



Disruption

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About the Cover



Disruption

The world is changing in every blink of an eye and time is spinning faster than ever. The trends and opportunities are finally shifting to create an enhanced pavement for financial inclusion and increased sustainability.

But the changes won't stop there. The world keeps going, and the people keep innovating — and with innovation, comes disruption.

This year, we bring the spotlight to Platformification, an innovative model that's all about the disruption of the current practice of the finance and business industry. This is where and how ideas and passion come to life, and for new ventures to be created.

Disruption was never meant to be a word that connotes negative action, but it was meant to establish progressive and barrier-breaking actions. Platformification does just that — to break barriers and rise individuals to the occasion.

The annual report for 2019 represents disruption as the highlight, as well as the gateway towards more innovative practices for the years to come.

Essential Statements of Small Business Corporation

Vision Statement

By 2025, we will be the leader in building financing alternatives for Philippine MSMEs, putting them at the forefront of inclusive economic growth.

Mission Statement

Our Mission is to relentlessly champion the neglected business segments of the country to get them to access the capital needed to grow successfully.

In the delivery of our mission, we commit not to contribute to the cycle of debt poverty and to ensure no pilferage in the use of NG investment. We also commit not to duplicate already existing interventions in the financing industry especially those mainstreamed among private industry players.

Social Outcome Objective

To cause prosperity among MSME segments traditionally considered unfinanceable, thereby increasing economic diversity and inclusion

(we define unfinanceable segments as enterprises which despite their being an on-going business are not able to access finance at non-usurious rates).

7 Target MSME Segments

- a. Micro and small agri and aqua enterprises
- b. Micro retailers
- c. Small island economies
- d. MSMEs requiring rehabilitation arising from disaster
- e. Islamic MSMEs
- f. Indigenous people (IP) - owned enterprises
- g. First-time small businesses

Service Philosophy

Ferocity in the mission, Kindness towards each other.

Core Values

Matapat sa Bayan (*faithful and trustworthy service to the country*)
Magaling at Maabilidad (*competent and innovative*)
Bayanihan (*community in unity*)

Corporate Logo



The new SBCorp logo stands for Bayanihan between the MSMEs, the Government and Small Business Corporation. It expresses a call for change, of transforming the MSME landscape from widespread numbers of unfinanceable business segments into a diverse community of small businesses that are able to access finance at non-usurious rates.

The color black represents Government and its authorities, power and strength in providing MSMEs with the level playing field they deserve. Green represents SBCorp and its mandate to fight for the neglected business segments of Philippine MSMEs by building effective financing alternatives. Orange represents the MSMEs - who are creative, hardworking and continuously aspiring to serve their family, their employees, their community and the country

About the Corporation

The Small Business Corporation (SB Corp), 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 MSMEs 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 Corp was given a mantle of authority to offer a wide range of financial services, specifically for micro, small and medium enterprises engaged in manufacturing, processing, agribusiness (except crop level production) and services (except trading). These financial services include among others direct, wholesale and venture capital programs.

The following are the existing financing programs and facilities of SB Corp:

CORPORATE FUNDED

I. REGULAR RETAIL PROGRAM

Direct lending 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 the 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, franchisees, and service providers.

II. REGULAR WHOLESALE PROGRAM

The Program provides funding access to conduits in the country which are positioned as MSME lenders. It provides funding at terms properly matched with the requirements of MSMEs. The Program impacts on the vision to have vibrant MSMEs through ensuring liquidity in the financial system for MSME credit by granting banks better cost efficiency and opening up more credit opportunities for MSMEs

- A. SME WHOLESALE - Rediscounting window for SME sub-borrowers
- B. GRADUATING MICRO WHOLESALE - Lending window for graduating micro-enterprise sub-borrowers
- C. MICROFINANCE WHOLESALE

- Micro-Lead – for MFIs whose loan portfolio and organizational structure is at least 60% MF
- Micro-Local – for MSME-oriented rural banks
- Micro-Leap – for MFIs other than banks such as cooperatives, NGOs and People's Organizations which do not qualify under Micro-Lead (including Lending Companies)

D. VENTURE CAPITAL PROGRAM

Provide equity financing to start-up enterprises with high growth potential to develop the business, commercialize and grow their products and services in a sustainable manner.

NATIONAL GOVERNMENT FUNDED

PONDO SA PAGBABAGO AT PAG-ASENSO (P3) LENDING PROGRAMS

Designed to be lent out to micro enterprises borrowers with asset size not exceeding P3.0M at not more than 2.5% per month all-in interest rate and service charges. This 2.5% monthly cap is an effective rate, based on diminishing balance of the principal portion of the loan.

- A. P3 RETAIL – REGULAR
- B. P3 RETAIL – SPECIAL FACILITY
 - EQUITY INVESTMENT FOR FAMILIES OF WOUNDED-AND-KILLED IN ACTION (KIA/WIA) WITH MICRO ENTERPRISE

Providing micro enterprise investments for families of KIA/WIAs from P50T to P100T. The investment is interest free if paid within two years. If not, amortization will start on the third year with an interest of 2% per annum.

- C. P3 WHOLESALE
- D. ENTERPRISE REHABILITATION FACILITY (ERF) FOR MICROENTERPRISES

Facility under the P3 program that covers MSMEs adversely affected by all natural and man-made calamities in vulnerable areas. This is a quick response for efficient mobilization of loan funds for immediate recovery and rehabilitation of microenterprises in the event of natural disasters.

Message from the Secretary

The Department of Trade and Industry (DTI) considers the Small Business Corporation (SBCorp) among its strongest partners in providing financial support to our people and empowering them to uplift their lives. SBCorp has continuously provided Micro, Small, and Medium Enterprises (MSMEs) access to much-needed financial assistance and enabled them to realize their potential, even as we aim to become a globally competitive nation.

Thus, it is not surprising that the Governance Commission for GOCCs (GCG) recognized SBCorp's governance policies and practices as one of the best among GOCCs in the country this 2019. SBCorp garnered a 93% rating in the GCG Corporate Governance Scorecard (CGS), securing 7th place among 82 GOCCs, and is now on their second year of breaching the 90% mark.



Since its implementation in 2017, the *Pondo sa Pagbabago at Pag-aasenso* (P3) as managed by SBCorp continues to be the banner program of President Rodrigo Roa Duterte's Administration. This microfinance fund aims to boost the development of entrepreneurship in the MSME sector. Despite majority of the P3 fund for 2019 being only released in September of the same year, SBCorp ensured the timely lending of the P3 fund to benefit the end borrowers. For the period September to December 2019 alone, SBCorp was able to lend out Php1.89 billion under the P3 program.

However, it should be noted that SBCorp released under the P3 program the total amount of Php3.06 billion for 2019, with the total amount Php5.61 billion released since the start of the program in 2017. The total number of P3 borrowers for 2019 was 61,844 with 226 microfinance institution (MFIs) helping SBCorp. The total number of borrowers helped through the P3 Program since its establishment was 117,294 with the total number of MFI partners at 396.

In 2019, SBCorp also helped the soldiers who were either killed in or wounded during the battle of Marawi, releasing Php31.9 million to 411 borrowers. Likewise, the agency released Php7.60 million for the Bangon Marawi program, benefiting 457 borrowers.

Moreover, SBCorp's total equity has steadily increased in the past three (3) years, with their loan portfolio significantly rising from Php2.6 billion in 2017 to Php5.8 billion in 2019. This means that as the lending fund increases over the years, more Filipino families will be given the opportunity and financial capacity to live honest and meaningful lives.

The years to come will demand more of your service. That is why as SBCorp builds on these successes, they must also remain relentless in their search for innovations and resources. They must push further the boundaries for the efficient delivery of financing to areas where it is most needed, especially in the countryside.

This Annual Report narrates the triumphs and challenges of SBCorp in the past year. But most importantly, the report also reflects the unity that binds the people of SBCorp together, enabling them to become more resilient and optimistic amidst the challenges in these rapidly changing times.

As the agency is mandated to promote and develop MSMEs, the Department of Trade and Industry (DTI) fully supports SBCorp, both now and in the future. Both DTI and SBCorp are united in their advocacy to help Filipinos attain a better and more comfortable life for themselves.

As we work together, we pursue the collective aspiration for sustainable development and lasting prosperity in our country as envisioned by President Rodrigo Roa Duterte.

A handwritten signature in black ink, appearing to read 'R. Lopez'.

Ramon M. Lopez
Secretary

Message from the Chairman




It is heartwarming to know how the Small Business Corporation has changed so many lives especially those of the micro and small entrepreneurs in the countryside.

It serves as bridge for ordinary individuals to become extraordinary entrepreneurs by giving them the platform to be men and women for their families and communities through job generation and inclusive growth.

It is our job to continue help our kababayans grow and flourish their businesses by giving them access to finance. Our private sector partners have long been our catalysts for MSME development and positive economic change and for this, we are truly grateful.

Together with the Small Business Corporation Board of Directors, I would like to extend my sincerest gratitude for the trust of our clients and for the relentless support of our partner government agencies and institutions, the private sector and other stakeholders, in promoting our initiatives to foster a competitive and innovative industry and services sector.

Making headway, your SB Corporation will continue its mission and vision to champion the marginalized segments of the economy by providing the capital needed to grow successfully thereby promoting a growth that is truly inclusive.


Usec. Blesila A. Lantayona
Acting Chairman, SB Corporation

Operational Highlights

2019 CORPORATE PERFORMANCE AND CORPORATE MILESTONES

Good Corporate Governance

In 2019, the Governance Commission for GOCCs (GCG) recognized SBCorp's governance policies and practices as one of the best among GOCCs in the country. Such distinction was concretized when the Corporation garnered a 93% rating in its GCG Corporate Governance Scorecard (CGS) enabling SBCorp to secure 7th place among 82 GOCCs. The CGS aims to annually assess the corporate governance performance of GOCCs and subsequently recognize well-governed GOCCs. With this achievement, SBCorp has manifested its strict adherence to sound corporate governance principles, best practices and international standards.

SBCorp's commitment to deliver on its mandate as reflected in its GCG-approved Corporate Scorecard was likewise reaffirmed by GCG. In 2019, the Corporation was able to receive a total rating of 91.62% (currently subject to GCG validation) which is its 2nd year of breaching the 90% mark.

Corporate-funded Program

SBCorp has utilized its P1.9 billion corporate funds to primarily support the financing of MSMEs via the following modalities:

- a. Retail Lending with focus on duly registered micro and small enterprises (MSEs);
- b. Wholesale Lending which is essentially lending to financial institutions with license to lend for their retailing to MSMEs include by unregistered micro enterprises; and,
- c. Equity or Venture Capital (VC) financing.

SBCorp's retail lending (P1.1 billion) and wholesale lending (P1.2 billion) portfolios are almost equally distributed. The VC portfolio, on the other hand, has a funding allocation limit of P50.0 million given that equity financing are inherently high-risk investments. The Corporation's current equity investments in eight (8) SMEs is around P24.2 million.


Ma. Luna E. Cacanando
President & CEO



Government-supported Financing Program

SBCorp plays a central role in the country's enterprise rehabilitation and economic recovery programs. In fact, SBCorp has been assigned by the National Government to implement government-supported financing programs for MSMEs.

Enterprise Rehabilitation Financing (ERF) Program

In 2014 and 2015, NG released a total of P200.0 million to provide credit risk support to SBCorp's P600.0 million corporate lending to MSMEs devastated by typhoon Yolanda through its ERF Program.

SBCorp was able to lend close to P800.0 million to Typhoon Yolanda-affected MSMEs through the ERF Program. The program portfolio is now down to P168.2 million, around 74% of which represents borrowers who failed to recover from the devastating business reversals due to Typhoon Yolanda. This is nevertheless within SBCorp's portfolio performance expectations given the inherent high risk in terms of enterprise rehabilitation financing. More importantly, potential losses is guaranteed to be within the P200.0 million credit risk support provided by NG – thereby avoiding any capital impairment for SBCorp.

Pondo sa Pagbabago at Pag-asenso Program

Further, beginning 2017, the National Government has instructed SBCorp to implement the Pondo sa Pagbabago at Pag-asenso (P3) Program. The P3 Program aims to provide enterprises with an alternative source of financing that is easy to access and at reasonable cost to boost the development of entrepreneurship in the MSME sector.

The program has been continuously funded via the Special Provisions of the 2017 to 2019 General Appropriations Act (GAA); amounting to P1.0 billion per year in 2017 and 2018 and P1.5 billion in 2019. Each of these annual allocations provide for a mobilization fund component of five percent (5%). Given the explicitly defined nature of the P3 fund as a subsidy in the GAA, its primary purpose is to promote social good and advance NG's socioeconomic agenda of providing a viable financing alternative to micro enterprises (MEs).

P3 is a policy fund which sets the maximum effective interest rate to be paid by ME borrowers at 2.5% per month with a maximum loan size per borrower of P200.0 thousand. The ME should have been in business for at least one (1) year on continuing basis, with adequate sales and net earnings to repay the P3 loan.

Notwithstanding that the bulk (i.e., P1.25 billion) of the P3 fund for 2019 was only released in September of the same year, SBCorp ensured the timely lending of the P3 fund to benefit the end borrowers. In fact, for the period September to December 2019 alone, SBCorp was able to lend out P1.89 billion under P3. Three years on, past due rate under the P3 Program remains on the low side at only 2.5%. Majority of the P3 portfolio is lent out via wholesale lending partners (92%), with the remaining (8%) direct retail lending to micro enterprises and special programs.

Venture Capital Program

SBCorp has positioned its venture capital operations as a program under its MSME Finance Institute in partnership with State Colleges and Universities (SUCs) for their agribusiness technologies. In 2019, SBCorp approved two (2) VC projects from the University of the Philippines Los Banos (UPLB) with an equity investment of P5.0 million each. These are Binhi, Inc. and Elbitech, Inc. However, both projects encountered supply-side challenges (i.e., sourcing of raw materials, purchase of equipment, availability of labor for construction, etc.) during the Covid-19 pandemic.

SBCorp's VC funds will be supplemented in the next five years via the International Fund for Agricultural Development (IFAD) loan of NG, P250.0 million of which will be made available for equity financing of agribusiness MSMEs in Mindanao.

Capacity Building Program

Consistent with its mandate, SBCorp runs capacity building programs focusing on the supply side, i.e., training and consultancy for partner financial institutions on how to effectively finance MSMEs through its Risk-based Lending program.

SBCorp has established its MSME Finance Institute with its first satellite office in UPLB, and with potential of incorporating MSME finance in the university's business course offerings. Partnerships with other SUCs is also being worked out by SBCorp in order to increase financing of agribusiness enterprises in collaboration with rural banks and cooperatives.

Financial Performance (2017 to 2019)

SBCorp's total equity has been steadily increasing in the last three (3) years as a result of the annual government allocation under the Pondo sa Pagbabago at Pag-asenso (P3) Program. However, while total government allocation amounted to P3.5 billion from 2017 to 2019, total assets remained at almost the same level as significant changes were experienced in the Corporation's liabilities.

In 2018, the provision of the Magna Carta for mandatory allocation to MSMEs expired leading to the decrease in the Corporation's Notes Payable. Further in 2019, the Corporation complied with EO No. 58 mandating SBCorp to transfer all guarantee-related funds to PhilGuarantee. This included the P750.0 million Credit Risk Guarantee Fund (CRGF), which was booked as a liability.

SBCorp's Comparative Financial Position

Balance Sheet	2017	2018 (as restated)	2019
Assets	P6,527,269,000	P7,032,366,828	P6,467,406,535
Liabilities	3,628,099,000	3,164,928,815	1,362,183,136
Equity	2,899,171,000	3,867,438,013	5,105,223,399

Correspondingly, SBCorp's loan portfolio significantly increased from P3.6 billion in 2017 to P5.8 billion in 2019. As the lending fund increased over the years, this enabled SBCorp to generate more income. Operating revenue has increased from P317.9 million in 2017 to P354.7 million in 2019. This resulted to an increase in Net Operating Income (NOI) from P15.4 million in 2017 to P20.9 million in 2019.

SBCorp's Comparative Results of Operations

Income Statement	2017	2018	2019
Operating Revenue	P317,903,000	P322,934,000	P354,736,000
Operating Expenses	302,456,000	308,155,000	333,870,000
Net Operating Income	15,447,000	14,779,000	20,866,000

Sustainability and Profitability

SBCorp's P1.9 billion capital is intact and has not been impaired at any point in time since inception in 1991. Losses on SBCorp's corporate-funded financing programs arising from failure of borrowers to pay have been within the pricing capacity of SBCorp's financing products. SBCorp's past due rate (PDR) gross of fully provisioned accounts stands at 13.25%. This is expected to go down to a single digit – around 6% to 7% – should the Corporation write-off its fully provisioned non-performing loans (NPLs). SBCorp is now in the process of completing the required documentation for its NPLs prior to write-off. More importantly, this performance is within range relative to mainstream financing industry. Per data from the Bangko Sentral ng Pilipinas (BSP), PDR of rural and cooperative banks stands at 13.5% as of 31 December 2019.

Moreover, the Corporation has been able to remit dividends to the NG and its other stockholders a cumulative amount in excess of P600.0 million as of 31 December 2019. This level of dividends reflects the balancing act – between sustainability and developmental objectives – required of SBCorp as a development finance GOCC and consistent with stockholders' expectations in exchange for their financial investment.

Operational Highlights Institutional Viability

TRAININGS ATTENDED BY THE BOARD OF DIRECTORS For CY 2019

Name	Trainings Attended
Manuel B. Bendigo	1. Money Laundering & Terrorist Financing Prevention Program (MTPP) Seminar, SB Corporation Board Room (27 September 2019)
Dir. Ma. Luna E. Cacanando	1. Professional Directors Program - ICD Tower Club, Makati City (completed September 2019) 2. Money Laundering & Terrorist Financing Prevention Program (MTPP) Seminar, SB Corporation Board Room (27 September 2019)
Dir. Merly M. Cruz	1. ASEAN Mentorship for Entrepreneurship Network (AMEN) Joint Coordinating Committee Conference, Phnom Penh, Cambodia (26-27 November 2019) 2. ASEAN Mentorship Consolidation Meeting, Bangkok, Thailand (31 October 2019 to 01 November 2019) 3. Leadership Seminar Trach 1 & 2, MWSS) Bulwagan Diliman, Quezon City (08-09 October 2019) 4. Symposium on ASEAN Industrial Transformation to Industry 4.0, Sofitel Sukmhumbit Hotel, Bangkok (19-20 June 2019) 5. Human Empowerment and Development Symposium, The Landmark Hotel, Bangkok, Thailand (21 June 2019) 6. ASEAN Leaders Interface with ASEAN Business Advisory Council, Athenee Hotel, Bangkok, Thailand (22 June 2019) 7. AMEN Reports to the 7th ASEAN Coordinating Committee for MSMEs (ACCMSME), NaTrang City, Vietnam (22-25 April 2019)
Dir. Reina D. Cuarez	1. Assessing and Managing Credit Risk from Contingent Liabilities: A Focus on Government Guarantees, The World Bank, Vienna, Austria (25-29 March 2019)
Dir. Joe Jay T. Doctora	1. Professional Directors Program – ICD Makati Diamond Residences (completed March 2019) 2. Money Laundering & Terrorist Financing Prevention Program (MTPP) Seminar, SB Corporation Board Room (27 September 2019)
Dir. Benel D. Lagua	1. Amendments to AML/CFT Laws, Rules and Regulations and the AML Risk Rating System, BAIPHIL, Dusit Thani Hotel (March 11, 2019) 2. ECLOF General Assembly, Resource Person, Novotel, Cubao, Quezon City (May 17, 2019)
Dir. Blesila A. Lantayona	1. APEC SME Business Forum 2019, Shenzhen, China (17-20 December 2019) 2. Study Visit on Strengthening Youth Startups in Creative Industries in the Philippines, Singapore and Indonesia (3-9 November 2019) 3. APEC Women and the Economy Forum (WEF) 2019, Concepcion, Chile (3-9 September 2019) 4. Mekong Hub Knowledge and Learning Fair, Bangkok, Thailand (9-14 July 2019) 5. Communicating for Leadership Success, DTI Makati (4 June 2019) 6. 2019 International Footwear Design Competition, Guangzhou, China (26-30 May 2019)
Dir. Santiago S. Lim	1. Professional Directors Program - ICD Makati Diamond Residences (completed March 2019)
Dir. Ferdinand D. Tolentino	1. Money Laundering & Terrorist Financing Prevention Program (MTPP) Seminar, SB Corporation Board Room (01 October 2019) 2. Professional Directors Program - ICD Tower Club, Makati City (completed September 2019)

Small Business Corporation
TRAINING AND DEVELOPMENT PROGRAMS
(attended by Officers and Employees)
For CY 2019

	Title	Program Description/Objective	Number of Participants	Date	Number of Training Hours
<i>In-house Programs</i>					
1.	Developing Others <i>(for Senior Officers)</i>	In exploring how to best approach the developmental needs of Department Managers and OIC-Department Managers in terms of their leadership competencies, instead of classroom theoretical training, a series of interventions will be conducted and will be aligned to SB Corp's performance management cycle. This will be particularly valuable to SB Corp's OIC-Department Managers, many of whom will be doing performance appraisals for the first time.	11	June 14	8
2.	Leadership Competency Module 1: Performance Planning and Commitment Setting		22	June 14	8
3.	Leadership Competency Module 2: Performance Monitoring and Coaching		20	September 05	8
4.	Leadership Competency Module 3: Performance Review, Evaluation and Development Planning		24	November 22	8
5.	Analytical Thinking Interventions	Analytical thinking refers to the ability to identify problems, collect relevant information and data, investigate and extract key information from data, and analyze data to develop workable solutions. To improve an employee's analytical thinking competency, it is important to identify his or her strengths and weaknesses. This can help improve the employee's as well as the organization's overall productivity and success.	154	April 23-25, 29-30, May 02, 09-10, 23, 28, August 05, September 11, October 18, November 08, December 02-10	16
6.	Business Model Canvas <i>(for Southern Luzon Group)</i>	A common understanding of the enterprise is critical for any improvement effort. Modeling is an approach to providing a common understanding of the enterprise and how to achieve its desired future goals.	21	September 12-13	16
7.	Comprehensive Taxation	The program aims to provide valuable insights on the most relevant tax to facilitate decision making process in order to be compliant and minimize potential tax exposure and risk.	24	July 29-30	16
8.	Money Laundering and Terrorist Financing Prevention Program (MTPP) - for Board of Directors and Senior Management	The objective of this course is to create awareness among Directors, Owners and Members of the Senior Management on their roles and responsibilities in mitigating and preventing money laundering and terrorism financing (ML/TF), the various stages of ML and the legal and regulatory requirements and initiatives by the Philippine government, Anti-Money Laundering Council (AMLC) and the Bangko Sentral ng Pilipinas (BSP) against ML/FT.	28	September 27	3
9.	Money Laundering and Terrorist Financing Prevention Program (MTPP) Refresher Course	This course is an awareness refresher program in which participants will be made aware and be updated of anti-money laundering (AML) and counter-terrorism financing (CTF), the various stages of Money Laundering and the legal and regulatory requirements and initiatives by the Philippine government, Anti-Money Laundering Council (AMLC) and the Bangko Sentral ng Pilipinas (BSP) against ML/FT.	39	October 1	7
10.	Driving Skill Assessment, Vehicle Maintenance and Troubleshooting (NCR)	Road safety is a major concern today. Businesses suffer loss of productivity given that employees involved in a traffic accident, injured or not, will not be able to perform their duties to attend to matters related to the accident. Loss in productivity is a loss in income that is why there is a need for a driver safety program.	8	October 28	8
11.	Driving Skill Assessment (NCR)		2	October 26 November 5	4
12.	Defensive Driving Seminar <i>(Baguio and Davao)</i>		2	October 13 & 20	4

Individual/External Trainings					
1.	Basic Real Estate Appraisal and Credit Investigation	The seminar discussed the overview of appraisal, appraisal process, property inspection and analysis, methodologies of valuation, credit concept, qualities and skills of a credit investigator, credit investigation process, sources of information and types of credit investigation.	3	January 18-19	16
2.	Basic Internal Control Concepts and Internal Auditing Principles and Practices	The course is designed to provide a complete overview of the internal control system of an organization and provide insights on the internal audit process and the different internal audit tools and analytical procedures.	1	January 23-25	24
3.	Financial Statement Analysis - a Tool in Credit Decision Making	This course provided concepts, tools and techniques in analyzing financial statement. The goal is to assist credit or investment decision makers on their credit evaluation analysis.	1	February 28 - March 1	16
4.	Web Development Course	The training aims to provide an opportunity for agency website and content administrators to learn techniques on the use of the Government Website Template as well as obtain experience using tools necessary in migrating their website to Government Website Hosting Service.	1	March 25-29	40
5.	People Handling Skills	This program is for supervisors and managers who want to master the fundamentals of people handling.	1	March 26-27	16
6.	MCLE Program	The program as stated in Bar Matter No. 850, series of 2001, a "[c]ontinuing legal education is required of members of the Integrated Bar of the Philippines (IBP) to ensure that throughout their career, they keep abreast with law and jurisprudence, maintain the ethics of the profession and enhance the standards of the practice of law."	2	April 1-4, December 02-05	36
7.	ISO 9001:2015 Quality Management System Awareness	The training provides an overview of quality management as internationally understood and discusses the guidelines for developing a well-documented total quality system necessary for a company to be competitive.	1	April 02	8
8.	Promoting Integrity, Advancing Excellence	After attending the program, the participants are expected to gain knowledge on DBM, BTR, CPD and BIR updates as well as on paralegal training and stress management in the workplace.	2	April 10-11	16
9.	BSP Cir. No. 989: Guidelines on the Conduct of Stress Testing Exercises	The seminar covered topics on duties and responsibilities of the board, stress testing methodologies, and supervisory expectations.	4	April 12	8
10.	Training the Trainers	The program aims to have the participants appreciate the need for a training needs analysis, state training objectives, write a simple training design, demonstrate facilitating skills in one's self and know the importance of monitoring and evaluating a training design.	2	April 16-17	16
11.	2nd National Convention and Leadership Training	The convention focused on the importance of PSUs in the governance of government owned enterprises.	3	April 25-27	24

Individual/External Trainings					
12.	Executive Masterclass on Leveraging HR Analytics and Data	In this one day masterclass, the participants are taught about the fundamentals of HR Analytics, how to start developing the Analytics function within HR, integrating HRIS with business systems, understanding data quality, and developing dashboards.	2	April 26	8
13.	Compliance Officer's Development Training	The training aims to guide the banks in adhering to all applicable and related laws issued by the regulatory bodies, ensure that Banks comply with the provision of BSP Cir. 972 by reviewing/improving their existing compliance program/manual and make them adequate in every aspect, and guide the Chief Compliance Officers with their role in the compliance risk management system, particularly on the preparation of compliance program.	1	May 3-4	16
14.	41st Annual National Convention and Seminar: Promoting Integrity, Advancing Excellence	The participant is expected to gain knowledge on 2017 Omnibus Rules on Appointments and Other Human Resources Actions and Updates, enhance skills as an accountant, know the SEC, Pag-IBIG Fund and GSIS updates, as well as have a new perspective on business performance i.e. on data analytics.	1	May 22-25	32
15.	How to Become an Effective ISO 9001:2015 Document Controller	The course equips the participant with the knowledge on the various QMS documentation requirements together with the required skills and qualities for effective document control.	1	June 21	8
16.	Fundamentals of IT Auditing	The course provides the attendee the opportunity to perform an audit of IT applications supporting key business processes, coordinate the assessment of IT risk with the evaluation of IT general controls, and perform a risk assessment and evaluation of controls over end user computer applications.	1	June 21-22	16
17.	Data Privacy Act of 2012	The program enabled the participants to be updated with the developments in data privacy and security management in the workplace. In addition, all institutions processing personal data in the Philippines are required to comply with IRR of RA 10173 or the Data Privacy Act of 2012.	3	June 28	8
18.	Credit Analysis and Loan Packaging	The seminar expects the participants to acquire knowledge and integrate these to SB Corp's RBL principles to equip him the holistic approach and implementation of loan marketing, evaluation and monitoring strategies.	1	July 11-12	16
19.	Demystifying Organizational Stress for Higher Performance	The program focused on the national disability awareness and sensitivity for government service frontliners.	1	July 17-19	24

<i>Individual/External Trainings</i>					
20.	Certified Public Procurement Specialist Basic Course	The program is designed to develop the capacities of government procurement officers and employees to learn more about procurement systems and procedures.	1	July 22-26	40
21.	Cash Management and Control System	The training expects the participant to develop appreciation of control systems, know the existing rules and regulations pertaining to the handling and custody of government funds, and be familiar with other related controls.	1	July 24-26	24
22.	Fraud Risk Assessment	The training expects the participant to use the fraud risk assessment tool to assist SB Corp in identifying fraud risks and developing a fraud risk response.	1	August 2-3	16
23.	Operations and Management Audit	The seminar as recommended for the participant is for capability development as a supervisor who leads audit teams in related audit engagements, coaches new internal audit staff and assists in ensuring that planned engagements are met.	1	August 14-16	24
24.	Leading with EQ	Leading with emotional intelligence closes this gap. Emotional intelligence is more than a mindset. It's a complete set of skills and tools leaders can and should use daily.	1	August 22-23	16
25.	People Management Skills Training	The training objectives are learn new techniques in managing people and understand the different motivating factors that affect people and their work.	1	August 28	8
26.	Microsoft Excel for Database Management	The course is recommended for employees doing research, data analysis, and report preparation to be able to conduct quantitative and qualitative assessment of a project with the aid of statistical tools, techniques and procedures for monitoring and evaluation purposes.	1	August 27-30	32
27.	Women's Business and Leadership Summit 2019: Women at Work Accelerate, Create, Transform (ACT) in a Digital World	The conference featured young women in the digital and technological sphere, creating, capturing and delivering value using ICT and digital tools, now imperative in ways of doing business.	1	August 30	8
28.	Basics of Financial Math	The module discussed the concept of time value of money, day count and accrual calculations, adjustment to bases, accumulated value, present value, nominal and effective rate of return and frequency adjustments.	1	September 27	8
29.	Basics of Fixed Income Securities	The module discussed about fixed income investment products, types of financial markets, bonds its characteristics and features, bond pricing/quotes, types of debt instruments, yield to maturity concept, bond mathematics and risks.	1	September 28	8
30.	Bond Duration and Convexity	The module discussed the bond duration, BASEL accord, bank capital its importance, elements and regulatory capital requirements, LTNCD, preferred shares, duration and convexity.	1	October 05	8

Individual/External Trainings					
31.	Stressed Asset Management and Recovery Training	To enhance participants knowledge and develop their skill in handling stressed assets and work efficiently in recovering loans.	7	October 17-18	16
32.	Technical Report Writing	After attending the training, the participant is expected to follow the steps in planning reports, organize information in a logical sequence, minimize sentence and paragraph length without sacrificing clarity and substance, and revise, edit and proofread reports.	1	October 22-23	16
33.	Data Privacy Awareness and Compliance Workshop	The program enabled the participants to be updated with the developments in data privacy and security management in the workplace.	3	October 22-24	24
34.	PhilGEPS Training for Phase 1	The training is for participants to keep pace with the new reforms of the system as PhilGEPS is currently undergoing improvement on the technical design and architecture of the system.	2	October 28-29	16
35.	Competency Based Performance Management	This training program demonstrates the crucial role of Performance Management System in ensuring the effectiveness of Business Strategy Formulation and Execution.	1	October 23-24	16
36.	Getting Things Done: The Power of Execution	Get the right people in the right place and reward the doers. This is often the most important decision a leader makes. A doer is a person who gets things done. There is almost zero chance of success if you don't get this right.	1	November 06	8
37.	Building Agility and Resilience: Winning Strategies for Leaders	Leaders in this times of disruption must learn how to rewire their brains for both agility and resilience in order to quickly spot the "gold mine" in the middle of chaos and be able to bounce back from adversity and continue to upgrade themselves and create high-performance organizations.	1	November 29	8
38.	Transformational Leadership Communication	The seminar aims to set the mindset for growth and maturity using communication with safety zones, develop, strengthen and enhance public speaking persona and delivery style, influence people with authentic connectivity and relatability and learn and apply a proven system in designing and delivering content that is personal, engaging, influential and results driven consistently.	1	December 12-13	16
39.	Business Process Mapping and Improvement	Business processes must be properly planned, constantly monitored and improved. They must contribute to better service of internal and external clients. How to make these possible? Professionals and organizations need to be fully equipped to get everything done right.	1	December 05-06	16

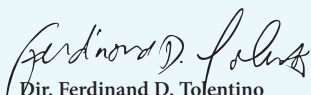
Corporate Governance

CORPORATE GOVERNANCE CONFIRMATION STATEMENT

The Small Business Corporation strictly adheres to the principles of good corporate governance. As one of the government-owned or controlled corporations under the oversight of the Governance Commission for Government-Owned or Controlled Corporations (GCG), SB Corporation, its Governing Board and all of its officials and employees, confirm its full compliance for the Year 2019 with the Code of Corporate Governance issued by the GCG which was made operational through the SB Corporation's Manual of Corporate Governance.

STATEMENT ON REVIEW OF FINANCIAL, OPERATIONAL AND RISK MANAGEMENT SYSTEM

The Small Business Corporation's Board Audit and Compliance Committee (BACC) and Finance and Risk Oversight Committee (FROC) reviewed the recommendations of the Internal Audit Group, Office of the Chief Compliance and the Enterprise Risk Management Group for calendar year 2019 involving Financial, Operational and Risk Management prior to endorsement and approval by the Board.



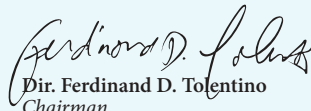
Dir. Ferdinand D. Tolentino
Chairman
Board Audit and
Compliance Committee



Dir. Benel H. Laguna
Chairman
Finance and
Risk Oversight Committee

STATEMENT CONFIRMING ADEQUACY OF INTERNAL CONTROLS

The findings, observations and recommendations of the Internal Audit Group and the Office of the Chief Compliance Officer for Calendar Year 2019 were reviewed by the Small Business Corporation's Board Audit and Compliance Committee (BACC) and found as adequate.



Dir. Ferdinand D. Tolentino
Chairman
Board Audit and Compliance Committee

WHISTLEBLOWING POLICY

In its efforts to carry out its governance in a transparent, responsible and accountable manner and with utmost degree of professionalism and effectiveness, Small Business Corporation has adopted a Whistleblowing Policy, the details of which may be viewed on its website (<https://www.sbgfc.org.ph/>). The Policy applies to its Directors, Officers and employees including workers under contract of services and consultancy agreements. The Policy contains the reportable conditions, reporting channels, the process for handling whistle blowing reports, confidentiality and protection of the whistle blower against retaliation.

Whistleblowers are encouraged to utilize the online reporting channel (SB CORP WHISTLEBLOWING REPORT FORM) via Small Business Corporation's website to submit reports electronically while at the same time ensuring their anonymity and the confidentiality of their reports. Alternatively, reports may also be submitted via mail to:

SB Corporation Integrity Monitoring Committee (SIMC)
Small Business Corporation
18/F 139 Corporate Center, 139 Valero St., Salcedo Village
Makati City, Philippines 1227

CORPORATE GOVERNANCE COMMITTEE

Major Initiatives and Accomplishments for 2019

The Corporate Governance Committee convened seven (7) meetings in 2019. Its major initiatives and accomplishments for the year are as follows:

- A. Discussed and endorsed to the Governing Board for approval/consideration the following:
1. Various Applicants for Sector Manager (Sector Head) and Group Manager (Group Head) Positions
 2. 2019-2021 Collective Negotiation Agreement
 3. Applicants for Group Manager (Group Head) position for the Treasury Group
 4. Applicant for ERM Group Manager (Group Head) position
 5. Review of the following:
 - A. Manual of Corporate Governance
 - B. Code of Conduct
 - C. Charters of Various Board Committees:
 - i. Corporate Governance Committee
 - ii. Risk Oversight Committee
 - iii. Board Audit and Compliance Committee
 - iv. Board Oversight Committee on Technology and Information Management
 - v. Board Committee on Venture Capital Review
 6. Applicant for Group Manager (Group Head) position for Northern Luzon Group
 7. Operations Risk in North Luzon and related administrative charges (Reports from EVP/COO and Internal Audit Group)
 8. Guidelines on Work Transfers
 9. Guidelines on Approving Authorities coming from Private Sector
 10. Sanctions for simple or gross neglect of duty of officer and staff
 11. Rationalization of Management Committees
 12. Records Management Policy
 13. Proposed Vision, Mission Statements, Corporate Values and Current State Assessment of SB Corporation
 14. SB Corporation's Revised Logo Studies and Online Trademark Checking
 15. Restructuring Plan
 16. Renewal of OIC Designations of:
 - A. Lourdes Baula - OIC for Financing Sector
 - B. Ronald Inciong - OIC Lending Head for SLG
 - C. Rebecca Narciso - OIC Lending Head for CLLU
 17. Opening of Senior Management Positions in Financing Sector
 18. Proposed Supervision of Sector Groups
 19. Proposed SB Corporation's Tagline
 20. Updates on Memo regarding Corporate Governance Scorecard (CGS)
 21. GCG Memo on Designation of Individuals to GOCC Governing Boards
 22. Management Committee Memberships
 23. 2020 SB Corporation Corporate Scorecard:
 - A. Measure Profile (PES Form 2b)
 - B. Strategic Initiative Profile (PES Form 3)
 - C. Briefer on the rationale of the CY 2020 targets
 24. Compliance to Instructions by the Governing Board on Business Continuity Plan

B. Discussed and noted the following:

1. Update on the incident of Rural Bank of Marilag, Inc. under SB Corporation's name
2. Institute of Corporate Directors (ICD) Professional Directors Program
3. Benchmarking result on official time off of other Employee Associations
4. Management report on NLG operations
5. Comelec guidelines on exemption from election ban
6. Program Report on P3 as Implemented by SB Corporation (submitted to Congressional Committees)
7. Report on the Utilization of the P3 Mobilization Fund for CY 2017 and 2018
8. GCG-approved 2018 Corporate Performance Rating of SB Corporation
9. Status of Implementation of the Pondo sa Pagbabago at Pag-asenso
10. Financial Impact of P3 Operations on SB Corporation Corporate Resources
11. Guidelines on Group and Individual Levels Performance Rating starting CY 2018
12. Review Boards for Leadership Continuity Program
13. Results of the 2019 ISO Surveillance Audit

BOARD AUDIT AND COMPLIANCE COMMITTEE

Major Initiatives and Accomplishments for 2019

The Board Audit and Compliance Committee convened seven (7) meetings in 2019. Its major initiative and accomplishments for the year are as follows:

INTERNAL AUDIT GROUP

- A. Discussed and endorsed the following for approval and/or for consideration:
1. Results of Audit on Pondo sa Pagbabago at Pag-Asenso (P3) Program - 6th report (19 Partner-MFIs as managed by South Luzon Group)
 2. Results of Financial Statements Review as of 30 June 2018
 3. Audit Plan for CY 2019

4. Results of Follow-through audit of Financial Statements as of 31 December 2018
5. Results of Audit on the loan Implementation Process as managed by the South Luzon Group
6. Results of Accounts Validation in Cagayan and Kalinga Provinces
7. Results of Account Validation in Bicol Region – South Luzon Group
8. Results of Branch Audit on North Luzon Group
 - o Loan Implementation
 - o Collateral Custodianship
 - o Loan Collection
 - o High Risk Account Management
9. Consolidated Audit Report on the P3 Program Sub-loan Validation – 2nd round
 - o Results of Audit on Pondo sa Pagbabago at Pag-Asenso (P3) Program – VG (2nd round)(15 partner-MFIs as managed by Visayas Group)
 - o Results of Audit on Pondo sa Pagbabago at Pag-Asenso (P3) Program – MG (2nd round) (9 partner-MFIs as managed by Mindanao Group)
 - o Results of Audit on Pondo sa Pagbabago at Pag-Asenso (P3) Program – NLG (2nd round) (12 partner-MFIs as managed by North Luzon Group)
10. Results of Validation on the Integrity of the Data Processed under PDMS
11. Results of Financial Statement review as of 31 July 2019
12. Results of Audit on Cash Management Process
13. Results of Utilization of P3 Mobilization Fund Review

B. Discussed the following for information and notation:

1. Annual Report on Internal Audit Activities for CY 2018
2. Summary of Internal Audit Effectiveness Survey Results for CY 204-2018
3. Status of Accomplishment of 2019 Audit Plan
4. Internal Audit Tracking Report
 - o As of 13 June 2019
 - o As of 22 November 2019

OFFICE OF THE CHIEF COMPLIANCE OFFICER

1. Compliance to Good Governance Conditions, common support to operations (STO) and general administration and support services (GASS)
2. BSP's Comments/Feedback to SBC's Response to the 2017-2018 ROEs
3. Results of Compliance Testing on AMLA-Reported Covered Transactions for the 3rd and 4th quarter of 2018
4. Summary of the AMLA-Reported covered transactions and results of the compliance testing on AMLA-Reported Loan Release for the 1st quarter of 2019
5. Documentation of the Validation Process of AMLA Reports
6. AMLA Training for SBC Personnel
7. Money Laundering and Terrorism Financing Prevention Program
8. Evaluation of the 2017 Corporate Governance Scorecard (CGS) by the GCG
9. SB Corp Consumer Protection Program
10. Status of Sb Corp's Compliance on 2019 PBB Requirements

FINANCE AND RISK OVERSIGHT COMMITTEE

Major Initiatives and Accomplishments for 2019

The Finance and Risk Oversight Committee convened five (5) meetings in 2019. Its major initiatives and accomplishments for the year are as follows:

A. Discussed and endorsed to the Governing Board for approval/consideration the following:

1. 2018 Loan Classification and Provisioning (by ERM Group)
2. 2018 Loan Provisioning and 2019 Targets for Remedial Collection and for ROPA Disposal (by President/CEO)
3. Definition of Technical Past Due
4. Account Management System
5. Amended Retail Lending Guidelines and Procedures
6. Framework on IT Risk Management
7. ARCO Charter
8. Initial 2019 Loan Loss Provisioning Estimate (Inclusive of new past due accounts for 2019)
9. As of 30 April 2019 status update and recommendation on loan recovery relative to P80.0 Million collection target
10. Portfolio Performance Report (as of 31 May 2019)
11. Revised Business Continuity Plan
12. Loan Portfolio Performance Analysis (as of 31 July 2019)
13. July 2019 Financial Report
14. Portfolio Catch Up Plan
15. Proposed Amended Dividend Policy
16. Management Response to Incident Report of Mindanao Group on P3 Retail Loan Applicant
17. Risk Management Committee Analysis and Recommendations on 2019 Loan Loss Provisioning, based on CRO reports:
 - a. 2019 Loan Loss Provisioning (LLP) Requirement (as of 30 September 2019)
 - b. LLP Requirement for the PhP50.0 million LLP balance in 2018

18. As of November 2019 SBCorp Financial Statements and projected December 2019 Income Statement net of the proposed 2019 LLP endorsed by RMC
19. Status and Findings on Venture Capital accounts originated between 2011 and 2014
20. RMC instructions and recommendations relative to update of Legal Action and Investment Recovery Team:
 - a. Reg Supreme Power Trading Inc.
 - b. Starlight Homesseses, Inc.
 - c. Epifanie Ventures, Inc.
 - d. AIC Philippines
 - e. Greentop Seaweeds Production Corporation
21. RMC instructions and recommendations relative to findings of Documentation and Project Audit Team:
 - a. Epifanie Ventures, Inc. (with separate RMC resolution)
 - b. Reg Supreme Power Trading Inc (with separate RMC resolution)
 - c. Starlight Homesseses, Inc. (with separate RMC resolution)
22. RMC instructions and recommendations on CRO's report on possible breach of the 20% risk limit under P3 Retail

B. Discussed and noted the following:

1. Status Report on SBCorp's Portfolio Balance as of 31 March 2019
2. Status Report on 2019 Remedial Collection and ROPA Disposal Targets
3. List of Technical Past Due Accounts under Retail Lending Program
4. Venture Capital portfolio status
5. Clarification on Definition of ROPA book value
6. Status of P3 Funds as of 02 December 2019

BOARD IT AND PLATFORMIFICATION COMMITTEE

Major Initiatives and Accomplishments for 2019

The Board Oversight Committee on Technology and Information Management convened four (4) meetings in 2019. Its major initiatives and accomplishments for the year are as follows:

A. Discussed and endorsed to the Governing Board for approval/consideration the following:

1. Cash Card Facility of the Land Bank of the Philippines
2. Framework on IT Risk Management
3. Account Management System for the Accelerated P3 Program
4. Tapping the Services of Palawan Pawnshop and Palawan Express Pera Padala as One of SB Corporation's Bills Payment Partners for the Pondo sa Pagbabago at Pag-Asenso (P3)
5. Partnership with CIS Bayad Center
6. Implementing Guidelines on IT Sentry System
7. SBCorp's Cloud Computing Facility

B. Discussed and noted the following:

1. P3 Accelerated Strategy Project Timeline
2. Status of Fintech activities to support the Accelerated P3 Program
3. Demo on Sentry System and AMS
4. Status Update on P3 Retail via Credit Delivery Partner (CDP)

BOARD COMMITTEE ON VENTURE CAPITAL REVIEW

Major Initiatives and Accomplishments for 2019

The Board Committee on Venture Capital Review convened three (3) meetings in 2019. Its major initiatives and accomplishments for the year are as follows:

A. Discussed and endorsed to the Governing Board for approval/consideration the following:

1. Binhi, Inc. – P5,000,000.00 (Establishment of a tissue culture laboratory)
2. Elbitech, Inc. – P5,000,000.00 (Establishment of a commercial production facility for ACTICon)
3. Venture Capital Program Manual and Scorecard
4. Partnership with QBO Innovation Hub
5. Memorandum of Agreement (MOA) between DTI and SBCorp under the RAPID Growth Project
6. Handling of Delinquent Venture Capital Accounts

B. Discussed and noted the following:

1. Report on the Venture Capital Financing Program

CORPORATE GOVERNANCE

OVERALL CORPORATE GOVERNANCE STRUCTURE AND PRACTICES

SB Corporation is fully compliant with the provisions of the Code of Corporate Governance. It conforms to the standards of good corporate management and the provisions of the Republic Act No. 6977, as amended by Republic Act No. 8289, and further amended by Republic Act No. 9501 otherwise known as the amended “Magna Carta for Micro, Small and Medium Enterprises”, as well as the Philippine laws that are of relevance in this context.

SB Corporation’s corporate governance is reflected in its organizational structure that defines a governance hierarchy led from the top by the Board of Directors and its delegated duties and responsibilities through the five Board-level Committees namely, (1) the Corporate Governance Committee, (2) the Board Audit and Compliance Committee, (3) the Finance and Risk Oversight Committee, (4) the IT and Platformification Committee, and (5) the Board Committee on Venture Capital Review. These five committees are ably supported by independent units – Internal Audit Group, Office of the Chief Compliance Officer, Enterprise and Risk Management Group, Management Information System, and Controllership Group – which perform specific functions for the said Committees. These independent units report directly to the Board but are administratively supervised by the President and CEO. The Office of the Board Secretary provides logistical support to the Small Business Corporation Board and Board Committees.

INSTITUTIONAL VIABILITY

As Small Business Corporation adheres to globally accepted governance principles and best practices, it maintains the Board’s independence from management such that the Chairman of the Board and the President and CEO are two distinct individuals with clearly delineated duties and responsibilities.

While the Chairman assumes leadership and monitors the Corporation’s adherence to good governance policies, as well as the overall performance of the Corporation; the President and CEO, on the other hand, directly manages the day-to-day operations of the Corporation and executes the policies and strategies approved by the Board in pursuit of its institutional goals and objectives.

Specifically, the President and CEO supervises the Corporation’s three sectors, namely: (1) Financing Sector, (2) Corporate Support Sector, and (3) Strategy, Systems and Communications Sector. There are units which report directly to the President and CEO, namely, Office of the Executive Vice President, Office of the Chief Finance Officer (Controllership Group), and Office of the Strategy Management. Moreover, there are units which are administratively supervised by the President and CEO, namely, Enterprise Risk Management Group, Internal Audit Group, Office of the Chief Compliance Officer and Office of the Board Secretary.

SELECTION PROCESS FOR THE BOARD

Under Republic Act No. 10149, otherwise known as “An Act to Promote Financial Viability and Fiscal Discipline in Government-Owned and Controlled Corporations (GOCCs) and to Strengthen the Role of the State in its Governance and Management to Make Them More Responsive to the Needs of Public Interest and for Other Purposes” states that all appointive directors of GOCCs are appointed by the President of the Philippines from a shortlist prepared by the Governance Commission for GOCCs (GCG), which include only nominees who meet the Fit and Proper Rule and such other qualifications which the GCG may determine.

The President and CEO shall be elected by the members of the Board from among its ranks. However, the would-be President and CEO will only be qualified for election if he/she meets the requirements under the Fit and Proper Rule, and if he/she is appointed by the President of

the Philippines into the Governing Board of the GOCC. The President shall be subject to the disciplinary powers of the Board and may be removed by the Board for cause.

COMPOSITION OF THE BOARD

As prescribed in the “Magna Carta for Micro, Small and Medium Enterprises” (Republic Act No. 9501), the Board of Directors of SB Corporation shall be composed of eleven (11) members, as follows:

1. The Secretary of Trade and Industry,
2. The Secretary of Finance
3. Nine Appointive Directors to be appointed by the President of the Philippines provided that the common stockholders shall have the right to recommend to the Governance Commission for GOCCs (GCG) 7 of 9 Appointive Directors in proportion to the respective common stockholdings to be among those included in the shortlist to be submitted to the President.

The President of the Philippines shall appoint the Chairman of the Board from among its ranks. The President/CEO shall be elected annually by the members of the Board from among its ranks.

The ex-officio members of the Board of Directors may designate their respective alternates who shall be officials preferably next in rank to them, and whose acts shall be considered as the acts of their principals.

All members of the Board, the CEO and other Officers of the SB Corporation shall be qualified by the Fit and Proper Rule (GCG M.C. No. 2012-05) adopted by the GCG in consultation and coordination with the relevant government agencies, and approved by the President, and which include by reference the qualifications expressly provided for in the SB Corporation Charter and/or By-Laws.

To maintain the quality of management of SB Corporation, the GCG, in coordination with the DTI shall, subject to the approval of the President, prescribe, pass upon and review the qualifications and disqualifications of individuals appointed as Directors, CEO and other Executive Officers of SB Corporation and shall disqualify those found unfit.

In determining whether an individual is fit and proper to hold the position of an Appointive Director, CEO or Officer of SB Corporation, due regard shall be given to one’s integrity, experience, education training and competence.

Name of Board Member	Position	Date Assumed
Usec. Blesila A. Lantayona	Acting Chairman DTI Representative, Ex-Officio	13 September 2019
Dir. Ma. Luna E. Cacanando	Vice-Chairman of the Board	06 September 2017
Dir. Manuel B. Bendigo	NG Representative	07 July 2017
Dir. Merly M. Cruz	NG Representative	23 October 2014
Treas. Rosalia de Leon	DOF Representative (1st Alternate), Ex-Officio	14 February 2017
Dir. Reina D. Cuarez	DOF Representative (2nd Alternate), Ex-Officio	23 March 2017
Dir. Joe Jay D. Doctora	NG Representative	27 September 2018
Dir. Benel D. Laguna	DBP Representative	13 April 2013
Dir. Santiago S. Lim	Private Sector Representative	26 April 2018
Dir. Ferdinand D. Tolentino	NG Representative 2 LBP Representatives (vacant)	05 April 2016

THE CHAIRMAN OF THE BOARD

The Chairman of the Board shall preside over all meetings of the Board and/or of the stockholders. He/She shall have the powers and duties as

the Board may prescribe. His/Her express role in the Corporation is described as follows:

1. The Chairman shall preside over all regular meetings of the Board and stockholders. He/she may also call special meetings of the Board at his/her discretion, to tackle matters requiring urgent Board action.
2. The Chairman, in consultation with the President/CEO and Corporate Secretary, shall approve the agenda for all Board meetings, provided, that all matters requiring Board Approval endorsed by a majority vote of the members of the appropriate Board Committees and of the Management Committee shall be automatically included in the agenda;
3. The Chairman, in consultation with the Corporate Secretary, shall ensure that complete and relevant information are transmitted to the Board within a reasonable time;
4. The Chairman shall perform such other powers and functions as the Board may determine consonant with his/her specific duties and responsibilities.

BOARD OVERALL RESPONSIBILITY

The SB Corporation Board of Directors assumes certain responsibilities to the Corporation's various stakeholders – the Corporation itself, its stockholder, the National Government; its clients, its management and employees, the regulators, and the public at large. These stakeholders have the right to expect that the institution is being managed in a prudent and sound manner. The Board of Directors is primarily responsible for the approval and oversight of the implementation of the Corporation's strategic objectives, risk strategy, corporate governance and corporate values. They are also responsible for the monitoring and oversight of the performance of senior management as the latter manages the day-to-day affairs of SB Corporation.

The SB Corporation Board sets the overall policies and strategic directions of the Corporation, which serve as the guide of management and operating units in the day-to-day operations. Moreover, the SB Corporation Board provides the oversight functions in the Corporation performance, and champion good corporate governance by strong adherence to ethical standards and compliance with legal, institutional and regulatory requirements. The Board also ensure that the Corporation remains accountable to its various stakeholders.

All Members of the Board of Directors are expected to abide by the following:

1. Conduct fair business transactions with SB Corporation and ensure that personal interest does not bias the Board decisions. A Director should avoid a situation that gives rise to conflict of interest or compromise his/her impartiality. A Director shall not use his/her position to make profit or to acquire benefit or advantage for him/herself and/or his/her related interest;
2. Act always in good faith with the care which an ordinary prudent person would exercise under similar circumstances, with loyalty and in the best interest of SB Corporation and its stakeholders;
3. Devote time and attention necessary to properly discharge his/her duties and responsibilities. A Director shall familiarize him/herself with SB Corporation's business, be aware of the Corporation's conditions, contribute meaningfully to the Board's work, attend and actively participate in Board and committee meetings, request and review meeting materials;
4. Act judiciously. Before deciding on any matter, a Director shall thoroughly evaluate the issues, ask questions and seek clarifications when necessary;
5. Exercise independent judgement. A Director shall view each problem or situation objectively. When disagreement with others occurs, he/she shall carefully evaluate the situation and state his/her position, he/she shall not be afraid to take a position even though unpopular, and he/she shall support plans and ideas that he/she thinks will be beneficial to SB Corporation;
6. Have a working knowledge of the statutory and regulatory requirements affecting SB Corporation, including the contents of its Charter and the requirements of government regulatory agencies. A Director shall also keep him/herself informed of the industry developments and business trends in order to safeguard SB Corporation's competitiveness.
7. Observe confidentiality. A Director shall observe the confidentiality of non-public information acquired by reason of his/her position as Director, and shall not disclose such information without authority of the Board;
8. Ensure the continuing soundness, effectiveness and adequacy of SB Corporation's control environment.

CHANGES IN THE BOARD OF DIRECTORS

Usec. Zenaida C. Maglaya of DTI retired from government service effective 01 August 2019. Usec. Blesila A. Lantayona assumed office representing DTI as well as served as Acting Chairman of Small Business Corporation effective August 2019.

ATTENDANCE AT BOARD AND BOARD COMMITTEE MEETINGS

Name	Jan. 31, 2019 308th	Mar. 07, 2019 309th	Apr. 08, 2019 310th	Apr. 30, 2019 311th	May 30, 2019 312th	June 27, 2019 313th	July 19, 2019 Special	Aug. 01, 2019 314th	Sept. 13, 2019 308th	Sept. 26, 2019 315th	Oct. 30, 2019 317th	Dec. 04, 2019 318th	Jan. 10, 2020 319th	TOTAL 13
1 Ferdinand D. Tolentino	P	P	P	P	P	P	P	P	P	P	P	A	P	12
2 Ma. Luna E. Cacanando	P	P	P	P	P	P	P	P	P	P	P	P	P	13
3 Merly M. Cruz	P	P	P	P	P	P	P	P	P	P	P	P	P	13
4 Reina D. Cuarez	A	A	P	P	A	A	P	P	P	P	P	A	P	8
5 Joe Jay T. Doctora	P	P	P	P	P	P	P	P	P	P	P	P	P	13
6 Benel D. Laguna	P	P	P	P	P	P	P	P	P	P	P	P	P	13
7 Blesila A. Lantayona	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	P	N/A	P	P	A	3
8 Santiago S. Lim	P	P	P	P	P	P	P	P	P	P	P	P	P	13
9 Ramon M. Lopez	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	P	N/A	N/A	N/A	N/A	1
10 Zenaida C. Maglaya	P	P	P	P	P	P	A	N/A	N/A	N/A	N/A	N/A	N/A	5
11 Ferdinand d. Tolentino	P	P	P	P	P	P	P	P	P	P	P	P	P	12

Note: Due to unexpected official commitments of some Board of Directors on the months of February and November 2019, 2 Board meetings were conducted for the months of April and September 2019 and 1 Board meeting conducted on January 2020.

CORPORATE GOVERNANCE COMMITTEE MEETINGS

	Name	Jan. 31, 2019 38th	Feb. 18, 2019 39th	Feb. 21, 2019 40th	Apr. 30, 2019 41st	Jun. 11, 2019 42nd	Aug. 01, 2019 43rd	Oct. 11, 2019 44th	TOTAL 7
1	Ma. Luna E. Cacanando	P	P	P	P	P	P	P	7
2	Merly M. Cruz	P	P	P	P	P	P	P	7
3	Joe Jay T. Doctora	P	P	P	P	P	P	P	7
4	Blesila A. Lantayona	N/A	N/A	N/A	N/A	N/A	N/A	P	7
5	Santiago S. Lim	P	P	P	P	P	P	P	2
6	Zenaida C. Maglaya	P	A	A	P	A	N/A	N/A	

BOARD AUDIT AND COMPLIANCE COMMITTEE MEETINGS

	Name	Jan. 31, 2019 38th	Feb. 18, 2019 39th	Feb. 21, 2019 40th	Apr. 30, 2019 41st	Jun. 11, 2019 42nd	Aug. 01, 2019 43rd	Oct. 11, 2019 44th	TOTAL 7
1	Joe Jay T. Doctora	P	P	P	P	P	A	P	6
2	Benel D. Laguna	P	P	P	P	P	P	P	7
3	Ferdinand D. Tolentino	P	P	P	P	A	P	P	6

FINANCE AND RISK OVERSIGHT COMMITTEE MEETINGS (formerly Risk Oversight Committee)

	Name	Mar. 06, 2019 26th	May 27, 2019 27th	June 27, 2019 28th	Sept. 13, 2019 41st	Dec. 19, 2019 30th	TOTAL 5
1	Ma. Luna E. Cacanando	P	P	P	P	P	5
2	Joe Jay T. Doctora	P	P	P	P	P	5
3	Benel D. Laguna	P	P	P	P	P	5

IT AND PLATFORMIFICATION COMMITTEE MEETINGS

(formerly Board Oversight Committee on Technology and Information Management)

	Name	Jan. 24, 2019 8th	Mar. 07, 2019 9th	June 27, 2019 10th	Dec. 04, 2019 11th	TOTAL 4
1	Ma. Luna E. Cacanando	P	P	P	P	4
2	Santiago S. Lim	P	P	P	P	4
3	Ferdinand D. Tolentino	P	P	P	P	4

BOARD COMMITTEE ON VENTURE CAPITAL REVIEW MEETINGS

	Name	Jan. 24, 2019 1st	Feb. 21, 2019 2nd	Sept. 26, 2019 3rd	TOTAL 3
1	Ma. Luna E. Cacanando	P	P	P	3
2	Joe Jay T. Doctora	P	P	P	3
3	Benel D. Laguna	P	P	P	3
4	Santiago S. Lim	P	P	P	3
5	Ferdinand D. Tolentino	P	P	P	3

Legend:

P - Present
A - Absent
OB - Official Business
E - Excused
N/A - Not Applicable

SUMMARY OF BOARD ATTENDANCE

For the CY 2019

	Name	BOARD MEETING	CORPORATE GOVERNANCE	BOARD AUDIT & COMPLIANCE	FINANCE & RISK OVERSIGHT	IT GOVERNANCE	VENTURE CAPITAL REVIEW	TOTAL
		13	7	7	5	4	3	39
1	Manuel B. Bendigo	12	N/A	N/A	N/A	N/A	N/A	12
2	Ma. Luna E. Cacanando	13	7	N/A	5	4	3	32
3	Merly M. Cruz	13	7	N/A	N/A	N/A	N/A	20
4	Reina D. Cuarez	8	N/A	N/A	N/A	N/A	N/A	8
5	Joe Jay T. Doctora	13	7	6	5	N/A	3	34
6	Benel D. Laguna	13	N/A	7	5	N/A	3	28
7	Blesila A. Lantayona	3	1	N/A	N/A	N/A	N/A	4
8	Santiago S. Lim	13	7	N/A	N/A	45	3	27
9	Ramon M. Lopez	1	N/A	N/A	N/A	N/A	N/A	1
10	Zenaida C. Maglaya	5	2	N/A	N/A	N/A	N/A	7
11	Ferdinand D. Tolentino	12	N/A	6	N/A	4	3	25

ANNUAL PERFORMANCE OF THE BOARD

An annual performance evaluation of all members of the Board shall be conducted using the Performance Evaluation for Directors (PED) prescribed by GCG (GCG M.C. 2014-13). The PED shall cover All Appointive Directors as the basis for the determination of whether they shall be recommended for reappointment. It shall also cover the Ex-Officio Directors or their Alternates for purposes of being able to report to the President the performance of such Ex-Officio Directors, as well as to allow the GCG to develop and evolve a good governance system for Ex-Officio Directors in the GOCC Sector.

Another performance tool and in compliance with the requirements of BSP and GCG, the Performance Scorecard of SB Corporation's Governing Board as well as for Board-level Committees were made to measure three Key Performance Indicators: Meetings and Participation, Transparency, and Quality of Governance for Board; and Meetings and Participation, Transparency and Performance of Mandate for Board-level Committees.

The PED and Performance Scorecards are necessary tools in enhancing the Board's professionalism and as a useful incentive for Board Members to devote sufficient time and effort to their duties. The evaluation shall also be instrumental in developing effective and appropriate induction and training programs for new and existing members of the Board.

LIST OF STOCKHOLDERS AND STOCKHOLDINGS

(As of 31 December 2019)

Stockholders	Paid-Up	No. of Shares	Percentage
A. PREFERRED STOCKS			
GSIS	200,000,000.00	2,000,000*	10.62%
SSS	200,000,000.00	2,000,000*	10.62%
TOTAL PREFERRED STOCKS	400,000,000.00	4,000,000	
B. COMMON STOCKS			
GSIS	46,673,100.00	466,731*	2.48%
SSS	16,000,000.00	160,000*	0.85%
LBP	393,611,500.00	3,936,115*	20.91%
DBP	218,673,100.00	2,186,731*	11.62%
PNB	40,000,000.00	400,000	2.12%
National Government	767,450,700.00	7,674,507	40.77%
TOTAL COMMON STOCKS	1,482,408,400.00	14,824,084	
TOTAL STOCKHOLDINGS	1,882,408,400.00	18,824,084	100.00%

Notes:

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

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

DIVIDEND POLICY

Under Section 16 of Republic Act No. 6977, as amended by Republic Act No. 8289, and further amended by Republic Act No. 9501 otherwise known as the amended "Magna Carta for Micro, Small and Medium Enterprises" states that "To allow for capital build-up, SB Corporation shall be given a five (5) year grace period on dividend commitments beginning on the date of effectivity of this amendment. Thereafter, it may only declare as dividend not more than thirty percent (30%) of its net income and the rest withheld as retained earnings."

DOSRI (Directors, Officers, Stockholders and their Related Interests) POLICY GOVERNING LOANS/CREDIT ACCOMMODATIONS TO PARTNER MICRO FINANCIAL INSTITUTIONS (MFIs)

The following policies apply should an SB Corporation Director or Officer have any form of interest and/or hold shares in a Partner MFI:

- If the subject Partner MFI wishes to avail of a loan credit accommodation from SB Corporation, the concerned director or officer should immediately inhibit him/herself from participating in the deliberations of the proposed loan or credit accommodation;
- Any transaction between SB Corporation and such Partner MFI, regardless of amount, and other policies of SB Corporation to the contrary notwithstanding, shall be elevated to the Board for approval;
- Any and all of the foregoing policies shall be effective and extend up to one (1) year after the SB Corporation's director or officer has disposed of or has been released from his/her/its shareholdings and/or interests in the Partner MFI.

RENUMERATION POLICY

Board of Directors

The Board of Directors is entitled to the following compensation: (a) Per diems for Board meetings attended, (b) Per diems for Board Committee meetings attended (c) Performance Based Incentives, and (d) Reimbursable Expenses. These compensations are based on GCG Memorandum Circular No. 2016-01 (Compensation Framework for Members of the GOCC Governing Boards).

Senior Management

The Remuneration Policy of Small Business Corporation is aligned with the National Government's Salary Standardization Law.

The compensation package of the Senior Management consists of:

- Basic salaries, standard allowances, benefits and incentives like Personnel Economic and Relief Allowance/Additional Compensation Allowance, Clothing Allowance, Mid-Year Bonus, Year End Bonus, and Cash Gift.
- Specific purpose allowances and benefits, such as, Representation Allowance and Transportation Allowance (RATA), Entertainment and Promotional Expense, Mobile Allowance, and Special Counsel Allowance are also given to Senior Management under specific conditions related to the actual performance of work at prescribed rates.
- Small Business Corporation also provides awards and incentives to its Senior Management through the grant of the annual Performance Based Bonus (PBB), Productivity Enhancement Incentive (PEI), CNA Incentive, and Program on Awards and Incentives for Service Excellence (PRAISE) which are linked to organizational and individual performance.
- Small Business Corporation Remuneration Policy includes indirect compensation like the share to GSIS, PhilHealth, Pag-IBIG, Provident Fund, and various leave benefits authorized by the CSC.

These are in accordance with the issuances from the National Government agencies (Office of the President of the Philippines Administrative/Executive Orders, Memorandum Circulars issued by the Department of Budget and Management (DBM), Civil Service Commission (CSC), and Governance Commission for GOCCs (GCG).

RETIREMENT AGE

Board of Directors: Not Applicable

Senior Management: Under Section 4.2, Republic Act No. 7641, the compulsory retirement age is 65 years old.

SELF-ASSESSMENT FUNCTIONS

Internal Audit Group

To ensure its independence, the Internal Audit Group (IAG) reports functionally to the Board Audit and Compliance Committee (BACC) and administratively to the President and CEO.

The Internal Audit Group (IAG) is established by the Board of Directors, and its responsibilities are defined by the Audit and Compliance Committee as part of their oversight function. It is the policy of the SB Corporation Board Audit and Compliance Committee to establish and maintain an Internal Audit Program as an independent appraisal function. Internal Audit Group (IAG) is a management control that functions by assessing the effectiveness of other managerial controls. IAG examines and evaluates the organization's business and administrative activities in order to assist all levels of management in the effective discharge of their responsibilities and furnishes them with analyses, recommendations, counsel and information concerning the activities and records reviewed.

IAG is headed by a Group Head under the Office of the Chairman and Chief Executive Officer. The IAG Head prepares, for approval by the Chairman and the Board Audit and Compliance Committee, an Internal Audit Annual Plan that defines the Audit Program to be conducted for the organization during the year.

As provided in the Internal Audit Charter, authority is granted for full, free, and unrestricted access to any and all of SB Corporation records, physical properties, and personnel relevant to any function under review. All employees are requested to assist IAG in fulfilling their staff function. IAG shall also have free and unrestricted access to the Chairman of the Board of Directors, and the Audit and Compliance Committee of the Board of Directors. Documents and information given to IAG during a periodic review will be handled in the same prudent and confidential manner as by those employees normally accountable for them.

As to IAG's reporting process, a written report will be prepared and issued by the Chief Audit Officer or designee following the conclusion of each audit and will be distributed as appropriate. A copy of each audit report and a summarization will be forwarded to the Chairman of the Audit and Compliance Committee.

Internal Audit shall consider implementing an audit rating system. The rating system facilitates conveying to the Board a consistent and concise assessment of the net risk posed by the area or function audited. All written audit reports should reflect the assigned rating for the areas audited or prioritize the audit findings.

The Chief Audit Officer or designee may include in the audit report the auditee's response and corrective action taken or to be taken in regard to the specific findings and recommendations. Management's response should include a timetable for anticipated completion of action to be taken and an explanation for any recommendations not addressed. In cases where a response is not included within the audit report, management of the audited area should respond, in writing, within thirty days of publication to IAG and those on the distribution list.

IAG shall be responsible for appropriate follow-up on audit findings and recommendations. All significant findings will remain in an open issues file until cleared by the Chief Audit Officer or the Audit and Compliance Committee.

Office of the Chief Compliance Officer

The Office of the Chief Compliance Officer is another independent unit from the business or operational aspects of the Corporation. It is directly reporting to the Board Audit and Compliance Committee (BACC). This organizational set-up ensures the independence of the Compliance Office from the business or operational aspects of the Corporation.

The function of the office is to oversee and coordinate the implementation of SB Corporation's compliance system on a corporate-wide basis. Its responsibility shall include the identification, assessment, monitoring, reporting and controlling of compliance risks. It is also responsible for the monitoring of SB Corporation's compliance with the Anti-Money Laundering Regulations including the regular reporting to the Anti-Money Laundering Council (AMLC) of both covered and suspicious transactions.

The Office of the Chief Compliance Officer, running parallel with the Internal Audit function, are expected to provide the necessary tools needed by the Board and Management in transforming SB Corporation into a fully-compliant financial institution.

Corporate Compliance Manual

The Compliance Manual documents the compliance structure and the policies and procedures that pertain to the Compliance Program of SB Corporation. It includes a description of the responsibilities, policies and procedures that pertain to the Corporation's Code of Conduct and Compliance Program.

The Compliance Program sets out the planned activities of the compliance function, such as the review and implementation of specific policies and procedure, compliance risk assessment, compliance testing, educating staff on compliance matters, monitoring compliance risk exposures and reporting to the Board through the Board Audit and Compliance Committee. The program espouses a risk-based approach and have appropriate coverage across business and units.

Money Laundering and Terrorism Financing Prevention Program (MTPP)

The Money Laundering and Terrorism Financing Prevention Program (MTPP) of SB Corporation was approved by the Board on August 1, 2019. The MTPP Manual contains the general requirements of the Anti-Money Laundering Act (R.A. 9160) and Terrorism Financing Prevention and Suppression Act of 2019 (R.A. 10168), their respective IRRs, other AMLC and BSP issuances.

As part of SB Corporation's internal policies, controls and procedures on MTPP, the Corporation has the duty to take appropriate steps to identify, assess and understand its Money Laundering and Terrorism Financing (ML/TF) risks. Further, the Corporation shall be responsible for 1) developing sound risk management policies, controls and procedures, to enable them to manage and mitigate the risks that have been identified by the AMLC or BSP; 2) monitor the implementation of those controls and enhance them if necessary; and 3) take enhanced measures to manage and mitigate the risks where higher risks are identified.

The Board of Directors, through the Board Audit and Compliance Committee, exercise oversight in the implementation of the MTPP, with the Office of the Chief Compliance Officer being the lead implementor.

The implementation of policies and measures on Customer Due Diligence, Customer Identification Process (Know Your Customer), Transaction Monitoring and Reporting are vital keys in the prevention of ML/TF risks.

The Office of the Chief Compliance Officer and the Human Resource Management and Development Group are responsible for the formulation of an AML Training Program aimed to provide efficient, adequate and continuous education program for all SB Corporation personnel, including officers and directors. In 2019, two separate trainings were conducted by an AMLC-accredited trainer – one for the Board of Directors and Officers held on September 27, 2019 and one for SB Corporation rank and file personnel held on October 1, 2019.

The Internal Audit Group is responsible for the periodic and comprehensive evaluation of the Anti-Money Laundering and Terrorism Financing Prevention risk management framework.

Record Keeping and Digitalization of Customer Records

A policy on Record Keeping and Retention Requirements and Digitalization of Customer Records, in accordance with the AMLC Regulatory Issues (ARI) A, B, and C No. 2, Series of 2018 is adopted by SB Corporation. Customer identification records and transaction documents of covered persons are maintained and safely stored as long as the account exists. Records shall be retained as originals or copies in such forms that are sufficient and admissible in court pursuant to existing laws, rules and regulations.

a. Digitalization of Customer Records

All customer records shall be digitalized in accordance within the timelines set including those pertaining to accounts existing prior to the implementation period thereof, but excluding customer records of closed accounts beyond the five (5)-year record-keeping requirement of the AMLA, as amended, and its Implementing Rules and Regulations.

b. Development and Access to Central Database

A central database of customer records shall be developed and maintained at the Head Office. The Chief Compliance Officer and/or its duly authorized officer/representative shall have direct, immediate and unimpeded access to the database.

c. Security and Integrity of the Database

SB Corporation shall ensure compliance with prevailing laws related to data privacy, data protection and security in developing the database, and the adoption of retrieval procedures.

Effectiveness and Adequacy of Internal Control System

Through the creation of the different Board committees serving as oversight over specific areas of concern, the effectiveness and adequacy of internal control systems in each of these areas are ensured.

CONSUMER PROTECTION PROGRAM

The issuance of BangkoSentral ng Pilipinas (BSP) Circular No. 857 Series of 2014 – BSP Regulations on Financial Consumer Protection underscores that financial consumer protection is the fundamental responsibility of BSP - Supervised Financial Institutions' (BSFIs) corporate governance and culture. As such, all banks and covered institutions should be governed by the basic service principles and ethical business practices and observe the Consumer Protection Standards in dealing with their customers.

SB Corporation, as a BSP-supervised Financial Institution and attached agency under the Department of Trade and Industry, fully subscribes to the protection and welfare of its clients/customers in all its business dealings.

Consumer Protection Oversight Function

A. Roles and Responsibilities of the Board Senior Management

Board of Directors

The SB Corporation Board of Directors shall be primarily responsible for approving and overseeing the implementation of policies governing major areas of SB Corporation's consumer protection program, including the mechanism to ensure compliance with the said policies.

The roles of the Board of Directors shall include the following:

- a) Approve the Consumer Protection policies;
- b) Approve risk assessment strategies relating to effective recourse by the consumer;
- c) Provide adequate resources devoted to Consumer Protection;
- d) Review the applicable policies periodically.

Senior Management

The Senior Management, on the other hand, shall be responsible for the proper implementation of the Consumer Protection policies and procedures duly approved by the Board. Its role shall also focus on ensuring effective management of day-to-day consumer protection activities.

B. Consumer Protection Risk Management System

The Consumer Protection Risk Management System (CPRMS) is a means by which SB Corporation identifies, monitors, and controls consumer protection risks inherent in its operations, which include risks to both consumer and SB Corporation itself. The CPRMS shall provide the foundation for ensuring SB Corporation's adherence to consumer protection standards of conduct and compliance with consumer protection laws, rules and regulations, thus ensuring that SB Corporation's consumer protection practices address and prevent identified risks to the Corporation and the associated risks of financial harm or loss to customers.

Consumer Protection Standards

In all its dealings with its customers, SB Corporation is expected to observe Consumer Protection Standards relative to Disclosure and Transparency, Protection of Client Information, Fair Treatment, Effective Recourse and Financial Education and Awareness. The standards should be embedded into the corporate culture of SB Corporation, enhancing further its defined governance framework while addressing complaints that are inimical to the interests of the customer and which may cause reputation damage to the Corporation.

Consumer Assistance Management System

Customers should be provided with accessible, affordable, independent, fair, accountable, timely, and efficient means for resolving complaints with their financial transactions. In the establishment of an effective Consumer Assistance Management System, SB Corporation is expected to 1) develop internal policies and practices, including time for processing, complaint response, and customer access, 2) maintain an up-to-date log and records of all complaints from customers subject to the complaints procedure, 3) ensure that information on how to make a complaint is clearly visible in the SB Corporation's website, 4) Undertake an analysis of the patterns of complaints from customers on a regular basis, and 5) Provide for adequate resources to handle financial consumer complaints efficiently and effectively.

Risk Management

A. RISK MANAGEMENT POLICY

The Small Business Corporation (SB Corporation) is committed to a systematic and comprehensive approach to effective management of potential opportunities and adverse effects, by achieving best practice in the area of risk management.

B. ENTERPRISE RISK MANAGEMENT FRAMEWORK

The Enterprise Risk Management (ERM) Framework of SB Corporation was formally established with approval by the Governing Board of the ERM Manual through Board Resolution No. 2282, s. 2016 dated 10 March 2016.

Financial institutions are in the business of taking risks. SB Corporation – as the organization charged primarily with the responsibility of implementing comprehensive policies and programs to assist micro, small and medium enterprises (MSMEs) by way of providing access to finance – has risk taking as an integral part of its business. Its ability to manage risks thus allows it to live up to its mandate as provided for under Republic Act No. 9501, otherwise known as the “Magna Carta for Micro, Small and Medium Enterprises”.

As a government financial institution attached to the Department of Trade and Industry, SB Corporation aligns itself to national goals and objectives for MSME development as outlined in the MSME Development Plan. This provides the context by which SB Corporation’s ERM System operates.

SB Corporation’s Governing Board and Senior Management effectively drives Enterprise Risk Management, with the former being charged with approving and overseeing the implementation of the institution’s strategic objectives, risk strategies and corporate governance while the latter manages day to day affairs. Together, they set the tone for managing risks across the enterprise which is shared at all levels of the organization.

The engine driving SB Corporation’s ERM vehicle is the linkage between its Strategic Planning, Risk Management and Capital Management Processes. This is anchored on four (4) key components, namely: 1) Risk Organization and Governance; 2) Processes and Policies; 3) Data and System Infrastructure; and, 4) Risk Measurements. These components undergo a continuous cycle of improvement where design translates to implementation and is regularly monitored for enhancement.

Thus, ERM is subject of an iterative process and takes on a dynamic form that adjusts to the ever-changing risk environment and responds to both internal and external factors and changes in its business model.

C. ENTERPRISE RISK MANAGEMENT ROLES AND RESPONSIBILITIES

The following key principles guide SB Corporation’s approach to Enterprise Risk Management:

1. Board Risk Oversight Committee

The role of the Finance and Risk Oversight Committee is to set the direction and overall risk strategies. It provides oversight to Management, led by the President and CEO (P/CEO), ensuring that risks are managed across the organization in a timely and appropriate manner.

2. President and CEO

The President and CEO maintains ultimate accountability or the management of the organization’s risks, including issuing directives for their management. The P/CEO also authorizes and owns the ERM Policy and issues final approval of the ERM risk appetite statements.

3. Risk Management Committee

This refers to the existing Management Committee, with the participation of the Chief Risk Officer. It is a management-level committee chaired by the P/CEO. It is tasked to oversee the development and implementation of processes used to analyze, prioritize, and address risks across the organization. These risks include the typical risks faced by a financial institution (e.g., credit, market, and operational risks), along with emerging risks that could impede SB Corporation’s ability to achieve its strategic objectives. The Risk Management Committee is broadly responsible for ensuring that risks are managed to create value and, in a manner, consistent with established risk appetite and risk tolerance levels.

4. Group Heads

Group Heads (GHs), collectively called as Middle Management, serves as the ultimate risk owners. Groups will adopt and follow the ERM Framework and the ERM Policy and participate in enterprise-wide risk management efforts and perform risk management activities within their respective offices. GHs are responsible for implementing consistent risk management practices in alignment with this policy. It will be the responsibility of the GHs to disaggregate the enterprise-level risk appetite statements into unit-specific risk limits, where applicable. They will also assist the ERM Unit in creating ad-hoc risk analysis teams to serve as Subject Matter Experts during the risk identification and analysis process.

5. Chief Risk Officer

The Chief Risk Officer (CRO) serves as the principal advisor to the P/CEO on all risk matters that could impact the Corporation’s ability to perform its mission. The CRO is responsible for the design, development and implementation of the ERM program at SB Corporation. The CRO, in conjunction with the ERM Unit, will lead the Corporation in

conducting regular enterprise risk assessments of business processes or programs at least annually and will oversee the identification, assessment, prioritization, response, and monitoring of enterprise risks. The CRO will take an active role in strategic planning and integration of risk management principles across the enterprise.

6. ERM Unit

This refers to the existing Enterprise Risk Management Group. The Unit leads ERM activities under the supervision of the CRO. Such activities include developing and maintaining ERM policies, processes, procedures, tools, and information systems; leading efforts to perform enterprise risk identification, assessment, prioritization, reporting, and monitoring; and, establishing ERM communication at all levels and for gathering data and developing risk reports.

D. MANAGEMENT OF MATERIAL FINANCIAL RISKS

SB 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 adverse financial consequences to the Corporation. This is to ensure that the Corporation performs its mandate as a Government Financial Institution (GFI) and not merely duplicates what the private sector and other GFIs are already doing. This is to likewise optimize the utilization of National Government investments by not contributing to the cycle of poverty and debt for small business owners.

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

1. Credit Risk

In view of its mandate to safeguard the interest of the public and contribute to the promotion of stability in the economy, SB Corporation manages credit risk at all relevant levels of the organization. The Corporation defines credit risk as the risk that the loans granted to borrowers and/or other financial institutions will not be paid when due, thereby causing the Corporation to incur financial losses.

SB Corporation therefore exercises prudence in the grant of loans over its exposures to credit risk, taking into consideration the developmental objectives of the Corporation as mandated by the Magna Carta for MSMEs. This is managed through the implementation of the borrower risk rating and monitoring of loan covenants in the loan agreements. The borrower risk rating is being

used, among others, as basis for determining credit worthiness of loan applicants. Further, the Corporation mitigates such credit risks through the acceptance of eligible collaterals as secondary form of payment.

2. Market Risk – Interest Rate Risk and Foreign Exchange Risk

The Corporation anticipates, measures, and manages its interest rate sensitivity position to ensure its long-run earning power, build-up of its investment portfolio and avoid economic losses. 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 foreign exchange rate fluctuations on its foreign currency denominated borrowings through a Foreign Exchange Risk Cover (FXRC) secured from the Department of Finance 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.

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 and institutes liquidity risk controls. It also continuously assesses conditions in the financial markets for opportunities to pursue fund raising activities, in case any requirements arise. Fundraising activities may include bank loans and capital market issues.

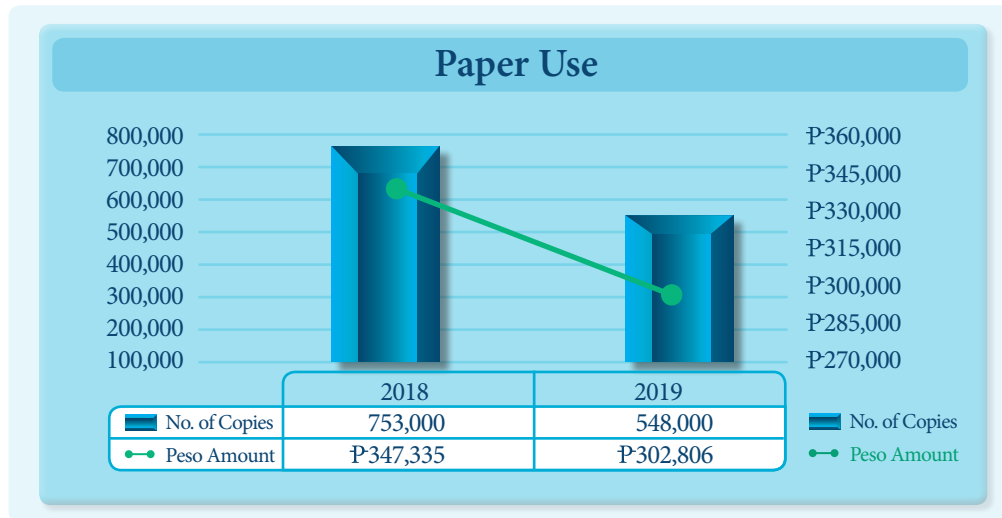
2019 Go Green Report

SB Corporation is committed to maintain a healthier and safer workplace for its employees and customers by engaging in green practices that will contribute to a sustainable environment. By doing so, SB Corporation aims to reduce waste, prevent pollution, minimize carbon footprint and, ultimately, inspire its employees and customers to integrate green thinking in all aspects of their individual lives.

For 2019, SB Corporation's environmental conservation achievements focused on the following areas:

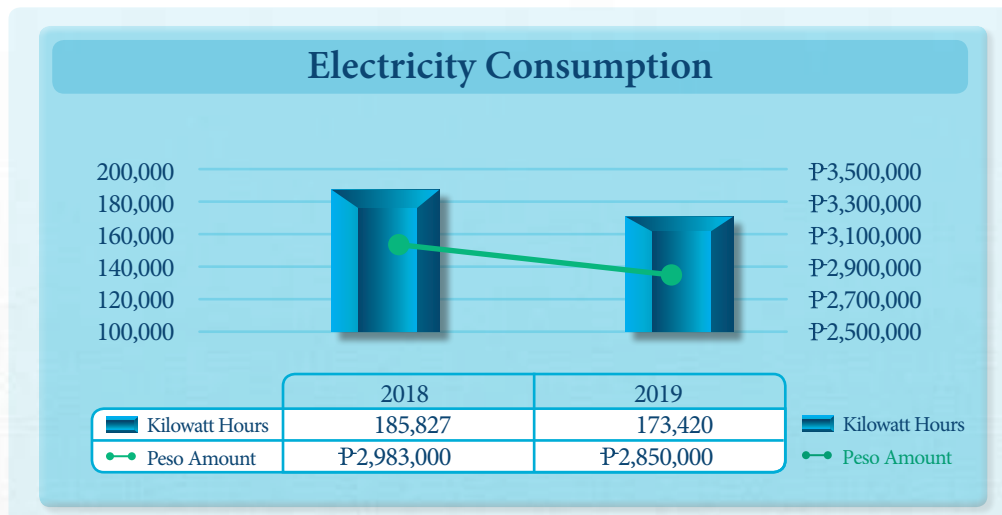
1. Paper Use

As a result of increasing digital transactions and a policy of reusing usable paper, there was a remarkable **reduction** in paper consumption in 2019, as much as **27% in number of copies and 13% in actual cost.**



2. Electricity Consumption

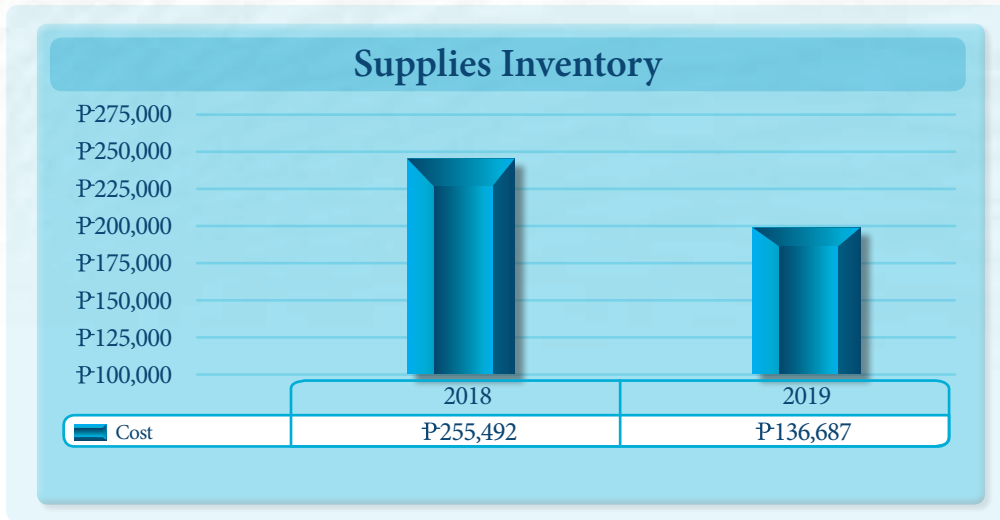
A slight improvement in electricity consumption is seen in 2019 despite 10% increase in manpower and heightened P3 operations – with **reduction of 7% in kilowatt hours and 4% in actual cost.**



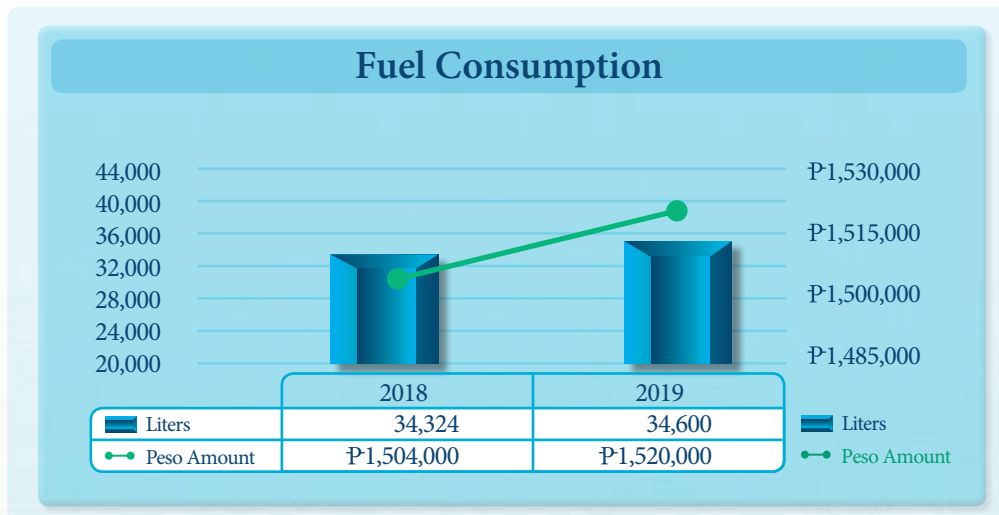
This modest savings in electricity consumption reflects employees' consciousness in conserving use of electricity, such as turning off lights and aircon during lunch breaks, turning it on at a later time in the morning, and shutting it off at an earlier time in the afternoon.

3. Supplies Inventory

By establishing a more economical reorder point, we were able to deliver the same level of service efficiency while maintaining more productive use of funds, which resulted to **46% reduction in actual cost.**



While we were not able to generate savings in **fuel consumption** in 2019 due to 1) 10% increase in personnel; 2) Increased marketing and loan; and, more importantly, 3) intensive after-loan credit monitoring as a measure to increase account viability, **the minimal increase in fuel consumption (0.8% in consumption by liters and 1.6% in actual cost) is more than compensated by the cited gains/process improvements in the credit delivery system.**



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	<p>MSMEs are the reason for the existence of SBCorp as embodied by its vision and mission statements. SBCorp strongly commits to continuously create and encourage access to financing for them.</p> <p>Sustainability in operations of SBCorp is aimed at providing continued service to the MSME sector -this is the primordial motivation.</p>	<p>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.</p>
Financial Institutions (FIs)	<p>FIs are critical partners in the accomplishment of SBCorp's vision of mainstreaming MSME finance in the country. SBCorp agrees to support and cooperate with FIs where the partnership results to increased access to credit for MSMEs.</p>	<p>SBCorp 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</p>
Stockholders	<p>SBCorp commits to operate both as a developmental and sustainable agency, consistent with the expectations of the stockholders in exchange of their financial investment. SBCorp shall ensure good governance. Declaration of dividends shall be made based on fully transparent reports.</p>	<p>Accountability for true and accurate reports on SBCorp operations and finances shall be the primary responsibility of Management with the further assurance provided by the COA</p>
Legislative and other policy-making bodies	<p>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</p>	<p>SBCorp 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.</p>
Government and regulatory agencies	<p>SBCorp considers Government as its main employer and, thus, commits to fully support its medium-term development agenda and auxiliary thrusts</p>	<p>SBCorp shall endeavor to align its programs for a unified and effective strategy.</p> <p>SBCorp commits to cooperate with all regulatory agencies required by Government to monitor/ audit its operations, within the limits and bounds allowed by law.</p>
SB Corporation officers and employees	<p>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, SBCorp commits to provide a safe environment for its teams thru good governance and transparent operations.</p> <p>SBCorp also commits to fully provide them a fair, competitive and robust compensation package, rewards and incentive system, career path and working environment.</p>	<p>Reporting on SBCorp's financial condition, corporate scorecard and personnel development is assured thru the conduct of monthly general assemblies.</p>



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 accompanying financial statements of Small Business Guarantee and Finance Corporation (SB Corporation), which comprise the statements of financial position as at December 31, 2019 and 2018, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and notes to financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the SB Corporation as at December 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended, in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audits 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 SB Corporation in accordance with the Code of Conduct and Ethical Standards for Commission on Audit Officials and Employees (Code of Ethics) together with the ethical requirements that are relevant to our audit of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing SB 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 SB Corporation or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of SB Corporation'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 SB Corporation'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 SB Corporation to cease to continue as a going concern; and
- 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 communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and where applicable, related safeguards.

Report on Other Legal and Regulatory Requirements

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information in Note 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 supplementary information is the responsibility of the Management of SB Corporation. The supplementary 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
Acting Supervising Auditor

July 21, 2020

**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, 2019 and 2018 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. BLESILA A. LANTAYONA
Acting Chairman of the Board



MA. LUNA E. CACANANDO
President/CEO



CORAZON A. DIMAYUGA
Head, Controllership Group

Signed this 17th day of JULY 2020

Statements of Financial Position

As at December 31, 2019 and 2018
(Amounts in Philippine Peso)

	Notes	2019	2018 (As Restated)	January 1, 2018 (As restated)
ASSETS				
Current assets				
Cash and cash equivalents	4	226,221,155	787,230,145	1,008,833,048
Investments	5	11,468,965	227,713,766	1,152,645,027
Receivables	6	2,839,192,755	1,388,860,055	1,861,053,513
Inventories	2.6	133,421	60,998	512,961
Non-current asset held for sale	7	54,728,782	26,923,314	26,923,314
Other assets	10	11,008,092	17,439,373	22,945,516
		3,142,753,170	2,448,227,651	4,072,913,379
Non-current assets				
Investments Receivables	5	917,227,880	1,772,467,060	1,343,229,870
Property and equipment	6	2,163,045,257	2,580,292,530	1,203,390,244
Deferred tax assets	8	68,228,675	71,686,770	71,241,514
Other assets	9	159,053,356	132,466,559	113,640,006
	10	17,098,197	27,226,258	31,264,879
		3,324,653,365	4,584,139,177	2,762,766,513
TOTAL ASSETS		6,467,406,535	7,032,366,828	6,835,679,892
LIABILITIES AND EQUITY				
Current liabilities				
Financial liabilities	11	269,202,408	1,034,859,645	1,713,270,138
Inter-agency payables	12	17,678,803	770,569,935	753,157,484
Trust liabilities	13	904,220	3,774,185	3,118,694
Deferred credits/Unearned income	14	22,173,275	21,171,414	17,213,752
Other payables	15	41,455,969	37,882,704	36,704,079
		351,414,675	1,868,257,883	2,523,464,147
Non-current liabilities				
Financial liabilities	11	998,618,648	1,250,730,739	1,396,971,948
Deferred tax liabilities	21	12,149,813	45,940,193	12,049,634
		1,010,768,461	1,296,670,932	1,409,021,582
TOTAL LIABILITIES		1,362,183,136	3,164,928,815	3,932,485,729
Equity				
Share premium	16	79,510,460	79,510,460	79,510,460
Retained earnings	17	3,143,304,539	1,868,025,553	903,781,703
Stockholders equity	18	1,882,408,400	1,919,902,000	1,919,902,000
TOTAL EQUITY		5,105,223,399	3,867,438,013	2,903,194,163
TOTAL LIABILITIES AND EQUITY		6,467,406,535	7,032,366,828	6,835,679,892

The Notes on pages 9 to 55 form part of these financial statements.

Small Business Corporation

Statements of Comprehensive Income

For the years ended December 31, 2019 and 2018

(Amounts in Philippine Peso)

	Notes	2019	2018 (As Restated)
ASSETS			
Service and Business income	19	358,495,812	326,106,870
Gains	19	210,583,248	354,017,145
Other non-operating income	19	4,660,817	4,477,589
		573,739,877	684,601,604
EXPENSES			
Personal services	20	206,283,742	180,529,571
Maintenance and other operating expenses	20	138,872,603	108,344,062
Financial expenses	20	25,163,093	49,921,116
Non-cash expenses	20	457,409,554	403,808,187
		827,728,992	742,602,936
NET LOSS BEFORE TAX		(253,989,115)	(58,001,332)
Income tax expense/(Benefit)	21	(54,828,738)	20,056,580
NET LOSS AFTER TAX		(199,160,377)	(78,057,912)
Subsidy income from National Government	22	1,500,000,000	1,066,995,964
TOTAL COMPREHENSIVE INCOME		1,300,839,623	988,938,052

The Notes on pages 9 to 55 form part of these financial statements.

Small Business Corporation

Statements of Changes in Equity

As at December 31, 2019 and 2018
(Amounts in Philippine Peso)

	Retained Earnings Note 17	Share Premium Note 16	Stockholders' Equity Note 18	Total
BALANCE AT JANUARY 1, 2019 (As restated)	1,868,025,553.00	79,510,460.00	1,919,902,000.00	3,867,438,013.00
Comprehensive income for the year	1,300,839,623.00	0	0	1,300,839,623.00
Dividends	(19,844,511.00)	0	0	(19,844,511.00)
Other adjustments	(5,716,126.00)	0	(37,493,600.00)	(43,209,726.00)
Balance at December 31, 2019	3,143,304,539.00	79,510,460.00	1,882,408,400.00	5,105,223,399.00
Balance at January 1, 2018	899,758,067.00	79,510,460.00	1,919,902,000.00	2,899,170,527.00
Prior period errors	4,023,636.00	0	0	4,023,636.00
Restated total equity, January 1, 2018	903,781,703.00	79,510,460.00	1,919,902,000.00	2,903,194,163.00
Comprehensive income for the year	988,938,052.00	0	0	988,938,052.00
Dividends	(33,511,594.00)	0	0	(33,511,594.00)
Other adjustments	8,817,392.00	0	0	8,817,392.00
Balance at December 31, 2018	1,868,025,553.00	79,510,460.00	1,919,902,000.00	3,867,438,013.00

The Notes on pages 9 to 55 form part of these financial statements.

Statements of Cash Flows

For the years ended December 31, 2019 and 2018

(Amounts in Philippine Peso)

	Notes	2019	2018 (As Restated)
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash inflows			
Collection of income/revenue		310,095,725	306,871,978
Receipt of assistance/subsidy		1,500,000,000	1,066,995,964
Collection of receivables		2,794,919,195	2,003,298,456
Other receipts		39,521,506	62,193,785
		4,644,536,426	3,439,360,183
Cash outflows			
Payment of expenses		379,817,097	262,660,372
Grant of cash advances		806,891	2,620,176
Prepayments		17,940,263	39,200,711
Release of loans to financial institutions and mSMEs		4,437,424,674	3,145,433,558
Other disbursement		6,338,940	3,042,694
		4,842,327,865	3,452,957,511
Net Cash Used in Operating Activities		(197,791,439.00)	(13,597,328.00)
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash inflows			
Proceeds from:			
Sale/disposal of investment property		3,039,029	1,981,123
Sale/disposal of property and equipment		0	32,672
Maturity/redemption of long-term investments/return on investments		4,842,366,934	1,094,780,685
		4,845,405,963	1,096,794,480
Cash outflows			
Purchase/construction of property and equipment		7,701,044	5,233,057
Purchase of investments		4,225,705,953	345,011,076
		4,233,406,997	350,244,133
Net Cash Provided By Investing Activities		611,998,966	746,550,347
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash inflows			
Proceeds from domestic and foreign loans		0	797,273,842
		0	797,273,842
Cash outflows			
Payment of long-term liabilities		896,502,786	1,638,402,321
Payment of interest on loans and other financial charges		58,847,982	79,907,596
Payment of cash dividends		19,844,511	33,511,594
		975,195,279	1,751,821,511
Net Cash Used In Financing Activities		(975,195,279)	(954,547,669)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(560,987,752)	(221,594,650)
Effects of exchange rate changes on cash and cash equivalents		(21,238)	(8,253)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		787,230,145	1,008,833,048
CASH AND CASH EQUIVALENTS AT END OF YEAR	4	226,221,155	787,230,145

The Notes on pages 9 to 55 form part of these financial statements.

Notes to Financial Statements

As at December 31, 2019 and 2018

(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 Development (MSMED) Council of the Department of Trade and Industry (DTI), the primary agency responsible for the promotion and development of MSMEs 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 SB Corporation's authorized capital stock from P5 billion to P10 billion. Section 13 thereof, amending Section 11 of RA No. 6977, states that:

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

SB Corporation's mandate 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.

However, on July 23, 2018, EO No. 58 was issued mandating the creation of a single entity handling the government guarantee system. Under the said EO, within one year from the effectivity thereof, the guarantee-related functions, programs, funds, assets and liabilities of the SB Corporation, among others, shall be transferred to the Trade and Investment Development Corporation of the Philippines, now known as the Philippine Guarantee Corporation (PhilGuarantee). On August 31, 2019, all assets, liabilities, funds and guarantee function of SB Corporation was transferred to PhilGuarantee in compliance to EO No. 58.

The principal office of SB Corporation is at 139 Corporate Center, 139 Valero St., Salcedo Village, Makati City. It has five area offices, 11 desk offices and 50 Pondo sa Pagbabago at Pag-Asenso (P3) provincial offices within the Philippines. Manpower complement is 164 and 155 regular employees for CYs 2019 and 2018, respectively.

The financial statements of the SB Corporation as at and for the year ended December 31, 2019 (including the comparative financial statements as at and for the year ended December 31, 2018) were approved and authorized for issue by SB Corporation's Board of Directors (BOD) under Board Resolution (BR) No. 2020-03-2902A dated June 8, 2020.

2. SUMMARY OF 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, 2019 and 2018 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. SB Corporation presents all items of income and expenses in a single Statement of Comprehensive Income (SCI).

Starting January 1, 2019, SB Corporation adopted the guidelines laid down under COA Circular No. 2017-004 dated December 13, 2017 on the preparation of financial statements and other financial reports and implementation of the PFRS by government corporations classified as Government Business Enterprises (GBEs). Under COA Circular No. 2015-003 dated April 16, 2015, SB Corporation is classified as a GBE.

Accordingly, the SB Corporation modified the presentation of the prior years' amounts to conform to current year's presentation.

For the succeeding year and part of the continuing education of finance staff, SB Corporation will commission the services of a consultant to provide guidance for its Controllership Group in the formulation of policies/guidelines for the assessment, classification, measurement, and recognition of financial instruments, to include impairment losses, including appropriateness of its tax compliance activities.

SB Corporation presents a third statement of financial position as at the beginning of the preceding period when it applies an accounting policy retrospectively, or makes a retrospective restatement or reclassification of items that has a material effect on the information in the statement of financial position at the beginning of the preceding period. The related notes to the third statement of financial position are not required to be disclosed.

(c) *Functional and Presentation Currency*

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

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

(d) *Going Concern Basis of Accounting*

The financial statements were prepared on a going concern basis which assumes that SB Corporation will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business.

2.2 Adoption of new and amended PFRSs

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

(a) Effective in 2019 that are relevant to SB Corporation

The SB Corporation adopted the following amendments to PFRS, which are effective for annual periods beginning on or after January 1, 2018:

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

- Three principal classification categories for financial assets based on the business model on how an entity is managing its financial instruments;
- An expected credit loss (ECL) 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 Other Comprehensive Income (OCI) if it meets the Solely Payments of Principal and Interest (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.

(ii) Amendments to PAS 19, Plan Amendment, Curtailment or Settlement

The amendments in Plan Amendment, Curtailment or Settlement (Amendments to IAS 19) are:

- If a plan amendment, curtailment or settlement occurs, it is now mandatory that the current service cost and the net interest for the period after the remeasurement are determined using the assumptions used for the remeasurement.
- In addition, amendments have been included to clarify the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling.

(iii) Amendments to PAS 28, Long-term Interests in Associates and Joint Ventures

In this amendment it is clarified that the exclusion in PFRS 9 applies only to interests a company accounts for using the equity method. A company applies PFRS 9 to other interests in associates and joint ventures, including long-term interests to which the equity method is not applied and that, in substance, form part of the net investment in those associates and joint ventures.

(iv) Amendments to PFRS 9, Prepayment Features with Negative Compensation

Prepayment Features with Negative Compensation amends the existing requirements in PFRS 9 regarding termination rights in order to allow measurement at amortised cost (or, depending on the business model, at fair value through other comprehensive income) even in the case of negative compensation payments.

Under the amendments, the sign of the prepayment amount is not relevant, i. e. depending on the interest rate prevailing at the time of termination, a payment may also be made in favour of the contracting party effecting the early repayment. The calculation of this compensation payment must be the same for both the case of an early repayment penalty and the case of a early repayment gain.

(v) Philippine Interpretation IFRIC-23, Uncertainty over Income Tax Treatments

PAS 12, not PAS 37 Provisions, contingent liabilities and contingent assets, applies to accounting for uncertain income tax treatments. IFRIC 23 explains how to recognise and measure deferred and current income tax assets and liabilities if there is uncertainty over a tax treatment.

An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether that approach will be accepted by the tax authority. For example, a decision to claim a deduction for a specific expense or not to include a specific item of income in a tax return is an uncertain tax treatment if its acceptability is uncertain under tax law. IFRIC 23 applies to all aspects of income tax accounting where there is an uncertainty regarding the treatment of an item, including taxable profit or loss, the tax bases of assets and liabilities, tax losses and credits and tax rates.

Effective for reporting periods beginning on or after January 1, 2020:

(i) Amendments to PFRS 3, Business Combinations – Definition of a Business. The amendments clarify the minimum requirements to be a business, remove the assessment of a market participant's ability to replace missing elements, and narrow the definition of outputs. The amendments also add guidance to assess whether an acquired process is substantive and add illustrative examples. An optional fair value concentration test is introduced which permits a simplified assessment of whether an acquired set of activities and assets is not a business.

(ii) Amendment to PAS 1, Presentation of Financial Statements, and PAS 8, Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material. The amendments refine the definition of material in PAS 1 and align the definition of material

in PAS 1 and align the definition used across PFRSs and other pronouncements. They are intended to improve the understanding of the existing requirements rather than to significantly impact an entity's materiality judgment.

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

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.

Effectivity Deferred Indefinitely:

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 sale or 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 of 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

a. Classification and initial measurement

Financial assets are classified, at initial recognition, as either subsequently measured at amortized cost, at FVTOCI, or at FVTPL. The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics. It is initially measured at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs.

Where assets are measured at fair value, gains and losses are either recognized entirely in profit or loss (fair value through profit or loss, FVTPL), or recognized in other comprehensive income (fair value through other comprehensive income, FVTOCI).

The classification of a financial asset is made at the time it is initially recognized, namely when the Corporation becomes 9, paragraph 4.1.1]. If certain conditions are met, the classification of an asset may subsequently need to be reclassified.

b. Subsequent measurement

Financial assets are measured at amortized cost if both of the following conditions are met: (i) the asset is held to collect contractual cash flows; and (ii) the contractual terms of the instrument give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest rate (EIR) method and are subject

to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

SB Corporation classified cash and cash equivalents, receivables and investments in treasury bills as financial assets at amortized cost.

Financial assets are measured at FVTOCI if both of the following conditions are met: (i) the asset is held, the objective of which is achieved by both collecting contractual cash flows and selling financial assets; and (ii) the contractual terms of the instrument give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at FVTOCI are subsequently measured at fair value. Interest income calculated using the EIR method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

c. Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of financial assets) is derecognized when: (i) the right to receive cash flows from the asset has expired; or (ii) the Corporation has transferred its right to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a pass-through arrangement; and either SB Corporation has transferred substantially all the risks and rewards of the asset, or has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

2.5 Receivables

SB Corporation's receivables are non-derivative assets with fixed or determinable payments that are not quoted in an active market. These are initially recognized at fair value when cash is advanced for direct loans to participating financial institutions (conduits) and individual borrowers. 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.

2.6 Inventories

Inventories are tangible items with cost below the capitalization threshold for property and equipment and are initially recorded at cost. These items are recognized as expense in full upon issuance to end users. Unissued inventories are regularly presented in the Monthly Inventory report for monitoring purposes.

2.7 Non-current asset held for sale (NCAHFS)

NCAHFS are booked initially at the outstanding balance of the loan less allowance for impairment plus transaction cost incurred upon acquisition. After classification as Non-current assets held for sale, they are measured at the lower of carrying amount and fair value less costs to sell and is subject to impairment.

2.8 Investments in joint ventures

Investments in joint ventures are investments 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. SB Corporation does not take operational, controlling, or strategic positions with its investees.

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 Other investments

SB Corporation other investments are similarly recognized initially at cost when investment is made. Periodic assessment is made to determine if impairment losses are incurred. The process in determining impairment losses in joint ventures is applied. Losses arising from impairments/allowance for impairment are recognized in the SCI.

2.10 Property and equipment

SB Corporation's depreciable properties are stated at cost less accumulated depreciation and any impairment in value. Pursuant to COA Circular Nos. 2017-004 and 2016-006 dated December 13, 2017 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 inventories.

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

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

The estimated useful lives of depreciable assets follow:

Item of property and equipment	Estimated useful life
Condominium unit and leasehold improvements	10 to 30 years
Office furniture and fixtures	10 years
Business machines and equipment	5 years
Transportation equipment	7 years

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

2.11 Financial liabilities

a. Initial recognition and measurement

Financial liabilities are classified, at initial recognition, either as: (i) financial liabilities at FVTPL; (ii) loans and borrowings; (iii) payables; or (iv) derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

b. Subsequent measurement

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the statement of profit or loss.

This category generally applies to interest-bearing loans and borrowings, accounts payable and accrued expenses.

On the other hand, after initial recognition, financial guarantee contracts are subsequently measured at the higher of: (i) the amount of the loss allowance determined in accordance with PFRS 9; and (ii) the amount initially recognized less, when appropriate, the cumulative amount of income recognized in accordance with the principles of PFRS 15.

c. Derecognition

A financial liability is removed when it is extinguished, that is, when the obligation specified in the contract is either discharged or cancelled or expires. [PFRS 9] Where there has been an exchange between parties of debt instruments with substantially different terms, or there has been a substantial modification of the terms of an existing financial liability, this transaction is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. A gain or loss from extinguishment of the original financial liability is recognized in profit or loss. [PFRS 9].

2.12 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 assets not held at FVTPL (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 EIR. The carrying amount of the asset shall be reduced either directly or through the use of allowance account. The allowance recognized for expected credit losses are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that SB Corporation expects to receive, discounted at an approximation of the original EIR. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms. The amount of loss, on the other hand, 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.

SB Corporation shall implement beginning 1 January 2020 simple loan loss methodologies fundamentally anchored on the principle of recognizing expected credit loss (ECL). As such, SB Corporation shall adopt the ECL model in measuring credit impairment/allowance for credit losses even before an objective evidence of impairment becomes apparent. Further, in compliance with the requirements of PFRS 9, SB Corporation shall now consider past events, current conditions and forecasts of future economic conditions in assessing impairment.

(b) Impairment of non-financial assets

Where an indicator of impairment exists, SB 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 SCL in those expense 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 last 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 SCL.

2.13 De-recognition 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;
- SB Corporation retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- SB 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 SB 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 SB 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.

2.14 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, SB 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.

2.15 Intangible asset

Intangible assets are stated at cost less accumulated amortization and any impairment in value.

2.16 Borrowing costs

Borrowing costs represent interest and other pertinent financial charges and costs incurred in connection with 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.

2.17 Revenue and cost recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow 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 and similar income derived from financial instruments measured at amortized cost and interest-bearing financial instruments is recorded at the EIR method. EIR is a measurement technique whose purpose is to calculate amortised cost and allocate interest revenue over the relevant time period. SB Corporation uses the expected credit loss impairment model based on the Bangko Sentral ng Pilipinas (BSP) Circular No. 1011 on loan classification.

Interest income, processing fees and penalties due on delayed payment are recognized upon collection.

(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

SB 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, SB 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 SB 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 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.

As of August 31, 2019, all guarantee-related operations were transferred to the PhilGuarantee Corporation pursuant to EO No. 58, s. of 2018.

2.18 Employee benefit plan

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

2.19 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.

2.20 Provisions and contingencies

Provisions are recognized when: (a) SB Corporation has a present obligation (legal or constructive) as a result of a past event; (b) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and (c) 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.

2.21 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.

2.22 Foreign currency transactions

SB Corporation's accounting records 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.

2.23 Events after Reporting Period

Subsequent events that provide additional information about SB Corporation's position at the Statement of Financial Position date (adjusting events) are reflected in the financial statements. Subsequent events that are non-adjusting events, if any, are disclosed when material to the financial statements.

A more conservative approach for loan provisioning under the P3 program was adopted. The revision was well within the risk appetite and risk management policy of SB Corporation. Per BR No. 2019-10-2847 a stricter definition of past due was approved

With the onset of the COVID19 pandemic, the downturn of the economic activity will greatly affect the quality of SB Corporation's loan portfolio for 2020. This will result to material impact in SB Corporation's liquidity and profitability. Following are subsequent activities undertaken to cushion the effects of the pandemic to the MSMEs:

1. Compliant to the directives of the Bayanihan Act to Heal as One, loan amortization moratorium for the period when the country is under lockdown was effected.
2. SB Corporation provided an up to 6-months extended amortization grace period for borrowers affected by the pandemic.
3. Provision of the Covid19 Assistance to Restart Enterprises (CAREs) Program to support the MSMEs affected by the economic impact of the pandemic.

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the financial statements in accordance with PFRSs requires SB 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 SB 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

SB 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.

SB Corporation is a party to various legal cases and except for the BIR Final Assessment Notice (FAN), it 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.

On December 20, 2018, the BIR issued a FAN to SB Corporation for deficiency tax amounting to P 124 million. On June 4, 2019, SB Corporation counter filed a Manifestation with Motion to Suspend Proceedings before the Department of Justice and is currently awaiting its resolution.

On the other hand, there are Criminal Complaints for Violation of Batas Pambansa 22 involving three borrowers that if resolved positively in favor of the SB Corporation will result to positive collection of P 91 million.

3.2 Financial Asset at amortized cost

SB Corporation classifies non-derivative financial assets with fixed or determinable payments and fixed maturity as financial asset at amortized cost. This financial asset is initially measured at fair value plus transaction cost. Contractual cash flows are solely payment of principals and interest and held under a hold to collect model. Subsequent measurement is carried at amortized cost. Classification of financial assets requires significant judgment. In making this judgment, SB 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

SB Corporation reviews its loans and receivables to assess potentially uncollectible receivables annually. In determining the level of allowance, it makes judgments as to whether there are observable development and information indicating a measurable decrease in the estimated future cash flows from the loans and receivables. SB 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

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

4. CASH AND CASH EQUIVALENTS

The account consists of the following:

	2019	2018 (As restated)
Cash on hand	24,928	14,763
Cash in bank-local currency	170,583,583	429,338,927
Cash in bank-foreign currency	613,095	633,540
Cash equivalents	54,999,549	357,242,915
	226,221,155	787,230,145

Cash on hand and Cash in bank pertain to deposits with government banks for payroll and corporate operating fund which earn interest at rates based on average monthly deposit balances.

Cash equivalents refer to short-term investments maturing within 90 days from transaction date with interest ranging from 3.11 to 3.85 per cent per annum for 2019 and 4.21 to 5.13 per cent per annum for 2018 (See Note 2.3).

5. FINANCIAL ASSETS

Financial Assets at amortized cost

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 Rate Treasury Notes and Retail Treasury Bonds, Tier 2 Capital Notes with the Land Bank of the Philippines (LBP), Bureau of the Treasury (BTr) and Development Bank of the Philippines (DBP) respectively. These investments which have various maturity dates over three months from transaction date at rates ranging from 3.250 per cent per annum to 6.499 per cent per annum for 2019 consist of the following:

	2019	2018 (As restated)
Investments in treasury bills	-	99,991,824
Investments in treasury bonds	484,859,893	1,287,139,714
Capital Notes	105,000,000	105,000,000
Investments in treasury bonds – guarantee reserve fund (GRF)	-	35,000,000
	589,859,893	1,527,131,538
Short-term	-	210,880,223
Long-term	589,859,893	1,316,251,315

The significant decrease in the financial assets pertains to 1) expiration of the provisions in the Magna Carta for MSMEs (RA 9501) and 2) transfer of the guarantee reserve fund as compliance to EO 58, series of 2018.

Under the Magna Carta for MSMEs, SB Corporation is authorized by law to offer alternative compliance (MSME Notes) in the mandatory allocation of financial institutions of their loan portfolio to the MSMEs. Upon expiration of the provision of the law in 2018, financial institutions refrained from availing of the MSME Notes resulting to decrease in the liquid assets of SB Corporation.

Further decrease is attributed to the transfer of SB Corporation's guarantee reserve fund and guarantee managed fund (Credit Risk Guarantee Fund) to the PhilGuarantee in compliance to E.O 58, series of 2018.

Financial Assets at Fair Value through Surplus/Profit or Deficit/Loss

	2019	2018 (As restated)
Asian Development Bank (ADB)	40,875,025	90,517,775
Kreditanstalt fur Wiederaufbau (KfW)	246,209,927	346,969,724
	287,084,952	437,487,499
Current	11,468,965	16,833,543
Non-current	275,615,987	420,653,956

Financial asset at FVTPL represents the fair value of the Foreign Exchange Risk Cover (FXRC) of SB Corporation's borrowings from multilateral agencies amounting to P866.62 million in 2019 and P1.038 billion in 2018 which is treated as derivative financial instrument.

Under a MOA between SB Corporation and the National Government (NG) 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 NG a guarantee fee of one percent per annum and an FXRC fee of three per cent per annum.

Investments in Joint Ventures and Other Investments

	2019	2018
Investments in Joint Ventures, net	19,972,500	14,472,500
Investments in stocks	146,500	146,789
Other investments	31,633,000	20,942,500
	51,752,000	35,561,789

Investments in Joint Ventures represent the Corporation's Joint 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 SB Corporation in selected SME corporations. The amount is presented net of its allowance amounting to P4.225million for CY 2019 and 2018.

SB Corporation, in cooperation with various SME corporations invested P8.760 million in preferred shares and P15.438 million in common shares holding 11.25 to 43.75 per cent ownership with minor controlling interest and returns to investments through dividends. The nature of businesses under the investment account were engaged in the manufacture of acoustic and padded fabric wall and ceiling system; Citronella Home Essences and Insect Repellent organic fertilizer manufacturing; fabrication, rental and trading of generator sets, catering and lodging house services; seaweeds production; micro propagation of planting materials; and commercial production of ACTIcon.

SB Corporation invested in the following company:

Venture Partner	Amount	Allowance	Carrying Amount
Agricultural Inoculants Phils.	2,000,000.00		2,000,000.00
Greentop Seaweeds Production Co., Inc.	725,120.00	725,120.00	0
Starlight Homessences Inc.	3,500,000.00	3,500,000.00	3,712,500.00
Walls In Motion, Inc.	3,712,500.00		3,760,000.00
REG Supreme Power Trading, Inc.	3,760,000.00		
Epifanie Ventures, Inc.	5,000,000.00		5,000,000.00
Balance as at December 21, 2018	18,697,620.00	4,225,120.00	14,472,500.00
Elbitech, Inc.	2,500,000.00		2,500,000.00
Binhi, Inc.	3,000,000.00		3,000,000.00
	24,197,620.00	4,225,120.00	19,972,500.00

Dividends receivable to date from joint venture investments are as follows:

	2019	2018 (As restated)
REG Supreme Power Trading, Inc.	1,353,600	1,353,600
Epifanie Ventures, Inc.	1,200,000	1,200,000
	2,553,600	2,553,600

Other investments pertain to an equity investment program under the Pondo sa Pagbabago at Pag-Asenso (P3), named as the "Equity Investment for KIA-WIA Families". The investment facility aims to help the soldiers/police officers who were wounded and families of those who were killed while performing their duties. Specifically, it provides an investment with liberal terms and conditions for the establishment of a start-up business or expansion of an existing business. Initially introduced in 2018, significant availments were experienced in the succeeding years of the program.

SB Corporation has allotted P50 million from P3 funds for this investment program with investments ranging from P50,000 to P100,000. The investment is interest-free if paid within two years. Otherwise, amortization will start on the third year with an interest of two per cent per annum.

6. RECEIVABLES

This account consists of the following:

	2019	2018 (As restated)
Accounts receivable	36,984,233	39,277,631
Notes receivable	5,845,613,132	4,665,367,934
Interest receivable	46,314,163	60,974,219
Intra-agency receivable	3,952,231	6,897,020
Dividends receivable (See note 5)	2,553,600	2,553,600

	2019	2018 (As restated)
Subrogated claims receivable	78	79,273,189
Sales contract receivable	17,674,655	29,915,615
Other receivables	2,479,376	2,627,890
	5,955,571,468	4,886,887,098
Allowance for impairment of accounts receivable	(895,264)	(895,264)
Allowance for impairment of notes receivable	(952,438,114)	(837,650,011)
Allowance for impairment of subrogated claims receivable	(78)	(79,189,238)
	(953,333,456)	(917,734,513)
Total carrying amount	5,002,238,012	3,969,152,585
Current	2,839,192,755	1,388,860,055
Non-current	2,163,045,257	2,580,292,530

Accounts Receivable consists of the following:

	2019	2018 (As restated)
Agricultural Credit Policy Council (ACPC) re: Administrative fee for the Comprehensive	8,504,736	8,504,736
Agricultural Loan Fund (CALF), net Participating financial institution's share in expenses relative to foreclosure in the management of acquired assets	4,988,754	4,936,858
Lease purchase for officers	17,577,942	14,490,378
Lease purchase - resigned officers	2,067,758	3,022,014
Foreclosure-related expenses	1,194,099	2,002,005
Documentary stamp tax remittance for mSME Notes	294,150	3,795,582
Advances made for contract-of-service employees	161,530	330,794
Travel Fund as required by the DBM-PhilGeps	1,300,000	1,300,000
	36,088,969	38,382,367

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 for 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. However, when Quedancor was closed, their assets were put under the receivership of the PDIC. To date, the Corporation is still awaiting PDIC's resolution of the payment of Quedancor's creditors.

SB Corporation has a car plan program for officers under a lease purchase arrangement. The amortization is periodically deducted from the payroll based on the preferred amortization period but not to exceed 10 years. Once an officer resigns before the maturity of the lease purchase arrangement, the balance is to be deducted from all payables to the officer. In the event that such payables are not sufficient to fully pay the car plan, the balance may be amortized for a maximum period of five years under the prevailing market interest rate.

Notes receivable refers to loans extended by SB Corporation to banks, other financing institutions and MSME direct borrowers at an interest rate ranging from 2.0 per cent to 30.0 per cent per annum for relending under its special lending programs for MSMES.

	2019	2018 (As restated)
Regular Wholesale-SME and MICRO	979,933,121	995,916,234
Regular Retail	5,970,957	103,093,318
ERF Retail	2,923,861,717	1,622,185,475
P3 Wholesale	130,918,946	50,028,518
P3 Retail	293,471	343,968
Others	4,893,175,018	3,827,717,923

While SB Corporation reviews its notes receivables to assess potentially uncollectible receivables annually, a monthly accrual of allowance for impairment accounts is recognized in the financial statements to cushion the one-time lump sum effect of the yearly provisioning requirement. The said monthly accruals of allowance for impairment has been budgeted and reflected in Department of Budget and Management (DBM) Form No. 3 under the Non-Cash items of the 2018 approved COB of SB Corporation.

The periodic impairment complies with the general provisioning requirement of the BSP. Upon review of the annual provisioning requirement, the booked provisioning is adjusted to the required provisioning for the year whereby either additional allowances are recognized or reversed in the event a decrease in provisioning requirement is encountered.

Interest receivable represents accrued interest receivable from the following investment in government-issued debt instruments and notes receivable that are still to be collected at the balance sheet date.

	2019	2018 (As restated)
Short-Term investments	146,009	2,808,062
Financial assets – amortized cost Notes	4,085,998	11,158,292
receivable – Loans	46,314,163	60,974,219

Subrogated claims receivable represents the amount of guarantee 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.

However, on August 31, 2019, all guarantee-related assets, liabilities and funds were transferred to the PhilGuarantee in compliance with EO No. 58, series of 2018.

Sales contract receivable are receivables from disposal of real and other properties acquired (ROPA) through term amortizations.

Other receivables

	2019	2018 (As restated)
Disallowances/Charges	1,113,067	1,326,459
Due from officers and employees	1,366,309	1,301,431
	2,479,376	2,627,890

Disallowances pertain to COA disallowances which are already final and executory, booked as receivables and being collected from responsible officers and employees thru salary deductions.

7. NON - CURRENT ASSETS HELD FOR SALE

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 sale transactions. Details as follows:

	2019	2018 (As restated)
Non-current assets held for sale	66,874,663	42,637,499
Allowance for impairment	(12,145,881)	(15,714,185)
	54,728,782	26,923,314

8. PROPERTY AND EQUIPMENT – NET

This account consists of the following:

	Buildings/ Structures/ Lease Asset Improvements	Furniture and Other Equipment	Transport Equipment	Total
Cost				
January 1, 2019	151,823,926	31,974,446	15,108,741	198,907,113
Additions	1,875,230	3,645,416	0	5,520,646
Disposals	0	(2,771,312)	0	(2,771,312)
December 31, 2019	153,699,156	32,848,550	15,108,741	201,656,447
Accumulated depreciation				
January 1, 2019	95,636,557	21,936,976	9,646,810	127,220,343
Additions	4,978,884	2,687,176	1,001,544	8,667,604
Disposals	0	(2,460,175)	0	(2,460,175)
December 31, 2019	100,615,441	22,163,977	10,648,354	133,427,772
Carrying amount, December 31, 2019	53,083,715	10,684,573	4,460,387	68,228,675
Cost				
January 1, 2018	144,000,608	29,649,361	15,841,599	189,491,568
Additions	1,953,423	2,763,338	0	4,716,761
Reclassification	5,869,895	(52,065)	0	5,817,830
Disposals	0	(386,188)	(732,858)	(1,119,046)
December 31, 2018	151,823,926	31,974,446	15,108,741	198,907,113
Accumulated depreciation				
January 1, 2018	89,296,012	19,921,122	9,032,920	118,250,054
Additions	4,256,700	2,351,710	1,273,462	7,881,872
Reclassification	2,083,845	(7,240)	0	2,076,605
Disposals	0	(328,616)	(659,572)	(988,188)
December 31, 2018	95,636,557	21,936,976	9,646,810	127,220,343
Carrying amount, December 31, 2018	56,187,369	10,037,470	5,461,931	71,686,770

9. DEFERRED TAX ASSET

This account consists of the following:

	2019	2018 (As restated)
Excess minimum corporate income tax	4,905,319	5,718,852
Provision for impairment losses	118,564,635	79,183,793
Unrealized losses on ForEx	35,583,402	47,563,914
	159,053,356	132,466,559

10. OTHER ASSETS

This account consists of the following:

	2019	2018 (As restated)
Prepayments	11,008,092	17,439,373
Deposits	1,386,589	1,898,679
Foreclosed property/assets	23,105,104	29,692,114
Other assets	4,757,462	4,757,462
	40,257,247	53,787,628
Accumulated Impairment Losses – foreclosed property/asset	(10,288,681)	(7,259,720)
Accumulated Impairment Losses – other assets	(1,862,277)	(1,862,277)
	(12,150,958)	(9,121,997)
Carrying amount	28,106,289	44,665,631
Current	11,008,092	17,439,373
Non-current	17,098,197	27,226,258

11. FINANCIAL LIABILITIES

This account consists of the following:

	2019	2018 (As restated)
Payables	131,066,202	937,561,154
Bills/Bonds/Loans payable	890,169,279	1,063,675,707
Financial liabilities designated at Fair Value through Surplus/Profit or Deficit/Loss	246,585,575	284,353,523
	1,267,821,056	2,285,590,384
Current	269,202,408	1,034,859,645
Non-current	998,618,648	1,250,730,739

Payables consists of the following:

	2019	2018 (As restated)
Accounts payable	22,039,295	61,245,962
Notes payable	107,221,186	868,841,610
Interest payable	1,805,721	7,473,582
	131,066,202	937,561,154

Accounts payable is used to recognize acquisition of goods or services in the normal course of trade and business operation that remains to be unpaid as at the end of the year.

	2019	2018 (As restated)
SB Regular	21,993,630	21,228,522
P3	45,665	40,017,440
	22,039,295	61,245,962

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 1.50 per cent to 3.10 per cent per annum for 2019.

Details of the account as follows:

	2019	2018 (As restated)
Current portion	89,431,738	800,948,160
Non-current portion	17,789,448	67,893,450
	107,221,186	868,841,610

Interest Payable represents accrued interest expense on domestic and foreign borrowings as follows:

	2019	2018 (As restated)
Asian Development Bank (ADB)	148,601	49,910
International Fund for Agricultural Development (IFAD)	394,229	425,768
Notes payable - mSME Notes	1,262,891	6,997,904
	1,805,721	7,473,582

Bills/Bonds/Loans Payable

This account consists of SB Corporation's borrowings:

	2019	2018 (As restated)
Loans payable – Foreign		
ADB	288,849,365	405,717,530
KfW	577,772,130	632,526,570
Loans payable – Domestic		
IFAD	23,547,784	25,431,607
Current	890,169,279	1,063,675,707
Non-current	131,063,982	134,946,847
	759,105,297	928,728,860

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, 2019 was at P0.4673. 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 percent per annum plus a commitment fee of 0.25 per cent per annum based on the undisbursed loan amount. The loan is being 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, 2019 was at P56.9795. 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 NG a foreign exchange risk cover (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, 2019, the outstanding balance of ADB and KfW loans amounted to JPY618.124 million and €10.140 million, respectively.

The loan from the International Fund for Agricultural Development (IFAD) is a subsidiary loan from the ROP in peso amount equivalent to 10 million Special Drawing Rights (SDR) 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. The program was completed in December 31, 2014.

Financial Liabilities Designated at Fair Value through Surplus/Profit or Deficit/Loss

	2019	2018 (As restated)
Asian Development Bank (ADB)	15,151,108	26,858,548
Kreditanstalt für Wiederaufbau (KfW)	231,434,467	257,494,975
	246,585,575	284,353,523
Current	24,861,672	30,245,094
Non-current	221,723,903	254,108,429

Financial liabilities designated at FVTPL represents the fair value of the FXRC of SB Corporation's borrowings from multilateral agencies amounting to P866.62 million in 2019 and P1.038 billion in 2018 which is treated as derivative financial instrument.

Under a MOA between SB Corporation and the NG 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 NG a guarantee fee of one per cent per annum and an FXRC fee of three per cent per annum.

The fair value changes on the FXRC are reported in the SCI. As at December 31, 2019, the outstanding national amount of FXRC amounted to JPY618.124 million and €10.140 million.

As at December 31, 2019 and 2018, the carrying values of SB 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 FVTPL is carried at its Level 1 fair value of P246.586 million and P284.354 million as at December 31, 2019 and 2018, respectively.

12. INTER-AGENCY PAYABLES

Inter-agency payables comprise of obligations or liabilities due to government agencies/institutions relating to current or prior reporting period that are unpaid as at the balance sheet date such as payments for statutory and regulatory obligations. It also includes payable to other National Government Agencies (NGA) or to other funds as follows:

	2019	2018 (As restated)
Due to BIR	11,898,600	9,375,300
Due to GSIS	1,475,427	18,210
Due to Pag-ibig	52,272	83,103
Due to PhilHealth	83,667	82,851
Due to NGAs	0	756,656,096
Due to Other Funds	4,168,837	4,354,375
	17,678,803	770,569,935

The significant decrease in the Due to NGAs account pertains to the Credit Risk Guarantee Fund (CRGF) which was transferred to the PhilGuarantee in compliance with EO 58, series of 2018. 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.

13. TRUST LIABILITIES

These pertain to security deposits in the form of performance bonds or cash for guaranty. Said security deposit is issued to SB Corporation by the winning bidder as a guarantee against its failure to meet the obligations in the contract.

Outstanding balance of this account is P0.904 million and P3.774 million as at December 31, 2019 and 2018 respectively.

14. DEFERRED CREDITS/UNEARNED INCOME

This account refers to unearned income from capitalized interest and charges of a restructured loan. When an account becomes past due and is granted with approved restructuring agreement, accrued interest is recorded with a corresponding set up of the liability account.

	2019	2018 (As restated)
Regular loan agreement	19,376,499	18,672,008
Compromise agreement	2,796,776	2,499,406
	22,173,275	21,171,414

15. OTHER PAYABLES

	2019	2018 (As restated)
Undistributed collections	4,019,925	2,349,842
Other payables	37,436,044	35,532,862
	41,455,969	37,882,704

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

Other payables account contains amount payable to Originating Financial Institution (OFI) for their share in the proceeds from sale/disposal of foreclosed/acquired properties of SB Corporation wherein OFI has equity. It also includes amount payable for terminated cases wherein the judgment was rendered against SB Corporation.

16. SHARE PREMIUM

The share premium pertains to the Additional paid in capital representing the ten per cent excess of par for shares issued by SB Corporation to the NG for the GFSME assets turned over to SB Corporation pursuant to EO No. 28 dated July 30, 2001 which mandated the consolidation of GFSME and Small Business Guarantee Finance Corporation with the latter as the surviving entity.

17. RETAINED EARNINGS

	2019	2018 (As restated)
<i>Appropriated retained earnings</i>		
Guarantee Reserve Fund (GRF)	0	35,000,000
Pondo sa Pagbabago at Pag-Asenso (P3) Appropriated for dividend	3,186,151,112	1,773,738,199
	30,673,100	30,673,100
Total Appropriated Retained Earnings	3,216,824,212	1,839,411,299

	2019	2018 (As restated)
<i>Unappropriated retained earnings (deficit)</i>		
Accumulated Net Income, before extra ordinary gains/(losses)	169,093,979	142,360,421
Extra-Ordinary Gains/(Losses)		
Net Unrealized Gain/(Loss) from Changes in Fair Value of Financial Instruments	(65,694,192)	103,108,334
Net Unrealized Gain/(Loss) on Foreign Exchange (FOREX) Translation	(176,919,460)	(216,854,501)
Total Unappropriated Retained Earnings	(73,519,673)	28,614,254
	3,143,304,539	1,868,025,553

Presentation of Financial Statements-Restatement

In 2019, the Company restated its 2018 and 2017 financial statements to reflect the amounts of financial assets at fair value through profit or loss and deferred premium option that were previously offset. The restatement resulted in material retrospective restatement on certain accounts in the comparative financial statements for December 31, 2018 and 2017.

The effect of this restatement in the comparative financial statements for December 31, 2018 and January 1, 2018 on the affected assets and equity component is shown below.

	As Previously Reported	Effects of Restatement	As Restated
December 31, 2018			
<i>Changes in assets and liabilities</i>			
Financial assets at FVTPL	151,549,400	285,938,099	437,487,499
Financial liabilities at FVTPL	0	(285,353,523)	(284,353,523)
Deferred tax liability	(55,790,038)	9,849,845	(45,940,193)
Net increase in equity		11,434,421	
<i>Changes in equity</i>			
Retained earnings - Net FA at FVTPL	151,549,399	(151,549,399)	0
Retained earnings Unappropriated	(134,369,566)	162,983,820	28,614,254
Net increase in equity		11,434,421	
January 1, 2018			
<i>Changes in assets and liabilities</i>			
Financial assets at FVTPL	34,417,396	308,410,650	342,828,046

	As Previously Reported	Effects of Restatement	As Restated
Financial liabilities at			
FVTPL	0	(302,662,599)	(302,662,599)
Deferred tax liability	(10,325,219)	(1,724,415)	(12,049,634)
Net increase in equity		4,023,636	
Changes in equity			
Retained earnings - Net			
EA at FVTPL	34,417,396	(34,417,396)	0
Retained earnings- Unappropriated	(145,940,694)	38,441,032	(107,499,662)
Net increase in equity		4,023,636	
Loss from changes in FV of Financial instruments	(99,418,312)	4,163,474	(95,254,838)
Income Tax Expense- Deferred	26,638,266	(11,574,260)	15,064,006
Net decrease in equity		(7,410,786)	

18. STOCKHOLDERS' EQUITY

SB 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 this account are as follows:

	2019		2018 (As restated)	
	Amount	No. of Shares	Amount	No. of Shares
Capital stock				
Common shares				
National Government	767,450,700	7,674,507	804,944,300	8,049,443
LBP	393,611,500	3,936,115	393,611,500	3,936,115
DBP	218,673,100	2,186,731	218,673,100	2,186,731
Philippine National Bank	40,000,000	400,000	40,000,000	400,000
GSIS	46,673,100	466,731	46,673,100	466,731
Social Security System (SSS)	16,000,000	160,000	16,000,000	160,000
	1,482,408,400	14,824,084	1,519,902,000	15,199,200
Preferred shares				
SSS	200,000,000	2,000,000	200,000,000	2,000,000
GSIS	200,000,000	2,000,000	200,000,000	2,000,000
	400,000,000	4,000,000	400,000,000	4,000,000
	1,882,408,400	18,824,084	1,919,902,000	19,199,200

On December 13, 1993, the BOD passed 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; and (e) with redemption rights after the lapse of the ten year period from date of issue at the option of the holder. The redemption price shall be based on the adjusted book value of the stock at the time of redemption.

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

- Preference in the payment of dividends in accordance with the principle of equity with common stockholders in the declaration and distribution of corporate dividends;
- Preference in the claim against corporate asset in the event of dissolution or bankruptcy;
- Each share of its outstanding preferred stocks is entitled to a vote during stockholders meeting;
- Entitled to exercise its preemptive right to increase shareholdings through the equivalent unissued common shares;
- Entitled to a Board seat in accordance with Section 11 and 3 of RA No. 6977 as amended by RA No. 8289; and

- The appropriated portion of the retained earnings in the amount of P61.346 million 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 million in previously appropriated retained earnings were released to GSIS upon presentation of its certificate of acceptance.

On August 5, 2019, BR No. 2019-08-2803 approved the transfer of all guarantee-related functions, programs, funds, assets and liabilities of SB Corporation to the PhilGuarantee pursuant to EO 58, series of 2018. Total assets transferred amounted to P37.49 million taken from the equity of the NG.

19. INCOME

Service and Business Income

Being a government-owned and controlled corporation primarily mandated to provide, among others, financing to the MSME sector, income generation is mostly derived from its lending operation, which includes both service and business income.

a) Service Income

	2019	2018 (As restated)
Processing fees	19,578,872	11,650,792

b) Business Income

	2019	2018 (As restated)
Interest income	307,553,217	296,058,258
Fines and penalties	9,383,216	6,723,014
Management fees	782,069	2,279,014
Guarantee fees	660,718	1,530,446
Dividend income	500,000	469,687
Rent/Lease income	372,000	134,900
Other business income	19,665,720	7,260,759
	338,916,940	314,456,078

Gains

	2019	2018 (As restated)
Gain on foreign exchange (FOREX)	102,882,578	123,583,622
Gain from changes in fair value of investment	99,216,248	227,840,063
Gain on sale/redemption/transfer of investment	2,743,445	0
Gain on sale of property and equipment	0	1,500
Other gains	5,740,977	2,591,960
	210,583,248	354,017,145

Other Non-Operating Income

	2019	2018 (As restated)
Miscellaneous income	4,660,817	4,477,589

Miscellaneous income includes income from management fees of funds being managed by SB Corporation particularly the CRGF and BMBE. It also includes income from bank's share in the capacity building program. This account may also include recovery of accounts previously written off entered into compromise agreement and all other miscellaneous income.

20. EXPENSES

Financial Expenses

Financial expenses pertain to operating expenses comprised of both personnel cost and maintenance and other operating expenses.

The significant increase in the amount of personnel services expense pertain to the adoption of the 4th tranche of the Modified Salary System wherein approval was granted by the Governance Commission for GOCCs in June 2018.

	2019	2018 (As restated)
Personnel services		
Salaries and wages	125,793,772	107,252,305
Other compensation	40,081,390	41,919,607
Personnel benefit contributions	34,375,825	29,107,327
Other personnel benefits	6,032,755	2,250,332
	206,283,742	180,529,571
Maintenance and other operating expenses		
Professional services	59,488,709	32,530,519
Taxes, insurance premiums and other fees	19,831,168	16,059,113
Rent/Lease Expenses	10,127,240	7,138,008
Confidential, intelligence and extraordinary	7,476,910	5,960,263
Supplies and materials	7,112,365	7,275,868
Travelling	5,540,139	7,319,133
Communication	4,862,261	4,140,440
Repairs and maintenance	4,682,669	5,287,987
Advertising, Promotional and Marketing	3,880,737	3,560,629
Representation Expenses	3,408,738	5,920,153
Utility	3,348,130	3,080,706
General services	2,798,233	2,120,697
Training and scholarship	1,914,724	3,127,695
Litigation/Acquired Assets Expenses	1,262,875	692,540
Printing and Publication Expenses	482,544	482,090
Membership Dues and Contributions	60,433	129,392
Subscription Expenses	41,618	48,509
Donations	0	117,935
Major Events and Conventions Expenses	0	964,028
Other Maintenance and Operating Expenses	2,553,110	2,388,357
	138,872,603	108,344,062
Financial Expenses		
Interest	14,466,602	37,827,405
Guarantee fees	9,647,463	11,227,042
Bank charges	446,881	476,853
Trusteeship fees	3,693	216,488
Other financial charges	598,454	173,328
	25,163,093	49,921,116
Non-Cash Expenses		
Losses	317,073,569	299,474,599
Impairment loss	131,269,474	95,983,026
Depreciation	9,066,511	8,350,562
	457,409,554	403,808,187

21. INCOME TAX

21.1 Regular corporate income tax (RCIT)

	2019	2018
Net income before income tax	1,246,010,885	1,008,994,632
<i>Permanent differences</i>		
Non-deductible expenses		
Maintenance and other operating expenses-P3	52,298,712	47,701,287
Interest arbitrage limitation	14,466,602	29,085,979
Non-taxable income		
Subsidy from NG - P3	(1,500,000,000)	(1,066,995,964)
Interest income on government securities	(39,952,496)	(70,113,275)
Interest income on bank deposits	(319,672)	(398,189)
Accounting income subject to tax	(227,495,969)	(51,725,530)
<i>Temporary differences</i>		
Provision for impairment of loans/acquired properties	131,269,474	95,983,025
Unrealized net loss on ForEx Translation	(39,935,041)	35,986,983
Unrealized net gain on Derivative Valuation	157,368,107	(79,615,000)
Taxable income	21,206,571	629,478
Tax rate	30%	30%
Tax still due	6,361,971	188,843

21.2 Minimum corporate income tax (MCIT)

Particulars	2019	2018
Gross revenue	374,099,374	340,975,300
Less: Finance charges	25,115,830	49,921,116
Gross income	348,983,544	291,054,184
Reconciling Items:		
Investment in government securities	(39,952,496)	(70,113,275)
Interest income on bank deposits	(319,672)	(398,189)
Interest arbitrage limitations	14,466,602	29,085,979

Particulars	2019	2018
Taxable gross income	323,177,978	249,628,699
MCIT rate	2%	2%
MCIT due	6,463,560	4,992,574
Available tax credits		
Creditable withholding tax	(1,754,756)	0
Prior year's income tax payments	(4,708,804)	(4,992,574)
Tax still due	0	0

21.3 Income tax benefit computation

Particulars	Amount
Deferred tax asset - allowance for impairment accounts (AIA)	
2019 provision	131,269,474
Tax rate	30%
Income tax benefit- AIA for 2019	39,380,842
Deferred tax asset - AIA, January 1, 2019	79,183,793
Deferred tax asset - AIA, December 31, 2019	118,564,635
Financial asset at FVTPL	40,499,377
Tax rate	30%
Deferred tax liability - FA at FVTPL, December 31, 2019	12,149,813

21.4 MCIT schedule

Minimum corporate income tax						
Year Occured	Available until	Excess MCIT Prior Years	Excess MCIT Current Years	Excess MCIT over Normal Income Tax	Expired/Used portion of excess MCIT	Balance MCIT still allowable tax credit
2019	2022		101,588	0	0	101,588
2018	2021	4,992,574	0	0	188,843	4,803,731
2016	2019	726,278	0	0	726,278	0
Total		5,718,852	101,588	0	915,121	4,905,319

21.5 Deferred tax asset and liabilities schedule

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

	Statement of Financial Position		Statement of Comprehensive Income	
	2019	2018	2019	2018
Deferred tax assets				
MCIT	4,905,319	5,718,852	0	4,992,574
Provision for impairment	118,564,635	79,183,793	39,380,842	3,037,884
Unrealized losses on forex	35,583,402	47,563,914	(11,980,512)	10,796,095
	159,053,356	132,466,559	27,400,330	18,826,553
Deferred tax liabilities				
Financial asset at FVTPL	12,149,813	45,940,193	33,790,380	(33,890,559)
Net deferred tax assets	146,903,543	86,526,366		
Net income tax benefit (expense)			61,190,710	(15,064,006)

22. SUBSIDY INCOME FROM NATIONAL GOVERNMENT

22.1 Credit Risk Guarantee Fund (CRGF)

In May 2017, a P750 million fund was transferred to SB 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 under Inter Agency Payables. Further, the fund includes a five per cent mobilization fund for operation. As of August 31, 2019, the CRGF was transferred to the PhilGuarantee in compliance with EO 58, series of 2018. As of September 30, 2019, fund balance amounts to P 578,104,894, net of remittance to the BTr of P 135,914,425 on January 25, 2019 for the unutilized portion of the fund and a P 52,079,715 investment maturity directly credited to the PhilGuarantee. Full transfer of P 578,104,894 fund balance was made on October 2, 2019.

22.2 Pondo sa Pagbabago at Pag-Asenso (P3)

P3 is the Duterte Administration'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.

CY 2019 is P3s third year of operation. P3 funding is included as a Tier 1 funding of P1.0 billion with a Tier 2 funding of P500 million in the 2019 General Appropriations Act. The Tier 1 fund is inclusive of a five per cent mobilization fund.

Presented below is the two-year comparative fund balance with breakdown of expenses incurred for the program implementation:

	2019	2018 (As restated)
Receipts	1,500,000,000	1,066,995,964
Expenses		
<i>Maintenance and other operating expenses</i>		
Security, janitorial and other contracted services	28,731,108	11,893,373
Supplies and materials	4,115,458	4,237,267
Rental expense	3,266,442	2,434,726
Advertising expenses-P3	2,466,417	3,560,629
Travelling expenses-local-P3	2,283,560	5,467,963
Taxes and licenses-DST-P3	2,131,876	3,020,542
Communication	2,117,039	2,198,266
Repairs and maintenance	1,621,818	3,254,580
Power, light and water	1,404,843	1,551,296
Condominium dues	1,157,944	1,203,644
Development cost	655,087	614,525
Training expenses	623,072	1,570,815
Business development expense-P3	585,814	4,145,926
Gasoline, oil and lubricants expenses	482,413	676,793
Business promotion-P3	250,953	208,245
Printing and binding expense	138,895	229,594
Management Committee Expense-P3	2,046	-
Consultancy	-	1,041,500
Miscellaneous expense	263,928	391,603
	52,298,713	47,701,287
Provision for probable losses	101,269,474	85,856,744
	153,568,187	133,558,031
Fund balance	1,346,431,813	933,437,933

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

23. CONTINGENT LIABILITY

As at August 31, 2019 and December 31, 2018, SB Corporation's contingent liability arising from outstanding guarantees amounted to P491.30 million and P689.45 million, respectively, broken down as follows:

	2019	2018 (As restated)
Regular guarantee	58,662,362	76,061,700
CRGF	432,641,499	613,388,752
	491,303,861	689,450,452

In compliance with EO No. 58, series of 2018 transferring the guarantee functions, programs and funds of the SB Corporation to the PhilGuarantee, both the regular guarantee program and the CRGF were transferred including its contingent liabilities.

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 percent 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 percent 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 SB 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 the time that the guarantee fund was transferred to the PhilGuarantee in September 2019, the fund balance is at P35 million with an adjusted 5x leverage ratio.

23.2 Credit Risk Guarantee Fund

SB 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 NG. Given the positive turnout of the ERF, SB Corporation was tasked by the NG to manage a CRGF of P750.001 million, which is a component of the YCRRP.

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 P300.500 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 net income of P185.856 million and P181,228 million as at December 31, 2019 and 2018, respectively. A total of P20.286 million was disbursed to the different beneficiaries identified by the MSMED Council covering the period 2004 to 2019. On September 26, 2019, the Corporation partially remitted to BTr an amount of P453,617 million as instructed by MSMED Council dated August 15, 2019.

As at December 31, 2019 and 2018, the BMBE Development Fund showed a balance of P30.453 million and P461.801 million, respectively.

25. EMPLOYEE BENEFITS

25.1 Provident fund

The provident 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 DBM 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

SB Corporation leases the premises which serve as its extension offices in Cebu, Davao, Baguio and other desk offices in the different regions of the country for a period of one year and has the option to renew such leases annually under certain terms and conditions.

27. FINANCIAL RISK MANAGEMENT

SB 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 adverse financial consequences. This is to ensure that SB Corporation performs its mandate as a government-owned and controlled corporation (GOCC) and not merely duplicates what the private sector and other GOCCs are already doing. This is to likewise optimize the utilization of NG investments by not contributing to the cycle of poverty and debt for small business owners.

SB Corporation's risk management policies for each financial risk factor are summarized below:

a. Credit Risk

In view of its mandate to safeguard the interest of the public and contribute to the promotion of stability in the economy, SB Corporation manages credit risk at all relevant levels of the organization. It defines credit risk as the risk that the loans granted to borrowers and/or other financial institutions will not be paid when due, thereby causing incurrence of financial losses.

SB Corporation therefore exercises prudence in the grant of loans over its exposures to credit risk, taking into consideration its developmental objectives as mandated by the Magna Carta for MSMEs. This is managed through the implementation of the borrower risk rating and monitoring of loan covenants in the loan agreements. The borrower risk rating is being used, among others, as basis for determining credit worthiness of loan applicants. Further, SB Corporation mitigates such credit risks through the acceptance of eligible collaterals as secondary form of payment.

b. Market Risk – Interest Rate Risk and Foreign Exchange Risk

SB Corporation anticipates, measures, and manages its interest rate sensitivity position to ensure its long-run earning power, build-up of its investment portfolio and avoid economic losses. 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.

SB Corporation manages its currency risk against foreign exchange rate fluctuations on its foreign currency denominated borrowings through a Foreign Exchange Risk Cover (FXRC) secured from the DOF at a given cost for the term of the loan. SB Corporation's exposure to market risk for changes in interest rates relates primarily to its loans from various financial institutions.

c. Liquidity Risk

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

As part of its liquidity risk management, SB Corporation regularly evaluates its projected and actual cash flows and institutes liquidity risk controls. It also continuously assesses conditions in the financial markets for opportunities to pursue fund raising activities, in case any requirements arise. Fundraising 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 RR No. 15-2010, hereunder are the information on taxes, duties and license fees paid or accrued during the taxable year 2019. The taxes and licenses paid/accrued during the year are as follows:

(a) Withholding taxes

	2019	2018 (As restated)
Taxes on compensation and benefits	22,303,507	24,222,100
Value added taxes (VAT)	5,057,155	4,506,065
Expanded withholding taxes	1,823,942	1,799,970
Gross receipt taxes (GRT)	10,887,399	11,352,953
	40,072,003	41,881,088

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

	2019	2018 (As restated)
Local		
Real estate taxes	598,246	698,925
Corporate community tax	10,500	10,500
	608,746	709,425
National		
Capital gains taxes	2,339,814	0
Documentary stamp taxes	33,350,955	34,036,461
BIR annual registration	500	500
	35,691,269	34,036,961
	36,300,015	34,746,386

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 RR No. 19-2011 (and as further amended by RR No. 2-2014 dated January 24, 2014) 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, 2019, SB Corporation reported the following revenues and expenses for income tax purposes.

	2019	2018 (As restated)
Revenues		
Operations	333,827,206	270,679,525
Expenses		
Cost of services	10,649,228	21,050,825
Itemized Deductions		165,239,093
Salaries and allowances	188,423,390	13,807,512
Other services	25,695,246	12,075,154
Taxes and licenses	16,713,342	14,228,477
SSS, GSIS, Philhealth and other contributions	16,506,353	8,350,565
Depreciation	8,666,566	5,721,641
Representation and entertainment	7,166,995	3,471,584
Communication, light and water	4,688,510	2,180,619
Rental	3,984,014	1,851,170
Transportation and travel	3,256,579	1,786,915
Repairs and maintenance - labor	2,758,450	1,816,273
Miscellaneous	2,401,659	2,106,121
Management and consultancy services	1,937,143	1,602,141
Office supplies	1,715,439	605,390
Janitorial and messenger services	1,535,844	678,701
Advertising and promotions	1,414,320	1,062,000
Director's fees	1,354,000	1,556,880
Trainings and seminars	1,291,651	963,417
Insurance	985,950	759,667
Fuel and oil	799,056	467,929
Security services	618,204	
Repairs and maintenance-	302,400	246,492
Materials/supplies	0	117,935
Charitable contributions	9,756,299	8,303,544
Others	301,971,410	248,999,220

Board of Directors



Usec. Blesila A. Lantayona
Acting Chairman, SB Corporation
Department of Trade and Industry Representative

Usec. Blesila A. Lantayona is 61 years old. Prior to her appointment as Undersecretary of the Department of Trade and Industry, Usec. Blesila A. Lantayona was the Assistant Secretary of DTI-Regional Operations Group, in-charge of Kapatid Mentor ME, Shared Service facilities, Industry Cluster Enhancement Project, Great Women Project 2, among others. She was conferred with the DTI Innovator Award during the 2017 System on Performance Rewards and Incentives (SPRInts) Huwarang DTI Awards, the annual recognition program for top performing Officials and Employees whose outstanding achievements and exemplary demonstration of the DTI values transformed the organization into the "Agency of Choice".

Usec. Lantayona earned her BS Degree in Agriculture major in Economics (cum laude) from Xavier University (Ateneo de Cagayan), Cagayan de Oro City as scholar of the Filipino Banana Growers and Exporters Foundation, Inc. She was fellow of the European Union-ASEAN Scholarship Programme and holds an MBA Degree in International Business from Ecole Europeenne des Affaires (European School of Management) in Paris, France.

Her career in the civil service started in NEDA Region XI. She then moved to DTI, first in various technical positions, then as Provincial Director of DTI-Davao del Sur, and eventually as Assistant Regional Director of DTI-Region XI. Due to good performance, she was later appointed as Regional Director of DTI-Region III covering the 7 Provincial Offices of Central Luzon and as Luzon Island Coordinator for the 8 Luzon-based DTI Regional Offices.

In September 2019, she was appointed as the Supervising Undersecretary of the DTI-Regional Operations Group in-charge of the 16 Regional Offices, 81 Provincial Offices and Bureau of Small Micro Enterprise Development. She was appointed as Member of the Board representing Department of Trade and Industry as well as Acting Chairman of SB Corporation on August 19, 2019.



Ms. Ma. Luna E. Cacanando
President and CEO, SB Corporation

Ms. Ma. Luna E. Cacanando, 59 years old, 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 SB Corporation, Ms. Cacanando was Credit Manager of Guarantee Fund for MSMEs (GFSME) until its merger with Small Business Guarantee and Finance Corporation (SBGFC or SB Corporation) 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 SB Corporation 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.

Ms. Cacanando is an alumna 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



Mr. Santiago S. Lim
Private Sector Representative

Mr. Santiago S. Lim is 57 years old, has been achiever since his youth and 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 Dean's Lister, 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 took 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 has been the Private Sector Representative to the Board of Directors of the SB Corporation since March 20, 2018.



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

Mr. Benel P. Lagua is 64 years old and holds two post graduate degrees, Master in Public Administration from the Harvard University, Kennedy School of Government in Cambridge, Massachusetts and the 2-year Master in Business Management course at the Asian Institute of Management (AIM) in Makati. He is a graduate of BS in Management Engineering from the Ateneo de Manila. He was a Review Committee Member of the Industrial Guarantee Loan Fund (IGLF), Chairman of the SULONG Finance Committee and from time to time he has served as Officer-In-Charge of the Department of Trade and Industry SME Development Group. Likewise, he is active in the academic community, where he teaches part time at the Ateneo De Manila University and the Graduate School of Business at De La Salle University Professional Schools, Inc. in the areas of Management and Finance. Currently, he is the Executive Vice President of the Development Sector of the Development Bank of the Philippines. He is also the member of the Board of the Maritime Industry Authority and LGU Guarantee Corporation. He was appointed as Member of the Board of SB Corporation on April 11, 2013 representing the Development Bank of the Philippines.

Board of Directors



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

Ms. Rosalia V. De Leon 60 years old, serves as Treasurer of the Philippines. 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 redominate 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.

In 2017, Ms. De Leon was re-appointed as National Treasurer. With the increased financing requirement brought about by the Duterte Administration's Build, Build, Build! Program, she had led the Republic towards innovative and cost-effective

Ms. Merly M. Cruz
National Government Representative

Ms. Merly Cruz is 72 years old, holds a 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 appointed as Member of the Board of SB Corporation on October 08, 2014 representing the National Government.

financing since her reappointment in 2017. She ushered the Republic to several landmark transactions, including its maiden RMB- denominated Panda bond issuance, and its re-entry to the Samurai and Euro markets. In the domestic market, she initiated and successfully launched the first Online Retail Treasury Bond, providing more Filipinos inside and outside the country access and convenience in investing.

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 appointed as Member of the Board of SB Corporation on March 23, 2017 as alternate of the Secretary of Finance.



Mr. Joe Jay T. Doctora
National Government Representative

Mr. Joe Jay T. Doctora is 60 years old and a graduate of BS in Business Administration major in Marketing from the University of the Philippines. He obtained his Strategic Business Economics Program at the University of the Asia and the Pacific; Mini Masters in Business Administration – Certificate Program at the University of Buffalo, School of Management; and Masters in Business Administration at the Ateneo de Manila University (32 units). His past work experiences include Senior Management and Leadership positions in various industries. Currently, he sits as Chairman and CEO (Megapharma, Inc.), Director/Chief Finance Officer (Healthcare Essentials, Inc.), Director (Specialist Healthcare, Inc.), and Director/Chief Finance Officer (HEI Gruppo Pharmaceutica, Inc.) He was appointed as Member of the Board of SB Corporation on September 27, 2018 representing the National Government.

Atty. Ferdinand D. Tolentino
National Government Representative

Atty. Ferdinand Tolentino is 57 years old 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 appointed as Member of the Board of SB Corporation on March 8, 2016 representing the National Government.

Mr. Manuel B. Bendigo
National Government Representative

Mr. Manuel Bendigo is 72 years old 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 appointed as Member of the Board of SB Corporation on May 10, 2017 representing the National Government.

Not in photo:

Dir. Arnulfo V. Galdo
DBP Representative effective June 2020

Dir. Jacob S. Vasquez
NG Representative effective July 1, 2020

Management
Committee



Melvin E. Abanto
Executive Vice President

Ma. Luna E. Cacanando
President and CEO

Lourdes Rosario M. Baula
*OIC - Sector Head
Financing*



Richard B. Dasal
*OIC-Sector Head
Corporate Support*

*As of July 2019
Sector Head
Strategy, Systems &
Communications*

Corazon A. Dimayuga
*Group Head
Controllership Group*

Evelyn P. Felias
*Head
Information Technology Group*

Key Officers



Josefina P. Flores
*Group Head
Capacity Building*

*As of 3 September 2019
Head, Human Resources Management
& Development Group and
Capacity Building Group*

Peter V. Pizarro
*Chief Compliance Officer
Office of the Chief
Compliance Officer*

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

*As of 3 September 2019
Head, Administrative
Services Unit*

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



Dida M. Delute
Group Head
Mindanao

Francisco R. Buenavidez
Group Head
Visayas

Julieta S. Calimlim
OIC-Group Head
Treasury

Rebecca R. Narciso
OIC - Group Head
Central Luzon Lending Unit

Rowena G. Betia
Group Head
Internal Audit

As of 3 September 2019
OIC, Credit and Asset
Recovery Support

As of 3 September 2019
OIC- Corporate Support
Sector & Group Head,
Treasury

Not in photo:

Angelito V. Acupan
Group Head, Enterprise Risk Management

Arnel F. Bañez
Group Head, North Luzon

GRI Index



Global Reporting Initiative Profile Indicators

SBCorp 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 helps businesses, governments and other organizations understand and communicate the impact of business on critical sustainability issues. www.globalreporting.org



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6. Ethics and Integrity

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LA 9	Average hours of training per year per employee by gender and by employee category	➤ 8

Directory Offices

Province	Office Address
North Luzon Group (21 Provinces)	
Abra	DTI, Ground Floor, J & I Highway, Ubbog Lippen, Bangued, Abra
Aurora	DTI, Provincial Office, Cordial Bldg, Quezon Hi-way, Brgy Sudalyn, Baler, Aurora
Bataan	DTI, Bataan Provincial Office 3/F Criselda Marie Bldg., Balanga City, Bataan
Baguio	2nd Floor, Jesnor Bldg., Otek St., Baguio City
Benguet	2nd Floor, Jesnor Bldg., Otek St., Baguio City
Bulacan	4th Floor, Lingkod Pinoy Center, Robinsons Place Malolos City
Cagayan	DTI Regional Negosyo Center 02 #11 Dalan na Pappabalo, Regional Gov't. Center, Carig sur, Tuguegarao City, Cagayan, 3500
Ilocos Sur	DTI, 2nd Floor Judy Chiu Bldg, Mabini St, Vigan City, Ilocos Sur
Isabela	4 lanes, Malvar, Santiago City, Isabela.
Kalinga	DTI, 2nd Floor, Lua Bldg, Poblacion, Tabuk City, Kalinga
Mountain Province	DTI, 2nd Floor, Walter Clap Centrum, Poblacion Bontoc, Mountain Province
Nueva Ecija	DTI, Nepo 3rd Floor, Cal Bldg, Gen Trinio Ext., Brgy. Dimasalang, Cabanatuan City, Nueva Ecija
Nueva Vizcaya	DTI, Bayombong, Nueva Vizcaya, Cagayan Valley, Philippines
Pangasinan	DTI, Pangasinan Provincial Office, 2nd Floor, Star Bldg., Arellano, Dagupan City
Tarlac	2nd Floor, Anita Bldg, Zamora St., San Roque, Tarlac City, Tarlac
Quirino	Purok 1 Cayetano Arellano St., Andres Bonifacio, Diffun, Quirino
Zambales	DTI, Zambales (satelliteoffice) Estrada Bldg., RMTU Road, Zone VI, Iba, Zambales

Southern Luzon Group

 (14 Provinces)

Batangas	C/O DTI Batangas Desk Office NACIDA Building B, Morada Ave. Lipa City, Batangas
Cam Norte	DTI Camarines Norte Provincial Office Central Plaza Complex, Brgy. Lag-On, Daet, Camarines Norte 4400
Cavite	DTI Provincial Office, 2nd Floor, Government Center Building, Capitol Compound, Trece Martires City, Cavite
Laguna	DTI Varimco Building, Brgy. Banca-Banca Victoria, Laguna
Legaspi	DBP Building Quezon Avenue, Brgy. Dinagaan, Legaspi City
Masbate	DTI Masbate Provincial Office Capitol Drive, Masbate City
Naga	Unit 204, 2nd Floor, One Magsaysay Corporate Center Magsaysay Avenue, Concepcion Pequena, Naga City
Occ. Mindoro	DTI SME Center Municipal Compound San Jose, Occidental Mindoro

Province	Office Address
Southern Luzon Group (14 Provinces)	
Oriental Mindoro	DTI Provincial Office, Negosyo Center, Brgy. Ibaba East Calapan City
Palawan	DTI Provincial Office , 4th Floor, ERC Plaza, National Highway, Brgy. San Pedro, Puerto Princesa City
Quezon	DTI 2nd Floor, Lucena Grand Terminal Diversion Road, Brgy. Ilayang Dupay, Lucena City
Rizal	2nd Floor, Altica Arcade #83 Circumferential Road, Cor., Sto. Nino Street, San Jose Antipolo City, Rizal
Romblon	Tourism Building, Barangay Tabin-Dagat, Odiongan, Romblon
Sorsogon	2nd Floor, Benjamin TY Building, Corner De Vera and Quezon Street Polvoirsta, Sorsogon City
Visayas Group (18 Provinces)	
Aklan	DTI-Aklan, JSM Building, Veterans Avenue, Kalibo Aklan
Antique	2nd Floor, Business Park, Governor Villavert Street, San Jose, Antique
Capiz	DTI Provincial Office, Sacred Heart of Jesus Avenue, Pueblo de Panay, Brgy. Lawa-an, Roxas City, Capiz
Guimaras	DTI Provincial Office, 2nd Floor Mavikss Bldg., New Site San Miguel, Jordan, Guimaras
Iloilo	DTI Region 6, corner J.M Basa-Peralta St., Iloilo City
Iloilo	DTI Region 6, corner J.M Basa-Peralta St., Iloilo City
Negros Occidental	DTI Provincial Office, 2nd Flr. East 2 Corp. Center cor. Diola Circumferencial Rd., Brgy. Villamonte, Bacolod City, Negros Occidental
Bohol	DTI Bohol Province Office, 2nd Floor, FCB Bldg., Carlos P. Garcia Ave., Tagbilaran City, Bohol
Cebu	Unit 1003-A Keppel Center, Cebu Business Park, Cebu City
Negros Oriental	2nd Floor, Uymatiao Bldg., San Jose Street, Dumaguete City , Negros Oriental
Siquijor	Negosyo Center Portside Area, North Poblacion, Larena, Siquijor
Biliran	DTI - Provincial Office, 2nd Floor JAC Bldg., Caneja Street, Naval, Biliran
E. Samar	DTI-Provincial office,Wheeler's Bldg., Baybay 5, Brgy. Songco, Borongan City, Eastern Samar
Leyte	DTI Leyte Academic Center, Pawing, Palo, Leyte
Leyte	DTI Leyte Academic Center, Pawing, Palo, Leyte
N. Samar	DTI NSPO 2nd Floor, Luisa Angley Bldg., Barangay Sampaguita, Catarman, Northern Samar
So. Leyte	Negosyo Center Sogod, LGU Sogod, Southern Leyte
Samar	DTI Provincial Office, Del Rosario Extension, Poblacion 1 Catbalogan City, Samar

Directory Offices

Province	Office Address
Mindanao Group (26 Provinces)	
Zamboanga City/ Zamboanga del Sur (except Pagadian City)	DTI - Negosyo Center, 2nd Floor VH Wee Bldg., Veterans Ave., Zamboanga City
Zamboanga Sibugay	DTI Negosyo Center, 2F Montebello Bldg., National Highway Ipil, Zamboanga Sibugay Province
Zamboanga Del Norte and Pagadian City	DTI Zamboanga Del Norte, Government Center, Sta. Isabel, Dipolog City
Isabela, Basilan	c/o DTI - Negosyo Center, 2nd Floor VH Wee Bldg., Veterans Ave., Zamboanga City
Cagayan de Oro City/ Misamis Oriental	Dept. of Trade and Industry, Corrales Corner Luna Street, Cagayan De Oro City
Misamis Occidental	DTI Negosyo Center, Dajao Building Poblacion I, Oroquieta City, Misamis Occidental 7207
Lanao del Norte	DTI - Lanao Del Norte Provincial Office, 0171 Pm Durias Bldg., Quezon Ave. Ext., Pala-O, Iligan City
Lanao del Sur	c/o DTI - Lanao Del Norte Provincial Office, 0171 Pm Durias Bldg., Quezon Ave. Ext., Pala-O, Iligan City
Camiguin	Negosyo Center, Mambajao Municipal Hall, Mambajao, Camiguin
Bukidnon	DTI Bukidnon, KG Building, Bonifacio Drive Malaybalay City, Bukidnon
Davao City	Unit 410 4th Floor Landco Corporate Center, J.P. Laurel Avenue, Bajada Davao City
Davao del Sur	DTI Davao Del Sur, Aurora St., Digos City
Davao del Norte	Department of Trade and Industry, Provincial Office Government Center, Brgy. Mankilam, Tagum City
Davao Occidental	DTI Davao Del Sur, Aurora St., Digos City
Davao Oriental	3F Valles Bldg., DTI Office Rizal Street, Mati City
Davao de Oro (Compostela Valley)	c/o Department of Trade and Industry, Provincial Office Government Center, Brgy. Mankilam, Tagum City
North Cotabato/BARMM (except Marawi)	DTI Provincial Office Singao Road, Apo Sandawa Homes Phase 3 Kidapawan City
Sarangani	Alabel Negosyo Center, Public Market, Poblacion Alabel, Sarangani Province
Sultan Kudarat	Negosyo Center City Hall Compound, Tacurong City
South Cotabato	2nd Floor, R.A. Alajar Realty Bldg., South Osmeña Street, General Santos City
Surigao del Norte	DTI - Negosyo Center, 2nd Floor Simtoco Business Center, Burgos St., Surigao City
Surigao del Sur	Dept. of Trade and Industry, 2F JTP Building, Donasco St., Tandag City, Surigao Del Sur
Agusan del Norte	Dept. of Trade & Industry, Rudy Tiu Building II, J.C. Aquino Ave., Butuan City
Agusan del Sur	DTI - Negosyo Center, Municipal Tourism Building, Quezon St., Brgy. 2 San Francisco, Agusan Del Sur
Dinagat Islands	DTI - Negosyo Center, 2nd Floor Simtoco Business Center, Burgos St., Surigao City



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