



2021 ANNUAL REPORT





IFC CONTENTS / ABOUT THE COVER

- 01 VISION & MISSION
- 02 ABOUT THE CORPORATION
- 03 MESSAGE FROM THE PRESIDENT
- 04 MESSAGE FROM THE SECRETARY
- 05 MESSAGE FROM THE ACTING CHAIRPERSON
- 06 OPERATIONAL HIGHLIGHTS
- 10 CORPORATE GOVERNANCE
- 20 RISK MANAGEMENT
- 22 2021 GO GREEN REPORT
- 23 COMMISSION ON AUDIT
- 24 STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL STATEMENTS,
STATEMENT OF FINANCIAL POSITIONS,
STATEMENTS OF COMPREHENSIVE INCOME
- 25 STATEMENTS OF CHANGES IN EQUITY,
STATEMENTS OF CASH FLOWS
- 26 NOTES TO FINANCIAL STATEMENTS
- 43 BOARD OF DIRECTORS
- 46 MANAGEMENT COMMITTEE & KEY OFFICERS
- 49 GRI INDEX
- 50 DIRECTORY OF OFFICES

2024

ABOUT THE COVER

A 30-year collaboration of passion and compassion brought ideas to life.

Damá translates Small Business Corporation's compassion of bringing our local businesses' passions to life through this sensory book. The play on textures from the cover, down to its pages, stands for the progress that is **felt** in every small win during the pandemic, and in the three decades of services in between.

From stitching the first letter to the next, the cover embroidery reads a tangible mark of these successes. The threading design is sewn into the fabric, stating a capitalized "DAMA" to symbolize the impact that is not only seen but also felt. The needlework cover is the first in SBCorp's Annual Report history, conveying a humble but deep-rooted presence in the face of unprecedented times.

With the concept of such presence, having MSMEs represented in the elements of this book shows the bond built and further strengthened between them and Small Business Corporation. Reading through will let you feel how this partnership produced dedication beyond livelihood and financial support. The appearance of these products keeps their efforts alive and real.

Reminiscent of how this book feels, thirty years of progress will continue to touch the lives of our local vendors and the readers alike. A toast to this anniversary will keep the passion alive in the present and in a boundless tomorrow.



VISION STATEMENT

By 2027, we will be the catalyst and leader in transforming the financing landscape of Philippine MSMEs, putting them at the forefront of inclusive economic growth.

MISSION STATEMENT

Our Mission is to relentlessly champion and bridge the financing needs of the neglected business segments of the country for their sustained growth.

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.

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)

Mapagkalinga sa kalikasan

(caring for the environment)



CORPORATE LOGO



After 30 years, the SBCorp identity gets a timely refresh with the utmost respect to the legacy of impact the institution has brought to Philippine MSMEs. With bolder, retrofitted elements adapted for a digital world, the new logo introduces SBCorp as the government agency "Where Philippine MSMEs Go to Grow."

True to SBCorp's history, the logo stands for Bayanihan among the Philippine MSMEs, the Government, and SBCorp itself, represented by the three figureheads interlinked in a circle.

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 community and the country.

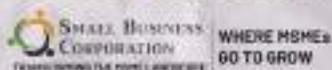
SOCIAL OUTCOME OBJECTIVE

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

- Micro and small agri and aqua enterprises
- Micro retailers
- Small island economies
- MSMEs requiring rehabilitation arising from disaster
- Indigenous people (IP) - owned enterprises
- First-time small businesses

ABOUT THE CORPORATION



Small Business Corporation (SBCorp) is the result of the merger between the Small Business Guarantee and Finance Corporation (SBGFC) and the Guarantee Fund for SMEs (GFSME), under Executive Order No. 98 issued in November 2001. SBCorp's focus is to provide micro, small and medium enterprises (MSMEs) with much needed access to finance to help them grow their businesses. It has several programs for the MSME market: wholesale lending to smaller financial institutions, cooperatives and foundations and retail or direct lending to MSMEs.

PROGRAMS AND PROGRAM BENEFICIARIES

CORPORATE FUNDED PROGRAMS

Using its own corporate funds, SBCorp is engaged in
a) Regular Retail Lending for duly registered MSMEs and
b) Venture Capital for selected start-up MSMEs.

Program: Regular Retail Lending

Priority Beneficiaries: Targeted Micro and Small Enterprise Markets

Program: Venture Capital Program

Priority Beneficiaries: Selected Start-up MSMEs thru Partner State Universities and Colleges

NATIONAL GOVERNMENT-SUPPORTED PROGRAMS

Program: Enterprise Rehabilitation Financing

Priority Beneficiaries: MSMEs who suffered business reversal from calamity.

The program was initially funded by corporate funds when it started in January 2014. SBCorp allotted around PhP600.0 million in support of MSMEs badly affected by Typhoon Yolanda.

In response, the National Government (NG) granted P200 million credit risk subsidy to SBCorp.

Program: Pondo sa Pagbabago at Pag-asenso (P3)

Priority Beneficiaries: Microenterprises who are economically active

The National Government implemented its P3 Fund for microenterprises (MEs) starting 2017 via a GAA allocation for SBCorp.

The strategic objective is to provide all MEs that are economically active in all 81 provinces and 4 districts of the National Capital Region throughout the country, the opportunity to access credit at more reasonable interest rates capped at 2.5% per month.

Not more than 5% of the P3 fund was allocated to higher risk sectors such as internally displaced persons (IDPs) arising from war in Marawi, killed and wounded in action (KIA/WIA) soldiers or their families, MSMEs affected by the temporary closure of Boracay Island and MEs affected by earthquake in Batanes.

Program: Bayanihan CARES

The Bayanihan CARES is a government program that aims to assist micro, small, and medium enterprises (MSMEs) recover from the adverse effects of the pandemic.

The Bayanihan to Recover as One Act or Bayanihan 2 Act has directed SBCorp to expand its existing loan programs for MSMEs, cooperatives, hospitals, tourism, and OFWs affected by Covid-19 pandemic and by other socio-economic reversals.

Ownership and Legal Status

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

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14 MESSAGE
15 FROM THE
PRESIDENT



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“This milestone is a testament to your commitment to contribute to this administration's efforts in fulfilling our national development agenda.”

MANILA
JULY 2021

My warmest greetings to the **Small Business Corporation (SBCorp)** as it celebrates its **30th Anniversary**.

This milestone is a testament to your commitment to contribute to this administration's efforts in fulfilling our national development agenda. By empowering our micro, small and medium enterprises, which constitute more than 99.5% of our country's businesses, you enable them to play an important role in achieving inclusive economic growth.

I hope that through your crucial support for the Pondo sa Pagbabago at Pag-asenso Program and the Bayanihan 2 Act, you will further contribute to the recovery of MSMEs amidst the challenges brought by the COVID-19 pandemic.

Together, let us ensure continuous stimulus support for our small businesses and aid in generating jobs for every Filipino.

I wish you a meaningful anniversary at mabuhay kayong lahat.



Rodrigo Roa Duterte
RODRIGO ROA DUTERTE

THE PRESIDENT OF THE PHILIPPINES

MESSAGE FROM THE SECRETARY



The Department of Trade and Industry offers our warmest congratulations to the Small Business Corporation (SBCorp) as you celebrate your **30th Anniversary**.

For three decades now, SBCorp has been a reliable partner of DTI in ensuring the collective growth of our nation as you provide financial support to our countrymen that empower them to live productive and meaningful lives. As DTI's financing arm, you have provided Micro, Small, and Medium Enterprises (MSMEs) access to much-needed financial assistance that enable them to realize their potential as vital contributors to the economy.

The growth and development of the MSME sector has always been among the Department's priorities. That is why even before the pandemic, DTI has been providing assistance such as training, mentorships, microfinancing, digitalization, equipment support, and market development for enterprises to become competitive.

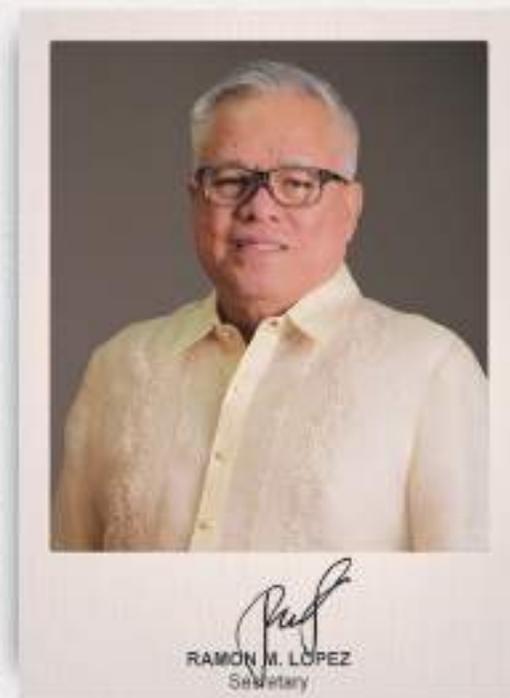
Among these programs is the **Pondo sa pagbabago at Pag-aseaso (P3)** managed by SBCorp, which has been the banner program of President Rodrigo Roa Duterte's administration to provide MSMEs access to much-needed finance. And when the pandemic struck, you have been at the forefront of helping businesses get back on their feet through the launch of the **COVID-19 Assistance to Restart Enterprises (CARES)** program, which offers loans with no collateral requirement and at zero interest rate to MSMEs. This program also includes microfinancing for businesses in the tourism sector, displaced, repatriated, or returning Overseas Filipino Workers (OFWs) affected by the pandemic that wish to rebuild their lives here in the Philippines.

Just recently, the Php 5 billion microfinancing allotted for the Bayanihan CARES is nearing full utilization of its funds and has assisted more than 30,000 businesses. This great feat would not have been possible without the tireless service and dedication of the men and women of SBCorp, who have embodied DTI's mantra of *Serbisyong Higit pa sa Inaasaahan* in this time of change and uncertainty.

This year's theme, *"Resilient, Determined and Growing @ 30,"* is not only a testament to the achievements of your organization in the past year but also proof of your unwavering commitment to uplift

the lives of our people. As we face the challenges ahead, let us remain steadfast in our shared aspiration to build back a better, more prosperous, and more inclusive post-pandemic future for all Filipinos.

Again, congratulations and mabuhay!



OFFICE OF THE SECRETARY



MESSAGE FROM THE ACTING CHAIRPERSON

SBCorp has always been at the forefront of helping the Filipino MSMEs grow. Its inclusive financing programs help micro and small enterprises not only during normal times but also during calamities and disasters.

It supported the recovery of small businesses devastated by typhoon Yolanda in 2013. In 2017, SBCorp launched the Pondo sa Pagbabago at Pag-Asenso or P3 program to provide micro - enterprises with a more affordable alternative to the usurious 5/6 financing scheme.

At nitong panahon ng pandemya, mas naramdaman pa ang tunay na malasakit ng SBCorp para sa mga maliliit na negosyante.

Through its CARES Program or Covid - 19 Assistance to Restart Enterprises, SBCorp extends zero- interest and collateral free loan with extended grace period to MSMEs and tourism enterprises affected by the Covid - 19 pandemic, including repatriated OFWs who want to establish start-up livelihoods.

We salute the Management Team under the leadership of President and CEO Luna Cacanando for inspiring the men and women of SBCorp to give their best to serve the financing needs of the Filipino MSMEs.

Congratulations on your 30th Anniversary!



ACTING CHAIRPERSON, SBCORP

OPERATIONAL HIGHLIGHTS



DR. MA. LUNA E. CACANANDO
PRESIDENT AND CEO SBCORP

The year 2021 is the 2nd year of the Covid 19 pandemic which has continued to adversely affect the globe. This has relegated most segments of the Philippine economy to still encounter significant challenges in recovering from the crippling effects of this widespread health and economic disaster.

Small Business Corporation (SBCorp), as the Government Owned and Controlled Corporation (GOCC) with the vision to provide financing alternatives to the unfinanceable segments of Philippine MSMEs implemented programs, projects and innovative initiatives to help in the recovery efforts of the government. In particular, the Corporation worked on providing meaningful impact to address the socioeconomic reversals experienced by MSMEs. As mandated by RA 11494 or the "Bayanihan to Recover as One Act" (Bayanihan 2 Act), SBCorp continued to expand its financing programs and build upon further enhancing loan programs and products it already developed in 2020. It also extended its linkages and partnerships in order to grow its outreach and further increase the access of MSMEs to the financial programs of the agency.

NEW FINANCIAL PROGRAMS AND PARTNERSHIPS IN 2021

13TH MONTH PAY LOAN PROGRAM

This program was launched in partnership with the Department of Labor and Employment (DOLE) to help qualified enterprises finance the 13th month pay of its employees. To further accommodate other qualified MSMEs, the Corporation expanded the coverage of this program to cater to its existing borrowers in good standing before the end of 2021. A total of PhP77,940,000 amount of loans was released to 461 qualified MSMEs under this loan facility in 2021.

SUSTAINING TRADE AND ACCESS TO PRIMARY FOOD AND LINK ENTERPRISES (STAPLES) PROGRAM

The STAPLES Program caters to MSMEs in the retail food market's value chain that are key players in the supply chain of an SBCorp-accredited Fast-Moving Consumer Goods (FMCG) food manufacturer/ producer/ supplier, down to the retail segments of the market.

The program aims to provide support to the Government's goal of achieving food sufficiency and availability by assisting MSMEs in replenishing their working capital and fund other business purposes. The STAPLES Program likewise aims to help in saving jobs and assisting this particular business segment contribute to a more significant share in the development of the economy. This Program was implemented through partnership with several major FMCG companies.

A total PhP906,458 amount of loans was released to nine (9) qualified MSMEs in 2021 under the STAPLES Program.

PARTNERSHIP WITH THE DEVELOPMENT BANK OF THE PHILIPPINES

To further expand its market reach, SBCorp signed a Memorandum of Understanding (MOU) with the Development Bank of the Philippines (DBP) in 2021 to establish a strategic client referral and management system for the efficient implementation of both DBP's MSME RECOVERY Program and SBCorp's CARES Program.

Both financial institutions committed to developing marketing strategies and conducting joint promotional activities to better promote its loan services.

FURTHERANCE OF IT-ENABLED SYSTEMS

In 2021, SBCorp took on the challenge as it worked towards delivering its financing services to MSMEs despite the continuing national health emergency restrictions. The client onboarding or loan application process which was made possible through the internal development and deployment of a fully online loan origination system was subjected to continuing enhancements. Internal processes of credit evaluation - from credit checking, financial performance/business verification and loan releasing have also been implemented through ICT-enabled systems. These working systems, while not without concerns and challenges in terms of implementation, have allowed SBCorp to successfully implement key government programs to assist MSMEs in all parts of the country.

The CARES Program has been the government's banner program to provide loans to MSMEs adversely affected by the pandemic. The CARES TRAVEL program continues to be implemented under a fully online loan origination system with support processes utilizing a combination of internally developed Oracle and online-based applications.

On the other hand, under the Pondo sa Pagbabago at Pag-Asenso (P3) Program, a total of PhP8.71 billion was lent out to 226,281 MSMEs as of 2021. This pioneering government microfinancing program which started in 2017 continued to provide low-interest loans to enterprises and help them grow their business and not be constrained to access loans at usurious rates.

CORPORATE SCORECARD MILESTONES

SBCorp's commitment to deliver on its mandate is also reflected in its GCG-approved Corporate Scorecard. In 2021, the Corporation was able to receive a total rating of 92.81% (currently subject to GCG validation) which is its 4th year of breaching the 90% mark.

In terms of total portfolio, the total outstanding balance for all the lending programs of the Corporation stood at P 11.26 billion. This is a marked increase of around P4.0 billion or more than half (53.82%) from the previous year OB of P7.32 billion. Such achievement has been made despite the worldwide economic reversal and significant challenges to move the funds under the government-imposed restrictions.

OPERATIONAL HIGHLIGHTS

INSTITUTIONAL VIABILITY

The Corporation's loan assistance benefitted 69,163 additional/new qualified MSMEs in 2021 alone who accessed both Corporate-funded and NG-funded programs through wholesale and retail delivery methodologies.

In terms of the Corporation's objective to provide meaningful access to the country's MSMEs, the SBCorp was able to have a loan release in all provinces of the country. Ninety-nine percent (99%) of borrowers surveyed provided at least Satisfactory rating with regards to SBCorp's services.

In terms of required financial measures, SBCorp was able to accomplish a Net Operating Income (NOI) of P35.46 million by year end 2021. Past due rate for CARES Portfolio stood at 15.21% while Past due rate for the rest of the Corporation's Portfolio stood at 25.05%.

The Corporation was likewise able to maintain its ISO 9001 certification for the head office including the South Luzon Group, and North Luzon Group, and then secure an ISO certification for the Mindanao Group. This now leaves just the Visayas group as the sole unit needing to secure ISO certification for 2022; which will elevate the entire Corporation to the roster of ISO-certified institutions.

TRAININGS FOR CY 2021 (ATTENDED BY THE BOARD OF DIRECTORS)

| NAME | TRAININGS ATTENDED |
|--|--|
| DR. MANUEL B. BENDIGO | 1. AMLA Compliance in the Age of the Digital World, Institute of Corporate Directors (17 June 2021) |
| DR. MA. LUNA E. CACANANDE | 1. AMLA Compliance in the Age of the Digital World, Institute of Corporate Directors (17 June 2021) |
| DR. ROSALIA V. DE LEON (3DF 1ST ALTERNATE) | Trainings of Dr. De Leon: 1. Basic Course on Corporate Governance, Baskers Institute of the Philippines, Inc. (18 June 2021) |
| ANNIE F. CANDELARIA (3DF 2ND ALTERNATE) | Trainings of Dr. Candelaria: 1. Treasury Certification Program, Fleet Income and Money Market Module, Ateneo - BAP Institute of Banking (October 2021) 2. Corporate Governance Orientation Program, ICD (8-9 December 2021) 3. Online Training Course on Auditing ISO 9001:2015 Quality Management System, Development Academy of the Philippines (6, 7, 8 and 10 December 2021) |
| DR. JOE JAY T. DOCTORA | 1. Distinguished Corporate Governance Speaker Series: Board Governance Institute of Corporate Directors (ICD) March 11, 2021 2. Startup Management Bootcamp Cohort 2 Certificate Program, April 27 to May 23, 2021 Asian Institute of Management School of Executive Education and Lifelong Learning Makati City 3. AMLA Compliance in the Age of the Digital World, Institute of Corporate Directors (17 June 2021) 4. Professional Certificate in Social Media Marketing Veritas University College June 21, 2021 - July 26, 2021 5. Distinguished Corporate Governance Series - ICD Malaysia Institute of Corporate Directors (ICD) September 15, 2021 6. Distinguished Corporate Governance Series - ICD Zimbabwe Institute of Corporate Directors (ICD) September 17, 2021 |
| DR. ARNOLFO B. SALDO | 1. Strategy and Strategy Workshop, Institute of Corporate Directors (8-9 June 2021) 2. Policy and Policy Workshop, Institute of Corporate Directors (15-16 June 2021) 3. AMLA Compliance in the Age of the Digital World, Institute of Corporate Directors (17 June 2021) |
| DR. ELVIRA L. DU | 1. Corporate Governance Orientation Program, ICD (8-9 December 2021) Note: Dr. Elvira Du joined the SBCorp Board last 09 November 2021. After attending ICD's Corporate Governance Orientation Program as noted above, there was still no opportunity to attend at least one more training within December 2021 considering the holiday season. |
| DR. OLESILA A. LANTAYONA | 1. AMLA Compliance in the Age of the Digital World, Institute of Corporate Directors (17 June 2021) 2. Executive Masterclass in Digital Transformation, Asian Institute of Digital Transformation (18 October - 8 December 2021) 3. CES Lifelong Learning for Leadership Congress, Career Executive Service Board (8-12 November 2021) |
| DR. VILTRINE B. MAGPATO | 1. AMLA Compliance in the Age of the Digital World, Institute of Corporate Directors (17 June 2021) 2. Corporate Governance Orientation Program, ICD (8-10 November 2021) |
| DR. JACOB S. RASOQUEZ | 1. AMLA Compliance in the Age of the Digital World, Institute of Corporate Directors (17 June 2021) |



TRAINING AND DEVELOPMENT PROGRAMS FOR CY 2021

(ATTENDED BY OFFICERS AND RANK AND FILE EMPLOYEES)

| TITLE | PROGRAM DESCRIPTION/OBJECTIVE | NUMBER OF PARTICIPANTS | DATE | NUMBER OF HOURS |
|--------------------------|--|------------------------|---|-----------------|
| IN-HOUSE PROGRAMS | | | | |
| 1 | Briefing for Messenger and Drivers | 5 | JANUARY 28 | 1 |
| 2 | Pre-diagnostic Test | 161 | JUNE 18-22-25, 28-30, JULY 1-7, 5, 11 & 12 | 4 |
| 3 | Online Learning Interventions (Learning Materials and Exercises) | 144 | AUGUST 27-SEPTEMBER 24, OCTOBER 20-NOVEMBER 5 | 8 |
| 4 | Post Diagnostic Test | 144 | NOVEMBER 18-19, 22-25, DECEMBER 1, 2, 9 & 10 | 4 |

INDIVIDUAL EXTERNAL TRAININGS

| | | | | |
|---|--|---|------------------------|----|
| 1 | Data Protection Officer (DPO) Training and Certification (TUV Rheinland Philippines) | 1 | JUNE 7, 8, 11, 14 & 18 | 40 |
| 2 | Information System Audit Fundamentals (Association of Government Internal Auditors, Inc.) | 2 | JULY 13-16 | 16 |
| 3 | PHISEPS Training for Phase I (L-Blockboard Learning and Solutions, Inc.) | 5 | JULY 5-8, 7-8, 21-22 | 16 |
| 4 | 17th Annual National Conference - "Ensuring Business Continuity: Innovative Fiscal and Administrative Measures in Addressing the Pandemic" (Government Financial Management Innovators Circle, Inc.) | 2 | JULY 21-23 | 24 |
| 5 | Tools and Techniques for Internal Auditing (Association of Government Internal Auditors, Inc.) | 1 | AUGUST 17-20 | 16 |

TRAINING AND DEVELOPMENT PROGRAMS FOR CY 2021

(ATTENDED BY OFFICERS AND RANK AND FILE EMPLOYEES)

| TITLE | PROGRAM DESCRIPTION/OBJECTIVE | NUMBER OF PARTICIPANTS | DATE | NUMBER OF HOURS |
|-------|--|------------------------|-----------------|-----------------|
| | capable of forming an accurate opinion or making a correct deduction • Add value to the organization when it provides objective evaluation and contributes to the effectiveness and efficiency of control processes. | | | |
| | Topics: • Module 1: Basic Concepts, Philippine AML/CFT/DFP, Legal Framework, National Risk Assessment and Mutual Evaluation Results, Regulatory Framework • Module 2: AML/CFT/DFP Rules and Regulations, Elements of Sound Risk Management Framework, Customer Due Diligence, Transaction Reporting, Record Keeping and Ongoing Education Program • Module 3: AML/CFT/DFP Risk Rating System, ABS and Enforcement Actions and Overview of the New ABS-BSP Enforcement Actions, Overview of the New ABS-AML Risk Rating System. | 1 | AUGUST 18 | 8 |
| | Objectives: • Understand the basic principles of quality and quality management systems, especially the requirements of ISO 9001:2015. • Know how to identify relevant QMS Documented Informative requirements as applied to participants' areas of responsibility, and provide guidance to others in the conceptualizing and implementing QMS through risk-based thinking; and • Understanding the importance of conducting Internal Audit in relation to the management review process. | 4 | SEPTEMBER 2 | 6 |
| | Equip participants to their functions in monitoring and maintaining compliance in accordance with existing rules, as mandated by the Government Commission on GOCCs with the Compliance, BSP and CBA. | 1 | SEPTEMBER 30 | 8 |
| | Equip participants with concepts and models in mediation as an effective method for conflict and dispute resolution. | 1 | SEPTEMBER 27-30 | 16 |
| | Help participants in understanding and applying the different styles of coaching suited to a workforce in boosting employee performance that contribute to achieving organization's quest for excellence. | 1 | OCTOBER 5-9 | 16 |
| | Let participants understand strategic planning and the role it plays in guiding the organization's overall business goals and objectives. | 1 | OCTOBER 13-15 | 10 |

| TITLE | PROGRAM DESCRIPTION/OBJECTIVE | NUMBER OF PARTICIPANTS | DATE | NUMBER OF HOURS |
|--|--|------------------------|-----------------------------------|-----------------|
| 12 Time, Productivity & Stress Management (Businessmaker Academy) | Aid participants in managing their time effectively and handling stress to improve work-life balance and to provide strategies for better time management. | 2 | OCTOBER 20 | 4 |
| 13 Certificate Course in Competency-based Human Resource Management (Aboeco Center for Organization Research and Development) | The certificate course aims to provide HR professionals and line managers with skills in identifying and defining competencies, and utilizing these as foundations for developing competency-based HR programs. | 5 | OCTOBER 4, 8, 11, 14, 15, 18 & 20 | 24 |
| 14 Establishment of Records Management Program in Government Office (Government Records Officers' Association of the Philippines, Inc.) | To provide government personnel the knowledge and skills in implementing required standard policies in records management and proper identification and preservation of permanent records. | 12 | OCTOBER 27-29 | 30 |
| 15 Effective Audit Report Writing (Association of Government Internal Auditors, Inc.) | Objectives: <ul style="list-style-type: none"> Improve the competence and capabilities of the internal auditors. Upgrade the internal audit function as a whole, capable of forming an accurate opinion or making a correct deduction Add value to the organization when it provides objective evaluation and contributes to the effectiveness and efficiency of control processes | 1 | NOVEMBER 8-12 | 16 |
| 16 Operations Audit (Association of Government Internal Auditors, Inc.) | Objectives: <ul style="list-style-type: none"> Improve the competence and capabilities of the internal auditors Upgrade the internal audit function as a whole, capable of forming an accurate opinion or making a correct deduction Add value to the organization when it provides objective evaluation and contributes to the effectiveness and efficiency of control processes | 1 | NOVEMBER 23-26 | 16 |
| 17 In-Depth Privacy Impact Assessments (PIA) and Framework Controls (Forsal Solutions and Training Center, Inc.) | Objectives: <ul style="list-style-type: none"> Conduct the Privacy Impact Assessment by means of reporting their own automated system Apply the PIA principles using the information life cycle process within the agency or organization Do their own process flow using a case study and to plan their own information process flow Know the basics of organizational controls such as governance structures, privacy templates and managing third parties Present action plans to management and obtain sign-off using sample templates | 6 | NOVEMBER 15-17 | 18 |
| 18 76th PICPA Annual National Convention: Transform, Embracing Possibilities, Realizing Potential (Philippine Institute of Certified Public Accountants) | Objectives: <ul style="list-style-type: none"> Gain knowledge as the role of a CPA as an economic frontliner in the post-pandemic economic recovery Know updates on tax bills, tax incentives and plans of BIR, BSA, CDA and SEC Build trust and connections with remote teams Learn the accounting for well-being; physical and mental health to stress the stressful times | 1 | NOVEMBER 24-27 | 32 |

| TITLE | PROGRAM DESCRIPTION/OBJECTIVE | NUMBER OF PARTICIPANTS | DATE | NUMBER OF HOURS |
|---|---|------------------------|--------------------|-----------------|
| 19 Management Audit (Association of Government Internal Auditors, Inc.) | Objectives: <ul style="list-style-type: none"> Improve the competence and capabilities of the internal auditors Upgrade the internal audit function as a whole, capable of forming an accurate opinion or making a correct deduction Add value to the organization when it provides objective evaluation and contributes to the effectiveness and efficiency of control processes | 1 | OCTOBER 6-7 & 9-10 | 16 |
| 20 Data Analysis and Applications for Digitization in SMEs (Development Academy of the Philippines - Asian Productivity Organization) | Enable the participants to acquire the fundamental knowledge on data collection and analysis and learn references on suitable applications and tools that can help apply data analytics in the operations to enable data-driven decision making and improve productivity. | 2 | DECEMBER 14-17 | 32 |

**EMPLOYEE HEALTH, SAFETY AND WELFARE ACTIVITIES FOR CY 2021
(ATTENDED BY OFFICERS AND RANK AND FILE EMPLOYEES)**

| DATE OF ACTIVITY | NAME OF ACTIVITY | BRIEF DETAILS OF ACTIVITY | ORGANIZER | NO. OF ATTENDEES |
|--|-----------------------------------|---|---|--|
| November 17, 2021 (2 batches - AM & PM) | Wellness Talks | Title: Handling Anxiety, Stress and Burnout Resource Person: Dr. Gerard Daniels E. Sto | HRMS IN COORDINATION WITH MEDCARD | 48 |
| November 17, 2021 (2 batches - AM & PM) | | Title: How to Be Blissful: Ways to Achieve Wellness in the Workplace Resource Person: Dr. Mary Grace Lim | | 48 |
| December 2021 | Annual Physical Examination (APE) | <p>Pursuant to Section 1 of Administrative Order No. 402 series of 1999 and CSC Memorandum Circular No. 23 series of 1991, all employees are required to undergo the following routine check-up:</p> <p>However, management allowed voluntary availed of APE CY 2021 because employees are still hesitant to have a close contract with medical personnel.</p> <p>The following procedures are covered in the APE:</p> <ul style="list-style-type: none"> Medical History and Physical Examination Chest X-Ray Complete Blood Count (CBC) Urinalysis Fecalalysis ECE - for 25 years old and above Pap smear - for female employees, 35 years old & above Additional Test: Fasting Blood Sugar, Lipid Profile, Blood Uric Acid | <p>SB CORP-BRND IN COORDINATION WITH</p> <p>MYHEALTH - BRND HEALTHCARE INC - PRIME CARE LAB LIFE SPECIALTY CLINICS AND LABORATORY</p> | <p>55 EMPLOYEES COMPLETED THE APE IN DECEMBER 2021 WHILE 40 EMPLOYEES UNDERGO APE FROM JAN TO FEB 2022 DUE TO TYPHOON AND SURGE IN COVID CASES</p> |

CORPORATE GOVERNANCE



OVERALL CORPORATE GOVERNANCE STRUCTURE AND PRACTICES

SBCorp, as a government-owned and controlled corporation (GOCC), is fully compliant with the provisions of the Code of Corporate Governance for GOCCs under GCG Memorandum Circular No. 2012-07. SBCorp is committed to the standards of good corporate management and the provisions of its mandate pursuant to Republic Act No. 6977, as amended by Republic Act No. 8289, and further amended by Republic Act No. 9501, otherwise known as the "Magna Carta for Micro, Small and Medium Enterprises", as well as the Philippine laws that are of relevance in this context.

SBCorp aims to establish a system of management and control that is accountable and is geared toward creating sustainable, long-term value and to ensure transparency for all stakeholders. Its corporate governance framework is reflected through its organizational structure that defines a governance hierarchy led by the Governing Board with its delegated duties and responsibilities through the five (5) Board-level Committees, i.e. (1) the Corporate Governance Committee, (2) the Board Audit and Compliance Committee, (3) the Finance and Risk Oversight Committee, (4) the Information Technology and Platformification Committee, and (5) the Board Committee on Venture Capital Review. These board committees are supported by oversight units namely, the Internal Audit Group, the Office of the Board Secretary and Chief Compliance Officer, and the Enterprise and Risk Management Group who directly report to the Governing Board but administratively supervised by the Office of the President and CEO. The Office of the Board Secretary provides logistical support to the SBCorp Board as well as the Board Committees.

INSTITUTIONAL VIABILITY

SBCorp adheres to the globally accepted governance principles and best practices, as the agency maintains the Board's independence from Management such that the Chairman of the Board, and the President and CEO of SBCorp are two distinct individuals with clearly defined duties and responsibilities. The Chairman of the Board assumes leadership and monitors the Corporation's adherence to good governance policies, as well as the overall performance of the Corporation. While the President and CEO of SBCorp, 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.

More specifically, the President and CEO, directly supervises SBCorp's three sectors - (1) Financing Sector, (2) Corporate Support Sector, and (3) Strategy, Systems and Communications Sector. In addition, there are other units which report directly to the President and CEO, namely, the Office of the Executive Vice President, the Office of the Chief Finance Officer (Controllership Group), and the Office of the Strategy Management. In addition, the President and CEO also manages administratively the three (3) oversight committees which are the Internal Audit Group, the Office of the Board Secretary and Chief Compliance Officer, and the Enterprise and Risk Management Group.

SELECTION PROCESS FOR THE BOARD

The selection process of the Members of the Board of SBCorp emanates from Republic

Act No. 10148, also 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" which provides that all appointive directors of GOCCs shall be appointed by the President of the Republic of the Philippines from a shortlist of nominees prepared by the Governance Commission for GOCCs (GCG), who meet the Fit and Proper Rule and such other qualifications which the GCG may determine.

The President and CEO of SBCorp 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 and CEO shall be subject to the disciplinary powers of the Governing 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; and
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 the 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 President and CEO, and other Officers of the SBCorp 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 SBCorp Charter and/or By-Laws.

To maintain the quality of management of SBCorp, 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 SBCorp 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 |
|--|---|-------------------|
| RAMON M. LOPEZ | SECRETARY, DEPARTMENT OF TRADE AND INDUSTRY (DTI) | 30 JUNE 2016 |
| USEC. BLENILA A. LANTAYON | ACTING CHAIRMAN REPRESENTATIVE OF THE DTI SECRETARY, EX-OFFICIO | 13 SEPTEMBER 2016 |
| DIR. MA. LUNA E. CACANANO | VICE-CHAIRMAN OF THE BOARD | 08 SEPTEMBER 2017 |
| CARLOS S. DOMINQUEZ | SECRETARY, DEPARTMENT OF FINANCE (DOF) | 30 JUNE 2016 |
| TREAS. ROSALIA DE LEON | 1 ST ALTERNATE TO THE DOF SECRETARY, EX-OFFICIO | 14 FEBRUARY 2017 |
| DIR. ANNIE F. CANDELARIA | 2 ND ALTERNATE TO THE DOF SECRETARY, EX-OFFICIO | 19 NOVEMBER 2021 |
| DIR. MANUEL B. BENDIDO | NATIONAL GOVERNMENT REPRESENTATIVE | 07 JULY 2017 |
| DIR. JOE JAY B. DOCTORA | NATIONAL GOVERNMENT REPRESENTATIVE | 27 SEPTEMBER 2018 |
| DIR. JACOB S. NASQUEZ | NATIONAL GOVERNMENT REPRESENTATIVE | 04 SEPTEMBER 2020 |
| DIR. VOLTAIRE B. MAPAYO | NATIONAL GOVERNMENT REPRESENTATIVE | 10 JUNE 2021 |
| DIR. ANSELMO V. BALDO | DEVELOPMENT BANK OF THE PHILIPPINES (DBP) REPRESENTATIVE | 01 JUNE 2020 |
| DIR. ELVIRA L. GO | PRIVATE SECTOR REPRESENTATIVE | 08 NOVEMBER 2021 |
| 2 VACANT SEATS - LANDBANK OF THE PHILIPPINES (LBP) REPRESENTATIVES | | |

THE CHAIRMAN OF THE BOARD

The Chairman of the Board shall preside over all meetings of the Board and/or of the stockholders and shall have the powers and duties as the Board may prescribe. The expressed 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 Corp 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 Corp.

The SB Corp 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 Corp 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 Corp 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;

disclose such information without authority of the Board;

8. Ensure the continuing soundness, effectiveness and adequacy of SB Corp's control environment.

CHANGES IN THE BOARD OF DIRECTORS

Mr. Santiago S. Lim resigned as a Board Member effective 31 March 2021. He was replaced by Ms. Elvira L. Go on November 8, 2021.

Mr. Voltaire B. Mapayo was appointed as a Board Member on June 10, 2021, vice Atty. Ferdinand D. Tolentino.

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 Corp'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

(BOARD ATTENDANCE FOR CY 2021)

| STOCKHOLDERS | PAID UP | NO. OF SHARES | PERCENTAGE |
|-------------------------------|-------------------------|-------------------|---------------|
| A. PREFERRED STOCKS: | | | |
| NATIONAL GOVERNMENT | 1,993,179,500.00 | 19,931,795 | 10.00% |
| ESIS | 200,000,000.00 | 2,000,000* | 2.00% |
| ESB | 200,000,000.00 | 2,000,000* | 2.00% |
| TOTAL PREFERRED STOCKS | 1,993,179,500.00 | 19,931,795 | 20.00% |

B. COMMON STOCKS

| | | | |
|----------------------------|-------------------------|-------------------|----------------|
| GSIS | 45,673,380.00 | 466,731* | 0.67% |
| SSS | 16,800,000.00 | 169,000* | 0.38% |
| LBP | 593,811,580.00 | 5,558,315* | 3.85% |
| DBP | 219,673,380.00 | 2,186,731* | 2.19% |
| NATIONAL GOVERNMENT | 7,254,309,280.00 | 72,543,692 | 72.92% |
| TREASURY STOCK | 40,000,000.00 | 400,000 | 0.41% |
| TOTAL COMMON STOCKS | 7,989,528,980.00 | 79,603,269 | 81.80% |
| TOTAL STOCKHOLDERS | 9,962,506,420.00 | 99,625,384 | 100.00% |

Notes:

- a) GSIS, SSS, LBP, and DBP are Government Financial Institutions.
- b) Par value is P100.00 per share.
- c) Stock certificates issued in the name of the National Government are in custody/safekeeping of the Bureau of Treasury.
- d) Includes additional capital infusion of National Government pursuant to Republic Act No.11494 otherwise known as the "Bayanihan to Recover as One Act".
- e) Buy-back by SBCorp of the 400,000 common shares of PNB at its par value of P100 per share.

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

BOARD ATTENDANCE FOR THE CY 2021

| NAME | JAN. 20, 2021 | | FEB. 24, 2021 | | MAR. 22, 2021 | | APR. 30, 2021 | | MAY 19, 2021 | | JUN. 01, 2021 | | AUG. 03, 2021 | | OCT. 27, 2021 | | NOV. 26, 2021 | | DEC. 08, 2021 | | TOTAL 13 |
|------------------------|---------------|--------|---------------|--------|---------------|--------|---------------|--------|--------------|--------|---------------|--------|---------------|--------|---------------|--------|---------------|--------|---------------|-----|-------------|
| | 03:00H | 04:00H | 02:00H | 03:00H | 01:00H | 02:00H | 03:00H | 04:00H | 02:00H | 03:00H | 04:00H | 02:00H | 03:00H | 04:00H | 02:00H | 03:00H | 04:00H | 02:00H | 03:00H | | |
| MANUEL S. BENDIGO | P | P | P | P | P | P | P | P | P | P | P | P | P | P | P | P | P | P | P | P | 13 |
| MR. LUNA T. CACANANING | P | P | P | P | P | P | P | P | P | P | P | P | P | P | P | P | P | P | P | P | 13 |
| ANNIE F. CARDELARIA | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | 0 |
| REINA S. CUAREZ | A | P | P | P | P | P | P | P | P | P | P | P | P | P | P | P | P | P | P | P | 13 |
| ROSALIA V. DE LEON | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | 0 |
| JOE JAY T. DOCTORA | P | P | P | P | P | P | P | P | P | P | P | P | P | P | P | P | P | P | P | P | 13 |
| ARNULFO P. GALDO | P | P | P | P | P | P | P | P | P | P | P | P | P | P | P | P | P | P | P | P | 13 |
| ELYRA L. DO | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | 0 |
| BLESILA A. LANTAYANA | P | P | P | P | P | P | P | P | P | P | P | P | P | P | P | P | P | P | P | P | 13 |
| SANTIAGO S. LIM | P | P | P | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | 0 |
| RANDY B. LOPEZ | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | 0 |
| VOLTAIRE U. MAGPAYO | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | 0 |
| FERDINAND O. TOLENTINO | P | P | P | P | P | P | P | P | P | P | P | P | P | P | P | P | P | P | P | P | 13 |
| JACOB S. YASQUEZ | P | P | P | P | P | P | P | P | P | P | P | P | P | P | P | P | P | P | P | P | 13 |

BOARD AUDIT AND COMPLIANCE COMMITTEE MEETINGS

| NAME | MAY 03, 2021 | | MAY 19, 2021 | | JUN 01, 2021 | | AUG 03, 2021 | | TOTAL 5 |
|------------------------|--------------|--------|--------------|--------|--------------|--------|--------------|--------|------------|
| | 03:00H | 04:00H | 03:00H | 04:00H | 03:00H | 04:00H | 03:00H | 04:00H | |
| ANNIE F. CARDELARIA | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | 0 |
| REINA S. CUAREZ | A | P | P | P | P | P | N/A | N/A | 4 |
| JOE JAY T. DOCTORA | P | P | P | P | P | P | P | P | 8 |
| ARNULFO P. GALDO | P | P | P | P | P | P | P | P | 8 |
| ELYRA L. DO | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | 0 |
| FERDINAND O. TOLENTINO | P | P | N/A | N/A | N/A | N/A | N/A | N/A | 2 |

FINANCE AND RISK OVERSIGHT COMMITTEE MEETINGS (FORMERLY RISK OVERSIGHT COMMITTEE)

| NAME | FEB. 24, 2021 | | MAY 19, 2021 | | AUG 03, 2021 | | TOTAL 5 |
|------------------------|---------------|--------|--------------|--------|--------------|--------|------------|
| | 03:00H | 04:00H | 03:00H | 04:00H | 03:00H | 04:00H | |
| MR. LUNA T. CACANANING | P | P | P | P | P | P | 6 |
| ANNIE F. CARDELARIA | N/A | N/A | N/A | N/A | N/A | N/A | 0 |
| REINA S. CUAREZ | A | P | P | P | N/A | N/A | 4 |
| JOE JAY T. DOCTORA | P | P | P | P | P | P | 6 |
| ARNULFO P. GALDO | P | P | P | P | P | P | 6 |
| SANTIAGO S. LIM | P | N/A | N/A | N/A | N/A | N/A | 1 |

LEGEND
P - PRESENT
A - ABSENT
OB - OFFICIAL BUSINESS
C - EXCUSSED
N/A - NOT APPLICABLE



CORPORATE GOVERNANCE COMMITTEE MEETINGS

| NAME | MAR. 01, 2021 | | | | | TOTAL |
|------------------------|---------------|-----|-----|------|------|-------|
| | 4TH | 6TH | 8TH | 10TH | 12TH | |
| MR. LINA E. SACRAMENTO | P | P | P | P | P | 5 |
| JOE JAY T. DOCTORA | P | P | P | P | P | 5 |
| ARNULFO V. GALDO | P | P | P | P | P | 5 |
| BLESILA A. LANTAYONA | P | P | P | P | P | 5 |
| SANTIAGO S. LIM | P | N/A | N/A | N/A | N/A | 1 |
| VOLTAIRE B. MAGPANTO | N/A | N/A | P | P | P | 3 |

BOARD IT AND PLATFORMIFICATION COMMITTEE MEETINGS (FORMERLY BOARD OVERSIGHT COMMITTEE ON TECHNOLOGY AND INFORMATION MANAGEMENT)

| NAME | MAR. 01, 2021 | | | | | TOTAL |
|------------------------|---------------|---------|------|------|------|-------|
| | 4TH | SPECIAL | 11TH | 12TH | 13TH | |
| MR. LINA E. SACRAMENTO | P | P | P | P | P | 6 |
| ANNE F. CANDELARIA | N/A | N/A | N/A | P | P | 2 |
| JOE JAY T. DOCTORA | N/A | N/A | P | P | P | 3 |
| SANTIAGO S. LIM | P | N/A | N/A | N/A | N/A | 1 |
| VOLTAIRE B. MAGPANTO | N/A | N/A | P | P | P | 3 |
| FERDINAND D. TOLENTINO | P | P | N/A | N/A | N/A | 2 |
| JACOB S. VASQUEZ | P | P | P | P | P | 5 |

BOARD COMMITTEE ON VENTURE CAPITAL REVIEW MEETINGS

| NAME | MAR. 01, 2021 | | TOTAL |
|------------------------|---------------|------|-------|
| | 8TH | 11TH | |
| MR. LINA E. SACRAMENTO | P | P | 2 |
| JOE JAY T. DOCTORA | P | P | 2 |
| SANTIAGO S. LIM | P | N/A | 1 |
| VOLTAIRE B. MAGPANTO | N/A | P | 1 |
| FERDINAND D. TOLENTINO | P | N/A | 1 |
| JACOB S. VASQUEZ | P | P | 2 |

LEGEND

P - PRESENT
A - ABSENT
BB - OFFICIAL BUSINESS
E - EXCUSED
N/A - NOT APPLICABLE

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, SBCorp 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 SBCorp 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 SBCorp, 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 SBCorp and such Partner MFI, regardless of amount, and other policies of SBCorp 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 SBCorp'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 provided for in the Directors' Compensation System (DCS) under OCS Memorandum Circular No. 2016-01.

Senior Management

Remuneration Policy of Small Business Corporation (SBCorp) is aligned with the Compensation and Position Classification System (CPCS) under Executive Order No. 150 effective 05 October 2021. Prior to the issuance of the Executive Order, SB Corp's Remuneration Policy was aligned with the National Government's Salary Standardization Law (SSL).

The compensation package of the Senior Management consists of:

- Basic salaries, standard allowances, benefits and incentives like Personnel Economic and Relief 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), Extraordinary and Miscellaneous Expenses (EME)**, Communication Allowance**, and Special Counsel Allowance are also given to Senior Management under specific conditions related to 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 (PRASE) which are linked to organizational and individual performance.
- SBCorp 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).

*Entertainment and Promotional Expense under the National Government's Salary Standardization Law

**Mobile Allowance prior to issuance of EO 150

RETIREMENT AGE AND SUCCESSION POLICY

Board of Directors: Not Applicable

Senior Management:

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

SBCorp approved a sustainable strategy in leadership continuity to ensure a smooth transition in leadership and all critical positions in case of anticipated or even unexpected personnel movement/loss.

SELF-ASSESSMENT FUNCTIONS

Internal Audit Group

The Internal Audit Group (IAG) is in the process of gradually adapting the 2020 revised Philippine Government Internal Audit Manual (PGIAM) wherein applicable provisions were updated and incorporated herewith for Board Audit and Compliance Committee (BACC) approval.

To ensure its independence, the IAG reports functionally to the BACC and administratively to the President and CEO.

Role

Internal audit is an integral part of the internal control system of public service organizations. Its scope is broad and involves all matters relating to operations audit and management control. Among others, Internal Audit encompasses the evaluation of the degree of compliance of supervision or control with laws, rules and regulations governing the operations of the agency, the appraisal of the adequacy of internal controls and the evaluation of the results of operations, focusing on the effectiveness of controls of operating and support services units/systems in the attainment of agency objectives.

The Internal Audit Group (IAG) is established by the Board of Directors, and its responsibilities are defined by the Board Audit & Compliance Committee (BACC) as part of their oversight function and in adherence with the Revised PGIAM 2020.

As the assigned unit in the appraisal of the internal control system within the organization, the IAG head is accountable to the BACC for the efficient and effective operation of the internal audit function.

Under the Revised PGIAM, the functions of the IAG are as follows:

- a. Advise the BACC, on all matters relating to management control and operations audits;
- b. Conduct management and operations audits of the agency functions, programs, projects, activities with outputs, and determine the degree of compliance with the mandate, policies, government regulations, established objectives, systems and procedures/processes and contractual obligations;
- c. Review and appraise systems and procedures, organizational structures, asset management practices, financial and management records, reports and performance standards;
- d. Analyze and evaluate management deficiencies, and assist the top management (e.g. ManCom) by recommending realistic courses of action; and

- e. Perform such other related duties and responsibilities as may be assigned or delegated by the BACC or as may be required by law.

In the conduct of internal audit work, the internal audit staff shall:

- a. Comply with the government's Code of Conduct and Ethical Standards for Public Officials and Employees;
- b. Posses the knowledge, skills, technical and functional expertise;
- c. Acquire the skills in dealing with people and communicating audit findings and recommendations and related issues effectively;
- d. Regularly improve their technical competence through a program of professional development;
- e. Exercise due professional diligence in performing their duties;
- f. Keep the confidentiality of information;
- g. Maintain internal audit records; and
- h. Foster teamwork in performing the internal audit function.

Authority

The establishment of the internal audit function is based on the Philippine Constitution, laws and related issuances. Hence, based on the audit objectives and subject to compliance with the internal security policies of public service organizations, internal auditors shall have full, free and unrestricted access to all functions, premises, assets, personnel, records, and other documents and information that the IAG head considers necessary in undertaking internal audit activities.

All records, documentation and information accessed in the course of undertaking internal audit activities shall be used solely for the conduct of these activities. The internal auditor shall respect the confidentiality of information acquired in the course of performing the audit activities and shall not use or disclose any such information without proper and specific authority, unless there is a legal or professional right or duty to disclose.

The IAG head and the individual internal audit staff are responsible and accountable for maintaining the confidentiality of the information they receive during the course of their work.

In case the IAG receives a request for a copy of internal audit plans, reports and other related or supporting documents, the requesting entity, whether an internal or external party, should only be given the same after proper authorization by the BACC. In addition, access to such documents shall be in accordance with agency-specific policies on security of information and disclosure.

Reporting Process

The IAG is an integral part of the agency which provides assistance to and performs functions as provided by law and delegated by the BACC. As such, the IAG shall report to the Board Audit & Compliance Committee of the Governing Board of the corporation.

The audit report sets out the findings in appropriate format; provides the pieces of evidence gathered to arrive at the audit findings; and the recommendations.

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 final audit report shall be presented to the BACC who decides on the distribution of the audit report based on the recommendation of the IAG Head.

In case the BACC decides not to act on the findings of the IAG (e.g. non-distribution of report or non-implementation of recommendations) based on his/her sound discretion, the latter should abide by the decision of its principal.

Subsequently, if the IAG opts to notify authorities outside the agency of its findings which may involve fraud, dishonesty, or misuse of agency resources, the doctrine of exhaustion of administrative remedies must be adopted.

IAG shall conduct follow-up – a monitoring and feedback activity undertaken to ensure the extent and adequacy of preventive/corrective actions taken by the management to address the inadequacies identified during the audit.

In the event of non-implementation of recommendation/inadequate action by auditees/process owners, IAG shall recommend appropriate legal and/or management remedies for non-implementation of recommendations and inadequate preventive/corrective actions.

Results of the audit follow-up shall be recorded and reported in order to apprise the BACC of the status of actions on the approved recommendations.

Office of the Chief Compliance Officer

The Office of the Chief Compliance Officer is an independent unit from the business or operational aspects of the Corporation which directly reports to the Governing Board thru the mandated 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 SBCorp's compliance system on a corporate-wide basis with the Regulatory Bodies. The responsibilities of the Office include the identification, assessment, monitoring, reporting and controlling of compliance risks.

One of the functions of the Office is to monitor 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 SBCorp. 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 SBCorp 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 SBCorp'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 SBCorp personnel, including officers and directors.

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 SBCorp. 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

SBCorp 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 Bangko Sentral 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.

SBCorp, 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 SBCorp Board of Directors shall be primarily responsible for approving and overseeing the implementation of policies governing major areas of SBCorp'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 SBCorp identifies, monitors, and controls consumer protection risks inherent in its operations, which include risks to both consumer and SBCorp itself. The CPRMS shall provide the foundation for ensuring SBCorp's adherence to consumer protection standards of conduct and compliance with consumer protection laws, rules and regulations, thus ensuring that SBCorp'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, SBCorp 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 SBCorp, 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, SBCorp 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 SBCorp'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.

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), SBCorp, its Governing Board and all of its officials and employees, confirm its full compliance for the Year 2021 with the Code of Corporate Governance issued by the GCG which was made operational through the SBCorp's Manual of Corporate Governance.

STATEMENT ON REVIEW OF FINANCIAL, OPERATIONAL AND RISK MANGEMENT SYSTEM

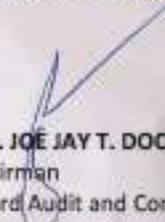
The Small Business Corporation's Board Audit and Compliance Committee (BACC) and Finance and Risk Oversight Committee (FROC) reviewed the recommendations of the Internal Audit Group, Office of the Chief Compliance Officer and the Enterprise Risk Management Group for calendar year 2021 involving Financial, Operational and Risk Management prior to endorsement and approval by the Board.


DIR. JOE JAY T. DOCTORA
Chairman
Board Audit and Compliance Committee


DIR. ARNULFO V. GALDO
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 2021 were reviewed by the Small Business Corporation's Board Audit and Compliance Committee (BACC) and found as adequate.


DIR. JOE JAY T. DOCTORA
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://sbcorp.gov.ph/corporate-governance/>). 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 whistleblowing reports, confidentiality and protection of the whistleblower against retaliation.

Whistleblowers are encouraged to utilize the online reporting channel (SBCORP 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:

SBCorp 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 2021

The Corporate Governance Committee convened five (5) meetings in 2021. 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. Promotion of VP Josefina Flores to SVP for Strategy, Policy and Systems Sector (SPSS)
2. Hiring of Mr. Victor Limlingan, Jr. on COS to help Management supervise Innovation and Advocacy Group
3. Hiring of Mr. Gerard Espinas (IT Expert) as Chief of Staff to President/CEO
4. Selection of New EYP/COD
5. Delegation of Chairmanship of Selected Management-Level Committees to EYP/COD and Phase-out of Risk Management Committee
6. Operational Risks in Documentation of Application for Regulatory Relief Measure
7. Reassignment of Group Supervisors in view of 3 Incoming Retirement of Three Senior Officers
8. Application of Mr. Victor Alfonso A. Limlingan as Sector Head of Strategy, Policy and Communications Office (Office of Strategy Management)
9. Application of Atty. Candice Elizabeth A. Cabrido as Group Head of the Legal Services Group (LSG)
10. Hiring of Mr. Robert C. Bastillo on COS to help Management supervise Innovation and Advocacy Group
11. Recommendation for the Appointment of Ms. Julieta S. Calimlim as Group Head of the Human Resource Management and Development Group
12. Recommendation for the Appointment of Mr. Marc Quincy S. Talagtag as Group Head of the Information Technology Group
13. Recommendation for the Appointment of Mr. Robert C. Bastillo as Group Head of the Innovation and Advocacy Group

B. Discussed and noted the following:

1. Retirement of EYP/COD Melvin Abanto
2. Case of Fraudulent BIR Documents submitted under CARES Program
3. Appropriateness of Disclosure on ABR0
4. Forthcoming Retirement of Three Senior Officers and Request of Acting Chief Risk Officer to be Eventually Relieved of Function
5. Data Privacy Concern on Survey Conducted by COA on SBCorp Borrowers

BOARD AUDIT AND COMPLIANCE COMMITTEE

MAJOR INITIATIVES AND ACCOMPLISHMENTS FOR 2021

The Board Audit and Compliance Committee convened six (6) meetings in 2021. 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. Annual Audit Plan for CY 2021
2. Results of Audit on SLG Collateral Custodianship
3. Results of Audit on Documents and Business Verification Process – CARES Program
4. Proposed IT Risk Assessment Measurement Methodology
5. Results of Audit on IT Servers
6. Results of Audit on ROPA Management and Sales Contract Receivables managed by CARSG in coordination with Regional Lending Groups (RLGs)
7. Results of Audit on Loan Recovery thru Filing of Legal Actions
8. Audit Plan for CY 2021 Status Report with Request for Amendment
9. Results of Audit on Loan Monitoring and Sub-Loan Validation of Ten (10) P3 MFIs as managed by Mindanao Group, North Luzon Group, South Luzon Group, and Visayas Group
10. Results of Audit on Loan Implementation and Monitoring – CARES Program Part 1
11. Results of Audit on Leave Administration Process
12. Results of Audit on Loan Implementation and Monitoring – Loan Validation Process of CARES Program Part 2
13. Results of Follow-Up Audit on AMLA Compliance

B. Discussed the following for information and notation:

1. Annual Report on Internal Audit Activities for CY 2020
2. Internal Audit Tracking Reports
 - As of 22 February 2021
 - As of 20 August 2021
 - As of 06 December 2021

OFFICE OF THE CHIEF COMPLIANCE OFFICER

1. Annual Exit Conference with the Commission on Audit
2. Agency Accountability Timelines for 2021 PBB

FINANCE AND RISK OVERSIGHT COMMITTEE

MAJOR INITIATIVES AND ACCOMPLISHMENTS FOR 2021

The Finance and Risk Oversight Committee convened five (5) meetings in 2021. 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. 2020 Year-end 1st Closing Financial Statements
2. Loan Loss Provisioning as of 31 December 2020
3. Financial Performance as of March 2021
4. Revised Corporate Operating Budget CY 2021
5. Loan Loss Provisioning for the "Pondo sa Pagbabago at Pag-asenso" (P3) Program as of 31 December 2020
6. Status Report of ROPA Disposal for CY 2021
7. Status Report on Accounts for Write-Off in CY 2021
8. Treasury Investment Optimization
9. Realignment Based on DBM-Approved Corporate Operating Budget (COB) for CY 2021
10. Historical Outstanding Balance and Past Due per Program per Regional Lending Group
11. Financing Sector, Enterprise Risk Management Group (ERMG), and Planning and Policy Management Group (PPMG) major observations and analysis relative to the reported Historical Outstanding Balance and Past Due per Regional Lending Group
12. Update addressing the concerns arising from the 341st Governing Board Meeting relative to the account of Cypres International, Inc.
13. Compliance on the deliverable from the Minutes of the 340th meeting of the Governing Board relative to the account of Pag-inupdanay, Inc.
14. Urgent Recommendations on Fraudulent Account/Documents
15. Writing-off of Uncollected Accounts

B. Discussed and noted the following:

1. Breakdown of P13.0 Billion Loan Portfolio Target for CY 2021
2. Update on P1.92 B still for download by DBM to SB Corporation
3. Update on Issuance of Certificate of Stocks on P8.08 Billion New Equity
4. Update on the BIR Case
5. Financial Statements as of August 2021
6. Past Due Rate (PDR) Report (Gross and Net of Provisioning)
7. Update on ROPA Portfolio as of 3rd Quarter 2021 and Sales Contract Receivables (SCR)
8. Financial Statement as of October 31, 2021
9. Summary of Past Due Accounts with 100% Loss Provisioning/Allowance for Credit Losses

10. ROPA updates
11. Status of Failed VC Accounts
12. Status Report on Accounts Endorsed to Collection Agency
13. Status Report of Accounts Endorsed to LSG Rendered in 2020

BOARD IT AND PLATFORMIFICATION COMMITTEE

MAJOR INITIATIVES AND ACCOMPLISHMENTS FOR 2021

The Board IT and Platformification Committee convened four (4) meetings in 2021. 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. SWOT Analysis, Initial Blueprint on Fintech Roadmap and Rationalization of IT Group
 2. Special Order: Rationalization of the Functions and Manning of the Information Technology Group and Conduct of Review of Existing Application Systems and Infrastructure Support
 3. Special Order: Creation of Ad Hoc Team for Development of Application of Payments
 4. Special Order: Management of the IT Resources and Functions of Small Business Corporation
 5. Request for Special Audit on SBCorp IT Servers
 6. Letter to Globe re: Memorandum of Agreement (MOA) dated February 27, 2015
 7. Rationalization and Upgrading of Servers Infrastructure (Main Site and ABRD)
 8. Provision of Laptops to also cover Field Offices
 9. Proposed Information Systems Strategic Plan (ISSP) for Period 2021 to 2023
- B. Discussed and noted the following:
 1. Communication Update: SBCorp's New Domain
 2. Update on Application of Payment System
 3. Update on IT Review
 4. Update on Application of Payment System
 5. Update on Account Monitoring System
 6. BRS Version for STAPLES Lending Program
 7. Decommissioning of obsolete servers
 8. 5-Year Platformification Program Journey Map
 9. Update on Application of Payment System (APS)
 10. Temporary Transfer of IT Servers from Globe Data Center to Pampanga Office
 11. Requisition of Colocation Service for SBCorp Site Recovery and Back-up IT infrastructure

12. Requisition of Internet Bandwidth Service for Network Access to SBCorp Site Recovery and Back-up IT Infrastructure
13. Requisition of Microsoft Office 365 Business Plan/Microsoft Visio Plan
14. SMS OTP Subscription with Savings from Cost - to switch from existing providers to Twilio

BOARD COMMITTEE ON VENTURE CAPITAL REVIEW

MAJOR INITIATIVES AND ACCOMPLISHMENTS FOR 2021

The Board Committee on Venture Capital Review convened two (2) meetings in 2021. 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. Confirmation of Guidelines when SBCorp Invests in Common Shares on Venture Capital Accounts
 2. Status Report of Venture Capital Accounts (Binhi, Inc. and Elbitech, Inc.)
 3. Update on Failed Venture Capital Accounts
 4. Revised Rapid Growth Manual
 5. Re-allocation of the CY 2019-2020 Budget and Proposed Budget for CY 2021 of the RAPID Growth Project
 6. Opening of Separate Bank Account with LBP for the RAPID Growth Project
- B. Discussed and noted the following:
 1. Exit Mechanisms for SB Corporation's Investments under the VC Program
 2. Status Report of Venture Capital Accounts (Binhi, Inc. and Elbitech, Inc.)
 3. Updates on Marketing of Venture Capital Accounts and Various Anchor firms under the RAPID Growth Project
 4. Update on the Plan of Amending the Articles of Incorporation or By-Laws of Venture Capital Accounts Binhi, Inc. and Elbitech, Inc.
 5. Procedure in Amending the Articles of Incorporation or By-Laws of Venture Capital Accounts Binhi, Inc. and Elbitech, Inc.
 6. Loan Request of Binhi Inc. with the Landbank of the Philippines

RISK MANAGEMENT

I. RISK MANAGEMENT POLICY

The Small Business Corporation (SBCorp) pursues adequate and effective risk management systems commensurate to its risk-taking activities. Towards this end, SBCorp aims to implement best practices in Enterprise Risk Management (ERM) across its systems and processes.

II. ENTERPRISE RISK MANAGEMENT FRAMEWORK

The ERM Framework of SBCorp was formally established with the 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. SBCorp – 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, among others – has risk taking as an integral part of its business. Its ability to manage risks thus allows the institution 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-owned and controlled corporation (GOCC) administratively attached to the Department of Trade and Industry (DTI), SBCorp aligns itself to national goals and objectives for MSME development as outlined in the MSME Development Plan 2017- 2022. This provides the context by which the Corporation's ERM Framework operates.

SBCorp's Governing Board and Senior Management effectively drives its ERM, 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 its systems and processes which is shared at all levels of the institution.

The engine driving SBCorp'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 dynamic risk environment and responds to both internal and external factors and changes in its business model.

III. ENTERPRISE RISK MANAGEMENT ROLES AND RESPONSIBILITIES

The following key principles guide SBCorp's approach to ERM:

Finance and Risk Oversight Committee (Board-level)

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

President and CEO

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

Risk Management Committee (Management-level)

The Risk Management Committee (RMC) refers to the existing Management Committee, with the participation of the Chief Risk Officer (CRO). 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 institution.

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 SBCorp's ability to achieve its strategic objectives. The RMC 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.

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 is 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.

Chief Risk Officer

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

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.

IV. MANAGEMENT OF MATERIAL FINANCIAL RISKS

SBCorp 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. This is to adequately assess market circumstances, thereby help avoid adverse financial consequences to the institution.

This is to likewise ensure that SBCorp performs its developmental mandate as a Non-Bank Financial Institution (NBFI) and not merely duplicates what the mainstream players in MSME finance (e.g., private banks and financial institutions, government financial institution, etc.) are already doing. SBCorp develops and operates its financing programs along these lines, to optimize the utilization of National Government investments by not contributing to the cycle of poverty and debt for small business owners.

Over the years, SBCorp's understanding of the nature of our unique role in MSME finance has deepened, which can be seen in its innovative and countercyclical product offerings as well as in how it evaluates risks and allocate limited resources.

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

Credit Risk

In view of its mandate to safeguard the interest of the public and contribute to the promotion of stability in the economy, SBCorp 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.

SBCorp 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.

Operational Risk

Cognizant that operational risk is inherent in all activities, products and services, and is closely tied in with other types of risks, SB Corporation monitors risks arising from inadequate or failed internal processes, people, and systems or from external events such as natural and man-made disasters. Towards this end, the Corporation conducts a Risk Control Self-Assessment (RCSA) to assess inherent operational risks and the design and effectiveness of mitigating controls, and residual risk.

ERMG validates the RCSA exercise to determine, among others, the completeness and appropriateness of the identified risk events and its potential impact to operations as well as to identify and understand risk triggers.

An Internal loss database which can be fed back into the operational risk management process to accumulate history of operational risk losses is also being operationalized. This allows a quantified view of incurred risks turning them into valuable source of information for assessing exposure to operational risk and the effectiveness of internal controls.

Business Continuity Risk

Given SBCorp's developmental mandate and crucial role in the Philippine financial system particularly during a crisis, it is important to ensure that its operations can withstand the effects of major disruptions. The Corporation therefore delivers its message of commitment, service and integrity towards its mandate as defined under the Magna Carta for MSMEs.

Guided by its vision, mission, service philosophy and core values, SBCorp acknowledges the need to establish, implement and maintain appropriate procedures for managing the immediate consequences of disruptive incidents with due regard to the welfare of employees, clients, and guests, operational options for responding to incidents, prevention of further loss or unavailability of prioritized activities, and recovery and resumption of business critical and mission essential functions.

At the onset of the COVID-19 pandemic, SBCorp immediately puts in motion its business continuity plans which revolves around its countercyclical role during a crisis, when private financial institutions become risk-averse and private financing contracts. Nevertheless, the Corporation commits to the attainment of the following business continuity objectives as it delivers its mandate:

a. To safeguard human life:

- b. To enable effective decision-making and communication during incidents;
- c. To implement a plan to adjust and adapt even if resources are constrained;
- d. To ensure that workplace policies are responsive, equitable, compliant, and adaptable;
- e. To reduce dependency on a specific business critical or mission essential function-holder;
- f. To develop a clear, measurable, fair, and practicable Performance Management System specifically designed for remote work to align with the crisis or pandemic situations and ensure that individual and team performance dovetails into organizational goals; and,
- g. To ensure continuous improvement of the organization through public service continuity management.

SBCorp's business continuity plan now evolves into Public Service Continuity Plan (PSCP) which aims to reduce the impact of adverse effects of public health emergency to SBCorp's service delivery and continue to perform its essential functions. The PSCP outlines the strategies to ensure continuity of operations during disaster/calamities.

Market Risk – Interest Rate Risk and Foreign Exchange Risk

SBCorp 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 - fully paid as of September 2021.

Liquidity Risk

SBCorp seeks to manage its liquidity profile to be able to finance capital expenditures and service maturing debts. To cover its financing requirements, corporate and P3 funds shall be intended to utilize.

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.

2021 GO GREEN REPORT

Amid the prevalence of health threatening situation until the end of 2021, SB Corporation has been consistent to its commitment in serving MSMEs through CARES Program. Government-prescribed work protocols and restrictions on Community Quarantine Alert Levels have been observed and yet corporate productivity was achieved without compromising its manpower welfare.

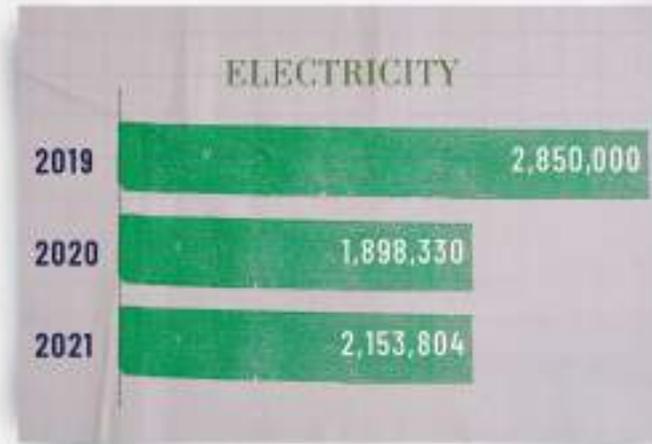
Given the quarantine and alert level restrictions in the workplace, our operational expenditures slightly increased from 2020 to 2021 however, Go Green principles were continuously applied in our electricity, paper/copier and fuel consumption.

1. ELECTRICITY CONSUMPTION

For 2021, although quarantine level restrictions gradually softened, the workplace capacity only reached a maximum of 60%. With this, our electricity consumption in 2021 slightly increased by 13.46% from that of 2020. The increase must have been attributed to the lifting of Alert level restrictions where government employees were allowed to report to office in accordance with the latest IATF recommendations.

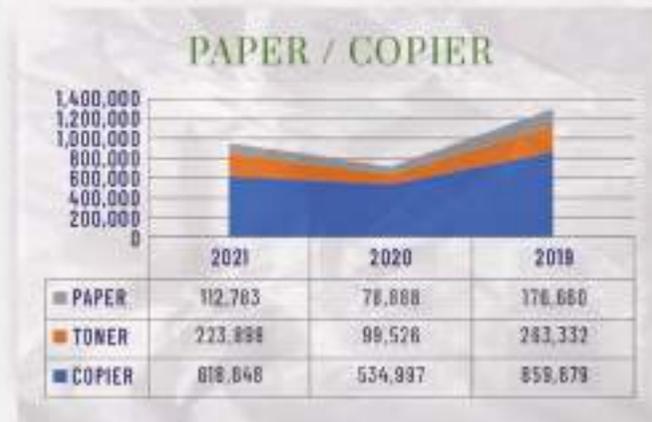
Brought by limited number of employees were allowed to work in the office until yearend 2021, computers and printers/copiers were not fully utilized and air conditioners, LED lights energy-saving refrigerators and vacuum cleaners were used regularly

by quadrant. Disinfection done using UV lamps, ozone-friendly (CFC-free) disinfectant spray and liquid soap in compliance to Go Green campaign. We saved 24% of electricity consumption in 2021 compared to our utilization in 2019.



2. PAPER CONSUMPTION AND COPIER RENTAL CHARGES

The paperless commitment of the Corporation was practiced during the implementation of work from home arrangement from 2020-2021 which initially done by way of creating photocopies and scanned copies of certain documents. As such, our paper consumption and copier rental increased by 15.64% as against the 2020 recorded figures. The increase in the paper consumption must likewise be attributed to regularization of some documents that were needed by SBCorp's regulators.



3. FUEL CONSUMPTION

With the use of office vehicles for employees' shuttle service, fuel consumption in 2021 surpassed the 2020 by 46% and 36% for 2019. The increase of fuel consumptions must be attributed to the commitment of SBCorp to employees in providing shuttle service for the safety of all employees in reporting to office. We patronize sustainable energy fuel products which reduces emissions in support to Go Green campaign.





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 the Financial Statements

Qualified Opinion

We have audited the financial statements of Small Business Guarantee and Finance Corporation (SB Corporation), which comprise the statements of financial position as at December 31, 2021 and 2020, 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.

In our opinion, except for the effects of the matters described in the *Basis for Qualified Opinion* section of our report, the financial statements present fairly, in all material respects, the financial position of SB Corporation as at December 31, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Qualified Opinion

The amounts presented in the financial statements of Investment in Treasury Bills stated at P1,797 billion in CY 2021 and P550.0 million in CY 2020; Investment in Treasury Bonds stated at P1,496 billion in CY 2021 and P416,437 million in CY 2020; Capital Notes stated at P105.0 million in CYs 2021 and 2020; Accounts Receivable stated at P44,186 million in CY 2021 and P36,846 million in CY 2020; Notes Receivable stated at P1,262 billion in CY 2021 and P1,363 billion in CY 2020; and Other Receivables stated at P166,348 million in CY 2021 and P295,719 million in CY 2020 are all overstated by undetermined amounts because of the non-provision of Allowance for Expected Credit Loss (ECL). PFRS 9 on Financial Instruments requires provision of impairment even before objective evidence of impairment becomes apparent.

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 the 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 qualified opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with 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 the 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 the SB Corporation or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 the 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 30 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, except for the effects of the matters described in the *Basis for Qualified Opinion* section of our report, 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

MAY 11, 2022

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

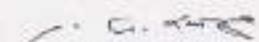
The management of Small Business Guarantee and Finance Corporation is responsible for the preparation and fair presentation of the financial statement, including the schedules attached therein, for the years ended December 31, 2021 and 2020 in accordance with the prescribed financial reporting framework 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.

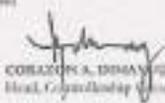
The Board of Directors is responsible for overseeing the Corporation's financial reporting process.

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-B 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.


 IRENE BARRELLA A. LANTAVONA
 Acting Chairman of the Board


 NA LUNA B. CRONANANDO
 President


 CORAZON A. DIMAYAGA
 Head, Compliance Office

Signed this 11th day of May 2022

Small Business Corporation is an Attached Agency of the Department of Trade and Industry
 11th & 18th Floor, 130 Corporate Center, 130 Valero St., Salcedo Village Makati City, 1227 Philippines

SMALL BUSINESS GUARANTEE AND FINANCE CORPORATION

(SMALL BUSINESS CORPORATION)

STATEMENTS OF FINANCIAL POSITION

December 31, 2021 and 2020

(In Philippine Peso)

| | NOTE | 2021 | 2020 |
|----------------------------------|------|-----------------------|-----------------------|
| ASSETS | | | |
| Current assets | | | |
| Cash and cash equivalents | 4 | 1,649,847,951 | 7,555,580,785 |
| Investments | 5 | 1,802,284,054 | 585,584,076 |
| Receivables, net | 6 | 4,288,973,173 | 3,235,846,332 |
| Inventories | 7 | 391,894 | 325,805 |
| Non-current asset held for sale | 8 | 10,781,773 | 37,204,860 |
| Other current assets | 9 | 31,368,796 | 1,524,903 |
| | | 7,763,458,711 | 10,403,688,037 |
| Non-current assets | | | |
| Investments | 5 | 1,074,540,937 | 772,747,580 |
| Receivables, net | 6 | 5,730,387,820 | 4,584,285,945 |
| Property and equipment, net | 10 | 73,834,276 | 65,271,663 |
| Investment property | 11 | 44,804,872 | 78,880,368 |
| Deferred tax assets | 12 | 287,853,207 | 185,535,255 |
| Other non-current assets | 9 | 5,673,537 | 5,251,573 |
| | | 7,728,284,698 | 6,630,602,182 |
| TOTAL ASSETS | | 15,491,743,220 | 17,034,290,019 |
| LIABILITIES AND EQUITY | | | |
| Current liabilities | | | |
| Financial liabilities | 13 | 82,738,858 | 361,329,131 |
| Inter-agency payables | 14 | 11,415,168 | 8,360,681 |
| Intra-agency payables | 15 | 91,590,083 | 236,169,676 |
| Trust liabilities | 16 | 1,371,188 | 1,797,220 |
| Deferred credits/unearned income | 17 | 24,314,085 | 21,952,388 |
| Other payables | 18 | 58,676,190 | 61,536,450 |
| | | 248,517,642 | 529,121,446 |
| Non-current liabilities | | | |
| Financial liabilities | 13 | 17,698,318 | 878,990,255 |
| Inter-agency payables | 14 | 40,000,000 | 48,000,000 |
| Deferred tax liabilities | 24.5 | 2,158 | 4,501,725 |
| | | 57,938,454 | 931,491,980 |
| TOTAL LIABILITIES | | 306,456,096 | 1,460,613,426 |

The Notes on pages 38-42 form part of these financial statements.

| | NOTE | 2021 | 2020 |
|-------------------------------------|------|-----------------------|-----------------------|
| EQUITY | | | |
| Share capital | 19 | 9,982,586,400 | 9,982,586,400 |
| Treasury shares | 19 | (40,000,000) | (40,000,000) |
| Share premium | 20 | 78,510,480 | 78,510,480 |
| Retained earnings | 21 | 5,189,305,384 | 4,587,356,732 |
| TOTAL EQUITY | | 15,189,322,224 | 14,589,375,582 |
| TOTAL LIABILITIES AND EQUITY | | 15,491,743,220 | 17,034,290,019 |

SMALL BUSINESS GUARANTEE AND FINANCE CORPORATION

(SMALL BUSINESS CORPORATION)

STATEMENTS OF COMPREHENSIVE INCOME

For the Years Ended December 31, 2021 and 2020

(In Philippine Peso)

| | NOTE | 2021 | 2020 |
|--|------|----------------------|----------------------|
| INCOME | | | |
| Service and business income | 22.1 | 854,309,659 | 387,868,251 |
| Gain | 22.2 | 10,534,489 | 166,834,951 |
| | | 864,844,148 | 554,703,202 |
| EXPENSES | | | |
| Personnel services | 23.1 | 240,205,873 | 224,471,631 |
| Maintenance and other operating expenses | 23.2 | 188,528,620 | 118,572,101 |
| Financial expenses | 23.3 | 11,750,195 | 16,243,581 |
| Non-cash expenses | 23.4 | 728,258,659 | 335,018,947 |
| | | 1,168,743,247 | 684,294,210 |
| LOSS FROM OPERATIONS | | (479,397,099) | (161,330,268) |
| Other non-operating income | 22.2 | 1,438,479 | 8,142,882 |
| LOSS BEFORE TAX | | (477,958,620) | (149,357,386) |
| INCOME TAX BENEFIT | | | |
| Current | | 33,772,639 | 0 |
| Deferred | | (102,573,772) | (28,172,346) |
| | 24 | (78,801,133) | (28,172,346) |
| LOSS AFTER TAX | | (511,731,253) | (177,529,732) |
| Subsidy from National Government | 25 | 1,603,000,000 | 1,500,000,000 |
| NET INCOME/COMPREHENSIVE INCOME | | 891,268,747 | (27,529,732) |

SMALL BUSINESS GUARANTEE AND FINANCE CORPORATION
(SMALL BUSINESS CORPORATION)
STATEMENTS OF CHANGES IN EQUITY
For the Years Ended December 31, 2021 and 2020
(In Philippine Peso)

| | SHARE CAPITAL NOTE 10 | TREASURY SHARES NOTE 10 | SHARE PREMIUM NOTE 10 | RETAINED EARNINGS NOTE 10 | TOTAL EQUITY |
|--|--------------------------|----------------------------|--------------------------|------------------------------|-----------------------|
| Balance as at January 1, 2021 | 3,982,508,480 | (48,000,000) | 78,518,480 | 4,587,358,753 | 14,598,375,695 |
| Prior period adjustments | | | | 1,465,100 | 0 |
| Restated balance as at January 1, 2021 | 3,982,508,480 | (48,000,000) | 78,518,480 | 4,588,823,853 | 14,598,375,695 |
| Net income for the year | 0 | 0 | 0 | 988,841,075 | 988,841,075 |
| Dividends | 0 | 0 | 0 | (8,348,482) | (8,348,482) |
| Balance as at December 31, 2021 | 3,982,508,480 | (48,000,000) | 78,518,480 | 5,180,205,264 | 15,182,512,214 |
| Balance as at January 1, 2020 | 1,882,488,480 | 0 | 78,518,480 | 2,142,394,539 | 6,185,221,209 |
| Prior period adjustments | | | | (115,583,448) | (115,583,448) |
| Restated balance as at January 1, 2020 | 1,882,488,480 | 0 | 78,518,480 | 2,026,811,091 | 6,069,637,761 |
| Issuance of share capital | 8,080,000,000 | 0 | 0 | 8,080,000,000 | 16,149,637,761 |
| Net income for the year | 0 | 0 | 0 | 1,384,014,370 | 1,384,014,370 |
| Dividends | 0 | 0 | 0 | (156,524,224) | (156,524,224) |
| Reacquisition of common shares | 0 | (48,000,000) | 0 | 0 | (48,000,000) |
| Balance as at December 31, 2020 | 9,962,508,480 | (48,000,000) | 78,518,480 | 4,587,358,753 | 14,598,375,695 |

The Notes on pages 35-42 form part of these financial statements.

SMALL BUSINESS GUARANTEE AND FINANCE CORPORATION
(SMALL BUSINESS CORPORATION)
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2021 and 2020
(In Philippine Peso)

| | 2021 | 2020 |
|--|------------------------|------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Cash inflows | | |
| Collection of receivables | 3,985,182,264 | 3,441,498,216 |
| Receipt of subsidy from National Government | 1,938,493,089 | 1,600,093,069 |
| Collection of income/revenue | 589,528,785 | 381,007,499 |
| Other receipts | (1,298,872) | 488,602,154 |
| | 6,503,005,266 | 5,731,180,938 |
| Cash outflows | | |
| Release of loans to financial institutions and SMEs | (7,015,192,589) | (6,091,968,808) |
| Payment of expenses | (700,023,431) | (552,832,818) |
| Remittance of personal benefit contributions and mandatory deductions | (1,528,812) | (1,949,176) |
| Payments | (5,444,889) | (6,882,218) |
| Grant of cash advances | 0 | 498,228,898 |
| Purchase of intangibles | (278,019) | (81,822) |
| Other disbursement | (6,084,943) | (80,233) |
| | (8,330,007,673) | (7,285,075,137) |
| NET CASH USED IN OPERATING ACTIVITIES | (1,770,817,714) | (15,102,832) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Cash inflows | | |
| Proceeds from: | | |
| Maturity/redemption of long-term investments/return on investments | 18,219,241,896 | 6,177,784,238 |
| Sale/disposal of investment property | 9,321,880 | (6,757,880) |
| Other disbursements | (24,858) | 0 |
| | 18,203,684,918 | 5,589,826,358 |
| Cash outflows | | |
| Purchase of investments | (2,808,273,244) | (1,979,321,838) |
| Purchase/construction of property and equipment | (3,398,848) | (2,784,078) |
| Purchase/construction of investment property | 0 | (524,497) |
| | (2,811,672,092) | (2,506,630,213) |
| Net cash used in investing activities | (1,312,868,433) | (1,891,128,144) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Cash inflows | | |
| Receipt from the issuance of share capital to the National Government | 0 | 8,080,000,000 |
| Proceeds from equity or capital contribution | 0 | 4,899,238 |
| | 0 | 8,084,899,238 |
| Cash outflows | | |
| Payment of long-term liabilities | (788,195,819) | (21,649,112) |
| Payment of deposits from bond liability | (38,814) | 0 |
| Payment for reacquisition of capital stock and other equity securities | 0 | (48,000,000) |
| Payment of interest on loans and other financial charges | (28,228,878) | (1,288,537) |
| Payment of cash dividends | (22,988,296) | (12,851,307) |
| | (819,451,807) | (77,789,056) |
| Net cash provided by/used in financing activities | (819,451,807) | (77,789,056) |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | (3,903,137,954) | (1,318,300,502) |
| Effects of foreign exchange rate changes on cash and cash equivalents | 61,261 | (121,948) |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR | 1,595,989,765 | 2,914,290,267 |
| CASH AND CASH EQUIVALENTS AT END OF YEAR (NOTE 4) | 1,659,127,819 | 1,595,989,765 |

**SMALL BUSINESS GUARANTEE AND FINANCE CORPORATION
(SMALL BUSINESS CORPORATION)
NOTES TO FINANCIAL STATEMENTS
(In Philippine Peso)**

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 the 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 Micro, Small and Medium Enterprises (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, training and marketing."

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, Executive Order (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 with EO No. 58.

In November 2020, the National Government (NG) provided additional capital infusion of P8.080 billion to SB Corporation in compliance to the provisions of RA No. 11494, "An Act Providing for COVID-19 Response and Recovery Interventions and Providing Mechanisms to Accelerate the Recovery and Bolster the Resiliency of the Philippine Economy, Providing Funds Therefor, and For Other Purposes". The capital infusion aims to provide additional funds for the COVID-19 Assistance to Restart Enterprises (CARES) Program and other lending programs of the Corporation to assist in the restart of the MSME industry during the pandemic.

Coping up with the operational effects of the COVID-19 Pandemic

The pandemic required that SB Corporation responds in ways which may even be considered inconceivable pre-pandemic, given its developmental mandate and crucial countercyclical role in times of crisis. More importantly, the Corporation's pandemic response is fully aligned and adapted to address the unique challenges presented by restricted mobility and following strict health and safety protocols.

The foregoing demanded a dramatic acceleration towards operating norms that allow for enhanced alignment, pace and performance. Outcomes that would have normally taken years to achieve took place within months, sometimes even within weeks. Traditional constructs were dismantled in favor of agility to tackle the unprecedented and unforeseen marketplace disruptions. Towards this end, SB Corporation implemented the following initiatives and early policy actions:

- Developed and implemented a Pandemic Business Continuity Plan (BCP) to protect its employees and keep its core and mission-essential business operations functioning during the pandemic;
- Ensured that its workplace policies during the pandemic are responsive, equitable, adaptable, and compliant to national and local public health recommendations;
- Implemented alternative work arrangements (e.g., work from home, skeleton workforce, etc.) and provided adequate support mechanisms to SB Corporation personnel;
- Identified key business processes and resources required for it to adequately perform its mandate during the pandemic, particularly the immediate processing and disbursement of stimulus financing to pandemic-stricken MSMEs under the COVID19 Assistance to

Restart Enterprises otherwise known as the CARES Program;

- Created functional Ad Hoc Teams (e.g., Document Verification Team, Business Verification Team, Loan Releasing Team, and Credit Review Team) specifically designed to allow for remote work and adapted to respond to the recovery and rehabilitation needs of the MSME sector; and
- Leveraged on the momentum of the new operating environment to accelerate the organization's platformification plan, including the launch of a fully online loan application system and deliberate shift to digital loan disbursements.

The principal office of SB Corporation is at 17th and 18th Floors, 139 Corporate Center, 139 Valero St., Salcedo Village, Makati City. It has four regional lending offices; 12 desk offices and 59 field/provincial offices within the Philippines. Manpower complement is composed of 160 regular employees, three co-terminous, 150 contractual/contract of services and 36 agency-hired personnel for CY 2021.

The financial statements of the SB Corporation as at, and for the year ended December 31, 2021 (including the comparative financial statements as at and for the year ended December 31, 2020) were approved and authorized for issue by SB Corporation's Board of Directors

(800).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies that are used in the preparation of the 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, 2021 and 2020 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 Commercial Public Sector Entities (CPSEs). Under COA Resolution No. 2020-013 dated January 31, 2020, SB Corporation is classified as a CPSE. 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, and appropriateness of its tax compliance activities. While this was initially scheduled for the year, the COVID-19 pandemic restricted certain activities to be undertaken during the year.

In CY 2021 and 2020, SB Corporation did not adopt the PFRS 16, Leases, due to the short-term nature of the contracts.

(c) Adoption of the Commission on Audit Revised Chart of Accounts

In compliance with COA Circular No. 2021-005 dated July 22, 2021, SB Corporation adopted the RCA in its trial balance for CY 2021 and 2020. General Ledger and Subsidiary ledger accounts were analyzed and mapped to the RCA. SB Corporation's accounting framework is designed to provide clear and reliable information regarding the achievement of its operational objectives, compliant with the applicable PFRSs.

(d) Functional and Presentation Currency

These financial statements are presented in Philippine Peso, SB Corporation's 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.

2.2 Adoption of new and amended PFRSs

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

(a) Effective in 2021 that are relevant to SB Corporation

- (i) PFRS 16, COVID-19-related Rent Concessions. The amendment exempts lessees from having to consider individual lease contracts to determine whether rent concessions occurring as a direct consequence of the COVID-19 pandemic are lease modifications and allows lessees to account for such rent concessions as if they were not lease modifications. It applies to COVID-19-related rent concessions that reduce lease payments due on or before June 30, 2021.
- (ii) Amendment to PFRS 16, COVID-19 Rent-related Concessions beyond June 30, 2021. The amendment provides a one-year extension beyond June 30, 2021 in response to the on-going economic challenges resulting from the COVID-19 pandemic.
- (iii) Amendment to PAS 1 and PFRS Practice Statement 2, Disclosure Initiative - Accounting Policies. The key amendments to PAS 1 include: (a) to disclose material accounting policies rather than significant accounting policies; (b) clarify that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and need not be disclosed; and (c) clarify that not all accounting policies that relate to material transactions, other events or conditions are themselves material to the financial statements.

- (iv) Amendments to PAS 8, Definition of Accounting Estimates. The amendments clarify what changes in accounting estimates are and how these differ from changes in accounting policies and corrections of errors. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty. The amendments clarify that a change in accounting estimate that results from new information or new developments is not a correction of an error.

(b) Effective in 2021 that is not relevant to SB Corporation

The SB Corporation noted the following amendment to PFRS, which is effective for annual periods beginning on or after January 1, 2021:

- (v) 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.

(c) Effective for reporting periods on or after January 1, 2022

The SB Corporation noted the following amendments to PFRS, which are effective for annual periods beginning on or after January 1, 2022, application of which to the Corporation will be determined before implementation:

- (vi) Amendments to PFRS 3, Reference to Conceptual Framework. The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989 with a reference to the Conceptual Framework for Financial Reporting, which was issued in March 2018, without significantly changing its requirements.

- (vii) Amendments to PAS 16, Property, Plant and Equipment - Proceeds before Intended Use. The amendment would prohibit an entity from deducting from the cost of an item of plant, property and equipment (PPE) any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by Management.
- (viii) Amendment to PAS 33, Onerous Contracts - Cost of Fulfilling a Contract. The amendment clarifies the standard regarding costs that a company should include as the cost of fulfilling a contract when assessing whether a contract is onerous.
- (ix) Amendment to PAS 1, Classification of Liabilities as Current or Non-Current. The amendment intends to clarify that the classification of a liability as either current or non-current is based on the entity's rights at the end of the reporting period; and make clear the link between the settlement of the liability and the outflow of resources from the entity.
- (x) Amendment to PAS 12, Deferred Tax related to Assets and Liabilities arising from a Single Transaction. The amendment clarifies that the initial recognition exemption does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition.

(d) Effectivity Deferred Indefinitely

- (xi) Amendments to PFRS 10, Consolidated Financial Statements, and to PAS 28, Investment in Associates and Joint Ventures - Sales or Contribution of Assets between an Investor and its Associates or Joint Venture. The amendments to PFRS 10 require full recognition in the investor's financial statements of gains or losses arising on the sale or contribution of assets that constitute a business as defined in PFRS 3, between an investor and its associate or joint venture. Accordingly, the partial recognition of gains or losses (i.e., to the extent of the unrelated investor's interests in an associate or joint venture) only applies to 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 Current and Non-Current Classification

The Corporation presents assets and liabilities in SFP based on current and non-current classification.

An asset is current when it is: (i) expected to be realized or intended to be sold or consumed in normal operating cycle; (ii) held primarily for the purpose of trading; (iii) expected to be realized within twelve months after reporting date; or (iv) cash or cash equivalents, unless restricted from being exchanged or used to settle a liability for at least 12 months after reporting date. All other assets are classified as non-current.

A liability is current when: (i) it is expected to be settled in the normal operating cycle; (ii) it is held primarily for the purpose of trading; (iii) it is due to be settled within 12 months after reporting date; or (iv) there is no unconditional right to defer the settlement of the liability for at least 12 months after reporting date. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities, respectively.

2.4 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 (3) months of maturity when placed or acquired.

2.5 Financial assets

a. Classification and initial measurement

Financial assets are classified, at initial recognition, as either subsequently measured at amortized cost, at Fair Value through Other Comprehensive Income (FVTOCI), or at Fair Value through Profit or Loss (FVTPL). The classification of financial assets at initial recognition depends on the business model for managing financial assets and their contractual cash flow characteristics. If certain conditions are met, the classification of an asset may subsequently need to be reclassified.

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 (FVTPL) or recognized in other comprehensive income (FVTOCI).

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 and treasury bonds 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 are calculated using the EIR method, and foreign exchange gains and losses and impairment are recognized in profit or loss. Changes in fair value of such assets as at reporting period are recognized as either unrealized gains and losses in OCI and accumulated in fair value reserves under equity. On de-recognition, cumulative gains and losses are directly reclassified to retained earnings.

SB Corporation has no financial assets at FVTOCI as of December 31, 2021 and 2020.

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term.

Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statements of financial position at fair value as at reporting period with net changes in fair value recognized in the profit or loss.

SB Corporation classified its Foreign Exchange Risk Cover, a derivative financial instrument as financial assets at FVTPL.

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.

2.6 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.

2.7 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.

2.8 Non-Current Assets Held for Sale (NCAHFS)

NCAHFS are booked initially at the outstanding balance of the loan less allowance for impairment plus transaction costs 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 shall be tested for impairment.

2.9 Investment Properties

Investment properties are acquired assets or real and other properties acquired (ROPA) by the SB Corporation through daclon en pago or foreclosure in settlement of loans under the various lending facilities of the Corporation.

Investment properties are initially recorded at cost, which includes directly attributable costs incurred. Subsequent to initial recognition, investment properties except land are stated at cost less accumulated depreciation and accumulated impairment losses, if any. The depreciable amount is allocated using a straight-line method over the remaining useful life. Land is subsequently measured at cost less accumulated impairment, if any.

Investment properties are appraised every two years to determine whether impairment exists. Immediate reappraisal may be undertaken if there is evidence of material decline in value. If the recoverable amount/appraised value is less than its carrying amount, the difference is recognized in the SCI as impairment loss.

An investment property is derecognized upon disposal or when no future economic benefits are expected from its disposal. Any gains or losses from the retirement or disposal of an investment are recognized in profit or loss in the period of retirement or disposal.

2.10 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.

2.11 Other Investments

SB Corporation's 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.

2.12 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 that the carrying value may not be recoverable. If any of such indication exists and where the carrying values exceed the estimated recoverable amount, an impairment loss is recognized in the SCI.

2.13 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 comprehensive income.

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. De-recognition

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].

2.14 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 (ECL) are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that SBCorp 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.

SBCorp implemented beginning 1 January 2020 simple loan loss methodologies fundamentally anchored on the principle of recognizing ECL. As such, SBCorp adopted the ECL model in measuring

credit impairment/allowance for credit losses even before objective evidence of impairment becomes apparent. Further, in compliance with the requirements of PFRS 9, SB Corporation considered past events, current conditions and forecasts of future economic conditions in assessing impairment.

Revision to this policy in Loan-Loss Estimation Methodology was proposed in December 2020. The revision, among others, take into consideration the applicable loan loss provisioning guidelines considering the pandemic related regulatory issuances of the BSP, its supervisory expectations per BSP Memorandum No. 2020-061 and the "Bayanihan Act".

(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 SCI 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 SCI.

2.15 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.

2.18 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:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 – valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and,
- 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.

2.17 Revenue and Expense 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) *Service Fees*

SB Corporation adopted a different income stream in the form of service fees for CY 2020. As part of the Corporation's response to assist the MSMEs during the pandemic, loan facilities aimed to restart businesses were provided with zero- interest rate with minimum service fee which are recognized as an upfront charge. This income stream was carried on for CY 2021.

2.18 Employee Benefits

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.

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 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

Tax expense recognized in profit or loss comprises the sum of deferred tax and current tax not recognized in other comprehensive income or directly in equity, if any.

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 reporting 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 the end of each reporting period 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 by the end of the reporting period.

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 Peso. 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 the Reporting Period

Subsequent events that provide additional information about SB Corporation's financial position at the end of the reporting 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.

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 these 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) for taxable year 2016, 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 P124-million. On June 4, 2019, SB Corporation counter filed a Manifestation with Motion to Suspend Proceedings before the Department of Justice (DOJ). After almost two years with no resolution from the DOJ, the Corporations' Board of Directors decided to withdraw the petition and resume the reinvestigation with the BIR. The petition for withdrawal was sent on March 19, 2021. As of year-end 2021, The request for reinvestigation was granted by BIR and the discussion resumed on the 1st quarter of CY 2022. As a result of the reconciliation and agreement, payments were made on the 2nd quarter of 2022.

On the other hand, there are Criminal Complaints for Violation of Batas Pambansa Big. 22 Involving three borrowers, that if resolved positively in favor of the SB Corporation will result in the possible collection of P53 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:

| | 2021 | 2020 |
|--------------------------------|---------------|---------------|
| Cash on hand | 81,205 | 4,491 |
| Cash in bank- Local Currency | 648,176,887 | 7,554,886,124 |
| Cash in bank- Foreign Currency | 608,659 | 580,150 |
| Cash equivalents | 1,008,800,000 | 0 |
| | 1,848,847,851 | 1,555,598,765 |

Cash on hand represents collections by the Cash collecting officers on the last working day of the year that are for deposit on the first working day of the succeeding year.

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. It also includes high yield savings account maturing within 90 days from transaction date with interest ranging from

1.45 to 1.50 per cent per annum for 2021 and 1.20 to 1.75 percent per annum for 2020 (Note 2.4).

Decrease in the cash in bank-local currency is due to the loan releases made and available funds not yet earmarked for specific purpose are temporarily invested in short-term treasury bills and other investments.

Cash equivalents include short-term time deposits maturing within 90 days from the time of purchase with interest rates of 1.45 to 1.50 per cent per annum.

5. INVESTMENTS

This account consists of the following:

| | 2021 | 2020 |
|------------------------------------|---------------|---------------|
| Financial Assets at FVTPL | 0 | 252,535,859 |
| Financial Assets at amortized cost | 3,386,486,051 | 1,871,436,795 |
| Investments in Joint Ventures | 18,312,500 | 18,312,500 |
| Other investments | 146,500 | 146,500 |
| | 3,405,025,051 | 1,342,331,654 |
| Current | 1,802,284,054 | 589,584,174 |
| Non-current | 1,602,740,997 | 752,747,480 |

Financial Assets at FVTPL

| | 2021 | 2020 |
|--------------------------------------|------|-------------|
| Asian Development Bank (ADB) | 0 | 21,287,569 |
| Kreditanstalt für Wiederaufbau (KfW) | 0 | 231,248,290 |
| | 0 | 252,535,859 |
| Current | 0 | 74,587,386 |
| Non-current | 0 | 177,948,473 |

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 P754.44 million in CY 2020 which is treated as a derivative financial instrument.

Under the Memorandum of Agreement (MOA) dated January 12 and 17, 2006 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.

No amount of FVTPL for CY 2021 as the Official Development Assistance (ODA) loans from both the ADB and KfW were fully paid in September 2021 ahead of its maturity.

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 short-term Treasury Bills and High Yield Savings Account (HYSAs), Fixed Rate Treasury Notes and Retail Treasury Bonds, and Tier 2 Capital Notes with the Land Bank of the Philippines (LBP), Bureau of the Treasury (BT) and Development Bank of the Philippines (DBP), respectively. These investments, which have various maturity dates over three months from transaction date at interest rates ranging from 1.315 to 6.25 per cent per annum for CY2021, consist of the following:

| | 2021 | 2020 |
|-------------------------------|---------------|---------------|
| Investments in treasury bills | 1,797,283,968 | 551,800,000 |
| Investments in treasury bonds | 1,499,182,085 | 406,458,795 |
| Capital Notes | 109,000,000 | 705,800,000 |
| | 3,395,466,053 | 1,664,058,795 |
| Current | 1,802,284,054 | 551,000,000 |
| Non-current | 1,593,181,999 | 1,113,058,795 |

Investments in Joint Ventures

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 P10.485 million for both CYs 2021 and 2020.

SB Corporation, in cooperation with various SME corporations invested P8.760 million in preferred shares and P19.938 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 companies:

CY 2021

| VENTURE PARTNER | AMOUNT | ALLOWANCE FOR IMPAIRMENT | CARRYING AMOUNT |
|--|-------------------|--------------------------|-------------------|
| Agricultural Inoculants Phils. | 2,000,000 | 2,000,000 | 0 |
| Greenop Seaweeds Production Co., Inc. | 725,120 | 725,120 | 0 |
| Starlight Homeessences Inc. | 3,776,757 | 3,776,757 | 0 |
| Walls in Motion, Inc. | 3,712,500 | 0 | 3,712,500 |
| RES Supreme Power Trading, Inc. | 2,851,800 | 2,851,800 | 0 |
| Epitane Ventures, Inc. | 5,000,000 | 500,000 | 4,500,000 |
| Elbitock, Inc. | 5,000,000 | 0 | 5,000,000 |
| Binhi, Inc. | 5,000,000 | 0 | 5,000,000 |
| BALANCE AS AT DECEMBER 31, 2021 | 21,265,977 | 9,053,477 | 18,212,500 |

CY 2020

| VENTURE PARTNER | AMOUNT | ALLOWANCE FOR IMPAIRMENT | CARRYING AMOUNT |
|--|-------------------|--------------------------|-------------------|
| Agricultural Inoculants Phils. | 2,000,000 | 2,000,000 | 0 |
| Greenop Seaweeds Production Co., Inc. | 725,120 | 725,120 | 0 |
| Starlight Homeessences Inc. | 3,920,000 | 3,920,000 | 0 |
| Walls in Motion, Inc. | 3,712,500 | 0 | 3,712,500 |
| RES Supreme Power Trading, Inc. | 3,780,000 | 3,780,000 | 0 |
| Epitane Ventures, Inc. | 5,000,000 | 500,000 | 4,500,000 |
| Elbitock, Inc. | 5,000,000 | 0 | 5,000,000 |
| Binhi, Inc. | 5,000,000 | 0 | 5,000,000 |
| BALANCE AS AT DECEMBER 31, 2020 | 28,892,620 | 10,485,120 | 18,212,500 |

Other investments pertain to PLDT stocks received upon application of telephone lines amounting to P0.347 million as at December 31, 2021 (See Note 2.0).

6. RECEIVABLES - NET

This account consists of the following:

| | 2021 | 2020 |
|--|----------------------|----------------------|
| Accounts receivable | 44,185,638 | 38,941,442 |
| Notes receivable | 71,262,358,701 | 7,387,318,815 |
| Interest receivable | 83,613,313 | 13,855,812 |
| Intra-agency receivable | 82,489,804 | 223,374,115 |
| Dividends receivable | 850,000 | 850,000 |
| Sales contract receivable | 77,604,658 | 14,838,365 |
| Other receivables | 1,810,058 | 2,780,813 |
| | 114,722,872,068 | 7,899,277,172 |
| Allowance for impairment - Accounts receivable | (1,884,527) | (1,884,527) |
| Allowance for impairment - Notes receivable | (1,481,886,548) | (369,476,398) |
| | 1,483,531,013 | 871,349,895 |
| Total carrying amount | 8,509,341,033 | 8,021,536,977 |
| Current | 4,218,875,773 | 2,238,546,232 |
| Non-current | 4,290,465,260 | 5,782,990,745 |

Accounts Receivable (net of allowance) consists of the following:

| | 2021 | 2020 |
|---|------------|------------|
| Agricultural Credit Policy Council (ACPC) re: Administrative fee for the Comprehensive Agricultural Loan Fund (CALF) | 8,930,809 | 8,930,000 |
| Participating financial institutions' share in expenses relative to foreclosures in the management of acquired assets | 6,304,948 | 5,554,820 |
| ForEx claims and refund of Guarantee and ForEx fee from OF/DOF | 5,581,045 | 0 |
| Lease purchase for officers | 18,545,839 | 18,094,585 |
| Lease purchase - resigned officers | 0 | 1,500,000 |
| Foreclosure-related expenses | 1,323,712 | 1,282,710 |
| Advances made for contract-of-service employees | 148,157 | 160,807 |
| Colony Loan granted to employees | 189,527 | 244,183 |
| Travel Fund as required by the OBM-PHDEPS | 1,300,808 | 1,300,000 |
| | 42,321,800 | 34,876,915 |

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 MOA dated March 1, 1999 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.

For the ForEx claims, in September 2021, two ODA loans (ADB and KfW) were paid by the Corporation ahead of its maturity. Payment of the relative FXRC and Guarantee Fee to the National Government were paid six months upfront, thus the claim for refund for the unexpended portion of the payment.

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 zero-interest rate to 30 per cent per annum for relending under its

special lending programs for MSMEs. It consists of the following loans, net of allowance:

| | 2021 | 2020 |
|--|---------------|---------------|
| Regular Wholesale-SME and MICRO | 804,174,373 | 844,860,382 |
| Regular Retail | 225,751,222 | 639,509,959 |
| Enterprise Rehabilitation Facility (ERF) | 8,879,857 | 35,039,804 |
| Bayanhan 2 | 4,344,391,387 | 581,930,288 |
| P3 Wholesale | 2,229,088,705 | 1,545,879,059 |
| P3 Retail | 0 | 94,119,294 |
| P3 CARES | 372,743,758 | 972,693,213 |
| P3 13 th month | 38,995,848 | 0 |
| P3 ASCENT | 131,863,938 | 0 |
| P3 STAPLES | 487,788 | 0 |
| Others | 17,593,318 | 50,760 |
| | 8,780,672,155 | 5,482,840,647 |

While SB Corporation reviews its notes receivable 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 2021 approved COB of SB Corporation.

The periodic impairment complies with the general provisioning requirement of the BSP and PFRS 9. 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 investments in government-issued debt instruments and notes receivable that are still to be collected at the end of the year.

| | 2021 | 2020 |
|------------------------------------|------------|------------|
| Short-term investments | 11,020,820 | 6,614,253 |
| Financial assets at amortized cost | 8,912,632 | 4,041,500 |
| Notes receivable - loans | 42,578,998 | 42,189,559 |
| | 62,512,450 | 52,845,312 |

Inter-agency receivable

| | 2021 | 2020 |
|-------------|------------|-------------|
| Due from P3 | 24,120,682 | 19,993,490 |
| Due from SO | 58,248,246 | 205,329,875 |
| | 82,368,928 | 225,323,365 |

The account pertains to intra-fund receivables/payables between funds representing advances regularly monitored on a periodic basis.

Dividends receivable represents cash dividends due from investments on Epilanie Ventures, Inc (See Note 5) amounting to P850,000 as of December 31, 2021 and 2020.

Sales contract receivable are receivables from disposal of NCAHFS through term amortizations amounting to P17,504,558 and P14,838,195 as of December 31, 2021 and 2020, respectively.

Other receivables include the following:

| | 2021 | 2020 |
|---------------------------------|-----------|-----------|
| Disallowances/Charges | 586,204 | 1,018,880 |
| Due from officers and employees | 414,852 | 1,242,115 |
| | 1,001,056 | 2,261,003 |

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. INVENTORIES

This account pertains to office supplies inventory held for consumption awaiting issuance to end-users amounting to P391,964 and P325,803 as at December 31, 2021 and 2020, respectively.

8. NON-CURRENT ASSETS HELD FOR SALE

This account consists of ROPA through foreclosure of mortgaged properties, dacion en pago arrangements, or SCR rescissions, where the foremost objective is immediate disposal generally under cash or term sale transactions, amounting to P10,791,773 and P37,204,960 as at December 31, 2021 and 2020, respectively.

9. OTHER ASSETS

This account consists of the following:

| | 2021 | 2020 |
|--------------------------------------|---------------------|--------------------|
| Prepayments | 11,169,798 | 5,324,803 |
| Deposits | 2,895,089 | 1,487,199 |
| Others | 14,359,838 | 5,652,462 |
| Accumulated impairment losses | 27,894,705 | 12,444,553 |
| | (19,751,582) | (1,892,277) |
| Carrying amount: | 16,843,133 | 13,582,376 |
| Current | 11,169,798 | 5,324,803 |
| Non-current | 5,673,335 | 5,257,573 |

Prepayments significant increase pertains to the excess tax payments made during the year.

Deposits pertain to security and guarantee deposit for rental and other contractual obligations.

Others consist of unserviceable properties with an ongoing implementation of disposal plan which were provided with allowance for impairment loss amounting to P10,752 million and P1,862 million for CY 2021 and 2020, respectively.

10. PROPERTY AND EQUIPMENT - NET

This account consists of the following:

| | BUILDINGS STRUCTURES LEASEHOLD IMPROVEMENTS | PLANT/TOOLS AND EQUIPMENT | TRANSPORT EQUIPMENT | TOTAL |
|---------------------------------|--|---------------------------------|------------------------|--------------------|
| Cost | | | | |
| January 1, 2021 | 156,843,897 | 34,163,201 | 35,108,741 | 306,115,839 |
| Additions | 4,459,859 | 12,242,445 | 4,349,830 | 21,052,134 |
| Reclassification | (3,312,199) | (25,860) | 0 | (3,338,059) |
| Disposals | (1,452,254) | (352,550) | (888,470) | (2,693,274) |
| DECEMBER 31, 2021 | 156,539,403 | 48,025,196 | 18,569,101 | 223,133,700 |
| Accumulated depreciation | | | | |
| January 1, 2021 | 188,481,858 | 24,755,320 | 11,548,897 | 142,886,278 |
| Additions | 5,433,554 | 2,478,939 | 1,059,161 | 8,971,794 |
| Reclassification | (2,235,464) | (1,424) | 0 | (2,236,888) |
| Disposals | (1,218,680) | (307,295) | (781,623) | (2,307,608) |
| December 31, 2021 | 190,461,318 | 28,926,130 | 11,816,435 | 142,193,883 |
| Net book value: | | | | |
| December 31, 2021 | 67,078,085 | 19,109,066 | 6,752,666 | 92,939,817 |

| | BUILDINGS STRUCTURES LEASEHOLD IMPROVEMENTS | PLANT/TOOLS AND EQUIPMENT | TRANSPORT EQUIPMENT | TOTAL |
|---------------------------------|--|---------------------------------|------------------------|--------------------|
| Cost | | | | |
| January 1, 2020 | 153,888,750 | 32,848,000 | 15,108,741 | 301,845,491 |
| Additions | 889,717 | 1,338,851 | 0 | 2,228,568 |
| Adjustments | (73,273) | 0 | 0 | (73,273) |
| Reclassification | 2,032,397 | 0 | 0 | 2,032,397 |
| DECEMBER 31, 2020 | 156,945,897 | 34,186,851 | 15,108,741 | 306,241,489 |
| Accumulated depreciation | | | | |
| January 1, 2020 | 190,616,441 | 23,163,877 | 10,848,264 | 133,427,372 |
| Additions | 5,307,400 | 2,645,578 | 882,543 | 8,745,521 |
| Adjustments | (15,647) | (13,825) | 0 | (29,472) |
| Reclassification | 694,458 | 0 | 0 | 694,458 |
| December 31, 2020 | 196,461,650 | 24,185,625 | 11,730,807 | 142,378,082 |
| Carrying amount: | | | | |
| December 31, 2020 | 60,484,247 | 9,991,226 | 3,377,934 | 73,853,407 |

11. INVESTMENT PROPERTY

| | 2021 | 2020 |
|-----------------------------|-------------------|-------------------|
| Land | 46,744,070 | 18,240,753 |
| Accumulated impairment loss | (5,885,251) | (941,018) |
| Net book value | 40,858,819 | 17,299,734 |
| Buildings | 10,884,235 | 14,884,888 |
| Accumulated depreciation | (7,958,182) | (11,593,435) |
| Net book value | 2,926,053 | 3,291,453 |
| | 44,014,872 | 20,591,187 |

The Corporation's investment properties arise from acquired assets from defaulted accounts. These are assets that are not available for immediate sale as the same include assets under litigation making its sale highly improbable.

12. DEFERRED TAX ASSETS

This account consists of the following:

| | 2021 | 2020 |
|---|--------------------|--------------------|
| Excess minimum corporate income tax | 0 | 10,282,956 |
| Net operating loss carryover | 0 | 1,806,314 |
| Provision for impairment losses | 287,853,207 | 171,586,711 |
| Unrealized losses on Foreign Exchange (FarEs) | 0 | 40,188,282 |
| | 287,853,207 | 183,804,263 |

13. FINANCIAL LIABILITIES

This account consists of the following:

| | 2021 | 2020 |
|---|-------------------|----------------------|
| Payables | 60,843,027 | 57,585,203 |
| Bills/Bonds/Leases payable | 18,790,359 | 778,190,698 |
| Financial liabilities designated at Fair Value through Surplus/Profit or Deficit/Loss | 0 | 237,620,493 |
| | 80,622,186 | 1,071,396,394 |
| Current | 82,730,850 | 181,528,131 |
| Non-current | 17,891,336 | 879,868,255 |

Payables consist of the following:

| | 2021 | 2020 |
|------------------|-------------------|-------------------|
| Accounts payable | 43,222,438 | 39,240,865 |
| Notes payable | 17,200,080 | 13,188,649 |
| Interest payable | 424,509 | 564,889 |
| | 60,843,027 | 57,585,203 |

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

| | 2021 | 2020 |
|------------|-------------------|-------------------|
| SB Regular | 38,785,239 | 35,482,804 |
| FS | 1,457,847 | 5,177,062 |
| | 43,222,438 | 38,240,868 |

Notes payable represents the obligations of SB Corporation to one remaining financial institution 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. In 2018, the provision of the law on the alternative compliance to the mandatory allocation expired. To date, only one PN remains outstanding which will mature by the 3rd quarter of CY 2022. The promissory note carries interest rate of 1.59 per cent per annum.

Details of the account as follows:

| | 2021 | 2020 |
|-------------|------------|------------|
| Current | 17,298,809 | 589,448 |
| Non-current | 0 | 17,210,808 |
| | 17,298,809 | 17,799,448 |

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

| | 2021 | 2020 |
|--|---------|---------|
| Asian Development Bank (ADB) | 0 | 117,085 |
| International Fund for Agricultural Development (IFAD) | 351,152 | 381,881 |
| Notes payable - MSME Notes | 83,428 | 85,113 |
| | 434,581 | 564,899 |

Bills/Bonds/Loans Payable consists of SB Corporation's borrowings as follows:

| | 2021 | 2020 |
|--------------------------------|------------|-------------|
| Loans payable - Domestic -IFAD | 18,780,139 | 21,887,881 |
| Loans payable - Foreign | | |
| ADB | 0 | 181,207,352 |
| KfW | 0 | 673,128,376 |
| | 18,780,139 | 776,160,699 |
| Current | 1,883,823 | 133,207,849 |
| Non-current | 17,896,316 | 642,952,851 |

Significant decrease in the Bills/Bonds/Loans Payable is a result of fully paying ODA loans ahead of its loan maturity date from the ADB and KfW due to the huge savings from guarantee and interest cost. To date, the balance pertains to the remaining ODA loan under the IFAD.

Net realized loss on ForEx translation amounting P7.816 for CY 2021 and net realized gain of P2.820 million for CY 2020 were recognized in statement of comprehensive income.

Net unrealized loss due to valuation of derivatives and deferred option amounting to P0 and P41,388 million for CY 2021 and CY 2020, respectively, were recognized in statement of comprehensive income.

The loan from the international Fund for Agricultural Development (IFAD) is a subsidiary loan from the Republic of the Philippines (RDP) 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 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 RuMEPP was

completed in December 31, 2014.

The loan from ADB is a US\$25 million (JPY2,746 billion) denominated loan for SME Development Support Project guaranteed by the RDP. 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 0.80 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, 2020 was at P0.4658. The loan was fully availed of in 2009.

The loan from the KfW is a €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 RDP and bears an interest rate of 0.75 per cent per annum plus a commitment fee of 0.25 per cent per annum based on the undisbursed loan amount. The loan 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, 2020 is P58,7825. 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 an 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, 2021, the outstanding balance of ADB and KfW loans is nil. Both loans were fully paid ahead of its loan maturity in September 2021.

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

| | 2021 | 2020 |
|--------------------------------------|------|-------------|
| Asian Development Bank (ADB) | 0 | 7,394,299 |
| Kreditanstalt für Wiederaufbau (KfW) | 0 | 230,228,187 |
| | 0 | 237,622,486 |
| Current | 0 | 17,623,281 |
| Non-current | 0 | 218,999,205 |

Financial liabilities designated at FVTPL represents the fair value of the FXRC of SB Corporation's borrowings from multilateral agencies amounting to P754.44 million in 2020 is treated as derivative financial instrument.

The fair value changes on the FXRC are reported in the SCI. As at

December 31, 2020, the outstanding notional amount of FXRC amounted to JPY389,239 million and €9,750 million.

As at December 31, 2020, the carrying value of SB Corporation's financial assets and liabilities as reflected in the SFP and related notes approximate its respective fair value as at reporting date. Specifically, the financial liability at FVTPL is carried at its Level 1 fair value of P237,620 million as at December 31, 2020.

14. INTER-AGENCY PAYABLES

This account comprises obligations or liabilities due to government agencies/institutions relating to current or prior period that are unpaid as at reporting 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:

| | 2021 | 2020 |
|-------------------|------------|------------|
| Due to BIR | 9,880,181 | 7,281,216 |
| Due to GSIS | 1,658,452 | 888,759 |
| Due to Pag-IBIG | 36,181 | 48,848 |
| Due to Philhealth | 122,514 | 122,358 |
| Due to NGAs | 40,000,000 | 41,300,000 |
| | 51,415,188 | 48,388,881 |
| Current | 11,415,188 | 8,388,881 |
| Non-current | 40,000,000 | 41,300,000 |

The Due to NGAs account pertains to the innovation Fund, a component of the IFAD-funded Rural Agro-Industrial Partnership for Inclusive Development and Growth (RAPID Growth) Project transferred by the Department of Trade and Industry, being the Executing Agency. RAPID is a five-year project which aims to provide strategic enabling conditions for the sustained growth of agriculture-based MSMEs in agricultural commodity value chains with backward linkages to small farmers and job creation effects. The transferred fund to SB Corporation represents the first-year allocation for the Project to be implemented for equity financing in qualified investee SMEs operating in Mindanao.

15. INTRA-AGENCY PAYABLES

This account pertains to intra-fund payables between funds representing advances monitored on a periodic basis

| | 2021 | 2020 |
|-----------|------------|-------------|
| Due to P1 | 38,248,837 | 203,238,247 |
| Due to SB | 53,243,456 | 32,931,429 |
| | 91,492,293 | 236,169,676 |

16. TRUST LIABILITIES

This account pertains to security deposits in the form of performance bonds or cash for guaranty in the amount of P1,371,166 and P1,767,220 for CY 2021 and CY 2020, respectively. 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.

17. 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.

| | 2021 | 2020 |
|------------------------|------------|------------|
| Regular loan agreement | 21,786,282 | 31,325,847 |
| Compromise agreement | 2,827,795 | 2,828,441 |
| | 24,614,077 | 34,154,288 |

18. OTHER PAYABLES

This account consists of the following:

| | 2021 | 2020 |
|---------------------------|------------|------------|
| Undistributed collections | 10,807,259 | 1,803,884 |
| Dividends payable | 0 | 22,658,723 |
| Other payables | 47,266,931 | 37,273,843 |
| | 58,074,190 | 61,736,450 |

Undistributed collections account represents the accumulated unidentified inter-branch deposits made to the 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.

Dividends payable represents deficiency dividends for dividend years 2014 and 2015 were paid in the first quarter of 2021.

Other payables account consists of amount payable to the 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 the SB Corporation.

19. SHARE CAPITAL

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:

| | 2021 | | 2020 | |
|--|---------------|---------------|---------------|---------------|
| | NO. OF SHARES | AMOUNT | NO. OF SHARES | AMOUNT |
| Share Capital | | | | |
| Common shares | | | | |
| National Government | 1,254,288,200 | 1,254,288,200 | 72,542,892 | 7,254,288,200 |
| ISF | 383,871,500 | 383,871,500 | 2,826,775 | 383,871,500 |
| ISF | 238,673,300 | 238,673,300 | 2,188,731 | 238,673,300 |
| GSIS | 46,873,300 | 46,873,300 | 468,731 | 46,873,300 |
| Social Security System (SSS) | 16,000,000 | 16,000,000 | 160,000 | 16,000,000 |
| Acquired (Treasury) | 40,000,000 | 40,000,000 | 400,000 | 40,000,000 |
| | 7,988,326,900 | 7,988,326,900 | 79,493,199 | 7,988,326,900 |
| Preferred shares | | | | |
| SSS | 2,000,000 | 200,000,000 | 2,000,000 | 200,000,000 |
| GSIS | 2,000,000 | 200,000,000 | 2,000,000 | 200,000,000 |
| National Government | 16,931,795 | 1,693,179,500 | 16,931,795 | 1,693,179,500 |
| | 18,931,795 | 1,892,506,400 | 18,931,795 | 1,892,506,400 |
| | 88,825,884 | 8,882,506,400 | 88,825,884 | 8,882,506,400 |
| Less: Treasury Stocks | 400,000 | 40,000,800 | 400,000 | 40,000,800 |
| Total Outstanding Share Capital | 88,425,884 | 8,842,506,400 | 88,425,884 | 8,842,506,400 |

On December 13, 1993, the BOD passed Board Resolution (BR) No. 102 which provided the terms and conditions of the preferred stock, to wit: (a) with a fixed annual dividend of eight per cent; (b) with participating rights as to dividends; (c) with voting rights; (d) convertible into common stocks within ten years from date of issue at the option of the holder; and (e) with redemption rights after the lapse of the ten (10) 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 71 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 amounts of 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.

On November 10, 2020, the NG in compliance with the provisions of RA No. 11494, otherwise known as the Bayanihan Act 2, infused capital in SB Corporation amounting to P8.080 billion aimed as additional funding for its CARES program and other lending facilities of the Corporation.

Treasury stocks were acquired from the redemption of the 400,000 common shares of PNB paid at its par value of P100 per share, excluding penalty for unpaid subscriptions. Payment was made on December 29, 2020.

20. SHARE PREMIUM

The share premium pertains to the additional paid in capital representing 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.

21. RETAINED EARNINGS

| | 2021 | 2020 |
|-----------------------------------|---------------|---------------|
| Beginning balance | 4,587,358,733 | 2,142,384,539 |
| Comprehensive income for the year | 608,841,013 | 1,384,014,870 |
| Dividends | (9,348,492) | (55,524,324) |
| Other adjustments | 1,458,100 | 719,382,448 |
| Ending balance | 5,188,310,354 | 4,187,318,733 |

The ending balance of Retained Earnings (RE) is composed of Appropriated and Unappropriated RE. Appropriated RE balance for CY 2021 is P5.133 billion. This is the continuing lending fund balance of the P3 fund amounting to P5.102 billion and a P30.673 million appropriated fund for the stock dividends declared in 2005, still for issuance.

On the other hand, Unappropriated Retained Earnings is composed of accumulated net operating income before extra-ordinary losses amounting to P347.875 million for CY 2021, and extra-ordinary losses amounting to P300.610 million due to translation adjustments of foreign loans and derivative valuation.

| | 2021 | 2020 |
|--|---------------|---------------|
| Appropriated Retained Earnings | | |
| Fondo sa Pagbabago at Pag-Asenso (PS) Appropriated for dividend | 5,102,383,342 | 4,812,880,084 |
| | 38,673,300 | 38,673,100 |
| | 5,131,040,442 | 4,843,353,184 |
| Unappropriated Retained Earnings/(Deficit) | | |
| Accumulated Net Income, before extra-ordinary gains/(losses) | 347,875,151 | 229,685,124 |
| Fondo sa Pagbabago at Pag-Asenso (PS) | 0 | 4,958,207 |
| | 347,875,151 | 244,643,331 |
| Extra-Ordinary Gains/(Losses) | | |
| Net Unrealized Gain/(Loss) from Changes in Fair Value of Financial Instruments | (107,079,783) | (107,079,780) |
| Net Unrealized Gain/(Loss) on Foreign Exchange (FOREX) Transaction | (103,520,488) | (103,559,022) |
| | (210,600,271) | (210,638,802) |
| | 47,264,822 | (55,994,467) |
| | 5,180,305,584 | 4,587,358,733 |

22. INCOME

22.1 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

| | 2021 | 2020 |
|----------------------------|-------------|-------------|
| Processing fees | 18,847,788 | 10,803,052 |
| Fees and commission income | 281,261,780 | 120,181,825 |
| | 400,009,567 | 158,180,777 |

Significant increase in Fees and commission income is attributable to the increased lending portfolio for the year by 55 per cent.

b. Business Income

| | 2021 | 2020 |
|-----------------------|-------------|-------------|
| Interest income | 232,980,592 | 218,371,406 |
| Fines and penalties | 8,338,983 | 6,834,805 |
| Dividend income | 211,788 | 150,000 |
| Rent/Lease income | 0 | 24,000 |
| Other business income | 2,289,142 | 2,289,463 |
| | 244,600,372 | 226,779,474 |

22.2 Gains

This account consists of the following:

| | 2021 | 2020 |
|---|------------|-------------|
| Realized gain on foreign exchange (ForEx) | 2,600,880 | 5,404,412 |
| Gain on sale of investment property | 2,248,985 | 9,707,017 |
| Gain on sale of property and equipment | 112,849 | 0 |
| Realized gain from changes in fair value of financial instruments | 1,119,428 | 0 |
| Total realized gain | 10,483,148 | 13,121,429 |
| Unrealized gain on ForEx | 60,341 | 43,818,788 |
| Unrealized gain from changes in fair value of financial instruments | 0 | 39,186,738 |
| Total unrealized gain | 60,341 | 142,813,522 |
| | 10,543,489 | 155,934,951 |

Gain on ForEx account includes realized gains amounting to P2.601 million and P3.404 million for CY 2021 and CY 2020, respectively. It also includes unrealized gains due to ForEx translation of underlying foreign loans amounting to P0.051 million and P43.617 million for CY 2021 and CY 2020, respectively.

Gain from changes in fair value of financial instruments includes realized gains upon payment of ForEx risk cover amounting to

P1.119 million for CY 2021 and none for CY 2020. It also includes unrealized gains due to valuation of derivatives and deferred option premium amounting to P99.197 million for CY 2020 and none for CY 2021.

22.3 Other Non-Operating Income

Miscellaneous income includes income from Baguio Revitalization Actions for a Vibrant Economy - Economic Stimulus Package (BRAVE-ESP) facility and other miscellaneous income totaling P1,436,478 and P6,142,892 for CY 2021 and CY 2020, respectively.

23. EXPENSES

23.1 Personnel Services

| | 2021 | 2020 |
|---------------------------------|-------------|-------------|
| Salaries and wages | 145,958,965 | 133,805,345 |
| Other compensation | 44,609,220 | 43,831,125 |
| Personnel benefit contributions | 36,246,495 | 26,982,112 |
| Other personnel benefits | 13,395,263 | 8,744,328 |
| | 240,209,875 | 224,471,831 |

23.2 Maintenance and Other Operating Expenses

| | 2021 | 2020 |
|---|-------------|-------------|
| Professional services | 73,520,555 | 59,494,271 |
| Taxes, duties, and licenses | 30,140,983 | 10,163,837 |
| Communication expenses | 8,549,717 | 5,244,702 |
| Confidential, intelligence and extraordinary expenses | 5,420,818 | 4,364,489 |
| Repairs and maintenance | 4,283,606 | 4,742,271 |
| Supplies and materials expenses | 4,131,688 | 3,899,957 |
| Utility expenses | 3,295,011 | 2,180,507 |
| General services | 2,760,780 | 2,182,432 |
| Traveling expenses | 2,237,508 | 2,355,644 |
| Training and scholarship expenses | 1,539,099 | 71,247 |
| Other maintenance and operating expenses | 32,250,358 | 22,109,585 |
| | 189,528,920 | 119,572,101 |

Significant increase in the Maintenance and other operating expenses pertains to salaries of additional hired contract-of-service employees for the current year to carry out the Corporation's lending operations, payment of gross receipts tax as a result of service fees charged to loan releases, incurrence of additional utilities and training fees due to more relaxed community quarantine guidelines.

23.3 Financial Expenses

| | 2021 | 2020 |
|-------------------------|------------|------------|
| Interest | 4,484,597 | 8,551,989 |
| Guarantee fees | 4,324,729 | 8,054,889 |
| Bank charges | 2,317,846 | 442,188 |
| Trusteeship fees | 213,823 | 89,044 |
| Other financial charges | 0 | 128,508 |
| | 11,760,185 | 15,243,589 |

Significant decrease in the interest expense and guarantee fees pertains to the full payment of ODA loans (ADB and KfW) in September 2021

23.4 Non-Cash Expenses

| | 2021 | 2020 |
|-----------------|-------------|-------------|
| Impairment loss | 795,414,826 | 124,861,104 |
| Losses | 11,484,129 | 232,114,483 |
| Depreciation | 8,357,705 | 8,141,250 |
| | 728,266,658 | 335,116,847 |

Losses are further broken down as follows:

| | 2021 | 2020 |
|---|------------|-------------|
| Realized loss on ForEx translation | 8,817,214 | 184,267 |
| Realized loss on derivatives | 1,866,815 | 862,487 |
| Loss on sale/redemption/transfer of investments | 0 | 28,878 |
| Total realized loss | 11,484,129 | 1,275,632 |
| Unrealized loss due to ForEx translation | 0 | 80,258,348 |
| Unrealized loss due to valuation of derivatives and deferred option | 0 | 140,582,303 |
| Total unrealized loss | 0 | 200,840,651 |
| | 11,484,129 | 232,114,483 |

24. INCOME TAX

This account is determined as follows:

| | 2021 | 2020 |
|-----------------------------|---------------|--------------|
| Current income tax expense | 33,772,039 | 0 |
| Deferred income tax benefit | (112,573,722) | (28,172,346) |
| | (78,801,683) | (28,172,346) |

24.1 Regular Corporate Income Tax (RCIT)

| PARTICULARS | 2021 | 2020 |
|---|-----------------|-----------------|
| Net income before income tax | 522,859,289 | 1,354,947,824 |
| Permanent differences | | |
| Non-deductible expenses: | | |
| Maintenance and other operating expenses-P3 | 78,958,237 | 70,040,793 |
| Interest expense | 4,484,597 | 8,551,989 |
| Non-taxable income: | | |
| Subsidy from NG - P3 | (1,038,800,800) | (1,038,800,800) |
| Interest income on government securities | (94,391,903) | (39,279,441) |
| Interest income on bank deposits | (517,987) | (849,455) |
| Accounting income subject to tax | (488,426,799) | (118,852,489) |
| Temporary differences: | | |
| Provision for impairment loss | 795,414,826 | 124,861,104 |
| Accounts written off | (80,828,892) | (77,599,247) |
| Net Operating Loss Carry Over | (3,608,314) | 0 |
| Unrealized net gain on ForEx Translation | (28,552) | 16,638,581 |
| Accrued Salaries and Wages | 1,762,785 | 0 |
| Unrealized net loss on Derivative Valuation | 0 | 43,285,587 |
| Taxable income | 105,089,157 | (3,816,314) |
| tax rate | 25% | 25% |
| RCIT due | 23,772,039 | 0 |

24.2 Minimum Corporate Income Tax (MCIT)

| PARTICULARS | 2021 | 2020 |
|---|--------------|-------------|
| Gross revenue | 558,848,024 | 350,273,722 |
| Less: Cost of Sales-finance charges | 7,263,948 | 8,652,998 |
| Gross income | 551,584,076 | 341,620,724 |
| Other taxable income not subjected to final tax | 11,011,122 | 75,555,122 |
| Taxable gross income | 561,795,188 | 357,175,846 |
| MCIT rate | 1% | 1.5% |
| MCIT due | 5,617,952 | 5,357,634 |
| Tax due | 32,772,039 | 6,357,637 |
| Available tax credits: | | |
| Creditable withholding tax | (844,478) | (142,328) |
| Prior year's income tax payments | (3,867,188) | (8,982,447) |
| Excess MCIT | (18,262,958) | 0 |
| Quarterly income tax payments | (28,178,733) | 0 |
| Tax due (overpayment) | (9,182,353) | (1,667,188) |

24.3 Income Tax Benefit Computation

| PARTICULARS | AMOUNT |
|---|--------------|
| Deferred tax asset - allowance for impairment accounts (AIA) | |
| 2021 provision | 795,414,826 |
| Less: Accounts written off | (80,028,892) |
| Provision net of accounts written off | 525,386,024 |
| Tax rate | 25% |
| Income tax benefit- AIA for 2021 | 156,348,508 |
| Deferred tax asset - AIA, January 1, 2021 | (12,508,701) |
| Deferred tax asset - AIA, December 31, 2021 | 297,853,267 |
| Financial asset at FVTPL | 28,552 |
| Tax rate | 25% |
| Deferred tax liability - FA at FVTPL, December 31, 2021 | 7,138 |

24.4 MCIT and NOLCO Schedule

MINIMUM CORPORATE INCOME TAX

| YEAR OCCURRED | AVAILABLE UNTIL | EXCESS MCIT PRIOR YEAR | EXCESS MCIT CURRENT YEAR | EXCESS MCIT OVER NORMAL INCOME TAX | EXPRIRED UNRECORDED MCIT | BALANCE MCIT SETTLE-ABLE |
|---------------|-----------------|------------------------|--------------------------|------------------------------------|--------------------------|--------------------------|
| 2021 | N/A | 0 | 0 | 0 | (18,262,958) | (18,262,958) |
| 2020 | 2021 | 9,167,637 | 0 | 0 | 0 | 9,167,637 |
| 2019 | 2022 | 181,588 | 0 | 0 | 0 | 181,588 |
| 2018 | 2021 | 4,892,371 | 0 | 0 | 0 | 4,892,371 |
| TOTAL | | 18,262,958 | 0 | 0 | (18,262,958) | 0 |

NET OPERATING LOSS CARRY OVER

| YEAR OCCURRED | AVAILABLE UNTIL | EXCESS LOSS PRIOR YEAR | EXCESS LOSS CURRENT YEAR | APPLIED | EXPRIRED | BALANCE |
|---------------|-----------------|------------------------|--------------------------|-----------|----------|-------------|
| 2021 | 2028 | 0 | 0 | 3,608,314 | 0 | (3,608,314) |
| 2020 | 2023 | 3,608,314 | 0 | 0 | 0 | 3,608,314 |
| TOTAL | | 3,608,314 | 0 | 0 | 0 | 0 |

24.5 Deferred Tax Assets and Liabilities

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

| | STATEMENT OF FINANCIAL POSITION | | STATEMENT OF COMPREHENSIVE INCOME | |
|--|---------------------------------|-------------|-----------------------------------|--------------|
| | 2021 | 2020 | 2021 | 2020 |
| Deferred tax assets | | | | |
| MCIT | 0 | 30,282,558 | 0 | 0 |
| NOLCO | 0 | 3,608,314 | 3,608,314 | (2,828,214) |
| Provision for impairment | 297,853,267 | 151,548,701 | (186,348,508) | (10,942,868) |
| Unrealized losses on forex | 0 | 40,159,282 | 40,159,282 | (4,575,878) |
| | 297,853,267 | 185,579,253 | (112,680,812) | (21,124,258) |
| Deferred tax liabilities | | | | |
| Financial asset at FVTPL | 7,138 | 4,101,725 | 7,138 | (8,048,088) |
| Net deferred tax assets | 297,846,089 | 181,477,528 | | |
| Net income tax benefit-deferred | | | (112,573,722) | (28,172,346) |

25. SUBSIDY FROM NATIONAL GOVERNMENT

Pondo sa Pagbabago at Pag-Asenso (P3)

P3 is the Duterte Administration's flagship program aimed at 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 2021 is P3's fifth year of operation. P3 funding is included as a Tier 1 funding of P1.0 billion with a Tier 2 funding of P500 million. The mobilization fund for the year was at 7.5 per cent of the subsidy.

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

| | 2021 | 2020 |
|---|----------------------|----------------------|
| Receipts | 1,800,000,000 | 1,500,000,000 |
| Expenses | | |
| Maintenance and other operating expenses | | |
| Other professional services | 48,803,501 | 41,764,888 |
| Documentary stamp expenses | 7,302,737 | 4,493,568 |
| Rent/lease expenses | 8,860,977 | 5,034,485 |
| Taxes, duties and licenses | 4,882,780 | 0 |
| Telephone expenses | 3,402,487 | 1,882,798 |
| Internet subscription expenses | 2,277,488 | 1,474,154 |
| Electricity expenses | 1,731,833 | 1,372,350 |
| Repairs and maintenance- machinery and equipment | 1,423,280 | 1,798,248 |
| Office supplies expenses | 1,317,404 | 1,577,354 |
| Janitorial services | 1,078,935 | 844,200 |
| Fuel, oil and lubricants expenses | 810,537 | 485,455 |
| Repairs and maintenance- transportation equipment | 574,883 | 472,585 |
| Security services | 452,888 | 451,524 |
| Traveling expenses-local | 393,180 | 1,381,437 |
| Printing and publication expenses | 369,890 | 1,078 |
| Postage and courier services | 385,706 | 311,598 |
| Training expenses | 282,367 | 24,804 |
| Water expenses | 81,542 | 52,705 |
| Repairs and maintenance- other property, plant and equipment | 58,883 | 37,433 |
| Advertising, promotional and marketing expenses | 50,024 | 735,388 |
| Subscription expenses | 45,367 | 0 |
| Representation expenses | 25,332 | 88,127 |
| Litigation/acquired assets expenses | 19,888 | 22,950 |
| Repairs and maintenance-buildings and other structures | 18,227 | 11,284 |
| Semi-expendable machinery and equipment expenses | 12,550 | 5,850 |
| Legal services | 8,890 | 0 |
| Insurance expenses | 2,518 | 0 |
| Bank charges | 1,850 | 14,815 |
| Repairs and maintenance- furniture and fixtures (Forward) | 150 | 500 |

| | 2021 | 2020 |
|---|---------------------|----------------------|
| Semi-expendable furniture, fixtures and books expenses | 0 | 51,106 |
| Consultancy services | 0 | 1,778,200 |
| Other financial charges | 0 | 24,030 |
| Other maintenance and operating expenses | 1,428,899 | 1,327,847 |
| | 78,858,207 | 70,042,793 |
| Provision for probable losses | 431,597,529 | 58,532,569 |
| | \$81,658,736 | 128,573,382 |
| Fund balance | 488,443,264 | 1,371,428,638 |

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

26. EMPLOYEE BENEFITS

26.1 Provident fund

Eligibility

All full-time employees of the SB Corporation occupying plantilla positions who have rendered at least six (6) months of continuous services with SB Corporation as plantilla personnel shall automatically be eligible for membership in the fund.

Fund Implementation

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.

Each member shall authorize SB Corporation to deduct and withhold at the end of each month a portion of his basic monthly salary as his contribution to the Fund. SB Corporation, on the other hand, shall pay to the Fund a counterpart monthly contribution equivalent to a certain percentage of each member's Basic Monthly Salary.

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. This is consistent with Section 14 (f) of R.A. 9501 (Section 11 of R.A. 6977, as amended by R.A. 8289 and R.A. 9501).

26.2 Retirement benefits

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

| GOVERNING LAW | COVERAGE | AVAILABLE BENEFITS | PAYING INSTITUTION |
|---------------|--|--|--------------------|
| RA NO. 1616 | Employees as of May 31, 1957 with 20 years of service (YOS) the last three years of which are continuous | One month basic salary (BS) for the first 18 YOS, 1.5 BS in excess of 18 up to 20 YOS and 2.0 BS in excess of 20 YOS | SB Corporation |
| RA NO. 6291 | At least 75 YOS, if below age 60 upon retirement, benefit is payable at age 62 | Monthly pension or cash payment | SSS |

26.3 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.

27. 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 under certain terms and conditions.

28. RELATED PARTY TRANSACTIONS

As of December 31, 2021, the composition of the Board of Directors of Small Business Corporation is as follows:

| BOARD POSITION | NAME | POSITION FROM OTHER AGENCIES |
|-----------------------|------------------------------|---|
| 1. Acting Chairperson | Blessie Abellanosa Lantayena | Undersecretary, Department of Trade and Industry |
| 2. Member | Carlos Garcia Dominguez | Secretary, Department of Finance |
| 3. Member | Rosalie Villegas De Leon | Treasurer, Bureau of Treasury |
| 4. Member | Reino Brian Casares | Executive Assistant II, Bureau of the Treasury |
| 5. Member | Ms. Lorna Enriquez Caceruela | President & Chief Executive Officer (CEO), Small Business Corporation |
| 6. Member | Manuel Burgos Bendigo | Private Sector |
| 7. Member | Joe Jay Tao Doctore | Private Sector |
| 8. Member | Arnolfo Rego Galdo | Private Sector |
| 9. Member | Jacobi Sabile Vasquez | Private Sector |
| 10. Member | Natalina Sigornia Magpaya | Private Sector |

Key Management Personnel Remuneration and Compensation

The key Management personnel of Small Business Corporation are the President/ CEO, Executive Vice President, Sector Managers and various Group Managers, and Managers/Corporate Executive Officers of the operating and support groups.

Meanwhile, the total remuneration received by the members of the Board of Directors amounted to P2,103,106 and P2,021,762 for CY 2021 and CY 2020, respectively.

29. 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.

ERMG conducts an independent review of the appropriateness of the classification and adequacy of the allowance for credit losses. It strives to promptly recognize, identify deteriorating credit exposures and determine appropriate ACL at all times. The loan classification and provisioning aim to adopt both quantitative and qualitative factors in the determination of SB Corporation's credit exposure, risk quality and consequently, the level of LLP to be allocated to individual accounts. Quantitative factor is based from the status and ageing of accounts generated through the ITG-MIS Past Due Report. Qualitative validation on the other hand is based on the result of account monitoring and other relevant information gathered/performed by the respective Regional Lending Groups. During the validation exercise, the principles of recognizing expected credit loss (ECL) in identifying impairment was adopted in order to promote prudence and transparency consistent with the PFRS 9 Guidelines on Impairment. Independent account-level validation exercise and project visit by ERMG at the various RLGs/borrowers was not performed in view of the COVID-19 restrictions.

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 FXRC secured from the DOF at a given cost for the term of the loan. Moving forward however, with the prepayment of the Corporation's foreign denominated loans this year, no currency risk will be experienced as the remaining loan is under its functional currency. On the other hand, 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.

30. SUPPLEMENTARY INFORMATION REQUIRED BY THE BUREAU OF INTERNAL REVENUE

Presented below is the supplementary information which is required by the BIR Revenue Regulation No. 15-2010 to be disclosed as part of the notes to financial statements. This supplementary information is not a required disclosure under PFRS.

Requirements under Revenue Regulation No. 15-2010

Hereunder are the information on taxes, duties and license fees paid or accrued during the taxable year 2021. The taxes and licenses paid/accrued during the year are as follows:

(a) Withholding taxes

| | 2021 | 2020 |
|------------------------------------|------------|------------|
| Taxes on compensation and benefits | 26,935,579 | 25,758,414 |
| Value added taxes (VAT) | 4,320,019 | 3,652,030 |
| Expanded withholding taxes | 2,450,347 | 1,158,818 |
| Gross receipt taxes (GRT) | 28,848,733 | 9,401,784 |
| | 61,752,674 | 21,989,846 |

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.

(b) Other taxes

| | 2021 | 2020 |
|-------------------------|------------|------------|
| Local | | |
| Real estate taxes | 639,770 | 654,810 |
| Corporate community tax | 18,500 | 10,500 |
| | 658,270 | 665,310 |
| National | | |
| Documentary stamp taxes | 81,122,591 | 33,558,183 |
| BIR annual registration | 1,900 | 500 |
| | 81,124,491 | 33,558,683 |
| | 81,773,881 | 34,184,102 |

(c) Tax cases and assessment

On December 20, 2018, the BIR issued a FAN to SB Corporation for deficiency tax amounting to P124 million. On June 4, 2019, SB Corporation counter filed a Manifestation with Motion to Suspend Proceedings before the Department of Justice (DOJ). After almost two years with no resolution from the DOJ, the Corporation's Board of Directors decided to withdraw the petition and resume the

reinvestigation with the BIR. The petition for withdrawal was sent on March 19, 2021. The request for reinvestigation was granted by BIR and the discussion resumed on the 1st quarter of CY2022. As a result of the reconciliation and agreement, the following was paid to close the case:

| TAX TYPE | AMOUNT | PAYMENT DATE |
|----------------------|------------------|----------------|
| Income tax | 3,075,071 | April 21, 2022 |
| Percentage tax | 1,028,308 | April 21, 2022 |
| Percentage tax | 1,852,178 | May 26, 2022 |
| Other percentage tax | 3,713,330 | May 26, 2022 |
| Expanded tax | 1,057,458 | April 21, 2022 |
| TOTAL | 8,730,445 | |


SMALL BUSINESS CORPORATION
TRANSFORMING THE HOME & BUSINESS

WHERE MSMEs GO TO GROW

BOARD OF DIRECTORS & KEY MANAGEMENT OFFICERS



BOARD OF DIRECTORS

EX-OFFICIO MEMBERS



USEC. BLESILA A. LANTAYONA
ACTING CHAIRPERSON, SB CORPORATION
DEPARTMENT OF TRADE AND
INDUSTRY REPRESENTATIVE

Usec. Blesila A. Lantayona is 62 years old heads the DTI Regional Operations Group (ROG). Prior to her appointment as Undersecretary of the Department of Trade and Industry, Usec. Blesila A. Lantayona was the Assistant Secretary of DTI-ROG, 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.



TREAS. ROSALIA V. DE LEON
BUREAU OF THE TREASURY
DEPARTMENT OF FINANCE REPRESENTATIVE

Treas. Rosalia V. De Leon (61 years old) currently 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

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 Chairperson of SBCorp on August 19, 2019.

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 led the Republic towards innovative and cost-effective 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.

Treas. 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 SBCorp on March 23, 2017 as alternate of the Secretary of Finance.

APPOINTIVE DIRECTOR



DIR. MA. LUNA E. CACANANDO
PRESIDENT AND CEO, SB CORPORATION

Dir. Ma. Luna E. Cacanando (68 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 SBCorp, Dir. Cacanando was Credit Manager of Guarantee Fund for SMEs (GFSME) until its merger with Small Business Guarantee and Finance Corporation (SBGFC or SBCorp) as the surviving entity in November 2001.

Fresh from graduation from the University of the Philippines, Los Baños with a degree of B.S. in Agricultural

Economics, Cacanando joined the then- KKK- Livelihood Corporation in August 1983. She joined GFSME in April 1993.

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

Dir. Cacanando is an alumnus of the Asian Institute of Management (AIM) where she obtained a Master's 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.

COMMON STOCK SHAREHOLDERS REPRESENTATIVES



DIR. JOE JAY T. DOCTORA
NATIONAL GOVERNMENT REPRESENTATIVE

Dir. Joe Jay T. Doctora is 62 years old, married 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.



DIR. VOLTAIRE B. MAGPAYO
NATIONAL GOVERNMENT REPRESENTATIVE

Dir. Voltaire Magpayo is 51 years old and married. He is the President and Founder of SWEET CORNER, Inc., SUMO Takoyaki, OPC. and 12C4 Bread Station, OPC which have grown nationwide with presence to name a few in SM Manila, SM Ecoland Davao, SM Seaside Cebu and Robinsons Tuguegarao. He is also a Business Consultant to selected foreign firms like Junca Group, a Japanese investment company.

Dir. Magpayo is a Certified Franchise Executive (CFE) of the Philippine Franchise Association (PFA), which has specially recognized his Sweet Corner, Inc. as a model for Inclusive Growth Business Franchise in 2019.

Also in the same year, Magpayo was awarded as a Most Distinguished Alumnus in the field of Entrepreneurship by San Beda University where he earned his Bachelor of Science major in Accounting. He earned his Masters Degree in Applied Business Economics from the University of Asia and the Pacific.

Over the years, Dir. Magpayo has been actively involved in the advocacy of propagating entrepreneurship in the grassroots level, being a certified Business Mentor/Coach of Go-Negosyo Philippine Center for Entrepreneurship (PCE).

He was appointed as Board of Director of the Small Business Corporation on June 10, 2021



DIR. JACOB S. VASQUEZ
NATIONAL GOVERNMENT REPRESENTATIVE

Dir. Jacob Vasquez is 42 years old, married and a graduate of San Sebastian College. He has served the LGU for 11 years and is a political officer for 18 years. He was appointed as Member of the Board of SB Corporation on September 04, 2020 representing the National Government.



DIR. MANUEL B. BENDIGO
NATIONAL GOVERNMENT REPRESENTATIVE

Dir. Manuel Bendigo is 73 years old, married and a graduate of BS in Business Administration from the University of the East. He worked with the Bangko Sentral ng Pilipinas in Davao from 1989 to 2013. He was appointed as Member of the Board of SB Corporation on May 10, 2017 representing the National Government.



DIR. ARNULFO V. GALDO
DBP REPRESENTATIVE

Dir. Arnulfo V. Galdo is 71 years old, married and had 17 long years in private commercial and rural banking, with 8 years of managerial experience. He is a consultant of life and non-life insurance companies. He is also actively involved in organizing and in the management of savings and credit cooperatives. He had been a Pioneering Member and President of the Elders League of the Christian Reformed Church of the Philippines. A graduate of Bachelor of Science in Business Administration, Major in Management, at the University of San Carlos, Cebu City and he earned his Master's degree in Management from Liceo de Cagayan University, Cagayan de Oro City. He was appointed as Board of Director of Small Business Corporation on June 11, 2020 representing the Development Bank of the Philippines (DBP).



DIR. ELVIRA L. GO
PRIVATE SECTOR REPRESENTATIVE

Dir. Elvira L. Go, 54 years old, with 2 sons. A graduate of Masters in Nursing Administration, a US Clinical Research Analyst. She has 28 years of Business Experience and training on Operations, Marketing, Finance and Administration since 1994.

She was appointed as Member of the Board of Small Business Corporation in November 2021 representing the Private Sector.

PRIVATE SECTOR REPRESENTATIVE

MANAGEMENT COMMITTEE & KEY OFFICERS



MA. LUNA E. CACAMANDO
PRESIDENT/CEO



SANTIAGO S. LIM
EXECUTIVE VICE PRESIDENT



ROWENA G. BETIA
HEAD, CORPORATE SUPPORT
SECTOR



LOURDES ROSARIO M. BAULA
HEAD, FINANCING SECTOR



CORAZON A. DIMAYUGA
CHIEF FINANCE OFFICER
/HEAD, CONTROLLERSHIP GROUP



VICTOR A. LIMLINGAN
HEAD, STRATEGY
POLICY AND SYSTEMS SECTOR

MANAGEMENT COMMITTEE & KEY OFFICERS



ATTY. CANDICE ELIZABETH A. CABRIDO
HEAD, LEGAL SERVICES GROUP/
CHIEF LEGAL COUNSEL



ANGELITO B. ACUPAN
HEAD, PLANNING AND POLICY
MANAGEMENT GROUP



MARC QUINCY TALAGTAG
HEAD, INFORMATION
TECHNOLOGY GROUP



ROBERT BASTILLO
HEAD, INNOVATION AND ADVOCACY
GROUP



JESSIE R. REOTUTAR
HEAD, OFFICE OF THE BOARD
SECRETARY AND CHIEF
COMPLIANCE OFFICER



PETER D. PIZARRO
HEAD, CREDIT SUPPORT AND
ASSET RECOVERY GROUP



JULIETA S. CALIMLIM
HEAD, HUMAN RESOURCES MANAGEMENT
& DEVELOPMENT GROUP /
ADMINISTRATIVE SERVICES UNIT



HEIDI M. VEGA
HEAD, INTERNAL AUDIT GROUP

MANAGEMENT COMMITTEE & KEY OFFICERS



LYNUEL G. VICTORIO
CHIEF RISK OFFICER / HEAD,
ENTERPRISE RISK MANAGEMENT GROUP



FRANCISCO R. BUENAVIDES
HEAD, VISAYAS GROUP



REBECCA ANCANAN
OFFICER-IN-CHARGE,
SOUTH LUZON GROUP



ARELL F. BANEZ
HEAD, NORTHERN LUZON GROUP



CARLINE MACABENTA
OFFICER-IN-CHARGE,
MINDANAO GROUP



MA. LINDA J. ORSOS
HEAD, SPECIAL PROGRAMS



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

1. STRATEGY AND ANALYSIS

- G4-1 Statement from the most senior decision maker(s) of the organization. ▶ 4-5
- G4-2 Provide a description of key impacts, risks and opportunities ▶ 20-21

2. ORGANIZATIONAL PROFILE

- G4-3 Name of the Organization ▶ Cover
- G4-4 Primary Brands, Products, Services ▶ 2
- G4-5 Location of Headquarters ▶ Back Cover, 56
- G4-7 Nature of Ownership and legal Form ▶ 11-12
- G4-8 Market Served ▶ 2
- G4-9 Scale of the Reporting Organization ▶ 6-7
- G4-10 Total Work Force By Employment Type ▶ 8-9
- G4-11 Percentage of Total Employees Covered by CBA ▶ 8-9
- G4-13 Significant Changes During the Reporting Period ▶ 8-9
- G4-15 List of Externally Developed Economic, Environmental and Social Charters, Principles, or Other Initiative ▶ 6-7

3. STAKEHOLDER ENGAGEMENT

- G4-24 List of Stakeholder Groups ▶ 1-2
- G4-25 Basis for Identification and Selection of Stakeholder Groups ▶ 1-2
- G4-26 Organization's Approach to Stakeholders Engagement, Frequency of Engagement by Stakeholder Group ▶ 6-7
- G4-27 Key Topics and Concerns That Have Been Raised Through Stakeholders Engagement ▶ 6-7

4. REPORT PROFILE

- G4-28 Reporting Period ▶ Cover, 6-7
- G4-29 Date of Most Recent Previous Report ▶ Cover,
- G4-30 Reporting Cycle ▶ 6-7
- G4-31 Contact Point for Question About the Report and Its Content ▶ Back Cover
- G4-32 GRI Content Index and in "Accordance" Option Chosen ▶ 43-49
- G4-33 Organization's Policy and Current Practice with Regard to Seeking External Assurance for the Report ▶ 16-23

5. GOVERNANCE

- G4-34 Governance Structure of the Organization ▶ 10-21
- G4-38 Composition of the Highest Governance Body and Its Committees ▶ 43-48

6. ETHICS AND INTEGRITY

- G4-56 Organization's Values, Principles, Standards and Norms of Behavior Such as Codes of Conduct and Code of Ethics ▶ 1

ECONOMIC

- Aspect: Economic Performance
- DMA Generic Disclosures On Management Approach ▶ 10
- EC1 Direct Economic Value Generated and Distributed ▶ 23-41
- EC2 Financial Implications and Other Risk and Opportunities for the Organization's Activities Due to Climate Change ▶ 20-21
- EC3 Coverage of the Organization's Defined Benefit Plan Obligations ▶ 6-7
- EC4 Financial Assistance Received From the Government ▶ 23-41
- EC8 Significant Indirect Economic Impacts, Including the Extent of Impact ▶ 6-7

SOCIAL

- DMA Generic Disclosures On Management Approach
- LAI Total Number and Rates of New Employee Hires and Employees Turnover by Age Group, Region and Gender ▶ 8-9
- LAI1 Average Hours of Training Per Year Per Employee by Gender and by Employee Category ▶ 8-9



DIRECTORY OF OFFICES

| PROVINCE | OFFICE ADDRESS | OFFICE | OFFICE CONTACT NO./E-MAIL |
|-----------------------------|---|-------------------------------------|---|
| SOUTHERN LUZON GROUP | | | |
| NCR | SB Corporation Head Office, 19th Floor, 139 Corporate Center, Valero St., Makati City | SOUTHERN LUZON GROUP AREA OFFICE | (02) 5528 1100 to 1110 numali@sbcorp.gov.ph |
| BATANGAS | C/O DTI Batangas Desk Office NACDA Building B, Morada Ave. Lipa City, Batangas | DESK OFFICE | wmakalintal@sbcorp.gov.ph |
| CAM NORTE | DTI Camarines Norte Provincial Office Merchant Avenue, Central Plaza Complex, Brgy. Lag-on, Daet, Camarines Norte, Region V | FIELD OFFICE | soreca@sbcorp.gov.ph ctmenalo@sbcorp.gov.ph |
| CAVITE | Temporary Office: DTI Negosyo Center Dasmarinas, Room 108, Ground Flr. Dasmarinas City Hall Brgy. Zone 4 Poblacion Bayan, Dasmarinas Permanent Office: DTI Provincial Office, 2nd Flr. Government Center Building, Brgy. San Agustin Capitol Road, Trece Martires City, Cavite | FIELD OFFICE | jabarca@sbcorp.gov.ph |
| LAGUNA | DTI Varimco Building, Brgy. Banca-Banca Victoria, Laguna | FIELD OFFICE | ranguilo@sbcorp.gov.ph bearabia@sbcorp.gov.ph |
| LEGASPI | DTI Albay Provincial Office 3rd Floor DBP Building, Quezon Ave. Ext. Brgy. Dinagaan Legazpi City 4500 Philippines | DESK OFFICE | jeution@sbcorp.gov.ph |
| MASBATE | DTI Masbate Provincial Office Capitol Drive, Masbate City | FIELD OFFICE | rtumblos@sbcorp.gov.ph rartola@sbcorp.gov.ph |
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| OCC. MINDORO | DTI SME Center Municipal Compound San Jose, Occidental Mindoro | FIELD OFFICE | nlucero@sbcorp.gov.ph |
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| PALAWAN | DTI Provincial Office, 4th Flr. ERC Plaza, National Highway, Brgy. San Pedro Puerto Princesa City | DESK OFFICE | mdlle@sbcorp.gov.ph mdandak@sbcorp.gov.ph |
| QUEZON | DTI 2nd Flr. Lucena Grand Terminal Diversion Road, Brgy. Bayang Dupay, Lucena City | FIELD OFFICE | klarosa@sbcorp.gov.ph eorge@sbcorp.gov.ph |
| RIZAL | DTI Rizal Provincial Office 2nd Flr. Altica Arcade #83 Circumferential Road, Cor. Sta. Nino Street, San Jose Antipolo City, Rizal | FIELD OFFICE | frebolado@sbcorp.gov.ph rdoringo@sbcorp.gov.ph |
| ROMBLON | Tourism Building, Barangay Tabin-Dagat, Odiongan, Romblon | FIELD OFFICE | dpamay@sbcorp.gov.ph |
| SORSOGON | DTI Sorsogon Office 2nd Floor, Clemente Bldg. Pict, Sorsogon City | FIELD OFFICE | ndio@sbcorp.gov.ph |

DIRECTORY OF OFFICES

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| NORTHERN LUZON GROUP | | | |
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| APAYAO | DTI-Apayao, San Isidro Sur, Luna, Apayao | FIELD OFFICE | jpaingan@sbcorp.gov.ph |
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| ILOCOS NORTE | DTI-Office, Jemel Bldg., Siason Rd., cor. Samonte St., Barangay 14, Laoag City, 2900 Ilocos Norte | FIELD OFFICE | |
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| BATANES | DTI Building Sitio Sayad, National Road, Brgy Kaychanarianan, Basco, Batanes | FIELD OFFICE | sbianca@sbcorp.gov.ph |
| CAGAYAN | DTI-Regional Office 2, Reg. Gov't Center Cariig Sur, Tuguegarao City, Cagayan | FIELD OFFICE | kbunagan@sbcorp.gov.ph |
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| NUENA VIZCAYA | DTI-6F Rosalina L. Lo Bldg., National Highway, Sta. Rosa Bayombong, Nueva Vizcaya | FIELD OFFICE | |
| QUIRINO | Purok 1 Cayetano Arellano St., Andres Bonifacio, Diffun, Quirino | FIELD OFFICE | kgudoy@sbcorp.gov.ph |
| AURORA | Negosyo Center-DTI Aurora Provincial Office, Duzon Highway, Brgy. Sucdajin, Baler, Aurora | FIELD OFFICE | masilo@sbcorp.gov.ph |
| BATAAN | DTI Negosyo Center Hermosa, Burgos Soliman St., Hermosa, Bataan | FIELD OFFICE | kcruz@sbcorp.gov.ph |
| BULACAN | DTI HTJRP Building, McArthur Hiway, Sumapang matanda, Malolos Bulacan. | FIELD OFFICE | mexas@sbcorp.gov.ph |
| NUENA ECCLA | 5RD FLOOR GOVERNMENT SERVICE EXPRESS DTI NEGOSYO CENTER SM CABANATUAN CITY | FIELD OFFICE | gdalangin@sbcorp.gov.ph |
| PAMPUNGA | 2/F Vivencia Cuyugan Rd., City of San Fernando, Pampanga | FIELD OFFICE | hmaniacup@sbcorp.gov.ph |
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| ZAMBALES | DTI ZAMBALES (Satellite Office) Estrada Bldg, RMTU Road, Zone VI, Iba, Zambales | FIELD OFFICE | esalamatin@sbcorp.gov.ph |

DIRECTORY OF OFFICES

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| VISAYAS GROUP | | | |
| Cebu | Unit 1005-A Keppel Center, Cebu Business Park, Cebu City | VISAYAS GROUP AREA OFFICE | (032) 234-4500 lancero@mail.sbcorp.gov.ph |
| Aklan | DTI-Aklan, JSM Building, Veterans Avenue, Kalibo Aklan | FIELD OFFICE | jbantigue@sbcorp.gov.ph |
| Antique | 2nd Floor Business Park, Governor Villaverde Street, San Jose, Antique | FIELD OFFICE | gebanen@sbcorp.gov.ph |
| Capiz | DTI Provincial Office Sacred Heart of Jesus Avenue, Pueblo de Panay, Brgy. Lawa-an, Roxas City, Capiz | FIELD OFFICE | mserran@sbcorp.gov.ph |
| Guimaras | DTI Provincial Office 2nd Floor Navikss Bldg., New Site San Miguel, Jordan, Guimaras | FIELD OFFICE | jminierwa@sbcorp.gov.ph |
| Iloilo | DTI Region 6, corner J.M. Basa-Peralta St., Iloilo City/Alta St., Iloilo City | DESK OFFICE | wjmogaon@sbcorp.gov.ph |
| Negros Occidental | DTI Provincial Office, 2nd Floor East Z Corp. Center corner Diola Circunferencial Rd., Brgy. Villamonte, Bacolod City, Negros Occidental | FIELD OFFICE | rmdavin@sbcorp.gov.ph |
| Bohol | DTI Bohol Province Office 2nd Floor, FCB Bldg, Carlos P. Garcia Ave., Tagbileran City, Bohol | FIELD OFFICE | msalpocial@sbcorp.gov.ph |
| Negros Oriental | 2nd Floor Uymatise Bldg., San Jose Street, Dumaguete City, Negros Oriental | FIELD OFFICE | borlega@sbcorp.gov.ph |
| Siquijor | Negosyo Center Fortside Area, North Poblacion, Larena, Siquijor | FIELD OFFICE | jlargo@sbcorp.gov.ph |
| Biliran | DTI - Provincial Office, 2nd Floor JAC Bldg, Caneja Street, Naval, Biliran | FIELD OFFICE | jpeleya@sbcorp.gov.ph |
| E. Samar | DTI-Provincial Office, Wheeler's Bldg., Baybay 5, Brgy. Songco, Borongan City, Eastern Samar | FIELD OFFICE | mabobo@sbcorp.gov.ph |
| Leyte | DTI 8, Regional Office (new bldg), Paving, Palo, Leyte | DESK OFFICE | ctofilas@sbcorp.gov.ph |
| | | DESK OFFICE | agarado@sbcorp.gov.ph |
| N. Samar | DTI NSPO 2nd Floor Luisa Angley Bldg, Barangay Sampaguita, Catarman, Northern Samar | FIELD OFFICE | srangcales@sbcorp.gov.ph |
| So. Leyte | Negosyo Center Sogod, LBU Sogod, Southern Leyte | FIELD OFFICE | ainet@sbcorp.gov.ph |
| Samar | DTI Provincial Office Del Rosario Extension Poblacion 1 Catbalogan City, Samar | FIELD OFFICE | kcabiltes@sbcorp.gov.ph |

DIRECTORY OF OFFICES

| PROVINCE | PS/SB Office Address | OFFICE | OFFICE CONTACT NO./ E-MAIL |
|--|--|----------------------|--|
| MINDANAO GROUP | | | |
| Davao City | UNIT 401 4th FLOOR LANOCO CORPORATE CENTER, J.P. LAUREL AVENUE, BAJADA | MINDANAO AREA OFFICE | (082) 221-0858; 221-7488 |
| Zamboanga City/ Zamboanga del Sur (except Pagadian City) | DTI - NEGOSYO CENTER 2nd FLOOR YH WEE BLDG., VETERANS AVE. ZAMBOANGA CITY | DESK OFFICE | (062) 991 2704 - 05 |
| Isabela, Basilan | | | (062) 991 2704 - 05 |
| Zamboanga Sibugay | DTI NEGOSYO CENTER 2F MONTEBELLO BLDG., NATIONAL HIGHWAY IPII, ZAMBOANGA SIBUGAY PROVINCE | FIELD OFFICE | (062) 955 5054 |
| Zamboanga Del Norte | DTI ZAMBOANGA DEL NORTE GOVERNMENT CENTER, STA. ISABEL DIPOLOG CITY | FIELD OFFICE | (065) 272 2944 |
| Pagadian City | c/o DTI PROVINCIAL OFFICE NACIDA BLDG., CAPITOL SITE, P. URRO ST. ST. NIÑO DISTRICT, PAGADIAN CITY | FIELD OFFICE | (062) 214-3328 |
| Cagayan de Oro City/ Misamis Oriental | DEPT. OF TRADE AND INDUSTRY CORRALES CORNER LUNA STREET CAGAYAN DE ORO CITY | DESK OFFICE | (08822) 722 278 |
| Misamis Occidental | DTI NEGOSYO CENTER DAJAO BUILDING POBLACION I BROQUIETA CITY, MISAMIS OCCIDENTAL 7207 | FIELD OFFICE | (088) 530 5278 / 531 123 |
| Lanao del Norte | | | |
| Lanao del Sur | DTI - LANAO DEL NORTE PROVINCIAL OFFICE DTI PM DURAS BLDG., QUEZON AVE. EXT. PALA-O, ILIGAN CITY | FIELD OFFICE | (063) 221 5534/ 221 5532 |
| Comiguin | NEGOSYO CENTER, MAMBAJAO MUNICIPAL HALL MAMBAJAO, CAMIGUIN | FIELD OFFICE | NONE |
| Bukidnon | DTI BUKIDNON RD BUILDING, BONIFACIO DRIVE MALAYBALAY CITY, BUKIDNON | FIELD OFFICE | (088) 813 2101 |
| Davao del Sur | DTI DAVAO DEL SUR, CONER JACINTO AND TIRAD PASS ST., ZONE 3 POB., DIGOS CITY | DESK OFFICE | |
| Davao Occidental | c/o DTI DAVAO OCCIDENTAL PROGRAM MANAGEMENT OFFICE DOOR 2 MUTYA & MATT BLDG., BEVEROLA ST. POBLACION MALITA, DAVAO OCCIDENTAL | DESK OFFICE | 0917 371 2857 (Dvo Dec.) (082) 553-2507 (Davao del Sur) |
| Davao del Norte | DEPARTMENT OF TRADE AND INDUSTRY PROVINCIAL OFFICE GOVERNMENT CENTER BRGY. MANKILAM, TAGUM CITY | FIELD OFFICE | (082) 296 3505 |
| Davao Oriental | 3F VALLES BLDG., DTI OFFICE RIZAL STREET, MATI CITY | FIELD OFFICE | (087) 388 3735 |
| Davao de Oro (Compostela Valley) | c/o DEPARTMENT OF TRADE AND INDUSTRY PROVINCIAL OFFICE GOVERNMENT CENTER BRGY. MANKILAM, TAGUM CITY | FIELD OFFICE | (082) 296 3505 |
| North Cotabato/ BARMM (except Marawi) | DTI PROVINCIAL OFFICE SINGAO ROAD, APO SANDRAWA HOMES PHASE 3 KIDAPWAN CITY | DESK OFFICE | (084) 577 1531 / 577 1527 |
| Sarangani | ALABEL NEGOSYO CENTER, PUBLIC MARKET, POBLACION ALABEL, SARANGANI PROVINCE | FIELD OFFICE | (083) 508 2014 / 0970 820 2024 (NC) |
| Sultan Kudarat | NEGOSYO CENTER CITY HALL COMPOUND TAGURONG CITY | FIELD OFFICE | (084) 200 8542 |

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| PROVINCE | PS/SSB Office Address | OFFICE | OFFICE CONTACT NO./ E-MAIL |
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| MINDANAO GROUP | | | |
| South Cotabato | 2ND FLOOR R.A. ALAJAR REALTY BLDG. SOUTH OSMEÑA STREET, GENERAL SANTOS CITY | FIELD OFFICE | (083)554 2572 |
| Surigao del Norte | DTI - NEGOSYO CENTER 2nd FLOOR SIMTOCO BUSINESS CENTER BURGOS ST., SURIGAO CITY | FIELD OFFICE | (088)828 2373 |
| Dinagat Islands | Center Ground Floor, Cotanda Building, Brgy. Sta. Cruz | FIELD OFFICE | Caraga.dinagat@dti.gov.ph |
| Surigao del Sur | DEPT. OF TRADE AND INDUSTRY 2F JTP BUILDING, DONASCO ST. TANDAG CITY, SURIGAO DEL SUR | FIELD OFFICE | (086)271 3029 |
| Agusan del Norte | DEPT. OF TRADE & INDUSTRY RUDY TIO BUILDING II J.C. ADUNO AVE., BUTUAN CITY | FIELD OFFICE | (095)341 5221 |
| Agusan del Sur | DTI - NEGOSYO CENTER MUNICIPAL TOURISM BUILDING QUEZON ST., BRGY.2 SAN FRANCISCO, AGUSAN DEL SUR | FIELD OFFICE | NONE |



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