207	20,096,730	18,494,886
Taxes and licenses		15,115,753	11,725,151	13,218,246	10,721,323
Security services		14,631,167	13,239,189	14,255,008	12,895,046
Communication, light and water		7,367,127	8,168,155	6,981,750	7,784,910
Insurance		6,782,642	6,316,855	6,241,546	5,770,076
Provision for credit and impairment losses	14	6,050,486	20,973,202	5,578,715	20,973,202
Management and professional fees		3,765,895	2,502,631	2,718,455	1,488,625
Transportation and travel		3,697,344	1,963,466	3,585,011	1,886,331
Repairs and maintenance		2,880,026	2,465,457	2,862,353	2,455,752
Entertainment, amusement and recreation		1,812,330	873,617	1,647,203	791,551
Stationery and supplies		1,594,644	1,777,100	1,456,511	1,646,292
Litigation and assets acquired expenses		1,252,630	1,043,091	1,150,036	936,125
Advertising and promotion		911,191	959,475	860,898	892,965
Membership fees and dues		399,292	274,796	382,671	257,336
Rent	23	-	309,896	-	309,896
Miscellaneous expense		5,019,328	4,814,331	4,437,832	4,204,490
		166,898,090	168,545,494	153,442,112	157,532,083
INCOME (LOSS) BEFORE INCOME TAX EXPENSE					
		45,612,743	894,975	36,045,819	(2,612,553)
INCOME TAX EXPENSE					
	24	21,329,800	8,310,504	20,858,636	6,340,153
NET INCOME (LOSS)					
		24,282,943	(7,415,529)	15,187,183	(8,952,706)
OTHER COMPREHENSIVE LOSS					
<i>Items that will not be reclassified to profit or loss</i>					
Remeasurement losses on retirement liability	22	(3,512,169)	(169,390)	(3,512,169)	(169,390)
Deferred tax effect	24	878,042	42,348	878,042	42,348
		(2,634,127)	(127,042)	(2,634,127)	(127,042)
TOTAL COMPREHENSIVE INCOME (LOSS)					
		P21,648,816	(P7,542,571)	P12,553,056	(P9,079,748)
Net income (loss) attributable to:					
Equity holders of the Parent Company		P18,972,070	(P9,507,266)	P -	P -
Noncontrolling interests		5,310,873	2,091,737	-	-
		P24,282,943	(P7,415,529)	P -	P -
Total comprehensive income (loss) attributable to:					
Equity holders of the Parent Company		P21,653,124	(P9,634,308)	P -	P -
Noncontrolling interests		(4,308)	2,091,737	-	-
		P21,648,816	(P7,542,571)	P -	P -

See Notes to the Financial Statements.

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

	Consolidated						Years Ended December 31
	Equity Attributable to Equity Holders of the Parent Company						
	Common Stock (Note 19)	Surplus	Loss Provision (Note 19)	Retirement Benefits Reserve	Total	Noncontrolling Interests	Total Equity
Balance at January 1, 2023	P687,999,500	P56,326,728	P10,966,456	(P1,681,157)	P753,611,527	P47,033,816	P800,645,343
Total Comprehensive Income (Loss)							
Net income for the year	-	18,972,070	-	-	18,972,070	5,310,873	24,282,943
Other comprehensive loss	-	-	-	(2,634,127)	(2,634,127)	-	(2,634,127)
	-	18,972,070	-	(2,634,127)	16,337,943	5,310,873	21,648,816
Transactions with Stockholders							
Paid subscription receivable	-	-	-	-	-	5,682,989	5,682,989
	-	18,972,070	-	(2,634,127)	16,337,943	10,993,862	27,331,805
Balance at December 31, 2023	P687,999,500	P75,298,798	P10,966,456	(P4,315,284)	P769,949,470	P58,027,678	P827,977,148
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 Income (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

See Notes to the Financial Statements.

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

	Years Ended December 31				
	Parent Company				
	Common Stock (Note 19)	Surplus	Appropriation for General Loan Loss Provision (Note 19)	Retirement Benefits Reserve	Total Equity
Balance at January 1, 2023	P687,999,500	P50,287,910	P10,641,360	(P1,681,157)	P747,247,613
Total Comprehensive Income					
Net income for the year	-	15,187,183	-	-	15,187,183
Other comprehensive loss	-	-	-	(2,634,127)	(2,634,127)
	-	15,187,183	-	(2,634,127)	12,553,056
Balance at December 31, 2023	P687,999,500	P65,475,093	P10,641,360	(P4,315,284)	P759,800,669
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

See Notes to the Financial Statements.

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

Years Ended December 31					
		Consolidated		Parent	
	Note	2023	2022	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES					
Income before income tax expense		P45,612,743	P894,975	P36,045,819	(P2,612,553)
Adjustments for:					
Interest expense	15, 23	29,461,360	15,066,696	29,048,932	14,635,681
Depreciation and amortization	10, 11,12, 23	21,900,905	20,237,207	20,096,730	18,494,886
Provision for credit and impairment losses	14	6,050,486	20,973,202	5,578,715	20,973,202
Retirement expense	22	2,052,696	1,862,926	1,627,014	1,862,926
Foreign exchange gain - net		(268,316)	(554,117)	(268,316)	(554,117)
Gains on:					
Lease modification	23	-	(53,022)	-	(42,685)
Sale of investment properties	11, 20	(5,418,305)	(15,902,246)	-	(12,517,398)
Loans restructuring	8	(10,764,871)	-	(10,764,871)	-
Interest income	5, 6, 8	(199,134,932)	(143,956,557)	(183,512,952)	(134,962,055)
		(110,508,234)	(101,430,936)	(102,148,929)	(94,722,113)
Changes in:					
Loans and receivables		65,315,463	154,666,519	75,982,606	147,783,968
Other assets		(8,957,662)	130,299	(9,892,888)	1,623,086
Deposit liabilities		162,696,846	103,649,284	141,787,271	123,317,926
Accounts payable and accrued expenses		8,489,635	3,941,985	8,355,056	3,651,015
Other liabilities		(5,052,273)	2,713,467	(4,137,314)	3,118,809
		111,983,775	163,670,618	109,945,802	184,772,691
Interest received		200,481,178	143,465,228	184,820,387	134,428,077
Contributions to retirement fund	22	(1,600,000)	-	(1,600,000)	-
Income taxes paid		(22,675,923)	(13,061,140)	(21,906,337)	(13,760,399)
Interest paid		(29,348,565)	(15,108,032)	(28,934,990)	(14,635,971)
Net cash provided by operating activities		258,840,465	278,966,674	242,324,862	290,804,398
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from:					
Sale of investment properties	11	6,791,784	18,563,677	-	14,500,000
Maturity of debt instruments at amortized cost		96,736,274	295,870,618	-	-
Payment of subscription receivable		-	-	(2,784,665)	-
Acquisitions of:					
Software	12	(5,723,970)	(2,002,430)	(5,723,970)	(1,980,531)
Property and equipment	10	(9,213,288)	(37,611,005)	(9,043,433)	(37,308,131)
Debt instruments at amortized cost		(264,240,160)	(151,203,047)	-	-
Net cash (used in) provided by investing activities		(175,649,360)	123,617,813	(17,552,068)	(24,788,662)
CASH FLOWS FROM FINANCING ACTIVITIES					
Payment of lease liabilities	23	(4,447,301)	(5,854,236)	(3,967,855)	(5,435,912)
Proceeds from collection of subscription receivable		3,317,154	-	-	-
Net cash used in financing activities		(1,130,147)	(5,854,236)	(3,967,855)	(5,435,912)
NET INCREASE IN CASH AND CASH EQUIVALENTS					
		82,060,958	396,730,251	220,804,939	260,579,824
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR					
Cash and other cash items		89,412,188	68,004,297	82,823,952	62,850,904
Due from Bangko Sentral ng Pilipinas		1,293,398,002	1,092,116,197	1,288,590,589	1,087,135,565
Due from other banks		327,592,725	152,998,053	175,317,053	135,611,184
		1,710,402,915	1,313,118,547	1,546,731,594	1,285,597,653
EFFECT OF MOVEMENTS IN EXCHANGE RATES ON CASH AND CASH EQUIVALENTS HELD					
		268,316	554,117	268,316	554,117
CASH AND CASH EQUIVALENTS AT END OF YEAR					
Cash and other cash items	4, 28	68,275,287	89,412,188	61,938,293	82,823,952
Due from Bangko Sentral ng Pilipinas	5, 28	1,486,248,645	1,293,398,002	1,481,517,450	1,288,590,589
Due from other banks	6, 28	238,208,257	327,592,725	224,349,106	175,317,053
		P1,792,732,189	P1,710,402,915	P1,767,804,849	P1,546,731,594

See Notes to the Financial Statements