

FINANCIAL STATEMENTS

With Independent Auditor's Report

December 31, 2024 and 2023



QUEEN CITY DEVELOPMENT BANK, INC.
AND SUBSIDIARIES



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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, 2024 and 2023, 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, 2024 and 2023, and their financial performance and their cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRS) Accounting Standards.

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
SEC Accreditation No. 0003-SEC, Group A, valid for the audit of annual financial statements for the year ended December 31, 2024 and until the audit of annual financial statements for the year ended December 31, 2025, pursuant to SEC Notice dated April 4, 2025
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

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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 PFRS Accounting Standards, 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.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes 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 Section 174 and Appendix 55 of the Manual of Regulations for Banks and 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 Section 174 and Appendix 55 of the Manual of Regulations for Banks in Note 30 and 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 Bangko Sentral ng Pilipinas and Bureau of Internal Revenue, 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 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

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. 08-001987-150-2025

Issued January 8, 2025; valid until January 8, 2028

PTR No. MKT 10467153

Issued January 2, 2025 at Makati City

May 2, 2025

Makati City, Metro Manila

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

December 31					
	Note	Consolidated		Parent Company	
		2024	2023	2024	2023
ASSETS					
Cash and other cash items	4, 28	P127,528,461	P68,275,287	P127,527,461	P61,938,293
Due from Bangko Sentral ng Pilipinas	5, 28	1,700,282,365	1,486,248,645	1,700,282,365	1,481,517,450
Due from other banks	6, 28	239,076,444	238,208,257	239,048,666	224,349,106
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	1,569,607,393	1,508,336,466	1,539,532,911	1,254,905,536
Investments in subsidiaries	9	-	-	6,562,500	25,973,933
Property and equipment - net	10	224,020,126	205,881,219	219,568,301	198,492,213
Investment properties - net	11, 27	49,179,581	53,709,520	49,201,935	46,827,587
Right-of-use assets - net	23	27,997,172	30,013,960	27,997,172	29,603,510
Software - net	12	5,957,648	6,624,449	5,912,877	6,486,768
Deferred tax assets - net	24	13,454,091	4,346,495	13,261,052	3,694,380
Other assets - net	13, 28	32,552,312	23,406,566	32,521,115	19,227,951
		P3,992,155,593	P3,627,550,864	P3,963,916,355	P3,355,516,727
LIABILITIES AND EQUITY					
Liabilities					
Deposit liabilities:	15, 28				
Savings		P2,149,831,616	P1,894,283,867	P2,156,415,252	P1,686,556,502
Demand		802,868,737	705,731,921	802,868,737	714,006,612
Time		119,797,163	118,383,154	119,797,163	118,383,154
		3,072,497,516	2,718,398,942	3,079,081,152	2,518,946,268
Accounts payable and accrued expenses	16, 28	34,017,424	30,647,965	32,397,513	27,793,944
Income tax payable		36,741	151,326	14,594	-
Lease liabilities	23, 28	29,945,412	31,591,341	29,946,201	31,087,922
Retirement liability	22	19,925,512	15,235,074	19,095,684	14,210,859
Other liabilities	17, 28	3,909,416	3,549,068	3,909,416	3,677,065
		3,160,332,021	2,799,573,716	3,164,444,560	2,595,716,058
Equity Attributable to Equity Holders of the Parent Company					
Common stock	19	736,423,300	687,999,500	736,423,300	687,999,500
Surplus		77,617,793	75,298,798	68,033,176	65,475,093
Appropriation for general loan loss provision	19	10,966,456	10,966,456	10,966,456	10,641,360
Treasury stock	19	(23,727,600)	-	(23,727,600)	-
Merger reserve	9, 19	15,514,565	-	15,514,565	-
Retirement benefits reserve		(7,738,102)	(4,315,284)	(7,738,102)	(4,315,284)
		809,056,412	769,949,470	799,471,795	759,800,669
Noncontrolling interests		22,767,160	58,027,678	-	-
		831,823,572	827,977,148	799,471,795	759,800,669
		P3,992,155,593	P3,627,550,864	P3,963,916,355	P3,355,516,727

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					
	Note	Consolidated		Parent Company	
		2024	2023	2024	2023
INTEREST INCOME					
Loans and receivables	8	P111,154,141	P106,314,167	P103,136,590	P94,183,861
Due from Bangko Sentral ng Pilipinas	5	95,236,453	83,826,962	95,019,961	83,826,962
Due from other banks	6	15,900,011	8,993,803	8,353,484	5,502,129
		222,290,605	199,134,932	206,510,035	183,512,952
INTEREST EXPENSE					
Deposit liabilities	15	30,088,653	26,032,684	29,804,742	25,638,399
Lease liabilities	23	1,878,351	3,428,676	1,872,264	3,410,533
		31,967,004	29,461,360	31,677,006	29,048,932
NET INTEREST INCOME					
		190,323,601	169,673,572	174,833,029	154,464,020
Service charges		19,167,051	17,720,204	17,829,220	15,935,039
Penalties		2,459,854	692,405	2,459,854	461,441
Foreign exchange gains		1,187,331	268,316	1,187,331	268,316
Gain on loans restructuring	8	-	10,764,871	-	10,764,871
Miscellaneous income	20	8,916,338	13,391,465	5,169,475	7,594,244
TOTAL OPERATING INCOME		222,054,175	212,510,833	201,478,909	189,487,931
Compensation and fringe benefits	21	82,233,774	73,717,330	76,686,618	67,969,147
Depreciation and amortization	10, 11, 12, 23	24,350,351	21,900,905	22,827,864	20,096,730
Provision for credit and impairment losses	14	19,861,009	6,050,486	19,269,969	5,578,715
Security services		15,484,271	14,631,167	15,484,271	14,255,008
Taxes and licenses		16,080,196	15,115,753	14,645,179	13,218,246
Communication, light and water		7,943,403	7,367,127	7,861,448	6,981,750
Insurance		6,694,207	6,782,642	6,684,068	6,241,546
Transportation and travel		3,687,433	3,697,344	3,664,381	3,585,011
Litigation and assets acquired expenses		2,521,565	1,252,630	2,521,565	1,150,036
Advertising and promotion		2,397,405	911,191	2,382,405	860,898
Stationery and supplies		2,053,232	1,594,644	2,038,705	1,456,511
Repairs and maintenance		1,508,665	2,880,026	1,508,091	2,862,353
Management and professional fees		1,618,735	3,765,895	1,500,935	2,718,455
Entertainment, amusement and recreation		1,466,900	1,812,330	1,460,183	1,647,203
Rent	23	976,323	-	976,323	-
Membership fees and dues		636,715	399,292	636,715	382,671
Miscellaneous expense		7,112,580	5,019,328	3,799,608	4,437,832
		196,626,764	166,898,090	183,948,328	153,442,112
INCOME BEFORE INCOME TAX EXPENSE		25,427,411	45,612,743	17,530,581	36,045,819
INCOME TAX EXPENSE	24	15,119,668	21,329,800	14,972,498	20,858,636
NET INCOME		10,307,743	24,282,943	2,558,083	15,187,183
OTHER COMPREHENSIVE LOSS					
<i>Items that will not be reclassified to profit or loss</i>					
Remeasurement losses on retirement liability	22	(4,563,758)	(3,512,169)	(4,563,758)	(3,512,169)
Deferred tax effect	24	1,140,940	878,042	1,140,940	878,042
		(3,422,818)	(2,634,127)	(3,422,818)	(2,634,127)
TOTAL COMPREHENSIVE INCOME (LOSS)		P6,884,925	P21,648,816	(P864,735)	P12,553,056
Net income attributable to:					
Equity holders of the Parent Company		P5,929,665	P18,972,070	P -	P -
Noncontrolling interests		4,378,078	5,310,873	-	-
		P10,307,743	P24,282,943	P -	P -
Total comprehensive income attributable to:					
Equity holders of the Parent Company		P2,506,847	P21,653,124	P -	P -
Noncontrolling interests		4,378,078	(4,308)	-	-
		P6,884,925	P21,648,816	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)	Treasury Stock	Merger Reserves	Surplus	Appropriation for General Loan Loss Provision (Note 19)	Retirement Benefits Reserve	Total	Noncontrolling Interests	Total Equity			
Balance at January 1, 2024	P687,999,500	P -	P -	P75,298,798	P10,966,456	(P4,315,284)	P769,949,470	P58,027,678	P827,977,148			
Total Comprehensive Income (Loss)												
Net income for the year	-	-	-	5,929,665	-	-	5,929,665	4,378,078	10,307,743			
Other comprehensive loss	-	-	-	-	-	(3,422,818)	(3,422,818)	-	(3,422,818)			
Effect of the accounting for merger	48,423,800	(23,727,600)	15,514,565	(3,610,670)	-	-	36,600,095	(39,638,596)	(3,038,501)			
	48,423,800	(23,727,600)	15,514,565	2,318,995	-	(3,422,818)	39,106,942	(35,260,518)	3,846,424			
Balance at December 31, 2024	P736,423,300	(P23,727,600)	P15,514,565	P77,617,793	P10,966,456	(P7,738,102)	P809,056,412	P22,767,160	P831,823,572			
Balance at January 1, 2023	P687,999,500	P -	P -	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)			
Transactions with Stockholders Paid subscription receivable	-	-	-	-	-	(2,634,127)	(2,634,127)	-	(2,634,127)			
Balance at December 31, 2023	P687,999,500	P -	P -	P75,298,798	P10,966,456	(P4,315,284)	P769,949,470	P58,027,678	P827,977,148			

See Notes to the Financial Statements.

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

	Years Ended December 31												
	Parent Company					Appropriation for General Loan							
	Common Stock (Note 19)		Treasury Stock		Merger Reserve		Surplus		Loss Provision (Note 19)		Retirement Benefits Reserve		Total Equity
	P	-	P	-	P	-	P	-	P	-	P	-	P
Balance at January 1, 2024	P687,999,500	-	-	-	-	-	P65,475,093	-	P10,641,360	-	(P4,315,284)	-	P759,800,669
Total Comprehensive Loss	-	-	-	-	-	-	2,558,083	-	-	-	-	-	2,558,083
Net income for the year	-	-	-	-	-	-	-	-	-	-	(3,422,818)	-	(3,422,818)
Other comprehensive loss	-	-	-	-	-	-	2,558,083	-	-	-	(3,422,818)	-	(864,735)
Effect of the accounting for merger	48,423,800	-	(23,727,600)	-	15,514,565	-	-	-	325,096	-	-	-	40,535,861
	48,423,800	-	(23,727,600)	-	15,514,565	-	2,558,083	-	325,096	-	(3,422,818)	-	39,671,126
Balance at December 31, 2024	P736,423,300	-	(P23,727,600)	-	P15,514,565	-	P68,033,176	-	P10,966,456	-	(P7,738,102)	-	P799,471,795
Balance at January 1, 2023	P687,999,500	-	-	-	-	-	P50,287,910	-	P10,641,360	-	(P1,681,157)	-	P747,247,613
Total Comprehensive Income	-	-	-	-	-	-	15,187,183	-	-	-	-	-	15,187,183
Net income for the year	-	-	-	-	-	-	-	-	-	-	(2,634,127)	-	(2,634,127)
Other comprehensive loss	-	-	-	-	-	-	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

See Notes to the Financial Statements.

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

		Years Ended December 31			
		Consolidated		Parent	
Note		2024	2023	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES					
	Income before income tax expense	P25,427,411	P45,612,743	P17,530,581	P36,045,819
	Adjustments for:				
	Interest expense	31,967,004	29,461,360	31,677,006	29,048,932
	Depreciation and amortization	24,350,351	21,900,905	22,827,864	20,096,730
	Provision for credit and impairment losses	19,861,009	6,050,486	19,269,969	5,578,715
	Retirement expense	3,321,067	2,052,696	3,321,067	1,627,014
	Foreign exchange gain - net	(1,187,331)	(268,316)	(1,187,331)	(268,316)
	Gains on:				
	Lease termination	(161,564)	-	(161,564)	-
	Sale of investment properties	(961,825)	(5,418,305)	-	-
	Loans restructuring	-	(10,764,871)	-	(10,764,871)
	Interest income	(222,290,605)	(199,134,932)	(206,510,035)	(183,512,952)
		(119,674,483)	(110,508,234)	(113,232,443)	(102,148,929)
	Changes in:				
	Loans and receivables	(77,452,188)	65,315,463	(291,634,024)	75,982,606
	Other assets	(3,269,503)	(8,957,662)	37,905,548	(9,892,888)
	Deposit liabilities	354,098,574	162,696,846	560,134,884	141,787,271
	Accounts payable and accrued expenses	5,272,524	8,489,635	6,500,548	8,355,056
	Other liabilities	360,348	(5,052,273)	232,351	(4,137,314)
		159,335,272	111,983,775	199,906,864	109,945,802
	Interest received	221,294,476	200,481,178	205,486,849	184,820,387
	Contributions to retirement fund	(3,000,000)	(1,600,000)	(3,000,000)	(1,600,000)
	Income taxes paid	(24,581,899)	(22,675,923)	(23,515,007)	(21,906,337)
	Interest paid	(31,991,718)	(29,348,565)	(31,701,721)	(28,934,990)
	Net cash provided by operating activities	321,056,131	258,840,465	347,176,985	242,324,862
CASH FLOWS FROM INVESTING ACTIVITIES					
	Proceeds from:				
	Sale of investment properties	1,530,000	6,791,784	-	-
	Maturity of debt instruments at amortized cost	30,473,000	96,736,274	30,473,000	-
	Payment of subscription receivable	-	-	-	(2,784,665)
	Acquisitions of:				
	Software	(3,363,646)	(5,723,970)	(3,292,946)	(5,723,970)
	Property and equipment	(29,835,645)	(9,213,288)	(29,644,696)	(9,043,433)
	Debt instruments at amortized cost	(39,998,145)	(264,240,160)	(39,998,145)	-
	Net cash (used in) provided by investing activities	(41,194,436)	(175,649,360)	(42,462,787)	(17,552,068)
CASH FLOWS FROM FINANCING ACTIVITIES					
	Payment of lease liabilities	(6,893,945)	(4,447,301)	(6,847,886)	(3,967,855)
	Proceeds from collection of subscription receivable	-	3,317,154	-	-
	Net cash used in financing activities	(6,893,945)	(1,130,147)	(6,847,886)	(3,967,855)
NET INCREASE IN CASH AND CASH EQUIVALENTS		272,967,750	82,060,958	297,866,312	220,804,939
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR					
	Cash and other cash items	68,275,287	89,412,188	61,938,293	82,823,952
	Due from Bangko Sentral ng Pilipinas	1,486,248,645	1,293,398,002	1,481,517,450	1,288,590,589
	Due from other banks	238,208,257	327,592,725	224,349,106	175,317,053
		1,792,732,189	1,710,402,915	1,767,804,849	1,546,731,594
EFFECT OF MOVEMENTS IN EXCHANGE RATES ON CASH AND CASH EQUIVALENTS HELD					
		1,187,331	268,316	1,187,331	268,316
CASH AND CASH EQUIVALENTS AT END OF YEAR					
	Cash and other cash items	127,528,461	68,275,287	127,527,461	61,938,293
	Due from Bangko Sentral ng Pilipinas	1,700,282,365	1,486,248,645	1,700,282,365	1,481,517,450
	Due from other banks	239,076,444	238,208,257	239,048,666	224,349,106
		P2,066,887,270	P1,792,732,189	P2,066,858,492	P1,767,804,849

See Notes to the Financial Statements.