SMALL BUSINESS CORPORATION

17th & 18th Floor, 139 Corporate Center
139 Valero St., Salcedo Village
Makati City 1227 Philippines

Tel. No.: (63 2) 751 1888
Email: sbcorporation@sbgfc.org.ph
Website: www.sbgfc.org.ph

Pilak

Celebrating 25 Years

2016 Annual Report

About
the Corporation

SMALL BUSINESS 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 nancing and small credit delivery systems nationwide. The Corporation has focused on developing an appropriate mix of nancing 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 nancing 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. e 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 MSME's to Risk-based lending to MSMEs for nancial institutions.

1. Wholesale Lending for SMEs.

Wholesale funds are coursed through or "conduited" 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. Micro finance 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 microfinance 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 nancing gap of what we refer to as the "pre-bankable but viable" MSMEs that are at the moment "unserved" by the banking system. rough this program, we hope to provide a conducive environment for MSMEs by nancing 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. e program targets what we call "near bankable SMEs" who can access the banks but cannot provide sufficient collateral for their loan. e 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 nancial 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 2016

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	0		
GSIS	804,944,300.00	466,731*	2.43%
SSS	1,519,902,000.00	160,000*	0.83%
LBP	1,919,902,000.00	3,936,115*	20.50%
DBP		2,186,731*	11.39%
PNB		400,000	2.08%
National Government		8,049,443	41.93%
Total Common Stocks		15,199,020	
Total Stockholdings		19,199,020	100.00%

Notes:
a) GSIS, SSS, LBP, and DBP are Government Financial Institutions. PNB is a private domestic financial institution;
b) Par value is P100.00 per share
c) 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.

Message from the

Chairman

The enactment of the Magna Carta for SMEs (R.A. 6977) twenty five years ago in 1992 put together under one policy statement the broadest set of strategies for the development of Philippine SMEs. The law created the Small Business Guarantee and Financing Corporation with a mandate to source and adopt development initiatives for globally competitive SMEsin terms of finance, technology, production, management and business linkages as well as provide, promote, develop and widen in both scope and service reach, various alternative modes of financing for SMEs.

Towards these ends the Small Business Corporation was mandated to lend directly or indirectly to SMEs, provide venture capital, financial leases, secondary mortgage and/or rediscounting of loans, among other forms financing support that may be needed by SMEs. Specifically, the Corporation was mandated to provide credit guarantees to SMEs.

The law also provided for the participation of the private sector, in particular the private banks, to participate in the strategy to finance SMEs by mandating them to lend at least six percent (6%) and at least (2%)of their loan portfolio to small and medium enterprises, respectively.

To provide policy direction and coordination among the sector stakeholders, the law also created a Small and Medium Enterprises Development Council mandated to be the primary agency responsible for the promotion, growth and development of SMEs in the country by way of facilitating and closely coordinating national efforts to promote the viability and growth of small enterprises, including assisting relevant agencies in the tapping of local and foreign funds for small and medium enterprise development, as well as promoting the use of existing guarantee programs.

In both scope and comprehensiveness, in the range of development interventions and mechanisms for MSME development that it defined, the Magna Carta for MSME framed a complete and compelling vision for MSME development. And the un-enviable task of providing the life blood for this vision, providing financing for MSMEs to grow and develop, fell squarely on the lap of Small Business Corporation. ***A complete and far reaching vision.***

Even as the Magna Carta for SMEs was subsequently further strengthened with amendatory laws, R.A. 8289 in 1997 and R.A. 9501 in 2008 (which expanded coverage to include micro-enterprises and removed exclusion of agriculture), the underlying vision remained. But challenges continue to impede that vision.

Not the least of these challenges is the fact that the Small Business Corporation is apparently too small compared to the size of the market it is supposed to serve. Some studies show that the financing gap for the middle market -- the small business segment – could be as high as one hundred billion pesos a year. The Small Business Corporation total paid-in capital at the moment is P1.85 Billion.

But it 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, to perform its mission and mandate.

As of year-end 2016, the Small Business Corporation has total assets of about P4.9 Billion, in effect more than quadrupling it's original capitalization of P1 Billion in 1992. This has been aided largely with the merger with the Gurantee Fund for SMEs in 2001, which added about P850 million in the corporation's paid in capital.

The rest of the growth in assets is attributed to a number of programs and projects that were funded with ODA loan sources, among them the Asian Development Bank, KfW of Germany and the United Nation's International Fund for Agriculture Development (Un-IFAD). The ADB loan of $24Million funded a portfolio expansion plan under the national MSME development plan, the UN-IFAD loan of $13 Million supported a program to assist micro-enterprises among the poorest provinces of the country, while the KfW loan of $15 Million funded an SME lending program in Visayas and Mindanao.

Arising from these experiences is the Corporation's advocacy for Risk Based Lending, which was launched formally as the Risk Based Lending movement in 2008. Under this advocacy, SB Corp is providing capacity building services to rural banks and SME clients, in order for the demand and supply side of credit to be more efficiently engaged. The program is keeping pace with its target to capacitate 100 rural banks in risk based SME lending and thereby significantly grow their SME portfolio.

The Small Business Corporation also acts as the lead convenor for a coordinated and harmonized national MSME lending program implemented by government financial institutions. This coordinated effort is now referred to as the ASENSO program (Access). The program is 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 and supported more than 3 million jobs (estimate).

Among the GFIs, SB Corporation ranks only behind LBP and DBP in MSME lending. In the same period, Small Business Corporation released almost P10 Billion to about 7,000 enterprises employing more than 124,000 workers. From 1992 to 2016 total loan approvals of SB Corporation reached a cumulative P38.8 Billion.

The shared spirit of service is more recently and vividly demonstrated by DTI, especially its regional operations group, and the Small Business Corporation in implementing a first of its kind financing facility that provided the means for MSMEs destroyed or damaged by super typhoon Yolanda. About P700 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.

In this sense at least, DTI and SB Corporation has effectively responded to a special mandate under the Magna Carta for MSMEs to provide "bankcruptcy preventive measures through the setting up of a mutual relief system for distressed enterprises and the establishment of measures such as insurance insurance against extraordinary disasters."

MSME lending is still far from the mainstream but we are heading in the right direction. Reports from the Bangko Sentral ng Pilipinas show that lending by the banking system to small business (defined by law as with assets of less than P15 Million) has been consistently below the mandated 8%, averaging below 6% since 2008, with a declining trend from about 6.8% in the last qtr of 2008 to less than about 4.05% in the first quarter of 2014 . On the other hand there is consistent over-compliance with the mandated 2% lending to medium enterprises (with assets above P15 million and below P100 Million). Share of medium enterprises in total lending by banks averaged 6.4% since 2008.

Still part of the bigger MSME picture is the 2014 report of the Philippine Statistics Authority that places the count of MSMEs in the country at 946,988, a 22% change from previous figure of 774,664 in 2010. In terms of value added, the sector35.7% of total with the small enterprises accounting for 20.5%, medium enterprises, 10.3% and micro-enterprises, 4.07%. MSMEs employ

MSMEs also account for 25% of the country's total export revenues and it is estimated that 60% of all exporters are MSMEs.
Given these figures, it is clear that the MSME sector is a major contributor to the economic growth (in terms of GDP) we have been experiencing in recent years.

I am therefore happy to note that the Small Business Corporation has embarked on a serious advocacy to gain multi-sectoral support for the development and adoption of an Industry Development Roadmap for MSME finance. It also glad news for me that the further strengthening and fine-tuning of the Magna Carta for MSMEs is in the legislative agenda of the DTI. Hopefully, these would eventually lead to the mainstreaming of MSME finance in the country, and provide the crucial lifeblood for the sectors growth and strength.

But let us not fail to take note that while the Small Business Corporation managed to overcome resource restraints to make a difference where it matters, the sector itself managed a 22% increase in terms of number of MSMEs in the period 2010 to 2014.

In short, with good plans and programs in place, the inherent strengths and dynamism and creativity within the MSME sector, and a set of supportive policies on the table, we can hit the ground running and finally begin to realize the full potentials of the MSME sector as a key component of our economy of which strength is a must for our ability as a nation to be globally competitive.

USEC. ZENAIDA C. MAGLAYA
Acting Chairman

President's
Report

The 25th year or Silver Anniversary of Small Business Corporation coincides with the change in the administration of the National Government. By the close of 2016, the new administration had barely been six months old. In its lifetime then, SB Corp, as a government owned and controlled corporation (GOCC), has served a total of six (6) Presidents, counting the present Duterte Administration. That is quite a feat in longevity and strongly argues for the relevance of SB Corporation and the mandates it was designed to pursue.

It is in this perspective that we celebrate our 25th Anniversary with the 2016 Annual Report of SB Corp themed Pilak. Pilak, the vernacular for silver, is a shiny metallic element having the highest electrical and thermal conductivity than any substance. Like gold, silver is also a store of value and symbolizes riches and wealth. In lore, it is believed to be a mirror to the soul, allowing us to see ourselves as others see us. It is among the materials that withstand the tests of time and valued by mankind. Pilak then is a most appropriate theme to celebrate our 25th year of serving the MSMEs.

Serving the MSMEs

There is no better way to respond to the primordial needs of micro, small and medium enterprises (MSMEs) than to facilitate their access to finance. Of course, there are the other 6 "M"s aside from money in the line-up of interventions that the Department of Trade and Industry identified. Among these are: the mindset, model, machinery, market, mentoring and mastery. Without money, however, whether in the form of equity or loan or a combination of both, a business or an enterprise cannot be set up.

To make a difference, SB Corp addresses the access to finance of MSMEs not in the same way as banks usually do. It caters to those that are near-bankable and unbanked. But this entails that SB Corp does its loan packaging in another way that allows it to minimize dependence on collateral cover and well-prepared financial statements. These are two basic bank requirements that MSMEs find difficult, if not altogether unable, to produce. SB Corp track this approach because Republic Act No. 6977, and its subsequent amendments (RA 8289 and RA 9501), did not create it to be bank.

With technical grant from the Asian Development Bank, SB Corp had consultants craft its risk-based lending (RBL) technology. The RBL has been the basis of its loan origination ever since. It has also been the substance of its capacity-building endeavors among rural banks that serve as its conduits in wholesale lending as well as in its provision of guarantee cover on enrolled loan portfolios.

In 2016, SB Corp's gross loan portfolio stands at P3.16 billion, broken down into Wholesale Loans of P1.46 billion and Retail Loans of 1.70 billion, inclusive of P0.50 billion in Enterprise Rehabilitation Financing for Typhoon Yolanda hit areas. Funding support in its loan portfolio build-up comes from Borrowings in the amount of P1.17 billion and the MSME Notes of P1.46 billion that SB Corp issues as alternative compliance to the mandated credit allocation for MSMEs.

Shifting the Financing Focus

Starting 2014, SB Corp's loan portfolio figures began to show the redirection of its loan programs to focus more in retail lending. While not explicitly stated, the shift also underscored its greater attention given to the "Missing Middle" of MSMEs: the small enterprises. This recognized the fact that SB Corp's resources are rather limited compared to the mandates it has been charged to render, so this shift to where it has more direct and bigger impact on the MSME sector.

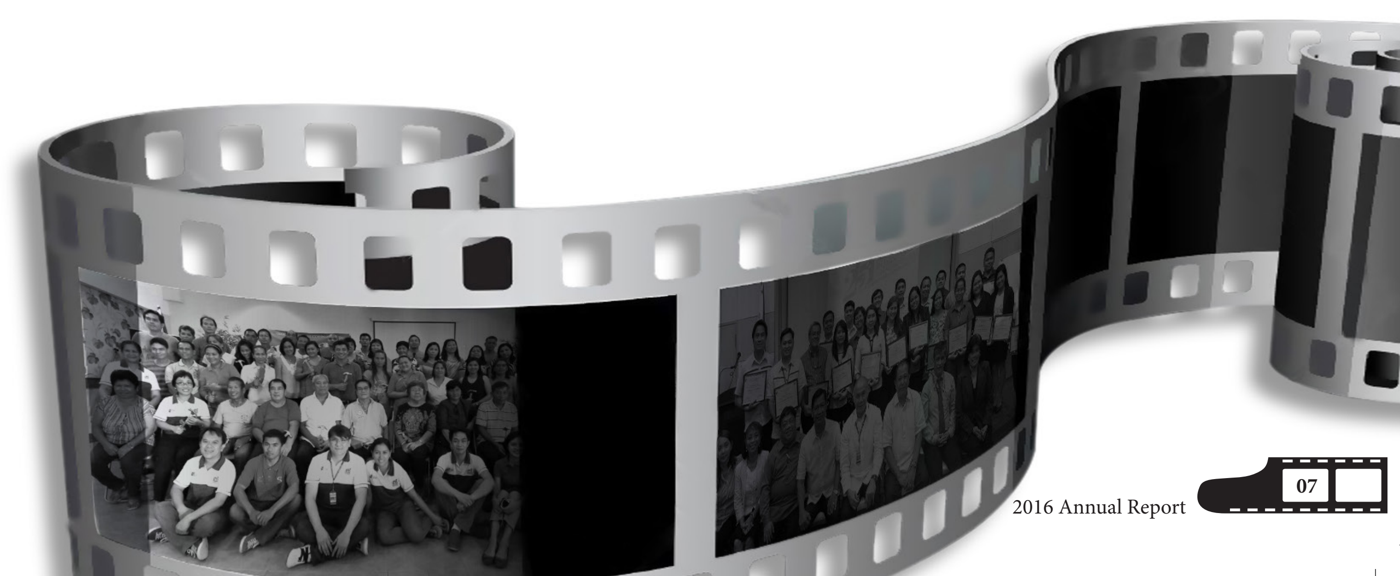
In the last three years, 2014 to 2016, the shifts were quite significant, if not spectacular. Retail loan portfolio averaged an annual increase of 35.6%, rising from P691 million in 2013 and ending at P1.7 billion in 2016. Responding to the guarantee and operating subsidies put up by the national government, SB Corp put on stream the Enterprise Rehabilitation Financing (ERF) in 2015. It made available funds in a loan program to restart MSMEs devastated by Typhoon Yolanda (Haiyan). In tandem with the local DTI offices, SB Corp consolidated its loan origination capabilities from various lending groups to deploy the ERF in Samar, Tacloban City and Bantayan Island. ERF accounted for the bulk of increases in the retail loan portfolio during the 3-year period.

Understandably, the shift in financing focus translated to decreases in Wholesale loan portfolio, averaging 15.5% annually during the 3-year period. It scaled down from P2.4 billion in 2013 to P1.4 billion in 2016. The very high growth figures for Retail, averaging 35.6% for the period, however, hardly made an impact on the Total loan portfolio, stalling it at P3.14 billion in 2016 from virtually same level of P3.13 billion in 2016. Portfolio composition, however, had drastically altered. Whereas the retail portfolio accounted for only 22.4% in 2013, its share had risen to 53.5% in 2016.

These trends in the loan portfolio movement demonstrated the constraints in SB Corp's operations. First it lacks the funds to actively support both retail and wholesale lending. Second, account management requisites of these lending programs are not the same. Going to retail imposes much more workload on its account officers. However, two developments in 2016 augur well for the positive growth of the loan portfolios in the coming years. One is the decision of Management to hire and train more account officers. And another, towards the close of the year, the national government put SB Corp in charge of deploying an initial PhP1.0 Billion under the Pondo sa Pagbabago at Pag-asenso (P3).

Funding the MSME Loans

Unlike banks, SB Corp is not authorized to generate deposits to fund it lending operations. To support lending activities, it resorted to foreign borrowings. It fully availed of a US$25 million from the Asian Development Bank (ADB) in 2009, and €11.7 million from Kreditanstalt fur Weiderafbau (KfW) in 2010. Both loans have long-term maturities with ADB loan payable in 15 years and KfW loan payable in 40 years, inclusive of a 3-year and 10-year grace periods on principal repayments, respectively. Both carried concessional rates and commitment fees



and guaranteed by the Republic of the Philippines. The government guarantee (1%) and the foreign exchange risk cover (3) raised SB Corps cost of funds, higher than those of banks. As of 2016 yearend, these foreign currency denominated loans amounted to P1.14 billion.

RA 9501 or the Magna Carta for MSMEs provides SB Corp with another source of funds, albeit having short-term maturities. SB Corp's MSME Notes offers alternative compliance to the mandatory credit allocation for MSMEs of the banks' loanable funds. In 2016, its interest rates ranged from 0.87% to 2.60% per annum, giving SB Corp latitude in averaging lower its interest on MSME loans. The short-term maturity profile of MSME Note, however, entailed nimbleness in SB Corp's treasury operations. As of end of 2016, MSME Notes settled at P1.46 billion, with only P57 million having maturities longer than a year.

Despite the funding constraints and a minimum paid up of P1.9 billion on its P10 billion authorized capital stock per RA 9501, SB Corp lived up to its mandates. As of end 2016, its total resources stood at P4.89 billion, up by 2.3% from 2015 level.

Financial Performance

We have always been rationalizing our financial performance vis-à-vis regular banks with our developmental mandate. The changing market conditions also contributed to the slowdown in income generation. More particularly, SB Corp's investments in long-term high-yielding government securities were maturing. Reinvesting them fetched much lower yield, so that investment income dipped by close to 20% from P81 million in 2015 to P65 million in 2016. Interest income from loans, given the trends of the loan portfolio, managed only to rise by 3.4% to P215.4 million.

The bulk of P200 million National Government subsidies came in in 2014, another P90.10 million in 2015 and trickled through 2016 with the last P9.35 million. This made difficult the comparison between the two years; provisioning for the ERF offset the subsidies that were booked as income. By 2016, provisioning for loan impairment normalized at P60.9 million from the P174.1 million in 2015. Administrative and other expenses grew at a normal rate of 4.5% to P210.6 million. Income before unrealized gains (losses) settled much higher in 2016 at P22.7 million, 69.4% greater than that of 2015. This was on the strength of a P7.9 million realized foreign exchange gain in 2016.

Capacity Building for FIS and MSMEs

In 2016, consultancy expenses for Capacity Building initiatives were among the cost drivers. Together with consultancy expenses for the restructuring study, they brought up the management and professional fees to P6.6 million from a low P1.3 million in 2015, or an upswing by 5 times.

SB Corp worked with 62 rural banks on the use of Risk-Based Lending (RBL) technology through a consultancy program. The RBL technology provided banks the capacity to manage the credit risks inherent to MSMEs loans through the use of risk rating tools and other credit risk management principles. This would enable them to lend even without collateral and reliable financial statements. The RBL technology served to change their mindset towards small business loans and provided greater financing access to MSMEs.

In 2016 SB Corp had 13 new enrollees under the RBL consultancy program. In capacitating MSMEs, the Corporation also trained 111 enterprise owners under its Enterprise Enhancement Program (EEPro). As a new addition to its capacity building programs, SB Corp. piloted its first module of MSME Loan Officers certification course among 25 Loan Officers in 2015 and enrolled an additional 25 for 2016. The 50 loan officers enrolled in the SME Business Specialist Certification Module came from both from private banks and SB Corp. This certification module is part of a four-level "ladderized" certification program. Other modules include: SME Credit Analyst, SME Credit Officer and SME Lending Strategist. The Certification Program addresses the need of financial institutions for the right competencies for their staff.

Contribution to the Economy

Over a period of 25 years the Small Business Corporation (SB Corp) remitted to the National Government a total of P1.85 billion. This amount is equivalent to more than six times the initial P300 million investments made by the government to SB Corp when it merged the Guarantee Fund for SMEs (GFSME) with SB Corp in 2001 and excludes the over P360 million dividend of the then GFSME to its mother agency.

SB Corp released P1.3 billion in direct payments through taxes, guarantee fees, and dividends, and P590.7 million indirect payments through charges in borrowings and withholding taxes on placements. For 2016, SB Corp has remitted a total of P 72.7 million in taxes and fees. This includes forex risk cover fee of P36.2 million, guarantee fees amounting to P11.9 million, cash and stock dividends at P12.1million and taxes and licenses amounting to P12.4 million.

Given that MSMEs are the drivers of economic growth and with their sheer number where they account for 99.6% of registered enterprise, SB Corp's area (North Luzon, Central Luzon, South Luzon, Visayas and Mindanao) and provincial presence through the 19 desk offices promotes economic growth outside the National Capital Region. The 5 area offices provide the hub of operations supporting the satellite desk offices strategically located in major countryside business centers (Naga, Legaspi, Batangas, Isabela, Dagupan, Tuguegarao Mindoro, Antipolo, Nueva Ecija, Palawan, Iloilo, Tacloban, Bacolod, Cagayan de Oro, General Santos City, Tagum, Butuan, Zamboanga and Kidapawan). These satellite offices work very closely with the Department of Trade and Industry, particularly with the Negosyo Centers, as the mode for access to finance of many MSMEs.

Good Governance

The Governance Commission for GOCCs (GCG) performs the oversight function over government owned and controlled corporations (GOCCs) for the continuing upgrading of governance and management standards in the delivery of public service. GCG is also empowered to rationalize the bureaucracy, resolving redundancy of mandates among GOCCs.

SB Corp adheres to the Performance Governance System (PGS) espoused by GCG with the technical help from the Institute of Corporate Directors (ICD). This entails the formalization of SB Corp's corporate charter (made up of the Vision and Mission Statements and Core Values), and the development of a Strategy Map. The strategy map has been the basis for identifying priorities for action planning that are then incorporated in the Balanced Scorecard. SB Corp sets out its targets for the year as contained in its balanced scorecard, formalizing it through the Performance Agreement Negotiation (PAN) with GCG.

SB Corp garnered a 92% weighted score on its 2015 Balanced Scorecard. This performance rating vis-à-vis the targets set in its 2015 PAN qualified it to grant the Performance-based Bonus (PBB) among its officers and staff in 2016. The 2015 PAN then provided the reference points and baseline figures for the 2016 PAN finalized with GCG and up for evaluation in 2017. It will then serve as basis for qualifying SB Corp for the grant of the PBB in 2017. Initial rating computation for the 2016 scorecard is 95.3%; thus, it can accommodate slippages of up to 5.3 percentage points to still merit the PBB.

Quality Standards

One of the "all or nothing" items in SB Corp's 2015 Balanced Scorecard was the ISO 9001:2008 (Quality Management Systems) for its core business processes. In October 2015 TUV Rheinland certified SB Corp's retail lending, credit guarantee and venture capital programs under ISO 9001:2008, one of the few GOCC's to have done so. In 2016, also passed the surveillance audit rendered by TUV Rheinland, the first of three annual surveillance audits intended to validate the original ISO certification granted. After second surveillance audit in 2017, SB Corp plans to migrate to the more recent version, the ISO 9001:2015 slated for implementation in 2018.

The ISO certification served to improve productivity and to have a more structured set of processes and guidelines designed to satisfy customer expectations. Part of the ISO certification was a continuous improvement of SB Corp's various processes and to enhance the quality of its products and services. In carrying out consistent adherence to ISO quality standards, SB Corp organized various ad hoc teams, including a set of internal quality auditors (IQAs). The IQAs undertake regular audits to identify non-conformance and opportunities for improvement in ISO certified core processes.

Another stamp of corporate quality status of SB Corp is issuer rating of PRSA a minus (corp.) given by the Philippine Rating Services Corporation (PhilRatings). A company rated PRS Aa minus (corp.) has a strong capacity to meet its financial commitments relative to that of other Philippine corporates. A minus sign is included to further qualify the rating, a differentiation from the highest rated corporations by only a small degree.

The rating assigned primarily considered the government's supportive regulatory framework for growth and development of the MSME sector, as well as SB Corp's sustained positive performance in terms of profitability.

The Years Ahead

SB Corp initiated a restructuring study to guide adjustments in its organization, in line with GCG Memorandum Circular No. 2015-04. On April 21, 2016 the study officially commenced through the consultancy services of Isla Lipana & Co., a Philippine member firm of the PricewaterhouseCoopers (PwC) global network. The objective of the study is to review SB Corp's organization as to how it can better serve its mandates as a GOCC. The proposed restructuring, together with the pertinent compensation structure, will go through the process of validation by the GCG and the approval by the Office of the President of the Philippines. It is expected to result in a more inspired and dedicated organization.

RA 9501 is one of the key legislative agenda for review by the new Congress, in the context of giving stronger support to MSMEs. The legal charter and mandates of SB Corp are part and parcel of this Magna Carta for MSMEs. It may then be anticipated that the deliberations of House Committees will highlight the areas where SB Corp's capabilities may be augmented. At the close of 2016, there had already been strong indications that SB Corp will be given an active role in deploying government funds in support of MSMEs all over the country.

Pursuit
of Mandate

Support To Major Industries

Loan Origination Per Industry (2016)

Industry Name	Loan Origination	Percent Share (%)
Agri/Aquaculture	22,648,078.53	2.8
Construction Materials	79,168,981.91	9.7
Construction Services	47,693,733.05	5.9
Farm Inputs and other agricultural products	82,681,428.32	10.2
Financing	17,107,894.40	2.1
Food Products (raw and processed)	147,940,149.87	18.2
Garments Support	6,592,600.00	.8
Giftware and holiday decors	7,920,000.00	1.0
Home furnishings	45,542,624.56	5.6
IT-services, software development	4,704,996.89	.6
Manpower services	15,144,329.36	1.9
Medical and pharmaceutical products	41,841,226.88	5.1
Metal and chemical products/machinery services	27,056,622.01	3.3
Micro electronics, IT and telecommunications	6,575,000.00	.8
Non-food organic and natural products	4,800,000.00	.6
Others	106,528,410.93	13.1
Personal care services	5,375,000,00	.7
Professional services (health, education and research)	8,050,000.00	1.0
Publishing, printing and advertising	15,041,679.16	1.9
Recreational and cultural	2,170,000.00	.3
Transport/motor vehicle parts and services	65,462,336.81	8.1
Utilities (electricity, gasoline and water)	12,702,872.00	1.6
Wearables	40,003,684.86	4.9
Total	**812,751,649.54**	**100.0%**

Loan Origination Per Industry (2016)
(Sulong Report)

Industry Name	Loan Origination	Percent Share (%)	No. of Borrowers
Agribusiness	22,648,078.53	2.8	35
Construction & Real Estate	79,168,981.91	9.7	71
Manufacturing	72,037,336.81	8.9	82
Processing	71,860,306.87	8.8	76
Services	346,973,333.41	42.7	440
Trading	129,897,655.20	16.0	136
Others (Non-SULONG Industry Categories)	90,165,956.81	11.1	667
Total	**812,751,649.54**	**100.0%**	**1,507**

The Enterprise Rehabilitation Financing (ERF) Program

A notable success under the Enterprise Rehabilitation Financing (ERF) Program is the complete rehabilitation/restoration of the egg industry in Bantayan Island in Northern Cebu. Dubbed the "Egg basket" of the Visayas Bantayan Island produces 1.3 million eggs a day before Typhoon Yolanda; 75 percent of production was lost in November 8, 2013

As of 2016 , 60 percent of poultry growers in the Island were assisted by the Small Business Corporation's Enterprise Rehabilitation Financing (ERF) Program . This represents 40 percent of total egg production in the island.

Among the first beneficiaries are Antonio Ducay and his son-in-law Joseph Alan Pastoril of Nene Thelia Poultry Farm. Starting their business in 2009, the father-and-son tandem is one of many new players in the poultry industry in Bantayan Island.

"Losing our poultry houses was really painful. We rescued a portion of our layers but we had to let go of most of them. That time we were really desperate for help," recounts Pastoril. When news of SB Corp and DTI inviting poultry growers for a forum to introduce a financing program arrived, they confessed that they almost did not go. Armed by faith, though, they took a chance on the program, and on the day the checks were released, loan beneficiaries including Ducay and Pastoril were crying tears of joy. "Totoo pala!" Pastoril beams.

In terms of tourism in Bantayan, 12 tourism operators are beneficiaries of the program from the total P16.8million in loans released. To date tourism is up and about.

As of December 2016, total availments from the program already reached P629.80. Of this figure P573.61 or 91% of loans availment, is considered fully availed while a remaining 8.9% represents partial availment from the program

Severely affected as well by Typhoon Yolanda was Tacloban City, Leyte where a total of P 447.35 million in loans have been approved for 493 MSMEs as of December 2016. Of this total P 321.27 million has been released.

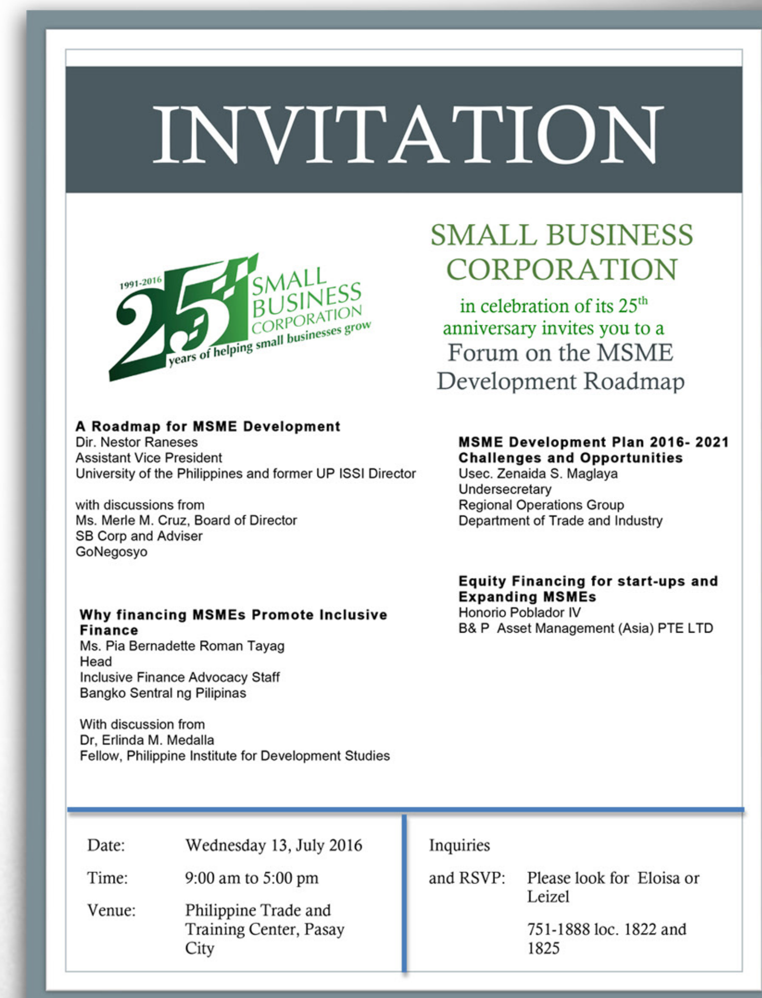
As of end of 2016 the program already reached P808.76 million approvals representing 115.53% of the P700.0 million target in 2015.

The MSME Roadmap

An MSME Finance Industry Development Road Map was the lift off point in gaining multi-sectoral support for the mainstreaming of MSME finance in the country, and provide the crucial lifeblood for the sectors growth and strength.

Prioritizing MSME development is critical for promoting inclusive economic growth. MSMEs are the driving force behind a resilient national economy and to be able to survive and grow, adequate access to finance and increasing their productivity is critical.

SB Corp has brought together the country's MSME stakeholders together in a public forum to explore policy frameworks for scaling up the MSME's access to finance and other government support programs. SB Corp. feels that more responsive MSME service delivery systems cannot just be an SB Corp or DTI advocacy only. SB Corp provided opportunity to share ideas, foster learning and inspire meaningful conversations that will lead us to crafting an MSME roadmap for the Philippines.



INVITATION

1991-2016 25 SMALL BUSINESS CORPORATION years of helping small businesses grow

SMALL BUSINESS CORPORATION
in celebration of its 25th anniversary invites you to a
Forum on the MSME Development Roadmap

A Roadmap for MSME Development
Dir. Nestor Raneses
Assistant Vice President
University of the Philippines and former UP ISSI Director

with discussions from
Ms. Merle M. Cruz, Board of Director
SB Corp and Adviser
GoNegosyo

Why financing MSMEs Promote Inclusive Finance
Ms. Pia Bernadette Roman Tayag
Head
Inclusive Finance Advocacy Staff
Bangko Sentral ng Pilipinas

With discussion from
Dr, Erlinda M. Medalla
Fellow, Philippine Institute for Development Studies

MSME Development Plan 2016- 2021 Challenges and Opportunities
Usec. Zenaida S. Maglaya
Undersecretary
Regional Operations Group
Department of Trade and Industry

Equity Financing for start-ups and Expanding MSMEs
Honorio Poblador IV
B& P Asset Management (Asia) PTE LTD

Date:	Wednesday 13, July 2016	Inquiries	
Time:	9:00 am to 5:00 pm	and RSVP:	Please look for Eloisa or Leizel
Venue:	Philippine Trade and Training Center, Pasay City		751-1888 loc. 1822 and 1825

Institutional
Viability

2016 FINANCIAL HIGHLIGHTS

Total Assets	4,889,156,772
Current Assets	2,656,121,786
Non-current Assets	2,233,034,986
Total Liabilities	2,750,330,793
Total Equity	2,138,825,979
Operating Income	306,426,723

FINANCIAL CONTRIBUTIONS (as of 2016)

Cash/Stock Dividends	547,735,641
Taxes and Licenses	131,247,369
Guarantee Fees	152,945,306
Forex Risk Cover Fee	426,224,647
Charges on Local Borrowings	15,142,367
DST on PN's Issuance	24,972,700
Final/Withholding Tax Income from Placements/Others	550,602,003

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
NORTH LUZON	NORTHERN LUZON GROUP Isabela Desk Office Dagupan Office Tuguegarao Desk Office	16 1 1 1
SOUTH LUZON	SOUTHERN LUZON GROUP Naga Desk Office Legazpi Desk Office Mindoro Desk Office Laguna / Batangas Desk Office Quezon Desk Office Palawan Desk Office San Jose Occidental Mindoro P3 Office	30 1 1 1 1 1 1 2
CENTRAL LUZON	CENTRAL LUZON LENDING UNIT Nueva Ecija Desk Office	11 1
VISAYAS	VISAYAS GROUP Tacloban Desk Office Bacolod Desk Office Iloilo Desk Office Tacloban P3 Office	27 6 1 1 3
MINDANAO	MINDANAO GROUP General Santos Desk Office Cagayan de Oro Desk Office Butuan Desk Office Tagum Desk Office Zamboanga Desk Office Kidapawan Desk Office Alabel Sarangani P3 Office	15 1 1 1 1 1 1 2
TOTAL	5 area offices 22 Desk Offices	140

Profile of Employee

Gender	Permanent	Contact of Service	Agency Hired	Grand Total
Female	81	7	19	107
Male	57	16	22	95
Total	**138**	**23**	**41**	**202**

Training & Education

Gender	Number	Total no. of Training Hours	Average no. of Training Hours
Female	57	1861	32.65
Male	81	1680	20.74
Total	138	3541	25.66

REPUBLIC OF THE PHILIPPINES

COMMISSION ON AUDIT

COMMONWEALTH AVENUE, QUEZON CITY, PHILIPPINES

ANNUAL AUDIT REPORT

ON THE

SMALL BUSINESS CORPORATION

(Small Business Guarantee and Finance Corporation)

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

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, statement of changes in equity and statements of cash flow as of December 31, 2016 and 2015. 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 reviews 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.

BARTHOLOMEW BRILLO L. REYNES
President / CEO

Date: MARCH 22, 2017

Audited

Financial Statements

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, 2016 and 2015, 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, 2016 and 2015, 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 attention to Notes 6 and 7 to the financial statements wherein the Corporation's classification of current and non-current loans receivable account in the amount of P1.89 billion and P654 million, respectively, were based on the status of account (whether current or past due accounts) without considering the actual period of collectability of the subject loans contrary to Paragraph 66 of Philippine Accounting Standard 1, Presentation of Financial Statements, resulting in the over/understatement of the subject Current and Non-current Loans Receivable account by the same amount.

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 20 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

GLORIA O. LACSON
State Auditor IV
OIC- Supervising Auditor

May 09, 2017

Small Business Corporation

Statements of Financial Position

December 31, 2016 and 2015
(In Philippine Peso)

	Notes	2016	2015 (As Restated)
ASSETS			
Current assets			
Cash and cash equivalents	4	**251,939,161**	155,908,905
Short-term held-to-maturity investments	5	**410,959,414**	330,486,856
Due from banks and other financing institutions - net, current portion	6	**1,000,371,068**	1,154,351,448
Loans and receivables - net, current portion	7	**990,928,937**	1,020,667,588
Other assets	12	**1,923,206**	1,696,483
		2,656,121,786	2,663,111,280
Non-current assets			
Financial assets at fair value through profit or loss	15	**23,042,477**	-
Long-term held-to-maturity investments	5	**1,285,432,816**	1,231,810,309
Due from banks and other financing institutions - net of current portion	6	**223,449,058**	245,824,370
Loans and receivables - net of current portion	7	**450,379,535**	310,862,207
Investment in equity instrument - net	8	**14,472,500**	14,472,500
Investment property - net	9	**61,415,734**	106,139,868
Property and equipment - net	10	**74,506,980**	74,716,305
Deferred tax assets	11,20	**78,154,011**	110,019,541
Other assets	12	**22,181,875**	20,347,860
		2,233,034,986	2,114,192,960
TOTAL ASSETS		**4,889,156,772**	4,777,304,240
LIABILITIES AND EQUITY			
Current labilities			
Notes payable - current portion	13	**1,402,207,083**	1,135,026,412
Long-term liabilities - current portion	14	**119,400,769**	91,606,906
Other current liabilities	16	**91,885,308**	79,041,068
		1,613,493,160	1,305,674,386
Non-current liabilities			
Notes payable - net of current portion	13	**57,056,948**	53,003,230
Long-term liabilities - net of current portion	14	**1,050,775,509**	1,146,043,996
Financial liabilities at fair value through profit or loss	15	**29,005,176**	100,425,449
		1,136,837,633	1,299,472,675
TOTAL LIABILITIES		**2,750,330,793**	2,605,147,061
Equity	17		
Share capital		**1,919,902,000**	1,919,902,000
Share premium		**79,510,460**	79,510,460
Retained earnings		**139,413,519**	172,744,719
TOTAL EQUITY		**2,138,825,979**	2,172,157,179
TOTAL LIABILITIES AND EQUITY		**4,889,156,772**	4,777,304,240

The Notes on pages 8 to 42 form part of these financial statements.

Small Business Corporation

Statements of Comprehensive Income

For the Years Ended December 31, 2016 and 2015
(In Philippine Peso)

	Notes	2016	2015 (As Restated)
INCOME			
Interest income from loans and receivables	6, 7	**215,434,047**	208,424,569
Investment income	4, 5	**65,078,279**	80,990,167
Guarantee fees	2.13 (c)	**1,042,873**	1,351,957
Other operating income		**24,871,524**	26,874,072
		306,426,723	317,640,765
FINANCE COST			
Interest expense on notes payable and other long-term borrowings	13, 14	**37,995,976**	38,664,086
		37,995,976	38,664,086
INCOME BEFORE PROVISION FOR IMPAIRMENT OF LOANS		**268,430,747**	278,976,679
Provision for impairment of loans	3.3	**61,862,866**	174,070,778
		206,567,881	104,905,901
OTHER INCOME (LOSS)			
Subsidy income from National Government	18	**9,351,910**	90,105,877
Other income		**9,569,910**	22,035,754
Realized foreign exchange gain (loss)		**7,902,074**	(2,163,402)
		26,823,894	109,978,229
EXPENSES			
Administrative expenses	19	**208,656,512**	198,614,502
Other expenses			
Impairment loss on real and other properties acquired		-	702,663
Litigation expenses		**331,473**	291,563
Foreclosure and acquired assets expenses		**1,664,275**	1,855,062
		210,652,260	201,463,790
INCOME BEFORE UNREALIZED GAINS (LOSSES)		**22,739,515**	13,420,340
UNREALIZED GAIN (LOSS)			
Unrealized gain (loss) on foreign exchange translation		**(54,292,350)**	(4,015,770)
Unrealized gain (loss) on derivative valuation		**53,719,091**	(44,044,430)
		(573,259)	(48,060,200)
INCOME (LOSS) BEFORE INCOME TAX		**22,166,256**	(34,639,860)
INCOME TAX EXPENSE			
Deferred	20	**(23,374,464)**	14,764,529
		(23,374,464)	14,764,529
NET INCOME (LOSS)		**(1,208,208)**	(19,875,331)

The Notes on pages 8 to 42 form part of these financial statements.

Small Business Corporation

Statements of

Changes in Equity

For the Years Ended December 31, 2016 and 2015
(In Philippine Peso)

	Notes	Capital Stock: Common Shares	Capital Stock: Prefered Shares	Additional paid-in capital	Retained Earnings: Valuation Reserve (FVTPL)	Retained Earnings: Appropriated	Retained Earnings: Unappropriated	Total
		17.1	17.1	17.2	15	17.1	17.1	
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**
Reapproriation from Guaranteed Reserved								
Funds to unapropriated retained earnings		-	-	-	-	(50,000,000)	50,000,000	-
Correction of prior period adjustments								
(Stale check reversal)		-	-	-	-	-	5,000	5,000
Recovery from Guaranteed Paid Accounts		-	-	-	-	-	816,054	816,054
Declaration of cash dividend		-	-	-	-	-	(19,570,603)	(19,570,603)
Net change in derivative valuation for the year		-	-	-	94,462,750	-	(94,462,750)	-
Expired MCIT		-	-	-	-	-	(3,477,314)	(3,477,314)
Expired NOLCO		-	-	-	-	-	(9,896,129)	(9,896,129)
Net income (loss)		-	-	-	-	-	(1,208,208)	(1,208,208)
BALANCE AT DECEMBER 31, 2016		**1,519,902,000**	**400,000,000**	**79,510,460**	**(5,962,699)**	**230,673,100**	**(85,296,882)**	**2,138,825,979**

The Notes on pages 8 to 42 form part of these financial statements.

Small Business Corporation

Statements of

Cash Flows

For the Years Ended December 31, 2016 and 2015
(In Philippine Peso)

	Notes	2016	2015 (*As Restated*)
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash inflows:			
Interest on loans		**197,123,377**	187,762,396
Interest on investments		**68,058,014**	85,772,107
Guarantee fees	2.13 (c)	**973,791**	1,333,430
Other income		**16,190,369**	16,964,260
Collections of employees loan		**8,474,769**	5,921,443
Advances/Refund from suppliers and creditors		**36,439,701**	89,029,399
Collection of loans		**1,809,927,921**	1,795,709,712
Payment received lodged under "Undistributed Collections"	16	**1,115,840**	1,806,903
Gain on foreign exchange		**127,641**	3,063
		2,138,431,423	2,184,302,713
Cash outflows:			
Payment of operating expenses	19	**196,729,304**	94,608,175
Advances to suppliers and creditors		**35,866,615**	89,635,553
Loans granted to employees		**9,432,157**	5,736,238
Loans granted to borrowers	6, 7	**1,752,633,764**	2,029,450,805
Loss on foreign exchange		**3,148,477**	2,166,464
		1,997,810,317	2,221,597,235
Net cash provided by (used in) operating activities		**140,621,106**	(37,294,522)
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash inflows:			
Proceeds from held-to maturity-investment	5	**754,849,432**	327,505,451
Proceeds from disposal of investment property (ROPA)	9	**5,070,839**	4,553,204
Proceeds from sale of disposed assets (PE)	10	-	67,696
		759,920,271	332,126,351
Cash outflows:			
Placement of held-to maturity-investment	5	**891,927,401**	130,516,861
Purchase of property and equipment (PE)	10	**3,780,172**	3,167,647
Investment in equity instruments	8	-	1,880,000
Foreclosed property	9	**2,500,669**	2,197,282
		898,208,242	137,761,790
Net cash provided by (used in) investing activities		**(138,287,971)**	194,364,561
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash inflows:			
Issuance of MSME Notes to banks and other financial institutions	13	**1,010,868,550**	769,250,000
		1,010,868,550	769,250,000
Cash outflows:			
Payment of foreign loans	14	**121,766,974**	86,415,689
Payment of interest on loans and other finance costs	13, 14	**54,455,254**	73,354,602
Payment of matured MSME Notes	13	**740,949,201**	757,728,650
		917,171,429	917,498,941
Net cash provided by (used in) financing activities		**93,697,121**	(148,248,941)
		96,030,256	8,821,098
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**155,908,905**	147,087,807
Cash and cash equivalents, beginning			
CASH AND CASH EQUIVALENTS, ENDING		**251,939,161**	155,908,905

The Notes on pages 8 to 42 form part of these financial statements.

Notes to Financial Statements

December 31, 2016 and 2015
(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 (SMEs).SBC is under the policy program and administrative supervision of the Micro, Small and Medium Enterprise (MSME) Development Council of the Department of Trade and Industry (DTI), the primary agency responsible for the promotion and development of SMEs 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 13 thereof, amending Section 11 of RA No. 6977, 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."

SBC'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 MSMEs; and guarantee programs for larger banks to cover MSME loans without collateral or with insufficient collateral. SBC also provides financial management and capacity building for rural banks with its Borrower Risk Rating System program.

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 19 desk offices within the Philippines and has 136 and 134 regular employees for the calendar years 2016 and 2015, respectively.

The financial statements of the SBC as of and for the year ended December 31, 2016 (including the comparative financial statements as of and for the year ended December 31, 2015) were authorized for issue by the Corporation's Board of Directors (BOD) on March 17, 2017.

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, 2016 and 2015 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 (SCI).

(c) Functional and presentation currency

These financial statements are presented in Philippine pesos, theCorporation'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

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

(a) Effective in 2016 that are relevant to the Corporation

(i) Amendments to PAS 1, Presentation of Financial Statements- Disclosure Initiatives (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.

The amendment also introduced that an entity's share of other comprehensive income of associates and joint ventures accounted for using equity method should be presented in aggregate as single line items based on whether or not such other comprehensive income item will subsequently be reclassified to profit or loss.

It further illustrates ways that in determining the order of presentation of the notes and disclosures, an entity shall consider the understandability and comparability of the financial statements.

(b) Effective in 2016 that are not relevant to the Corporation

(i) *Amendments to PFRS 11, Accounting for Acquisitions of Interests in Joint Operations.* The amendment requires that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business must apply the relevant PFRS 3 principles for business combinations accounting.

Specifically, an investor will need to: (a) measure identifiable assets and liabilities at fair value; (b) expense acquisition-related costs; (c) recognize deferred tax; and (d) recognize the residual as goodwill. All other principles of business combination accounting apply unless they run contrary or in conflict with PFRS 11.

(ii) PFRS *14, Regulatory Deferral Accounts* – An entity that already presents financial statements in accordance with PFRS is not eligible to apply PFRS 14. The Standard permits an entity that is a first-time adopter of PFRS to continue to use its previous GAAP accounting policies for its rate-regulated activities. Application of the Standard is not mandatory, but if a first-time adopter of PFRS is eligible to apply the Standard, it must elect to do so in its first PFRS financial statements. If it does not, the entity will not be eligible to apply the Standard in subsequent periods.

(iii) *Amendments to PAS 16 and PAS 38, Clarification of Acceptable Methods of Depreciation and Amortization* – The amendment in PAS16 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.

(iv) *Amendments to PAS 16 and PAS 41, Agriculture Bearer Plants* – The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of PAS 41. Instead, PAS 16 will apply. After initial recognition, bearer plants will be measured under PAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of PAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, PAS 20, Accounting for Government Grants and Disclosure of Government Assistance, will apply. This amendment is not expected to have an impact as the Corporation has no bearer plants.

(v) *Amendments to PAS 27, Equity Method in Separate Financial Statements* – The amendment allows entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying PFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. For first-time adopters of PFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to PFRS. The amendment will not have any impact on the Corporation's financial statements.

(vi) *Amendments to PFRS 10, PRFS 12 and PAS 28, Investment Entities: Applying the Consolidation Exception* – The amendments address issues that has arisen in applying the investment entities exception under PFRS 10. The amendments to PFRS 10 clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value.

Furthermore, the amendments to PFRS 10 clarify that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value. The amendments to PAS 28 allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries.

(vii) *Annual Improvements to PFRS (2012 – 2014 Cycle).*The Annual Improvements to PFRSs 2012 – 2014 cycle have no significant impact to the financial statements of the Corporation.

- *Amendment to PFRS 5, Changes in Methods of Disposal*– The amendment clarifies that changing from a disposal through sale to a disposal through distribution should not be considered to be a new disposal, rather it is a continuation of the original disposal. The amendment also clarifies that changing the disposal method does not change the date of classification.

- *Amendment to PFRS 7, Servicing Contracts*–In PFRS 7, the entity is required to present a disclosure for any continuing involvement in a transferred asset that is already derecognized. The amendment clarifies that a servicing contract that entails a fee can comprise a continuing involvement in the derecognized asset. As such, the entity must evaluate the nature of the fee and arrangement against the regulation for continuing involvement with PFRS 7 in order to assess whether disclosures are needed.

- *Amendment to PFRS 7, Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*– This amendment is applied retrospectively and explained that the disclosures on offsetting of financial assets and financial liabilities are not required in the condensed interim financial statements unless they provide a significant update to the information presented in the most recent annual financial statements.

- *Amendment to PAS 19, Discount Rate: Regional Market Issue*– This amendment is applied prospectively and clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.

- *Amendment to PAS 34, Disclosure of Information "elsewhere in the interim financial report"*–The amendment is applied retrospectively and clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report).

(c) Effective subsequent to 2015 but not adopted early

The following pronouncements listed below are issued but not yet effective. Unless otherwise indicated, the Corporation does not expect that the future adoption of these pronouncements will have a significant impact on its financial statements.

(i) *Amendments to PAS 7, Disclosure Initiative* (effective from January 1, 2017) – The amendments to PAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from inancing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). On initial application of the amendments, entities are not required to provide comparative information for preceding periods. Early application of the amendments is permitted.

(ii) *Amendments to PAS 12, Recognition of Deferred Tax Assets for Unrealized Losses* (effective from January 1, 2017) – The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognized in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that information. Early application of the amendments is permitted.

(iii) *PFRS 9, Financial Instruments* (effective from January 1, 2018) – PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39, Financial Instruments; Recognition and Measurement, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. Early application is permitted. Retrospective application is required, but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

(iv) *Amendments PFRS 2, Classification and Measurement of Share- based Payment Transactions* (effective from January 1, 2018) – The amendments to PFRS 2 address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and the accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

(v) *Amendments to PFRS 4, Applying PFRS 9, Financial Instruments with PFRS 4, Insurance Contracts* (effective from January 1, 2018 but still subject to BOA approval) – The amendments address concerns arising from implementing PFRS 9, the new financial instruments standard before implementing the forthcoming insurance contracts standard. Option between the overlay approach and the temporary exemption approach is allowed to deal with the transitional challenges.

The overlay approach permits all issuers of insurance contracts to recognize in other comprehensive income, rather than profit or loss, the volatility that could arise when PFRS 9 is applied before the new insurance contracts standard is issued.

On the other hand, the temporary exemption approach permits entities whose predominant activities are connected with insurance to defer the application of PFRS 9 until the earlier of application of the forthcoming insurance contracts standard or until 2021.

(vi) *PFRS 15, Revenue from Contracts with Customers* (effective from January 1, 2018 but still subject to BOA approval) – The standard specifies how and when an entity will recognize revenue as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures. The standard provides a single, principles based five-step model to be applied to all contracts with customers. Under PFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods and services to a customer. The principles in PFRS 15 provide a more structured approach in measuring and recognizing revenue.

The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under PFRSs. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2018.

(vii) *Amendment to PAS 28 – Measuring an associate or joint venture at fair value (Part of Annual Improvements to PFRSs 2014-2016 Cycle)* (effective from January 1, 2018 but still subject to BOA a pproval) – The amendments clarify that an entity that is a venture capital organization, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit and loss. It likewise clarifies that an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which (a) the investment entity associate or joint venture is initially recognized; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent. The amendments should be applied retrospectively, with earlier application permitted.

(viii) *Amendments to PAS 40, Transfer of Investment Property* (effective from January 1, 2018 but still subject to BOA approval) – The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments should be applied prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. Retrospective application is only permitted if this is possible without the use of hindsight.

(ix) *Philippine Interpretation IFRIC22, Foreign Currency Transactions and Advance Consideration* (effective from January 1, 2018 but still subject to BOA approval) – The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the non- monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. The interpretation may be applied on a fully retrospective basis. Entities may apply the interpretation prospectively to all assets, expenses and income in its scope that are initially recognized on or after the beginning of the reporting period in which the entity first applies the interpretation or the beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation.

(x) *PFRS 16, Leases* (effective from January 1, 2019) – Under the new standard, lessees will no longer classify their leases as either operating or finance leases in accordance with PAS 17, Leases. Rather, lessees will apply the single-asset model. Under this model, lessees will recognize the assets and related liabilities for most leases on their balance sheets, and subsequently, will depreciate the lease assets and recognize interest on the lease liabilities in their profit or loss. Leases with a term of 12 months or less or for which the underlying asset is of low value are exempted from these requirements.

The accounting by lessors is substantially unchanged as the new standard carries forward the principles of lessor accounting under PAS 17. Lessors, however, will be required to disclose more information in their financial statements, particularly on the risk exposure to residual value.

Entities may early adopt PFRS 16 but only if they have also adopted PFRS 15. When adopting PFRS 16, an entity is permitted to use either a full retrospective or a modified retrospective approach, with options to use certain transition reliefs.

(xi) *Amendments to PFRS 10 and PAS 28, Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* – The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendment clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3, Business Combinations. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

On January 13, 2016, the Financial Reporting Standards Council postponed the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board has completed its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

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 SCI. The losses arising from impairment/allowance for doubtful accounts are recognized in the SCI.

(c) Financial assets at fair value through profit or loss (FVTPL)

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 SCI.

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 SCI 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 rovision 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 SCI.

(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 SCI.

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 SCI.

(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 SCI 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-though" 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 inancial 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 properties 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 SCI 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 SCI.

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:

Item of property and equipment	Estimated useful life
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 SCI.

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 SCI.

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 is 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 24.

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 SCI.

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 SCI 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 SCI.

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 SCI. 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. Foreign currency transactions

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 SCI.

2.18. 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, if any, are disclosed when material to the financial statements.

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 property and equipment and 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 as prescribed in COA Circular No. 2003-007 dated December 11, 2003and ROPA/Investment Property as prescribed in BSP Circular No. 520 dated March 20, 2006.

4. CASH AND CASH EQUIVALENTS

The account consists of the following:

	2016	2015 *(As Restated)*
Cash in bank	**62,799,319**	20,908,905
Short-term investments	**189,139,842**	135,000,000
	251,939,161	155,908,905

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 1.375 to 2.3 per cent per annum for 2016 and 1.4 to 1.5 per cent per annum for 2015 (See Note 2.3).

5. 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 8.875 per cent per annum for 2016.

Investment in treasury bills is broken down below:

	2016	2015 *(As Restated)*
Investments in treasury bills	**1,527,436,084**	1,263,690,571
Investments in treasury bills – guarantee reserve fund (GRF)	**153,577,384**	280,220,502
Investments in bonds	**242,775**	383,805
Interest receivable on investments	**15,135,987**	18,002,287
	1,696,392,230	1,562,297,165
Short-term	**410,959,414**	330,486,856
Long-term	**1,285,432,816**	1,231,810,309

6. DUE FROM BANKS AND OTHER FINANCING INSTITUTIONS – NET

The Corporation extends loans to banks and other financing institutions at an interest rate ranging from 3.5 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:

	2016	2015 *(As Restated)*
Wholesale financing	**1,459,294,812**	1,644,416,761
Allowance for doubtful accounts	**(235,474,686)**	(244,240,943)
	1,223,820,126	1,400,175,818
Current	**1,000,371,068**	1,154,351,448
Long-term	**223,449,058**	245,824,370

Due from banks and other financial institutions reported in CY 2015 was adjusted to include loans arising from the transfer of loans receivable from the FORGE facility which was previously reported as part of the retail loan receivables in the amount of P1,479,616.

7. LOANS AND RECEIVABLES – NET

The account consists of the following:

	2016	2015 *(As Restated)*
Loans receivable – retail	**1,198,832,687**	976,021,057
Allowance for doubtful accounts	**(217,690,801)**	(162,373,105)
	981,141,886	813,647,952
Loans receivable – ERF	**504,566,561**	525,005,534
Allowance for doubtful accounts	**(165,035,380)**	(158,611,222)
	339,531,181	366,394,312
Loans receivable – others	**53,834,349**	81,291,773
Interest receivable – loans	**49,216,284**	52,070,885
	103,050,633	133,362,658
Allowance for doubtful accounts	**(5,272,245)**	(5,486,588)
	97,778,388	127,876,070
Guarantee paid accounts	**78,477,449**	79,268,080
Allowance for doubtful accounts	**(77,783,139)**	(78,599,193)
	694,310	668,887
Accounts receivable – others	**23,057,971**	23,522,574
Allowance for doubtful accounts	**(895,264)**	(580,000)
	22,162,707	22,942,574
	1,441,308,472	1,331,529,795

The current and non-current portion of the account is broken down below:

	2016	2015 *(As Restated)*
Current		
Loans receivable – retail	**633,624,515**	549,966,678
Loans receivable – ERF	**256,581,021**	339,662,654
Loans receivable and interest receivable – others	**97,778,388**	127,876,070
receivable – others	**2,945,013**	3,162,186
Accounts	**990,928,937**	1,020,667,588
Non-current		
Loans receivable – retail	**347,517,371**	263,681,274
Loans receivable – ERF	**82,950,160**	26,731,658
Guarantee paid accounts	**694,310**	668,887
Accounts receivable – others	**19,217,694**	19,780,388
	450,379,535	310,862,207

The reflected breakdown of current and non-current for CY 2015 was reclassed to present adjustments made on the following; FORGE accounts transferred to Wholesale Micro, guarantee, and accounts receivable-others in the total amount of P18,969,659.

Classification as to current account is based on the accounts loan classification as to current and past due. Classification as to period of collectivity shall be presented by CY 2017.

Loans receivable – retail carry interest rates ranging from 7.50 per cent to 15 per cent per annum as at December 31, 2016.

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:

	2016	2015 *(As Restated)*
Agricultural Credit Policy Council (ACPC re: Administrative fee for the Comprehensive Agricultural Loan Fund (CALF)	**10,700,000**	11,600,000
Participating financial institution's share in expenses relative to foreclosure in the management of acquired assets	**12,357,971**	11,922,574
	23,057,971	23,522,574

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.

Movements in the allowance for doubtful accounts for the year are as follows:

	Balance, January 1, 2016	**Additional provision**	**Recovery/ Reversal**	**Balance, December 31, 2016**
Loans receivable – retail	162,373,105	61,139,392	(5,821,696)	217,690,801
Loans receivable – ERF	158,611,222	6,563,057	(138,899)	165,035,380
Loans receivable and interest receivable – others	5,486,588	-	(214,343)	5,272,245
Guarantee paid accounts	78,599,193	-	(816,054)	77,783,139
Accounts receivable – others	580,000	315,264	-	895,264
	405,650,108	**68,017,713**	**(6,990,992)**	**466,676,829**

8. INVESTMENT IN EQUITY INSTRUMENTS – NET

The account represents the Corporation's Equity Ventures Program, an equity financing program for SMEs which calls for the participation of a private sector venture or an 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 Repellant 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, 2016.

9. 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:

	2016	2015 *(As Restated)*
Real and other properties acquired	**86,980,347**	153,451,274
Equity of originating financial institutions on acquired assets	**(2,574,139)**	(2,906,546)
Allowance for probable losses	**(22,990,474)**	(44,404,860)
	61,415,734	106,139,868

10. PROPERTY AND EQUIPMENT – NET

The account consists of the following:

	Land	**Buildings/ Structures**	**Furniture and Other Equipment**	**Transport Equipment**	**Total**
Cost					
January 1, 2016	**901,623**	**142,421,363**	**26,996,878**	**12,904,422**	**183,224,286**
Additions	-	530,780	3,673,242	5,160,000	9,364,022
Reclassification	-	(183,674)	(3,962,230)	(38,100)	(4,184,004)
Disposals	(901,623)	-	(20,248)	-	(921,871)

	Land	Buildings/ Structures	Furniture and Other Equipment	Transport Equipment	Total
December 31, 2016	-	**142,768,469**	**26,687,642**	**18,026,322**	**187,482,433**
Accumulated depreciation					
January 1, 2016	-	81,301,460	18,254,417	8,952,104	108,507,981
Additions	-	4,103,102	2,163,436	723,346	6,989,884
Reclassification	-	(106,486)	(2,371,228)	(34,290)	(2,512,004)
Disposals	-	-	(10,408)	-	(10,408)
December 31, 2016	-	85,298,076	**18,036,217**	**9,641,160**	**112,975,453**
Net book value, December 31, 2016	-				
Net book value,		57,470,393	**8,651,425**	**8,385,162**	**74,506,980**
December 31, 2015	**901,623**	**61,119,903**	**8,742,461**	**3,952,318**	**74,716,305**

11. DEFERRED TAX ASSET

This account consists of the following:

	2016	2015 *(As Restated)*
Minimum corporate income tax	**13,387,192**	11,982,130
Net operating loss carry over	-	21,521,709
Provision for impairment losses	**62,978,009**	46,388,067
Financial liability at FVTPL	**1,788,810**	30,127,635
	78,154,011	110,019,541

12. OTHER ASSETS

The account consists of the following:

	2016	2015 *(As Restated)*
Motor vehicle lease purchase plan	**13,381,650**	12,294,131
Prepayments	**5,236,769**	3,103,732
Receivables – officers and employees	**1,209,093**	1,220,470
Guarantee deposit	**941,723**	918,619
Office supplies	**347,981**	306,358
Due from BMBE	**366,132**	169,655
Other assets	**2,621,733**	4,031,378
	24,105,081	22,044,343
Current	**1,923,206**	1,696,483
Non-current	**22,181,875**	20,347,860

Other Assets reflected in CY 2015 were incorrectly reported as all non-current. For this reporting, however, respective amounts that were current were reclassed particularly for Account Receivables – Officers and Employee, Office Supplies, and Due from BMBE with a total amount of P 1,696,493.

13. NOTES PAYABLE

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 0.87 per cent to 2.60 per cent per annum for 2016. Details of the account follow:

	2016	2015 *(As Restated)*
Current portion	**1,402,207,083**	1,135,026,412
Non-current portion	**57,056,948**	53,003,230
	1,459,264,031	1,188,029,642

14. LONG-TERM LIABILITIES

The account consists of the following:

	2016	2015 *(As Restated)*
Foreign currency denominated loans		
Asian Development Bank (ADB)	**554,662,102**	601,196,957
Kreditanstalt fur Weiderafbau (KfW)	**586,314,924**	605,370,870
Peso denominated loans		
International Fund for Agricultural Development (IFAD)	**29,199,252**	31,083,075
	1,170,176,278	1,237,650,902
Current	**119,400,769**	91,606,906
Non-current	**1,050,775,509**	1,146,043,996

The loan from ADB is a US$25 million (JPY2.746 billion) denominated loan for SME 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, 2016 was at P0.4251. 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, 2016 was at P51.8404. 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, 2016, the outstanding balance of ADB and KfW loans amounted to JPY1.305 billion and €11.310 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.

15. 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 P1.141 billion in 2016 and P1.207 billion in 2015 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 SCI. As at December 31, 2016, the outstanding notional amount of FXRC amounted to JPY1.305 billion and €11.310 million.

In 2015, SBC engaged the services of SGV and Company to perform validation on the appropriateness of the Black Scholes Option Model being adopted by the Corporation for its FXRC option valuation model. Said validation is in compliance with BSP's directive to subject the FXRC option valuation model to an independent external party validation. It resulted to the change of valuation model from Black Scholes to the Garman Kohlagen model which was recommended as the more appropriate valuation model under existing conditions. The conversion resulted to a financial liability at fair value through profit and loss of P 100.4 million effective year-end 2015. Correspondingly, 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.

16. OTHER CURRENT LIABILITIES

The account consists of the following:

	2016	2015 *(As Restated)*
Accounts payable and accrued expenses	**73,365,624**	60,452,759
Deferred interest income	**17,403,844**	16,781,406
Undistributed collection	**1,115,840**	1,806,903
	91,885,308	79,041,068

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.

17. EQUITY

The Corporation has an authorized capital stock of P10 billion divided into 80 million common shares and 20 million preferred shares both with a par value of P100 per share. Details of its existing capital structure are as follows:

17.1. Capital structure

	2016	2015 *(As Restated)*
Capital stock		
Common shares		
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

	2016	2015 (As Restated)
Additional paid-in capital	**79,510,460**	79,510,460
Retained earnings		
Appropriated retained earnings		
Guarantee Reserve Fund	**200,000,000**	250,000,000
Appropriated for dividend	**30,673,100**	30,673,100
	230,673,100	280,673,100
Unappropriated retained earnings (deficit)	**(85,296,882)**	(7,502,932)
Fair value through profit or loss reserve	**(5,962,699)**	(100,425,449)
	139,413,519	172,744,719
	2,138,825,979	2,172,157,179

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:

a. Preference in the payment of dividends in accordance with the principle of equity with common stockholders in the declaration and distribution of corporate dividends;

b. Preference in the claim against corporate asset in the event of dissolution or bankruptcy;

c. Each share of its outstanding preferred stocks is entitled to a vote during stockholders meeting;

d. Entitled to exercise its preemptive right to increase shareholdings through the equivalent unissued common shares;

e. Entitled to a Board seat in accordance with Section 11 and 3 of RA No. 6977 as amended by RA No. 8289; and

f. 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.

17.2. 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.

18. 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, 2016 amount released to ERF borrowers amounted to P630 million.

	2016	2015 (As Restated)
Receipts		
Beginning balance –support from NG	**2,288,059**	3,232,219
2016 Release (OR# 145006-A dated 8/30/16)	**7,063,851**	-
2015 Release (OR# 122867-A dated 09/08/15)	-	50,000,000
2015 Release (OR# 126129-A dated12/23/15)	-	39,161,717
	9,351,910	92,393,936
Expenses		
Maintenance and other operating expenses		
Contractual and other administrative services	**1,264,581**	1,389,238
Travelling expenses	**315,996**	455,623
Rental	**142,399**	363,544
Repairs and maintenance	**124,178**	221,957
Gasoline	**127,298**	138,663
Communication expense	**46,200**	129,810
Power, light and water	**33,311**	56,440
Supplies and materials	**19,539**	42,415
Printing and binding	-	39,200
Business development cost	**12,123**	32,693
Business promotion	**199,511**	13,019
Advertising and publicity	-	2,800
Miscellaneous expenses	**2,983**	89,773
	2,288,059	2,975,175
Provision for probable losses	**6,563,058**	66,405,927
Interest expense subsidy	**500,793**	20,724,775
	9,351,910	90,105,877
Excess of receipts over expenses	-	2,288,059

19. ADMINISTRATIVE EXPENSES

This account consists of the following:

	2016	2015
Personal services		
Salaries and wages – basic	**58,275,357**	56,853,890
Bonus and other incentives	**30,891,459**	29,905,125
Provident fund employer contribution	**8,043,899**	8,020,032
GSIS employer contribution	**6,560,868**	6,600,825
Other employee benefits	**6,353,850**	5,958,147
Representation and transportation allowance	**5,017,099**	5,302,330
Employee benefits – PERA/ACA	**3,301,245**	3,316,890
Board fees	**680,000**	904,000
HDMF employer contribution	**165,100**	165,900
PhilHealth employer contribution	**547,200**	550,113
Salaries and wages – overtime pay	**128,408**	28,356
	119,964,485	117,605,608

	2016	2015
Maintenance and other operating expenses		
T axes and licenses	**12,385,435**	11,511,074
Security, janitorial and other contracted services	**10,884,760**	9,221,138
Depreciation	**6,989,884**	7,137,341
Extraordinary/miscellaneous expense	**4,249,935**	4,673,876
Communication services	**3,636,564**	3,737,750
Auditing services	**3,218,138**	3,354,835
ERF expense	**2,788,852**	2,975,175
Power, light and water	**2,633,045**	2,750,283
Development cost	**5,784,197**	6,116,156
Repairs and maintenance	**2,628,769**	2,496,786
Rental	**3,336,013**	2,472,930
Condominium dues	**2,213,398**	2,090,262
Travelling expenses	**3,147,536**	2,642,961
Supplies, materials and printing	**3,411,403**	2,039,415
Insurance premiums	**1,542,591**	1,508,399
Training and seminars	**1,767,651**	1,144,053
Fuel, oil and lubricants	**779,576**	999,985
Business development expenses	**818,194**	683,990
Management and other professional fees Board	**6,642,636**	1,349,315
and committee expenses	**520,408**	570,070
Advertising and business promotion	**798,688**	1,036,049
Subscription and periodicals	**48,359**	66,956
Others	**8,465,995**	10,430,095
	88,692,027	81,008,894
	208,656,512	198,614,502

20. INCOME TAX

20.1. Regular corporate income tax

Particulars	Amount
Net income(loss) before income tax	22,166,256
Permanent differences	
Non-deductible expenses	
Provision for probable losses– ERF	6,563,058
Maintenance and other operating expense– ERF	2,288,060
Interest expense subsidy– ERF	500,793
Interest arbitrage limitation	25,930,983
Non-taxable income	
Support from National Government	(9,351,911)
Interest income on investment/bank deposits	(65,218,373)
Accounting income subject to tax	**(17,121,134)**
Temporary differences	
Provision for impairment of loans/acquired properties	55,299,808
Bad debts written off	-
Unrealized loss	573,259
Taxable income before NOLCO	**38,751,933**
NOLCO	(38,751,933)
Taxable income after NOLCO	-

20.2. Minimum corporate income tax (MCIT)

Particulars		Amount
Income before provision for impairment loss		268,430,748
Other income		26,323,101
Gross income		**294,753,849**
Reconciling items		
Investment in government securities		(65,078,279)
Interest on bank deposits and government bond		(140,094)
Support from National Government – ERF		(9,351,911)
Litigation expense		(331,473)
Foreclosure and acquired asset expense		(1,664,275)
Interest arbitrage limitations		25,930,983
Taxable gross income		**244,118,800**
MCIT rate		2%
MCIT due		**4,882,376**
Prior year's excess credits other than MCIT		
Creditable withholding tax		
1stquarter	(299,615)	
2ndquarter	(165,830)	
3rdquarter	(2,155,050)	
4thquarter	(2,631,495)	(5,251,990)
Tax payments		
1stquarter	(880,396)	
2ndquarter	(1,001,887)	
3rdquarter	-	(1,882,283)
Tax still due		(2,251,897)

20.3. Income tax benefit computation

Particulars	Amount
Deferred tax asset – allowance for doubtful accounts (ADA)	
2016 provision for probable loss	55,299,808
Tax rate	30%
Income tax benefit– ADA for 2016	**16,589,942**
Deferred tax asset – ADA, January 1, 2016	46,388,067
Deferred tax asset – ADA, December 31, 2016	**62,978,009**
Deferred tax asset – financial liability (FL) at FVTPL	
Financial liability at FVTPL, December 31, 2015	5,962,699
Tax rate	30%
Deferred tax asset – FL at FVTPL, December 31, 2016	**1,788,810**
Deferred tax asset, January 1, 2016	30,127,635
Decrease in income tax benefit–FL at FVTPL for 2016	**28,338,825**

20.4. 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
2016	2019	-	4,882,376	-	4,882,376
2015	2018	4,872,463	-	-	4,872,463
2014	2017	3,632,353	-	-	3,632,353
2013	2016	3,477,314	-	3,477,314	-
Total		**11,982,130**	**4,882,376**	**3,477,314**	**13,387,192**

Net operating loss carry over

Year Occurred	Available until	NOLCO	Applied Current Year (2016)	Expired	Balance
2013	2016	71,739,031	38,751,933	32,987,098	-
Tax Rate		30%	30%	30%	-
DTA		**21,521,709**	**11,625,580**	**9,896,129**	-

20.5. Deferred tax asset schedule

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

	Statement of financial position		Profit or loss	
	2016	**2015**	**2016**	**2015**
Deferred tax assets				
MCIT	13,387,192	11,982,130	(11,625,580)	(17,739,937)
NOLCO	-	21,521,709		
Provision for impairment losses	62,978,009	46,388,067	16,589,942	30,286,634
Financial liability at FVTPL	1,788,810	30,127,635	(28,338,825)	2,217,832
Total	**78,154,011**	**110,019,541**		
Net income tax benefit			**23,374,464**	**14,764,529**

21. 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 2016.The taxes and licenses paid/accrued during the year are as follows:

21.1. Withholding taxes

	2016	2015
Taxes on compensation and benefits	**12,008,164**	13,654,151
Value added taxes (VAT)	**2,741,371**	2,239,225
Expanded withholding taxes (EWT)	**1,754,563**	1,501,703
Gross receipt taxes (GRT)	**12,022,446**	11,190,385
	28,526,544	28,585,464

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.

21.2. Other taxes

	2016	2015
Local		
Real estate taxes	**896,579**	819,262
Corporate community tax	**10,500**	10,500
National		
Capital gains taxes	**730,230**	212,897
Documentary stamp taxes	**16,832,161**	16,827,512
Transfer taxes	**48,159**	9,035
BIR annual registration	**500**	500
	18,518,129	17,879,706

22. 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 SMEs 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, 2016 and 2015, the Corporation's outstanding guarantees amounted to P186,357,804 and P230,419,822, 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.

23. RELATED PARTY TRANSACTIONS

23.1. Barangay Micro Business Enterprises

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 P300.5 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 P300.5 million to SBC was invested in government securities and earned interest income of P152,426,260 as at December 31, 2016. 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, 2016, the BMBE Development Fund showed a balance of P442,448,795.

23.2. Project Fund for Enterprise Enhancement Program

During the 3rd MSMED Council meeting held on July 29, 2015, the Council approved SBC's proposal to assist and train MSMEs through the Enterprise Enhancement Program (EEPro). EEPro is a capacity building initiative by SBC for MSME borrowers specifically on business planning and financial literacy through a series of trainings, coaching and consultancy.

On September 26, 2016, the MSMED Council transferred P1.5 million to SBC for the EEPro. The project funds were sourced from the MSME Council Fund pooled from the penalties paid by lending institutions for non-compliance with the mandatory allocation of credit resources for MSMEs under RA No. 6977 as amended by RA Nos. 8289 and 9501.

24. EMPLOYEE BENEFITS

24.1. 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.

24.2. 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 SBC (BS) for the first 20 YoS, 1.5 BSinexcessof20upto30 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

24.3. 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.

25. 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.

26. 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 marketcircumstancestoavoiddisastrousfinancialconsequencesto the Corporation.

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

26.1. 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.

26.2. 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).

26.3. 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.

Board of Directors

Usec. Zenaida Cuison-Maglaya
Acting Chairman, SB Corporation
Department of Trade and Industry Representative

Usec. Zenaida Maglaya is 62 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 Operation 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 continue 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, Ms. Maglaya obtained the 2011 KBP Golden Dove's Best Public Service Personality for Radio. Undersecretary Maglaya was conferred the Presidential Lingkod Bayan Award in 2007, the highest category of the Civil Service Commission's Honor Awards Program. She is the primary alternate of the Secretary of Trade and Industry to the following board membership: Home Development Mutual Fund, Laguna Lake Development Authority and Board of Investments. She was first appointed as Member of the Board of SB Corporation on March 05, 2014 as alternate of the Secretary of Trade and Industry and designated as Acting Chairman of SB Corporation effective December 1, 2015.

Mr. Bartholomew Brillo L. Reynes
President and CEO
Small Business Corporation

Mr. Brillo L. Reynes is 68 years old 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. Mr. Reynes was selected as part of the cross-pollination program of DBP that assigned 5 selected officers to the regions in 1989 to upgrade the 5 regional offices for possible spin-off and privatization. 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 traces his family roots in Cebu where he 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.

After a year of consultancy work with DBP in 2013 to phase in the new head of the Development Sector, Mr. Reynes spent the next 2 years in his hometown, Cateel in Davao Oriental to help rehabilitate his family's farmland and his high school alma mater, the Maryknoll Academy of Cateel. Typhoon Pablo (internationally known as Bopha) devastated both. After attaining some level of normalcy of his concerns in Cateel, he rejoined his family in Manila. While the retired life appealed to him, he thought he should re-enter the mainstream of Philippine finance where he had spent most of his productive life, both in the private sector and in government service.

Mr. Reynes has varied interests. He enjoys both literature and sports. Aside from reading, he writes poetry and is an active participant in All Poetry, the world's largest poetry community. He used to be an accomplished judo player having competed in college and in national competitions. He was General Secretary of Philippine Judo Federation and served as Manager of the Philippine Judo Team to the ASEAN Games in Vietnam, Philippines and Thailand. He was first appointed as Member of the Board of SB Corporation on March 08, 2016 and was elected as President/CEO of SB Corporation on April 05, 2016.

Mr. Benel P. Lagua
Development Bank of the Philippines Representative

Mr. Benel P. Lagua is 61 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 of the Maritime Industry Authority and LGU Guarantee Corporation. He was first appointed as Member of the Board of SB Corporation on April 11, 2013 representing the Development Bank of the Philippines.

Mr. Manuel B. Bendigo
National Government Representative

Mr. Manuel Bendigo is 69 years old, married and a graduate of BS in Business Administration from the University of the East. He worked with the Bangko Sentral ng Pilipinas in Davao from 1969 to 2013. He was first appointed as Member of the Board of SB Corporation on May 10, 2017 representing the National Government.

Board of Directors

Ms. Merly M. Cruz
National Government Representative

Ms. Merly Cruz is 69 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 a 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 is a board member of the National Food Corporation. She was first appointed as Member of the Board of SB Corporation on October 08, 2014 representing the National Government.

Mr. Mark Joaquin M. Ruiz
National Government Representative

Mr. Mark Joaquin Ruiz is 40 years old, married and the Co-Founder and President of Hapinoy, a social enterprise that empowers women microentrepreneurs through Training, Access to Capital, and Mobile-Based Technologies; Founding Partner and Board Member of Rags2Riches, a Fashion and Design house for urban poor artisans. Co-Founder and Chief Strategy Officer for Awesome Lab, a Startup building Internet of Things technologies. He is a GSBI Online Mentor of Santa Clara University, a Social Entrepreneur-in-Residence at the INSEAD Centre for Entrepreneurship, and a member of the Global Agenda Council for Social Innovation of the World Economic Forum.

He studied in the Ateneo Grade School '91, High School '95, and College '99 with a degree in BS-Management Engineering. To deepen his knowledge in Social Entrepreneurship, he has attended INSEAD's Social Enterprise Program, Santa Clara University's Global Social Benefit Incubator, and Harvard Kennedy School's The Art of Science and System Change.

He has been recognized as one of Philippines 21 Young Leader for Asia Society 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. He is a board member of MicroVentures, Rags 2 Riches, Awesome Lab and ReconX Energy. He was first appointed as Member of the Board of SB Corporation on March 08, 2016 representing the National Government.

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 Sta 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.

Treas. Rosalia V. De Leon
Bureau of the Treasury
Department of Finance Representative

Executive Director of the Asian Development Bank from August 1998 to August 2004. As the Undersecretary for the International Finance Group, she task-managed several landmark transactions including the issuance of Ms. Rosalia V. De Leon is 57 years old and reappointed as Treasurer of the Philippines under the present administration. She directs the formulation of policies on borrowing, investment and capital market development and handles the formulation of adequate operations guidelines for fiscal and financial policies.

Prior to her designation, Ms. De Leon served as the Alternate Executive Director (For the constituency of Brazil, Colombia, Dominican Republic, Ecuador, Haiti, Panama, Philippines, Suriname, and Trinidad and Tobago) at the World Bank Group, Washington D.C. USA. She also assumed key positions in the Department of Finance, including Undersecretary for International Finance Group from July 2007 to November 2012, Finance Secretary's Chief of Staff from July 2005 to June 2010 and Director for International Finance Group from September 1995 to August 1998. She served as Advisor to the Global Peso Notes as well as several Liability Management Exercises to reduce funding costs, extend maturity profiles and redenominate foreign exchange liabilities to local currency. In 2012, her team launched the Onshore Dollar Bonds to take advantage of foreign exchange liquidity in the domestic market. Ms. De Leon has represented the Department of Finance in many international fund mobilization activities for public sector entities and formulated borrowing strategies and appropriate credit enhancements to access least cost financing options. As the National Treasurer in 2013, Ms. De Leon also led the implementation of the Treasury Single Account as part of the Public Financial Management reforms initiated by the government. The TSA made it easier to manage the cash holdings of the National Government thereby improving the efficiency of Treasury operations.

Ms. De Leon earned her Master of Arts in Development Economics from Williams College Massachusetts. She is the primary alternate of the Secretary of Finance to the following board membership: FSC-Rice Council, National Food Authority, People's Survival Fund, Financial Stability Coordinating Council Steering Committee, Agricultural Credit Policy Council, Agricultural Guarantee Fund Pool, Home Development Mutual Fund, Industrial Guarantee and Loan Fund, Philippine Health Insurance Corporation, Land Bank of the Philippines and Philippine Export-Import Credit Agency. She was first appointed as Member of the Board of SB Corporation on March 23, 2017 as alternate of the Secretary of Finance.

Atty. Ferdinand D. Tolentino
National Government Representative

Atty. Ferdinand Tolentino is 53 years old, married and has served two consecutive administrations. He 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). He was first appointed as Member of the Board of SB Corporation on March 08, 2016 representing the National Government.

Management Committee

From left to right:

Corazon A. Dimayuga
Group Head, Controllership

Charles G. Belgica
Group Head, Financial Institution Development Group

Lourdes Rosario M. Baula
Group Head
Credit Guarantees Group

Bartholomew Brillo L. Reynes
President & CEO

Ma. Linda J. Orsos
Group Head
OIC-Financing and Capacity Building Sector

Melvin E. Abanto
Sector Head, Strategy, Policy &
Communication Office

Management Committee and Key Officers

Standing from left to right:

Francisco R. Buenavidez
Head
Visayas Group

Venus S. Albay
OIC, Group Head
North Luzon Group

Dida M. Delute
Group Head
Mindanao Group

Jessie R. Reotutar
Corporate Board Secretary
Office of the Corporate,
Board Secretary

Peter V. Pizzaro
Group Head
Administrative Service Group

Richard B. Dasal
Group Head
Legal Services Group

Evelyn P. Felias
Group Head
Process & Technology Group

Lourdes M. Baula
Group Head
Credit Guarantees Group

Charles G. Belgica
Group Head
Financial Institution
Development Group

Josefina P. Flores
Group Head
Fund Sourcing &
Management Group

Sitting from left to right:

Rowena G. Betia
Group Head
Internal Audit Group

Corazon A. Dimayuga
Group Head
Controllership

Rebecca R. Narciso
Head
Central Luzon Lending Unit

Ma. Linda J. Orsos
Group Head
South Luzon Group

Alice L. Sy
Group Head
Human Resources Management
& Development Group

Bartholomew Brillo L. Reynes
President & CEO

Melvin E. Abanto
Sector Head
Strategy, Policy &
Communication Office

GRI
Index

Global Reporting Initiative
Profile Indicators

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.global reporting.org

Directory

Areas	Address
Regional Offices	
Southern Luzon Group	139 Corporate Center, Valero St., Makati City
Northern Luzon Group	2A 2/F Jesnor Blg. Carino. Cor. Otek Baguio City
Central Luzon Lending Unit	Unit 109 Fortune Square Building Barangay Saguin, McArthur Highway City of San Fernando, Pampanga
Visayas Group	Unit 802-B, Keppel Center, Ayala, Cebu City
Mindanao Group	7/Floor, Unit 76 Landco Corporate Center, JP Laurel Ave., Bajada, Davao City
Desk Offices	
Southern Luzon	
Naga Desk Office	FEDMACSI Bldg., Panganiban Drive, Naga City
Palawan Desk Office	DTI Palawan Olympic Construction Bldg., San Pedro, Puerto Princesa, Palawan
Mindoro Desk Office	DTI Occ. Mindoro, SME Center, Municipal Cpmd., San Jose Occ. Mindoro
Laguna/Batangas DO	DTI-Laguna Regional Office NERBAC Office, Marcelina Bldg, Nat'l Highway, Brgy.Real, Calamba City, Laguna
Quezon Desk Office	2/F GCTI Bldg., Lucena Grand Terminal, Diversion Rd., Bgy.Ilayang Dupay, Lucena City
Legaspi Desk Office	2F DBP Building,Quezon Avenue Bgy. Dinagaan, Legaspi City
San Jose Occidenal Mindoro P3 Office	San Jose Public Market, San Jose, Occidental Mindoro
Northern Luzon	
Isabela Desk Office	Room 4, Oh Bldg., San Fermin, Cauayan, Isabela
Dagupan Desk Office	Provincial Population Office, Provincial Capitol Compound, Pangasinan
Cagayan Desk Office	DTI Provincial Office, Government Center, Tuguegarao, Cagayan

Areas	Address
Visayas	
Tacloban Desk Office	DTI Region 8, Pawing, Palo, Leyte
Iloilo Desk Office	DTI Region 6, 3/Floor, JM Basa cor Peralta Sts., Iloilo city
Bacolod Desk Office	DTI Negros, 3/Floor Prudentialife Bldg., Luzuriaga St., Bacolod city
Tacloban P3 Office	2nd Floor Northwing Bldg., Tacloban Supermarket
Mindanao	
Gen. Santos Desk Office	DTI Gen. Santos, RA Bldg., South Osmena, Gen. Santos city
Cagayan de Oro D.O.	DTI Region 10 Corrales St., Cagayan de Oro City
Butuan Desk Office	DTI Caraga, 764 Silagan Bldg., Capitol Ave., Butuan City
Tagum City Desk Office	c/o DTI Davao del Norte Provincial Office Government Center, Mankilam, Tagum City
Zamboanga Desk Office	c/o DTI Zamboanga 2nd floor V. Wee Veterans Avenue, Zamboanga City
Kidapawan Desk Office	DTI Provincial Office Singao Road, Apo Sandawa Homes Phase III Kidapawan City
Alabel Sarangani P3 Office	Negosyo Center Alabel Office Public Market, Poblacion, Alabel, Sarangani Proince
Central Luzon	
Nueva Ecija Desk Office	DTI-Nueva Ecija Provincial Office 3rd Floor CAL Building, Gen. Tinio Extn. Bgu. Dimasalang Cabanatuan City, Nueva Ecija

Main Office

SMALL BUSINESS CORPORATION
17th and 18th floor, 139 Corporate Centre
139 Valero St. Salcedo Village, Makati City
Tel. No.: (02) 751 1888
www.sbgfc.org.ph