



SMALL
BUSINESS
CORPORATION



SMALL
BUSINESS
CORPORATION

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CONTENTS

IFC	Contents / About the Cover
01	About the Report
02	About the Corporation
05	Vision & Mission
06	Message from the Chairman
08	President's Report
12	Environmental Report
13	Social Report
14	Stakeholder Engagements
16	Corporate Governance
18	Whistleblowing Policy
20	Corporate Social Responsibility Statement
21	Quality Policy
22	Commission on Audit
23	Audited Financial Statements
24	Statements of Financial Positions
25	Statements of Comprehensive Income
26	Statements of Changes in Equity
27	Statements of Cash Flows
28	Notes to Financial Statements
42	Board of Directors
46	Management Committee
48	Key Officers
54	GRI Index
56	SBC Lending Group Directory

ABOUT THE COVER



Change

The cover shows an ancient life form, a simple almost elemental shape that presumably evolved from even more fundamental forms. Life in all of its varieties, shapes and complexities might have left this one behind but the subtle forces that shaped and gave it life still define how life evolves. It is said that the truth is the same among the stars as among the worms not even reached by starlight (our sun is a star).

And indeed the same elemental forces that compels stardust to bind and cling together in an ordered sense, to create this universe out of chaos, is arguably the same fundamental forces that makes the human heart beat as we gaze at the stars.

And so it is with change. Change when it happens randomly is destructive. Change with a purpose follow an elegant and truthful law true to the eyes as well as the heart -- and becomes part of the process of creation. The rule and purpose that sets the curve of the shell of this ancient life form is the same rule that shapes path of the planets around their stars and the stars in their galaxies, inevitable and ultimately astoundingly beautiful.

And so we shall be guided as we change.

ABOUT THE REPORT



Corporate Governance
at the Corporation



Management
Committee



Vision



Mission



Stakeholder
Engagements



Corporate Social Responsibility
Statements



ABOUT THE CORPORATION



On May 23, 2008, RA 9501 or “An Act to Promote Entrepreneurship by Strengthening Development and Assistance Programs for Micro, Small and Medium Scale Enterprises was signed into law amending for the Purpose RA 6977

Section 11 of RA 9501 states the ... “Creation of Small Business Guarantee and Finance Corporation – There is hereby created a body corporate to be known as the Small Business Guarantee and Finance Corporation, hereinafter referred to as the Small Business Corporation (SB Corp), which shall be charged with the primary responsibility of implementing comprehensive policies and programs to assist MSMEs in all areas, including, but not limited to finance and information services, training and marketing.”

SB Corp is the result of the merger between the Small Business Guarantee and Finance Corporation (SBGFC) and the Guarantee Fund for SMEs (GFSME), under Executive Order No. 98 issued in November 2001. SB Corp’s focus is to provide access to finance, financial management and capacity building to MSMEs. It has several programs for the MSME market: wholesale lending to smaller financial institutions, cooperatives and foundations; retail or direct lending to micro, small and medium enterprises (MSMEs); and guarantee programs for larger banks to cover MSME loans without collateral or with insufficient collateral. SB Corp also provides financial management and capacity building for rural banks (RBs) with its (SB Corp) Borrower Risk Rating (BRR) System program.

PROGRAMS AND PROGRAM BENEFICIARIES

Small Business Corporation envisions becoming the leader in small enterprise development financing and small credit delivery systems nationwide. The Corporation has focused on developing an appropriate mix of financing products that are responsive to the needs of MSMEs in the country.

Over the years, the Corporation has evolved its product line from generic credit and credit enhancement facilities—catering to both nearly bankable MSMEs and small banks in need of liquidity support—to more evolved lines that focused the financing facilities to specific products and/or sectors.

SB Corp’s credit facilities include wholesale and retail lending programs, which target banks engaged in MSME lending, and pre-bankable small to medium sized businesses. The credit guarantees services banks with MSME accounts that need additional collateral cover.

The Corporation also provides capacity building programs for banks and MSME clients. Training programs vary from computerized accounting and enterprise development training for MSMEs to Risk-based lending to MSMEs for financial institutions.

1. Wholesale Lending for SMEs.

Wholesale funds are coursed through or “conducted” to our partner banks and institutions for re-lending to “already bankable” SMEs.

Our Wholesale lending facilities can be accessed by MSMEs by applying for MSME loans through our partner banks and institutions.

2. Microfinance Wholesale Lending Program

Open to partner rural banks, microfinance institutions, and cooperatives, who in turn, re-lend the funds to eligible “pre-enterprises”.

The pre-enterprises we assist include the graduating and start-up micros. (Graduating micros refer to those unregistered yet existing enterprise that are willing to register as an enterprise, have a livelihood track record as well as credit track record with a micro-finance institution, and with tangible assets. Start up micros, on the other hand, are starting enterprises that do not meet these qualifications yet.)

3. MSME Retail Lending Program

Open to registered micro, small and medium enterprises (MSMEs). The program is intended to bridge the financing gap of what we refer to as the “pre-bankable but viable” MSMEs that are at the moment “unserved” by the banking system. Through this program, we hope to provide a conducive environment for MSMEs by financing their business needs, training them to get credit track record and experience, and building up business size necessary to access bank financing in the future.

Direct lending facilities are available for manufacturers, suppliers, traders, exporters, franchisers, and service providers among others.

4. Credit Guarantee Program

It provides an entry point for small and medium enterprises (SME) to the banking system. The program targets what we call “near bankable SMEs” who can access the banks but cannot provide sufficient collateral for their loan. The credit guarantee answers this need by serving as alternative or supplemental collateral for the SME loan.

Our credit guarantee facilities can be tapped by SMEs through our partner financial institutions.

OWNERSHIP AND LEGAL STATUS

SB Corp is a government corporation created on January 24, 1991 by virtue of Section 11 of RA No. 6977, amended on May 6, 1997 by RA 8289 further amended by RA 9501, otherwise known as the Magna Carta for Micro Small and Medium Enterprises. SB Corp is under the policy program and administrative supervision of the Micro Small and Medium Enterprise Development (MSMED) Council of the Department of Trade and Industry (DTI), the primary agency responsible for small and medium enterprises in the country.

List Of Stockholders and Stockholdings

as of 31 December 2015

STOCKHOLDERS	PAID-UP	NO. OF SHARES	PERCENTAGE
A. Preferred Stocks			
GSIS	200,000,000.00	2,000,000*	10.42%
SSS	200,000,000.00	2,000,000*	10.42%
Total Preferred Stocks	400,000,000.00	4,000,000	
B. Common Stocks			
GSIS	46,673,100.00	466,731*	2.43%
SSS	16,000,000.00	160,000*	0.83%
LBP	393,611,500.00	3,936,115*	20.50%
DBP	218,673,100.00	2,186,731*	11.39%
PNB	40,000,000.00	400,000	2.08%
National Government	804,944,300.00	8,049,443	41.93%
Total Common Stocks	1,519,902,000.00	15,199,020	
Total Stockholdings	1,919,902,000.00	19,199,020	100.00%






Notes:

- GSIS, SSS, LBP, and DBP are Government Financial Institutions. PNB is a private domestic financial institution;
- Par value is P100.00 per share
- Stock certificates issued in the name of the National Government are in custody/ safekeeping of the Bureau of Treasury.

* Includes stock dividends in the form of common stocks released on 31 October 2005, 09 May 2008 and 08 April 2013.

OPERATIONS

In addition to its Head Office in Makati City, SB Corp has offices and desks offices strategically located across the Philippines.

Area	Offices	Manpower Complement	Area	Offices	Manpower Complement
NORTH LUZON 	NORTHERN LUZON GROUP Isabela Desk Office Dagupan Office Cagayan Desk Office	10 1 1 1	VISAYAS 	VISAYAS GROUP Tacloban Desk Office Bacolod Desk Office Iloilo Desk Office Bantayan Island	15 6 1 1 1
SOUTH LUZON 	SOUTHERN LUZON GROUP Naga Desk Office Legazpi Desk Office Mindoro Desk Office Batangas Desk Office Antipolo Desk Office Palawan Desk Office	24 1 1 1 1 1 1	MINDANAO 	MINDANAO GROUP General Santos Desk Office Cagayan de Oro Desk Office Butuan Desk Office Tagum Desk Office	15 1 1 1 1
CENTRAL LUZON 	CENTRAL LUZON LENDING UNIT Nueva Ecija Desk Office	8 To b e Opened in 2016	TOTAL	5 area offices 17 Desk Offices	94

VISION

By 2020, we envision Small Business Corporation as a world-class, best managed and sustainable development finance institution.

MISSION

Empower MSMEs as viable businesses by developing and implementing financing and capacity building support programs in a progressive and sustainable manner, and by advocating for measures and policies that will promote a more robust MSME finance industry.





MESSAGE FROM THE CHAIRMAN

As we prepare to transition into a new administration, we look back and assess our performance in the past six years. It is a performance history that we can be proud of. Despite having capital of only P1.9 Billion, the corporation managed to provide funding assistance of P 20 billion to MSMEs in the past six years. But our deliberate focus to serve marginalized MSMEs was the more important part of our work. Thus, we purposely de-emphasized collateral as basis for lending under our Risk Based Lending advocacy. Consequently, 85% of our loan portfolio has collateral cover of below 50% . We also targeted lending to small enterprises as evidenced by our average loan size of only P800 thousand, way below the transaction size preferred by mainstream lenders.

ZENAIDA CUISON-MAGLAYA

But we must look beyond the numbers, impressive as they are given the constraints we had to deal with. For this has not deterred the corporation from making a large footprint in the development history of the Philippine MSME sector. It has in fact responded to the inherent challenge of always developing something new and out of the mainstream, in performing its mission and mandate. It is the lead convenor for the ASENSO program (Access of Small Entrepreneurs to Sound Lending Opportunities) a national MSME lending program implemented by government financial institutions as one of the four pillars of the National MSME Development Plan. Since 2010, the program has released more than P255 Billion in loans to more than 300,000 MSMEs that supported an estimated 3 million jobs.

We believe that the most important part of what we do is the philosophy of service, or the advocacy behind it. Our capacity building programs, for small banks to scale up their credit operations from micro to SME level, and for MSME clients to improve their business management skills and financial literacy, is deeply embedded in our business model. The mainstreaming of MSME finance such that government's role in it will mainly be complementary to the private sector's is our long term strategic purpose. Or to give another take to what a wise one once said: For us to be diminished that our MSMEs may be increased and empowered at terms advantageous to their growth.

This philosophy of service is vividly demonstrated when SB Corp risked a significant part of its capital to join hands with the Department of Trade and Industry to implement a first of its kind financing facility that provided the means for MSMEs destroyed or damaged by super typhoon Yolanda to rebuild from their devastated

state. About P576 million in rehabilitation loans were granted to enterprises affected by this calamity, significantly contributing to the recovery of the local economies in Yolanda affected areas. More importantly, it provided valuable experience that will help develop models for similar interventions.

But always, as we confront the unexpected, as change in our collective and individual circumstances occur, as the tone and priorities of the national leadership change from administration to administration, let us not forget that the voices we must listen to are saying the same message: A fair chance for a decent life, where enterprising ideas from even the humblest sources may compete on an even playing field – even as that playing field continually changes.



USEC ZENAIDA C. MAGLAYA
Acting Chairman



PRESIDENT'S REPORT

Spiral of Change

I am very much privileged to be the one to report on the performance of Small Business Corporation during the past year. While its 2015 Annual Report covers only a year of operation, it still bears the indelible influences of the many leaders who steered it through challenges during the past twenty-five years of corporate existence. Hence, I view myself being given that singular opportunity to set-up Small Business Corporation for another generation, the next twenty-five years.

We attempted to capture the significance of those past 25 years in our cover: The Spiral of Change. Our choice was inspired by the oldest spiral symbols found in Ireland dating back to about 3200 B.C. To our minds, these spirals mark changes that the journey through the years brought about. Others actually ascribe more profound spiritual significance to these spirals. But viewed from our institutional life, they symbolize transition to a more responsive organization charged by the government to support the country's micro, small and medium enterprises (MSMEs).

BARTHOLOMEW BRILLO REYNES



Catering to the Unbanked

SB Corp's loan portfolio depicted a picture very much different from those carried by domestic banking institutions. By end of 2015, over 85% of its retail loan portfolio had collateral cover of only 50% and below. This fact demonstrated that SB Corporation has been living by what it has been preaching – Risk-Based Lending – RBL, its advocacy in support of MSMEs. For several years, it has been devoting time and resources developing the capacity of its partner financial institutions on the RBL technology.

Living up to this RBL advocacy had increasingly been put to test in the last few years. SB Corp decided to scale down its portfolio from wholesale operations in favor of direct retail lending. With this change in lending emphasis, not only was the implied assurance of repayment by the partner financial institution over the MSME accounts of the funded portfolio gone, SB Corp began grappling with direct exposure to credit risk in retail lending. This change has not been easy as it meant SB Corp would rely more on its own structure in reaching the MSMEs. By end of 2015, net loan portfolio (Wholesale plus Retail) hit P2.71 billion from P2.57 billion in 2014, but with retail loans gaining share from only 33% to 48%. The bulk of SB Corp's loan portfolio still came from wholesale operations, amounting to P1.4 billion, originated through 92 partner financial institutions.

What further put SB Corp to a test was the need to respond to the task of restarting the many MSMEs devastated by Typhoon Yolanda by the close of 2013. SB Corp's Enterprise Rehabilitation Financing (ERF) was already in full swing by 2014. It mobilized its entire delivery network, made up of five (5) area offices and seventeen(17) desk offices to fast-track coverage of the ERF. Congress released P100 million in 2014 for this purpose and another P89.2 million in 2015. SB Corp leveraged the government subsidy (for mobilization, interest and provisioning expenses) so that using its own funds, it lent out a total of P525 million in 2015, more than doubling the P251 million ERF portfolio the year before. SB Corp worked virtually alone with its mother agency, the Department of Trade and Industry, in refinancing MSMEs in the disaster zones. Other Government Financial Institutions were hamstrung by the regulatory rigmarole they were required to comply with.

Out-of-Box Solutions

Republic Act No. 9501, the Magna Carta for MSMEs which took effect on June 2008, charged SB Corporation with “the primary responsibility of implementing comprehensive policies and programs to assist MSMEs in all areas, including but not limited to finance and information services, training and marketing.” This appeared to be a tall order for a non-bank institution with limited capitalization of a little over P2 billion. It compelled SB Corp to search for creative approaches to MSME credit.

With funding from the Asian Development Bank (ADB), Kreditanstalt fur Weiderafbau (KfW of Germany) and the International Fund for Agricultural Development (IFAD), SB Corp scaled up its wholesale lending. Just like the pioneers in this lending approach, however, starting 2010 SB Corp saw its funds becoming uncompetitive in a very liquid financial environment. And by 2015, just like its predecessors, it started shifting to direct retail loans away from wholesale. By yearend 2015 the portfolio mix had significantly changed, wholesale yielded 15 basis points of portfolio share to retail, ending the year at 51.6% share of outstanding portfolio.

SB Corp has been testing out several novel solutions to age-old problems of MSMEs: access to finance. As early as 2007, it had already put to use its Risk-Based Lending Technology. It has since been advocating RBL to address the MSME's inability to access credit due to the lack of collateral assets and reliable financial statements. Coupled with its wholesale lending operations, where it partnered with 92 financial institutions, SB Corporation has been undertaking capacity building interventions. It capacitated 49 rural banks in the use of RBL and enrolled another 19 in 2015. At the enterprise level, it trained 66 enterprise owners under its Enterprise Enhancement Program (EEPro). It also pilot-tested the first module of its 4-level ladderized SME Certification Program, enrolling 25 loan officers.



While subscription to SB Corp's authorized capital has not been given much government attention, the Magna Carta allowed it some breathing spell. It authorized SB Corp to issue MSME Notes as alternative compliance to the mandated credit allocation for MSMEs. In



2015, the MSME Notes reached a level of P1.188 billion, slightly higher than the P1.175 billion in previous year. Since the notes are mainly short-term instruments, SB Corp needed confidence on its ability to manage term mismatches and lend out the proceeds actively.

As of end-2015, SB Corp had cumulatively released P44.6 billion to the MSME sector. The wholesale and retail loan portfolio combine to reach P2.7 billion at yearend. With greater emphasis on retail loans, SB Corp expanded the number of its direct borrowers (both regular and ERF loans) to 1,874 in 2015 from 1,279 a year earlier.

Sustainable Operations

The Commission on Audit (COA) gave SB Corp's 2015 financial reports an unqualified opinion. It however put emphasis on the change in the derivative valuation associated with its foreign debt exposure, from Black-Scholes Option Model to Garman Kohlhagen Model. The shift was in compliance with BSP directive to subject SB Corporation's foreign currency risk cover option valuation model to validation by a third party. SGV and Company recommended the shift to Garman Kohlhagen Model effective 2015. This move aligned our derivative valuation model to that used by the other government financing institutions.

Prior to the impact (paper gain or loss) of derivative valuation, SB Corp posted a net income at P13.4 million in 2015, lower by P46.9 million compared to the P60.3 million in 2014. Increased provisioning in 2015, higher by P40.5 million than the 2014 amount and the higher administrative expenses by close to P14 million resulted to the lowering of net income. Management opted to shore up its financial strength by complying with the provisioning standards of the Bangko Sentral ng Pilipinas. Ensuring sustainability took precedence over profitability.

Loans under the ERF were deemed either doubtful (to existing borrowers) or sub-standard (to new borrowers) that required 50% and 25% provision against probable loss, respectively. On the other hand, the delivery of these loans not only compelled SB Corp to hire additional hands, it also demanded of the lending units to send in volunteer teams to fast-track the ERF loans. The call for the ERF was for the MSMEs to immediately be back in business otherwise the sagging spirit and hopelessness in the ravaged areas would only worsen.

Since the 5-year exemption period from dividend payment to the National Government ended in 2013, the asset size of SB Corp has been slipping. Remitting 30% of its income before provisions for problem accounts and taxes put further pressure on its limited capital base. SB Corp's equity base had a 1.3% slippage in 2015. Its asset base dipped some more, this year by 1.7%, to P4.78 billion from P4.86 billion in 2014. Repayments on foreign loans also reduced liabilities by 2.0% over the 2014 level.

The 2015 performance continue to carry the signs for the need to revisit SB Corp's organizational structure and operating efficiencies. Despite the slippages in its financial performance parameters, SB Corp remained financially healthy with a strong liquidity position. Current ratio was 2.05: 1, while debt to equity ratio at 55:44, reflected very low leveraging. Its Return on Assets (ROA) decreased to 0.28 % from 1.24 %, while its return on equity (ROE) fell to 0.61 % from 2.74% in 2014. The drops in the ROA and ROE, respectively, indicated greater inefficiencies in 2015 relative to earlier years. Its return on every Peso of its Capital of only 0.61% and on every Peso of its Assets of only 0.28% are stark departures compared with industry benchmarks of around 15% ROE and 2% ROA.

These figures may be viewed in the context of SB Corp's mandate as a development agency, catering particularly to MSMEs whose main constraint is access to finance. The company's assets and capital are not always employed to maximize revenue generation, but are likewise committed for capacity building and other development interventions as well. It also needed to make sure it understood well the risk profile of its operations. However, the industry benchmarks are quite instructive in reckoning its sustainability options. Among these are exploring higher leverage options, identifying external funding sources both for lending and for capacity building, and shoring up operating efficiencies. In addressing these options, it would have to tap the expertise of its Enterprise Risk Management (ERM) Department.

Financial Contributions to the Economy

As of December 2015

Cash / Stock Dividends	P 535.6 million
Taxes and Licenses	P 118.9 million
Guarantee Fees	P 141.0 million
Forex Risk Cover Fee	P 390.1 million
Charges on local Borrowings	P 15.1 million
DST on PN's Issuance	P 25.0 million
Final/Withholding Tax on Income from placements/others	P 534.3 million

SB Corp benefited from its ERM that was already fully operational even before 2015, and whose head is expected to double as the company's Chief Compliance Officer upon the retirement of the incumbent. ERM took the lead in formalizing policies on the more critical risk areas of its core services. Among the formalized guidelines were those on past due account tagging, loan restructuring, and credit and other risk assets classification and provisioning. ERM's keen appreciation of prudential regulatory framework, particularly that of BSP, made it a valued resource unit of top-level management committees (e.g., Credit Committee, ALCO, among others). With the key governance units (e.g. ERM, Internal Audit and the Office of

the Chief Compliance Officer) providing critical inputs and vetting on the process, SB Corporation successfully revised its Codified Approving and Signing Authorities (CASA). Also due mainly to ERM's initiative, the corporation adopted and allocated a general loan loss provisioning for its entire loan portfolio in 2015.

Gearing up for Excellence

Three achievements in 2015 underscore the efforts in SB Corp to be deemed an excellent organization. First, it maintained its issuer rating of PRS Aa minus (corp.) from the Philippine Rating Services Corporation (PhilRatings). PRS rating assured our partners, especially the multilateral funders that we have kept our house and our financial performance in order. The Aa minus rating captures our strong capability to meet our financial commitments. SB is among the 31 corporations rated by PhilRatings in 2015.

Ever since SB Corp has been under the guidance of the Governance Commission of Government Owned and Controlled Corporations (GCG) it has been marching to the drum beat of GCG's quality improvement initiatives. Responding to a GCG standard, SB Corporation earned certification under ISO 9001:2008 for its core processes (lending, guarantee and equity financing) from TÜV Rheinland. With continuous process improvements assured by the ISO 9001 certification, SB Corporation looks forward to consistently meeting the product and service requirements of MSMEs.

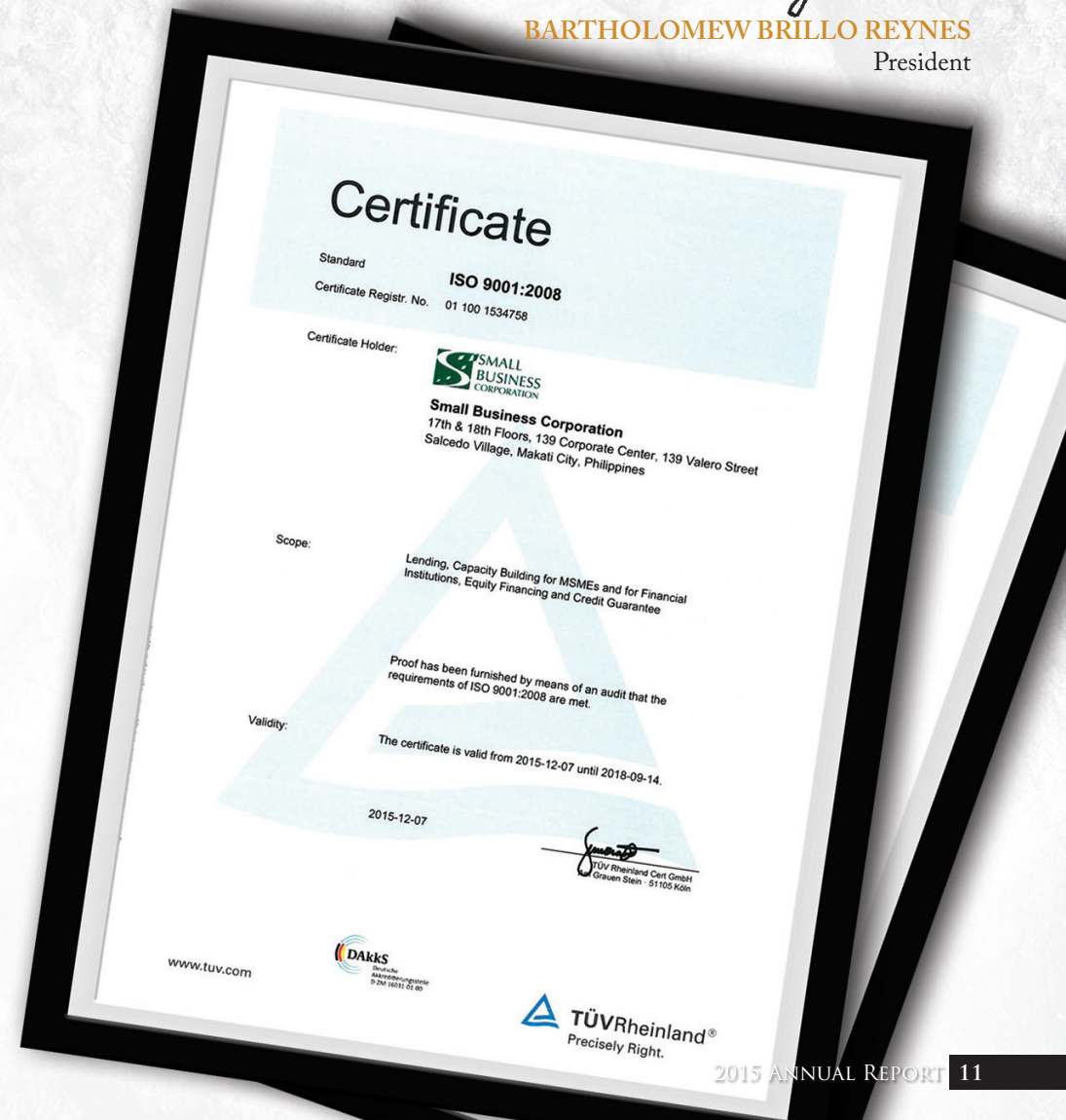
Based on its submitted Performance Governance Scorecard (PGS) to GCG, SB Corp garnered a weighted score of 94%. The PGS is a comprehensive rating system along the balanced scorecard of Profs. Kaplan and Norton of the Harvard Business School. The high rating earned by SB Corporation vouched for laudable performance of SB Corp in 5 fronts in 2015: delivery of services to its constituents, financial performance, internal processes, learning and growth for its manpower and social impact as a government institution.

Changes and Development

In 2015, there were already sure signals that SB Corp will be undergoing fundamental changes. The Governance Commission for GOCCs issued its GCG Memorandum Circular No. 2015-04 on April 8, 2015. This circular prompted all GOCCs to undergo reorganization planning to better deliver its mandate. It espoused a design framework that requires close alignment of the GOCC's structure with its business strategy. The GCG instructed the GOCCs to hire a third party entity to conduct a current state assessment as preparatory stage to the reorganization, which it underscored, should be a participative process. Among the results of Circular 2015-04 is the adoption of standardized Compensation and Position Classification System (CPCS) and a general Index of Occupational Services (IOS) for the GOCC sector.

Next year, 2016, SB Corporation celebrates its 25th year. It hopes to complete its reorganization plan around March 2017. The timing is uncanny; the GCG initiative prepares SB Corporation for the next 25 years of its corporate life. These spirals of change will again leave indelible marks on the corporate life of Small Business Corporation. Obsolete ways and methods give way to the rise of new ones as SB Corp copes with "new normal" situations.


BARTHOLOMEW BRILLO REYNES
President





ENVIRONMENTAL REPORT

Environmental

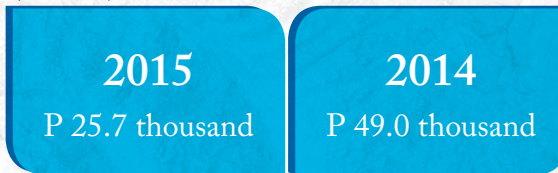
The Corporation continually work to integrate and implement environmental consideration into our policies, operations, products and services.

Environment-Friendly Initiatives

- Turning of light and aircon from 12nn – 1:00pm
- Turning off of aircon at 4:00 PM
- Sending out electronic copies instead of hard copies to requesting institutions

Water Consumption Cost

(in Pesos)



Decrease in Cost by **48%**



Fuel Consumption Cost



Decrease in Cost by **21%**



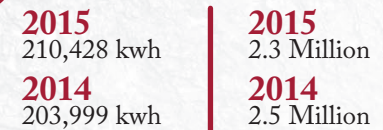
Electricity Consumption Cost



Decrease in Cost by **7%**



Electricity Consumption



Increase by 7%

Decrease by 7%



SOCIAL REPORT

Social Responsibility

Labor Practices and Decent Work

Small Business Corporation believes that its most important resource is its people. On this premise, SB Corp continues to invest on its human resource through local and international trainings, promotion of a well-rounded lifestyle that balances work, health and wellness concerns.



Total Number of Staff:

137

Staff added in 2015

40

Staff Turnover

27



Profile of Employees

Gender	Permanent	Contract of Service	Agency Hired	Grand Total
Female	78	9	22	109
Male	59	5	22	86
Total	137	14	44	195



Training and Education

Gender	Number	Total no. of Training Hours	Average no. of Training Hours
Male	59	1560	26.44
Female	78	1600	20.51
Total	137	3,160	23.07



STAKEHOLDERS ENGAGEMENTS

Consistent with its mandate, SB Corp acknowledges its stakeholders and its duties and responsibilities towards them.



Micro, small and medium enterprises

MSMEs are the reason for the existence of SB Corp as embodied by its vision and mission statements. SB Corporation strongly commits to continuously create and encourage access to financing for them.

Sustainability in operations of SB Corp is aimed at providing continued service to the MSME sector -this is the primordial motivation.

Reporting of SB Corp's accomplishment for the MSME sector shall mainly be thru DTI, GCG and DBM. Communication with individual MSMEs, on the other hand, is via regular forums and account-based reports.



Financial Institutions (FIs)

FIs are critical partners in the accomplishment of SB Corp's vision of mainstreaming MSME finance in the country. SB Corp agrees to support and cooperate with FIs where the partnership results to increased access to credit for MSMEs.

SB Corp is duty bound to provide its audited financial reports to its partner FIs and vice versa. Reporting of SB Corp's results of partnership with them, on the other hand, shall be thru the bank associations and BSP among Creditors and other funders.



Stockholders

SB Corp commits to operate both as a developmental and sustainable agency, consistent with the expectations of the stockholders in exchange of their financial investment. SB Corp shall ensure good governance. Declaration of dividends shall be made based on fully transparent reports.

Accountability for true and accurate reports on SB Corp's operations and finances shall be the primary responsibility of Management with the further assurance provided by the COA.



Legislative and other policy-making bodies

SB Corp commits to support policy advocacy for MSME finance as called for under its mandate, and being a proponent in the development of appropriate MSME financing technologies and strategies

SB Corp shall endeavor to submit its strategic knowledge on MSME finance to these bodies, with the end of creating a more level playing field for small enterprises

Reporting shall be thru DTI and the congressional oversight committees among others.



Government and regulatory

SB Corp considers Government as its main employer and, thus, commits to fully support its medium-term development agenda and auxiliary thrusts

SB Corp shall endeavor to align its programs for a unified and effective strategy.

SB Corp commits to cooperate with all regulatory agencies required by Government to monitor/audit its operations, within the limits and bounds allowed by law.



SB Corporation officers and employees

The agency commits to operate under a clear set of vision, goals and objectives that will provide the proper motivation for its officers and staff in their service delivery for MSME finance. Moreover, SB Corp commits to provide a safe environment for its teams thru good governance and transparent operations.

Reporting on SB Corp's financial condition, corporate scorecard and personnel development is assured thru the conduct of monthly general assemblies.

SB Corp also commits to fully provide them a fair, competitive and robust compensation package, rewards and incentive system, career path and working environment.



CORPORATE GOVERNANCE AT THE CORPORATION



Board Committees

To aid in complying with the principles of good corporate governance, specialized committees were formed.

Each committee has a charter or terms of reference (TOR) specifying among others the objectives, membership, meeting attendance, meeting frequency, authority, duties and responsibilities, and reporting procedures.

The chairman and members of committees were be selected according to skills and experiences needed by the committee.

The Corporate Governance Committee formulates, reviews and ensures adherence to the Corporation's Manual of Corporate Governance and Code of ethics. It reviews the organization plan and structure including proposed organizational changes, compensation package as well as manpower plan to ensure adequacy in meeting the growth need of the Corporation. It likewise reviews and evaluates the qualifications of all persons nominated to positions requiring appointment by the Board of the Directors.

The Risk Oversight Committee identifies and evaluates risk exposures, develop risk management strategies and implement the risk management plan. The Board Audit and Compliance Committee provides oversight on the Corporation's financial reporting process, audit process and monitors compliance with laws and regulations .



Management Committees

Key management committees are created to ensure the Board of Directors are provided comprehensive information on operations and policy recommendations that may impact the Corporation.

The Credit Committee approves credit-related matters and the Asset- Liability Committee is created to ensure stable funding structure and liquidity for the Corporation

Manual of Corporate Governance

This manual provides Small Business Corporation (SB Corp) with a framework for the performance of its mandate and the management of its business.

It conforms to the standards of good corporate governance and the provisions of the Republic Act 9501, otherwise known as the Magna Carta for MSMEs, as amended, as well as the Philippine laws that are of relevance in this context. It aims to establish a system of management and control that is accountable and is geared to creating sustainable, long-term value and to ensure transparency for all stakeholders





WHISTLEBLOWING POLICY

Of Small Business Corporation

*(Approved by the Board of Directors on
01 September 2016 under BR No. 2016-09-2333)*

1. **Statement of Policy.** - The governance of Small Business Corporation (SB Corp.) shall be carried out in a transparent, responsible and accountable manner and with the utmost degree of professionalism and effectiveness. Furthermore, the SB Corp. Board of Directors must be competent to carry out the Corporation's functions, be fully accountable to the State as its fiduciary, and act in the best interest of the Corporation and the State.

The SB Corp., acting through its Board of Directors and duly authorized Officers and Employees, shall conduct the affairs, operations and business of the Corporation in full compliance with applicable laws, rules, regulations. As public officers, all SB Corp. Directors, Officers and Employees must exemplify the behavior and professional demeanor consistent with such laws, rules, regulations, policies and procedures of the highest standard.

2. **Background and Purpose.** - The purpose of this Whistleblowing Policy (Policy) is to enable any concerned individual to report and provide information, anonymously if he/she wishes, and even testify on matters involving the actions or omissions of the Directors, Officers and Employees of SB Corp., that are illegal, unethical, violate good governance principles, are against public policy and morals, promote unsound and unhealthy business practices, are grossly disadvantageous to SB Corp. and/or the Government.

All persons, stakeholders, and institutions concerned are encouraged and empowered, through this Policy, to report to SB Corp., using the modes and procedures herein established, any and all issues and concerns respecting the aforementioned actions or omissions.

3. **Coverage.** - This Policy shall be applicable to all Directors, Officers and Employees of SB Corp. including workers under contract of services and consultancy agreements.
4. **Reportable Conditions.** - This Policy is intended to be implemented in connection with acts or omissions that are of a serious and sensitive character, with considerable negative impact on SB Corp. in particular, or the GOCC Sector in general, as to warrant special attention and action under this Policy.

Whistleblowers may report to SB Corp. such acts or omissions that are illegal, unethical, violate good governance principles, are against public policy and morals, promote unsound and unhealthy business practices, are grossly disadvantageous to SB Corp. and/or the Government, such as, but not limited to: (a) Abuse of Authority: (b) Bribery: (c) Conflict of Interest: (d) Destruction/ Manipulation of Records: (e) Fixing: (f) Inefficiency: (g) Making False Statements: (h) Malversation: (i) Misappropriation of Assets: (j) Misconduct: (k) Money Laundering: (l) Negligence of Duty: (m) Nepotism: (n) Plunder: (o) Receiving a Commission: (p) Solicitation of Gifts: (q) Taking Advantage of Corporate Opportunities: (r) Undue Delay in Rendition of Service: (s) Undue Influence: (t) Violation of Procurement Laws:

Whistleblowers may also report such other acts or omissions that otherwise involve violations of the following laws, rules and regulations:

- (a) R.A. No. 6713, "Code of Conduct and Ethical Standards for Public Officials and Employees";
- (b) R.A. No. 3019, "Anti-Graft and Corrupt Practices Act";
- (c) R.A. No. 7080, as amended, "The Plunder Law";
- (d) Book II, Title VII, Crimes Committed By Public Officers, The Revised Penal Code;
- (e) Executive Order (E.O.) No. 292, s. 1987, "Administrative Code of 1987";
- (f) R.A. No. 10149, the 'GOCC Governance Act of 2011';
- (g) GCG M.C. No. 2012-05, "Fit and Proper Rule";
- (h) GCG M.C. No. 2012-06, "Ownership and Operations Manual Governing the GOCC Sector;
- (i) GCG M.C. No. 2012-07, "Code of Corporate Governance for GOCCS";
- (j) Violations of the Charter of the SBC; and
- (k) Other GCG Circulars and Orders, and applicable laws and regulations.

5. **The SB Corp. Integrity Monitoring Committee (SIMC).** - The SIMC shall be created to handle whistleblowing reports (WRs) and shall be composed of the following:
- a. Head, Legal Services Group as Chairman
 - b. The Corporate Board Secretary as Vice Chairman
 - c. The Chief Compliance Officer
 - d. Head, Internal Audit Group
 - e. Head, Human Resource Management & Development Group
 - f. One (1) Lawyer from the LSG (A lawyer other than the Head, LSG)

In case any of the members of the SIMC is the whistleblower or respondent in a WR, he shall inhibit himself from the proceedings of the SIMC relative to the aforesaid WR except to provide the required information or documents as provided under items 13.2 and 13.3 below.

The HRMDG shall provide secretariat support to the SIMC and shall act as repository of all documents pertaining to a WR.

In case a member of the Board is the respondent in a WR or a member of the Board is one of the respondents in a WR, the Board Corporate Governance Committee shall act as the SIMC.

6. **Whistleblowing Web Portal.** - The SB Corp. has established the website as its primary reporting channel for whistleblowers under the Policy. This reporting channel is an online-based platform by which whistleblowers may securely submit reports electronically while at the same time ensuring their anonymity and the confidentiality of their reports.

Whistleblowers are encouraged to utilize this online reporting channel. The SIMC will handle receipt of WRs submitted through this reporting channel.

7. **Alternative Reporting Channel.** - Whistleblowers may also submit WRs to the SB Corp. through the following alternative reporting channel:
- (a) Mail: SIMC - 18/F 139 Corporate Center, 139 Valero St., Salcedo Village Makati City Philippines 1227;

8. **Withdrawal of Report by the Whistleblower.** – In the event that the whistleblower withdraws his WR, the investigation shall continue provided that the evidence gathered is sufficient as determined by the SIMC.
9. **Resignation of Respondent Pending Completion of Investigation.** – In the event that the respondent resigns prior to the final resolution of the case against him, the investigation shall continue provided that the evidence gathered is sufficient as determined by the SIMC.
10. **Confidentiality.** – Except when the whistleblower does not invoke anonymity and/or confidentiality when invoking the Policy, the SB Corp. shall ensure confidentiality of all information arising from whistleblowing reports submitted pursuant to this Policy. It shall treat all reports, including the identity of the whistleblower and the person/s complained of, in a confidential and sensitive manner. The identity of the whistleblower will be kept confidential, unless compelled by law or the Courts to be revealed, or unless the whistleblower authorized the disclosure of his/her identity.
11. **Protection of a Whistleblower Against Retaliation.** – Retaliatory acts against whistleblowers who submit WRs in good faith shall not be tolerated by SB Corp. which shall extend all possible assistance to the whistleblower under the law and given the circumstances. Such retaliatory acts may include:
- (a) Discrimination or harassment in the workplace;
 - (b) Demotion;
 - (c) Reduction in salary or benefits;
 - (d) Termination of contract;
 - (e) Evident bias in performance evaluation; or
 - (f) Any acts or threats that adversely affect the rights and interests of the whistleblower.

12. **Untrue Allegations.** – If a whistleblower makes allegations that are determined to be fabricated or malicious falsehoods, and/or he/she persists in making them, legal action may be taken against him by SB Corp.

13. Handling of Whistleblowing Reports. –

13.1. **Filing of Whistleblowing Reports.** – All WRs must be submitted to SB Corp. through the online reporting channel or through the Alternative Reporting Channel identified in paragraphs 6 and 7 of this Policy, respectively. If the whistleblower is known, the WR or complaint must be verified or made under oath.

13.2. **Preliminary Evaluation of Whistleblowing Reports.** – The SIMC shall undertake initial evaluation of the information provided in the WR within five (5) days after receipt of the WR.

The information in a WR, whether anonymously filed or not, may be considered sufficient in form if:

- a. The SB Corp. Office concerned is identified;
- b. The respondent is identified by his full name and position;
- c. Violation and/or charges are specified, including the relevant material facts (e.g., nature of the incident, time and places of the incident, persons involved, evidence, if any, and other important matters necessary to establish a case);
- d. The corresponding law, rules, or regulations or Memorandum Circular provisions violated are specified; and
- e. Relevant documents, files, photographs, videos, records, recordings, news clippings, and articles, among others, in support of the allegations are submitted.

While WRs may be filed anonymously, the whistleblower, whenever applicable, must state his/her

connection to SB Corp., as well as his/her general relationship to the respondent, if any (e.g., Board Member, Officer, Employee, Customer, Supplier, Investor, Creditor, or Concerned Citizen). Likewise, the WR (if filed anonymously) must contain all the information listed in the immediately preceding paragraph, otherwise, the SIMC will consider it as not sufficient in form and substance.

The SIMC will make the initial determination of whether or not information provided may be considered as a Reportable Condition. If the SIMC determines that such information does not qualify as a Reportable Condition, the same may be treated as an ordinary complaint which will be acted on in accordance with the rules of the Corporation on ordinary complaints.

The SIMC reserves the right to disregard WRs that are vague, ambiguous, patently without merit, or are clearly harassment complaints made with malicious intent to tarnish the name and reputation of the person/s complained of. The SIMC shall communicate its initial findings on such WRs to the whistleblower, if known, who will be given the opportunity to substantiate the same, failing in which matters raised in the WR will be considered closed and terminated.

13.3. **Full Investigation.** – If the SIMC finds the WR sufficient in form and substance, the SIMC shall conduct an investigation, part of which will involve informing the respondent of the allegations against him/her and requiring the respondent to submit comments within ten (10) days from receipt thereof. The SIMC may also seek the assistance of other government agencies in the conduct of the investigation of the WRs.

The SIMC shall then furnish the whistleblower, if known, a copy of the comments of the respondent, and give him/her opportunity to provide more information or controverting evidence. If the whistleblower submits additional information or evidence, the SIMC shall likewise give respondent the opportunity to submit rebutting evidence.

Within one (1) month after the SIMC is satisfied that all information and evidence necessary for the resolution of the WR are already on hand, it will prepare the corresponding resolution of the WR and submit its recommendations to the ManCom and/or the Board.

13.4. **Monitoring.** – The SIMC shall submit to ManCom a quarterly status report of all WRs with the corresponding actions taken thereon.

14. **Final Actions on Whistleblowing Reports.** – In cases of WRs against the SB Corp., its Directors, officers, and employees, the SB Corp. may pursue any of the following actions:

- (i) Dismiss the whistleblowing report for want of palpable merit;
- (ii) Submit a formal recommendation to the Board of Directors for the discipline of respondent Officer;
- (iii) Submit a formal recommendation to the Board of Directors for the suspension of the respondent Appointive Director;
- (iv) Submit a formal recommendation to the President for the removal of the respondent Appointive Director;
- (v) Indorse to the proper Government Agency, such as the Office of the Ombudsman, the pursuit of the criminal and/or administrative processes against the respondents;
- (vi) Enjoin the Board of Directors and Management to comply with applicable laws or jurisprudence and/or to undertake corrective measures to address the matters raised in the complaint; and
- (vii) Consider the WR closed and terminated if the response of the respondent is found to be adequate.



CORPORATE SOCIAL RESPONSIBILITY STATEMENT

Service and Development Orientation

We commit ourselves to the service of the MSMEs, the government and the public at large in the implementation of programs and projects that contribute to the country's socio-economic growth and development. We shall remain steadfast to principles of prudence, accountability and sustainability in the management of our corporate affairs as public enterprise. We shall likewise continually improve our productivity as an organization by adopting new and better ways of doing business, creating innovative solutions and strategies, and reducing wastage in the use of government resources.



Social Consciousness and Responsibility

We strive to remain sensitive and responsive to the needs and demands of the public where delivery of public good and services is concerned.



Concern for the Environment

We commit ourselves to environmental protection and sustainable development and shall continually work to integrate and implement environmental consideration into our policies, operations, products and services.



QUALITY POLICY

We at the SB Corp commit to empower MSMEs to access financing and capacity building services and become sustainable and viable businesses.

We adhere to the highest standards of service excellence by complying with the QMS requirements of the ISO 9001 and the observance of good governance principles.

We commit to engage in a progressive program and process improvement – identifying gaps and bottlenecks and implementing updated solutions in the timely delivery of financing and capacity building services.

We shall manage our resources optimally, enhance communication throughout the organization, standardize processes, and exercise informed decision-making based on objective facts and data.

We shall consistently provide services that meet the customer's needs and stakeholders' expectations. In all these, we aim to enhance citizen satisfaction.

We commit to continually improve our service effectiveness and efficiency with transparency, accountability, and integrity.





REPUBLIC OF THE PHILIPPINES
COMMISSION ON AUDIT
COMMONWEALTH AVENUE, QUEZON CITY, PHILIPPINES

ANNUAL AUDIT REPORT
ON THE



SMALL BUSINESS GUARANTEE AND FINANCE CORPORATION

FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014




STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS


The management of Small Business Guarantee and Finance Corporation is responsible for all information and representations contained in the statements of financial position, statements of comprehensive income, statements of changes in equity and statements of cash flow as of December 31, 2015 and 2014. These financial statements have been prepared in conformity with Philippine Financial Reporting Standards and reflect amounts that are based on the best estimates and informed judgment of management with an appropriate consideration to materiality.


In this regard, management maintains a system of accounting and reporting which provides for the necessary internal controls to ensure that transactions are properly authorized and recorded, assets are safeguarded against unauthorized use or disposition and liabilities are recognized.

The Board of Directors review the financial statements before such statements are approved and submitted to the stockholders of the company.

The Commission on Audit (COA), has audited the financial statements of the Company in accordance with auditing standards generally accepted in the Philippines and has expressed their opinion on the fairness of presentation upon completion of such audit, in their report to the stockholders and Board of Directors.


MELVIN E. ABANTO
OIC-President/ CEO


ALFREDO S. DIMACULANGAN
Head-Resource Management Sector

RECEIVED - COA - SBGFC
DATE: 4-4-16 / 

Date: March 30, 2014

AUDITED FINANCIAL STATEMENTS

INDEPENDENT AUDITOR'S REPORT

THE BOARD OF DIRECTORS

Small Business Corporation
(*Small Business Guarantee and Finance Corporation*)
Makati City

Report on the Financial Statements

We have audited the accompanying financial statements of Small Business Corporation (SBC), which comprise the statements of financial position as at December 31, 2015 and 2014, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Philippine Public Sector Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of SBC as at December 31, 2015 and 2014, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards.

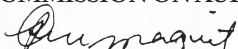
Emphasis of Matter

Without qualifying our opinion, we draw our attention to Note 16, stating that in 2014, as in previous years, the Corporation applied the Black-Scholes Option Model which resulted in financial assets at fair value through profit or loss of P242.824 million as at December 2014 and a total accumulated unrealized loss on derivative valuation of P53.438 million net of P1.877 million recovery from the National Government during the years. It was also stated in Note 16 that SBC restated its 2014 audited financial statement to reflect a comparative valuation amount and its effect on certain accounts affected by the change in the valuation procedure from Black-Scholes Option Model to Garman Kohlhagen Model which resulted to a financial liability at fair value through profit or loss of P100.425 million. The effect of the unrealized loss on such change in the financial statements of SBC will still be evaluated in the 2016 audit of SBC transactions.

Report on Other Legal and Regulatory Requirements

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information in Note 21 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such supplementary information is the responsibility of the Management of SBC. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

COMMISSION ON AUDIT


REBECCA A. DUMAGUIT
State Auditor V
Supervising Auditor

March 14, 2016

Small Business Corporation

STATEMENTS OF FINANCIAL POSITION

December 31, 2015 and 2014

(In Philippine Peso)

Particulars	Notes	2015	2014 (As Restated)
ASSETS			
Current Assets			
Cash and cash equivalents	5	155,908,905	147,087,807
Short-term held-to-maturity investments	6	330,486,856	92,548,042
Due from banks and other financing institutions - net, current portion	7	1,154,351,448	1,651,841,067
Loans and receivables - net, current portion	8	1,041,116,863	523,146,569
		2,681,864,072	2,414,623,485
Non-Current Assets			
Long-term held-to-maturity investments	6	1,231,810,309	1,671,774,035
Due from banks and other financing institutions - net of current portion	7	244,344,754	64,459,454
Loans and receivables - net of current portion	8	291,892,548	361,747,159
Investment in equity instrument - net	9	14,472,500	15,091,575
Investment property - net	10	106,139,868	136,942,115
Property and equipment - net	11	74,716,305	79,611,769
Deferred tax assets	12, 21	110,019,541	94,953,517
Other assets	13	22,044,343	21,655,384
		2,095,440,168	2,446,235,008
TOTAL ASSETS		4,777,304,240	4,860,858,493
LIABILITIES AND EQUITY			
Current Liabilities			
Notes payable – current portion	14	1,135,026,412	1,143,848,948
Long-term liabilities - current portion	15	91,606,906	84,824,936
Other current liabilities	17	79,041,068	70,317,824
		1,305,674,386	1,298,991,708
Non-Current Liabilities			
Notes payable – net of current portion	14	53,003,230	31,546,378
Long-term liabilities – net of current portion	15	1,146,043,996	1,235,225,885
Financial liabilities at fair value through profit or loss	16	100,425,449	93,032,678
		1,299,472,675	1,359,804,941
TOTAL LIABILITIES		2,605,147,061	2,658,796,649
EQUITY	18	2,172,157,179	2,202,061,844
TOTAL LIABILITIES AND EQUITY		4,777,304,240	4,860,858,493

The Notes on pages 28 to 41 form part of these financial statements.

Small Business Corporation

STATEMENTS OF COMPREHENSIVE INCOME

For the Years Ended December 31, 2015 and 2014

(In Philippine Peso)

	Notes	2015	2014 (As Restated)
INCOME			
Interest income from loans and receivables	7,8	208,424,569	199,395,056
Investment income	5,6	80,990,167	91,193,426
Guarantee fees	2.13 (c)	1,351,957	2,142,140
Other operating income		26,874,072	20,489,037
		317,640,765	313,219,659
FINANCE COST			
Interest expense on notes payable and other long-term borrowings	14, 15	38,664,086	55,349,810
		38,664,086	55,349,810
INCOME BEFORE PROVISION FOR IMPAIRMENT OF LOANS			
Provision for impairment of loans	3.3	278,976,679	257,869,849
		174,070,778	133,558,783
		104,905,901	124,311,066
OTHER INCOME (LOSS)			
Subsidy income from National Government	19	90,105,877	96,767,781
Other income		22,035,754	25,666,060
Realized foreign exchange gain (loss)		(2,163,402)	898,931
		109,978,229	123,332,772
EXPENSES			
Administrative expenses	20	198,614,502	184,988,755
Other expenses			
Impairment loss on ROPA		702,663	6,395
Litigation expenses		291,563	208,971
Foreclosure and acquired assets expenses		1,855,062	2,149,799
		201,463,790	187,353,920
INCOME BEFORE UNREALIZED GAINS (LOSSES)		13,420,340	60,289,918
UNREALIZED GAIN (LOSS)			
Unrealized gain (loss) on foreign exchange translation		(4,015,770)	168,524,396
		(44,044,430)	(440,119,121)
Unrealized gain (loss) on derivative valuation		(48,060,200)	(271,594,725)
		(34,639,860)	(211,304,807)
INCOME (LOSS) BEFORE INCOME TAX		-	-
INCOME TAX EXPENSE	2.16, 21	14,764,529	10,734,096
Current		14,764,529	10,734,096
Deferred		-	-
NET INCOME (LOSS)		(19,875,331)	(200,570,711)

The Notes on pages 28 to 41 form part of these financial statements.

Small Business Corporation

STATEMENTS OF CHANGES IN EQUITY

For the Years Ended December 31, 2015 and 2014

(In Philippine Peso)

	Notes	CAPITAL STOCK		Additional paid-in capital 18.2	RETAINED EARNINGS			Total
		Common Shares (18.1)	Preferred Shares (18.1)		Valuation Reserve (FVTPL) 16	Appropriated 18.1	Unappropriated 18.1	
BALANCE AT DECEMBER 31, 2014 AS PREVIOUSLY REPORTED		1,519,902,000	400,000,000	79,510,460	242,824,008	280,673,100	27,035,959	2,549,945,527
Restatement charges	16							
To close balance of derivative valuation using Black-Scholes Option Model		-	-	-	(242,824,008)	-	-	(242,824,008)
To set up balance of derivative valuation using Garman Kohlhagen Model		-	-	-	(93,032,678)	-	-	(93,032,678)
To capitalize Prepaid FXRC fees in 2014		-	-	-	-	-	(5,410,906)	(5,410,906)
Correction of deferred tax assets		-	-	-	-	-	(6,616,091)	(6,616,091)
Net adjustments		-	-	-	(335,856,686)	-	(12,026,997)	(347,883,683)
BALANCE AT DECEMBER 31, 2014 AS RESTATED		1,519,902,000	400,000,000	79,510,460	(93,032,678)	280,673,100	15,008,962	2,202,061,844
Declaration of cash dividend		-	-	-	-	-	(5,458,366)	(5,458,366)
Net change in derivative valuation for the year		-	-	-	(7,392,771)	-	7,392,771	-
Expired MCIT during the year		-	-	-	-	-	(4,570,968)	(4,570,968)
Net income (loss)		-	-	-	-	-	(19,875,331)	(19,875,331)
BALANCE AT DECEMBER 31, 2015		1,519,902,000	400,000,000	79,510,460	(100,425,449)	280,673,100	(7,502,932)	2,172,157,179

The Notes on pages 28 to 41 form part of these financial statements.

Small Business Corporation
**STATEMENTS OF
CASH FLOWS**
For the Years Ended December 31, 2015 and 2014
(In Philippine Peso)

	Notes	2015	2014 (As Restated)
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash inflows:			
Interest on loans		187,762,396	183,859,717
Interest on investments		85,772,107	89,152,223
Guarantee fees	2.13 (c)	1,333,430	2,058,773
Other income		16,964,260	15,771,765
Collections of employees loan		5,921,443	7,182,308
Advances/Refund from suppliers and creditors		89,029,399	24,170,432
Collection of loans		1,795,709,712	2,339,757,278
Payment received lodged under "Undistributed Collections"	17	1,806,903	2,078,273
Gain on foreign exchange		3,063	1,558,664
		2,184,302,713	2,665,589,433
Cash outflows:			
Payment of operating expenses	20	94,608,175	111,037,975
Advances to suppliers and creditors		89,635,553	72,230
Loans granted to employees		5,736,238	9,124,337
Loans granted to borrowers	7,8	2,029,450,805	2,074,537,536
Loss on foreign exchange		2,166,464	659,732
		2,221,597,235	2,195,431,810
Net cash provided by (used in) operating activities		(37,294,522)	470,157,623
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash inflows:			
Proceeds from held-to maturity-investment	6	327,505,451	469,543,130
Proceeds from disposal of investment property (ROPA)	10	4,553,204	3,800,297
Proceeds from sale of disposed assets (PE)	11	67,696	43,334
		332,126,351	473,386,761
Cash outflows:			
Placement of held-to maturity-investment	6	130,516,861	428,645,601
Purchase of property and equipment (PE)	11	3,167,647	3,136,257
Investment in equity instruments	9	1,880,000	7,880,000
Foreclosed property	10	2,197,282	4,790,907
		137,761,790	444,452,765
Net cash provided by (used in) investing activities		194,364,561	28,933,996
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash Inflows:			
Issuance of MSME Notes to banks and other financial institutions	14	769,250,000	585,523,547
Proceeds from foreign loans	15	-	9,645,753
		769,250,000	595,169,300
Cash Outflows:			
Payment of foreign loans	15	86,415,689	698,226,176
Payment of interest on loans and other finance costs	14, 15	73,354,602	107,247,831
Payment of matured MSME Notes	14	757,728,650	648,711,588
		917,498,941	1,454,185,595
Net cash provided by (used in) financing activities		(148,248,941)	(859,016,295)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		8,821,098	(359,924,676)
Cash and cash equivalents, beginning		147,087,807	507,012,483
CASH AND CASH EQUIVALENTS, ENDING		155,908,905	147,087,807

The Notes on pages 28 to 41 form part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

December 31, 2015 and 2014

(All amounts in Philippine Peso unless otherwise stated)

1. GENERAL INFORMATION

The Small Business Corporation (SBC) is a government corporation created on January 24, 1991 by virtue of Section 11 of Republic Act (RA) No. 6977, amended on May 6, 1997 by RA No. 8289, otherwise known as Magna Carta for Small and Medium Enterprises. SBC is under the policy program and administrative supervision of the Micro, Small and Medium Enterprise Development (MSMED) Council of the Department of Trade and Industry (DTI), the primary agency responsible for the promotion and development of small and medium enterprises in the country.

On May 23, 2008, the President of the Philippines signed into law RA No. 9501, entitled "An Act to Promote Entrepreneurship by Strengthening Development and Assistance Programs to Micro, Small and Medium Scale Enterprises Amending for the Purpose Republic Act No. 6977, as amended, otherwise known as the 'Magna Carta for Small and Medium Enterprises' and for other purposes". The law, among others, increased the Corporation's authorized capital stock from P5 billion to P10 billion.

Section 11 of RA No. 9501 states that:

"Creation of Small Business Guarantee and Finance Corporation – There is hereby created a body corporate to be known as the Small Business Guarantee and Finance Corporation, hereinafter referred to as the Small Business Corporation (SB Corporation), which shall be charged with the primary responsibility of implementing comprehensive policies and programs to assist MSMEs in all areas, including but not limited to finance and information services, training and marketing."

The principal office of the SBC is at 139 Corporate Center, 139 Valero St., Salcedo Village, Makati City. It has four area offices, one unit office and 15 desk offices within the Philippines and has 134 and 137 regular employees for the calendar years 2015 and 2014, respectively.

The financial statements of the SBC as of and for the year ended December 31, 2015 (including the comparative financial statements as of and for the year ended December 31, 2014) were authorized for issue by the Corporation's Board of Directors (BOD) on April 12, 2016.

2. SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of financial statements preparation

(a) Statement of Compliance with Philippine Financial Reporting Standards

The accompanying Financial Statements of SBC for the years ended December 31, 2015 and 2014 have been prepared by applying accounting policies in accordance with the Philippine Financial Reporting Standards (PFRS). PFRS are issued by the Financial Reporting Standards

Council (FRSC) and approved by the Philippine Board of Accountancy (BOA) based on International Financial Reporting Standards issued by the International Accounting Standards Board (IASB).

The financial statements have been prepared using the measurement bases specified by PFRS for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies that follow.

(b) Presentation of Financial Statements

The financial statements are presented in accordance with Philippine Accounting Standard (PAS) 1, Presentation of Financial Statements. The Corporation presents all items of income and expenses in a single statement of comprehensive income.

(c) Functional and Presentation Currency

These financial statements are presented in Philippine pesos, the Corporation's functional and presentation currency, and all values represent absolute amounts except when otherwise indicated.

Items included in the financial statements of the Corporation are measured using its functional currency. Functional currency is the currency of the primary economic environment in which the Corporation operates.

2.2 Adoption of new and amended PFRS

(a) Effective in 2015 that are Relevant to the Corporation

The Corporation adopted for the first time the following amendment and annual improvements to PFRS, which are mandatorily effective for annual periods beginning on or after July 1, 2014, for its annual reporting period beginning January 1, 2015:

PAS19 (Amendment):	Employee Benefits – Defined Benefit Plans – Employee Contributions
Annual Improvements:	Annual Improvements to PFRS (2010-2012 Cycle) and PFRS (2011-2013 Cycle)

Discussed below are the relevant information about these amendment and improvements.

- (i) PAS 19 (Amendment), *Employee Benefits – Defined Benefit Plans – Employee Contributions*. The amendment clarifies that if the amount of the contributions to defined benefit plans from employees or third parties is dependent on the number of years of service, an entity shall attribute the contributions to periods of service using the same attribution method (i.e., either using the plan's contribution formula or on a straight-line basis) for the gross benefit. The amendment did not have a significant

impact on the Corporation's financial statements since the Corporation's defined benefit plan does not require employees or third parties to contribute to the benefit plan.

- (ii) *Annual Improvements to PFRS.* Annual improvements to PFRS (2010-2012 Cycle) and PFRS (2011-2013 Cycle) made minor amendments to a number of PFRS. Among those improvements, the following amendments are relevant to the Corporation but had no material impact on the Corporation's financial statements as these amendments merely clarify the existing requirements:

Annual Improvements to PFRS (2010-2012 Cycle)

- PAS 16 (Amendment), *Property, Plant and Equipment* and PAS 38 (Amendment), *Intangible Assets*. The amendments clarify that when an item of property, plant and equipment and intangible assets is revalued, the gross carrying amount is adjusted in a manner that is consistent with a revaluation of the carrying amount of the asset.
- PAS 24 (Amendment), *Related Party Disclosures*. The amendment clarifies that an entity providing key management services to a reporting entity is deemed to be a related party of the latter. It also clarifies that the information required to be disclosed in the financial statements are the amounts incurred by the reporting entity for key management personnel services that are provided by a separate management entity and not the amounts of compensation paid or payable by the management entity to its employees or directors.

Annual Improvements to PFRS (2011-2013 Cycle)

- PFRS 13 (Amendment), *Fair Value Measurement*. The amendment clarifies that the scope of the exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis (the portfolio exception) applies to all contracts within the scope of and accounted for in accordance with PAS 39, *Financial Instruments: Recognition and Measurement*, or PFRS 9, *Financial Instruments*, regardless of whether they meet the definition of financial assets or financial liabilities as defined in PAS 32, *Financial Instruments: Presentation*.
- PAS 40 (Amendment), *Investment Property*. The amendment clarifies the interrelationship of PFRS 3, *Business Combinations* and PAS 40 in determining the classification of property as an investment property or owner-occupied property, and explicitly requires an entity to use judgment in determining whether the acquisition of an investment property is an acquisition of an asset or a group of asset in accordance with PAS 40 or a business combination in accordance with PFRS 3.

(b) *Effective in 2015 that are not Relevant to the Corporation*

The following annual improvements to PFRS are mandatory for accounting periods beginning on or after July 1, 2014 but are not relevant to the Corporation's financial statements:

PFRS (2010-2012 Cycle)	
PFRS 2 (Amendment):	Share-based Payment – Definition of Vesting Condition
PFRS 3 (Amendment):	Business Combinations – Accounting for Contingent Consideration in a Business Combination

PFRS 8 (Amendments):	Operating Segments – Aggregation of Operating Segments, and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets
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PFRS (2011-2013 Cycle)

PFRS 3 (Amendment):	Business Combinations – Scope Exceptions for Joint Ventures
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(c) *Effective Subsequent to 2015 but not Adopted Early*

There are new PFRS, amendments and annual improvements to existing standards effective for annual periods subsequent to 2015 which are adopted by the FRSC. Management will adopt the following relevant pronouncements in accordance with their transitional provisions; and, unless otherwise stated, none of these are expected to have significant impact on the Corporation's financial statements:

- (i) PAS 1 (Amendment), *Presentation of Financial Statements – Disclosure Initiative* (effective from January 1, 2016). The amendment encourages entities to apply professional judgment in presenting and disclosing information in the financial statements. Accordingly, it clarifies that materiality applies to the whole financial statements and an entity shall not reduce the understandability of the financial statements by obscuring material information with immaterial information or by aggregating material items that have different natures or functions. Moreover, the amendment clarifies that an entity's share of other comprehensive income of associates and joint ventures accounted for using equity method should be presented based on whether or not such other comprehensive income item will subsequently be reclassified to profit or loss. It further clarifies that in determining the order of presenting the notes and disclosures, an entity shall consider the understandability and comparability of the financial statements.
- (ii) PAS 16 (Amendment), *Property, Plant and Equipment*, and PAS 38 (Amendment), *Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortization* (effective from January 1, 2016). The amendment in PAS 16 clarifies that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate for property, plant and equipment. In addition, amendment to PAS 38 introduces a rebuttable presumption that an amortization method that is based on the revenue generated by an activity that includes the use of an intangible asset is not appropriate, which can only be overcome in limited circumstances where the intangible asset is expressed as a measure of revenue, or when it can be demonstrated that revenue and the consumption of the economic benefits of an intangible asset are highly correlated. The amendment also provides guidance that the expected future reductions in the selling price of an item that was produced using the asset could indicate an expectation of technological or commercial obsolescence of an asset, which may reflect a reduction of the future economic benefits embodied in the asset.
- (iii) PAS 16 (Amendment), *Property, Plant and Equipment*, and PAS 41 (Amendment), *Agriculture – Bearer Plants* (effective from January 1, 2016). The amendment defines a bearer plant as a living plant that is used in the production or supply of agricultural produce, is expected to bear produce for more than one period and has a remote likelihood of being sold as agricultural produce, except for incidental scrap sales. On this basis, bearer plant is now included within the scope of PAS 16 rather than PAS 41, allowing such assets to be accounted for as property, plant and equipment and to be measured

after initial recognition at cost or revaluation basis in accordance with PAS 16. The amendment further clarifies that produce growing on bearer plants remains within the scope of PAS 41.

- (iv) PAS 27 (Amendment), *Separate Financial Statements –Equity Method in Separate Financial Statements* (effective from January 1, 2016). This amendment introduces a third option which permits an entity to account for its investments in subsidiaries, joint ventures and associates under the equity method in its separate financial statements in addition to the current options of accounting those investments at cost or in accordance with PAS 39 or PFRS 9. As of the end of the reporting period, the Corporation has no plan to change the accounting policy for its investments in its subsidiaries and associates.
- (v) PFRS 10 (Amendment), *Consolidated Financial Statements*, PFRS 12, *Disclosure of Interests in Other Entities*, and PAS 28 (Amendment), *Investments in Associates and Joint Ventures–Investment Entities – Applying the Consolidation Exception*(effective from January 1, 2016). This amendment addresses the concerns that have arisen in the context of applying the consolidation exception for investment entities. It clarifies which subsidiaries of an investment entity are consolidated in accordance with paragraph 32 of PFRS 10 and clarifies whether the exemption to present consolidated financial statements, set out in paragraph 4 of PFRS 10, is available to a parent entity that is a subsidiary of an investment entity. This amendment also permits a non-investment entity investor, when applying the equity method of accounting for an associate or joint venture that is an investment entity, to retain the fair value measurement applied by that investment entity associate or joint venture to its interests in subsidiaries.
- (vi) PFRS 10 (Amendment), *Consolidated Financial Statements*, and PAS 28 (Amendment), *Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associates or Joint Venture* (effective from January 1, 2016). The amendment to PFRS 10 requires full recognition in the investor's financial statements of gains or losses arising from the sale or contribution of assets that constitute a business as defined in PFRS 3 between an investor and its associate or joint venture. Accordingly, the partial recognition of gains or losses (i.e., to the extent of the unrelated investor's interests in an associate or joint venture) only applies to those sale of contribution of assets that do not constitute a business. Corresponding amendment has been made to PAS 28 to reflect these changes. In addition, PAS 28 has been amended to clarify that when determining whether assets that are sold or contributed constitute a business, an entity shall consider whether the sale or contribution of those assets is part of multiple arrangements that should be accounted for as a single transaction.
- (vii) PFRS 9 (2014), *Financial Instruments* (effective from January 1, 2018). This new standard on financial instruments will eventually replace PAS 39 and PFRS 9 (2009, 2010 and 2013 versions). This standard contains, among others, the following:
 - Three principal classification categories for financial assets based on the business model on how an entity is managing its financial instruments;
 - An expected loss model in determining impairment of all financial assets that are not measured at fair value through profit or loss (FVTPL), which generally depends on whether there has been a significant increase in credit risk since initial recognition of a financial asset; and

- A new model on hedge accounting that provides significant improvements principally by aligning hedge accounting more closely with the risk management activities undertaken by entities when hedging their financial and non-financial risk exposures.

In accordance with the financial asset classification principle of PFRS 9 (2014), a financial asset is classified and measured at amortized cost if the asset is held within a business model whose objective is to hold financial assets in order to collect the contractual cash flows that represent solely payments of principal and interest (SPPI) on the principal outstanding. Moreover, a financial asset is classified and subsequently measured at fair value through other comprehensive income if it meets the SPPI criterion and is held in a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets. All other financial assets are measured at FVTPL.

In addition, PFRS 9 (2014) allows entities to make an irrevocable election to present subsequent changes in the fair value of an equity instrument that is not held for trading in other comprehensive income.

The accounting for embedded derivatives in host contracts that are financial assets is simplified by removing the requirement to consider whether or not they are closely related, and, in most arrangements, does not require separation from the host contract.

For liabilities, the standard retains most of the PAS 39 requirements which include amortized cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The amendment also requires changes in the fair value of an entity's own debt instruments caused by changes in its own credit quality to be recognized in other comprehensive income rather than in profit or loss.

The Corporation does not expect to implement and adopt any version of PFRS 9 until its effective date. In addition, management is currently assessing the impact of PFRS 9 on the financial statements of the Corporation and it will conduct a comprehensive study of the potential impact of this standard prior to its mandatory adoption date to assess the impact of all changes.

- (viii) *Annual Improvements to PFRS (2012–2014 Cycle)* (effective from January 1, 2016). Among the improvements, the following amendments are relevant to the Corporation but management does not expect these to have material impact on the Corporation's financial statements:

- PFRS 5 (Amendment), *Non-current Assets Held for Sale and Discontinued Operations*. The amendment clarifies that when an entity reclassifies an asset (or disposal group) directly from being held for sale to being held for distribution (or vice-versa), the accounting guidance in paragraphs 27–29 of PFRS 5 does not apply. It also states that when an entity determines that the asset (or disposal group) is no longer available for immediate distribution or that the distribution is no longer highly probable, it should cease held-for-distribution accounting and apply the guidance in Paragraphs 27 to 29 of PFRS 5.
- PFRS 7 (Amendment), *Financial Instruments – Disclosures*. The amendment provides additional guidance to help entities identify the circumstances under which a contract to “service” financial assets is considered to be a continuing involvement in those assets for the purposes of applying the disclosure requirements of PFRS 7. Such circumstances

commonly arise when, for example, the servicing is dependent on the amount or timing of cash flows collected from the transferred asset or when a fixed fee is not paid in full due to non-performance of that asset.

- PAS 19 (Amendment), *Employee Benefits*. The amendment clarifies that the currency and term of the high quality corporate bonds which were used to determine the discount rate for post-employment benefit obligations shall be made consistent with the currency and estimated term of the post-employment benefit obligations.

2.3 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and in banks, working funds, demand deposits, with short-term, highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value, having been within three months of maturity when placed or acquired.

2.4 Financial assets

The Corporation classifies its financial assets in the following categories: (a) financial assets at fair value through profit or loss; (b) held-to-maturity investments; and (c) loans and receivable. Management determines the classification of its investments at initial recognition and where appropriate, re-evaluates such classification at every reporting date. When financial assets are recognized initially, they are measured at fair value, plus directly attributable transaction costs in the case of investments not measured at fair value through profit or loss.

(a) Held-to-maturity (HTM) Investments

HTM investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Corporation's management has the positive intention and ability to hold to maturity. These investments are carried at amortized cost using the effective interest rate method, less impairment in value. Gains and losses are recognized in the income statement when the HTM are derecognized and impaired, as well as through the amortization process.

(b) Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These are initially recognized at fair value. After initial measurement, these are subsequently measured at amortized cost using the effective interest method less provision for impairment. The amortization is included under interest income from loans and receivables in the statement of comprehensive income. The losses arising from impairment/allowance for doubtful accounts are recognized in the statement of comprehensive income.

(c) Financial Assets at Fair Value through Profit or Loss

The currency risk of the Corporation on account of its foreign currency denominated borrowings is covered by the National Government through the Department of Finance (DOF) via a foreign exchange risk cover throughout the life of the loan at a cost of three per cent per annum on the outstanding balance. This is recorded in the books as derivative assets with fixed maturities whose value changes in response to the change in specific interest rate, financial instrument price, foreign exchange rate, index of prices of rates. For valuation purposes, the Corporation adopts the currency option using the Garman Kohlhagen Model as its pricing valuation model. Changes in fair value are recognized in the statement of comprehensive income.

Acquisition and disposal of financial assets are recognized on the transaction date – the date on which the Corporation commits to acquire or dispose the asset. Loans and receivables are recognized when cash is advanced for direct loans to banks and individual borrowers.

2.5 Financial liability

Financial liabilities include bank loans, trade and other payables, and due to government agencies/institutions.

Financial liabilities are recognized when the Corporation becomes a party to the contractual agreements of the instrument. All interest and related charges are recognized as an expense in the statement of comprehensive income under the caption "Finance Cost" while the foreign exchange risk cover fee is capitalized under "Financial Assets at Fair Value through Profit or Loss."

Bank loans are raised for support of short and long-term funding of operations. They are recognized at proceeds received, net of direct issue costs. Finance charges, including direct issue costs, are charged to profit or loss on an accrual basis using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Notes payable are obligations of SBC to various financial institutions arising from its issuance of MSME Notes in the nature of promissory notes deemed as alternative compliance to the mandatory allocation provision under Section 13 of RA No. 6977 as amended by RA Nos.8289 and 9501.

Trade payables are recognized initially at their nominal value and subsequently measured at amortized cost less settlement payments.

Dividend distributions to the stockholders are recognized as financial liabilities.

2.6 Impairment of assets

Assets are impaired if carrying amount exceeds the amount to be recovered through use or sale of the asset. An assessment is made at each statement of financial position date whether there is objective evidence that a specific financial or non-financial asset maybe impaired. If such evidence exists, any impairment loss is recognized in the statement of comprehensive income.

(a) Impairment of Financial Assets

If there is evidence that an impairment loss on loans and receivables carried at amortized cost has been incurred, the amount of loss is measured as the difference between the carrying amount and the present value of estimated cash flows discounted at the original effective interest rate. The carrying amount of the asset shall be reduced either directly or through the use of allowance account. The amount of loss is charged to the statement of comprehensive income.

If in subsequent year, the amount of impairment loss decreases because of the event occurring after the impairment is recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of the impairment loss is recognized in the statement of comprehensive income.

(b) Impairment of Non-financial Assets

Where an indicator of impairment exists, the Corporation makes a formal estimate of recoverable amount. An asset's recoverable amount is the higher of an asset's cash generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent

of those from other assets or group of assets Impairment losses are recognized in the statement of comprehensive income in those expenses categories consistent with the function of the impaired assets.

2.7 Derecognition of financial instruments

(a) Financial Assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- The rights to receive cash flows from the asset have expired;
- The Corporation retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a “pass-through” arrangement; or
- The Corporation has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Corporation has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Corporation’s continuing involvement in the asset.

(b) Financial Liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or had expired.

2.8 Investment in equity instruments

The Corporation invests for current income, capital appreciation, development impact, or all three. The Corporation does not take operational, controlling, or strategic positions with its investees. Equity investments are acquired through direct ownership of equity instruments of investees and are recorded at cost as at date when the investor entity becomes a party to the contractual provisions of the instrument.

If there is objective evidence that an impairment loss has been incurred on the equity instrument, the amount of impairment is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

2.9 Investment property

Investment property are booked initially at the carrying amount of the loan (outstanding loan balance less allowance for credit losses computed based on PAS 39, *Financial Instruments: Recognition and Measurement* provisioning requirements, which take into account the fair value of the collateral) plus booked accrued interest less allowance for credit losses (computed based on PAS 39 provisioning requirements) plus transaction costs incurred upon acquisition. Subsequently, the carrying amount of the acquired assets is subject to depreciation and impairment testing (computed based on PAS 36, *Impairment of Assets*) reckoning from the time of acquisition. Transaction costs including taxes such as capital gains tax and documentary stamp tax paid by the Corporation are capitalized as part of cost.

Buildings and other non-financial assets are depreciated over the remaining useful life of the assets, which shall not exceed ten years and three years from the date of acquisition, respectively.

Expenditures incurred to protect and maintain these investment properties, such as real estate taxes, insurance, repairs and maintenance costs, are normally charged against current operation in the period in which cost is incurred.

Investment property are derecognized when they have either been disposed of or when the investment properties are permanently withdrawn from use and no future benefit is expected from their disposal. Any gains or losses on retirement or disposal of an investment property are recognized in the statement of comprehensive income in the year of retirement or disposal.

2.10 Property and equipment

The Corporation’s depreciable properties are stated at cost less accumulated depreciation and any impairment in value.

The initial cost of property and equipment consists of its purchase price, including taxes and any directly attributable costs of bringing the asset to its working condition and intended use. Expenditures incurred after items of property and equipment have been put into operation, such as repairs and maintenance, are charged against operations in the year in which the costs are incurred. When property and equipment are retired or otherwise disposed of, the cost and the related accumulated depreciation and amortization are removed from the accounts, and any resulting gain or loss is reflected as income or loss in the statement of comprehensive income.

Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets (cost less residual value over useful life). Leasehold improvements are amortized over the shorter of the terms of the covering leases and the estimated useful lives of the improvements.

The estimated useful lives of the Corporation’s depreciable assets follow:

Condominium unit and leasehold improvements	10 to 30 years
Office furniture and fixtures	10 years
Business machines and equipment	5 years
Transportation equipment	7 years

The carrying values of the property and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, an impairment loss is recognized in the statement of comprehensive income.

2.11 Intangible assets

Intangible assets are stated in the financial statements at cost less accumulated amortization and any impairment in value. They comprise of software licenses, among others.

The Corporation adopted the straight-line amortization method for the intangible assets over five years. The carrying amount of the intangible assets is subject to review for impairment when events or changes in the circumstances indicate that the carrying amount might exceed their recoverable amount. Impairment losses are then included in the statement of comprehensive income.

2.12 Borrowing costs

Borrowing costs represent interest and other pertinent financial charges and costs incurred in connection with the availments of domestic and foreign borrowings. In compliance with PAS 23,

Borrowing Costs which prescribes the accounting treatment for borrowing costs, such costs are generally recognized and accrued as an expense in the period in which they are incurred.

2.13 Revenue and cost recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Corporation and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized:

(a) *Interest on Loans*

Interest income on loans are recorded as income on an accrual basis. Loan origination costs are expensed as incurred. Loan origination fees and other processing fees are recognized as income when received. The Corporation does not recognize income on loans when collectibility is in doubt or payments of interest or principal are past due in accordance with the Bangko Sentral ng Pilipinas (BSP) guidelines unless Management anticipates that collection of interest will occur in the near future.

Any interest accrued on a loan placed in non-accrual status is reversed out of income and is thereafter recognized as income only when the actual payment is received. Interest not previously recognized but capitalized as part of a debt restructuring is recorded as deferred income included in the balance sheet in payables and other liabilities, and credited to income only when the related principal is received.

(b) *Investment Income*

Interest on interest-bearing placements and securities are recognized as the interest accrues, taking into account the effective yield on such assets. This includes gains and losses from fair value measurements.

(c) *Guarantee Fees*

The Corporation extends financial guarantee facilities to its clients to provide credit enhancement for their debt securities and trade obligations. Under the terms of the guarantee, the Corporation agrees to assume responsibility for the client's financial obligations in the event of default by the client (i.e. failure to pay when payment is due). Guarantees are regarded as issued when the Corporation commits to the guarantee. This date is also the "inception" of the guarantee contract. Guarantees are regarded as outstanding when the underlying financial obligation of the client is incurred and called when the Corporation's obligation under the guarantee has been invoked.

When the guarantees are called, the amount disbursed is recorded as a guarantee paid account, and specific reserves are established based on the estimated probable loss. These reserves are included in the reserve against losses on loans in the statement of financial position. Guarantee fees are recorded as income as the stand-ready obligation to perform is fulfilled.

Cost and expenses are recognized in profit or loss upon utilization of goods or services or at the date they are incurred.

2.14 Employee benefit plan

The Corporation has a Provident Fund consisting of contributions made both by its officers and employees and the Corporation. Corporate contribution is vested to the employee after completing five years of service in the Corporation. Details of the employee benefits are discussed in Note 25.

2.15 Leases

Finance leases, which transfer to/from the Corporation substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are included as interest expense in the statement of comprehensive income.

Capital leased assets are depreciated over the shorter of the estimated useful lives of the assets or the respective lease terms.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating lease. Operating lease payments are recognized as an expense in the statement of comprehensive income on a straight-line basis over the lease term.

2.16 Income taxes

Current tax assets or liabilities comprise those claims from, or obligations to, fiscal authorities relating to the current or prior reporting period, that are uncollected or unpaid at the balance sheet date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognized as a component of tax expense in the statement of comprehensive income.

Deferred tax is provided, using the balance sheet method on temporary differences at the balance sheet date between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes. Under the balance sheet method, with certain exceptions, deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets which are recognized for all deductible temporary differences and the carry-forward of unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deferred income tax asset can be utilized.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date. Most changes in deferred tax assets or liabilities are recognized as a component of tax expense in the statement of comprehensive income. Only changes in deferred tax assets or liabilities that relate to a change in value of assets or liabilities are charged or credited directly to equity.

2.17 Functional currency and foreign currency transactions

(a) *Functional and Presentation Currency*

Items included in the financial statements of the Corporation are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The financial statements are presented in Philippine pesos, which is the Corporation's functional and presentation currency.

(b) *Transactions and Balances*

The accounting records of the Corporation are maintained in Philippine pesos. Foreign currency transactions during the year are translated into the functional currency at exchange

rates (BSP rate) which approximate those prevailing on transaction dates. Foreign currency gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of comprehensive income.

2.18 Financial risk management

The Corporation is exposed to a variety of financial risks such as market risk (including currency risk, interest rate risk and price risk), credit risk, and liquidity risk.

The financial risks are identified, measured and monitored through various control mechanisms to assess adequately the market circumstances to avoid disastrous financial consequences to the Corporation.

The Corporation's risk management policies for each financial risk factors are summarized below:

(a) Market Risk – Interest Rate Risk and Currency Risk

The Corporation measures and manages its interest rate sensitivity position to ensure its long-run earning power and build-up of its investment portfolio. Special emphasis is placed on the change in net interest income/expense that will result from possible fluctuations in interest rates, changes in portfolio mix and tenor.

The Corporation manages its currency risk against the foreign exchange rate fluctuations on its foreign currency denominated borrowings through a foreign exchange risk cover secured from the DOF at a given cost for the term of the loan.

The Corporation's exposure to market risk for changes in interest rates relates primarily to the Corporation's loans from various financial institutions.

(b) Credit risk

In view of its mandate to safeguard the interest of the public and contribute in the promotion of stability in the economy, credit risk to the Corporation is the risk that the loans granted to borrowers and/or other financial institutions will not be paid when due.

Therefore, the Corporation exercises prudence in the grant of loans over its exposures to credit risk. This is managed through the implementation of the borrower risk rating and monitoring of the loan covenants in the loan agreements. The Corporation likewise mitigates such risk through the provision of secondary source of payment (collateral).

(c) Liquidity risk

The Corporation seeks to manage its liquidity profile to be able to finance capital expenditures and service maturing debts. To cover its financing requirements, the Corporation intends to use internally generated funds and available long-term and short-term credit facilities.

As part of its liquidity risk management, the Corporation regularly evaluates its projected and actual cash flows. It also continuously assesses conditions in the financial markets for opportunities to pursue fund raising activities, in case any requirements arise. Fund raising activities may include bank loans and capital market issues.

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the financial statements in accordance with PAS/PFRS requires the Corporation to make estimates and assumptions that affect the reported amounts of resources, liabilities, income and expenses and disclosure of contingent resources and contingent liabilities. Future events may occur which will cause the assumptions used in arriving at the estimates to change.

Estimates and judgments 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. While the estimates are based on the most reliable data available, actual results, in the near term, could differ significantly from those estimates depending upon certain events and uncertainties including:

- The extent to which the Corporation can maximize the sale and recoveries from the assets it acquires as foreclosed from borrowers; and
- The probability of recovery through successful lawsuits as appropriate against relevant parties.

3.1 Contingencies

The Corporation is currently involved in various legal proceedings. The estimate of the probable costs for the resolution of these claims has been developed in consultation with counsel handling and monitoring the defense in these matters and is based upon an analysis of potential results.

The Corporation currently does not believe that these proceedings will have a material adverse effect on its financial position. It is possible, however, that future results of operations could be materially affected by the changes in the estimates.

3.2 HTM financial assets

The Corporation classifies non-derivative financial assets with fixed or determinable payments and fixed maturity as HTM investment. This classification requires significant judgment. In making this judgment, the Corporation evaluates its intention and ability to hold such investments to maturity. If the Corporation fails to keep these investments to maturity other than in certain specific circumstances, it will be required to reclassify the entire portfolio to Available for Sale (AFS) investments. The investments would therefore be measured at fair value and not at amortized cost.

3.3 Allowance for loan impairment/doubtful accounts

The Corporation reviews its loans and receivables to assess potentially uncollectible receivables annually. In determining the level of allowance, the Corporation makes judgments as to whether there is any observable development and information indicating that there is a measurable decrease in the estimated future cash flows from the loans and receivables. The Corporation observes BSP criteria and guidelines on the classification of receivables in establishing specific loan loss reserves/provisioning.

3.4 Impairment loss on investment property

The Corporation assesses impairment on assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The Corporation recognizes an impairment loss/provision for probable loss whenever the carrying amount of an asset exceeds the recoverable amount.

3.5 Estimated useful lives of property and equipment and investment property

The Corporation uses the prescribed estimated useful lives of Property and Equipment and Investment Property by the Commission on Audit.

4. EVENTS AFTER BALANCE SHEET DATE

Post year events that provide additional information about the Corporation's position at the statement of financial position date (adjusting events) are reflected in the Financial Statements. Post year events that are non-adjusting events are disclosed in the Notes to Financial Statements when material.

5. CASH AND CASH EQUIVALENTS

The account consists of the following:

	2015	2014 (As Restated)
Cash in bank	20,908,905	142,028,127
Short-term investments	135,000,000	5,059,680
	155,908,905	147,087,807

Cash in bank consists of funds deposited with government banks for payroll and corporate operating fund which earns interest at rates based on average monthly deposit balances.

Short-term investments refer to investments maturing within three months from transaction date with interest ranging from 1.4 to 1.5 per cent per annum for 2015 and 2.5 per cent per annum for 2014 (see Note 2.3).

6. HELD-TO-MATURITY (HTM) INVESTMENTS

Funds which are not yet earmarked for loan releases, operating and other administrative expenses are temporarily invested in government securities consisting of treasury bills, fixed and retail treasury bonds, and dollar time deposits with the Land Bank of the Philippines (LBP), Development Bank of the Philippines (DBP) and the Bureau of the Treasury (BTr). These investments have various maturity dates over three months from transaction date at rates ranging from 3.125 per cent per annum to 9.125 per cent per annum for 2015.

Investment in Treasury Bills – Guarantee Reserve Fund, as broken down below, represents the sinking fund equivalent of the GRF (see Note 23) as at year-end.

	2015	2014 (As Restated)
Investments in treasury bills	1,263,690,571	1,484,845,646
Investments in treasury bills – GRF	280,220,502	256,228,719
Investments in bonds	383,805	601,182
Interest receivable on investments	18,002,287	22,646,530
	1,562,297,165	1,764,322,077
Short-term	330,486,856	92,548,042
Long-term	1,231,810,309	1,671,774,035

7. DUE FROM BANKS AND OTHER FINANCING INSTITUTIONS – NET

The Corporation extends loans to banks and other financing institutions at an interest rate ranging from 3.75 per cent to 10 per cent per annum for relending under SBC special lending programs for micro, small and medium enterprises.

Details of the loan portfolio are as follows:

	2015	2014 (As Restated)
Wholesale financing	1,642,937,145	1,910,514,045
Allowance for doubtful accounts	(244,240,943)	(194,213,524)
	1,398,696,202	1,716,300,521
Current	1,154,351,448	1,651,841,067
Long-term	244,344,754	64,459,454

8. LOANS AND RECEIVABLES – NET

The account consists of the following:

	2015	2014 (As Restated)
Loans receivable – retail	977,500,674	742,891,153
Loans receivable – ERF	525,005,533	250,907,047
Loans receivable – others	81,291,774	53,577,847
Interest receivable – loans	52,070,885	41,985,777
	1,635,868,866	1,089,361,824
Allowance for doubtful accounts	(326,470,916)	(235,975,416)
	1,309,397,950	853,386,408
Guarantee paid accounts	79,268,080	76,662,989
Allowance for doubtful accounts	(78,599,193)	(73,621,433)
	668,887	3,041,556
Accounts receivable – others	23,522,574	29,345,764
Allowance for doubtful accounts	(580,000)	(880,000)
	22,942,574	28,465,764
	1,333,009,411	884,893,728
Current	1,041,116,863	523,146,569
Long-term	291,892,548	361,747,159

Loans receivable – retail carry interest rates ranging from 7.25 per cent to 16 per cent per annum as at December 31, 2015.

Loans receivable – ERF represents soft loans extended to micro and small enterprises located in calamity hit area such as those devastated by typhoon Yolanda and carry interest rate ranging from 6.0 per cent to 9.0 per cent per annum.

Guarantee paid accounts represent the amount paid by SBC to banks for the unpaid loans of its SBC guaranteed borrowers who defaulted in their regular loan amortizations to the banks concerned.

Accounts receivable – others consist of the following:

	2015	2014 (As Restated)
Agricultural Credit Policy Council (ACPC) re: Administrative fee for the Comprehensive Agricultural Loan Fund (CALF)	11,600,000	17,600,000
Participating financial institution's share in expenses relative to foreclosure in the management of acquired assets	11,922,574	11,745,764
	23,522,574	29,345,764

ACPC re: CALF represents unclaimed administrative fees as at June 1, 2001 from ACPC for the CALF which was transferred to Quedan and Rural Credit Guarantee Corporation (QUEDANCOR) on June 18, 2001. Pursuant to Section 5 of Department of Agriculture (DA) Administrative Order No. 10, series of 2001, the transfer of said CALF carries an obligation of QUEDANCOR, attached as a colatilla, to answer for the liability of such fund in accordance with the Memorandum of Agreement (MOA) between DA-ACPC and the GFSME (now SBC), that is the payment of administrative fees.

9. INVESTMENT IN EQUITY INSTRUMENTS - NET

The account represents the Corporation's Equity Ventures Program, an equity financing program for Small and Medium Enterprises (SMEs) which calls for the participation of a private sector venture or equity capital company which will match the investment of the Corporation in selected SME corporations.

The Corporation, in cooperation with various SME corporations invested P8,760,000 in preferred shares and P9,937,620 in common shares holding 11.25 to 43.75 per cent ownership with minor controlling interest and returns to investments through dividends. The nature of businesses under the investment account were engaged in the manufacture of acoustic and padded fabric wall and ceiling system; Citronella Home Essences and Insect Repellent organic fertilizer manufacturing; fabrication, rental and trading of generator sets, catering and lodging house services and Seaweeds production.

This account is presented herewith net of P4,225,120 impairment provision as at December 31, 2015.

10. INVESTMENT PROPERTY - NET

The account consists of real and other properties acquired in settlement of receivables and guarantee paid accounts from borrowers. Details are as follows:

	2015	2014 (As Restated)
Real and other properties acquired	153,451,274	179,436,973
Equity of originating financial institutions on acquired assets	(2,906,546)	(2,090,551)
Allowance for probable losses	(21,552,442)	(18,205,083)
Accumulated depreciation	(22,852,418)	(22,199,224)
	106,139,868	136,942,115

11. PROPERTY AND EQUIPMENT - NET

The account consists of the following:

	Land	Buildings/ Structures	Furniture and Other Equipment	Transport Equipment	Total
Cost					
January 1, 2015	901,623	141,928,791	29,675,842	14,457,892	186,964,148
Additions	-	492,572	3,143,014	-	3,635,586
Reclassification	-	-	(5,706,405)	-	(5,706,405)
Disposals	-	-	(115,573)	(1,553,470)	(1,669,043)
December 31, 2015	901,623	142,421,363	26,996,878	12,904,422	183,224,286
Accumulated Depreciation					
January 1, 2015	-	77,241,554	21,230,469	8,880,355	107,352,378
Additions	-	4,059,906	2,023,009	1,054,427	7,137,342
Reclassification	-	-	(4,960,202)	(982,678)	(5,942,880)
Disposals	-	-	(38,859)	-	(38,859)
December 31, 2015	-	81,301,460	18,254,417	8,952,104	108,507,981
Net book value, December 31, 2015	901,623	61,119,903	8,742,461	3,952,318	74,716,305
Net book value, December 31, 2014	901,623	64,687,237	8,445,374	5,577,537	79,611,769

12. DEFERRED TAX ASSET

This account consists of the following:

	2015	2014
Minimum corporate income tax	11,982,130	11,680,635
Net operating loss carry over	21,521,709	39,261,645
Provision for impairment losses	46,388,067	16,101,434
Financial liability at FVTPL	30,127,635	27,909,803
	110,019,541	94,953,517

13. OTHER ASSETS

The account consists of the following:

	2015	2014
Motor vehicle lease purchase plan	12,294,131	12,297,775
Prepayments	3,103,732	3,886,511
Receivables – officers and employees	1,220,470	1,246,639
Guarantee deposit	918,619	769,993
Office supplies	306,358	346,076
Due from BMBE	169,655	198,270
Library books	-	195,736
Other assets	4,031,378	2,714,384
	22,044,343	21,655,384

14. NOTES PAYABLE/PREFERRED SHARES

The Notes payable represents the obligations of SBC to various financial institutions arising from its issuance of MSME Notes in the nature of promissory notes deemed as alternative compliance to the mandatory allocation provision under Section 13 of RA No. 6977 as amended by RA Nos. 8289 and 9501. The promissory notes carry interest rates that range from 0.91 per cent to 2.51 per cent per annum for 2015. Details of the account follow:

	2015	2014
Current portion	1,135,026,412	1,143,848,948
Non-current portion	53,003,230	31,546,378
	1,188,029,642	1,175,395,326

15. LONG-TERM LIABILITIES

The account consists of the following:

	2015	2014
Foreign currency denominated loans		
Asian Development Bank (ADB)	601,196,957	653,201,445
Kreditanstalt für Weiderrafbau (KfW)	605,370,870	635,766,300
Peso denominated loans		
International Fund for Agricultural Development (IFAD)	31,083,075	31,083,075
	1,237,650,902	1,320,050,821
Current	91,606,906	84,824,936
Non-current	1,146,043,996	1,235,225,885

The loan from ADB is a US\$25 million (JPY2.746 billion) denominated loan for Small and Medium Enterprises Development Support Project guaranteed by the Republic of the Philippines (ROP). The loan is on a 15 year term payable with a grace period of 36 months and carries an interest rate of JPY LIBOR plus 0.60 per cent per annum and a commitment fee of 0.75 per cent per annum on the unutilized portion of the loan. The conversion rate of JPY to Peso as at December 31, 2015 was at P0.4142. The loan was fully availed of in 2009.

The loan from the KfW is an €11.7 million denominated loan for the purpose of financing loan for micro, small and medium sized private enterprises located mainly in Mindanao and Visayas. The loan is guaranteed by the ROP and bears an interest rate of 0.75 per cent per annum plus a commitment fee of 0.25 per cent per annum based on the undisbursed loan amount. The loan shall be amortized on a semi-annual basis for 40 years with a principal grace period of 10 years. The conversion rate of Euro to Peso as at December 31, 2015 was at P51.741. The loan was fully availed of in 2010.

In consideration of the government guarantee and assumption of the foreign exchange risk for both loans, SBC in addition to the guarantee fee of one per cent, shall pay the National Government a foreign exchange risk cover fee of three per cent or the difference between the weighted average interest rate (WAIR) and total cost of funds (which includes ADB cost, guarantee fee and SBC's operational expense/spread), whichever is higher based on the outstanding principal balance of the loan.

As at December 31, 2015, the outstanding balance of ADB and KfW loans amounted to JPY1.530 billion and €11.700 million, respectively.

The loan from the IFAD is a subsidiary loan from the ROP in peso amount equivalent to 10 million Special Drawing Rights to finance the implementation of the Rural Micro-Enterprise Promotion Programme (RuMEPP). The loan is on a 25 year term inclusive of eight years grace period on principal repayment and carries an interest rate of 4.75 per cent per annum payable on a semi-annual basis. As at December 31, 2014 the project was already completed.

16. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial liabilities at fair value through profit or loss represents the fair value of the foreign exchange risk cover (FXRC) of the Corporation's borrowings from multilateral agencies amounting to P1.207 billion in 2015 and P1.289 billion in 2014 which is treated as derivative financial instrument.

Under a MOA between SBC and the National Government through the DOF, the latter guarantees and assumes the foreign exchange risk relating to SBC foreign currency denominated borrowings from the ADB and KfW. In consideration thereof, SBC shall pay the National Government a guarantee fee of one per cent per annum and a FXRC fee of three per cent per annum.

The fair value changes on the FXRC are reported in the statement of comprehensive income. As at December 31, 2015, the outstanding notional amount of FXRC amounted to JPY1.534 billion and €11.700 million.

In 2014, as in previous years, the Corporation applied the Black-Scholes Option Model which resulted in financial assets at fair value through profit or loss of P242,824,008 as at December 2014 and a total accumulated unrealized loss on derivative valuation of P53,438,084 net of P1,876,860 recovery from the National Government during the years.

In 2015, in compliance with a BSP directive for the SBC to subject its FXRC option valuation model validated by an independent external party, it engaged the services of SGV and Company to perform the said valuation which resulted in a recommendation for SBC to adopt the Garman Kohlhagen Model which is said to be a more appropriate valuation model under existing conditions. Hence, effective year-end 2015, the Garman Kohlhagen Model resulted to a financial liability at fair value through profit or loss of P100.4 million. As such, SBC restated its 2014 audited financial statement to reflect a comparative valuation amount and its effect on certain accounts affected by the change in the valuation procedure.

17. OTHER CURRENT LIABILITIES

The account consists of the following:

	2015	2014
Accounts payable and accrued expenses	60,452,759	49,146,770
Deferred interest income	16,781,406	19,092,781
Undistributed collection	1,806,903	2,078,273
	79,041,068	70,317,824

Accounts payable and accrued expenses pertains to payables to suppliers and those payable to other agencies such as employee/employer premiums due to the Government Service and Insurance System (GSIS), Philippine Health Insurance Corporation (PhilHealth), Home Development Mutual Fund (HDMF) and taxes due to the Bureau of Internal Revenue (BIR). This account also includes interest payable on MSME notes as well as in foreign and domestic borrowings.

Undistributed collection represents the accumulated unidentified inter-branch deposits made at SBC bank account which remains unidentified as at audit date. Proper applications of deposits are subsequently taken up in the books when identification and verification processes are duly satisfied.

18. EQUITY

The Corporation has an authorized capital stock of P10billion divided into 80 million common shares and 20 million preferred shares both with a par value of P100.00 per share. Details of its existing capital structure are as follows:

18.1 Capital structure

	2015	2014 (As Restated)
Capital stock		
<i>Common shares</i>		
National Government	804,944,300	804,944,300
LBP	393,611,500	393,611,500
DBP	218,673,100	218,673,100
Philippine National Bank	40,000,000	40,000,000
GSIS	46,673,100	46,673,100
Social Security System (SSS)	16,000,000	16,000,000
	1,519,902,000	1,519,902,000
Preferred shares		
SSS	200,000,000	200,000,000
GSIS	200,000,000	200,000,000
	400,000,000	400,000,000
	1,919,902,000	1,919,902,000
Additional paid-in capital	79,510,460	79,510,460
Retained earnings		
<i>Appropriated retained earnings</i>		
Guarantee Reserve Fund (GRF)	250,000,000	250,000,000
Appropriated for dividend	30,673,100	30,673,100
	280,673,100	280,673,100
<i>Unappropriated retained earnings (deficit)</i>	(7,502,932)	15,008,962
<i>Fair value through profit or loss reserve</i>	(100,425,449)	(93,032,678)
	172,744,719	202,649,384
	2,172,157,179	2,202,061,844

On December 13, 1993, the BOD passed Board Resolution (BR) No. 102 which provided the terms and conditions of the preferred stock, to wit: (a) with a fixed annual dividend of eight per cent; (b) with participating rights as to dividends; (c) with voting rights; (d) convertible into common stocks within ten years from date of issue at the option of the holder; (e) with redemption rights after the lapse of the ten year period from date of issue at the option of the holder. The redemption price shall be based on the adjusted book value of the stock at the time of redemption.

On September 26, 2003, the BOD passed and approved BR No. 1074 which superseded BR No. 102, series of 1993 and ratified during the 10th Annual Stockholders Meeting on January 29, 2005. The approved new features of the preferred stocks are as follows:

- Preference in the payment of dividends in accordance with the principle of equity with common stockholders in the declaration and distribution of corporate dividends;
- Preference in the claim against corporate asset in the event of dissolution or bankruptcy;
- Each share of its outstanding preferred stocks is entitled to a vote during stockholders meeting;
- Entitled to exercise its preemptive right to increase shareholdings through the equivalent unissued common shares;
- Entitled to a Board seat in accordance with Section 11 and 3 of RA No. 6977 as amended by RA No. 8289; and
- The appropriated portion of the retained earnings in the amount of P61,346,200 represents unissued shares corresponding to the cumulative dividends of the preferred shareholders (GSIS and SSS) representing its cumulative dividends from January 2002 to December 31, 2007. In 2013, the amount P30,673,100 in previously appropriated retained earnings was released to GSIS upon presentation of its certificate of acceptance.

18.2 Additional paid-in capital

The account, which first appeared in SBC audited financial statements as at December 31, 2002, represents the ten per cent excess of par for shares issued by the Corporation to the National Government for the Guarantee Fund for Small and Medium Enterprises (GFSME) assets turned over to SBC pursuant to Executive Order No. 28 dated July 30, 2001 which mandated the consolidation of GFSME and SBGFC with the latter as the surviving entity.

19. SUBSIDY INCOME – ENTERPRISE REHABILITATION PROGRAM (ERP)

The account represents the P200 million fund allocated by the National Government to SBC to support the Corporation's ERP, a special credit facility for the rehabilitation of micro and small enterprises located in hardly hit calamity areas like those devastated by typhoon Yolanda. This financial assistance is aimed to leverage the said fund by four times to be funded by the Corporation's internally generated funds. As at December 31, 2015 amount released to ERF borrowers amounted to P566 million. The fund balance of P2.3 million as at December 31, 2015 is lodged to a special credit account to support subsequent loan releases under the said program.

	2015	2014 (As Restated)
Receipts		
Beginning balance –support from NG	3,232,219	100,000,000
2015 Release (OR# 122867-A dated 09/08/15)	50,000,000	-
2015 Release (OR# 126129-A dated 12/23/15)	39,161,717	-
	92,393,936	100,000,000

	2015	2014
Expenses		
Maintenance and other operating expenses		
Contractual and other administrative services	1,389,238	696,657
Travelling expenses	594,286	2,767,630
Rental	363,544	177,200
Repairs and maintenance	221,957	211,745
Communication expense	129,810	167,635
Auditing services	-	45,370
Power, light and water	56,440	-
Supplies and materials	42,415	137,763
Printing and binding	39,200	-
Business development cost	32,693	312,272
Business promotion	13,019	23,032
Advertising and publicity	2,800	11,200
Consultancy	-	37,121
Miscellaneous expense	89,773	149,141
	2,975,175	4,736,766
Provision for probable losses	66,405,927	92,031,015
Interest expense subsidy	20,724,775	-
	90,105,877	96,767,781
Excess of receipts over expenses	2,288,059	3,232,219

20. ADMINISTRATIVE EXPENSES

This account consists of the following:

	2015	2014
Personal services		
Salaries and wages – basic	56,853,890	55,694,636
Bonus and other incentives	29,905,125	21,825,047
Provident fund employer contribution	8,020,032	8,020,126
GSIS employer contribution	6,600,825	6,698,801
Other employee benefits	5,958,147	5,943,819
Representation and transportation allowance	5,302,330	5,295,001
Employee benefits – PERA/ACA	3,316,890	3,252,645
Board fees	904,000	710,000
HDMF employer contribution	165,900	163,900
PhilHealth employer contribution	550,113	541,188
Salaries and wages – overtime pay	28,356	61,006
	117,605,608	108,206,169
Maintenance and other operating expenses		
Taxes and licenses	11,511,074	11,058,793
Security, janitorial and other contracted services	9,221,138	8,777,427
Depreciation	7,137,341	7,261,148
Extraordinary/miscellaneous expense	4,673,876	5,135,500
Communication services	3,737,750	3,641,200
Auditing services	3,354,835	3,326,203

	2015	2014
ERF expense	2,975,175	4,736,766
Power, light and water	2,750,283	2,986,716
Development cost	6,116,156	2,752,345
Repairs and maintenance	2,496,786	2,360,197
Rental	2,472,930	2,254,863
Condominium dues	2,090,262	2,144,044
Travelling expenses	2,642,961	2,132,387
Supplies, materials and printing	2,039,415	1,644,197
Insurance premiums	1,508,399	1,596,573
Training and seminars	1,144,053	1,161,256
Fuel, oil and lubricants	999,985	937,473
Business development expenses	683,990	674,215
Management and other professional fees	1,349,315	713,792
Board and committee expenses	570,070	785,553
Advertising and business promotion	1,036,049	450,106
Subscription and periodicals	66,956	81,852
Others	10,430,095	10,169,980
	81,008,894	76,782,586
	198,614,502	184,988,755

21. INCOME TAX

21.1 Regular corporate income tax

Particulars	Amount
Net income (loss) before income tax	(34,639,860)
<i>Permanent differences</i>	
Non-deductible expenses	
Provision for probable losses– ERF	66,405,927
Maintenance and other operating expense– ERF	2,975,175
Interest expense subsidy– ERF	20,724,775
Interest arbitrage limitation	25,868,704.23
Non-taxable income	-
Support from National Government	(90,105,877)
Interest income on investment/bank deposits	(81,111,367)
Accounting income subject to tax	(89,882,522.77)
<i>Temporary differences</i>	
Provision for impairment of loans/acquired properties	107,664,851
Bad debts written off	(6,709,405)
Unrealized loss	48,060,200
Taxable income before NOLCO	59,133,123.23
NOLCO	(59,133,123.23)
Taxable income after NOLCO	-

21.2 Minimum corporate income tax (MCIT)

Particulars	Amount
Income before provision for impairment loss	278,976,679
Other income	109,978,229
Gross income	388,954,908
Reconciling items	(80,984,302)
Investment in government securities	(127,065)
Interest on bank deposits and government bond	(90,105,877)
Support from National Government –ERF	(291,563)
Litigation expense	(1,855,062)
Foreclosure and acquired asset expense	25,868,704
Interest arbitrage limitations	2,163,402
Realized foreign exchange loss	243,623,145
Taxable gross income	243,623,145
MCIT rate	2%
MCIT due	4,872,463
Less: Prior year's excess credits other than MCIT	(316,769)
Creditable withholding tax	
1st quarter	(292,514)
2nd quarter	(201,518)
3rd quarter	(425,942)
4th quarter	(192,785)
Tax payments	(1,112,759)
1st quarter	139,431
2nd quarter	362,139
3rd quarter	700,304
Tax still due	2,241,061

21.3 Income tax benefit computation

Particulars	Amount
Deferred tax asset – allowance for doubtful accounts (ADA)	
2015 provision for probable loss	107,664,851
Bad debts written off for the year	6,709,405
	100,955,446
Tax rate	30%
Income tax benefit– ADA for 2015	30,286,633
Deferred tax asset – ADA, January 1, 2015	16,101,434
Deferred tax asset – ADA for 2015 (as computed above)	30,286,633
Deferred tax asset – ADA, December 31, 2015	46,388,067
Deferred tax asset – financial liability (FL) at FVTPL	
Financial liability at FVTPL, December 31, 2015	100,425,449
Tax rate	30%
Deferred tax asset – FL at FVTPL, December 31, 2015	30,127,635
Deferred tax asset, January 1, 2015	27,909,803
Deferred tax asset, December 31, 2015 (as computed above)	30,127,635
Income tax benefit–FL at FVTPL for 2015	2,217,832

21.4 MCIT and NOLCO schedules

Minimum corporate income tax					
Year Occurred	Available until	MCIT	Excess MCIT over Normal Income Tax	Expired/ Used portion of excess MCIT	Balance MCIT still allowable tax credit
2015	2018	-	4,872,463	-	4,872,463
2014	2017	3,632,353	-	-	3,632,353
2013	2016	3,477,314	-	-	3,477,314
2012	2015	4,570,968	-	4,570,968	-
Total		11,680,635	4,872,463	4,570,968	11,982,130
Net operating loss carry over					
Year Occurred	Available until	NOLCO	Applied Current Year (2014)	Expired	Balance
2013	2016	130,872,154	59,133,123	-	71,739,031
Tax rate		30%	30%		30%
DTA		39,261,646	17,739,937	-	21,521,709

21.5 Deferred tax asset schedule

The deferred tax assets relate to the following as at year-end:

	Minimum corporate income tax			
	Statement of financial position		Profit or loss	
	2015	2014	2015	2014
Deferred tax assets:				
MCIT	11,982,130	11,680,635		
NOLCO	21,521,709	39,261,645	(17,739,937)	(679,376)
Provision for impairment losses	46,388,067	16,101,434	30,286,633	12,458,330
Financial liability at FVTPL	30,127,635	27,909,803	2,217,832	(1,044,858)
Total	110,019,541	94,953,517		
Net income tax benefit			14,764,528	10,734,096

Income tax benefit for financial liability at FVTPL for 2015 was arrived based on the revised valuation model of the corporation's derivative financial instrument as at December 31, 2015 and restated as of December 31, 2014.

22. COMPLIANCE WITH REVENUE REGULATIONS

In compliance with the requirements set forth by Revenue Regulations (RR) No. 15-2010, hereunder are the information on taxes, duties and license fees paid or accrued during the taxable year 2015. The taxes and licenses paid/accrued during the year are as follows:

22.1 Withholding taxes

	2015	2014
Taxes on compensation and benefits	13,654,151	14,234,289
Value added taxes (VAT)	2,239,225	2,164,710
Expanded withholding taxes (EWT)	1,501,703	1,448,191
Gross Receipt Taxes	11,190,385	10,730,130
	28,585,464	28,577,320

These taxes, except for taxes on compensation and benefits, were remitted in the SBC's capacity as withholding agent pursuant to RR No. 17-2003 as amended by RR No. 14-2008, with SBC having been determined as one of the top 20,000 corporations and as such, was designated as a withholding agent by the BIR.

22.2 Other taxes

	2015	2014
Local		
Real estate taxes	819,262	1,316,475
Corporate community tax	10,500	10,500
National		
Capital gains taxes	212,897	1,759,560
Documentary stamp taxes	16,827,512	17,270,499
Transfer taxes	9,035	168,599
BIR annual registration	500	500
	17,879,706	20,526,133

23. CONTINGENT LIABILITY

Under the guarantee agreement executed by and between SBC and its accredited financial institutions (AFIs), the former guarantees to the latter the payment to the extent of 85 per cent of the loan balance outstanding, including unpaid interest for one repayment period, of loans extended to small and medium enterprises in case of non-repayment by the AFIs' borrower in consideration for a two per cent guarantee fee of the outstanding guarantee of the loan. As at December 31, 2015 and 2014, the Corporation's outstanding guarantees amounted to P230,419,822 and P209,257,550, respectively.

On May 26, 2006, the BOD passed and approved BR No. 1319, series of 2006 for the setting aside of the amount of P250 million as GRF to back up the Corporation's guarantee commitments on a 3 to 1 leverage ratio. The said fund was formally established in December 2007 consisting of treasury bills with various maturity dates and interest rates. The fund will be used solely to back-up calls on SBC guarantee issued to AFIs.

24. RELATED PARTY TRANSACTIONS

Section 10 of RA No. 9178, otherwise known as the "Barangay Micro Business Enterprises (BMBE)

Act of 2002" had set up an endowment fund of P300 million from the Philippine Amusement and Gaming Corporation (PAGCOR) and to be administered by the Small and Medium Enterprise Development (SMED) Council and now MSMED Council, an inter-agency body attached to the DTI. The MSMED Council designated SBC, as the Fund Manager of the BMBE Development Fund per MOA dated December 28, 2004. Total remittance of P300 million to SBC was invested in government securities and earned interest income of P138,334,664 as at December 31, 2015. A total of P10,477,465 was disbursed to the different beneficiaries identified by the MSMED Council covering the period 2004 to 2011.

Upon advice of BSP as affirmed by the Commission on Audit that the BMBE account is a trust account that should not be reported in the SBC's books, the Corporation took off from its records said account and set up a separate books of accounts for the BMBE Development Fund effective December 31, 2012.

As at December 31, 2015, the BMBE Development Fund showed a balance of P427,857,199.

25. EMPLOYEE BENEFITS

25.1 Provident fund

The fund is a defined contribution plan made by both the SBC and its officers and employees. The affairs and business of the fund are directed, managed and administered by its Board of Trustees. Upon retirement, death or resignation, the employee or his heirs will receive from the fund payments equivalent to his contributions, his proportionate share of the corporate contributions and investment earnings thereon.

The creation of the provident fund was authorized by the BOD per BR No. 396, series of 1997 as amended by the Department of Budget and Management in its letter dated March 13, 2003.

25.2 Retirement benefits

Retirement benefits are available to qualified employees under any one of the following laws:

Covering law	Coverage	Available benefits	Paying institution
RA No. 1616	Employees as at May 31, 1977 with 20 years of service (YoS), the last three years of which are continuous	One month basic salary (BS) for the first 20 YoS, 1.5 BS in excess of 20 up to 30 YoS and 2.0 BS in excess of 30 YoS	SBC
RA No. 8291	At least 15 YoS, if below age 60 upon retirement, benefit is payable at age 60	Monthly pension or cash payment	GSIS

25.3 Terminal leave benefits

This represents the cash value of the accumulated vacation and sick leave credits of employees, 50 per cent of which can be monetized.

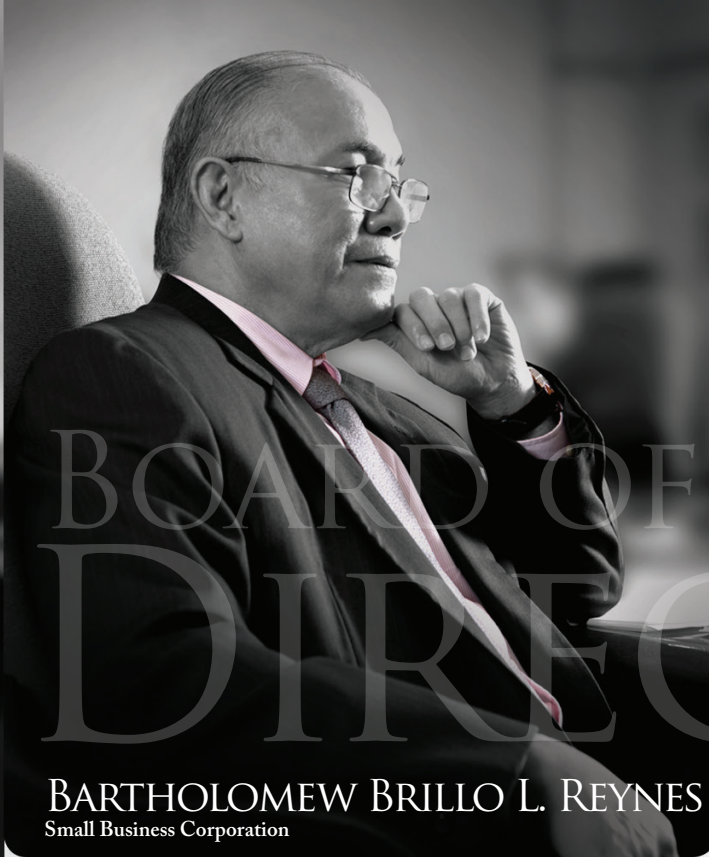
26. LEASES

The Corporation leases the premises which serves as SBC extension offices in Cebu, Davao, Baguio and other desk offices in the different regions of the country for a period of one year and have the option to renew such leases annually under certain terms and conditions



ZENAIDA C. MAGLAYA
Department of Trade and Industry

Usec. Maglaya is 59 years old and married. She started her career in government as a MASICAP Scholar under the then Ministry of Industry. In 1987, she was appointed the Director of the Bureau of Domestic Trade Promotion. In 2012, she was appointed as the Project Manager for One-Town-One-Product (OTOP) Project. She was Assistant Secretary for Regional Operations then. She became Undersecretary for Consumer Welfare and Business Regulation, where she spearheaded the setting up of DTI Direct and the DTI Bagwis Awards. She is currently Undersecretary for Regional Operations supervising 16 regional offices nationwide. She continues to be the Department's anchor in the DTI-ABSCBN consumer advocacy program, "Konsyumer Atbp" in which on its eighth year was awarded by the Catholic Mass Media Awards and KBP Golden Dove Awards. In 2011, Usec. Maglaya obtained the 2011 KBP Golden Dove's Best Public Service Personality for Radio. She was also conferred the Presidential Lingkod Bayan Award in 2007, the highest category of the Civil Service Commission's Honor Awards Program. She is currently the Acting Chairperson of Small Business Corporation. She is also a member of the Board of LLDA, HDMF, National Dairy Board and BOI.



BARTHOLOMEW BRILLO L. REYNES
Small Business Corporation

Mr. Reynes is 66 years old, married and a Fellow of the Institute for Corporate Directors. His engagement as President and Chief Executive Officer of the Small Business Corporation is his third stint in government service.

His first involvement was during the rehabilitation years (1987-1989) of the Development Bank of the Philippines (DBP) where he joined its Strategic Planning Center after the People Power Revolution. He stayed on as head of the Mindanao regions up to 1995. DBP Management asked him to return to Manila in 1995; he left DBP in early 1996.

After a break of 6 years to work in the private sector, Mr. Reynes re-joined DBP in 2003 where he stayed on until his early retirement in 2012. During this period he headed the Strategic Planning & Research, SME Department and Program Development. He was also a member of the Technical Advisory Group of the Industrial Guarantee and Loan Fund (IGLF), and towards the close of 2012 became IGLF's CEO.

Mr. Reynes completed his college education at the University of San Carlos in 1969. He also taught there for a year before proceeding to Manila to complete his Master's Degree in the Science of Industrial Economics in 1973 at the Center for Research and Communication (now the University of Asia and the Pacific). He also completed the required number of units in UA&P's Doctorate Program in Development Management, but thought he could not afford the time to write his dissertation.



BENEL D. LAGUA
Development Bank of the Philippines Representative

Mr. Benel P. Lagua is 59 years old, married and holds two post graduate degrees - Master in Public Administration from the Harvard University, Kennedy School of Government in Cambridge, Massachusetts and the 2-year Master in Business Management course at the Asian Institute of Management (AIM) in Makati. He is a graduate of BS in Management Engineering from the Ateneo de Manila. He was a Review Committee Member of the Industrial Guarantee Loan Fund (IGLF), Chairman of the SULONG Finance Committee and from time to time he has served as Officer-In-Charge of the Department of Trade and Industry SME Development Group. Likewise, he is active in the academic community, where he teaches part time at the Ateneo De Manila University and the Graduate School of Business at De La Salle University Professional Schools, Inc. in the areas of Management and Finance. Currently, he is the Executive Vice President of the Development Sector of the Development Bank of the Philippines. He is also the member of the Board at the Maritime Industry Authority and LGU Guarantee Corporation.



ANDRES C. SARMIENTO
Land Bank of the Philippines Representative

Mr. Sarmiento is 63 years old, married and graduated Bachelor Science in Business Administration, Major in Accounting at the Philippine School of Business Administration (PSBA) in 1972. He has been a staff auditor at SGV & Co. from 1972-1973. He is with the Land Bank of the Philippines from 1974 up to present. Currently he is the Executive Vice President of the Operations Sector. He has been a member of the Board of SB Corporation since January 2009. He is also a member of the Board of LBP Countryside Development and LBP Leasing Corporation.



AJIJUL ADAM TARADJI
National Government Representative

Mr. Taradji is 63 years old, married and graduated BS Commerce at the Zamboanga Arturo Eustaquio Colleges (ZAEC). He took his Masters in Business Administration also at ZAEC and his Doctorate Degree in Rural Development at the University of Southern Mindanao (USM). He was Chief of Staff at the HQS, PRO 12 from 2006-2007 and as DRDO also at HQS, PR012 from 2007-2008. He was elected as National Government Representative to the Board of Directors of the SB Corporation in March 2010.



MERLY M. CRUZ
National Government Representative

Ms. Cruz is 67 years old, married and holds post graduate degree in Philippine Studies from the University of the Philippines, Masters in Business Administration from the Ateneo de Davao University, Certificate Course in Entrepreneurial Management for Business Advantage from the Asian Institute of Management and Masters in English from the Ramon Magsaysay Memorial College. She is a graduate of BS in Chemical Engineering from the Mapua Institute of Technology. In 2014, she was Consultant for the United Nations Development Program and International Labour Organization. She has been the Undersecretary for Regional Operations and Development Group of the Department of Trade and Industry from 2008 to 2013. She has been the National Government Representative to the Board of Directors of the SB Corporation since October 2014. She is also a member of the Board of the Northern Foods Corporation.



MARK JOAQUIN M. RUIZ
National Government Representative

Mr. Ruiz is 38, married and Co-Founder and President of Hapinoy, a social enterprise that empowers women microentrepreneurs through Training, Access to Capital, and Mobile-Based Technologies;

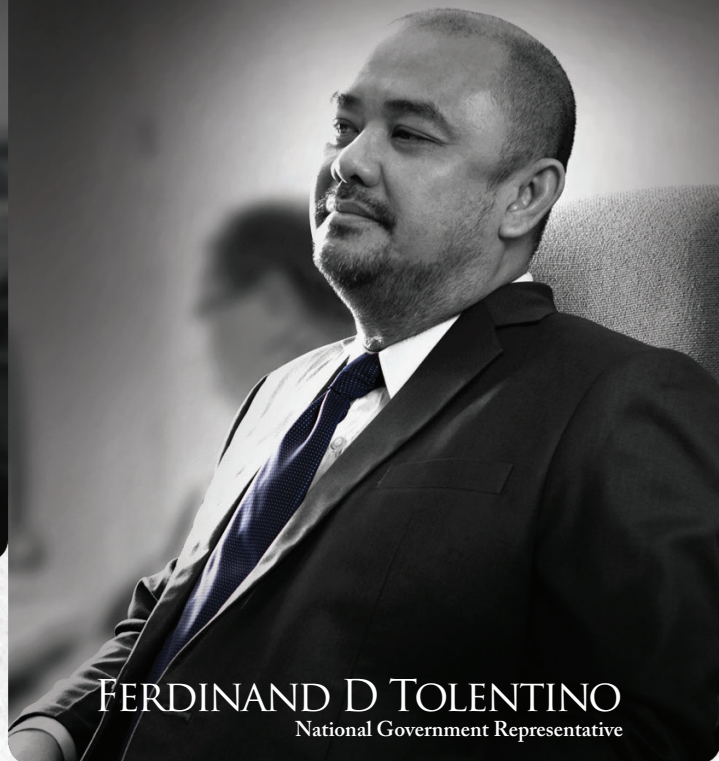
He studied in the Ateneo Grade School '91, High School '95, and College '99 with a degree in BS-Management Engineering.

He has been recognized as Philippines 21 Young Leader for AsiaSociety in 2008, Go Negosyo Young Inspiring Social Entrepreneur 2010, 2010 Ernst & Young Entrepreneur of the Year Finalist, 2011 Global Social Benefit Incubator Fellow; and 2011 Asian Social Entrepreneur by the World Economic Forum's Schwab Foundation for Social Entrepreneurs, 2013 DevEx 40 Under 40, 2013 Multiple Intelligence Awardee for Math – Logical Intelligence, Rappler's Do More Awardee for Social Entrepreneurship, and Purpose Economy 100 Awardee for 2014.



GIL S. BELTRAN
Department of Finance

Usec. Beltran is 58 years old, single, and graduated Cum Laude at the University of the Philippines with a degree in Economics. He also holds a Master of Arts (Development Economics) degree from the Williams College in Massachusetts and graduated as Class Valedictorian. He has worked with the World Bank as Secretary (Intergovernmental Committee of G24 on International Monetary Affairs Bureau), Advisor to the Executive Director and Alternate Executive Director. Presently, he is the Chief Economist and Undersecretary for Policy Development Management and Services Group (PDMMSG) of the Department of Finance. He is also a member of the Board of OWWA, IGLF and Philexim.



FERDINAND D TOLENTINO
National Government Representative

Atty. Tolentino is 52, single was Tariff Commissioner under the Arroyo Administration, and Deputy Executive Director for the PPP Center under the Aquino Administration. He also worked as a tax lawyer for two of the biggest auditing firms in the Philippines. He is a product of the Ateneo de Manila where he earned his AB major in Economics (Honors Course) and his Juris Doctor. He got his Master's Degree in Commercial Law from the London School of Economics (University of London).



BOARD OF
DIRECTORS

BOARD OF
DIRECTORS



MANAGEMENT COMMITTEE



MANAGEMENT COMMITTEE

ALFREDO S. DIMACULANGAN
Sector Head
Resource Management Sector

MA. LINDA L. ORSOS
Group Head
South Luzon Group

BARTHOLOMEW BRILLO L. REYNES
President

MELVIN E. ABANTO
Sector Head
Strategy, Policy & Communication Office



KEY OFFICERS



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Group Head
Controllership

PETER V. PIZARRO
Group Head
Administrative Service Group

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Resource Management Sector

JOSEFINA P. FLORES
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Board Secretary



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MDCGG





GRI INDEX

GLOBAL
REPORTING
INITIATIVE

Profile Indicators

1. Strategy and Analysis



G4 -1	Statement from the most senior decision maker(s) of the organization	➤ 2-3
G4 -2	Provide a description key impacts, risks and opportunities	➤ 8-11

2. Organizational Profile



G4-3	Name of the Organization	➤ Cover
G4-4	Primary brands, products, services	➤ 2-3
G4-5	Location of Headquarters	➤ 56
G4-7	Nature of ownership and legal form	➤ 3
G4-8	Market Served	➤ 2-3
G4-9	Scale of the Reporting organization	➤ 13,4,25,3,26,2
G4-10	Total workforce by employment type	➤ 8-11
G4-11	Percentage of total employees covered by CBA	➤ 13
G4-13	Significant Changes during the reporting period	➤ 2-3
G4-15	List of externally developed economic, environmental and social charters, principles, or other initiative	➤ 16-17
G4-16	Membership in national and international advocacy organizations	➤ 8-11

SB Corp reports on its sustainability performance based on the Global Reporting Initiative's (GRI) G4 guidelines that focus mainly on the materiality aspect of sustainability reporting. GRI is an international independent organization that help businesses, governments and other organizations understand and communicate the impact of business on critical sustainability issue. www.globalreporting.org

3. Stakeholder Engagement



G4-24	List of stakeholder groups	➤ 14-15
G4-25	Basis for identification and selection of stakeholder groups	➤ 14-15
G4-26	Organization's approach to stakeholders engagement, frequency of engagement by stakeholder group	➤ 14-15
G4-27	Key topics and concerns that have been raised through stakeholders engagement	➤ 14-15

4. Report Profile



G4-28	Reporting period	➤ Cover 8-11
G4-29	Date of most recent previous report	➤ Cover 8-11
G4-30	Reporting cycle	➤ Cover 8-11
G4-31	Contact point for question about the report and its content	➤ Cover
G4-32	GRI content index and in "accordance" option chosen	➤ 54-55
G4-33	Organization's policy and current practice with regard to seeking external assurance for the report	➤ 8-11

5. Governance



G4-34	Governance structure of the organization	➤ 16-17
G4-38	Composition of the highest governance body and its committees	➤ 42-45

6. Ethics and Integrity



G4-56	Organization's values, principles, standards and norms of behavior such as codes of conduct and code of ethics	➤ 20-21
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ECONOMIC



Aspect: Economic Performance		➤ 8-11
DMA	Generic disclosures on management approach	
EC1	Direct Economic Value Generated and Distributed	➤ 23-41
EC2	Financial Implications and other risk and opportunities for the organization's activities due to climate change	➤ 38, 8-11
EC3	Coverage of the organization's defined benefit plan obligations	➤ 41
EC4	Financial Assistance received from the government	➤ 8-11, 3
EC8	Significant indirect economic impacts, including the extent of impact	➤ 23-41

ENVIRONMENTAL



DMA	Generic disclosures on management approach	➤ 12
EN 3	Energy Consumption within the Organization	➤ 12
EN 6	Reduction of Energy Consumption	➤ 12
EN7	Reductions in energy requirements of product and services	➤ 12
EN 8	Total water withdrawal by source	➤ 12
EN 30	Significant environmental impacts of transporting services and goods and materials for the organization's operations and transporting members of the workforce	➤ 12

SOCIAL



DMA	Generic disclosures on management approach	➤ 13
LA 1	Total number and rates of new employee hires and employees turnover by age group, region and gender	➤ 13
LA 9	Average hours of training per year per employee by gender and by employee category	➤ 13



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