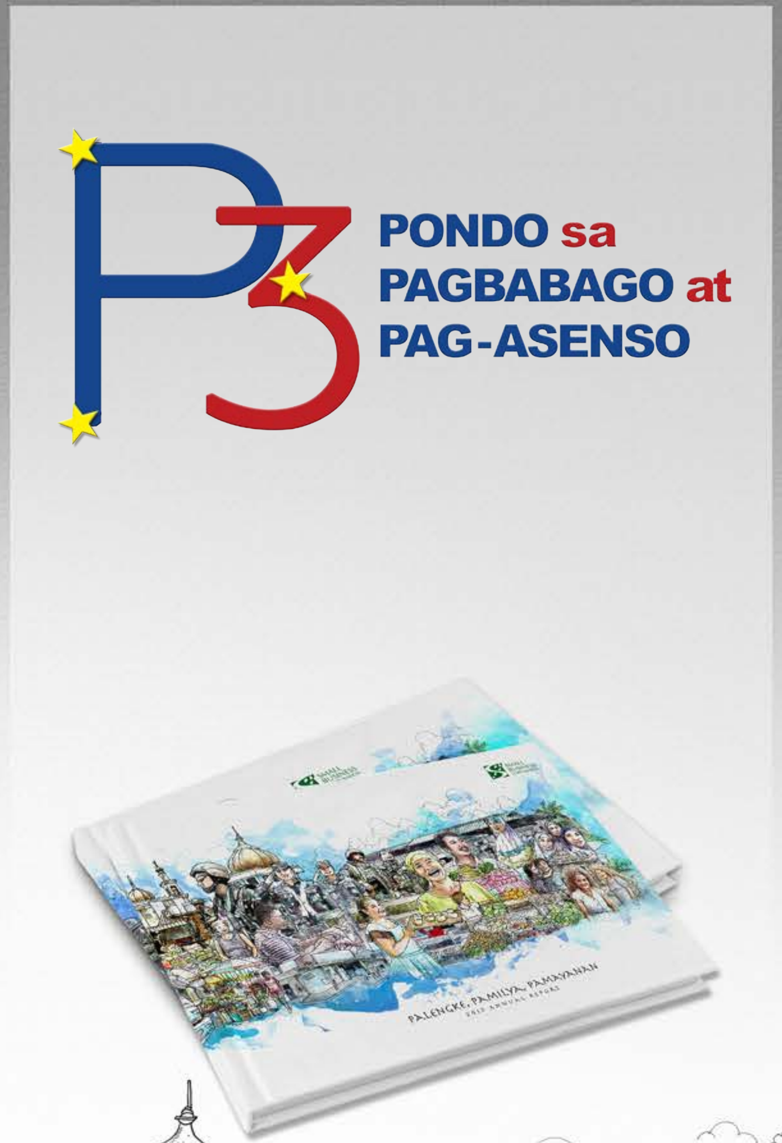
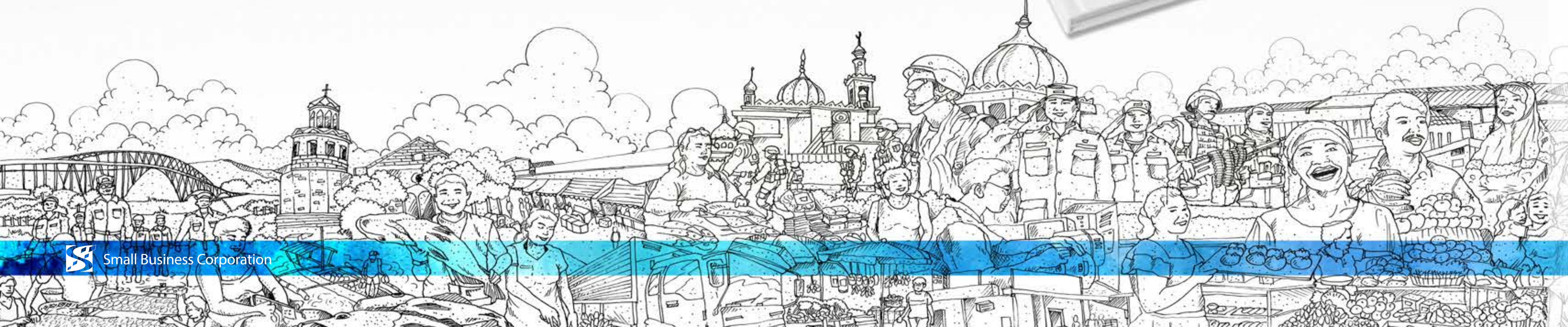
SMALL BUSINESS CORPORATION

PALENGKE, PAMILYA, PAMAYANAN

2017 ANNUAL REPORT

CONTENTS





VISION

By 2022, we envision Small Business Corporation as the best managed non-bank GOCC for MSME development finance.

MISSION

Grow the MSME sector by:

- Developing and implementing financing and capacity building support programs for underserved enterprises and for grassroots MSME organizations; and
- Advocating for measures and policies that will promote a stronger MSME finance industry.

SMALL BUSINESS CORPORATION

ABOUT THE CORPORATION

The Small Business Corporation

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, otherwise known as the Magna Carta for Small and Medium Enterprises. SBGFC is under the policy program and administrative supervision of the Small and Medium Enterprise Development (SMED) Council of the Department of Trade and Industry (DTI), the primary agency responsible for small and medium enterprises in the country.

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 8289.

Section 11 of RA 9501 states the … "Creation of Small Business and Guarantee Finance Corporation – There is hereby created a body corporate to be known as the Small Business 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) on its (SB Corp) Borrower Risk Rating (BRR) System program.

LIST OF STOCKHOLDERS AND STOCKHOLDINGS

as of 31 December 2017

Stockholders	Paid-Up	No. Of Shares	Percentage
A. PREFERRED STOCKS			
GSIS	200,000,000.00	2,000,000*	10.42%
SSS	200,000,000.00	2,000,000*	10.42%
Total Preferred Stocks	400,000,000.00	4,000,000	
B. COMMON STOCKS			
GSIS	46,673,100.00	466,731*	2.43%
SSS	16,000,000.00	160,000*	0.83%
LBP	393,611,500.00	3,936,115*	20.50%
DBP	218,673,100.00	2,186,731*	11.39%
PNB	40,000,000.00	400,000	2.08%
National Government	804,944,300.00	8,049,443	41.93%
TOTAL COMMON STOCKS	1,519,902,000.00	15,199,020	
Total Stockholdings	1,919,902,000.00	19,199,020	100.00%

Notes:

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.*

Programs and Program Beneficiaries

Small Business Corporation envisions becoming the leader in small enterprise development financing and small credit delivery systems nationwide. The Corporation has focused on developing an appropriate mix of financing products that are responsive to the needs of SMEs 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 SMEs and small banks in need of liquidity support—to more evolved lines that focused the financing facilities to specific products and/or sectors.
The Corporation's credit facilities includes wholesale and retail lending programs, which targets banks engaged in MSME lending, and pre-bankable small to medium sized businesses. The credit guarantees services banks with SME accounts that need additional collateral cover.

The Corporation also provides capacity building programs for banks and MSME clients. Training programs varies from computerized accounting and enterprise development training for MSME's to Risk-based lending to SMEs for financial 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 SMEs by applying for SME loans through our partner banks and institutions.

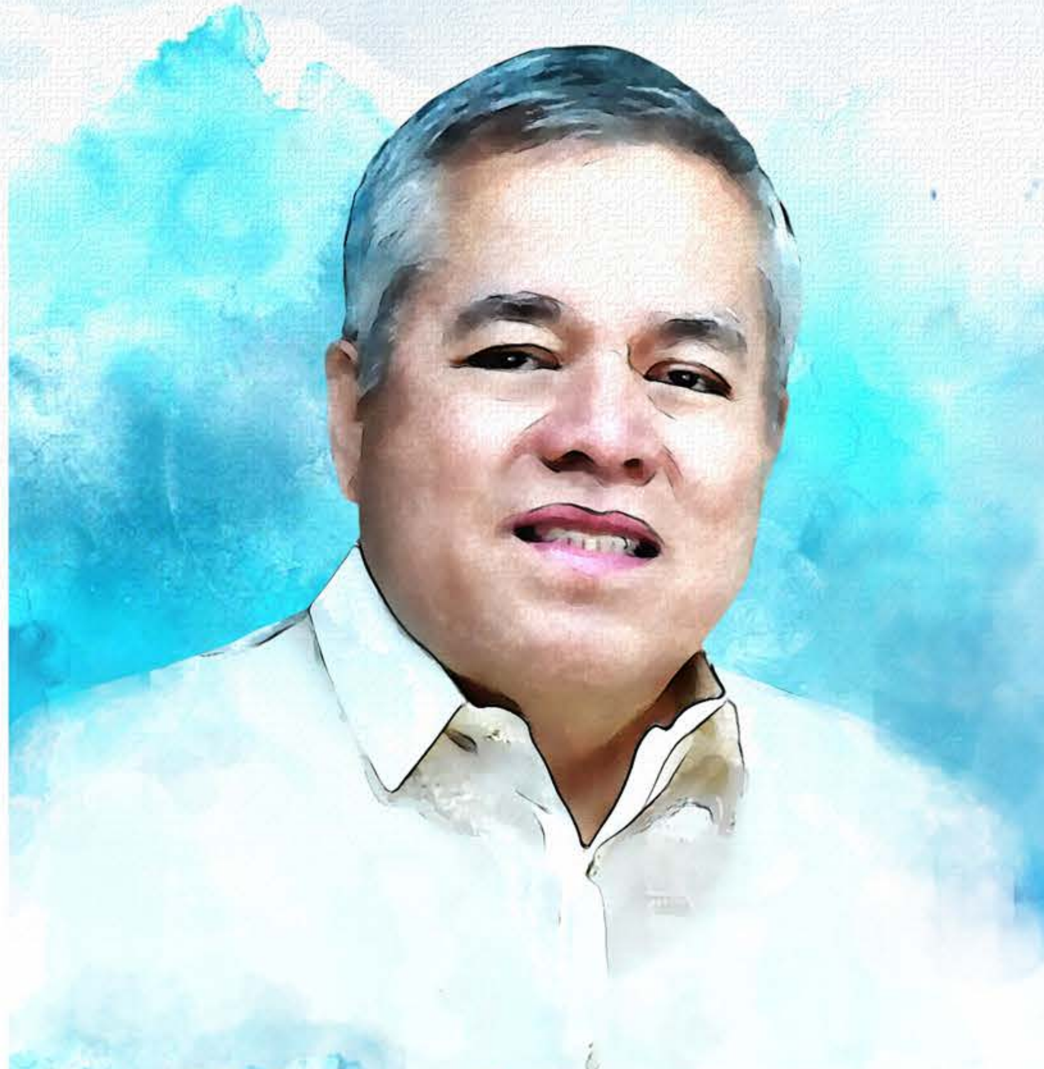
2. Microfinance Wholesale Lending Program

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

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

3. MSME Retail Lending Program

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



SECRETARY'S MESSAGE

DEPARTMENT OF TRADE & INDUSTRY PHILIPPINES

SBCorp. has been the main partner of the Department of Trade and Industry (DTI) in providing financing solutions for entrepreneurs in need. Among the programs managed by SBCorp. to help MSMEs, especially the micro entrepreneurs, is the Pondo sa Pagbabago at Pag-asenso (or P3) Program. This program was initiated by President Rodrigo Roa Duterte and positioned as an alternative to 5-6 lenders who offer onerous interests as high as 20 percent per month. But with the P3 Program, micro and small business owners can get loans for as low as 2 percent per month.

As DTI and SBCorp. have committed to widen the government's reach to help MSMEs gain access to funds to start or expand their business, MSMEs can avail of these loans by applying at any of our 892 Negosyo Centers nationwide.

Presently, the P3 program has made great inroads in helping our countrymen. We are inspired by our borrowers, mostly market vendors, who narrate stories of how these loans have improved their lives and helped their businesses grow. These borrowers have also become diligent in paying their dues since this entitles them to future loans.

DTI firmly believes that if education empowers those who seek employment, it is financing that empowers those who wish to open or expand their businesses. That is why we thank SBCorp. for being a steady collaborator in our efforts to create inclusive economic growth for our people.

Mabuhay kayo!

RAMON M. LOPEZ
Secretary

MESSAGE FROM THE CHAIRMAN

The 26th year of the Small Business Corporation is well marked with more than two decades of value creation built upon the strong foundation we have set in place—our well-supported governance structure, development-oriented portfolio and innovative product lines executed by our people in strategic parts of country. Proof of these value-creation are our more than 20,000 enterprise clients, a loan portfolio of P3.64 billion and 181 partner financial institutions.

Our deliberate focus has always been to serve the marginalized and financially excluded micro enterprises and respond to the challenge of developing something beyond that of what is existing in the mainstream of MSME financing. Thus came the Pondo sa Pagbabago at Pag-asenso (P3), a program that revolutionized the 5/6 lending in the country.

SB Corp ended 2017 with P703 million P3 loan portfolio and 127 microfinance institution partners who lent to more than 20,000 P3 borrowers in 72 provinces across the country.

Inspired by our vision of being the best-managed GFI for micro, small and medium enterprises (MSMEs), our long-term value creation strategy remains unchanged—we shall continue building on the momentum by further expanding our development programs. Looking at the sector we serve, we believe that we are well-placed to increase our market share in the MSME financial services sector and maximize significant growth opportunities that are coming our way.

Looking forward and working on multiple fronts to overcome very tough operating conditions we are in a stronger position to take advantage of current market opportunities and play a vital part in nation-building. The passion and commitment of our people further magnified by the experience of our leadership team is a winning formula which has and will continue to help us deliver record-worthy results.

USEC. ZENAIDA C. MAGLAYA
Chairman

OPERATIONAL HIGHLIGHTS

The year 2017 heralds a new and unpaved direction for Small Business Corporation as it took on a more serious developmental role as it shifts its strategic focus to better address the needs of the microenterprises burdened by high cost of financing. The year was a flurry of activities focused in the urgent implementation of the Administration's Pondo sa Pagbabago at Pag-asenso (P3).

People and resources were mobilized to fast-track processing of loan transactions of borrowers under the P3. In 2017 SB Corp has approved a total of P 1.2 billion in credit line and released P784 M to 20,104 micro enterprises under P3.

Lending Portfolio

Small Business Corporation (SB Corp) registered a total loan portfolio of P2.94 billion in all its programs to micro, small and medium enterprises as of end-2017. SB Corp released loans to 2,112 MSME borrowers, 65% of which are MSME borrowers in the regular retail program.

Under the wholesale lending program, 154 financial institutions have become active partners of SB Corp, 60% of which are conduits for P3, 35% are regular microfinance partners and 5% are partners in its regular wholesale program.

Table 1. Earning Portfolio and number of borrowers

LENDING PROGRAM	PORTFOLIO O/B as of December 31, 2017 (Current)	No.of Borrowers or Conduits
Regular Retail	1,013,030,644.11	1,388
ERF Retail	249,140,840.08	452
P3 Regular Retail	9,420,172.33	286
TOTAL RETAIL PROGRAM	**1,316,591,656.52**	**2,112**
Regular SME Wholesale	132,828,287.07	5
Regular Micro Wholesale	813,416,949.01	48
Grad Micro	28,950,671.77	6
P3 Regular Micro Wholesale	692.785,081.65	98
TOTAL WHOLESALE LENDING	**1,667,980,989.50**	**154**
TOTAL LENDING PORTFOLIO	**2,984,572,646.02**	**2,266**

[1]*Earning Portfolio = Classified as Current and Restructured Current*

SMALL BUSINESS CORPORATION

2017 LENDING PORTFOLIO

Php 2.98 Billion
Lending Portfolio

Php 1.67 Billion
Total Wholesale Lending Portfolio

Php 1.32 Billion
Total Retail Lending Portfolio

Php 294 Million
Total ERF Portfolio

Php 702 Million
Total P3 Portfolio

Per region the loan portfolio shows the Mindanao Group has the biggest share of the portfolio in regular retail lending. Its retail lending portfolio makes up almost 60% of its whole portfolio for 2017. Southern Luzon Group has bulk of the regular micro wholesale with a total portfolio of P 443,805,448. P3 portfolio, on the other hand, is almost at the same level in the Southern Luzon, Visayas and Mindanao Groups averaging at P183,206,863.

Visayas has the most number of MSME borrowers totaling 656 where 66% or 433 are ERF borrowers while South Luzon has the most number (49 MFIs) of active MFI partners.

II. Branching and Manning
Supporting the Corporation's 2017 portfolio generation is total of 122 personnel. Of this total 26 or 21% are account generation account officers, 25 (20%) are Desk officers and 58 or 47% are business support.
On the per regional lending group tally, Southern Luzon has 38 or 31% of the total manpower for operation followed by the Visayas Group with 30 (24%). Southern Luzon and Mindanao has the most account generation account officers with seven (7) each.

SB Corp operates through 5 area offices (South Luzon, Central Luzon, North Luzon, Visayas and Mindanao) and 21 desk offices strategically located in major business hubs in the country (Isabela, Pangasinan,Cagayan, Batangas, Camarines Sur, Occidental Mindoro, Quezon, Palawan, Albay, Iloilo, Tacloban, Bacolod, Bantayan, Misamis Oriental, Zamboanga City, Lanao del Sur, Davao del Norte, Sarangani South Cotabato,North Cotabato, Agusan del Norte).

OPERATIONS

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

Central Luzon	Provinces with Desk/P3 Field Offices
	Nueva Ecija
	Bataan
	Bulacan
	Pampanga
	Aurora

North Luzon	Provinces with Desk/P3 Field Offices
	Benguet
	Cagayan
	Pangasinan
	Isabela

South Luzon	Provinces with Desk/P3 Field Offices	
	Batangas	Albay
	Rizal	Occidental Mindoro
	Quezon	Palawan
	Camarines Norte	
	Camarines Sur	

Visayas	Provinces with Desk/P3 Field Offices	
	Leyte	Western Samar
	Southern Leyte	Antique
	Iloilo	
	Cebu	
	Negros Occidental	

Mindanao	Provinces with Desk/P3 Field Offices	
	Zamboanga del Sur	Saranggani
	Misamis Oriental	Agusan del Norte
	Lanao del Sur	Agusan del Sur
	Davao del Sur	South Cotabato
	Davao del Norte	Surigao del Sur
	North Cotabato	

NUMBER OF BORROWERS

MSME BORROWERS

Partner Financial Institutions + END BORROWERS

2017

2,112
MSME BORROWERS

154
Partner Financial Institutions + End Borrowers[4]

BRANCHING AND MANNING

2017

5
AREA OFFICES

21
DESK OFFICES/ FIELD OFFICES

121
PERSONNEL SUPPORTING PORTFOLIO GENERATION

** Total number of personnel - 220*

Table 2. Capacity Building Programs

Capacity Building Program	Target	Actual	Cumulative Total (as of 2017)
Enterprise Enhancement Program (EEPro)	38	44	77
Risk Based Lending for RBs program	15	15	155
MSME Loan Officer Certification	50	50	50
CRGF Project	0	52	52
			334

The Corporation has capacitated a total of 15 rural banks on the use of Risk-based lending technology in 2017 and trained 44 enterprise owners under it's Enterprise Enhancement Program (EEPro). This makes the total number of rural banks trained in Risk-based lending to 77 and the enterprise trained under EEPro to 155 as of 2017.

As new addition to its capacity building programs, SB Corp. piloted its first module of MSME Loan Officers certification course among 50 loan officers. These loan officers enrolled in the SME Business Specialist Certification Module came from both 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.

CREDIT GUARANTEES

	Target	Actual
MSME loan Portfolio of banks supported by SB Corp Credit Guarantee	1Billion	1.129 Billion
No. of Active FIs under Guarantee Program	18	19
Number of MSMEs Guaranteed	300 MSMEs	14,784 MSMEs

VENTURE CAPITAL INVESTMENTS

			Location	Investment Scheme	Investment amount	Dividend Receivable*/ Outstanding Balance	ACL	Remarks
1	DRI Company, Inc. EVP-PN-2005-3002 EVP-PN-2004-1595		Pasig Metro Manila	Convertible Debt	2,000,000.00 3,800,000.00	1,813,254.86 3,673,333.33	1,813,254.86 3,673,333.33	Fully provisioned; allowable because of the investment scheme
2	Greentop Seaweeds Production Company	2001	Talibon, Bohol	Preffered Shares/ Common Shares	725,120.00	725,120.00	725,120.00	Fully Provisioned
3	Starlight Home Essence, Inc.	2011	Parañaque City/ Metro Manila	Common Shares	3,500,000.00	3,500,000.00	3,500,000.00	Fully Provisioned; but because of the cross-default provision on its Loan Account
4	REG Supreme Power Trading ,Inc.	2014	Parañaque City/ Metro Manila	Preffered Shares	3,760,000.00	1,314,146.69	-	Devided recceivable should be subject to impairment
5	Epifanie Ventures, Inc.	2014	Tacloban, Leyte	Preffered Shares	5,000,000.00	1,199,999.97	-	Devided recceivable should be subject to impairment
6	Walls in Motion, Inc.	2006	Quezon City, Metro Manila	Common Shares	3,712,500.00	-	-	Passed (see below)
7	Agricultural Inoculants Phils., (AICPH) Corp.	2013	Candelaria Quezon Province	Common Shares	2,000,000.00	2,000,000.00	-	Full impairmrnt to be provided on the account

CAPACITY BUILDING PROGRAMS

Capacity Building Program Report for 2017

Program	Target for 2017	Actual	Cumulative * 2011-2017
EEPro	38	44	155
Risk Based Lending for RBs	15	15	77
MSME Loan Officer Certificatio	50	50	50
CRGF Project	0	52	
MFIs Training on Good Governance			

Table 3. Cumulative Release and Number of Microborrowers

Month	Approved Credit Line	Release to Conduits	Release to P3 Micro-borrowers**	Unique No. of Micro-borrowers**
May	358,000,000	102,449,000	15,846,000	299
Jun	435,000,000	121,949,000	18,846,000	348
Jul	468,500,000	255,699,000	28,498,000	587
Aug	532,500,000	282,795,000	116,499,800	8,750
Sep	532,500,000	332,995,491	153,633,007	10,124
Oct	851,500,000	380,279,778	240,430,894	13,605
Nov	895,700,000	490,193,778	282,136,530	14,841
Dec	1,202,200,000	784,918,254	426,157,197	20,104
Grand Total	1,202,200,000	784,918,254	426,157,197	20,104

***Cumulative release micro-borrowers and the unique number of micro-borrowers still not complete because of the lag time in the liquidation of conduits.*

P3 Program Year-end Report

A total of PhP1.2 Billion in credit lines was granted to P3 conduits. PhP785 million, equivalent to 93% of the PhP841 loanable fund, has been downloaded to conduits. About fifty-five (55%) of the amount released to conduits has already been downloaded to P3 beneficiaries of over 20,000 micro-enterprises all over the country as of December 31, 2017.

Participation of P3 Conduit-Partners

The loans were delivered to beneficiaries through a network of 126 partner-conduits in 53 (excluding NCR) of the country's 81 provinces. To augment the capability of these systems and ensure nationwide coverage, regional and national microfinance providers were also tapped for the purpose, MASSPEC in Mindanao, TSKI in the Visayas and RFC and CARD for Luzon and other areas of the country.

Eighty (80%) of P3 funds were disbursed through local cooperatives (including MASSPEC members) who were granted credit lines at an average of PhP9 Million per cooperative (see Table 2).

Table 4. Distribution by MFI Classification

Row Labels	Total Approved OCL	No. of Accredited Conduits	Average OCL
LOCAL	967 M	123	8M
NATL	235 M	3	78M
Grand Total	1,202 M	126	10M

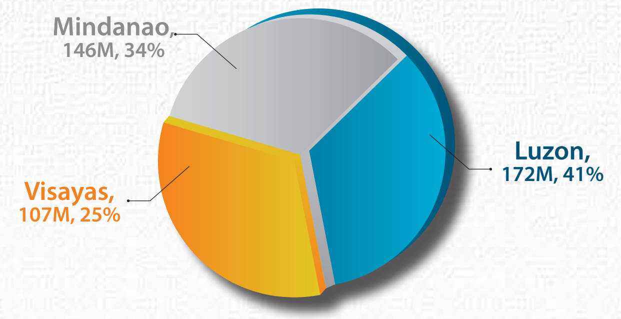
Downloading rate after sixty days (disbursement to end beneficiaries vs releases to conduits) has shown spikes of up to 95% before ending the year at 112%. On the other hand, the 30-days interval exhibited a steadier but increasing trend (see Figure 3). This implies that the conduits are lending to micro-borrowers faster than the 60-day liquidation window.

Outreach Indicators and Beneficiary Profile

P3 loans have been granted to beneficiaries in NCR and 67 of the country's 81 provinces. Local conduit cooperatives have been accredited in 53 provinces with the rest of the provinces in the meantime covered by the national networks accredited with P3 mainly RFC and CARD (Annex A: Table of conduits and disbursements per province).

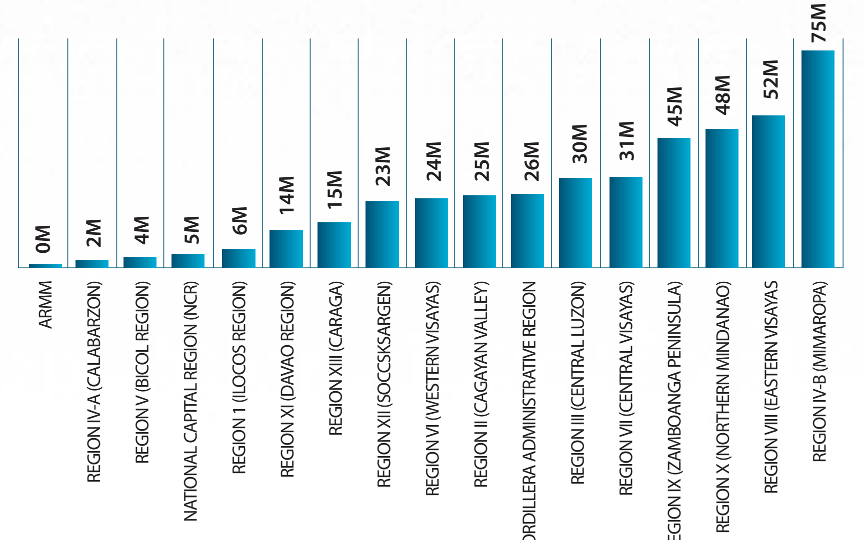
The bulk of P3 lending is in Luzon, with 41% of the portfolio, Mindanao at 34% and Visayas at 25% (see Figure 5). In general, P3 loans went to non-urban communities. Twenty-six (26) of the country's poorest provinces have been reached by P3 as of year end, accounting for 63% of the portfolio.

FIGURE 5. DISTRIBUTION OF RELEASE TO MICROBORROWERS BY MAJOR GEOGRAPHICAL AREA



The bulk of P3 lending is in Luzon, with 41% of the portfolio, Mindanao at 34% and Visayas at 25% (see Figure 5). In general, P3 loans went to non-urban communities. Twenty-six (26) of the country's poorest provinces have been reached by P3 as of year end, accounting for 63% of the portfolio.

FIGURE 6. RELEASE TO MICROBORROWERS BY REGION



Status of Implementation P3 for Marawi

P3 also allowed timely intervention in efforts to rehabilitate MSMEs in Marawi. The program is now poised to immediately provide financing in public markets as soon as these markets are re-opened. In the meantime, 37 beneficiaries identified through DTIs "starter kit" distribution operations have also been assisted by P3 as of December with total loans of P375,000.00.

V. Status of Implementation of P3 for Soldiers Killed in Action (KIA) and Wounded in Action (WIA)

Interviews with WIA soldiers were conducted on December 29, 2017, January 10 & 11, 2018 in V. Luna General Hospital. On Dec. 29, 2017, only 6 WIA soldiers were interviewed since the soldiers were generally on "vacation therapy", while 22 soldiers were interviewed from January 10 to 11, 2018. To date, there are 28 soldiers interviewed out of the 111 WIA soldiers per list provided by the AFP thru the Office of ASEC Ameenah Fajardo.

Five out of the 6 WIA soldiers interviewed on Dec, 29, 2017 and 1 beneficiary of 1 KIA soldier contacted through phone signified their intentions to apply for the program. On January 9, 2018, investment applications amounting to P326,000 from said soldiers was approved by the P3 Credit Committee, as follows:

Table 5. Status of Implementation of P3 for Soldiers Killed in Action (KIA) and Wounded in Action (WIA)

Location	Amount	Business
Baesa, Caloocan City	P45,000	Meat Vending-Existing
Calamba, Laguna	P56,000	Hog Raising-Existing
Zamboanga Sibugay	P50,000	Hog Raising-Existing
Kapalong, Davao del Norte	P60,000	Groceries-Start-up
Jolo, Sulu	P65,000	Retail Store (Rice/ Coconut)-Start-up
Santiago, Pangasinan	P50,000	Retail Store (Feeds/ Fishing Supplies)-Start-up

P3 YEAR-END REPORT

Total Amount of Approved Credit Line

Php 1,204.20M*	Number of Accredited Conduits		Number of Provinces with accredited local conduit	Number of Provinces with P3 Borrowers
	127		52 + NCR	71 + NCR
	National	Local	4 with MASS SPECC member coops	
	4	123		
*credit lines of MASS-SPECC and RFC were decreased			25 remaining provinces	10 remaining Provinces

Apayao, Ilocos Norte, Pangasinan, Batanes, Zambales, Batangas, Cavite,Laguna, Quezon, Rizal, Marinduque, Palawan, Romblon, Albay, Camarines Sur, Guimaras, Negros Oriental, Southern Leyte, Zamboanga del Norte, Davao Occidental, Surigao del Norte, Dinagat Island, Basilan, Maguindanao, Tawi-tawi

Kalinga, Batanes, Romblon, Guimaras,, Siquijor, Dinagat Island, Basilan, Maguindanao, Sulu , Tawi-tawi

P3 YEAR-END REPORT

As of December 31, 2017

Total amount of Loans Released	Php 815.62 M	To Accredited Conduits	To retail borrowers (SB Corp 3 Pilot Areas)
		Php 784.92M	Php 30.7 M
		To Microfinance Borrowers (Through Accredited Conduits)	
		Php 426.16 M	

Number of Beneficiaries	21,427	Through Accredited Partners	Retail (SB Corp 3 Pilot Areas)
		20,104	323

STATUS OF IMPLEMENTATION P3 FOR MARAWI

BANGON MARAWI

	Number of Borrowers
TOTAL LOANS RELEASED Php375,000	37
TOTAL LOANS IN PROCESS Php 2 million	149

STATUS OF IMPLEMENTATION KIA/WIA

Equity Investment for Families of Soldiers KIA[1]/WIA[2]

TOTAL INVESTMENT AMOUNT	WIA	KIA
Php 2.596 M	Php 2.246 million	Php 350,000
	No. of Beneficiaries WIA	No. of Beneficiaries KIA
	39	4

Para sa Kawal Pilipino at sa mga bayaning lingkod ng bayan .

ENVIRONMENTAL REPORT 2017

ENERGY CONSUMPTION
ELECTRICITY

In Kwh	197,343
In Peso Value	PhP 2,112,479.13

FUEL CONSUMPTION
FUEL

In Liters	34,179.65
In Peso Value	PhP 1,122,083.86

FUEL CONSUMPTION
WATER

In Cubic Meters	373.69
In Peso Value	PhP 30,434.59

SOCIAL REPORT

Total Number of Employees, 2017

	Male	Female	Total
Presidential Appointee	0	1	1
Permanent	55	81	136
Probitionary	2	6	8
Co-term	1	1	2
COS	12	11	23
Agency-hired	28	39	67
TOTAL	**98**	**139**	**237**

Total Number of Employees, by Region Lending Group, 2017

	Male	Female	Total
Northern Luzon	8	10	18
CentraL Luzon	4	8	12
South Luzon & NCR	58	90	148
Visayas	15	17	32
Mindanao	13	14	27
TOTAL	**98**	**139**	**237**

Note: Co-term, COS & Agency-hired are included

Total Number of Employees, by Region Lending Group, 2017

	Male	Female	Below 30	30-50	50 and Above	For your reference
Suport Staff	46	74	20	78	22	(S6 6 to 25)
Middle Mgt.	5	6	0	6	5	(S6 26)
Senior Mgt.	7	9	0	3	13	(S6 27 & up)
TOTAL	**58**	**89**	**20**	**87**	**40**	

STAKEHOLDERS ENGAGEMENT

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

STAKEHOLDERS	THEIR ATTRIBUTES	OUR ENGAGEMENTS
Micro, small and medium enterprises	MSMEs are the reason for the existence of SB Corporation as embodied by its vision and mission statements. SB Corporation strongly commits to continuously create and encourage access to financing for them. Sustainability in operations of SB Corporation is aimed at providing continued service to the MSME sector -this is the primordial motivation.	Reporting of SB Corp's accomplishment for the MSME sector shall mainly be thru DTI, GCG and DBM.Communication with individual MSMEs, on the other hand, is via regular forums and account-based reports.
Financial Institutions (FIs)	FIs are critical partners in the accomplishment of SB Corp's vision of mainstreaming MSME finance in the country. SB Corp agrees to support and cooperate with FIs where the partnership results to increased access to credit for MSMEs.	SB Corp is duty bound to provide its audited financial reports to its partner FIs and vice versa. Reporting of SB Corp's results of partnership with them, on the other hand, shall be thru the bank associations and BSP among Creditors and other funders
Stockholders	SB Corp commits to operate both as a developmental and sustainable agency, consistent with the expectations of the stockholders in exchange of their financial investment. SB Corp shall ensure good governance. Declaration of dividends shall be made based on fully transparent reports.	Accountability for true and accurate reports on SB Corporation's operations and finances shall be the primary responsibility of Management with the further assurance provided by the COA
Legislative and other policy-making bodies	SB Corp commits to support policy advocacy for MSME finance as called for under its mandate, and being a proponent in the development of appropriate MSME financing technologies and strategies	SB Corporation shall endeavor to submit its strategic knowledge on MSME finance to these bodies, with the end of creating a more level playing field for small enterprises. Reporting shall be thru DTI and the congressional oversight committees among others.
Government and regulatory agencies	SB Corp considers Government as its main employer and, thus, commits to fully support its medium-term development agenda and auxiliary thrusts	SB Corp shall endeavor to align its programs for a unified and effective strategy. SB Corp commits to cooperate with all regulatory agencies required by Government to monitor/audit its operations, within the limits and bounds allowed by law.
SB Corporation officers and employees	The agency commits to operate under a clear set of vision, goals and objectives that will provide the proper motivation for its officers and staff in their service delivery for MSME finance. Moreover, SB Corp commits to provide a safe environment for its teams thru good governance and transparent operations. SB Corp also commits to fully provide them a fair, competitive and robust compensation package, rewards and incentive system, career path and working environment.	Reporting on SB Corp's financial condition, corporate scorecard and personnel development is assured thru the conduct of monthly general assemblies.

REPUBLIC OF THE PHILIPPINES

COMMISSION ON AUDIT

COMMONWEALTH AVENUE, QUEZON CITY, PHILIPPINES

INDEPENDENT AUDITOR'S REPORT

THE BOARD OF DIRECTORS
Small Business Guarantee and Finance Corporation
17th and 18th Floors, 139 Corporate Center
139 Valero Street, Salcedo Village
Makati City

Report on the Audit of Financial Statements

Opinion

We have audited the financial statements of Small Business Guarantee and Finance Corporation (SBGFC), which comprise the statements of financial position as at December 31, 2017 and 2016, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and notes to the financial statements, including the summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the SBGFC as at December 31, 2017 and 2016, and its financial performance and its cash flow for the year then ended inww accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Option

We conducted our audit in accordance with International Standards of Supreme Audit Institutions(ISSAIs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of SBGFC in accordance with the Code of Ethics for Government Auditors in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the financial statements in the Philippines, and we have fulfilled our ethical responsibilities in accordance with this requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for Financial Statements

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

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

Those charged with governance are responsible for overseeing SBGFC's financial reporting process.

Auditor's Responsibilities for The Audit of Financial Statements

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

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

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

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

Report on Other Legal and Regulatory Requirements

Our audits were conducted for the purpose of forming an opinion of the basic financial statements taken as a whole. The supplementary information required under Revenue Regulation 15-2010 in Note 28 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 information is the responsibility of the Management of SBGFC. 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

Teresita B. Titular
OIC- Supervising Auditor

June 29, 2018

SMALL BUSINESS CORPORATION

DTI DEPARTMENT OF TRADE & INDUSTRY PHILIPPINES

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **Small Business Guarantee and Finance Corporation** is responsible for the preparation and fair presentation of the financial statements, including the schedules attached therein, for the years ended December 31, 2017 and 2016 in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

The Board of Directors is responsible for overseeing the Corporation's financial reporting process.

The Board of Directors reviews and approves the financial statements, including the schedules attached therein, and submits the same to the stakeholders.

The Commission on Audit, through its authorized representatives, has audited the financial statements of the Corporation pursuant to Section 2, Article IX-D of the Philippine Constitution and Section 28 of the Presidential Decree No. 1445, otherwise known as the Government Auditing Code of the Philippines. The audit was conducted in accordance with International Standards of Supreme Audit Institutions, and the auditor, in its report to the Board of Directors, has expressed its opinion upon completion of such audit.

USEC. ZENAIDA C. MAGLAYA
Acting Chairman of the Board

MA. LUNA E. CACANANDO
President/CEO

CORAZON A. DIMAYUGA
Head, Controllership Group

Signed this 20th day of June, 2018.

Small Business Corporation

STATEMENTS OF FINANCIAL POSITION

December 31, 2017 and 2016

(In Philippine Peso)

	Note	2017	2016
ASSETS			
Current assets			
Cash and cash equivalents	4	1,008,833,048	251,939,161
Short-term held-to-maturity investments	5	755,290,566	410,959,414
Due from banks and other financing			
institutions - net, current portion	6	943,351,712	869,075,017
Loans and receivables - net, current portion	7	913,693,704	814,532,151
Other assets	13	27,466,574	1,923,206
		3,648,635,604	2,348,428,949
Non-current assets			
Financial assets at fair value through profit or loss	16	34,417,396	23,042,477
Long-term held-to-maturity investments	5	1,383,283,786	1,270,296,829
Due from banks and other financing			
institutions - net of current portion	6	635,608,481	354,745,109
Loans and receivables - net of current portion	7	552,024,381	641,912,308
Investment in equity instrument - net	8	14,472,500	14,472,500
Investment property - net	9	22,372,692	28,029,516
Non current assets held for sale - net	10	31,808,013	33,386,217
Property and equipment - net	11	71,241,514	74,506,980
Deferred tax assets	12, 22	113,640,006	78,154,011
Other assets	13	19,764,869	22,181,876
		2,878,633,638	2,540,727,823
TOTAL ASSETS		6,527,269,242	4,889,156,772
LIABILITIES AND EQUITY			
Current labilities			
Notes payable - current portion	14	1,479,893,000	1,402,207,083
Long-term liabilities - current portion	15	127,238,960	119,400,769
Other current liabilities	17	883,403,092	91,885,308
		2,490,535,052	1,613,493,160
Non-current liabilities			
Notes payable - net of current portion	14	90,357,199	57,056,948
Long-term liabilities - net of current portion	15	1,036,881,244	1,050,775,509
Deferred tax liabilities	22.5	10,325,219	-
Financial liabilities at fair value through profit or loss	16	-	29,005,176
		1,137,563,662	1,136,837,633
TOTAL LIABILITIES		3,628,098,714	2,750,330,793
Equity	18		
Share capital		1,919,902,000	1,919,902,000
Additional paid-in capital		79,510,460	79,510,460
Retained earnings		899,758,068	139,413,519
TOTAL EQUITY		2,899,170,528	2,138,825,979
TOTAL LIABILITIES AND EQUITY		6,527,269,242	4,889,156,772

The Notes on pages 8 to 46 form part of these financial statements.

Small Business Corporation

STATEMENTS OF COMPREHENSIVE INCOME

For the Years Ended December 31, 2017 and 2016

(In Philippine Peso)

	Note	2017	2016
INCOME			
Interest income from loans and receivables	6, 7	223,767,445	215,434,047
Investment income	4, 5	61,300,467	65,078,279
Guarantee fees	2.16 (c)	966,069	1,042,873
Other operating income	20	31,869,395	24,871,524
		317,903,376	306,426,723
FINANCE COST			
Interest expense on notes payable and other			
long-term borrowings	14, 15	38,863,074	37,995,976
		38,863,074	37,995,976
INCOME BEFORE PROVISION FOR			
IMPAIRMENT OF LOANS		279,040,302	268,430,747
Provision for impairment of loans and ROPA	3.3	43,892,997	55,299,808
		235,147,305	213,130,939
OTHER INCOME (LOSS)			
Other income		5,869,836	9,569,910
Realized foreign exchange gain (loss)		15,644,870	7,900,169
		21,514,706	17,470,079
EXPENSES			
Administrative expenses	21	220,316,129	205,867,660
Other expenses			
Litigation expenses		986,249	331,473
Foreclosure and acquired assets expenses		805,607	1,664,275
		222,107,985	207,863,408
INCOME BEFORE UNREALIZED GAINS (LOSSES)		34,554,026	22,737,610
UNREALIZED GAIN (LOSS)			
Unrealized gain (loss) on foreign exchange translation		-122,559,398	-54,290,445
Unrealized gain (loss) on derivative valuation		-2,087,222	53,719,091
		-124,646,620	-571,354
INCOME (LOSS) BEFORE INCOME TAX		(90,092,594)	22,166,256
INCOME TAX EXPENSE			
Current		-12,660,914	-
Deferred	22.5	37,821,690	-23,374,464
		25,160,776	-23,374,464
NET INCOME (LOSS)		(64,931,818)	(1,208,208)
Subsidy income from National Government			
Enterprise Rehabilitation Financing (ERF)	19.1	3,774,432	9,351,910
Credit Risk Guarante Fund (CRGF)	19.2	13,293,839	-
Pondo sa Pagbabago at Pag-asenso (P3)	19.3	933,004,036	-
		950,072,307	9,351,910
Expenses			
ERF	19.1	3,774,432	2,788,852
CRGF	19.2	13,293,839	-
P3	19.3	10,000,000	-
		27,068,271	2,788,852
Provision for impairment			
ERF	19.1	-	6,563,058
P3	19.3	82,395,770	-
		82,395,770	6,563,058
NET SUBSIDY		840,608,266	-
NET INCOME INCLUSIVE OF SUBSIDY		775,676,448	-1,208,208

The Notes on pages 8 to 46 form part of these financial statements.

Small Business Corporation

STATEMENTS OF CHANGES IN EQUITY

For the Years Ended December 31, 2017 and 2016

(In Philippine Peso)

	Note	Capital Stock: Common Shares	Capital Stock: Preferred Shares	Additional paid-in capital	Retained Earnings: Valuation Reserve (FVTPL)	Retained Earnings: Appropriated	Retained Earnings: Unappropriated	Total
		18.1	18.1	18.1	16	18.1	18.1	
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
Reappropriation from Guarantee Reserved Funds								
to unappropriated Retained Earnings						-50,000,000	50,000,000	-
Correction of Prior period adjustments		-	-	-	-	-	821,054	821,054
Declaration of cash dividend		-	-	-	-	-	(19,570,603)	(19,570,603)
Net change in derivative valuation - 2016		-	-	-	94,462,750	-	(94,462,750)	-
Expired NOLCO		-	-	-	-	-	(9,896,129)	(9,896,129)
Expired MCIT		-	-	-	-	-	(3,477,314)	(3,477,314)
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
Reappropriation from Guarantee Reserved Funds								
to unappropriated Retained Earnings		-	-	-	-	(60,000,000)	60,000,000	-
Correction of Prior period adjustments		-	-	-	-	-	(3,202,298)	(3,202,298)
Declaration of cash dividend		-	-	-	-	-	(12,129,601)	(12,129,601)
Net change in derivative valuation - 2017		-	-	-	40,380,095	-	(40,380,095)	-
Net income (loss)		-	-	-	-	840,608,266	(64,931,818)	775,676,448
BALANCE AT DECEMBER 31, 2017		1,519,902,000	400,000,000	79,510,460	34,417,396	1,011,281,366	(145,940,694)	2,899,170,528

The Notes on pages 8 to 46 form part of these financial statements

Small Business Corporation

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2017 and 2016

(In Philippine Peso)

	Note	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash inflows:			
Interest on loans		212,511,426	197,123,377
Interest on investments		64,088,779	68,058,014
Guarantee fees	2.16 (c)	966,069	973,791
Other income		20,471,637	16,190,369
Collections of employees loan		7,823,768	8,474,769
Advances/Refund from suppliers and creditors		17,703,770	36,439,701
Subsidy form national government		1,686,920,119	-
Collection of loans		1,799,687,236	1,809,927,921
Payment received lodged under "Undistributed Collections"	17	1,755,170	1,115,840
		3,811,927,974	2,138,303,782
Cash outflows:			
Payment of operating expenses	21	212,991,935	196,729,304
Income tax paid		19,425,708	
Advances to suppliers and creditors		11,490,205	35,866,615
Loans granted to employees		14,408,627	9,432,157
Loans granted to borrowers	6, 7	2,274,485,558	1,752,633,764
		2,532,802,033	1,994,661,840
Net cash provided by (used in) operating activities		1,279,125,941	143,641,942
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash inflows:			
Proceeds from held-to maturity-investment	5	1,027,452,456	754,849,432
Proceeds from disposal of investment property (ROPA)	10	3,148,744	5,070,839
Proceeds from sale of disposed assets (PE)	11	134,980	-
		1,030,736,180	759,920,271
Cash outflows:			
Placement of held-to maturity-investment	5	1,484,520,698	891,927,401
Purchase of property and equipment (PE)	11	4,470,951	3,780,172
Foreclosed property	9	1,062,334	2,500,669
		1,490,053,983	898,208,242
Net cash provided by (used in) investing activities		-459,317,803	-138,287,971
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash inflows:			
Issuance of MSME Notes to banks and other financial institutions	14	972,183,111	1,010,868,550
		972,183,111	1,010,868,550
Cash outflows:			
Payment of foreign loans	15	119,377,433	124,789,715
Payment of interest on loans and other finance costs	14,15	52,778,117	54,455,254
Payment of matured MSME Notes	14	862,941,921	740,949,201
		1,035,097,471	920,194,170
Net cash provided by (used in) financing activities		-62,914,360	90,674,380
Effects of exchange rate changes on cash on bank and in banks		109	1,905
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		756,893,887	96,030,256
Cash and cash equivalents, beginning		251,939,161	155,908,905
CASH AND CASH EQUIVALENTS, ENDING		1,008,833,048	251,939,161

The Notes on pages 8 to 46 form part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016
(All amounts in Philippine Peso unless otherwise stated)

1. GENERAL INFORMATION

The Small Business Guarantee and Finance Corporation, commonly known as Small Business Corporation (SB Corporation), 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). SB Corporation 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 P5.000 billion to P10.000 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."

SB Corporation'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. SB Corporation also provides financial management and capacity building for rural banks with its Borrower Risk Rating System program.

The principal office of SB Corporation is at 139 Corporate Center, 139 Valero St., Salcedo Village, Makati City. It has four area offices, one unit office and 26 desk offices within the Philippines and has 137 and 136 regular employees for the CYs 2017 and 2016, respectively.

The financial statements of the SB Corporation as of and for the year ended December 31, 2017 (including the comparative financial statements as of and for the year ended December 31, 2016) were authorized for issue by the Corporation's Board of Directors (BOD) on May 25, 2018.

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 SB Corporation for the years ended December 31, 2017 and 2016 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, the Corporation's functional and presentation currency, and all values represent absolute amounts except when otherwise indicated.

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

2.2. Adoption of new and amended PFRS

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

(a) Effective in 2017 that are relevant to the Corporation

The Corporation adopted for the first time the following amendments to PFRS, which are mandatorily effective for annual periods beginning on or after January 1, 2017:

(i) Amendments to PAS 7, Cash Flow Statements – Disclosure Initiative. These amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing 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. At present, the disclosure can be observed on the Statement of Cash Flows since the Corporation only has one financing activity which is the issuance of MSME notes.

(ii) Amendments to PAS 12, Income Taxes – Recognition of Deferred Tax Assets for Unrealized Losses. 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.

(b) Effective in 2017 that are not relevant to the Corporation

The annual improvement to PFRS 12, Disclosure of Interests in Other Entities is mandatorily effective for annual periods beginning on or after January 1, 2017 but is not relevant to the Corporation's financial statements:

(i) Annual Improvements to PFRS (2014 – 2016 Cycle) – PFRS 12, Disclosure of Interest in Other Entities. The amendments states that an entity need not present a summary of financial information for interests in subsidiaries, associates, or joint ventures that are classified as held for sale. These amendments have no significant impact to the financial statements of the Corporation.

(c) Effective subsequent to 2017 but not adopted early

The following pronouncements were issued before the year ending December 31, 2017 and are mandatorily effective for annual periods beginning on or after January 1, 2018. Unless otherwise indicated, the Corporation does not expect that future adoption of these pronouncements will have a significant impact on its financial statements.

Effective for reporting periods beginning on or after January 1, 2018:

(i) *PFRS 9 (2014), Financial Instruments.* This standard will replace PAS 39, *Financial Instruments – Recognition and Measurement*, and PFRS 9 (2009, 2010 and 2013) versions. This new standard contains, among others, the following:

- Three principal classification categories for financial assets based on the business model on how an entity is managing its financial instruments;
- An expected loss model in determining impairment of all financial assets that are not measured at fair value through profit or loss (FVTPL), which generally depends on whether there has been a significant increase in credit risk since initial recognition of a financial asset; and,
- A new model on hedge accounting that provides significant improvements principally by aligning hedge accounting more closely with the risk management activities undertaken by entities when hedging their financial and non-financial risk exposures.

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

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

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

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

Management is currently assessing the impact of PFRS 9 (2014) on the financial statements of the Corporation. A comprehensive study of the potential impact of this standard will be conducted prior to its mandatory adoption date to assess the impact of all changes.

(ii) *PFRS 15, Revenue from Contract Customers.* The amendments address three topics: identifying performance obligations, principal versus agent considerations and licensing. PFRS 15 requires an entityto identify performance obligations on the basis of distinct promised goods or services. When another party is involved in providing goods or services to a customer, it requires an entity to determine whether it is the principal in the transaction or the agent on the basis of whether it controls the goods or services before they are transferred to the customer. When an entity grants a license to a customer that is distinct from other promised goods or services, the entity has to determine whether the license is transferred at a point in time or over time on the basis of whether the contract requires the entity to undertake activities that significantly affect the intellectual property to which the customer has rights.

(iii) *Amendments to PFRS 4, Insurance Contracts, regarding the implementation of PFRS 9, Financial Instruments.* These amendments provide two options for entities that issue insurance contracts. An option for companies that issue insurance contracts to recognize in OCI, rather than profit or loss, the volatility that could arise when PFRS 9 is applied before the new insurance contracts standard is issued; this is the so-called overlay approach and an optional temporary exemption from applying PFRS 9 for entities whose predominant activity is issuing contracts within the scope of PFRS 4; this is the so-called deferral approach.

(iv) *Amendment to PAS 40, Transfer of Investment Property.* These amendments provide that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property.

(v) *IFRIC 22, Foreign Currency Transactions and Advance Consideration.* This IFRIC addresses foreign currency transactions or parts of transactions where there is consideration that is denominated or priced in a foreign currency. The interpretation provides guidance for when a single payment/receipt is made as well as for situations where multiple payments/receipts are made. The guidance aims to reduce diversity in practice.

(vi) *Annual Improvements to PFRS (2014 – 2016 Cycle).* The following improvements are relevant to the Corporation but had no material impact on its financial statements as these merely clarify existing requirements:

- *Amendments to PFRS 1, First-time Adoption of PFRS.* The amendments deleted short-term exemptions for first-time adopters regarding PFRS 7, *Financial Instruments – Disclosures*, PAS 19, *Employee Benefits* and PFRS 10.

- *Amendments to PAS 28, Investments in Associates and Joint Ventures.* The amendments clarify that the election to measure at FVTPL an investment in an associate or a joint venture that is held by an entity that is a venture capital organization, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition.

Effective for reporting periods beginning on or after January 1, 2019:

(vii) *PFRS 16, Leases.* The new accounting model under PFRS 16 requires a lessee to recognize a 'right-of-use asset' and a lease liability. The right of use asset is treated similarly to other non-financial assets and depreciated accordingly and the liability accrues interest. The new standard brings most leases on-balance sheet for lessees under a single model, eliminating distinction between operating and finance leases. Lessor accounting however remains unchanged and the distinction between operating and finance lease is retained.

(viii) *Amendments to PFRS 9, Financial Instruments – Prepayment Features with Negative Compensation.* These amendments confirm that when a financial liability measured at amortized cost is modified without this resulting in de-recognition, a gain or loss should be recognized immediately in profit or loss. The gain or loss is calculated as the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rates.

(ix) *Amendments to PAS 28, Investment in Associates – Long-term Interests in Associates and Joint Ventures.* These amendments clarify that an entity applies PFRS 9, Financial Instruments to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.

(x) *IFRIC 23, Uncertainty Over Income Tax Treatments.* This IFRIC clarifies how the recognition and measurement requirements of PAS 12, Income Taxes, are applied where there is uncertainty over income tax treatments. IFRIC 23 explains how to recognize and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment.

Effective for reporting periods beginning on or after January 1, 2021:

(xi) PFRS 17, Insurance Contracts. This standard replaces PFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. PFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.

(xii) Annual improvements to PFRS (2015 – 2017 Cycle). The following improvements are relevant to the Corporation but had no material impact on its financial statements as these merely clarify existing requirements:

- Amendments to PFRS 3, Business Combinations and PFRS 11, Joint Arrangements – Re-measurement of Previously Held Interests in a Joint Operation. The amendments to PFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it re-measures previously held interests in that business. The amendments to PFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not re-measure previously held interests in that business.

- Amendments to PAS 12, Income Taxes – Tax Consequences of Dividends. The amendments clarify that the requirements in the former paragraph 52B (to recognise the income tax consequences of dividends where the transactions or events that generated distributable profits are recognised) apply to all income tax consequences of dividends by moving the paragraph away from paragraph 52A that only deals with situations where there are different tax rates for distributed and undistributed profits.

- Amendment to PAS 23, Borrowing Costs – Eligibility for Capitalization. The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalization rate on general borrowings.

Effectivity Deferred Indefinitely:

(xi) *Amendments to PFRS 10, Consolidated Financial Statements, and to PAS 28, Investment in Associates and Joint Ventures – Sales or Contribution of Assets between an Investor and its Associates or Joint Venture.* The amendments to PFRS 10 require full recognition in the investor's financial statements of gains or losses arising on the sale or contribution of assets that constitute a business as defined in PFRS 3, between an investor and its associate or joint venture. Accordingly, the partial recognition of gains or losses (i.e., to the extent of the unrelated investor's interests in an associate or joint venture) only applies to those sale of contribution of assets that do not constitute a business. Corresponding amendments have been made to PAS 28 to reflect these changes. In addition, PAS 28 has been amended to clarify that when determining whether assets that are sold or contributed constitute a business, an entity shall consider whether the sale or contribution of those assets is part of multiple arrangements that should be accounted for as a single transaction.

On January 13, 2016, the FRSC postponed the original effective date of January 1, 2016 of the said amendments until the IASB 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 FVTPL; (b) held-to-maturity (HTM) 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 FVTPL.

(a) 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 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 (FXRC) 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 FXRC 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 SB Corporation to various financial institutions arising from its issuance of MSME Notes in the nature of promissory notes deemed as alternative compliance to the mandatory allocation provision under Section 13 of RA No. 6977 as amended by RA Nos. 8289 and 9501.

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

Dividend distributions to the stockholders are recognized as financial liabilities.

2.6. Impairment of assets

Assets are impaired if carrying amount exceeds the amount to be recovered through use or sale of the asset. An assessment is made at each statement of financial position

(SFP) 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.

If in subsequent year there is an indication that previously recognized impairment losses may no longer exist or may have decreased, a previously recognized impairment loss is reversed if there has been a change in estimates used to determine the asset's recoverable amount since the least impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the SCI.

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

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

2.9. Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either (a) in the principal market for the asset or liability, or (b) in the absence of a principal market, in the most advantageous market for the asset or liability.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that the market participants act in their best economic interest.

Assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

a. Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities;

b. Level 2 – valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and,

c. Level 3 – valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Corporation determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

As of December 31, 2017 and 2016, the carrying values of the Corporation's financial assets and liabilities as reflected in the SFP and related notes approximate their respective fair value as of reporting date. Specifically, the financial asset at FVPTL is carried at its Level 1 fair value of P34,417,396 and P23,042,477 as at December 31, 2017 and 2016.

2.10. 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.

2.11. Non-current assets held for sale (NCAHFS)

NCAHFS consists of real and other properties acquired (ROPA) through foreclosure of mortgaged properties, dacion-en-pago arrangements, or Sales Contract Receivables (SCR) rescissions, where the foremost objective is immediate disposal generally under cash or term transactions.

Initial carrying amount is computed as the outstanding balance of the loan less allowance for impairment plus transaction costs, where allowance for impairment is set up if the carrying amount exceeds the fair value of the ROPA.

2.12. Property and equipment

The Corporation's depreciable properties are stated at cost less accumulated depreciation and any impairment in value. Pursuant to COA Circular Nos. 2015-007 and 2016-006 dated October 22, 2015 and December 29, 2016, respectively, a capitalization threshold of P15,000 is applied as the minimum cost of an individual asset to be recognized as property and equipment. Tangible items below the capitalization threshold are accounted for as semi-expendable property.

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 r epairs 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.

2.13. Semi-expendable property

Semi-expendable property or those tangible items with cost below the capitalization threshold for property and equipment are initially recorded at cost. These items are recognized as expense in full upon issuance to end users but recorded under the Report on the Physical Count of Inventories for monitoring purposes.

2.14. 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.

2.15. 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.

2.16. 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 collectability 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 SFP. 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.

2.17. Employee benefit plan

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

2.18. 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.

2.19. Provisions and contingencies

Provisions are recognized when the Corporation has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Contingent liabilities are not recognized but are disclosed in the financial statements (Note 23) unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized but are disclosed in the financial statements when an inflow of economic benefits is probable.

2.20. 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.

2.21. 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.

2.22. 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 PFRSs 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 investments

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 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 j udgments 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. 2015-007dated October 22, 2015 and 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:

	2017	2016
Cash in bank	293,833,208	62,799,319
Short-term investments	714,999,840	189,139,842
	1,008,833,048	251,939,161

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 0.85 to 2.5 per cent per annum for 2017 and 1.375 to 2.3 per cent per annum for 2016 (See Note 2.3).

5. HELD-TO-MATURITY 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. These investments which 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 2017 consist of the following:

	2017	2016
Investments in treasury bills	1,968,990,969	1,527,436,084
Investments in treasury bills – guarantee reserve fund (GRF)	169,405,003	153,577,384
Investments in bonds	178,380	242,775
	2,138,574,352	1,681,256,243
Short-term	755,290,566	410,959,414
Long-term	1,383,283,786	1,270,296,829

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 10.70 per cent per annum for relending under SB Corporation special lending programs for MSMEs.

Details of the loan portfolio are as follows:

	2017	2016
Wholesale financing	1,199,662,347	1,459,294,812
Allowance for doubtful accounts	(235,476,411)	(235,474,686)
	964,185,936	1,223,820,126
Wholesale financing – P3	692,785,082	-
Allowance for doubtful accounts	(78,010,825)	-
	614,774,257	-
	1,578,960,193	1,223,820,126
Current	943,351,712	869,075,017
Non-current	635,608,481	354,745,109

Classification of the above total loan portfolio as current or non-current for 2016 was restated to reflect the reclassification of loans amounting to P131,296,050 from current to non-current.

7. LOANS AND RECEIVABLES – NET

The account consists of the following:

	2017	2016
Loans receivable – retail	1,367,373,739	1,198,832,687
Allowance for doubtful accounts	(256,986,141)	(217,690,801)
	1,110,387,598	981,141,886
Loans receivable – ERF	389,158,990	504,566,561
Allowance for doubtful accounts	(164,859,750)	(165,035,380)
	224,299,240	339,531,181
Loans receivable – P3	9,420,172	-
Allowance for doubtful accounts	(4,384,945)	-
	5,035,227	-
Loans receivable – others	42,273,906	53,834,349
Interest receivable – loans	44,177,674	49,216,284
Interest receivable on investment	18,759,287	15,135,987
	105,210,867	118,186,620
Allowance for doubtful accounts	(5,272,245)	(5,272,245)
	99,938,622	112,914,375
Guarantee paid accounts	80,448,441	78,477,449
Allowance for doubtful accounts	(79,909,066)	(77,783,139)
	539,375	694,310
Accounts receivable – others	26,367,316	23,057,971
Allowance for doubtful accounts	(895,264)	(895,264)
	25,472,052	22,162,707
Accounts receivable – others – P3	45,971	-
	1,465,718,085	1,456,444,459

The current and non-current portions of the account, net of related allowance for doubtful accounts, are broken down below:

	2017	2016
Current		
Loans receivable – retail	673,571,704	580,184,841
Loans receivable – ERF	131,348,650	118,487,922
Loans receivable – P3	5,035,227	
Loans receivable and interest receivable– others	99,938,622	112,914,375
Accounts receivable – others	3,753,530	2,945,013
Accounts receivable – others – P3	45,971	-
	913,693,704	814,532,151
Non-current		
Loans receivable – retail	436,815,894	400,957,045
Loans receivable – ERF	92,950,590	221,043,259
Loans receivable – P3	-	-
Guarantee paid accounts	539,375	694,310
Accounts receivable – others	21,718,522	19,217,694
	552,024,381	641,912,308

Classification of the above loans as current or non-current for 2016 was restated to reflect the reclassification of loans receivable – retail and loans receivable – ERF of P53,439,674 and P138,093,099, respectively from current to non-current.

Loans receivable – retail carry interest rates ranging from 6.00 per cent to 17.10 per cent per annum as at December 31, 2017.

Loans receivable – ERF represents soft loans extended to MSMEs 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.

Interest receivable on investments represents accrued interest receivable from investment in government-issued debt instruments.

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

Accounts receivable – others consist of the following:

	2017	2016
Agricultural Credit Policy Council (ACPC re: Administrative fee for the Comprehensive Agricultural Loan Fund (CALF)	9,400,000	10,700,000
Participating financial institution's share in expenses relative to foreclosure in the management of acquired assets	1,565,706	83,408
All other accounts receivable	15,401,611	12,274,563
	26,367,317	23,057,971

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 Guarantee Fund for Small and Medium Enterprises (GFSME, now SB Corporation) that is the payment of administrative fees.

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

	Balance, January 1, 2017	Additional Provision	Recovery/ Reversal	Balance, December 31, 2017
Loans receivable – retail	217,690,801	39,295,340	-	256,986,141
Loans receivable – ERF	165,035,380	-	(175,630)	164,859,750
Loans receivable – P3	-	4,384,945	-	4,384,945
Loans receivable and	5,272,245	-	-	5,272,245
interest receivable – others	77,783,139	2,125,927	-	79,909,066
Guarantee paid accounts	895,264	-	-	895,264
Accounts receivable – others	466,676,829	45,806,212	(175,630)	512,307,411

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 both as at December 31, 2017 and 2016.

9. INVESTMENT PROPERTY – NET

The account consists of real and other properties acquired in settlement of receivables and guarantee paid accounts from borrowers. All properties acquired are intended for sale except for those properties being held by the corporation for its use. Details are as follows:

	2017	2016
Investment property	28,676,500	35,904,510
Allowance for depreciation	(3,196,448)	(4,604,584)
Allowance for impairment	(1,604,172)	(1,768,388)
Equity of originating financial institutions on	(1,503,189)	(1,502,022)
acquired assets	22,372,692	28,029,516

10. NON - CURRENT ASSETS HELD FOR SALE

Details are as follows:

	2017	2016
Non-current assets held for sale	49,719,465	51,075,836
Allowance for impairment	(16,839,335)	(16,617,502)
Equity of originating financial institutions on	(1,072,117)	(1,072,117)
acquired assets	31,808,013	33,386,217

11. PROPERTY AND EQUIPMENT – NET

The account consists of the following:

	Buildings/ Structures	Furniture and other Equipment	Transport Equipment	Total
Cost				
January 1, 2017	142,768,470	26,687,642	18,026,322	187,482,434
Additions	1,471,807	4,175,888	-	5,647,695
Reclassification	-	(1,121,839)	-	(1,121,839)
Disposals	(239,669)	(92,330)	(2,184,723)	(2,516,722)
December 31, 2017	144,000,608	29,649,361	15,841,599	189,491,568
Accumulated depreciation				
January 1, 2017	85,298,077	18,036,217	9,641,160	112,975,454
Additions	4,146,245	2,383,776	1,358,011	7,888,032
Reclassification	-	(446,866)	-	(446,866)
Disposals	(148,310)	(52,005)	(1,966,251)	(2,166,566)
December 31, 2017	89,296,012	19,921,122	9,032,920	118,250,054
Net book value, December 31, 2017	54,704,596	9,728,239	6,808,679	71,241,514
Net book value, December 31, 2016	57,470,393	8,651,425	8,385,162	74,506,980

12. DEFERRED TAX ASSET

This account consists of the following:

	2017	2016
Minimum corporate income tax	726,278	13,387,192
Provision for impairment losses	76,145,908	62,978,009
Unrealized losses on forex	36,767,820	-
Financial liability at FVTPL	-	1,788,810
	113,640,006	78,154,011

13. OTHER ASSETS

This account consists of the following:

	2017	2016
Motor vehicle lease purchase plan	15,757,383	13,381,650
Prepayments	21,601,902	5,236,769
Receivables – officers and employees	1,218,515	1,209,093
Guarantee deposit	1,385,753	941,723
Office supplies	512,961	347,981
Due from BMBE	193,013	366,132
Due from P3	3,044,536	-
Other assets	3,517,380	2,621,733
	47,231,443	24,105,081
Current	27,466,574	1,923,206
Non-current	19,764,869	22,181,875

14. NOTES PAYABLE

Notes payable represents the obligations of SB Corporation 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 1.44 per cent to 2.57 per cent per annum for 2017. Details of the account follow:

	2017	2016
Current portion	1,479,893,000	1,402,207,083
Non-current portion	90,357,199	57,056,948
	1,570,250,199	1,459,264,031

15. LONG-TERM LIABILITIES

The account consists of the following:

	2017	2016
Foreign currency denominated loans		
Asian Development Bank (ADB)	478,773,219	554,662,102
Kreditanstalt fur Weiderafbau (KfW)	658,031,556	586,314,924
Peso denominated loans		
International Fund for Agricultural Development (IFAD)	27,315,429	29,199,252
	1,164,120,204	1,170,176,278
Current	127,238,960	119,400,769
Non-current	1,036,881,244	1,050,775,509

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, 2017 was at P0.4450. 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, 2017 was at P60.2593. The loan was fully availed of in 2010.

In consideration of the government guarantee and assumption of the foreign exchange risk for both loans, SB Corporation in addition to the guarantee fee of one per cent, shall pay the National Government a FXRC 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 SB Corporation's operational expense/spread), whichever is higher based on the outstanding principal balance of the loan.

As at December 31, 2017, the outstanding balance of ADB and KfW loans amounted to JPY1.076 billion and €10.920million, respectively.

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

16. FINANCIAL LIABILITIES (ASSETS) AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial liabilities (asset) at FVTPL represents the fair value of the FXRC of the Corporation's borrowings from multilateral agencies amounting to P1.139 billion in 2017 and P1.141 billion in 2016 which is treated as derivative financial instrument.

Under a MOA between SB Corporation and the National Government through the DOF, the latter guarantees and assumes the foreign exchange risk relating to SB Corporation's foreign currency denominated borrowings from the ADB and KfW. In consideration thereof, SB Corporation 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, 2017, the outstanding notional amount of FXRC amounted to JPY1.076 billion and €10.920million.

17. OTHER CURRENT LIABILITIES

The account consists of the following:

	2017	2016
Accounts payable and accrued expenses	858,452,608	73,365,624
Deferred interest income	17,213,751	17,403,844
Undistributed collection	1,755,170	1,115,840
Accounts payable and accrued expenses – P3	5,981,563	-
	883,403,092	91,885,308

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 and payables/accrued expenses undertheP3 program.

The significant increase in the account pertains to the Credit Risk Guarantee Fund (CRGF) received from the DTI. The CRGF, a component of the Yolanda Comprehensive Rehabilitation and Recovery Fund (YCRRF), is an initiative by both the DTI and SB Corporation to continue to provide a reliable financing support to Yolanda-affected MSMEs that will enhance their capability to build back and forever.

The CRGF is a credit guarantee program that provides assistance to MSMEs affected by typhoon Yolanda in accessing credit from financial institutions (FIs) for the recovery and rehabilitation of their businesses.SB Corporation partners with FIs with capacity to provide financing to disaster-affected MSMEs with a guarantee support to cover credit risk. Fund balance as of December 31, 2017 is P743,579,037 (See Note 19.2).

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

18. EQUITY

The Corporation has an authorized capital stock of 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:

	2017	2016
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	16,000,000	16,000,000
Social Security System (SSS)	46,673,100	46,673,100
	1,519,902,000	1,519,902,000
Preferred shares		
SSS	200,000,000	200,000,000
GSIS	200,000,000	200,000,000
	400,000,000	400,000,000
	1,919,902,000	1,919,902,000
Additional paid-in capital	79,510,460	79,510,460
Retained earnings		
Appropriated retained earnings		
Guarantee Reserve Fund (GRF)	140,000,000	200,000,000
Pondo sa Pagbabago at Pag-asenso (P3)	840,608,266	-
Appropriated for dividend	30,673,100	30,673,100
	1,011,281,366	230,673,100
Unappropriated retained earnings (deficit)	(145,940,694)	(85,296,882)
FVTPL reserve	34,417,396	(5,962,699)
	899,758,068	139,413,519
	2,899,170,528	2,138,825,979

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.

18.2. Additional paid-in capital

The account, which first appeared in SB Corporation 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 GFSME assets turned over to SB Corporation pursuant to Executive Order No. 28 dated July 30, 2001 which mandated the consolidation of GFSME and SBGFC with the latter as the surviving entity.

19. SUBSIDY INCOME FROM NATIONAL GOVERNMENT

19.1. Enterprise Rehabilitation Financing (ERF)

The account which started in 2014 represents the P200 million fund allocated by the National Government to SB Corporation to support the Corporation's ERF, 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, 2017 amount released to ERF borrowers amounted to P635 million. While the subsidy ended in December 2016, the CY 2017 subsidy pertains to the unreleased portion for the interest expense subsidy.

	2017	2016
Receipts		
Beginning balance –support from NG	-	2,288,059
2017 Release (OR# 164843-A dated 4/11/17)	3,774,432	
2016 Release (OR# 145006-A dated 8/30/16)		7,063,851
	3,774,432	9,351,910
Expenses		
Maintenance and other operating expenses		
Contractual and other administrative services	-	1,264,581
Travelling expenses	-	315,996
Rental	-	142,339
Repairs and maintenance	-	124,178
Gasoline	-	127,298
Communication expense	-	46,200
Power, light and water	-	33,311
Supplies and materials	-	19,539
Printing and binding	-	-
Business development cost	-	12,123
Business promotion	-	199,511
Advertising and publicity	-	-
Miscellaneous expenses	-	2,983
	-	2,288,059
Provision for probable losses	-	6,563,058
Interest expense subsidy	3,774,432	500,793
	3,774,432	9,351,910
Excess of receipts over expenses	-	-

19.2. Credit Risk Guarantee Fund

In May 2017, a P750 million fund was transferred to the Corporation from the DTI. The fund pertains to the CRGF release to cover the rehabilitation and recovery programs, projects, and activities in accordance with the Yolanda Comprehensive Rehabilitation and Recovery Plan (YCRRP). Funding source per the Special Allotment Release Order (SARO) came from the National Disaster Risk Reduction and Management Fund (Calamity Fund). The fund was booked as payable to the DTI. However, the fund includes a 5 per cent mobilization fund for operation. The subsidy booked for this purpose is equivalent to the actual mobilization fund utilized for the year.

	Amount
Receipts	13,293,839
Maintenance and other operating expenses	
Development cost	4,420,820
Contractual and other admin. services	1,298,358
Communication expense	898,997
Rental expense	527,911
Security and janitorial expense	499,022
Power, light and water	489,991
Business development cost	452,394
Repairs and maintenance	450,301
Condominium dues	446,322
Fuel, oil and lubricants	370,875
Travelling expenses	245,746
Supplies and materials	207,511
Depreciation expenses	31,643
Board and committee expense	12,905
Insurance expense and premiums	10,520
Taxes and licenses	5,558
Printing and binding	375
Miscellaneous expense	2,924,590
	13,293,839
Excess of receipts over expenses	-

19.3. Pondo sa Pagbabago at Pag-asenso (P3)

P3 is the Duterte Administrations's flagship program for providing economic and employment opportunities through the encouragement of entrepreneurship. The program aims to provide microenterprises with an alternative source of financing that is easy to access and at a reasonable cost to boost the development of entrepreneurship in the MSME sector.

In April 2017, the pertinent SARO for P1.0 billion was released with the following breakdown: P841.5 million for microfinance on lending, P148.5 million for cost of credit risk and P10.0 million for mobilization and monitoring. Total fund released for the year is P933.0 million, the balance pertains to the unreleased cost of credit risk. Presented below is the breakdown of expenses other the microfinance on lending.

	Amount
Receipts	933,004,036
Expenses	
Maintenance and other operating expenses	
Other contractual services	2,371,975
Auditing services	2,204,180
Travelling expenses	1,120,424
Communication	898,456
Rental expenses	547,249
Security and janitorial expense	442,632
Power, light and water	401,188
Condominium dues	337,379
Business development expense	330,956
Repairs and maintenance	321,635
Advertising expense	286,776
Supplies and materials	264,250
Gasoline, oil and lubricant expense	231,939
Taxes and licenses	52,657
Business promotion	31,774
Board and committee expenses	12,905
Printing and binding expenses	8,000
Training expenses	7,800
Miscellaneous expense	127,825
	10,000,000
Provision for probable losses	82,395,770
	92,395,770
Fund balance, December 31, 2017	840,608,266

The fund balance at year-end forms part of the Appropriated Retained Earnings to ensure continuous delivery of activities under the P3 program.

20. OTHER OPERATING INCOME

The account consists of the following:

	2017	2016
Processing fee	4,448,815	4,201,209
Miscellaneous	166,057	768,696
Evaluation fee	5,579,258	4,522,781
Restructuring fee	109,424	59,000
Out of town	1,817,000	1,729,000
Commitment fee	145,850	256,062
Amendment fee	62,000	76,500
Extension fee	-	4,559
Other fines and penalties	5,764,967	4,315,320
Other fines and penalties-P3	6,184	-
Processing fee-P3	395,625	-
Evaluation fee-P3	4,044,500	-
Interest income on bank deposit	227,681	-
Miscellaneous income-P3	347	-
Interest on bank deposit	163,725	140,094
Dividend income-equity financing	851,200	851,200
Interest income –car loan	7,975	-
Interest income on calamity loan	9,307	15,609
Interest income on acquired asset disposal	2,833,389	5,820,287
Rental income on acquired asset	94,000	-
Miscellaneous income-management fee	5,142,091	2,111,207
	31,869,395	24,871,524

21. ADMINISTRATIVE EXPENSES

The account consists of the following:

	2017	2016
Personal services		
Salaries and wages – basic	91,883,655	58,275,357
Bonus and other incentives	24,741,877	30,891,459
Provident fund employer contribution	12,518,515	8,043,899
GSIS employer contribution	10,483,985	6,560,868
Other employee benefits	862,501	6,353,850
Representation and transportation allowance	4,883,563	5,017,099
Employee benefits – PERA/ACA	3,342,431	3,301,245
Board fees	952,000	680,000
HDMF employer contribution	167,300	165,100
PhilHealth employer contribution	671,949	547,200
Salaries and wages – overtime pay	166,155	128,408
	150,673,931	119,964,485
Maintenance and other operating expenses		
Taxes and licenses	12,836,458	12,385,435
Security, janitorial and other contracted services	11,775,498	10,884,760
Depreciation	8,122,621	6,989,884
Extraordinary/miscellaneous expense	4,046,433	4,249,935
Communication services	2,050,293	3,636,564
Auditing services	4,465,379	3,218,138
Power, light and water	1,723,819	2,633,045
Development cost	4,220,703	5,784,197
Repairs and maintenance	2,355,275	2,628,769
Rental	2,479,172	3,336,013
Condominium dues	1,617,697	2,213,398
Travelling expenses	2,077,764	3,147,536
Supplies, materials and printing	1,829,681	3,411,403
Insurance premiums	1,024,029	1,542,591
Training and seminars	1,969,801	1,767,651
Fuel, oil and lubricants	442,631	779,576
Business development expenses	1,012,213	818,194
Management and other professional fees	1,395,445	6,642,636
Board and committee expenses	609,046	520,408
Advertising and business promotion	250,294	798,688
Subscription and periodicals	58,830	48,359
Others	3,279,116	8,465,995
	69,642,198	85,903,175
	220,316,129	205,867,660

ERF expense for CY 2016 amounting to P2,788,852 was transferred to Note 19.1 under Enterprise Rehabilitation Facility.

22. INCOME TAX

22.1 Regular corporate income tax (RCIT)

Particulars	Amount
Net income(loss) before income tax	(90,092,594)
Permanent differences	
Non-deductible expenses	
Provision for probable losses– P3	82,395,770
Maintenance and other operating expense– P3	10,000,000
Maintenance and other operating expense – CRGF	13,293,839
Interest expense subsidy– ERF	3,774,432
Interest arbitrage limitation	25,447,898
Non-taxable income	
Support from National Government	(109,464,041)
Interest income on investments on government securities	(61,300,467)
Interest income on bank deposits	(391,406)
Accounting income subject to tax	**(126,336,569)**
Temporary differences	
Provision for impairment of loans/acquired properties	43,892,997
Unrealized loss	124,646,620
Taxable income	**42,203,048**
Tax rate	30%
Tax still due	**12,660,914**

22.2 Minimum corporate income tax (MCIT)

Particulars	Amount
Income before provision for impairment loss	279,040,302
Other income	21,514,705
Gross income	**300,555,007**
Reconciling items	
Investment in government securities	(61,300,467)
Interest on bank deposits and government bond	(391,406)
Litigation expense	(986,249)
Foreclosure and acquired asset expense	(805,607)
Interest arbitrage limitations	25,447,898
Taxable gross income	**262,519,176**
MCIT rate	2%
MCIT due	**5,250,384**
Available tax credit carried over	
Excess minimum corporate income taxes paid over normal income tax	(12,660,914)
Tax still due	**-**

22.3 Income tax benefit computation

Particulars	Amount
Deferred tax asset – allowance for doubtful accounts (ADA)	
2017 provision for probable loss	43,892,997
Tax rate	30%
Income tax benefit– ADA for 2017	**13,167,899**
Deferred tax asset – ADA, January 1, 2017	62,978,009
Deferred tax asset – ADA, December 31, 2017	**76,145,908**
Deferred tax asset – financial liability (FL) at FVTPL	
Financial asset at FVTPL, December 31, 2017	34,417,396
Tax rate	30%
Deferred tax liability – FA at FVTPL, December 31, 2017	**10,325,219**

22.4 MCIT schedule

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	-	4,156,099	726,278
2015	2018	4,872,463	-	4,872,463	-
2014	2017	3,632,353	-	3,632,353	-
Total		13,387,192			726,278

22.5 Deferred tax asset and liabilities schedule

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

	Statement of financial position		Profit or loss	
	2017	2016	2017	2016
Deferred tax assets				
MCIT	726,278	13,387,192	-	-
NOLCO	-	-	-	(11,625,580)
Provision for impairment losses	76,145,908	62,978,009	13,167,899	16,589,941
Unrealized losses on forex	36,767,820	-	36,767,820	-
Financial liability at FVTPL	-	1,788,810	(1,788,810)	(28,338,825)
	113,640,006	78,154,011	48,146,909	(23,374,464)
Deferred tax liabilities				
Financial asset at FVTPL	10,325,219	-	(10,325,219)	
	10,325,219	-	(10,325,219)	-
Net deferred tax assets	103,314,787	78,154,011		
Net income tax benefit (expense)			37,821,690	(23,374,464)

23. CONTINGENT LIABILITY

As at December 31, 2017 and 2016, the Corporation's outstanding guarantees amounted to P599,796,369 and 64,269,426, respectively, broken down as follows:

	2017	2016
Regular guarantee	61,935,617	64,269,426
CRGF	537,860,752	-
	599,796,369	64,269,426

Contingent liability for CY 2016 was restated to reflect the accurate amount to be disclosed in the financial statements which was previously presented based on the total guaranteed portfolio.

23.1. Regular Guarantee Facility

Under the guarantee agreement executed by and between SB Corporation 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.

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 SB Corporation guarantee issued to AFIs. Through the years with the low level of contingent liability, the fund was decreased and by year-end of 2017, the fund balance is at P140 million.

23.2. Credit Risk Guarantee Fund

The Corporation was able to lend close to P800.0 million to typhoon Yolanda-affected MSMEs through its Enterprise Rehabilitation Financing (ERF) Program. The loan portfolio was backed up by a P200.0 million credit risk support fund from the National Government. Given the positive turnout of the ERF, SB Corporation was tasked by the National Government to manage a CGRF of P750,001,277 which is a component of the YCRRF (See Note 19.2).At year-end, contingent liability under the CRGF is at P537,860,752.

24. RELATED PARTY TRANSACTIONS

Section 10 of RA No. 9178, otherwise known as the *"Barangay Micro Business Enterprises (BMBE) Act of 2002"*had set up an endowment fund of P300.5 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 SB Corporation, as the Fund Manager of the BMBE Development Fund per MOA dated December 28, 2004. Total remittance of P300.5 million to SB Corporation was invested in government securities and earned interest income of P166,741,191 and P152,426,260 as at December 31, 2017 and 2016, respectively. 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 SB Corporation'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, 2017and 2016, the BMBE Development Fund showed a balance of P456,763,726 and P442,448,795, respectively.

25. EMPLOYEE BENEFITS

25.1. Provident fund

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

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

25.2. Retirement benefits

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

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

25.3. Terminal leave benefits

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

26. LEASES

The Corporation leases the premises which serves as SB Corporation 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.

27. FINANCIAL RISK MANAGEMENT

The Corporation is exposed to a variety of financial risks such as market risk (including currency risk, interest rate risk and price risk), credit risk, and liquidity risk. The financial risks are identified, measured and monitored through various control mechanisms to assess adequately the market circumstances to avoid disastrous financial consequences to the Corporation.
The Corporation's risk management policies for each financial risk factors are summarized below:

27.1. 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 FXRC 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.

27.2. 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).

27.3 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.

28. SUPPLEMENTARY INFORMATION REQUIRED BY THE BUREAU OF INTERNAL REVENUE

Presented below is the supplementary information which is required by the BIR under its existing Revenue Regulations (RRs) to be disclosed as part of the notes to financial statements. This supplementary information is not a required disclosure under PFRS.

28.1. Requirements under RR No. 15-2010

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:

(a) Withholding taxes

	2017	2016
Taxes on compensation and benefits	13,176,785	12,008,164
Value added taxes (VAT)	3,432,003	2,741,371
Expanded withholding taxes (EWT)	1,851,604	1,754,563
Gross receipt taxes (GRT)	12,263,491	12,022,446
	30,723,883	28,526,544

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

(b) Other taxes

	2017	2016
Local		
Real estate taxes	748,852	896,579
Corporate community tax	10,500	10,500
	759,352	907,079
National		
Capital gains taxes	-	730,230
Documentary stamp taxes	19,701,463	16,832,161
Transfer taxes	-	48,159
BIR annual registration	500	500
	19,701,963	17,611,050
	20,461,315	18,518,129

28.2. Requirements under RR No. 19-2011

In addition to the required information under RR No. 15-2010 on December 9, 2011, the BIR No. 19-2011 (and as further amended by RR No. 2-2014 dated January 24, 2014) which prescribes the new annual income tax reforms that will be used for filing effective taxable year 2011. Specifically, companies are required to disclose certain tax information in their respective notes to financial statements. For the taxable year December 31, 2017, the Corporation reported the following revenues and expenses for income tax purposes:

Particulars	Amount
Revenues	
Operations	277,726,209
Expenses	
Cost of services	15,207,032
Itemized Deductions	
Advertising and promotions	250,294
Communication, light and water	3,774,112
Depreciation	8,122,621
Director's fee	952,000
Fuel and oil	442,631
Insurance	1,024,029
Janitorial and messengerial services	474,685
Management and consultancy services	1,395,444
Miscellaneous	4,046,433
Office supplies	1,888,511
Other supplies	15,457,889
Rental	4,096,869
Repairs and maintenance-materials/supplies	2,355,275
Representation and entertainment	1,621,259
Salaries and allowances	138,398,697
Security services	308,304
SSS, GSIS, Philhealth and other contributions	11,323,234
Taxes and licenses	12,836,458
Trainings and seminars	1,969,801
Transportation and travel	2,077,764
Others	7,499,819
	220,316,129

BOARD OF DIRECTORS

EX-OFFICIO MEMBERS

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.

Usec. Zenaida Cuison-Maglaya

Acting Chairman, SB Corporation
Department of Trade and Industry
Representative

APPOINTIVE DIRECTORS

Ms. Cacanando brings with her more than three decades of MSME development finance experience and industry expertise, mostly as a government executive. She went on an early retirement from government service in February 2016 as SVP of Small Business Corporation and Head of the agency's Financing and Capacity Building Sector.
Immediately prior to SBCorp, Ms. Cacanando was Credit Manager of Guarantee Fund for MSMEs (GFSME) until its merger with Small Business Guarantee and Finance Corporation (SBGFC or SBCorp) as the surviving entity in November 2001.

Fresh from graduation from the University of the Philippines, Los Banos with a degree of B.S. in Agricultural Economics, Cacanando joined the then KKK-Livelihood Corporation in August 1983. She joined GFSME in April 1993.

Prior to her appointment as SBCorp Director and to her election as SBCorp President/CEO on September 6, 2017, Cacanando had the chance to work with the private sector for more than a year still in the field of MSME finance. She was consultant of Country Builders Bank and of ADA Inclusive Finance, a Luxemburg development organization. She was Director of Negosyong Pinoy (Venture South) Finance Corporation and was eventually elected as its President/CEO in the first quarter of 2017.

Ms. Cacanando is an alumnus of the Asian Institute of Management (AIM) where she obtained a Masters degree in Development Management in 1996. She was conferred Career Executive Service Office (CESO) by the Office of the President in 2001 and by the Career Executive Service Board in 1999, and at the same time as Career Service Executive Eligible (CSEE) by the Civil Service Commission.

Ma. Luna E. Cacanando

President and CEO
Small Business Corporation

COMMON STOCK SHAREHOLDERS REPRESENTATIVES

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 a 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. Benel P. Lagua

Development Bank of the Philippines
Representative

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.

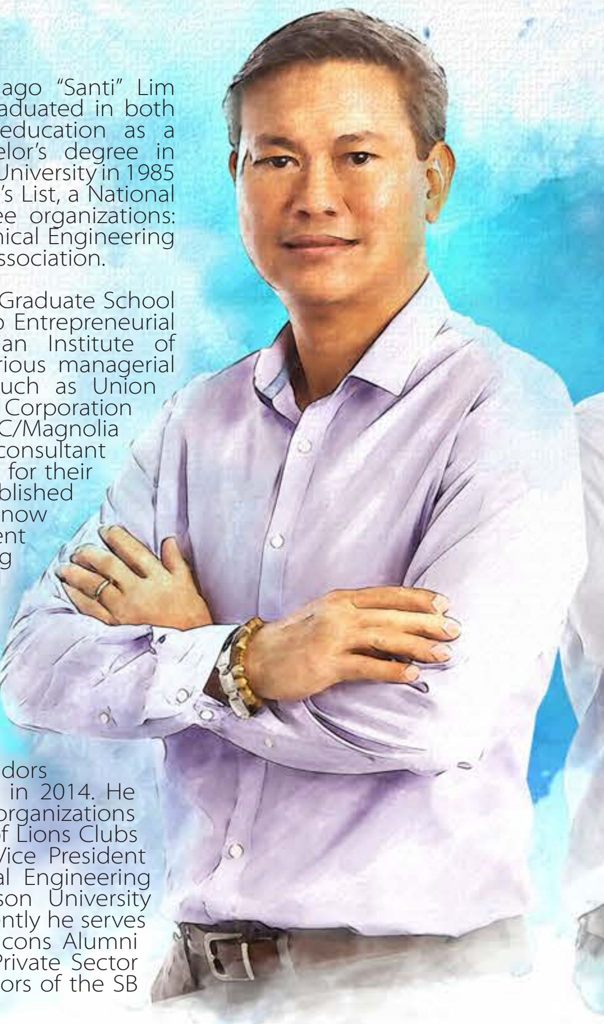
Prior to her designation, Ms. De Leon served as the Alternate Executive Director (For the constituency of Brazil, Colombia, Dominican Republic, Ecuador, Haiti, Panama, Philippines, Suriname, and Trinidad and Tobago) at the World Bank Group, Washington D.C. USA. She also assumed key positions in the Department 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 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 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.

Treas. Rosalia V. De Leon

Bureau of the Treasury
Department of Finance Representative

BOARD OF DIRECTORS



An achiever since his youth, Santiago "Santi" Lim has always aimed for the top. He graduated in both his Elementary and High School education as a Valedictorian. He earned his bachelor's degree in Chemical Engineering from Adamson University in 1985 where he was a member of the Dean's List, a National State Scholar, and an officer in three organizations: the Engineering Honor Society, Chemical Engineering Society, and National State Scholar's Association.

He earned his MBA from the Ateneo Graduate School of Business in 1999 and has taken up Entrepreneurial Leadership trainings from the Asian Institute of Management. He has served in various managerial positions in local industry giants such as Union Ajinomoto, Universal Robina Corporation (URC), Filsyn Corporation and PDPC/Magnolia Corporation. Mr. Lim also served as a consultant for Davao Cavendish Banana Growers for their China export market. In 1997, he established the Strawberry Foods Corporation. He now serves as the CEO and the President of this big, 300+ employee-strong distribution company with big local and multinational suppliers. Aside from SFC, he also serves as a Board Director of Advanced Global Water Technologies Phils. Inc., Envigor Natural Products Mfg. Inc. and Small Business Corporation.

Santi's success has turned him into one of Globe Telecom's Brand Ambassadors for their #inspiringsuccess campaign in 2014. He is also active in various socio-civic organizations and has served as District Governor of Lions Clubs International and as President and Vice President of the Adamson University Chemical Engineering Alumni Association and the Adamson University Alumni Association respectively. Currently he serves as the President of the Adamson Falcons Alumni Foundation Inc. He is currently the Private Sector Representative to the Board of Directors of the SB Corporation since March 20, 2018.

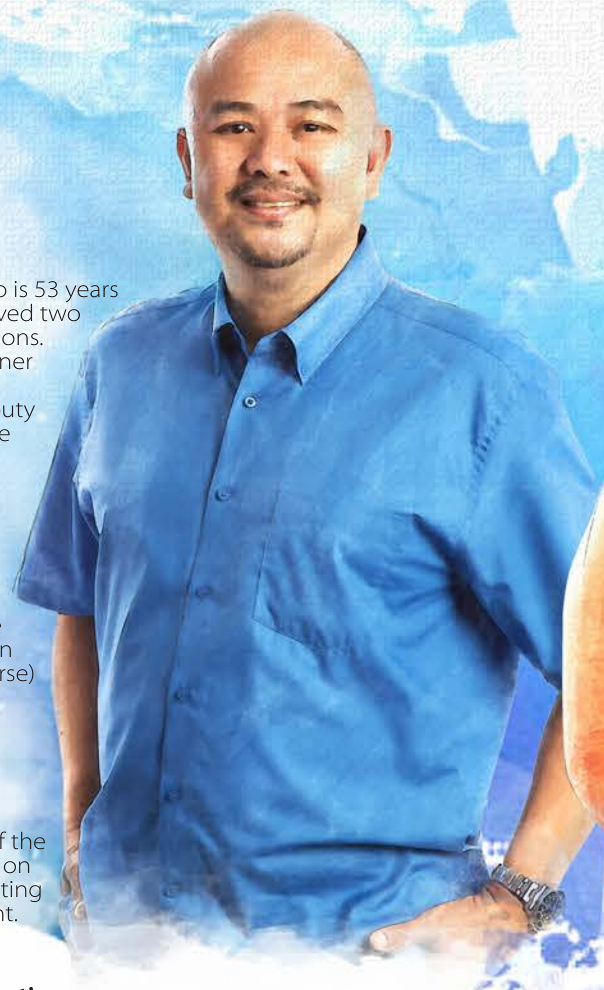
Mr. Santiago Lim
National Government Representative

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.

Mr. Mark Joaquin M. Ruiz
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.

Atty. Ferdinand D. Tolentino
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.

Ms. Merly M. Cruz
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.

Mr. Manuel B. Bendigo
National Government Representative

MANAGEMENT COMMITTEE

Corazon A. Dimayuga
Group Head, Controllership

Richard B. Dasal
Group Head
Legal Service Group

Ma. Luna E. Cacanando
President and CEO
Small Business Corporation

Lourdes Rosario M. Baula
Group Head
Credit Guarantees Group

Josefina P. Flores
Group Head
Fund Sourcing &
Management Group

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

KEY OFFICERS

Evelyn P. Felias
Group Head,
Process & Technology Group

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

Peter V. Pizzaro
Group Head
Administrative Service Group

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

KEY OFFICERS

Richard B. Dasal
Group Head
Legal Service Group

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

Francisco R. Buenavidez
Group Head
Visayas Group

Dida M. Delute
Group Head
Mindanao Group

Venus S. Albay
OIC, Group Head
North Luzon Group

Rebecca R. Narciso
Head
Central Luzon Lending Unit

Rowena G. Betia
Group Head
Internal Audit Group

Name Please
Designation Please

Emerson G. Cuyo
Chief Risk Officer
Enterprise Risk
Management Department

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

1. Strategy and Analysis

G4-1	Statement from the most senior decision maker(s) of the organization	5,6,7-16
G4–2	Provide a description key impacts, risks and opportunities	7-16

2. Organizational Profile

G4-3	Name of the Organization	Cover
G4-4	Primary brands, products, services	3-4
G4-5	Location of Headquarters	Back Cover
G4-7	Nature of ownership and legal form	3
G4-8	Market Served	3
G4-9	Scale of the Reporting organization	3,7-16
G4-10	Total workforce by employment type	16
G4-11	Percentage of total employees covered by CBA	16
G4-13	Significant Changes during the reporting period	7-16
G4-15	List of externally developed economic, environmental and social charters, principles, or other initiative	9,12-14
G4-16	Membership in national and international advocacy organizations	3-4,15

3. Stakeholder Engagement

		00-00
G4-24	List of stakeholder groups	15
G4-25	Basis for identification and selection of stakeholder groups	15
G4-26	Organization's approach to stakeholders engagement, frequency of engagement by stakeholder group	10,12-15
G4-27	Key topics and concerns that have been raised through stakeholders engagement	3, 7-16

4. Report Profile

G4-28	Reporting period	Cover 7-16
G4-29	Date of most recent previous report	Cover 7-16
G4-30	Reporting cycle	Cover 7-16
G4-31	Contact point for question about the report and its content	Back Cover
G4-32	GRI content index and in "accordance" option chosen	44-45
G4-33	Organization's policy and current practice with regard to seeking external assurance for the report	7-15

5. Governance

G4-34	Governance structure of the organization	40-47
G4-38	Composition of the highest governance body and its committees	40-43

6. Ethics and Integrity

G4-56	Organization's values, principles, standards and norms of behavior such as codes of conduct and code of ethics	6,7-16

ECONOMIC

Aspect: Economic Performance

DMA	Generic disclosures on management approach	16-39
EC1	Direct Economic Value Generated and Distributed	8
EC2	Financial Implications and other risk and opportunities for the organization's activities due to climate change	
EC3	Coverage of the organization's defined benefit plan obligations	35
EC4	Financial Assistance received from the government	11,13-35
EC8	Significant indirect economic impacts, including the extent of impact	11-13

SOCIAL

DMA	Generic disclosures on management approach	14
LA 1	Total number and rates of new employee hires and employees turnover by age group, region and gender	14
LA 9	Average hours of training per year per employee by gender and by employee category	14

DIRECTORY OF OFFICES

SOUTH LUZON GROUP

Ms. Lourdes Rosario M. Baula
Group Head
Address: 17/F, 139 Corporate Center, 139 Valero Street, Salcedo Village Makati City 1227 Philippines
Tel. No.: (632) 751-1888
Fax No.: (632) 894-1677

Naga Desk Office
Ms. Ma. Edena A. Diez
Desk Officer
Address: 2F Unit 204 One Magsaysay Corporate Center Magsaysay Avenue, Concepcion Pequeña, Naga City

Camarines Norte Desk Office
Ms. Sharmaine Krisha O. Perfecto
P3 Marketing Coordinator
Address: DTI Camarines Norte Provincial Office Merchant's Avenue, Central Plaza Complex Lag-on, Daet, Cam. Norte 4600

Albay Desk Office
Ms. Karla D.V Florendo
Desk Officer
Address: 3F DBP Bldg Quezon Ave Ext. Legazpi City 4500
Tel. No.: (052) 742-2590

Palawan Desk Office
Mr. Marcelino M. Dile
Desk Officer
Address: 4F ERC Building, National Highway, San Pedro Puerto Princesa City Palawan 5300 Philippines
Tel. No.: (048) 434-1748

Batangas Desk Office
Mr. William B. Makalintal
Desk Officer
Address: c/o DTI Batangas Provincial Office NACIDA Building B, Morada Ave. Lipa City, Batangas

Mindoro Desk Office
Mr. Noli G. Lucero
Desk Officer
Address: c/o DTI Mindoro, SME Center, Municipal Compound, Rizal Street, San Jose Occidental Mindoro
Tel. No.: (043) 457-08-81

Rizal Desk Office
Mr. Francis Daniel C. Rebollado
Desk Officer
Address: 2/F Altica Arcade #83 Circumferential Road, Corner Sto. Nino St. San Jose Antipolo City, Rizal

Quezon Desk Office
Mr. Kevin Laroza
Desk Officer
Address: DTI 2/F Lucena Grand Terminal Diversion Road, Brgy. Ilayang Dupay, Lucena City

CENTRAL LUZON LENDING UNIT

Ms. Rebecca R. Narciso
Head
Address: Unit 109 Fortune Square Bldg. Brgy. Saguin, Mc Arthur Highway, San Fernando, Pampanga
Tel. No.: (045) 455-1720 • 455-2897

Nueva Ecija Desk Office
Ms. Grace Dalangin
Desk Officer
Address: c/o DTI-Nueva Ecija, 2nd Floor, CAL Building, General Tinio Extension, Barangay Dimasalang, Cabanatuan, Nueva Ecija
Tel. No.: (044) 463-8296

Bataan Desk Office
Ms. Kathrina Cruz
Desk Officer
Address: 3rf Floor Criselda Marie Bldg. Capitol Drive, San Jose, Balanga Bataan

Bulacan Desk Office
Ms. Ruth Ann M. Roxas
Desk Officer
Address: 2nd Floor BFFCI Bldg., Mc Arthur Highway, Sumapa, Malolos, Bulacan

NORTH LUZON GROUP

Ms. Venus Albay
Group Head
Address: 2A 2nd Floor JESNOR Bldg. 1 Cariño St., Otek Sts,. Baguio City
Tel No.: (074) 424-7647

Isabela Desk Office
Ms. Marjorie A. Mostoles
Desk Officer
Address: DTI Negosyo Center, 4 Lanes, Santiago City
Tel. No.: (078) 652-1964

Pangasinan Desk Office
Manolito N. Casingal
Desk Officer
Address: c/o DTI-Dagupan Provincial Office, 2F Star Building, Arellano St. Dagupan City, Philippines
Tel. No.: (075) 522-4408

Cagayan Desk Office
Karen May B. Aggangan
Desk Officer
Address: c/o DTI Cagayan Provincial Office, Dallan Pappabalo, Regional Government Center, Carig Sur, Tuguegarao City

VISAYAS GROUP

Mr. Francisco R. Buenavides
Group Head
Address: Unit 1003-A Keppel Center, Samar Loop corner Cardinal Rosales Avenue Cebu Business Park Cebu City 6000 Philippines
Tel No.: (032) 232-1200 • (032) 415-82-80
Fax No.: (032) 234-4500

Negros Occidental Desk Office
Ms. Reah Molavin
Desk Officer
Address: c/o DTI-Negros Occidental, 2F Prudential Life Bldg. San Juan - Luzuriaga Sts. Bacolod City, Negros Occidental Philippines
Tel. No.: (034) 704-2041

Iloilo Desk Office
Ms. Julie Jean S. Tidon
Desk Officer
Address: 2nd Floor, DTI Region 6 Building, J.M. Basa corner Peralta Streets Iloilo City 5000 Philippines
Tel. No.: (032) 509-8413

Leyte Desk Office
Mr. Antonio Elmer M. Garado
Desk Officer
Address: c/o DTI - 8, Leyte Academic Center, Pawing Palo, Leyte 6501 Philippines

MINDANAO GROUP

Ms. Dida M. Delute
Group Head
Address: 4th Floor ,Unit 410/412 Landco Corporate Center, JP Laurel Avenue, Bajada, Davao City
Telefax No.: (082)221-1488/ (082)221-0858

General Santos Desk Office
Mr. Rodyard M. Gler
P3 Coordinator - Sarangani
Address: 2/F Room 202 RA Alajar Building, South Osmeña Street, General Santos City 9500 Philippines
Tel No.: (083) 554-2185

Cagayan de Oro Desk Office
Mr. Jade M. Montero
Desk Officer
Address: c/o DTI Region 10 Office, Corrales cor. Luna Sts Cagayan de Oro City 9000 Philippines
Tel No.: (088) 231-5703

Butuan Desk Office
Mr. Jelou Jan B. Cabug
Desk Officer
Address: c/o DTI Region 13 - NERBAC 3rd Floor, D&V Plaza Building, J.C. Aquino Ave., Butuan City 8600 Philippines
Tel. No.: (085) 225-9268

Tagum Desk Office
Ms. Reah Mae L. Diva
Desk Officer
Address: c/o DTI Davao del Norte Provincial Officer, Gov. Center, Mankilam, Tagum City, 8100 Philippines
Tel No.: (084) 216-3505

Zamboanga Desk Office
Mr. Albert Ellica
Desk Officer
Address: c/o DTI-Zamboanga City Office, 2nd Floor VH Wee Building, Veterans Avenue, Zamboanga City 7000 Philippines
Tel No.: (062) 991-2704 • (062) 310-3705

San Francisco P3 Desk Office (to cover Agusan del Sur and Surigao del Sur)
Mr. Rene Villagantol
P3 Coordinator - San Francisco
Address: c/o DTI Negosyo Center, Municipal Tourism Building, Quezon St., Brgy. 2, San Francisco, Agusan del Sur

Kidapawan Desk Office
Nelson C. Cabarlo
Desk Officer
Address: c/o DTI Negosyo Center, J.P. Laurel St., Kidapawan City
Tel No.: (064) 557-0048

P3 - Marawi Desk Office (to cover Lanao del Sur)
Mr. Norsaif Maruhom
P3 Coordinator - Marawi
Address: c/o DTI Negosyo Center, Abdullah Bldg., Amai Pakpak Avenue, Bo. Green, Marawi City

Sarangani P3 Desk Office
Mr. Rodyard M. Gler
P3 Coordinator - Sarangani
Address: c/o DTI Negosyo Center, Alabel Public Market, Poblacion,Alabel, Sarangani Province

ANNUAL REPORT COMMITTEE

NAME
Lorem Ipsum Semper

NAME
Lorem Ipsum Semper

NAME
Lorem Ipsum Semper

NAME
Lorem Ipsum Semper

NAME
Lorem Ipsum Semper

MAIN OFFICE

Small Business Corporation

17th and 18th floor, 139 Corporate Centre
139 Valero Street, Salcedo Village, Makati City

Tel. No.: (02) 751 1888
Web: www.sbgfc.org.ph

Design and Layout by:
Cre8tivespark Corporation

SMALL BUSINESS CORPORATION

17th & 18th Floor, 139 Corporate Center, 139 Valero St., Salcedo Village Makati City, 1227 Philippines
(63 2) 751 1888 sbcorporation@sbgfc.org.ph www.sbgfc.org.ph