

A scenic landscape photograph of a mountain valley at sunrise. The sun is low on the horizon, casting a warm glow over the scene. In the foreground, there are pine trees. The middle ground shows a valley with a winding river and terraced fields. The background features rolling mountains. Overlaid on the image is a stylized sun logo with rays and a star, and the word "sinag" in a bold, yellow, lowercase font.

sinag

Rising to a new beginning

2023



ABOUT THE COVER

The 2022 Annual Report is entitled **SINAG** – a tagalog word meaning **a ray of light**.

The cover shows the illuminating effect of the first light of dawn. A ray of light gradually growing with time and ultimately covering the entire landscape.

Like that single ray of light slicing through the darkness to spark a new beginning, the Small Business Corporation plowed through a field of challenges, overcame its limitations and remained undeterred from making its mark in the development of the Philippine Micro Small and Medium Enterprise (MSME) sector. It has in fact consistently responded to the inherent challenge of always developing new and out of the mainstream financing programs for our MSMEs.

The opening of the RiseUP program in 2022 signaled the transition of SB Corporation's response from the provision of emergency financing support to the MSMES under the Bayanihan CARES Program to one that is geared towards offering structural and broader long-term financing.

Rising above one of the darkest periods in history, the year 2022 heralds a new beginning for SB Corporation and MSME sector. **SINAG** epitomizes SB Corporation's unparalleled role as the most responsive and inclusive organization charged with the noble mandate of keeping our MSMEs at the forefront of national economic development.

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

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

VISION STATEMENT

By 2028, we will be a financially-sustainable and socially-responsive organization trailblazing innovative financing solutions for growing MSMEs that contribute to inclusive economic development.

MISSION STATEMENT

Our Mission is to relentlessly champion and bridge the financing needs of the underserved but financeable 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.

SOCIAL OUTCOME OBJECTIVE

To cause prosperity among MSME segments traditionally considered unfinanceable, thereby increasing economic diversity and inclusion (*we define unfinanceable segments as enterprises which despite their being an on-going business are not able to access finance at non-usurious rates*).

7 TARGET MSME SEGMENTS

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

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)

SERVICE PHILOSOPHY

Ferocity in the mission,
Kindness towards each other.



“*Small Business Corporation’s focus is to provide micro, small and medium enterprises the much needed access to finance to help them grow their businesses.*”

THE SMALL BUSINESS 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. SB Corp’s focus is to provide micro, small and medium enterprises the 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 micro, small and medium enterprises (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. SB Corp allotted around P 600 million in support of MSMEs badly affected by Typhoon Yolanda

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

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 SB Corp.

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

A portion 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.

OWNERSHIP AND LEGAL STATUS

SB Corp is a government corporation created on January 24, 1991 by virtue of Section 11 of RA No. 6977, amended on May 6, 1997 by RA 8289, otherwise known as the Magna Carta for Small and Medium Enterprises. SBGFC is under the policy program and administrative supervision of the Small and Medium Enterprise Development (SMED) Council of the Department of Trade and Industry.

MESSAGE FROM THE ACTING CHAIRPERSON

2022 ANNUAL REPORT ACTING CHAIRMAN'S MESSAGE



Small Business Corporation embarked on a noble vision for 2022. We aspired to play a vital role in helping our micro, small and medium enterprises (MSMEs) rise up from the economic disruptions brought about by a global pandemic. This un-enviable task of providing lifeline financing for MSMEs has now transitioned to become a **complete and far reaching vision** for the Corporation with loan programs designed to cater to financing needs of the country's riskiest business segments.

The year 2022 ended with record worthy results for SB Corporation. Well-marked with more than 300,000 MSME borrowers and P13.0 billion in loan portfolio. In the aftermath of the Covid 19 Pandemic, SB Corporation rolled out a new flagship program named RISE UP (Resilient, Innovative, and Sustainable Enterprises, Unleash your Powers) to transition government response from the provision of emergency liquidity support (under the Bayanihan CARES Program) to the offering structural support measures and broader long-term financing for MSMEs. From the program's initial launch in May 2022, the SB Corporation was able to release Php739.4 million in loans to 4,009 MSMEs.

But we must look beyond the numbers, impressive as they are given the constraints the Corporation has to overcome. Not the least of these challenges is the fact that the SB Corporation is apparently too small

compared to the size of the market we were supposed to serve. Undeterred, SB Corporation managed to overcome resource restraints to make a difference where it matters. We tested the waters and embarked on a fast-paced digitalization journey to be able to reach and service more MSMEs and in learning by doing so, we were compelled to continuously upgrade the tools of our trade.

In the coming years, we believe that we can build on these successes. We need more of this flame we started to fulfill our advocacy of leveling the playing field for our viable but unfinanceable MSMEs.

On behalf of the Board of Directors, I would like to express our sincere appreciation for all our stakeholders – our clients, partners, national government, oversight agencies – that have helped shape SB Corporation to what it is today.

Moving forward, we shall remain relentless in our search for innovations and resources to push further the boundaries for the efficient delivery of financing to areas where it is most needed and to MSMEs who are most deserving of a fair chance to compete on an even playing field.


USEC BLESILA A. LANTAYONA
DTI-Regional Operations Group

OPERATIONAL HIGHLIGHTS



Dir. Robert C. Bastillo
President and CEO, Small Business Corporation

The enactment of the Magna Carta for SMEs (R.A. 6977) thirty one years ago in 1992 put together under one policy statement an extensive set of strategies for the development of Philippine MSMEs. The law created the Small Business Corporation and mandated it to provide financing alternatives for the unfinanceable segments of Philippine MSMEs.

SB Corporation in the last 31 years has positioned itself at the forefront of credit delivery to the riskiest sector of the economy –the unfinanceable enterprises. It played an important role of filling in the financing gaps and compensating for the difficulties faced by MSMEs in obtaining financing through programs with liberalized documentary requirements, minimal interests and no collateral. A feat only SB Corporation was able to instigate as the main implementor of the government’s response to the sector’s clamor for a financial intervention to aid them in restarting and bouncing back after the pandemic.

FINANCING FOR THE UNFINANCEABLE

True to its mandate, SB Corporation continued providing financing support to micro enterprises through the **Pondo sa Pagbabago at Pag-asenso (P3) Program** to address informal lending and veer micro entrepreneurs away from usurious lenders. As of 31 December 2022, the SB Corporation downloaded a cumulative amount of Php13.4 billion loans to 308,092 distinct MSMEs in partnership with 441 partner conduits.

Pondo sa Pagbabago at Pag-asenso (P3) Program as of 31 December 2022

Total Cumulative Releases in PhP	13,423,065,988
MSME Borrowers	308,092
Number of Conduits	441

RISEUP (Resilient, Innovative, and Sustainable Enterprises, Unleash your Powers) Program

In light of the COVID-19 pandemic’s aftermath, SB Corporation has also rolled out its new flagship program

named **RISE UP (Resilient, Innovative, and Sustainable Enterprises, Unleash your Powers)** to transition government response from the provision of emergency liquidity support (under the Bayanihan CARES Program) to the offering of structural support measures and broader long-term recovery packages. From the program’s initial launch in May 2022, the SB Corporation was already able to release Php739.4 million worth of loans to 4,009 MSMEs.

RISEUP Loan Program Status as of 31 December 2022

Program	Total Amount Released (in PhP)	Number of Enterprises
RISE UP Multi-Purpose	685,675,220	3,896
RISE UP Turismo	21,713,577	89
RISE UP Tindahan	32,044,339	29
TOTAL	739,433,137	4,009

Other Programs

Apart from these two programs, SB Corp has also offered other lending facilities to support the recovery and rehabilitation efforts of the government. The HEROES (Helping the Economy Recover Thru OFW Enterprise Start-ups) Program, which aims to help repatriated and returning Overseas Filipino Workers (OFWs) who want to start their own business, released around Php58.2 million worth of loans to 1,060 MSMEs. On the other hand, the Odette Enterprise Rehabilitation Facility (ERF) Program, which intends to support businesses affected by the onslaught of Typhoon Odette, released around Php281.2 million worth of loans to 4,051 MSMEs.

CORPORATE SCORECARD MILESTONES

SBCorporation’s commitment to deliver on its mandate is also reflected in its GCG-approved Corporate Scorecard. In 2022, the Corporation was able to receive a total rating of 95.56% (currently subject to GCG validation) which is its 5th 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 12.34 billion. This is a marked increase of more than P1.0

billion from the previous year loan portfolio of P11.26 billion.

The Corporation provided access to much needed financing for 68,754 additional/new qualified MSMEs in 2022 who accessed both Corporate-funded and National Government funded programs either via wholesale or retail facility.

In terms of the Corporation's objective to provide meaningful access to financing to the country's MSMEs, the SB Corp 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 SB Corp's services.

In terms of required financial measures, SB Corporation was able to accomplish a Net Operating Income (NOI) of ₱2.0 billion by year end 2022. Past due rate for CARES Portfolio stood at 37.96% while Past due rate for the rest of the Corporation's Portfolio stood at 24.09%.

The Corporation was likewise able to maintain its ISO 9001:2015 certification for the head office, South Luzon Group, North Luzon Group, and Mindanao Group. This now leaves just the Visayas group as the sole regional office needing to secure ISO certification for 2023; thereby elevating the entire Corporation to the roster of ISO-certified institutions.

GOOD GOVERNANCE

SB Corporation is once again recognized as one of the Top Performing Government-Owned and Controlled Corporation (GOCC) in the Corporate Governance Scorecard (CGS) by the Governance Commission for Government-Owned and Controlled Corporation (GCG).

The recognition affirms SB Corporation's continued adherence to best practices in terms of internationally accepted standards on good corporate governance. The Corporation was given a score of 101.04% with a rating equivalent of Outstanding.

The CGS aims to raise the corporate governance standards and practices of GOCCs working towards being at

par with ASEAN state-owned enterprises. It was developed using a methodology benchmarked against the Principles of Corporate Governance of the Organization for Economic Co-operation and Development (OECD) and the ASEAN Corporate Governance Scorecard.

The CGS aligns with the Performance Evaluation System for GOCCs and improves the transparency of GOCCs, especially in the areas of level of adherence to best practice and international standards in terms of corporate governance.

PARTNERSHIPS AND LINKAGES

To further expand its market reach, SB Corporation partnered with various government and private institutions.

SB Corporation signed a memorandum of understanding with the Province of Cebu to extend the RISE UP Loan Program to qualified MSMEs under Cebu's Enhanced Countryside Development Program.

To increase loan collection efficiency, SB Corporation partnered with the Philippines' leading e-wallet service, G-CASH and the Universal Storefront Services Corporation (USSC).

REACH

Given that MSMEs are the drivers of economic growth and with their sheer number where they account for 99.6% of registered enterprise in the country, SB Corporation's strategically located its 4 full-service area offices, desk offices and provincial coordinators to ensure visibility even outside the National Capital Region (NCR). The 4 area offices in Baguio, Makati, Cebu and Davao provide the hub of operations supporting the satellite offices strategically located in 86 major countryside business centers. These satellite offices work very closely with the Department of Trade and Industry, particularly with the Negosyo Centers, as the mode for access to finance of many MSMEs.



**INSTITUTIONAL
VIABILITY**

TRAININGS ATTENDED FOR CY 2022

NAME	TRAININGS ATTENDED
Dir. Avelino L. Andal	Corporate Governance Orientation Program (CGOP) conducted by Institute of Corporate Directors (30-31 March 2022)
Dir. Robert C. Bastillo	Corporate Governance Orientation Program (CGOP) conducted by Institute of Corporate Directors (8-9 November 2022)
Dir. Manuel B. Bendigo	none
Dir. Rosalia V. De Leon (DOF 1st Alternate)	<i>Trainings of Dir. De Leon:</i> 1. BSP Awareness – Raising Session on Institutional Risk Assessment (IRA) and Results of the 2022 Thematic Review on Targeted Financial Sanctions (TFS) conducted by Association of Bank Compliance Officers, Inc. (20 July 2022)
Annie F. Candelaria (DOF 2nd Alternate)	<i>Trainings of Dir. Candelaria:</i> 1. Capital Markets and Fixed Income Securities Course conducted by FINEX Academy (11, 12, 18, 19, 25 and 26 March to 1-2 April 2022) 2. Finance for Directors conducted by Institute of Corporate Directors (10-11 May 2022)
Dir. Joe Jay T. Doctora	1. Diploma Program in Corporate Finance conducted by Ateneo De Manila (01 December 2021 to 01 June 2022) 2. Corporate Secretary as Corporate Governance Professional conducted by Institute of Corporate Directors (5-6 October 2022)
Dir. Arnulfo V. Galdo	none
Dir. Elvira L. Go	Professional Directors Program conducted by Institute of Corporate Directors (6-7, 12-13, 19-20, 26-27 May 2022)
Dir. Blesila A. Lantayona	none
Dir. Voltaire B. Magpayo	Corporate Governance Orientation Program for GOCCs, conducted by Institute of Corporate Directors (5-6 July 2022)
Dir. Jacob S. Vasquez	none

SMALL BUSINESS CORPORATION TRAINING AND DEVELOPMENT PROGRAMS FOR CY 2022 (ATTENDED BY VARIOUS OFFICERS AND EMPLOYEES)

	TITLE	PROGRAM DESCRIPTION/OBJECTIVE	NUMBER OF PARTICIPANTS	DATE	NUMBER OF HOURS
IN-HOUSE PROGRAMS					
1	Basic Driving Operation and Eco Driving with Five (5) Minutes Daily Inspection (facilitated by Isuzu Makati)	The program aims to share the theories, practical knowledge, and the latest technology in optimal and responsible driving of its Isuzu Eco-Drive.	84	MAY 13	2
2	Basic Training on Preventive Maintenance and Troubleshooting (facilitated by Toyota Makati)	The objective of the training is to cultivate a culture of safety in SB Corporation and the need to promote an effective driver safety training program.	70	JUNE 6	2
3	Training on R.A. 9184 and its Revised IRR and Updates (facilitated by GPPB Accredited Trainers)	This in-house training aims to enable the participants especially those newly appointed BAC members to understand the R.A. 9184 and its IRR and updates to ensure the Corporation's compliance with the laws, rules and regulations on procurement.	26	SEPTEMBER 12-16 & 19-21	40
4	Online Learning Interventions (Learning Materials and Exercises)	HRMDG sent out links, videos and exercises as learning interventions for the 4th Quarter of 2022. The interventions aim to target the competencies on Communication, Entrepreneurial Accounting/Cost Management and Strategic Business Insight.	-	OCTOBER 28, NOVEMBER 4, 11, 18, 25 AND DECEMBER 2	-
INDIVIDUAL/EXTERNAL TRAININGS					
1	Use of QGIS Software to Plot Lot Technical Descriptions (CG Engineering Services)	After attending the program, the participants are expected to: <ul style="list-style-type: none"> Gain advanced knowledge and skills in performing CI/Appraiser functions; Properly equip them with the technological advances in the conduct of real estate appraisal; and Minimize the cost of relocation survey as much as possible. 	5	FEBRUARY 16-18	24

	TITLE	PROGRAM DESCRIPTION/OBJECTIVE	NUMBER OF PARTICIPANTS	DATE	NUMBER OF HOURS
2	Lean Six Sigma Yellow Belt Training Certification for Service Industry (Six Sigma PH)	The training program is needed to equip the participants with the working knowledge of the process improvement tools and how to apply them to remove non- value-added activities in the work processes.	2	FEBRUARY 25	8
3	Internal Control System for Property and Supply Management (Appraisal and Disposal) (Association of Government Internal Auditors, Inc.)	Enable the participants to understand the control measures in the appraisal and disposal of government properties, learn the systems and procedures in the management of supplies and properties of the government and apply the laws, rules and regulations in the handling, recording and inspecting of supplies and properties in government.	1	MARCH 29-31	24
4	Risk Management (Association of Government Internal Auditors, Inc.)	The seminars aim to: <ul style="list-style-type: none"> • Explain the basic concepts and steps of risk management; • Explain the importance of risk management to their respective agencies; • Identify agency risks; and • Apply learning on risk assessment/identification and risk treatment using a prescribed template and presentation of outputs. 	3	JUNE 1-3	24
5	2nd Government Internal Auditors Summit: Revitalizing the Role of Internal Auditors in Today's Dynamic Setting (Association of Government Internal Auditors, Inc.)	The virtual summit aims to highlight the current government internal auditing landscape and will focus on key tools and skills that Internal Auditors can use to boost their adaptability in this active and changing environment.	2	JUNE 8-10	12
6	Enterprise Risk Management: Navigating Through the Three Phases of Risk Management (Asian Institute of Management)	The program aims to enable the participants to use risk management tools to identify major uncertainties in the Organization, assess opportunities and potential losses, develop alternatives for risk handling and assess these alternatives in light of the Organization's goals.	3	JUNE 8, 11, 15, 17, 20, 27	24
7	Cash Management and Internal Control System (Association of Government Internal Auditors, Inc.)	The seminars aim to: <ul style="list-style-type: none"> • To promote proper control measures in handling cash; • To be able to learn and apply laws, rules and regulations surrounding the collections 			

	TITLE	PROGRAM DESCRIPTION/OBJECTIVE	NUMBER OF PARTICIPANTS	DATE	NUMBER OF HOURS
		and disbursements of cash and its pertinent documents; <ul style="list-style-type: none"> • To learn the systems and preparation of reports; and • To strengthen the knowledge on internal control system in cash management. 	3	JUNE 8, 11, 15, 17, 20, 27	24
8	Business Human Rights: A Learning Session (Commission on Human Rights)	The session aims to contribute to a better understanding of the expectations in terms of economic, social, and cultural rights as well as on business interaction with human rights, and the norms on business responsibility toward the people and society.	1	JULY 13	5
9	Workforce Planning with Career Development and Succession Management (Civil Service Commission)	Enable the participants to integrate all HR functions from talent acquisition or the staffing plan to talent development or the L&D Plan and up to the engagement plan.	2	JULY 19, 21, 25, 27, 29, AUGUST 2, 4 & 9	32
10	Anti-Money Laundering/Counter-Terrorism Financing (AML/CTF) Fundamentals (Anti-Money Laundering Council)	This webinar aims to educate the Compliance Officers, Associated Persons or Primary Designated Officers on the following topics: <ul style="list-style-type: none"> • Institutional Risk Assessment (IRA) and the AML/CTF Inherent Risk Data Form (AIRDF) • Risk Based Approach to AML/CTF (RBA) and the AML/CTF Risk Rating System (ARRS) • Money Laundering and Terrorist Financing Prevention Program (MTPP) 	3	AUGUST 23	4
11	2022 Public Sector HR Symposium: Building Resilient Organizations: Honing Agile and Future-Ready Leaders and HR Practitioners (Civil Service Commission)	By the end of the online sessions, the participants shall be able to: <ul style="list-style-type: none"> • Appreciate the value and benefits in developing resiliency at various levels; • Apply the tools and techniques in developing resiliency towards - personal, organizational, and societal; and • Commit to change that will support the development of resilient public sector organizations. 	2	SEPTEMBER 14-16	16
12	Leadership Training for Managers entitled "How to Develop	The program will equip the participant by: <ul style="list-style-type: none"> • Learning important 			

	TITLE	PROGRAM DESCRIPTION/OBJECTIVE	NUMBER OF PARTICIPANTS	DATE	NUMBER OF HOURS
	Leadership Competencies for Better Business Management" (Businessmaker Academy)	leadership trends for business management; <ul style="list-style-type: none"> Developing and honing core leadership and management skills; Creating own leadership plan for the workplace; and Getting effective tools and knowing how to use them for effective leadership. 	1	OCTOBER 11-12	16
13	HR Forum: Together, Let's Plan for Your Leaders' Training and Development (Asian Institute of Management)	By the end of this forum, the participant is expected to gain better understanding on programs for both individual talents and for organization development. In today's rapidly changing business world, the people in the organization rely on help to provide them with career development & training that are necessary to survive and thrive even amidst uncertain and challenging times.	2	OCTOBER 28	4
14	CSI Leadership Series: "Adaptive Leadership: Transforming Organizations Through Effective Change Management" (Civil Service Commission-Civil Service Institute)	The learning objectives of this forum are as follows: <ul style="list-style-type: none"> Be inspired by the leadership style and accomplishments of exemplary leaders; Explain the latest management and leadership concepts; Establish and build networks and partners among fellow participants; and Commit to practice effective leadership styles to drive organizational excellence. 	6	NOVEMBER 25	8
15	Effective Audit Report Writing (Association of Government Internal Auditors, Inc.)	The webinar aims to: <ul style="list-style-type: none"> Revisit the basics on communicating audit results and learn the skills in writing effective audit reports; and Learn and apply the guidelines and techniques, and use examples to choose the appropriate substance, organization, tone and style of reporting. 	1	NOVEMBER 22-25	16
16	Management Audit (Association of Government Internal Auditors, Inc.)	This webinar aims to provide online learning that will enhance the knowledge and skills of the Internal Auditors on the different concepts of audit key processes in Compliance and Management audits as outlined in the IASPPS of COA and the Revised PGIAM 2020. It also aims to provide operational tools and templates to be utilized by the Internal Auditors in the conduct of Management Audit.	2	DECEMBER 12-15	16



CORPORATE GOVERNANCE

OVERALL CORPORATE GOVERNANCE STRUCTURE AND PRACTICES

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

SB Corporation's corporate governance is reflected in its organizational structure that defines a governance hierarchy led from the top by the Board of Directors and its delegated duties and responsibilities through three six Board-level Committees namely, (1) the Corporate Governance Committee, (2) the Board Audit and Compliance Committee, (3) the Finance and Risk Oversight Committee, (4) the IT and Platformification Committee, (5) the Board Committee on Venture Capital Review, and (6) Strategic Communications and Product Innovation Oversight Committee. These six committees are ably supported by independent units namely Internal Audit Group, Office of the Board Secretary and Chief Compliance Officer, Enterprise and Risk Management Group. In addition, the Controllership Group and the various groups and units under the Strategy, Policy and Systems Sector, Financing Sector and Corporate Support Sector perform specific functions and/or deliverables to the said committees, as applicable. The independent units report directly to the Board but are administratively supervised by the President and CEO. The Office of the Board Secretary provides logistical support to the Small Business Corporation Board and Board Committees.

INSTITUTIONAL VIABILITY

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

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

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

SELECTION PROCESS FOR THE BOARD

Under Republic Act No. 10149, otherwise known as "An Act to Promote Financial Viability and Fiscal Discipline in Government-Owned and Controlled Corporations (GOCCs) and to Strengthen the Role of the State in its Governance and Management to Make Them More Responsive to the Needs of Public Interest and for Other Purposes" states that all appointive directors of GOCCs are appointed by the President of the Philippines from a shortlist prepared by the Governance Commission for GOCCs

(GCG), which include only nominees who meet the Fit and Proper Rule and such other qualifications which the GCG

may determine.

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

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

The President of the Philippines shall appoint the Chairman of the Board from among the ranks of the members of the Board. The President and CEO shall be elected annually by the members of the Board from among their 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 and the President and CEO of the SB Corporation shall be qualified by the Fit and Proper Rule under GCG M.C. No. 2012-05, and appointed by the President of the Philippines into the Governing Board, and which include by reference the qualifications expressly provided for in the SB Corporation Charter, By-Laws and/or Manual of Corporate Governance.

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

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

BOARD OVERALL RESPONSIBILITY

It shall be the responsibility of the Board to foster the long-term success of SB Corporation and secure its sustained competitiveness in a manner consistent with its powers set out in the SB Corporation's Charter, which the Board shall exercise in the best interest of the Corporation and its stakeholders. The Board shall decide on all corporate acts as a collegial body. The Board shall conduct itself with utmost honesty and integrity in the discharge of its duties, functions and responsibilities.

To ensure high standard of best practice for SB Corporation and its stakeholders, the Board shall:

- a) Determine the SB Corporation's vision, mission and core values to guide the carrying out of its objectives and business strategies;
- b) Establish corporate objectives and draw up strategies for achieving them including the formulation of a business plan to direct corporate activities;
- c) Oversee and monitor Management action and performance;
- d) Ensure the adoption of sound written policies on all major business activities including the maintenance of adequate risk management policy;
- e) Prescribe a clear assignment of responsibilities and decision-making authorities, incorporating a hierarchy of required approvals from individual employees to the Board itself;
- f) Keep Board authority within the powers of SB Corporation as prescribed in its Charter, and in existing laws, rules and regulations;
- g) Assess annually its performance and effectiveness as a body, as well as its various

committees, the Chief Executive Officer and the Corporation itself;

h) Adopt a system of internal checks and balances among the Board members. The system shall also provide a mechanism for effective check and control by the Board over the Chief Executive Officer and key managers and by the latter over the line officers of the Corporation;

i) Properly discharge Board functions by meeting regularly;

j) Ensure that SB Corporation complies with all relevant laws, rules and regulations, company policies, procedures and codes of ethics and corporate governance;

k) Identify SB Corporation's stakeholders and formulate a clear policy on communication or relating with them;

l) Assume overall responsibility for ensuring adherence to corporate governance principles and best practices.

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.

COMPOSITION OF THE BOARD

NAME OF BOARD MEMBER	POSITION	TYPE OF DIRECTORSHIP (EX-OFFICIO, APPOINTIVE, INDEPENDENT)	NO. OF YEARS SERVED AS DIRECTOR (AS OF 31 DECEMBER 2022)	NO. OF DIRECT AND INDIRECT SHARES HELD	% OF SHARES HELD TO OUTSTANDING SHARES OF THE INSTITUTION
Alfredo E. Pascual	Secretary, Department of Trade and Industry (DTI)	Appointive	6 months	N/A	N/A
Usec. Blesila A. Lantayona	Acting Chairman Representative of the DTI Secretary, Ex-Officio	Ex-officio	3 years	N/A	N/A
Dir. Robert C. Bastillo	Vice-Chairman of the Board	Appointive	3 months	N/A	N/A
Benjamin E. Diokno	Secretary, Department of Finance (DOF)	Appointive	6 months	N/A	N/A
Treas. Rosalia De Leon	1st Alternate to the DOF Secretary, Ex-Officio	Ex-officio	5 years	N/A	N/A
Dir. Annie F. Candelaria	2nd Alternate to the DOF Secretary, Ex-Officio	Ex-officio	1 year	N/A	N/A
Dir. Manuel B. Bendigo	National Government Representative	Appointive	5 years	N/A	N/A
Dir. Joe Jay D. Doctora	National Government Representative	Appointive	4 years	N/A	N/A
Dir. Jacob S. Vasquez	National Government Representative	Appointive	2 years	N/A	N/A
Dir. Voltaire B. Magpayo	National Government Representative	Appointive	1 year	N/A	N/A
Dir. Avelino L. Andal	National Government Representative	Appointive	9 months	N/A	N/A
Dir. Arnulfo V. Galdo	National Government Representative	Appointive	2 years	N/A	N/A
Dir. Elvira L. Go	Private Sector Representative	Appointive	1 year	N/A	N/A
1 vacant seat					

THE CHAIRMAN OF THE BOARD

The Chairman of the Board shall preside over all meetings of the Board and/or of the stockholders. He/She shall have the powers and duties as the Board may prescribe. His/Her express role in the Corporation is described as follows:

1. The Chairman shall preside over all regular meetings of the Board and stockholders. He/she may also call special meetings of the Board at his/her discretion, to tackle matters requiring urgent Board action.

2. The Chairman, in consultation with the President/CEO and Corporate Secretary, shall approve the agenda for all Board meetings, provided, that all matters requiring Board Approval endorsed by a majority vote of the members of the appropriate Board Committees and of the Management Committee shall be automatically included in the agenda;

3. The Chairman, in consultation with the

LIST OF STOCKHOLDERS AND STOCKHOLDINGS

As of 31 December 2022

<u>Stockholders</u>	<u>Paid-Up</u>	<u>No. of Shares</u>	<u>%tage</u>
A. PREFERRED STOCKS			
National Government	1,593,179,500.00	15,931,795	16.00%
GSIS	200,000,000.00	2,000,000*	2.00%
SSS	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	46,673,100.00	466,731*	0.47%
SSS	16,000,000.00	160,000*	0.16%
LBP	393,611,500.00	3,936,115*	3.95%
DBP	218,673,100.00	2,186,731*	2.19%
National Government	7,254,369,200.00	72,543,692	72.82%
Treasury Stock	40,000,000.00	400,000	0.41%
TOTAL COMMON STOCKS	7,969,326,900.00	79,693,269	80.00%
TOTAL STOCKHOLDINGS	9,962,506,400.00	99,625,064	100.00%

Notes:

- GSIS, SSS, LBP, and DBP are Government Financial Institutions.
- Par value is P100.00 per share.
- Stock certificates issued in the name of the National Government are in custody/safekeeping of the Bureau of Treasury.
- Includes additional capital infusion of National Government pursuant to Republic Act No. 11494 otherwise known as the "Bayanihan to Recover as One Act".
- Buy-back by SB Corporation 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-LEVEL COMMITTEES

Corporate Governance Committee

Membership

Chairperson: Usec. Blesila A. Lantayona
 Members: Robert C. Bastillo
 Joe Jay T. Doctora
 Elvira L. Go
 Voltaire B. Magpayo

Duties and Responsibilities

- Formulate and institutionalize the Corporation's Code of Corporate Governance and Code of Ethics and in ensuring adherence to the Codes;
- Review from time to time the Code of Corporate Governance, the Code of Ethics and the CGC Charter and recommend any changes to the Board;
- Ensure attendance of Directors to corporate governance seminars;
- Determine if there is any potential conflict of interest by a Director and key officers, and institute a process for handling these situations in accordance with existing laws, rules and regulations and in line with global as well as ethical and other regulatory standards;
- Oversee the periodic performance evaluation of the Board and its Committees. It shall also conduct an annual self-evaluation of its performance;
- Decide the manner by which the Board's performance may be evaluated and propose

and objective performance criteria approved by the Board. Such performance indicators shall address how the Board has enhanced long term shareholder's value;

7. Review regularly the organization plan and structure including proposed organizational changes/enhancements, compensation package and manpower plan to ensure adequacy in meeting the growth need of the Corporation;

8. Review and evaluate the qualifications of all persons nominated to positions requiring appointment by the Board of Directors

9. Oversee the Corporation's compliance efforts with respect to the Code of Corporate Governance, Code of Ethics and related laws, rules and regulations as well as company policies and procedure;

10. Network with other offices with the end view of reviewing programs designed to raise the culture of ethics and compliance within the Corporation, and corollarily, to install an enforcement mechanism which should sanction non-compliance and unethical behavior while rewarding the deserving ones.

The compliance functions of the Corporate Governance Committee (CGC) shall cover non-financial matters. Whenever necessary, the CGC shall jointly work with the Board Audit and Compliance Committee to make sure that governance and compliance aspects of a particular issue are thoroughly and adequately addressed.

BOARD AUDIT AND COMPLIANCE COMMITTEE

Membership

Chairperson: Elvira L. Go
Members: Annie F. Candelaria
Arnulfo V. Galdo
Joe Jay T. Doctora
Avelino L. Andar

Duties and Responsibilities

Financial Statements

1. Review of the quarterly, half-year and annual financial statements focusing particularly on the change/s in accounting policies and practices, major judgment areas, significant adjustment resulting to audit, going concern assumption, compliance with PFRS, and compliance with tax, legal and Commission on Audit/BSP requirements;
2. Receive and review reports of internal auditor and regulatory agencies and ensure that Management is taking appropriate corrective actions in timely manner in addressing control and compliance functions with regulatory agencies;
3. Review interim financial reports with Management before filing with regulators and consider whether they are complete and consistent with the information known to committee members;
4. Understand how Management develops interim financial information and the nature and extent of internal and external auditor involvement;

Internal Control

1. Consider the effectiveness of the company's internal control system;
2. Understand the scope of internal and external auditor's review of internal control over financial reporting and obtain reports on significant findings and recommendations, together with Management's responses;

Internal Audit

1. Review with Management and the Chief Audit Officer the charter, plans, activities, staffing and organizational structure of the internal audit function;
2. Ensure the independence of the internal audit function;
3. Review the effectiveness of the internal audit function, including compliance with sound internal auditing standards such as the Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing and other supplemental standards issued by regulatory authorities/government agencies, as well as with relevant code of ethics;
4. Review discoveries of fraud and violations of laws and regulations as raised by the internal audit function;
5. Ensure there are no unjustified restrictions or limitations, and review and concur in the appointment, replacement, or dismissal of the chief audit officer;

Corporate Compliance

1. Oversee the corporate compliance program, including policies and practices designed to ensure the organization's compliance with all applicable legal, regulatory and ethical requirements;
2. Recommend approval of the annual corporate compliance plan and review processes and procedures for reporting concerns by officers, employees and others;
3. Recommend organizational integrity guidelines and a Code of Conduct. Review and reassess the guidelines and Code of Conduct;
4. Review resources for corporate compliance with the compliance officer and CEO to ensure that sufficient resources are provided;
5. Review and evaluate findings and recommendations from completed compliance activities and audits, including management responses and action plans;
6. Report to the Board of Directors at least annually on the corporate compliance program.

FINANCE AND RISK OVERSIGHT COMMITTEE

Membership

Chairperson: Arnulfo V. Galdo
Members: Robert C. Bastillo
Avelino L. Andar
Annie F. Candelaria
Voltaire B. Magpayo

Duties and Responsibilities

1. Identify and evaluate exposures;
2. Develop risk management strategies;
3. Implement the Risk Management Plan;
4. Review and revise the plan as needed;
5. The committee shall meet with, request/gather (or compel submission, in proper cases), receive and evaluate information from Management and appropriate sources and act or approve proposals on items relating to the following risks: a) credit risk, b) operational risk, c) compliance risk, d) market risk, e) liquidity and solvency risks.

IT & PLATFORMIFICATION COMMITTEE

Membership

Chairperson: Voltaire B. Magpayo
Members: Robert C. Bastillo
Joe Jay T. Doctora
Jacob S. Vasquez
Elvira L. Go

Duties and Responsibilities

1. Evaluate the effectiveness of IT governance structure to ensure adequate board control over the decisions, directions and performance of technology and information management;
2. Set the strategic directions for technology and information management and ensure that these are aligned with and will sustain the corporate vision and mission;

3. Review and monitor the implementation of Information Security Program to ensure the confidentiality, integrity, and availability of SB Corporation's information resources;

4. Evaluate Information Management and IT organizational structure, investment, use and allocation practices and commitment of resources in terms of time, personnel and equipment to ensure that they support the organization's strategies and objectives;

5. Evaluate risk management practices to ensure that the organization's IT-related risks are properly managed;

6. Evaluate management practices to ensure compliance with the organization's IT strategy, policies, standards and procedures;

7. Review the Technology and Information Management policies, standards, procedures and processes for their development, approval, implementation and maintenance to ensure that they support the IT strategy and comply with regulatory and legal requirements.

LOANS AND VENTURE CAPITAL REVIEW COMMITTEE

(FORMERLY VENTURE AND CAPITAL REVIEW COMMITTEE)

Membership

Chairperson: Joe Jay T. Doctora
Members: Robert C. Bastillo
Elvira L. Go
Voltaire B. Magpayo
Jacob S. Vasquez

Duties and Responsibilities

1. Review and endorse to the Board for approval policies and procedures relating to the implementation of the Venture Capital Program pursuant to RA 6977, as amended by RA 8289 and 9501;

2. Review and endorse to the Board for approval accounts/projects for enrolment under the VC Program.

3. Review, deliberate and endorse to the Board all financing recommendations (loans and equity investments) and matters related to loan and/or asset recovery submitted by the Management, specifically the following:

(a) Retail loans granting above P5.0 million;

(b) Wholesale loans granting above P30.0 million for first time borrower Financial Institutions;

(c) Wholesale loans granting above P60.0 million for credit renewals of Financial Institutions;

(d) Real and Other Properties Acquired (ROPA) sales more than P3.0 million; and

(e) Policy deviations relating to credit granting and to loan/asset recovery.

Note: Items 1 and 2 are the responsibilities of the Committee as listed in its Charter per Board Resolution No. 2018-11-2656. Per Board Resolution No. 2022-07-3272, the Committee has been renamed to Loans and Venture Capital Review Committee, with expanded functions as listed in item 3.

STRATEGIC COMMUNICATIONS AND PRODUCT INNOVATION OVERSIGHT COMMITTEE

(FORMERLY STRATEGIC COMMUNICATIONS OVERSIGHT COMMITTEE)

Membership

Chairperson: Elvira L. Go
 Members: Robert C. Bastillo
 Jacob S. Vasquez

Duties and Responsibilities

This is formerly an Ad Hoc Committee per Board Resolution No. 2022-02-3219 but was expanded as a regular Board Committee per Board Resolution No. 2022-07-3273.

1. Provide the overall strategic directions and goals of the communications work of SB Corporation, particularly as it relates to engagement with external stakeholders such as client-borrowers, policy makers and lawmakers, other financing institutions, the media, organized stakeholder sectors and others;

2. Review the Strategic Communications Framework of the Small Business Corporation and monitor the implementation of the activities included therein;

3. Assist the communications department in engaging key stakeholders such as policy and lawmakers, media and organized stakeholders as needed;

4. Assess the overall achievement by the SB Corporation of its strategic communications goals and the impact these have on stakeholders.

5. In addition to Strategic Communication concerns, review, deliberate and endorse to the Board all broad-stroke Product Innovation recommendations of the Management Committee.

BOARD ATTENDANCE

For the CY 2022

	NAME OF BOARD MEMBER	JAN. 27, 2022	FEB. 24, 2022	MAR. 28, 2022	APR. 28-29, 2022	MAY 30, 2022	JUN. 24, 2022	JUL. 28, 2022	AUG. 30, 2022	SEPT. 05, 2022	SEPT. 12, 2022	SET. 28, 2022	OCT. 13, 2022
		345TH	346TH	347TH	348TH	349TH	350TH	351ST	352ND	SPECIAL	SPECIAL	353RD	SPECIAL
1	ALFREDO E. PASCUAL	N/A	N/A	P	P	P	P	P	P	P	P	P	P
2	ROBERT C. BASTILLO	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	P	P	P
3	MANUEL B. BENDIGO	P	P	P	P	P	A	P	P	P	P	P	P
4	MA. LUNA E. CACANANDO	P	P	P	P	P	P	P	P	P	N/A	N/A	N/A
5	ANNIE F. CANDELARIA	P	P	P	P	P	A	P	P	P	P	P	P
6	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
7	JOE JAY T. DOCTORA	P	P	P	P	P	P	P	P	P	P	P	P
8	ARNULFO V. GALDO	P	P	P	P	P	P	P	P	P	P	P	P
9	ELVIRA L. GO	P	P	P	P	P	P	P	P	P	P	P	P
10	BLESILA A. LANTAYONA	P	P	P	P	P	P	P	P	P	P	P	P
11	RAMON M. LOPEZ	P	N/A	N/A	N/A	N/A	P	N/A	N/A	N/A	N/A	N/A	N/A
12	VOLTAIRE B. MAGPAYO	P	P	P	P	P	P	P	P	P	P	P	P
13	ALFREDO E. PASCUAL	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	P
14	JACOB S. VASQUEZ	P	P	P	P	P	P	P	P	P	P	P	P

	NAME OF BOARD MEMBER	OCT. 28, 2022	NOV. 23, 2022	DEC. 12, 2022	DEC. 13, 2022	TOTAL
		354TH	355TH	SPECIAL	356TH	16
1	ALFREDO E. PASCUAL	P	P	P	P	14
2	ROBERT C. BASTILLO	P	P	P	P	7
3	MANUEL B. BENDIGO	P	P	P	P	15
4	MA. LUNA E. CACANANDO	N/A	N/A	N/A	N/A	9
5	ANNIE F. CANDELARIA	P	P	P	P	15
6	ROSALIA V. DE LEON	N/A	N/A	N/A	N/A	0
7	JOE JAY T. DOCTORA	P	P	P	P	16
8	ARNULFO V. GALDO	P	P	P	P	16
9	ELVIRA L. GO	P	P	P	P	16
10	BLESILA A. LANTAYONA	P	P	P	P	16
11	RAMON M. LOPEZ	P	N/A	N/A	N/A	2
12	VOLTAIRE B. MAGPAYO	P	P	P	P	16
13	ALFREDO E. PASCUAL	N/A	N/A	N/A	N/A	1
14	JACOB S. VASQUEZ	P	P	P	P	16

LEGEND

P - present
 A - absent
 OB- official business
 E- excused
 N/A - not applicable

BOARD AUDIT AND COMPLIANCE COMMITTEE MEETINGS

NAME OF BOARD MEMBER		FEB. 17, 2022	APR. 26, 2022	JUL. 25, 2022	SEPT. 03, 2021	OCT. 28, 2021	DEC. 14, 2022	TOTAL
		88TH	89TH	90TH	91ST	92ND	93RD	6
1	AVELINO L. ANDAL	N/A	N/A	P	P	P	P	4
2	ANNIE F. CANDELARIA	P	P	P	P	P	P	6
3	JOE JAY T. DOCTORA	P	P	P	P	P	P	6
4	ARNULFO V. GALDO	P	P	P	P	P	P	6
5	ELVIRA L. GO	P	P	P	P	P	A	6

FINANCE AND RISK OVERSIGHT COMMITTEE MEETINGS

NAME OF BOARD MEMBER		FEB. 22, 2022	MAY 18, 2021	JUN. 17, 2022	JUL. 22, 2022	SEPT. 12, 2022	OCT. 27, 2022	NOV. 22, 2022	TOTAL
		41ST	42ND	43RD	44TH	45TH	46TH	47TH	7
1	AVELINO L. ANDAL	N/A	P	P	P	P	P	P	6
2	ROBERT C. BASTILLO	N/A	N/A	N/A	N/A	P	P	P	3
3	MA. LUNA E. CACANANDO	P	P	P	P	N/A	N/A	N/A	4
4	ANNIE F. CANDELARIA	P	P	P	P	P	P	P	7
5	JOE JAY T. DOCTORA	P	P	P	P	P	N/A	N/A	5
6	ARNULFO V. GALDO	P	P	P	P	P	P	P	7
7	VOLTAIRE B. MAGPAYO	N/A	N/A	N/A	N/A	N/A	P	P	2

CORPORATE GOVERNANCE COMMITTEE MEETINGS

NAME OF BOARD MEMBER		MAR. 08, 2022	JUN. 09, 2022	JUL. 27, 2022	AUG. 30, 2022	DEC. 13, 2022	TOTAL
		54TH	55TH	56TH	57TH	58TH	5
1	ROBERT C. BASTILLO	N/A	N/A	N/A	N/A	N/A	1
2	MA. LUNA E. CACANANDO	P	P	P	P	N/A	4
3	JOE JAY T. DOCTORA	P	P	P	P	P	5
4	ARNULFO V. GALDO	P	P	P	P	N/A	4
5	ELVIRA L. GO	N/A	N/A	N/A	N/A	P	1
6	BLESILA A. LANTAYONA	P	P	P	P	P	5
7	VOLTAIRE B. MAGPAYO	P	P	P	P	P	5

BOARD IT AND PLATFORMIFICATION COMMITTEE MEETINGS

FORMERLY BOARD OVERSIGHT COMMITTEE ON TECHNOLOGY AND INFORMATION MANAGEMENT

NAME OF BOARD MEMBER		MAR. 22, 2022	SEPT. 7, 2022	NOV. 21, 2022	DEC. 16, 2022	TOTAL
		19TH	20TH	21ST	22ND	58TH
1	ROBERT C. BASTILLO	N/A	N/A	P	P	2
2	MA. LUNA E. CACANANDO	P	A	N/A	N/A	1
3	ANNIE F. CANDELARIA	P	P	N/A	N/A	2
4	JOE JAY T. DOCTORA	P	P	P	P	4
5	ELVIRA L. GO	N/A	N/A	P	P	2
6	VOLTAIRE B. MAGPAYO	P	P	P	P	4
7	JACOB S. VASQUEZ	P	P	P	P	4

BOARD COMMITTEE ON LOANS AND VENTURE CAPITAL REVIEW COMMITTEE MEETINGS

NAME OF BOARD MEMBER		APR. 11, 2022	JUN. 23, 2022	AUG. 19, 2022	SEPT. 27, 2022	OCT. 12, 2022	NOV. 21, 2022	TOTAL
		8TH	9TH	10TH	11TH	12TH	13TH	6
1	ROBERT C. BASTILLO	N/A	N/A	N/A	P	P	P	3
2	MA. LUNA E. CACANANDO	P	P	P	N/A	N/A	N/A	3
3	JOE JAY T. DOCTORA	P	P	P	P	P	P	6
4	ELVIRA L. GO	P	P	P	P	P	P	6
5	VOLTAIRE B. MAGPAYO	P	P	P	P	P	A	6
6	JACOB S. VASQUEZ	P	P	P	P	P	A	6

STRATEGIC COMMUNICATIONS AND PRODUCT INNOVATION OVERSIGHT COMMITTEE MEETINGS

NAME OF BOARD MEMBER		MAR. 15, 2022	JUL. 22, 2022	OCT. 20, 2022	TOTAL
		1ST	2ND	3RD	3
1	AVELINO L. ANDAL	N/A	P	N/A	1
2	ROBERT C. BASTILLO	N/A	N/A	P	1
3	MA. LUNA E. CACANANDO	P	P	N/A	2
4	ARNULFO V. GALDO	N/A	P	N/A	1
5	ELVIRA L. GO	P	P	P	3
6	VOLTAIRE B. MAGPAYO	P	P	N/A	2
7	JACOB S. VASQUEZ	N/A	N/A	P	1

LEGEND

P - present
A - absent
OB- official business
E- excused
N/A - not applicable

SUMMARY OF BOARD ATTENDANCE FOR THE CY 2022

	NAME OF BOARD MEMBER	BOARD MEETING	CGC	BACC	FROC	BOARD ITPC	SCPIOC	LVCR	TOTAL BOARD MEETINGS	TOTAL BOARD COMMITTEE MEETINGS	TOTAL
		16	5	6	7	4	3	6			
1	AVELINO L. ANDAL	14	N/A	4	6	N/A	1	N/A	14	11	25
2	ROBERT C. BASTILLO	7	1	N/A	3	2	1	3	7	10	17
3	MANUEL B. BENDIGO	15	N/A	N/A	N/A	N/A	N/A	N/A	15	0	15
4	MA. LUNA E. CACANANDO	9	4	N/A	4	1	2	3	9	14	23
5	ANNIE F. CANDELARIA	15	N/A	6	7	2	N/A	N/A	15	15	30
6	ROSALIA V. DE LEON	0	N/A	N/A	N/A	N/A	N/A	N/A	0	0	0
7	JOE JAY T. DOCTORA	16	5	6	5	4	N/A	6	16	26	37
8	ARNULFO V. GALDO	16	4	6	7	N/A	1	N/A	16	18	34
9	ELVIRA L. GO	16	1	6	N/A	2	3	6	16	18	34
10	BLESILA A. LANTAYONA	16	5	N/A	N/A	N/A	N/A	N/A	16	5	21
11	RAMON M. LOPEZ	2	N/A	N/A	N/A	N/A	N/A	N/A	2	0	2
12	VOLTAIRE B. MAGPAYO	16	5	N/A	2	4	2	6	16	19	35
13	ALFREDO E. PASCUAL	1	N/A	N/A	N/A	N/A	N/A	N/A	1	0	1
14	JACOB S. VASQUEZ	16	N/A	N/A	N/A	4	1	6	16	11	27

CHANGES IN THE BOARD OF DIRECTORS

Mr. Avelino L. And al was appointed as a Board Member on 09 March 2022, vice Mr. Andres C. Sarmiento (former LBP representative).

Mr. Robert C. Bastillo was appointed as a Board Member on 12 September 2022, vice Ms. Ma. Luna E. Cacanando. He was elected as President and CEO of Small Business Corporation on 13 October 2022.

ANNUAL PERFORMANCE OF THE BOARD

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

the GOCC Sector.

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

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

ORIENTATION AND EDUCATION PROGRAM

The Corporate Board Secretary is responsible to orient all Members of the Board upon their appointment by providing

the pertinent materials related to SB Corporation namely: SB Corporation's Charter (RA 6977, as amended by RA 8289 and further amended by RA 9501), SB Corporation's Mission, Vision, Core Values and Strategic Map, Organization Chart, Manual of Corporate Governance, Directors and Officers Liability Insurance, and Annual Report containing the latest Financial Statements. The Corporate Board Secretary also briefs the Director on the Corporation's programs, services and operations, as well as other matters that may be requested by the Director.

As part of the continuing education for all Directors of the Corporation, the Office of the Board Secretary regularly apprises the Governing Board of all new applicable laws, rules and regulations. They are also informed of relevant upcoming courses, trainings and seminars such as the training on AMLA and those being conducted by the Institute of Corporate Directors. The trainings and seminars attended by the Directors are arranged and funded by the Corporation.

RETIREMENT AGE AND SUCCESSION POLICY

Board of Directors:

Retirement Age is not applicable to appointive directors considering that their position is based on appointment.

The term of office of each Appointive Director shall be for one (1) year, unless sooner removed for cause: Provided, however, That the Appointive Director shall continue to hold office until the successor is appointed. An Appointive Director may be nominated by the GCG for reappointment by the President of the Philippines only if one obtains a performance score of above average or its equivalent or higher in the immediately preceding year of tenure as Appointive Director based on the performance criteria for Appointive Directors.

Appointment to any vacancy shall be only for the unexpired term of the predecessor. The appointment of a director to fill such vacancy shall be in accordance with the manner provided in Section 15 of R.A. 10149.

Senior Management:

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

SB Corporation 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.

RENUMERATION POLICY

Board of Directors

The Board of Directors is entitled to the following compensation: (a) Per diems for Board meetings attended, (b) Per diems for Board Committee meetings attended (c) Performance Based Incentives, and (d) Reimbursable Expenses. These compensations are based on GCG Memorandum Circular No. 2016-01 (Compensation Framework for Members of the GOCC Governing Boards) in accordance with Executive Order No. 24.

Senior Management

The Remuneration Policy of Small Business Corporation (SB Corp) 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** under specific conditions related to actual performance of work at prescribed rates.

- Specifically for the Head of the Legal Services Group, a Special Counsel Allowance is given for court hearings he/she attends for and on behalf of the corporation.

- Small Business Corporation also provides awards and incentives to its Senior Management through the grant of the annual Performance Based Bonus (PBB), Productivity Enhancement Incentive (PEI), CNA Incentive, and Program on Awards and Incentives for Service Excellence (PRAISE) which are linked to organizational and individual performance.

- SB Corp 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*

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

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

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

SELF-ASSESSMENT FUNCTIONS

Internal Audit Group

To ensure its independence, the Internal Audit Group (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 Philippine Government Internal Audit Manual (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. Possess 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. It is a risk-based numerical audit rating system used to evaluate the operations of business units. It is designed to provide IAG with a general framework to summarize the results and impact of audit issues and observations identified on an audit engagement. It intends to provide both qualitative and quantitative approaches to measure the business unit's overall operating soundness and compliance with managerial policies, procedures, laws, and regulations.

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 Board Secretary and Chief Compliance Officer

The Office of the Board Secretary and Chief Compliance Officer is another independent unit from the business or operational aspects of the Corporation. It is directly reporting to the Board Audit and

Compliance Committee (BACC). This organizational set-up ensures the independence of the Office of the Board Secretary and Chief Compliance Officer from the business or operational aspects of the Corporation.

The function of the office is to oversee and coordinate the

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

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

Corporate Compliance Manual

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

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

Money Laundering and Terrorism Financing Prevention Program (MTPP)

The Revised Money Laundering and Terrorism Financing Prevention Program (MTPP) of SB Corporation was approved by the Board on October 28, 2022. 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.

Consistent with the risk-based approach, the Corporation is required to identify, understand and assess their ML/TF risks, arising from customers, countries or geographic areas of operations and customers, products, services, transactions or delivery channels. The assessment methodology shall be appropriate to the nature of operations and complexity of the business.

The Board of Directors, through the Board Audit and Compliance Committee (BACC), exercise oversight in the implementation of the MTPP. Under the Revised MTPP of SB Corporation, the Chief Compliance Officer shall be responsible for ensuring compliance with the AML Rules and Regulations and reporting to the BACC any updates relative to or matters concerning AML Reporting.

Customer Acceptance, Customer Due Diligence, Covered and Suspicious Transaction Reporting and Ongoing Monitoring of Customers, Accounts and Transactions, among others, are vital keys in the prevention of ML/TF risks.

It is the policy of the Corporation to ensure that all its directors, officers, and employees are informed and adequately trained in matters covered by this MTPP to enable them to fully comply with their

obligations and responsibilities under the AMLA related laws, rules, and regulations. Ongoing education of personnel is an important element in the compliance function to maintain a sound compliance program. The purpose of the trainings is to make all personnel aware of the Philippine AML laws, rules, and regulations as well as the organization's policies and procedures that affect their areas of responsibilities.

The Internal Audit Group shall be responsible for the periodic and independent evaluation of the risk management, degree of adherence to internal control mechanisms related to the customer identification process, such as determination of the existence of customers and the completeness of the

minimum information and/or documents establishing the true and full identity of, and the extent and standard of due diligence applied to customers, CT and ST reporting and record keeping and retention, as well as the adequacy and effectiveness of other existing internal controls associated with money laundering and terrorist financing. The results of the internal audit shall be timely communicated to the BACC and the Governing Board.

Record Keeping and Digitalization of Customer Records

All customer identification records and transaction documents of covered persons shall be maintained and safely stored as long as the account exists. Client relationships and transactions shall be properly documented.

The Corporation shall ensure that all CDD information and transaction records should be available swiftly to domestic competent authorities in the exercise of their function or upon order by a competent authority. Customer Information shall be kept in accordance with data privacy, data protection and security.

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.

DIVIDEND POLICY

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

In addition, Section 3 of Republic Act No. 7656 provides that such dividends accruing to the National Government shall be received by the National Treasury and recorded as income of the General Fund.

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

SB Corporation Integrity Monitoring Committee (SIMC)

Small Business Corporation
18/F 139 Corporate Center, 139 Valero St., Salcedo Village
Makati City, Philippines 1227

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.

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

Consumer Protection Oversight Function

A. Roles and Responsibilities of the Board and Senior Management

Board of Directors

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

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

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

Senior Management

The Senior Management, on the other hand, shall be responsible for the proper implementation of the Consumer Protection policies and procedures duly approved by the

Board. Its role shall also focus on ensuring effective management of day-to-day consumer protection activities.

B. Consumer Protection Risk Management System

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

Consumer Protection Standards

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

Consumer Assistance Management System

Customers should be provided with accessible, affordable, independent, fair, accountable, timely, and efficient means for resolving complaints with their financial transactions. In the establishment of an effective Consumer Assistance Management System, SB Corporation is expected to 1)

develop internal policies and practices, including time for processing, complaint response, and customer access, 2) maintain an up-to-date log and records of all complaints from customers subject to the complaints procedure, 3) ensure that information on how to make a complaint is clearly visible in the SB Corporation's website, 4) Undertake an analysis of the patterns of complaints from customers on a regular basis, and 5) Provide for adequate resources to handle financial consumer complaints efficiently and effectively.



CORPORATE GOVERNANCE CONFIRMATION STATEMENT

The Small Business Corporation strictly adheres to the principles of good corporate governance. As one of the government-owned or controlled corporations under the oversight of the Governance Commission for Government-Owned or Controlled Corporations (GCG), SB Corporation, its Governing Board and all of its officials and employees, confirm its full compliance for the Year 2022 with the Code of Corporate Governance issued by the GCG which was made operational through the SB Corporation's Manual of Corporate Governance.



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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 2022 involving Financial, Operational and Risk Management prior to endorsement and approval by the Board.


DIR. ELVIRA L. GO
Chairperson
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 2022 were reviewed by the Small Business Corporation's Board Audit and Compliance Committee (BACC) and found as adequate.


DIR. ELVIRA L. GO
Chairperson
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.

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SB Corporation Integrity Monitoring Committee (SIMC)

Small Business Corporation
18/F 139 Corporate Center, 139 Valero St., Salcedo Village
Makati City, Philippines 1227

CORPORATE GOVERNANCE COMMITTEE

Major Initiatives and Accomplishments for 2022

The Corporate Governance Committee convened five (5) meetings in 2022. 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. Recommendation for the Appointment of Ms. Heide M. Vega as Group Head of the Internal Audit Group
2. Recommendation for the Appointment of Mr. Lynnuel G. Victorio as Group Head of the Enterprise Risk Management Group
3. Recommended Changes in Functional Delineation and Membership of Management

Level Committees

4. Recommendation for the Assumption of Atty. Livian May Sanchez-Llorito to the Duties and Functions of the Office of the Board Secretary
5. Board Approved Number of Committee Meetings
6. Expansion of the Mandate of Board Committees and Change in Chairmanships
7. Designation of the Regional Lending Head/Vice President for South Luzon Group
8. Renewal of Designation of Ms. Rebecca Ancanan as OIC of South Luzon Lending Group
9. Proposed Revised Scoring System for Placement of Officers and Staff
10. Recommendation for the Appointment of Mr. Angelito B. Acupan as Sector Manager of the Strategy, Policy and Systems Sector
11. Recommendation for the Appointment of Atty. Livian May Sanchez-Llorito as Group Manager of the Office of the Board Secretary/Chief Compliance Officer

B. Discussed and noted the following:

1. Loan Processing Time Per Sub-Process
2. Recommendation for the Promotion of Gia F. Estrella
3. Guidance on the Implementation of the Flexible Work Arrangement
4. Guidelines on Prohibition of Loan Endorsements
5. Public Service Continuity Committee (PSCC)
6. CASA Review Committee
7. Results of GCG's Assessment of Small Business Corporation's Corporate Governance Scorecard (CGS) for CY 2021

BOARD AUDIT AND COMPLIANCE COMMITTEE

Major Initiatives and Accomplishments for 2022

The Board Audit and Compliance Committee convened six (6) meetings in 2022. Its major initiatives and accomplishments for the year are as follows:

A. Discussed and endorsed the following for approval and/or consideration:

1. Annual Audit Plan for CY 2022
2. Results of Audit on Loan Collection (CARES Program)
3. Results of Audit on Collateral Custodianship on 3 Regional Lending Groups (NLG, VG & MG)
4. Results of Compliance Audit on Prescribed Processing Time under Bayanihan CARES Online System (BCOS)
5. Results of Audit Concerning the Discrepancy on Interest Rates ftao: LPR General Merchandise
6. Audit Plan for CY 2022 Status Report with a Request for Amendment
7. Results of Compliance Audit on Work Arrangement of SB Corp Personnel
8. Results of Audit on Access Management
9. Results of Audit on IT Governance
10. Results of Financial Statement Review as of June 30, 2022
11. Results of Audit on CAREs Account Management on 4 Regional Lending Groups
12. Summary of the Covered Transactions Reported to AMLC and Results of the KYC Compliance Testing on AMLA Covered Transactions for CY 2020
13. Confirmation of the Actions taken / Actions to be taken on the Audit Observations and Recommendations from the CY 2021 COA Annual Audit Report
14. Revised Money Laundering and Terrorism Financing Prevention Program of SB Corporation

B. Discussed and noted the following:

1. Annual Report on Internal Audit Activities for CY 2021
2. Internal Audit Tracking Reports
 - As of 31 March 2022
 - As of 30 June 2022
 - As of 31 August 2022
 - As of 20 October 2022

3. TG's Deliverables on Undistributed Collection
4. ManCom and FS Deliverables on the Results of Audit on CAREs Loan Validation
5. Status of KYC Compliance Testing on AMLA Covered Transactions
6. Audit Universe/Coverage of the IAG Audit
7. ManCom's Deliverables Re: Loan Documentation
8. TG's Update on the Implementation of Customer Account Number (CAN)
9. FS Deliverables on the Results of Audit on Collateral Custodianship
10. Internal Validation of SB Corp's Compliance with the Requirements for Eligibility to FY 2021 PBB and Reminder on the Agency Accountability Timelines for FY 2022 PBB
11. RMC Instructions on the Audit on Prescribed Processing Time Under BCOS
12. HRMDG Deliverables on the Conduct of Skills Inventory of SB Corp Employees
13. COA Entrance Conference for CY 2022 Annual Financial Audit
14. Bangko Sentral ng Pilipinas (BSP) Entrance Conference – Corporate Wide Presentation
15. Activities Relative to the Regular Examination of the Bangko Sentral ng Pilipinas

FINANCE AND RISK OVERSIGHT COMMITTEE

(Formerly Risk Oversight Committee)

Major Initiatives and Accomplishments for 2022

The Finance and Risk Oversight Committee convened seven (7) meetings in 2022. 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. December 2021 Financial Statements (1st Closing)
 2. Allowance for Credit Losses/Loan Loss Provisioning as of December 31, 2021
 3. Recognition of Cross Default
 4. Corporate Operating Budget for 2023
 5. Policy Adjustments on the Loan Floor Amounts

- and Post-Dated Check Requirement Under SBCorp's Retail Loan Products
6. SB Corporation 2022-2025 Loan Portfolio Plan and 2022 Corporate Operating Budget (COB)
7. SB Corporation P3 Wholesale Lending Interest Rate from Conduit/MFIs to End Borrowers
8. Presentation of the Php191 Million P3 Mobilization Fund Breakdown
9. Definition of Terms, Pricing and Repayment Term Policies for Loan Restructuring, for Loan Remediation and for Compromise Agreement under RETAIL LENDING and for ROPA Installment Sales
10. Financial Statements as of June 2022
11. Wholesale Lending Portfolio Catch up Plan with Policy Recommendations
12. Interest Rate and Penalties for Enterprise Rehabilitation Facility (ERF) Accounts under Compromise Agreement
13. Strategic Solutions on How to Address Fraudulent Accounts Discussion
14. Financial Statement as of September 2022
15. Amendment of loan drawdown policy under P3 and Regular Microfinance Wholesale Program
16. Policy on release of collaterals of existing borrowers with outstanding balance under collateral-free loan program/facility
17. Approving authority on Foreclosure Bid Price
18. Adoption of Risk Control Self-Assessment (RCSA) in the Development/Enhancement of Risk Opportunities Register (ROR)
19. Waiver of Penalty relative to disposal of Davao Area Marketing Cooperative, Inc. (DAMCO, Inc.) in favor of Gravity Irrigators Sustainable Agricultural
20. Financial Statements as of October 2022
21. Write-off Policy
22. Interest rates and Penalties for Enterprise Rehabilitation Facility (ERF) Accounts under Compromise Agreement and Loan Restructuring

B. Discussed and noted the following:

1. Review and Analysis of the 2021 Loan Loss Provisioning Budget
2. Ad Hoc Team's report on the status of the investigation on complaints against Ms. Reyell Viado
3. Instructions on Handling of Aged Past Due Accounts
4. SBCorp Regular Retail Lending Interest Rates' alignment with RISE UP Program Interest Rates
5. SBCorp's Loan Restructuring Interest Rates
6. SBCorp's Financial Dashboard
7. Presentation of Progress of Account Management System
8. Repayment Term for Loan Restructuring Under Board-approved Interest Rates
9. Update on Legal Action Against KASAPI Microfinance and Rural Development Inc.
10. Presentation of the Retained Earnings before Unrealized Losses on the 2022 Corporate Operation Budget
11. Presentation of the Itemized Breakdown of the P20.690M Variance/increase in the Information Technology Operational Cost
12. Updates on the PDC Warehousing Offered by the Land Bank of the Philippines
13. Updates on the Legal Action Against KASAPI Microfinance and Rural Development Inc.
14. Hiring of Ms. Jean Rose Lim under COS (JG 13-equivalent) under the Enterprise Risk Management Group
15. Liquidation Policies of Loan Releases under Wholesale Lending
16. Loan Collection Policy recommendations
17. Status of Accounts Written-off
18. Updates on Collection Agencies
19. Guidelines on Risk Events Reporting
20. Policy and Procedure for Handling Past Due Accounts More Than 30 Days by Legal Services Group

BOARD IT AND PLATFORMIFICATION COMMITTEE

Major Initiatives and Accomplishments for 2022

The Board IT and Platformification Committee convened four (4) meetings in 2022. 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. Recommended Information System Strategic Plan (ISSP) for CYs 2022 to 2024
2. Budget Realignment for Information Technology-related Procurements
 - a. PhP700.0 thousand for Oracle Consultancy
 - b. PhP615.0 thousand for Laptops
3. Creation of Technical Working Group for Project Proposals Not Within Approved Information Systems Strategic Plan
4. Shift in the Primary Internet Service Provider of SBCorp
5. Schedule of the Board IT Planning in February or March 2023

B. Discussed and noted the following:

1. Updated Timelines of IT-Related Projects, including Results of the Testing and Consultations on the Application of Payments System
2. Implications of Memorandum Circular 3, Series of 2022 on IT-Related Projects of SBCorp
3. Updates on the Possible Convergence of SBCorp with Japanese Companies (e.g., JUNCA Holdings)
4. Reconstituted Business Process and Information Technology Management Committee
5. Status of Information Technology-related Projects
6. SBCorp's Existing Information Technology Framework and Plans Moving Forward
7. Status of Information Technology-related Projects

LOANS AND VENTURE CAPITAL REVIEW COMMITTEE

(Formerly Board Committee on Venture Capital Review)

Major Initiatives and Accomplishments for 2022

The Loans and Venture Capital Review Committee convened six (6) meetings in 2022. 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. Designation of Two (2) SBCorp Representatives to the Board of Directors of Venture Capital Accounts
2. Cooperative Bank of Cotabato
 - P3 Credit Line-P100.0 Million (Renewal and increase from P60.0Million)
 - Regular- P20.0 Million (Initial Granting of CL)
3. Tam-An Banaue MPC
 - P3 Credit Line – P100.0 Million (Reinstatement and increase from P30.0Million)
4. Kabuhayan sa Ganap na Kasarinlan Credit and Saving Cooperative (KASAGANA-KA OR K- KOOP)
 - P3 – P20.0Million (Reinstatement of CL)
 - Regular – P40.0Million (Reinstatement of CL)
5. 1st Valley Bank Inc.
 - P3 – P200.0Million (Reinstatement of CL)
 - Regular – P45.0Million (Reinstatement of CL)
6. Negros Women for Tomorrow Foundation, Inc.
 - P3 – P150.0Million (Renewal with Increase of CL from P30.0M)
 - Regular – P75.0Million (Reinstatement of CL)
7. Asia Link Finance Corporation
 - P3 – P150.0Million (Initial Granting of CL)
 - Regular – P150.0Million (Reinstatement with Increase of CL from P40.0Million)
8. Tulay sa Pag-unlad, Inc.
 - P3 – P 50.0Million (Reinstatement with

- Increase of CL from P30.0Million)
 - Regular – P 50.0Million (Reinstatement with Increase of CL from P30.0Million)
9. Cyprea International, Inc.
 - Amendments on the Implementation of the Board Approved Loan Restructuring Terms and Conditions
 10. Abra Diocesan Teachers and Employees MPC –
 - P150.0Million Reinstatement of P3 Credit Line
 11. First Isabela Coop Bank
 - P200.0Million Reinstatement of P3 Credit Line
 12. Prime Global Finance Corporation
 - P300.0Million Reinstatement of Credit Line with Increase from P20.0MM
 13. Providers MPC – P600 Million Credit Line
 - P400.0Million (Reactivation of P3 Credit Line with Increase from P200.0M)
 - P200.0Million (Reactivation of Regular Credit Line)
 14. Rangtay sa Pagrang-ay Microfinance, Inc. (RPMI)- P100Million Credit Line
 - P50.0Million (Reactivation of P3 Credit Line)
 - P50.0Million (Reactivation of Regular Credit Line)
 15. Agdao MPC
 - P100.0Million (Renewal of P3 Credit Line with Increase from P60.0MM)

B. Discussed and noted the following:

1. Updates on Two Venture Capital Accounts (Binhi, Inc. and Elbitech, Inc.)
2. 2022 Annual Work Plan and Budget (AWPB) of RAPID Growth Project
3. Report on Leyte Trip for RAPID
4. Terms of Reference for Management Consultants
5. Update on RAPID Growth Projects
6. Update on Failed Venture Capital Accounts
7. List of Potential Venture Capital Investees

8. Handling of RAPID Innovation Program (Office Order No. 045 S. 2022)
9. Update on Failed Venture Capital Account - Starlight Homessences, Inc. – Acceptance Replacement of Check

6. Rationalization of Board Members' Involvement on Management Advocacy and Marketing Initiatives

STRATEGIC COMMUNICATIONS AND PRODUCT INNOVATION OVERSIGHT COMMITTEE

(Formerly Strategic Communications Oversight Committee)

Major Initiatives and Accomplishments for 2022

The Strategic Communications and Product Innovation Oversight Committee convened three (3) meetings in 2022. 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. Strategy for Increased Generation of RISE UP Loan Applications via the Negosyo Centers and Intensive Budget
 2. Partnership with Cebu Provincial Government
 3. Revival of SBCorp's Awards Program
 4. 2022 Communication Plan Updates and Catch-Up Plan for the RISE UP Program
- B. Discussed and noted the following:
 1. Quick Review of Strategic Communications Framework
 2. Presentation of Communications and Campaign Plan for RISE UP with SBCORP
 3. Presentation and Discussion of Monthly Activity Plan to Implement Campaign
 4. Webinar Coaching Series on the SBCorp Online Loan Application System, Methodology and Schedules
 5. Initial Results of Market Research on Poorest Municipalities



I. Risk Management Policy

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

II. Enterprise Risk Management Framework

The ERM Framework of SB Corporation 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. SB Corporation – as the organization charged primarily with the responsibility of implementing comprehensive policies and programs to assist micro, small and medium enterprises (MSMEs) by way of providing access to finance, 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), SB Corporation aligns itself to the national goals and objectives for MSME development as outlined in the MSME Development Plan. This provides the context by which the Corporation's ERM Framework operates.

SB Corporation'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 SB Corporation's ERM vehicle is the linkage between its Strategic Planning, Risk Management and Capital Management Processes. This is anchored on four (4) key components, namely: 1) Risk Organization and Governance; 2) Processes and Policies; 3) Data and System Infrastructure; and, 4) Risk Measurements.

These components undergo a continuous cycle of improvement where design translates to implementation and is regularly monitored for enhancement. Thus, ERM is subject of an iterative process and takes on a dynamic form that adjusts to the 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 SB Corporation'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 SB Corporation, 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 SB Corporation'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 SB Corporation. 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

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

This is to likewise ensure that SB Corporation 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. SB Corporation 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, SB Corporation'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, SB Corporation manages credit risk at all relevant levels of the organization. The Corporation defines credit risk as the risk that the loans granted to borrowers and/or other financial institutions will not be paid when due, thereby causing the Corporation to incur financial losses.

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

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. Requirements for risk event reporting is also being operationalized.

Business Continuity Risk

Given SB Corporation'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 MSME.

Guided by its vision, mission, service philosophy and core values, SB Corporation 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, SB Corporation 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.

SB Corporation's business continuity plan now evolves into Public Service Continuity Plan (PSCP). The PSCP is an all-hazard plan that aims to ensure continuous delivery of services to micro, small and medium enterprises amidst any disruption. The PSCP highlights the internal capacities, recovery requirements strategies to minimize damage and loss to essential processes, ensure succession of leadership and improve continuity capabilities of SB Corporation (Board Resolution No. 2021-11-3186).

Market Risk – Interest Rate 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.

Liquidity Risk

SB Corporation seeks to manage its liquidity profile to be able to finance operating and 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 may arise. Fundraising activities may include stand-by credit lines from government banks.

2022 GO GREEN REPORT

The Small Business Corporation (“SB Corp” for brevity) advocates for the adoption of ecologically responsible business practices through green procurement for purchases of goods and services that cause minimal adverse environment impact. A clean technology, consumption of electricity and fuels that are green compliant will have an eventual impact in cutting costs, improve efficiency, and create healthier workplaces.

Relatedly, SB Corp submitted the following documents to the Energy Utilization Management Bureau of the Department of Energy on April 13 and 21, 2022 in compliance with the *Inter-Agency Energy Efficiency and Conservation Committee (IAEECC) Advisory No. 2 – Mandatory Implementation of Energy Efficiency and Conservation (EEC) Programs and the Strict Observance of the Government Energy Management Program (GEMP)*:

1. **Energy Efficiency and Conservation (EEC) Checklist** – contains the following:
 - a) Institutionalization of EEC;
 - b) Fuel-Saving Measures;
 - c) Electricity-Saving Measures; and
 - d) Other EEC Measures.
2. **Office Order No. 014, series of 2022 for the Support to and Implementation of Government Energy Management Program.**

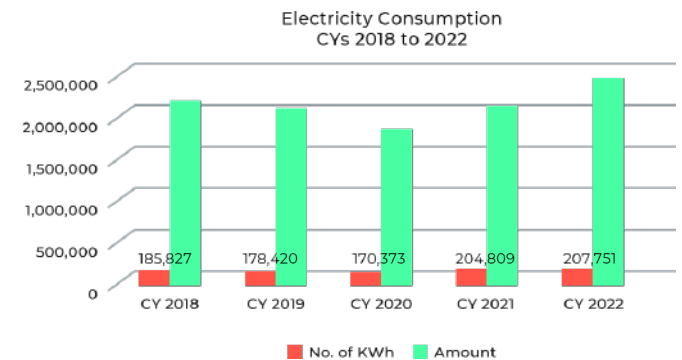
As SB Corp performs its mandate to provide financial services to micro, small and medium enterprises, we are likewise conscious on how operational expenditures can be minimized or at least maintained at its acceptable level. Presented below are the SB Corp’s electricity, fuel, toner and paper consumption and copier rental charges:

A. Electricity Consumption

For CY 2022, the Corporation’s workplace had reached 80% as its maximum capacity after the lifting of Alert level restrictions. Despite the recommendation of the Civil Service Commission (CSC) to adapt a Flexible Work Arrangements (FWA) where some of personnel have work-

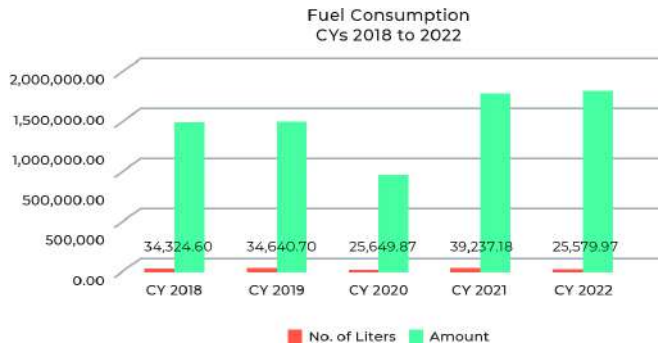
from-home arrangements, we have noted a 1.44% increase in electricity consumption for CY 2022 versus the CY 2021 recorded electricity consumption. The increase could be attributed to the increased manpower complement during the year.

Consistently, electrical consumption is attributed to computers, copiers/printers, air conditioning, lights, and appliances installed at the office. The SB Corp uses LED lights, refrigerators, microwave oven, water dispensers, vacuum cleaners used are energy- saving appliances and compliant with the Go Green campaign. Presented below are the comparative figures of the Corporation’s electricity consumption:



B. Fuel Consumption

For CY 2022, the Corporation’s total consumption reached 25,579.97 liters, indicating **35% reduction in fuel consumption** compared to the CY 2021 figures at 39,237.18 liters. The decrease in consumption is highly attributed to the minimized long distance travel requirement during the year, organized deployment of vehicles and the lifting of provision for shuttle service.



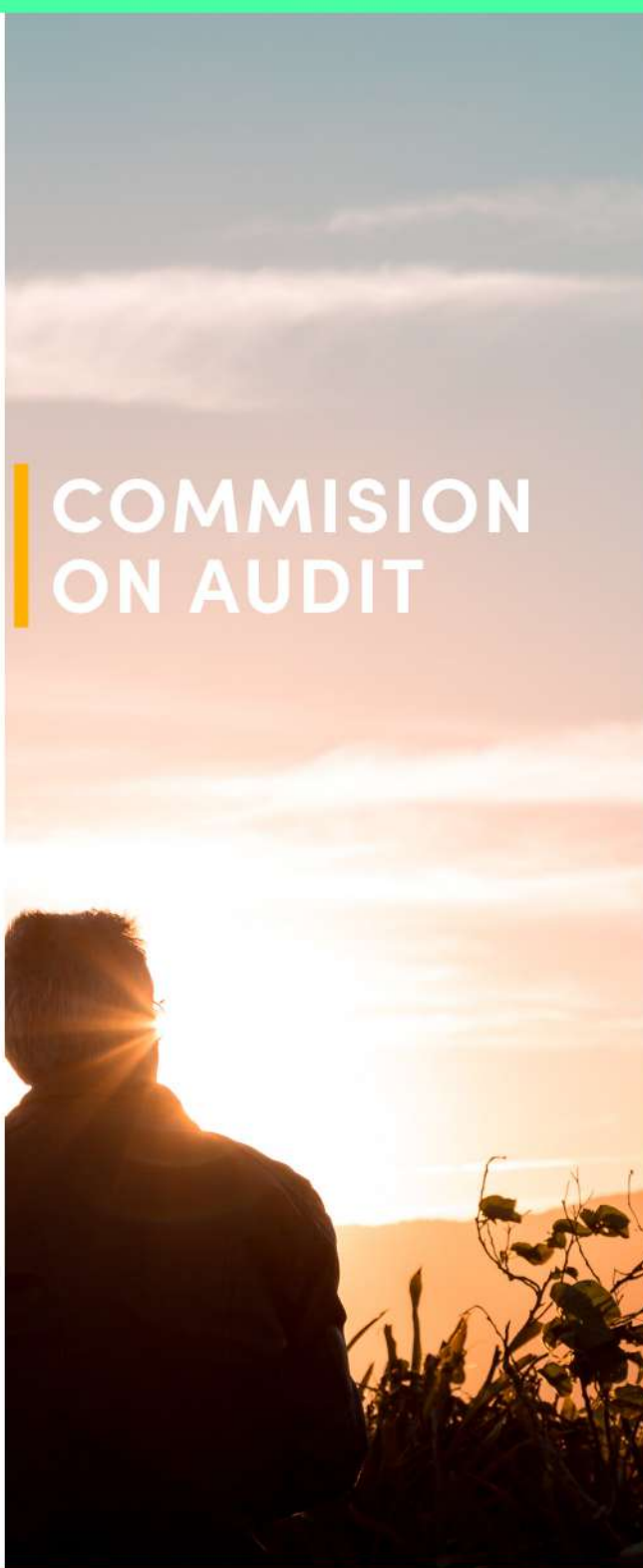
C. Toner Consumption, Copier Rental Charges and Paper Consumption

For CY 2022, toner consumption **decreased by 41%** compared to the recorded figure in CY 2021.

For copier rental charges, a slight increase of 4.26% from CY 2021 have been noted.

Paper consumption increased by almost 172% at 307,427 sheets in CY 2022 compared to 112,783 sheets in CY 2021. The increase in paper consumption is attributed to photocopy requests of additional Management and Board Committee meetings, regular submission to regulatory agencies like COA, BSP, CSC, etc. and conduct of internal quality audits for ISO certification.

Particulars	CY 2021	CY 2022
Toner	PhP 223,898	PhP 131,878
Copier Rental Charges	PhP 618,646	PhP 645,061
Paper	112,783 sheets	307,427 sheets



REPUBLIC OF THE PHILIPPINES
COMMISSION ON AUDIT
Commonwealth Avenue, Quezon City

INDEPENDENT AUDITOR'S REPORT

THE BOARD OF DIRECTORS

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

Report on the Audit of the Financial Statements

Adverse Opinion

We have audited the financial statements of the Small Business Guarantee and Finance Corporation (SB Corporation), which comprise the statements of financial position as at December 31, 2022 and 2021, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and notes to financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, because of the significance of the matters discussed in the Bases for Adverse Opinion section of our report, the accompanying financial statements do not present fairly, the financial position of SB Corporation as at December 31, 2022 and 2021, and its financial performance and cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRSs).

Bases for Adverse Opinion

The following identified material misstatements of several accounts have pervasive effects to the accompanying financial statements of SB Corporation:

- The reported carrying amounts of SB Corporation's financial assets subject to impairment, namely,

Cash in Banks, Cash Equivalents, Investment Securities at Amortized Cost, Notes Receivable, Accounts Receivable and Other Receivables totaling P15.437 billion and P14.529 billion as at December 31, 2022 and 2021, respectively, are overstated by undetermined amounts. The impairment model being adopted by SB Corporation for financial assets is generally reflective of the incurred loss model, which results in credit losses being recognized only when there is an incurred loss event. Such policy is inconsistent with the expected credit loss model prescribed by PFRS 9 – Financial Instruments, which requires the recognition of impairment losses on a forward-looking basis and before the occurrence of any credit event.

- The Intra-agency Receivables and Payables accounts were not eliminated in the financial statements. Intra-agency accounts are reciprocal accounts that only serve as clearing accounts to monitor recording of intra-fund transactions which shall have zero balances at the end of the reporting period. Consequently, the reported total assets of SB Corporation as at December 31, 2022 and 2021 are overstated by P97.488 million and P83.470 million, respectively, while the reported total liabilities as at even dates are also overstated by P143.619 million and P91.590 million, respectively.
- Several relevant and material quantitative disclosures required under PFRS 7 – Financial Instruments: Disclosures, including a summary of quantitative data as at December 31, 2022 and 2021 about SB Corporation's exposure to each type of risk arising from financial instruments, are not presented in the notes to financial statements for CYs 2022 and 2021. PAS 1 requires that the notes to financial statements must disclose information required by PFRSs that is not presented elsewhere in the financial statements.

On the other hand, the recognition of Deferred Tax Assets (DTA) is not duly supported by convincing evidence that would show sufficiency of future taxable profits against which the related deductible temporary differences can

be utilized as required by pertinent provisions of PAS 12 – Income Taxes, resulting in the doubtful realizability of the reported DTA of P776.248 million and P353.027 million as at December 31, 2022 and 2021, respectively. Due to unavailability of relevant records, we were unable to determine whether any adjustments might have been found necessary in respect of the recorded DTA and Retained Earnings.

We conducted our audits in accordance with International Standards of Supreme Audit Institutions (ISSAIs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of SB Corporation in accordance with the Code of Conduct and Ethical Standards for Commission on Audit Officials and Employees (Code of Ethics) together with the ethical requirements that are relevant to our audits 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 adverse opinion.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual Report for the year ended December 31, 2022, but does not include the financial statements and our auditor's report thereon. The Annual Report for the year ended December 31, 2022 is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the

audit, or otherwise appears to be materially misstated.

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 SB Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate SB Corporation, or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of 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 SB Corporation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on SB Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events in conditions may cause SB Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We 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. Because of the significance of the matters described in the *Bases of Adverse Opinion* section of our report, it is inappropriate to, and we do not express an opinion on the supplementary information referred to above.

COMMISSION ON AUDIT


MOHAMMAD MUARIFF S. BALANG
 OIC Supervising Auditor

May 5, 2023




**STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL STATEMENTS**

The management of **Small Business Guarantee and Finance Corporation** is responsible for the preparation and fair presentation of the financial statements, including the schedules attached therein, for the years ended December 31, 2022 and 2021 in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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


USEC. BLESILA A. LANTAYONA
 Acting Chairman of the Board


ROBERT C. BASTILLO
 President/CEO


CORAZON A. DIMAYUGA
 Head, Comprollership Group

Signed this 5th day of May 2023.

Small Business Corporation is an Attached Agency of the Department of Trade and Industry
 17th & 18th Floors, 133 Corporate Center, Valero St., Salcedo Village, Makati City 1227, Philippines | 8328-1100 - 1101 and 1112-1118
 sbcorporation@sbcorg.gov.ph | www.sbcorp.gov.ph

SMALL BUSINESS GUARANTEE AND FINANCE CORPORATION
(SMALL BUSINESS CORPORATION)
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2022 AND 2021
(IN PHILIPPINE PESO)

	NOTE	2022	2021 (as Restated)
ASSETS			
Current Assets			
Cash and cash equivalents	5	1,959,409,177	1,649,847,951
Investment securities at amortized cost	6	2,227,632,423	1,802,284,054
Receivables, net	7	2,084,389,113	4,288,973,173
Inventories	8	271,056	391,964
Non-current assets held for sale	9	0	10,791,773
Other current assets	12	9,767,907	10,365,075
		6,281,469,676	7,762,653,990
Non-current Assets			
Financial assets at fair value through OCI	6	18,212,500	18,212,500
Investment securities at amortized cost	6	1,796,981,853	1,596,181,997
Other non-current investments	6	146,500	146,500
Receivables, net	7	7,486,913,197	5,275,078,600
Investment property, net	10	54,214,727	41,483,230
Property and equipment, net	11	57,177,719	55,609,573
Right-of-use assets, net	28.1	4,922,757	9,250,981
Deferred tax assets	25.7	776,248,084	353,027,194
Other non-current assets	12	4,907,126	5,901,437
		10,199,724,463	7,354,892,012
TOTAL ASSETS		16,481,194,139	15,117,546,002
LIABILITIES			
Current Liabilities			
Financial liabilities	13	23,851,807	62,730,850
Lease liability	28.2	2,972,376	4,156,338
Inter-agency payables	14	29,963,549	11,415,168
Intra-agency payables	15	143,618,781	91,590,083
Trust liabilities	16	1,608,474	1,371,166
Deferred credits/unearned income	17	24,163,109	24,334,085
Provisions	18	65,998,250	67,705,952
Other payables	19	93,392,455	116,696,734
		385,568,801	380,000,376
Non-current Liabilities			
Financial liabilities	13	16,012,493	17,896,316
Lease liability	28.2	1,334,502	4,306,878
Inter-agency payables	14	39,683,010	40,000,000
Deferred tax liabilities	25.7	153,970	204,079
		57,183,975	62,407,273
TOTAL LIABILITIES		442,752,776	442,407,649

	NOTE	2022	2021 (as Restated)
EQUITY			
Share capital	20.1	9,962,506,400	9,962,506,400
Treasury shares	20.2	(40,000,000)	(40,000,000)
Share premium	20.3	79,510,460	79,510,460
Retained earnings	20.4	6,036,424,503	4,673,121,493
TOTAL EQUITY		16,038,441,363	14,675,138,353
TOTAL EQUITY and LIABILITIES		16,481,194,139	15,117,546,002

SMALL BUSINESS GUARANTEE AND FINANCE CORPORATION
(SMALL BUSINESS CORPORATION)
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(IN PHILIPPINE PESO)

	NOTE	2022	2021 (as Restated)
REVENUE			
Service and business income	23.1	504,615,995	331,189,318
Gains	23.2	5,014,477	10,585,589
Other non-operating income	23.3	867,377	1,449,610
		510,497,849	343,224,517
EXPENSES			
Personnel services	24.1	248,999,007	261,524,707
Maintenance and other operating expenses	24.2	164,841,392	184,009,649
Financial expenses	24.3	4,308,719	11,758,661
Non-cash expenses	24.4	1,127,939,575	744,491,240
		1,546,088,693	1,201,784,257
LOSS BEFORE TAX		(1,035,590,844)	(858,559,740)
Income tax benefit	25	398,686,009	53,110,473
LOSS AFTER TAX		(636,904,835)	(805,449,267)
Subsidy from National Government	26	2,000,000,000	1,000,000,000
TOTAL COMPREHENSIVE INCOME		1,363,095,165	194,550,733

SMALL BUSINESS GUARANTEE AND FINANCE CORPORATION
(SMALL BUSINESS CORPORATION)
STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(IN PHILIPPINE PESO)

	Share Capital (Note 20.1)	Treasury Shares (Note 20.2)	Share Premium (Note 20.3)	Retained Earnings (Note 20.4)	Total Equity
BALANCE AT JANUARY 1, 2022	9,962,506,400	(40,000,000)	79,510,460	4,673,121,493	14,675,138,353
ADJUSTMENTS:					
Prior period adjustments	0	0	0	207,845	207,845
BALANCE AT JANUARY 1, 2022, AS RESTATED	9,962,506,400	(40,000,000)	79,510,460	4,673,329,338	14,675,346,198
CHANGES IN EQUITY FOR 2022					
Comprehensive income for the year	0	0	0	1,363,095,165	1,363,095,165
BALANCE AT DECEMBER 31, 2022	9,962,506,400	(40,000,000)	79,510,460	6,036,424,503	16,038,441,363
BALANCE AT JANUARY 1, 2021					
ADJUSTMENTS:					
Comprehensive income for the year	0	0	0	194,550,733	194,550,733
Dividends due to the National Government	0	0	0	(67,907,026)	(67,907,026)
BALANCE AT DECEMBER 31, 2021	9,962,506,400	(40,000,000)	79,510,460	4,673,121,493	14,675,138,353

SMALL BUSINESS GUARANTEE AND FINANCE CORPORATION
(SMALL BUSINESS CORPORATION)
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(IN PHILIPPINE PESO)

	2022	2021 (as Restated)
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Inflows		
Collection of receivables	4,978,632,404	3,965,262,204
Receipt of assistance/subsidy	2,000,000,000	1,000,000,000
Collection of income/revenue	370,570,786	560,520,765
Other receipts	61,977,316	17,296,872
Total cash inflows	7,411,180,506	5,543,079,841

SMALL BUSINESS GUARANTEE AND FINANCE CORPORATION
(Small Business Corporation)
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021

(All amounts in Philippine Peso unless otherwise stated)

1. GENERAL INFORMATION

1.1. Incorporation and Operations

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 Republic Act (RA) No. 6977, as amended on May 6, 1997 and May 23, 2008 by RA Nos. 8289 and 9501, respectively, otherwise known as the “Magna Carta for Micro, Small and Medium Enterprises (MSMEs).” Section 11 of RA No. 6977, as amended, provides:

“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, namely, wholesale lending to smaller financial institutions, cooperatives and foundations; retail or direct lending to MSMEs, as well as programs to entrepreneurs in vulnerable areas affected by natural and man-made calamities, and venture capital (VC) programs. Details follow:

- a. *Wholesale Lending* – are available to qualified microfinance conduits which have the organizational capability or strength in downloading lending funds to eligible micro sub-borrowers with regulated pass-on rate. The facility aims to provide microenterprises with an alternative source of financing that is easy to access and at a reasonable cost.
 - b. *Retail Lending* – various loan facilities which aim to provide direct lending to registered MSMEs that are currently “unserved” by the banking system. It aims to bridge the financing gap for pre-bankable but viable MSMEs by financing their business needs, providing training, and helping them build credit track records and business size for future bank financing.
 - c. *VC Program* – the facility aims to promote business opportunities for MSMEs mainly for venture capital financing especially in technology- oriented industries. It is in the form of risk capital to be invested as equity to eligible MSME corporations that may be used for product development; for the establishment, improvement or expansion of plant and facilities; for market development; for working capital; and for environmental projects.
- In addition, supplemental funds under the following initiatives of the National Government (NG) are managed by SB Corporation:
- a. *Pondo sa Pagbabago at Pag-asenso (P3) Program* – a financing initiative to assist microentrepreneurs throughout the country by providing affordable and cost-efficient micro loans. An alternative source of financing that is easy and quick to access, it is seen to give a boost to the microenterprise sector, which comprise the bulk of the MSME sector in the country. The program also aims to stabilize informal lending, locally known as “five-six” lending, and prevent microentrepreneurs from falling victims from these usurious lenders.

	2022	2021 (as Restated)
Cash Outflows		
Release of loans to borrowers	5,859,012,366	7,913,392,500
Payment of expenses	303,768,361	370,030,431
Remittance of personnel benefit contributions and mandatory deductions	82,283,914	17,530,522
Payments of accounts payable	82,122,581	0
Prepayments	25,740,835	5,844,892
Grant of cash advances	2,479,393	0
Purchase of inventories	554,740	270,730
Payment of guaranty deposits	104,225	0
Other disbursements	109,942,700	6,028,540
Total cash outflows	6,466,009,115	8,313,097,615
Net cash provided by (used in) operating activities	945,171,391	(2,770,017,774)
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash Inflows		
Proceeds from matured Investments/redemption of long-term investments	7,743,452,004	20,279,243,985
Receipt of interest earned	74,663,298	0
Proceeds from sale/disposal of investment property	1,586,822	9,137,692
Sale of investments	1,561,667	0
Proceeds from sale/disposal of property, plant and equipment	239,085	235,950
Total cash inflows	7,821,502,876	20,288,617,627
Cash Outflows		
Purchase/acquisition of investments	8,368,093,761	22,606,273,241
Purchase/cnstruction of property, plant and equipment	8,154,736	5,310,849
Purchase/cnstruction of investment property	2,099,493	0
Total cash outflows	8,378,347,990	22,611,584,090
Net cash used in investing activities	(556,845,114)	(2,322,966,463)
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash Outflows		
Payment of long-term liabilities	19,083,823	760,185,629
Payment of interest on loans and other financial charges	1,135,528	20,210,030
Payment of cash dividends	58,557,544	32,008,205
Payment of deposits from trust liability	-	396,054
Total cash outflows	78,776,895	812,799,918
Net cash used in financing activities	(78,776,895)	(812,799,918)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	309,549,382	(5,905,784,155)
Effects of Foreign Exchange Rate Changes on Cash and Cash Equivalents	11,844	51,341
CASH AND CASH EQUIVALENTS, JANUARY 1	1,649,847,951	7,555,580,765
CASH AND CASH EQUIVALENTS, DECEMBER 31	5 1,959,409,177	1,649,847,951

- b. *Rural Agro-enterprise Partnership for Inclusive Development and Growth (RAPID Growth) Project* – conceptualized by the Department of Trade and Industry (DTI) and funded by the International Fund for Agricultural Development (IFAD), aims to sustainably increase the income of small farmers and microentrepreneurs engaged in selected agriculture-based value chains. It has five components, of which SB Corporation handles the fourth component, the Innovation Fund.

Innovation Fund is a cooperative undertaking between the DTI and SB Corporation in various aspects of agri-based finance program in the priority value chains; cacao, coffee, coconut oil and coir, and processed fruits and nuts in selected provinces in Regions VIII, IX, X, XI and XII. It is a five-year program, in force since July 2019 and expected to be in force until September 2025.

Previously, SB Corporation provided guarantee programs to larger banks to cover MSME loans without or with insufficient collateral as allowed under Section 11-B of RA No. 6977, as amended. However, pursuant to Executive Order (EO) No. 58 dated July 23, 2018 which mandated the creation of a single entity handling the government guarantee system, all guarantee-related assets, liabilities, funds and functions of SB Corporation were transferred to the Philippine Guarantee Corporation (PHILGUARANTEE) on August 31, 2019.

The SB Corporation is under the policy program and administrative supervision of the MSME Development (MSMED) Council of the DTI, the primary agency responsible for the promotion and development of MSMEs in the country. Taking into consideration its development objectives, SB Corporation is also subject to the supervision and examination of the Bangko Sentral ng Pilipinas (BSP).

The principal office of the SB Corporation is at 17th and 18th Floors, 139 Corporate Center, 139 Valero St., Salcedo

Village, Makati City. It has four regional lending offices and 75 field offices throughout the Philippines.

1.2. Coping Up with the Operational Effects of the COVID-19 Pandemic

The pandemic required that the 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 SB 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, the SB Corporation implemented the following initiatives and early policy actions:

- a. 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;
- b. Ensured that its workplace policies during the pandemic are responsive, equitable, adaptable, and compliant to national and local public health recommendations;
- c. Implemented alternative work arrangements (e.g., work from home, skeleton workforce, among others) and provided adequate support mechanisms to SB Corporation personnel;
- d. 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 COVID-19 Assistance to Restart Enterprises (CARES) Program;

- e. 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
- f. 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.

To date, the SB Corporation is continually working on its platformification plan through the strengthening of its Information Technology Group to efficiently manage the increasing number of demands of MSME clients, as well as the relative support services systems of the SB Corporation.

1.3. Approval of Financial Statements

The financial statements of the SB Corporation as of and for the year ended December 31, 2022 (including the comparative financial statements as of and for the year ended December 31, 2021) were approved and authorized for issue by the BOD on May 5, 2023, under Board Resolution (BR) No. 2023-06-3435.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1. Basis of Preparation of Financial Statements

- a. *Statement of Compliance with Philippine Financial*

Reporting Standards

The financial statements of SB Corporation have been prepared in accordance with the Philippine Financial Reporting Standards (PFRS). PFRSs are issued by the Financial and Sustainability Reporting Standards Council (FSRSC), previously the Financial Reporting Standards Council (FRSC) until September 2022, and approved by the Philippine Board of Accountancy (BOA) based on International Financial Reporting Standards issued by the International Accounting Standards Board (IASB).

As a government-owned or-controlled corporation (GOCC) classified as a Commercial Public Sector Entity (CPSE), SB Corporation is required to adopt the PFRS as its applicable financial reporting framework pursuant to Commission on Audit (COA) Circular No. 2015-003 dated April 16, 2015, as modified under COA Circular No. 2022-003 dated January 24, 2022. Likewise, BSP Circular No. 494 dated September 20, 2005, as reiterated in BSP Circular No. 1011 dated August 14, 2018, mandates BSP-supervised financial institutions to adopt in all respects the PFRS in the preparation of its audited financial statements for financial reporting.

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 and other comprehensive income (OCI) in a single Statement of Comprehensive Income (SCI).

For this purpose, the Corporation adopts 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 PFRS by government corporations classified as CPSEs, unless Management believes that a different classification and presentation of the accounts provide information that is reliable and more relevant to users of the financial statements.

c. Functional and Presentation Currency

The 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 SB Corporation operates.

d. Going Concern Basis of Accounting

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

Management believes that SB Corporation has sufficient funds to continually carry out its mandate due to the additional equity infusion of P8.080 billion received in CY 2020 from the NG as mandated under RA No. 11494, otherwise known as the Bayanihan to Recover as One Act, or the Bayanihan Act 2. Further, representation with Congress is on-going for the amendment of RA No. 6977, as amended, to increase SB Corporation's authorized capitalization to P50.000 billion.

2.2. Adoption of New and Amended PFRSs

Except with respect to the following new and amended PFRS, the accounting policies adopted in the preparation and presentation of the financial statements are consistent with those of prior years. Unless otherwise indicated, these new and amended standards were adopted as at January 1, 2022 and their adoption did not have a significant impact on the financial statements.

a. Effective in 2022 that are Relevant to SB Corporation

(i) Amendments to PFRS 3, Business Combinations

– Reference to the 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 issued on March 29, 2018 without significantly changing its requirements. The amendments added an exception to the recognition principle of PFRS 3, *Business Combinations* to avoid the issue of potential "Day 2" gains or losses arising for liabilities and contingent liabilities that would be within the scope of PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, or Philippine Interpretation IFRIC 21, *Levies*, if incurred separately. At the same time, the amendments added a new paragraph to PFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

(ii) Amendments to PAS 16, Property, Plant and Equipment – Proceeds Before Intended Use.

The amendments prohibit entities deducting from the cost of an item of property, plant and equipment, 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. Instead, an entity recognizes the proceeds from selling such items, and the

costs of producing those items, in profit or loss.

The amendments must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

(iii) Amendments to PAS 37, Provisions, Contingent Liabilities and Contingent Assets – Onerous Contract, Costs of Fulfilling a Contract. The amendments specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a “directly related cost approach.” The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded, unless they are explicitly chargeable to the counterparty under the contract.

(iv) Annual Improvements to PFRS (2018 – 2020 Cycle)

- Amendments to PFRS 9, Financial Instruments – Fees in the “10 per cent” Test for Derecognition of Financial Liabilities. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other’s behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting year in which the entity first applies the amendment.

b. Effective in 2022 that are Not Relevant to SB Corporation

(i) Annual Improvements to PFRS (2018 – 2020 Cycle)

- Amendments to PFRS 1, First-time Adoption of Philippine Financial Reporting Standards – Subsidiary as a First-time Adopter. The amendment permits a subsidiary that elects to apply Paragraph D16(a) of PFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent’s date of transition to PFRS. This amendment is also applied to an associate or joint venture that elects to apply Paragraph D16(a) of PFRS 1.
- Amendments to PAS 41, Agriculture – Taxation in Fair Value Measurements. The amendment removes the requirement in Paragraph 22 of PAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of PAS 41. This will ensure consistency with the requirements in PFRS 13.

2.3. PFRS Issued but not yet Effective

The following pronouncements were issued and adopted by the FSRSC before the year ending December 31, 2022 and are mandatorily effective for annual periods beginning on or after January 1, 2023. SB Corporation intends to adopt these standards when they become effective. Except as otherwise indicated, SB Corporation does not expect that future adoption of these pronouncements will have a significant impact on its financial statements.

a. Effective Beginning on or After January 1, 2023

(i) Amendments to PAS 1, Presentation of Financial Statements, and PFRS Practice Statement

2, Disclosure of Accounting Policies. The amendments provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by:

- Replacing the requirement for entities to disclose their “significant” accounting policies with a requirement to disclose their “material” accounting policies; and
- Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

(ii) Amendments to PAS 8, Accounting Policies, Changes in Accounting Estimates and Errors, Definition of Accounting Estimates. The amendments introduce a new definition of accounting estimates and clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. The amendments also clarify that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors.

(iii) Amendments to PAS 12, Income Taxes – Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction. The amendments narrow the scope of the initial recognition exception under PAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences. The amendments also clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognized in the financial statements (and interest expense) or to the related asset component (and interest expense). The amendments are applicable to

transactions that occur on or after the beginning of the earliest comparative period presented.

b. Effective Beginning on or After January 1, 2024

(i) *Amendments to PAS 1, Presentation of Financial Statements – Classification of Liabilities as Current or Non-current.* The amendments clarify Paragraphs 69 to 76 of PAS 1, to specify the requirements for classifying liabilities as current or non-current. The amendments:

- What is meant by a right to defer settlement;
- That a right to defer must exist at the end of the statement of financial position (SFP) date;
- That classification is unaffected by the likelihood that an entity will exercise its deferral right; and
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

The amendments are originally effective for annual reporting periods beginning on or after January 1, 2023 and must be applied retrospectively. However, in November 2021, the IASB tentatively decided to defer the effective date to no earlier than January 1, 2024.

(ii) *Amendments to PFRS 16, Lease Liability in a Sale and Leaseback.* The amendments specify how a seller-lessee measures the lease liability arising in a sale and leaseback transaction in a way that it does not recognize any amount of the gain or loss that relates to the right of use retained.

c. Effective Beginning on or After January 1, 2025

(i) *PFRS 17, Insurance Contracts.* PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation, and disclosure. Once effective, PFRS 17 will replace PFRS 4,

Insurance Contracts, which currently permits a wide variety of practices in accounting for insurance contracts. This new standard applies to all types of insurance contracts, regardless of type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few exceptions will apply.

The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements of PFRS 4, which are largely based on grandfathering of previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts covering all relevant accounting aspects.

The core of PFRS 17 is the general model, supplemented by a specific adaptation for contracts with direct participation features, or the so-called variable fee approach, or a simplified approach mainly for short- duration contracts, or the so-called premium allocation approach.

On December 15, 2021, then FRSC amended the mandatory effective date of PFRS 17 from January 1, 2023 to January 1, 2025. This is consistent with Circular Letter No. 2020-62 issued by the Insurance Commission, which deferred the implementation of PFRS 17 by two years after its effective date as decided by the IASB.

d. Deferred Effectivity:

(i) *Amendments to PFRS 10, Consolidated Financial Statements, and to PAS 28, Investments in Associates and Joint Ventures – Sales or Contribution of Assets between an Investor and its Associates or Joint Venture.* The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or

joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

On January 13, 2016, then FRSC deferred the original effective date of January 1, 2016 of the said amendments until the IASB completes 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.

2.4. Current and Non-Current Classification

SB Corporation presents assets and liabilities in the 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.

2.5. Cash and Cash Equivalents

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

2.6. Financial Instruments

Financial instruments are recognized in the SFP when, and only when, SB Corporation becomes a party to the contractual provisions of the instrument. For purposes of classifying financial instruments, an instrument is considered as an equity instrument if it is non-derivative and meets the definition of equity for the issuer in accordance with the criteria under PAS 32, Financial Instruments: Presentation. All other non-derivative financial instruments are treated as debt instruments.

a. Financial Assets

(i) Classification and Initial Measurement

At initial recognition, financial assets are classified and measured at amortized cost, at fair value through OCI (FVOCI), or at fair value through profit or loss (FVPL). The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and SB Corporation's business model for managing them. SB Corporation initially measures a financial asset at its fair value, and in the case of a financial asset not at FVPL, plus transaction costs.

In order for a financial asset to be classified and measured at amortized cost or FVOCI, it needs to give rise to cash flows that are "solely payments of principal and interest" (SPPI) on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at

an instrument level.

SB Corporation's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that SB Corporation commits to purchase or sell the asset.

(ii) Subsequent Measurement

Financial assets are measured at amortized cost if both of the following conditions are met: (i) the asset is held within SB Corporation's business model, the objective of which is to hold assets in order to collect contractual cash flows; and (ii) the contractual terms of the instrument give rise on specified dates to cash flows that are SPPI 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's financial assets at amortized cost as at December 31, 2022 and 2021 are presented in the SFP as cash and cash equivalents, receivables and investment securities at amortized cost.

Financial assets at FVOCI are subsequently measured at fair value. Interest income calculated using the EIR method, foreign exchange revaluation and impairment losses or

reversals are recognized in profit or loss in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

(iii) Impairment of Financial Assets

SB Corporation recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at FVPL. SB Corporation considers past events, current conditions, and forecasts of future economic conditions in assessing impairment.

SB Corporation calculates ECLs based on probability-weighted estimates to measure cash shortfalls. A cash shortfall is the difference between the contractual cash flows due in accordance with the contract and all the cash flows that SB Corporation expects to receive, discounted at the original effective interest rate. 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.

ECLs are recognized in three stages based on whether there has been a significant increase in credit risk (SICR) of a financial asset as follows:

Stage	Characteristics	ECL Assessment
Stage 1	Credit exposures that are considered "performing" and with no SICR since initial recognition or with low credit risk	12-month ECL
Stage 2	Credit exposures that are considered "under-performing" or not yet non-performing but with SICR since initial recognition	Lifetime ECL
Stage 3	Credit exposures with objective evidence of impairment, thus, considered as "non-performing"	Lifetime ECL

Lifetime ECL are the ECL that result from all possible default events over the expected life of the credit exposure, irrespective of the timing of the default while the 12-month ECL pertains to the portion of lifetime ECL that result from default events on credit exposure that are possible within the 12 months after the reporting date.

In measuring the ECL, SB Corporation takes into consideration an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes, time value of money, and reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

In assessing whether there is a SICR of a credit exposure, SB Corporation compares the risk of a default occurring on the credit exposure as at the reporting date with the risk of default occurring as at the date of initial recognition, and considers reasonable and supportable information that is available without undue cost or effort, that is indicative of SICR since initial recognition. The date of initial recognition is the date that SB Corporation becomes a party to the contractual provisions of the financial instruments.

At a minimum, there is a SICR when contractual payments of borrowers have been past due for at least 30 days. SB Corporation adopts the definition of "default" as defined by the BSP. Thus, SB Corporation considers a credit exposure in past due (Stage 2 – Underperforming) and in default (Stage 3 – Non-performing) when the borrower is past due on its contractual payments for more than 30 days and 90 days, respectively.

As a part of a qualitative assessment of whether a customer is in default, SB Corporation also

considers a variety of instances that may indicate unlikelihood to pay. When such events occur, SB Corporation carefully considers whether the event should result in treating the customer as defaulted.

Calculation of ECL is a function of the probability of default (POD), exposure-at-default (EAD), and loss-given default (LGD) with the timing of the loss also considered, and is estimated by incorporating forward-looking economic information, where available without undue cost or effort, and through the use of experienced credit judgment.

- POD is an estimate of the likelihood that a credit exposure will not be repaid. POD will be based on historical data and estimated based on current market conditions, and reasonable and supportable information about future economic conditions.
- LGD is an estimate of the percentage of loss that SB Corporation will incur in the event that the borrower defaults on its obligations after considering all recoveries and costs.
- EAD is the expected value of the credit exposure at the time of default with consideration on the expected changes in the credit exposure after the reporting date, including repayments of principal and interest.

PFRS 9 notes that entities, in the estimation of allowance for ECL, should use reasonable and supportable forward-looking information where available without undue cost or effort. However, when information that is more forward-looking than past due status is not available without undue cost or effort, an entity may use past due information to determine whether there have been SICR since initial recognition. PFRS 9 likewise notes that information on individual asset level may not be available and a collective

assessment for groups of financial assets may be necessary to ensure that SICR is recognized in a timely manner and not only after the instrument becomes past due.

Under these contexts, SB Corporation uses historical loss patterns in the estimation of allowances for ECLs. Historical averages are calculated and adjusted, if necessary, to take into account the reasonable and supportable information that is available, without undue cost or effort, at the reporting date about current conditions and forecasts of future economic conditions using experienced credit judgments.

(iv) Reclassification

SB Corporation can only reclassify financial assets if the objective of its business model for managing those financial assets changes. A change in the objective of SB Corporation's business model will be implemented only at the beginning of the next reporting period following the change in the business model.

(v) 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) SB 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 SB Corporation 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 or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, SB Corporation continues to recognize the transferred asset to the extent of its continuing involvement.

Financial assets are written off either partially or in their entirety only when there is no realistic prospect of future recovery and the related collateral, if any, has been realized or is without recoverable value. If a write-off is later recovered, any amounts formerly charged are credited to "Miscellaneous Income" in the SCI.

Approval of the BOD is sufficient to effect the write-off of credit-related receivables and advances. However, further authority from COA is required to write-off non-credit-related receivables and advances pursuant to COA Circular No. 2016-005 dated December 19, 2016.

(vi) Modification of Financial Assets

SB Corporation likewise derecognizes a financial asset when the terms and conditions have been renegotiated to the extent that substantially, it becomes a new asset, with the difference between its' carrying amount and the fair value of the new asset recognized as a derecognition gain or loss in profit or loss, to the extent that an impairment loss has not already been recorded.

SB Corporation considers both qualitative and quantitative factors in assessing whether a modification of financial asset is substantial or not. When assessing whether a modification is substantial, SB Corporation considers the following factors, among others: (i) change in currency; (ii) introduction of an equity feature;

(iii) change in counterparty; and (iv) if the modification results in the asset no longer considered SPPI.

When the modification of a financial asset results in the derecognition of the existing financial asset and the subsequent recognition of a new financial asset, the modified asset is considered a "new" financial asset. Accordingly, the date of the modification shall be treated as the date of initial recognition of that financial asset when applying the impairment requirements to the modified financial asset.

If the modification does not result in cash flows that are substantially different, the modification does not result in derecognition. Based on the change in cash flows discounted at the original EIR, SB Corporation records a modification gain or loss, to the extent that an impairment loss has not already been recorded.

b. Financial Liabilities

(i) Classification and Measurement

Financial liabilities are classified, at initial recognition as financial liabilities at FVPL, loans and borrowings, payables. 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. SB Corporation's financial liabilities as at December 31, 2022 and 2021 include accounts payable, notes payable, loans payable, lease liability, and interest payable.

(ii) 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 SCI.

As at December 31, 2022 and 2021, this category generally applies to loans payable and lease liability.

(iii) Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or canceled or has expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

SB Corporation considers a modification substantial based on qualitative factors and if it results in a difference between the adjusted discounted present value and the original carrying amount of the financial liability of or greater than 10 percent.

Similar with financial assets, when the modification of a financial liability is not considered substantial, SB Corporation records a modification gain or loss based on the change in cash flows discounted at the original EIR.

c. Offsetting of Financial Instruments

Financial assets and financial liabilities are offset

and the net amount reported in the SFP, if and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the asset and settle the liability simultaneously.

As at December 31, 2022 and 2021, there are no financial assets and liabilities that were offset.

2.7. Fair Value Measurement

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

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

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

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

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

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

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

2.8. Inventories

Inventories are tangible items with costs below the capitalization threshold for Property and Equipment and initially recorded at cost. Costs of inventories include all costs of purchase and other costs incurred to bring the inventories to their present location and condition and are accounted for using the moving average cost method.

Subsequently, inventories are valued at the lower of cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution.

Unissued inventories are regularly presented in the Monthly Inventory Report for monitoring purposes.

2.9. Prepayments and Other Assets

Prepayments and other assets pertain to other resources controlled by the Corporation as a result of past events. They are recognized in the financial statements when it is probable that the future economic benefits will flow to the Corporation and the asset has a cost or value that can be measured reliably.

Other recognized assets of similar nature, where future economic benefits are expected to flow to the Corporation beyond one year after the end of the reporting period or in the normal operating cycle of the business, if longer, are classified as non-current assets.

2.10. Non-current Assets Held for Sale

Non-current assets are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the sale expected within one year from the date of the classification.

In the event that the sale of the asset is extended beyond one year, the extension of the period required to complete the sale does not preclude an asset from being classified as held for sale if the delay is caused by events or circumstances beyond SB Corporation's control and there is sufficient evidence that SB Corporation remains committed to its plan to sell the asset.

Non-current assets held for sale (NCAHS) are measured at the lower of their carrying amounts and fair values less costs to sell. Costs to sell are the incremental costs directly attributable to the sale, excluding finance costs and income tax expense. Assets classified as held for sale are not subject to depreciation or amortization. Gains or losses arising from the sale or remeasurement of assets held for sale are recognized in profit or loss.

An asset that ceases to be classified as held for sale

is measured at the lower of:

(i) its carrying amount before the asset was classified as held for sale, adjusted for any depreciation, amortization or revaluations that would have been recognized had the asset not been classified as held-for-sale; and, (ii) its recoverable amount at the date of the subsequent decision not to sell. Any adjustment to the carrying amount of an asset that ceases to be classified as held for sale resulting in either a gain or loss, is recognized in profit or loss. An impairment loss is also recognized for any initial or subsequent write-down of the assets held for sale to fair value less cost to sell, to the extent that it has not been previously recognized in profit or loss.

On the other hand, any gain from any subsequent increase in fair value less costs to sell of an asset up to the extent of the cumulative impairment loss that has been previously recognized is recognized in profit or loss.

2.11. Investment Properties

Investment properties are properties held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

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 include real and other properties acquired (ROPA) in settlement of loans and receivables through foreclosure or dacion in

payment. Foreclosed properties are classified under investment properties upon: (i) entry of judgment in case of judicial foreclosure; (ii) execution of the Sheriff's Certificate of Sale in case of extra-judicial foreclosure; or (iii) notarization of the Deed of Dacion in case of dacion in payment.

ROPA are initially booked at the carrying amount of the loan, i.e., outstanding loan balance less allowance for credit losses computed based on PFRS 9 provisioning requirement which takes into account the fair market value of the collateral, plus booked accrued interest less allowance for credit losses, plus transaction costs incurred upon acquisition. Maintenance and other carrying costs subsequent to the foreclosure or acquisition of such property are taken up as expenses. Realized gain on sale thereof is credited to income.

Consistent with BSP Circular No. 520 dated March 20, 2006, SB Corporation adopts the following policies in accounting for ROPA:

- a. Land and buildings are accounted for using the cost model under PAS 40, Investment Property;
- b. Other non-financial assets shall be accounted for using the cost model under PAS 16, Property, Plant and Equipment;
- c. Buildings and other non-financial assets are depreciated over the remaining useful life of the assets, which shall not exceed ten years and three years from the date of acquisition, respectively; and
- d. Land, buildings and other non-financial assets shall be subject to the impairment provisions of PAS 36, Impairment of Assets.

The appraisal of all investment property is made at least every other year to determine whether

impairment exists. Immediate re-appraisal is conducted on investment property that materially declined in value. If the recoverable amount or appraised value of investment property is less than its carrying amount, the difference is recognized in the SCI as impairment loss.

An investment property, including the related accumulated depreciation and any impairment losses, is derecognized upon disposal or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal. Any gains or losses on the retirement or disposal of an investment are recognized in profit or loss in the period of the retirement or disposal.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to the owner's occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If the owner's occupied property becomes an investment property, SB Corporation accounts for such property in accordance with the policy stated under property and equipment up to the date of change in use.

2.12. Property and Equipment

SB Corporation's property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. 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.

Pursuant to COA Circular Nos. 2016-006, 2017-004 and 2022-004, dated December 29, 2016, December 13, 2017 and May 31, 2022 respectively, a capitalization threshold of P50,000 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.

Subsequent expenditures for additions, major improvements and renewals are capitalized when it is probable that future economic benefits associated with the item will flow to the Corporation and the cost of the item can be measured reliably. All other repairs and maintenance are charged to expense in the year they are incurred.

Depreciation is computed using the straight-line method to allocate the cost of the assets, net of residual value, over their estimated useful lives as listed below. Meanwhile, leasehold improvements are amortized over the shorter of the terms of the covering leases and the estimated useful lives of the improvements.

Type of Property and Equipment	Estimated Useful Life
Building and structures, and leasehold improvements	10 to 30 years
Office furniture and fixtures	10 years
Machinery 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 such indication exists and where the carrying values exceed the estimated recoverable amount, an impairment loss is recognized in the SCI.

When property and equipment are retired or otherwise disposed of, the cost and the related accumulated depreciation and impairment losses, if any, are derecognized, and any resulting gain or loss (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included as income or loss in the SCI.

2.13. Impairment of Non-financial Assets

SB Corporation assesses at each reporting date whether there is an indication that a non-financial asset. If any such indication exists or when annual impairment testing for a non-financial asset is required, SB Corporation makes an estimate of the non-financial asset's recoverable amount. Recoverable amount is the higher of a non-financial asset's fair value less costs to sell and its value in use and is determined for an individual asset, unless the non-financial asset does not generate cash inflows that are largely independent of those from other or groups of non-financial assets.

When the carrying amount of a non-financial asset exceeds its recoverable amount, the non-financial asset is considered impaired and is written down to its recoverable amount. An impairment loss is charged against operations in the year in which it arises.

An impairment assessment is also made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only 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.

For property and equipment, after such reversal, the depreciation expense is adjusted in future years to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining life.

2.14. 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.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the end of the reporting period, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole.

When time value of money is material, long-term provisions are discounted to their present values using a pre-tax rate that reflects market assessments and the risks specific to the obligation. The increase in provision due to passage of time is recognized as interest expense.

Where SB Corporation expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain and at an amount not exceeding the related provision. The expense relating to any provision is presented in profit or loss, net of any reimbursement.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

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.

2.15. Equity

Share capital represents the nominal value of shares of stock that have been issued. When the shares are issued at a premium, the difference between the proceeds and par value is credited to "Share Premium," net of direct costs incurred related to the equity issuance.

Treasury shares are stated at the cost of reacquiring such shares and are deducted from equity until the shares are cancelled, reissued or disposed of.

The total paid-in capital of SB Corporation represents the aggregate amount of the equity contributions of the NG and its instrumentalities, whether in cash or in kind, as mandated under RA No. 6977, as amended.

Retained earnings (Deficit) represent all current and prior period results of operations as disclosed in profit and loss, reduced by the amount of dividends required to be declared and remitted to the NG pursuant to the RA No. 7656, or the "Dividends Law."

2.16. Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to SB Corporation and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received.

PFRS 15, Revenue from Contracts with Customers establishes a five-step model to account for revenue arising from contracts with customers. The five-step model follows: (i) identify the contract(s) with a customer; (ii) identify the performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations in the contract; (v) recognize revenue

when (or as) the entity satisfies a performance obligation.

Under PFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The standard requires SB Corporation to exercise judgment, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with customers. The standard also specifies the accounting for incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The following specific recognition criteria, which did not materially change from PAS 18, Revenue, must also be met before revenue is recognized:

a. Revenue Within the Scope of PFRS 15

(i) Fees and Commissions

Fees earned for the provision of services over a period of time, such as service fees, related processing fees and evaluation fees, are accrued over that period as the customer simultaneously receives and consumes the benefits provided by SB Corporation.

Fees arising from negotiating or participating in the negotiation of a transaction, such as restructuring fees, are recognized on completion of the underlying transaction. Fees or components of fees that are linked to a certain performance are recognized after fulfilling the corresponding criteria.

(ii) Fines and Penalties

Fines and penalties are recognized only upon collection or accrued when there is reasonable degree of certainty as to its collectability.

(iii) Other Income

Income from sale of properties is recognized upon completion of the earnings process and the collectability of the sales price is reasonably assured under "Gains" in the SCI.

b. Revenue Outside the Scope of PFRS 15

(i) Interest Income

Interest income on financial instruments measured at amortized cost and FVOCI are recognized based on the EIR method of accounting. The EIR method is a method of calculating the amortized cost of a financial asset or a financial liability and allocating the interest income or interest expense over the relevant period.

The EIR is the rate that exactly discounts estimated future cash payments or receipts throughout the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

Once a financial asset has been written down as a result of an impairment loss, interest income is recognized thereafter using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

(ii) Recovery on Written-off Assets

Income arising from collections on accounts or recoveries from impairment of items previously written-off are recognized in the year of recovery.

(iii) Dividend Income

Dividend income is recognized when SB Corporation's right to receive the

payment is established.

Collections from accounts which did not qualify for revenue recognition are treated as customer's deposit included as part of "Deferred Credits/Unearned Income" (Note 17) in the SFP.

2.17. Cost and Expense Recognition

Expenses are decreases in economic benefits during the year in the form of outflows or decrease of assets or incurrence of liabilities that result in decrease in equity, other than those relating to distributions to equity participants. Expenses encompass losses as well as those expenses that arise in the course of the ordinary activities of the entity.

Costs and expenses are recognized in profit or loss upon utilization of the assets or services, or at the date those are incurred, unless identifiable with a particular fund under SB Corporation's administration. In such case, the expense is allocated to and charged against said fund.

Interest expenses are recognized in profit or loss using the EIR method of accounting.

2.18. Leases

SB Corporation assesses at inception of a contract whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period in exchange for consideration.

As a practical expedient and as prescribed under COA Circular No. 2021-009 dated October 1, 2021, SB Corporation does not separate non-lease components from lease components. Instead, the Corporation accounts for each lease component and any associated non-lease component as a single lease component.

As lessee, SB Corporation applies a single recognition and measurement approach for all leases, except for leases of low value assets and short-term leases, i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. At commencement date of the lease, SB Corporation recognizes a right-of-use (ROU) asset and a corresponding lease liability on the SFP.

Lease liabilities are measured at the present value of lease payments to be made over the lease term. In calculating the present value of lease payments, SB Corporation uses the incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable.

After the commencement date, the amount of lease liabilities is increased to reflect the interest accretion and reduced for the lease payments made. The carrying amount of lease liabilities is accordingly remeasured if there is a modification, a change in the lease term or a change in the lease payments. When the lease liability is remeasured, the corresponding adjustment is reflected in the ROU asset, or profit and loss if the ROU asset is already reduced to zero.

ROU assets are measured at cost, less any accumulated depreciation and impairment losses, if any, and adjusted for any remeasurement of lease liabilities. The cost of ROU assets includes the amount of lease liabilities initially recognized, initial direct costs incurred, an estimate of any costs to dismantle and remove the asset at the end of the lease, and lease payments made at or before the commencement date less any lease incentives received.

SB Corporation depreciates the ROU assets based on the straight-line method over the shorter of the lease term and the estimated useful lives of the asset. The ROU assets are also assessed for impairment when any such indicators exist.

For leases of low-value assets and short-term leases, SB Corporation recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

2.19. 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.

2.20. Employee Benefits

Considerations given by SB Corporation in exchange for services rendered by employees or for the termination of employment are recognized and measured as follows:

a. Post-employment Defined Contribution Plan

A defined contribution plan is a post-employment benefit plan under which SB Corporation pays fixed contributions to an independent entity. SB Corporation will have no legal or constructive obligation to pay further contributions after payment of the fixed contribution. The contributions recognized in respect of defined contribution plans are expensed as they fall due. Liabilities or assets may be recognized if underpayment or prepayment has occurred.

SB Corporation maintains a defined contributory Provident Fund covering all regular employees. Contributions to the fund consist of the employees' share at 5 per cent of basic salary rate and withheld from the monthly payroll, and the employer's share at 10 per cent which is charged under "Personnel Benefit Contributions" (Note 24.1).

b. Short-term Benefits

Short-term employee benefits include wages, salaries, bonuses, and nonmonetary benefits provided to current employees, which are expected to be settled before 12 months after the end of the reporting period during which employee services are rendered. The undiscounted amount of the benefits expected to be paid in respect of services rendered by employees in an accounting period is recognized in profit or loss during that period and any unsettled amount at the end of the reporting period is included as part of "Accounts Payable" (Note 13) in the SFP.

c. Termination Benefits

Termination benefits are payable when employment is terminated by SB Corporation before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits, and the payment of the benefit by SB Corporation is authorized by law. SB Corporation recognizes termination benefits at the earlier of: (i) when it can no longer withdraw the offer of such benefits; and (ii) when it recognizes costs for a restructuring that is within the scope of PAS 37 and involves the payment of termination benefits.

d. Compensated Absences

Compensated absences are recognized for the number of paid leave days remaining at the end of the reporting period. They are included as "Leave Benefits Payable" (Note 18) in the SFP at the undiscounted amount that SB Corporation expects to pay as a result of the unused entitlement.

2.21. Related Party Transactions and Relationships

Related party transactions are transfers of resources, services or obligations between SB Corporation and

its related parties, regardless of whether a price is charged.

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making the financial and operating decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely on the legal form.

Related parties include key management personnel who are persons having authority and responsibility for planning, directing and controlling the activities of SB Corporation, directly or indirectly, including any director, whether executive or otherwise, of that entity.

2.22. Foreign Currency Transactions and Translations

SB Corporation's accounting records are maintained in Philippine Peso. Foreign currency transactions during the year, if any, are translated into the functional currency at exchange rates which approximate those prevailing on transaction dates. Assets and liabilities denominated in foreign currencies are translated to Philippine pesos at the prevailing closing rates at the SFP date.

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 PFRS requires Management to make estimates and assumptions that affect the reported amounts of resources, liabilities, income and expenses and disclosure of contingent resources and contingent liabilities. Future events may occur which will cause the assumptions used in arriving at the estimates to change.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. While the estimates are based on the most reliable data available, actual results, in the near term, could differ significantly from those estimates depending upon certain events and uncertainties including: (a) the extent to which SB Corporation can maximize the sale and recoveries from the assets it acquires as foreclosed from borrowers; and (b) the probability of recovery through successful lawsuits as appropriate against relevant parties.

3.1. Critical Management Judgments in Applying Accounting Policies

In the process of applying the Corporation's accounting policies, Management has made the following judgments, apart from those involving estimation, which have the most significant effect on the amounts recognized in the financial statements:

a. Classification of Financial Assets

SB Corporation classifies non-derivative financial assets with fixed or determinable payments and fixed maturity as financial assets at amortized cost. Contractual cash flows are solely payment of principals and interest and held under a hold to collect model. 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 SB 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.

b. Recognition of Provisions and Contingencies

Judgment is exercised by Management to distinguish between provisions and contingencies. Policies on recognition of provisions and contingencies are discussed in Note 2.14 and relevant disclosures are presented in Notes 18 and 22. In dealing with the Corporation's various legal proceedings, the Corporation's estimate of the probable costs that may arise from claims and contingencies has been developed in consultation and coordination with the Corporation's internal and outside counsels acting in defense of the Corporation's legal cases and are based upon the analysis of probable results.

c. Determination of Lease Term of Contracts with Renewal and Termination Options

Lease term is the noncancelable period in which the lessee has the right to use an underlying asset together with optional periods for which it is reasonably certain that the lessee will exercise the renewal option or not exercise the termination option or in which the exercise of those options is controlled by SB Corporation. To determine the lease term, SB Corporation first determines the length of the non-cancellable period of a lease and the period for which the contract is enforceable.

3.2. Use of Estimates

a. Estimation of ECL on Financial Assets

The principles of recognizing ECL in identifying impairment was adopted in order to promote prudence and transparency consistent with the provisions under the Enhanced Standards on Credit Risk Management in implementing sound and robust credit risk measurement methodologies. In this respect, SB Corporation recognized credit impairment even before objective evidence of impairment becomes apparent. Past events, current conditions, and forecasts of future economic conditions in assessing impairment shall all be considered.

In estimating ECL, SB Corporation adopts the general approach for all loans and other credit accommodations. The general approach involves the use of a three-stage approach, where the ECL estimation is based on quality of credit. SB Corporation estimates ECL at an amount equal to either a 12-month ECL (Stage 1) or lifetime ECL (Stages 2 and 3).

Stage	Particulars
Stage 1	• <i>Performing</i> – loans and credit accommodations that do not have a greater-than-normal credit risk. The borrower has the apparent ability and willingness to satisfy his obligations in full and therefore no loss in ultimate collection is anticipated.
Stage 2	• <i>Sub-standard underperforming</i> – loans and other credit accommodations that have potential weaknesses that deserve management's close attention. If left uncorrected, these weaknesses may affect the repayment of the loan. Some degree of structural weakness may be found in virtually any aspect of the loan arrangement or type of loan, and the presence of one (or more) need not be indicative of an overall credit weakness deserving criticism. Instead, the relative importance of such factors in the context of the borrower's overall financial strength, the condition of the borrower's industry or market, and the borrower's total relationship with the SB Corporation must be evaluated.
Stage 3	• <i>Substandard non-performing</i> – loans and other credit accommodations that have well-defined weakness/es, that may jeopardize repayment/liquidation in full, either in respect of the business, cash flow or financial position, which may include adverse trends or developments that affect willingness or repayment ability of the borrower.

Stage	Particulars
	<p>· <i>Doubtful</i> – loans and other credit accommodations that exhibit more severe weaknesses than those classified as "Substandard", whose characteristics on the basis of currently known facts, conditions and values make collection or liquidation highly improbable, however the exact amount remains undeterminable as yet. Classification as "Loss" is deferred because of specific pending factors which may strengthen the assets.</p> <p>· <i>Loss</i> – loans and other credit accommodations which are considered uncollectible or worthless and of such little value that their continuance as bankable assets is not warranted although the loans may have some recovery or salvage value. This shall be viewed as a transitional category for loans and other credit accommodations which have been identified as requiring write-off during the current reporting period even though partial recovery may be obtained in the future.</p>

The gross carrying amounts of financial assets as at December 31, 2022 and 2021 and the related allowances for credit losses are disclosed in Notes 5, 6 and 7.

b. Recognition of Deferred Tax Assets

SB Corporation reviews its deferred tax assets at the end of each reporting period and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Significant judgment is applied by Management to determine the amount of deferred tax assets that can be recognized based on the likely timing and level of SB Corporation's future taxable income.

The carrying amount of deferred tax assets as at December 31, 2022 and 2021 is disclosed in Note 25.

c. Estimation of Useful Lives of Non-Financial Assets

SB Corporation estimates the useful lives of property and equipment, ROU assets, investment properties and intangible assets based on the period over which the assets are expected to be

available for use. The estimated useful lives of these assets are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. The carrying amounts of investment properties, property and equipment, and ROU assets as at December 31, 2022 and 2021 are disclosed in Notes 10, 11 and 28.1, respectively.

d. Estimation of Impairment Losses of Non-financial Assets

SB Corporation assesses impairment on its non-financial assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that SB Corporation considers important which could trigger an impairment review include (i) significant underperformance relative to expected historical or projected future operating results; (ii) significant changes in the manner of use of the acquired assets or the strategy for overall business; and (iii) significant negative industry or economic trends.

Impairment losses are recognized whenever the carrying amount of an asset exceeds its recoverable amount. Recoverable amounts are estimated for individual assets or, if it is not possible, for cash-generating unit to which the asset belongs.

The carrying amounts of non-financial assets subject to impairment as at December 31, 2022 and 2021 are disclosed in Notes 10, 11, 12 and 28.1.

4. RISK MANAGEMENT OBJECTIVES AND POLICIES

Risks are inherent in the business activities of SB Corporation as well as in the business environment in which it operates. Among its identified risks are credit risk, liquidity risk, market risk, operational risk and regulatory risk. These risks are managed through a risk management framework and governance structure that provides

comprehensive controls and management of major risks on an on-going basis.

Risk management is the process by which SB Corporation identifies its key risks, obtains consistent and understandable risk measures, decides which risks to take on or reduce and how this will be done, and establishes procedures for monitoring the resultant risk positions. The objective of risk management is to protect SB Corporation from events that hinder the sustainable achievement of SB Corporation's performance objectives including failing to exploit opportunities.

SB Corporation recognizes the importance of risk management in ensuring its continuing overall viability. Management, with the oversight of the BOD, shall see to it that the risk management functions are implemented in all business units of the organization. Moreover, each individual within SB Corporation is expected to proactively manage and is accountable for the risk exposures inherent to their respective area.

4.1. Risk Management Structure

a. Board Level

(i) *Board of Directors.* The BOD provides governance, guidance, and oversight to Senior Management, and sets and approves risk management policies, strategies, and framework.

(ii) *Finance Risk Oversight Committee (formerly Risk Oversight Committee).* This Committee is responsible for the identification and evaluation of exposures, development of risk management strategies, and implementation of the Risk Management Plan, including review and revision thereof as needed. The Committee shall meet with request/gather (or compel submission, in proper cases), receive and evaluate information from Management and appropriate sources, and act or approve proposals on items relating to credit, operational, compliance, market, liquidity and solvency risks.

(iii) *Corporate Governance Committee.* This Committee is responsible for the following:

- Formulate and institutionalize SB Corporation's Code of Corporate Governance and Code of Ethics, and ensure adherence to the Codes;
- Review from time to time the Codes and recommend any changes to the Board;
- Oversee the periodic performance evaluation of the Board and its Committees;
- Review regularly the organization plan and structure, compensation package and manpower plan to ensure adequacy in meeting the growth need of the Corporation; and
- Review and evaluate the qualifications of all persons nominated to positions requiring appointment by the Board.

(iv) *Audit and Compliance Committee.* This Committee is responsible for the following:

- Review of the quarterly, half-year and annual financial statements focusing particularly on the change/s in accounting policies and practices, major judgment areas, significant adjustment resulting to audit, going concern assumption, compliance with PFRS, and compliance with tax, legal and regulatory requirements;
- Receive and review reports of internal auditor and regulatory agencies and ensure that Management is taking appropriate corrective actions in timely manner in addressing control and compliance functions with regulatory agencies;
- Review interim financial reports with

Management before filing with regulators and consider whether they are complete and consistent with the information known to committee members;

- Understand how Management develops interim financial information and the nature and extent of internal and external auditor involvement;
- Consider the effectiveness of the company's internal control system;
- Understand the scope of internal and external auditor's review of internal control over financial reporting and obtain reports on significant findings and recommendations, together with Management's responses;
- Review with Management and the Chief Audit Officer the charter, plans, activities, staffing and organizational structure of the internal audit function;
- Regularly report to the Board about committee activities, issues and related recommendations; and
- Review and evaluate findings and recommendations from completed compliance activities and audit, including Management responses and action plans.

(v) *IT and Platformification Committee.* This Committee is responsible for the following:

- Evaluate the effectiveness of IT governance structure to ensure adequate Board control over the decisions, directions and performance of technology and information management;
- Set the strategic directions for technology and information management and ensure that these are aligned with and will sustain the

corporate vision and mission;

- Review and monitor the implementation of Information Security Program to ensure the confidentiality, integrity, and availability of SB Corporation's information resources;
- Evaluate information Management and IT organizational structure, investment, use and allocation practices and commitment of resources in terms of time, personnel and equipment to ensure that they support the organization's strategies and objectives;
- Evaluate risk management practices to ensure that the organization's IT-related risks are properly managed;
- Evaluate management practices to ensure compliance with the organization's IT strategy, policies, standards and procedures;
- Review the Technology and Information Management policies, standards, procedures and processes for their development, approval, implementation, and maintenance to ensure that they support the IT strategy and comply with regulatory and legal requirements.

(vi) *Board Committee on VC Review.* This Committee is responsible for the following:

- Review and endorse to the BOD for approval policies and procedures relating to the implementation of the VC Program; and
- Review and endorse to the BOD for approval accounts and projects for enrollment under the VC Program.

b. Management Level

(i) *Senior Management.* The Senior Management

Team oversees the implementation and consistent adherence by all personnel to the Operational Risk Management (ORM) Framework approved by the BOD. In this respect, senior management shall:

- Translate the BOD-approved framework into specific policies and processes covering all business functions of SB Corporation, including outsourced services and services provided to external parties. Policies shall include the following, among others:
 - Definition of operational risk and operational risk loss;
 - Appropriate governance and oversight structures, reporting lines and accountabilities for managing operational risks;
 - Clear description of risk limits and thresholds that correspond to the approved operation risk appetite and tolerance;
 - Risk mitigation strategies and tools for maintaining risks within the thresholds and limits set; and
 - Responsibilities for identifying, managing operational risk, and reporting operational risk events and losses within their respective operational/functional business or operating units.
- Establish system to report, track, escalate and resolve issues and set the frequency of operational risk management reporting considering the level and type of risk involved; and
- Establish policies, standards, and processes for an effective business continuity management.

(ii) *Enterprise Risk Management Group.* The ERMG, headed by the Chief Risk Officer and which directly reports to the Board-level Finance and Risk Oversight Committee, shall primarily assist

Management in meeting its responsibility to understand and manage operational risk exposures, and to ensure the development and consistent implementation of operational risk policies, processes, and procedures throughout SB Corporation. In this regard, the ERMG shall:

- Recommend to the Board and Senior Management appropriate policies and procedures relating to operational risk management and controls;
- Design and implement the operational risk assessment methodology tools and risk reporting system of the agency;
- Coordinate risk management activities across the institution;
- Consolidate all relevant operational risk information/reports to be elevated/presented to the board and senior management;
- Provide operational risk management training and advice to business units on operational risk management issues; and
- Coordinate with compliance function, internal audit, and external audit on operational risk matters.

(iii) *Business Units and Group Heads.* The Regional Lending Groups, Credit Investigation and Appraisal Unit, Legal Services Group, HRMDG, Administrative Services Department, Information Technology Group, Controllership Group, among others, have a dual responsibility to manage both the operational risks within their own functions as well as provide support to other departments for operational risk management. In this regard, business line management shall ensure that:

- Internal controls and practices are consistent

with the enterprise-wide policies and procedures;

- Specific policies, processes, and procedures are adequate and effectively implemented, and personnel are adequate and competent;
- Risk mitigation strategies and processes are established, executed, and periodically reviewed; and
- Operational risk-related information such as loss events and incidents are adequately and timely communicated or coordinated to the ERMG for risk monitoring and reporting, in addition to the usual reporting to Senior Management and/or BOD.

(iv) *Compliance Group.* The compliance function, headed by the Chief Compliance Officer, is responsible for the following:

- Conduct an independent assessment of SB Corporation's compliance with relevant laws, rules and regulations, as well as internal policies of the institution, and determine areas that may potentially result in risk of loss due to inadequate or failed internal processes, systems, and people. The latter includes inappropriate conduct/behavior of personnel, officers, and the board, that may lead to fraud or any form of business disruption; and
- Assess whether the identified operational risk exposure by the business units or by the function itself shall affect the franchise value of the institution. In this regard, it shall advise and assist management in establishing guidance on the appropriate implementation of relevant laws, rules and regulations, and internal policies.

(v) *Internal Audit Group (IAG).* The IAG shall conduct

an independent assessment of the operational risk management framework, including the implementation of operational risk management policies and procedures. The IAG is an essential part of the risk management system that takes the lead in the on-going monitoring of the internal control process and providing an independent assessment of system integrity. Specifically, the IAG has the responsibility to:

- Review outputs from risk assessments and assess if business units are appropriately following up and addressing those risk identified during the risk assessment process;
- Conduct independent examinations and evaluations of risk management processes (policies, procedures, systems) to assess whether operational risks are within acceptable tolerance limits, including assessing the appropriateness of the operational risk identification, measurement, response, and monitoring methodology;
- Review and assess adherence of risk management, risk control, and compliance function in relation to SB Corporation's Risk Management Framework;
- Any operational risk issue identified and reported in the audit process should be addressed by senior management in a timely and effective manner, or raised to the attention of the BOD, as appropriate;
- Monitor and immediately report to the Audit Committee for identified deficiencies that remain uncorrected; and
- Review and assess that existing policies and procedures remain relevant and adequate for SB Corporation's activities.

4.2. Risk Identification and Assessment

Risk identification and assessment is the fundamental element of an effective operational risk management system. It allows SB Corporation to better understand its risk profile and allocate risk management resources and strategies more effectively. Since the business units are expected to have the best knowledge of their risk exposures and processes, these units play a major role in the identification and assessment of operational risk.

SB Corporation uses various loss event-type categories as part of its risk identification and assessment processes as follows:

- a. Internal fraud – losses due to acts of a type intended to defraud, misappropriate property or circumvent regulations, the law or company policy, which involves at least one internal party.
- b. External fraud – losses due to acts of a type intended to defraud, misappropriate property or circumvent the law, by a third party.
- c. Employee practices and workplace safety – losses arising from acts inconsistent with employment, health or safety laws agreements from payment or personal injury claims, or from diversity/discrimination events.
- d. Clients, products, and business practices – losses arising from an unintentional or negligent failure to meet a professional obligation to specific clients (including fiduciary and suitability requirements), or from the nature or design of a product.
- e. Damage to physical assets – losses arising from loss or damage to physical assets due to natural disaster or other events.
- f. Business disruption and system failures – losses arising from disruption of business or system failures.

- g. Execution, delivery and process management – losses from failed transaction processing or process management, from relations with trade counterparties and vendors.

SB Corporation also identified the following tools and mechanisms to properly identify and assess its operational risks:

- a. Internal and external audits, and supervisory issues raised in the BSP Report of Examination.
- b. Internal loss data collection and analysis – operational loss data provides meaningful information for assessing exposure to operational risk and the effectiveness of internal controls. Analysis of loss events can provide insights into the causes of large losses and information on whether control failures are isolated or pervasive.
- c. Risk self-assessments (RSA) and risk control self-assessments (RCSA) – RSA is a tool to assess processes underlying SB Corporation's operations against a library of potential threats and vulnerabilities including their potential impacts. A similar approach, RCSA, typically evaluates inherent risk (the risk before controls is considered), the effectiveness of the control environment, and residual risk (the risk exposure after controls is considered).
- d. Business process mappings – helps identify the key steps in business processes, activities, and organizational functions as well as the key risk points in SB Corporation's overall business process. It can reveal individual risks, risk interdependencies, and areas of control or risk management weaknesses, thus, help prioritize subsequent management actions.
- e. Risk and performance indicators – provide an insight into emerging risk exposure and are

often used with escalation triggers to warn when risk levels approach or exceed acceptable ranges and prompt mitigation plans. Key risk indicators are used to monitor the main drivers of exposure associated with key risks that contribute to early detection of heightened risk, ongoing monitoring of their movements, and preemptive reactions as necessary. Key performance indicators, on the other hand, provide insight into the status of operational processes, which may in turn provide insights into operational weaknesses, failures, and potential loss.

Additionally, database of at least a five-year history of accumulated operational risk losses is developed which is fed back into the operational risk management process. Apart from capturing events that resulted to actual loss, SB Corporation also gather potential loss or near-misses. Said database of loss events provides basis for analysis which can help direct corrective action to improve the control environment, as well as determine risk mitigating actions. The depth of data collection must be assessed which is vital in understanding the risk environment.

The loss event database shall at a minimum disclose the following: (a) risk profile and complexity; (b) short description of the event; (c) loss event type category; (d) department/unit/branch sustaining the loss; (e) business line classification; (f) date of occurrence; (g) date of discovery; (h) date of booking of actual losses; (i) actual loss amount or potential loss amount, if a near-miss event; (j) amount recovered and date of recovery; (k) causes of the event (e.g. control weaknesses identified); (l) consequence of the loss event (e.g., market loss, fees paid to counterparty, a lawsuit or damage to reputation); and (m) action(s) taken.

4.3. Risk Control and Mitigation

a. Credit Risk

Credit risk is the risk of financial loss to SB Corporation if a counterparty to a financial instrument fails to meet its contractual obligations.

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. SB 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 SB Corporation to incur financial losses.

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

b. Liquidity Risk

Liquidity risk is the risk that SB Corporation will be unable to meet its payment obligations when they fall due under normal and stress circumstances.

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 short- and long-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. Fund raising activities may include bank loans and capital market issues.

c. Market Risk

Market risk is the risk to earnings or capital arising from adverse movements in factors that affect the market value of financial instruments, products, and transactions in the institution's overall investment portfolio. The market risk of SB Corporation as at December 31, 2022 is primarily interest rate risk.

SB Corporation anticipates, measures, and manages its interest rate sensitivity position to ensure its long-run earning power, buildup 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.

d. Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events – whether deliberate, accidental or natural.

Cognizant that operational risk is inherent in all activities, products and services, and is closely tied to other types of risks, SB Corporation monitors operational risks. Toward this end, SB Corporation conducts an RCSA to assess inherent operational risks, the design and effectiveness of mitigating controls, and the 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 operation 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.

5. CASH AND CASH EQUIVALENTS

The account consists of the following:

	2022	2021
Cash on hand	20,871,436	62,205
Cash in bank – local currency	514,539,254	649,176,887
Cash in bank – foreign currency	0	608,859
Cash equivalents	1,423,998,487	1,000,000,000
	1,959,409,177	1,649,847,951

Cash on hand represents collections by the collecting officers on the last working day of the year that are for deposit on the first working day of the succeeding year. It also includes petty cash fund which are working funds wherein small amounts of expenses are being disbursed.

Cash in bank pertains to deposits with government banks for payroll and corporate operating fund which earn interest at rates based on average monthly deposit balances. Cash in bank are unrestricted and immediately available for use in current operation. Interest income from bank deposits amounted to P519,085 and P517,967 in CYs 2022 and 2021, respectively.

Cash equivalents include short-term time deposits, treasury bills and special savings deposits maturing within 90 days from the time of purchase with interest of 4.05 to 6.00 per cent per annum in CY 2022, and 1.45 to 1.50 per cent per annum in CY 2021.

6. INVESTMENTS

This account consists of the following:

	2022	2021 (As Restated)
Investment securities at amortized cost	4,024,614,276	3,398,466,051
Financial assets at FVOCI	18,212,500	18,212,500
Other investments	146,500	146,500
	4,042,973,276	3,416,825,051
Current	2,227,632,423	1,802,284,054
Non-current	1,815,340,853	1,614,540,997

Investment securities at amortized cost consist of held to collect temporary investments in government securities, i.e., short-term treasury bills and high-yield savings account, 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 (BTr) and Development Bank of the Philippines (DBP), respectively, which were sourced from funds not yet earmarked for loan releases as well as operating and other administrative expenses. These investments have maturity dates over three months from placement date, and earn interest ranging from 1.56 to 3.50 per cent per annum in CY 2022 and 1.315 to 6.25 per cent per annum in CY 2021. Details follow:

	2022	2021
Investments in treasury bills	1,897,000,000	1,797,283,966
Investments in treasury bonds	2,127,614,276	1,601,182,085
	4,024,614,276	3,398,466,051
Current	2,227,632,423	1,802,284,054
Non-current	1,796,981,853	1,596,181,997

Financial assets at FVOCI refer to unquoted and non-marketable equity investments under SB Corporation's VC 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 allowance for impairment amounting to P500,000 both as at December 31, 2022 and 2021.

SB Corporation, in cooperation with various SME

corporations invested in preferred shares and common shares holding 11.25 to 43.75 per cent ownership with no controlling interests and returns to investments through dividends. As at December 31, 2022 and 2021, SB Corporation has investments with carrying amounts in the following:

	2022	2021
Walls in Motion, Inc.	3,712,500	3,712,500
Epifanie Ventures, Inc.	4,500,000	4,500,000
Elbitech, Inc.	5,000,000	5,000,000
Binhi, Inc.	5,000,000	5,000,000
	18,212,500	18,212,500

Other investments pertain to PLDT, Inc. stocks previously received upon application of telephone lines amounting to P146,500 both as at December 31, 2022 and 2021. The investments are subject of redemption as at even dates.

7. RECEIVABLES

This account consists of the following:

	2022	2021 (As Restated)
Current		
<i>Gross amount</i>		
Accounts receivable	28,908,543	29,887,071
Notes receivable	3,636,775,390	4,112,957,356
Interest receivable	55,665,972	63,513,313
Intra-agency receivable	97,488,236	83,469,904
Other receivable	3,845,610	1,010,056
	3,822,683,751	4,290,837,700
<i>Allowance for impairment</i>		
Accounts receivable	(1,864,510)	(1,864,527)
Notes receivable	(1,736,430,128)	0
	2,084,389,113	4,288,973,173
Non-current		
<i>Gross amount</i>		
Accounts receivable	11,686,436	14,298,467
Notes receivable	8,658,171,391	7,149,381,345
Dividends receivable	850,000	850,000
Sales contract receivable	11,289,022	17,504,556
	8,681,996,849	7,182,034,368
<i>Allowance for impairment</i>		
Notes receivable	(816,301,802)	(1,485,643,245)
Discount on notes receivable	(378,781,850)	(421,312,523)
	(1,195,083,652)	(1,906,955,768)
	7,486,913,197	5,275,078,600

Accounts receivable, net of allowance for impairment, consists of the following:

	2022	2021 (As Restated)
Receivables from lease purchases under the Car Plan Program	15,919,413	18,545,630
Agricultural Credit Policy Council (ACPC) re: Comprehensive Agricultural Loan Fund (CALF)	8,930,000	8,930,000
Foreign exchange claims and refund of guarantee and foreign exchange fees from the BTr/DOF	5,581,045	5,581,045
Share of participating financial institutions in expenses relative to the foreclosure and management of acquired assets	5,360,241	6,304,940
Foreclosure-related expenses	1,374,024	1,323,712
Travel Fund as required by DBM-PhilGEPS	1,300,000	1,300,000
Calamity loans granted to employees	149,155	189,527
Others	116,591	146,157
	38,730,469	42,321,011
Current	27,044,033	28,022,544
Non-current	11,686,436	14,298,467

SB Corporation has a Car Plan Program for its officers under a lease purchase arrangement. The amortizations are periodically deducted from the payroll based on the preferred amortization period 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 amount due, the balance may be amortized for a maximum period of five years under the prevailing market interest rate. Outstanding receivables from lease purchases under the Car Plan Program at year-end follows:

	2022	2021 (As Restated)
Incumbent officers	14,611,629	18,545,630
Resigned officers	1,307,784	0
	15,919,413	18,545,630

ACPC re: CALF represents the 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 the CALF carries an obligation for QUEDANCOR to answer for the liability of such fund, including the payment of administrative fees, in accordance with Memorandum of Agreement (MOA) dated March 1, 1999 between the DA-ACPC and the Guarantee Fund for Small and Medium Enterprises (GFSME and now SB Corporation). However, when QUEDANCOR was closed, its assets were put under the receivership of the Philippine Deposit Insurance Corporation (PDIC). To date, SB Corporation is still awaiting PDIC's resolution on the payment of QUEDANCOR's creditors.

For the *foreign exchange claims*, two Official Development Assistance (ODA) loans from the Asian Development Bank (ADB) and Kreditanstalt fur Wiederaufbau (KfW), were paid in September 2021 by SB Corporation ahead of their maturities. Payment of the related foreign exchange risk cover (FXRC) and guarantee fees to the NG were paid six months upfront, thus, the claim for refund for the unutilized portion amounting to P5.581 million.

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 to 30 per cent per annum for relending under its special lending programs for MSMEs. It consists of the following loans, net of allowance for impairment:

	2022	2021 (As Restated)
Corporate Fund		
<i>Wholesale</i>		
Regular wholesale	1,268,357,782	801,392,534
<i>Retail</i>		
Regular retail and others	54,988,413	221,774,525
ERF	2,018,333	5,970,669
Bayanihan CARES	3,244,987,638	4,623,329,400
RISE UP	307,252,103	0
13th month	2,480,086	0
STAPLES	96,375	0
Odette ERF	132,503,460	0
	5,012,684,190	5,652,467,128

	2022	2021 (As Restated)
P3 Fund		
<i>Wholesale</i>		
P3 wholesale	3,775,280,183	3,301,244,306
<i>Retail</i>		
P3 CARES	47,759,260	346,352,896
P3 RISE UP	383,363,211	0
P3 13th month	2,916,272	37,262,280
P3 STAPLES	7,852	473,005
P3 Odette ERF	141,422,032	0
P3 Others	0	17,583,318
	4,350,748,810	3,702,915,805
	9,363,433,000	9,355,382,933
Current	1,900,345,262	4,112,957,356
Non-current	7,463,087,738	5,242,425,577

Details of the various loan programs extended by the SB Corporation from which the above notes receivable originated follow:

a. *Regular and P3 Wholesale* – are available to qualified microfinance conduits which have the organizational capability or strength in downloading lending funds to eligible micro sub-borrowers with regulated pass-on rate. The programs aim to provide microenterprises an alternative source of financing that is easy to access and at a reasonable cost.

b. *Regular Retail* – aims to provide direct lending to registered MSMEs that are currently “unserved” by the banking system. It aims to bridge the financing gap for pre-bankable but viable MSMEs by financing their business needs, providing training, and helping them build credit track records and business size for future bank financing.

c. *P3 Retail* – loan facility for any self-employed or micro entrepreneurs engaged in a legitimate livelihood or business activity for at least a year. The loan amount ranges from P5,000 to P200,000 depending on the size of the business and the ability to pay, with an interest rate not exceeding 2.50 per month.

d. *Enterprise Rehabilitation Facility (ERF)* – supports

microbusinesses in vulnerable areas affected by natural or man-made calamities. It offers quick loan funds for immediate recovery and rehabilitation of microenterprises in response to such disasters.

e. *Bayanihan and P3 CARES* – the facility is in response to the Bayanihan Act 2 and is available to MSMEs, cooperatives, hospitals, tourism, and OFWs impacted by the COVID-19 pandemic and other socio-economic challenges. The loanable amount ranges from 10,000 to 5,000,000 with a grace period of up to 12 months and a loan term of up to 48 months.

f. *RISE UP Program* – a loan program that aims to sustain the gains of MSMEs that have survived the past two years of crisis, by providing multi-purpose loans (MPLs) that have soft terms and can be easily accessed. The RISE UP MPLs caters multi-sectoral MSMEs including existing SB Corporation borrowers.

g. *13th Month Pay Loan Program* - aims to provide financing to enterprises that are included in the MSME data file provided by the Social Security System (SSS) to SB Corporation. This program is also available for existing CARES and non- CARES borrowers in good standing status. The loanable amount will be determined based on the number of employees with paid contributions, as validated by the SSS, calculated at P15,000 per employee, with a maximum of 40 employees or a loanable amount limit of P600,000.

h. *Allies of Sustainability for Covid-affected Enterprises (ASCENT) Program* – loan facility for wholesale lending conduits in support of their lending operations during the National Health Emergency. All accredited participating financial institutions with existing credit line with SB Corporation are eligible to apply provided that their past due rate prior to March 2020 was within SB Corporation standard.

i. *Sustainable Trade Access to Primary Food and Link to Enterprises (STAPLES) Program* – covers all MSMEs involved in the supply, production, distribution, and

retail chain of SB Corporation-accredited fast-moving consumer goods (FMCG) companies. The program aims to aid in the recovery and growth of businesses by providing assistance to distributors, dealers, and sari-sari stores, while also preserving jobs by keeping the gears of supply chains moving. Eligible loan applicants must have been participating in the supply chain with an SB Corporation-accredited FMCG company for a minimum of one year.

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 outstanding notes receivable and investments in government securities that are still to be collected at the end of the year.

	2022	2021 (As Restated)
Notes receivable	43,397,058	43,578,890
Financial assets at amortized cost	8,536,403	8,913,603
Short-term investments	3,732,511	11,020,820
	55,665,972	63,513,313

Intra-agency receivable pertains to intra-fund receivables between P3 and corporate funds representing advances regularly monitored on a periodic basis. Details follow:

	2022	2021
Due from P3	32,407,088	24,120,663
Due from SB Corporation	65,081,148	59,349,241
	97,488,236	83,469,904

Dividends receivable refer to the cash dividends due from the equity investments on Epifanie Ventures, Inc. under the VC Program (Note 6) amounting to P850,000 both as at December 31, 2022 and 2021.

Sales contract receivable represents the outstanding receivable on ROPA sold on installment basis to third

parties amounting to P11.289 million and P17.505 million, as at December 31, 2022 and 2021, respectively.

Other receivables include receivables totaling P3.464 million and P595,204 as at December 31, 2022 and 2021, respectively, relating to final and executory COA disallowances, net of settlements made by persons found liable thereon.

8. INVENTORIES

This account pertains to office supplies inventory held for consumption awaiting issuance to end-users as at year-end amounting to P271,056 and P391,964 as at December 31, 2022 and 2021, respectively. No item of inventory was measured at net realizable value both as at December 31, 2022 and 2021 nor written-off for the years then ended.

9. NON-CURRENT ASSETS HELD FOR SALE

The composition of and movements in NCAHS and related accumulated impairment account are as follows:

	Land	Building and Improvements	Total
Cost			
Balance, January 1, 2022	10,631,349	466,571	11,097,920
Reclassification	(10,631,349)	(466,571)	(11,097,920)
Disposals/Others	0	0	0
Balance, December 31, 2022	0	0	0
Accumulated impairment			
Balance, January 1, 2022	149,759	156,388	306,147
Reclassification	(149,759)	(156,388)	(306,147)
Disposals/Others	0	0	0
Balance, December 31, 2022	0	0	0
Carrying amount, December 31, 2022	0	0	0

	Land	Building and Improvements	Total
Cost			
Balance, January 1, 2021, as reported	39,671,231	6,590,208	46,261,439

	Land	Building and Improvements	Total
Adjustments	(1,500,464)	(273,929)	(1,774,393)
Reclassification	(25,916,855)	(3,043,459)	(28,960,314)
Disposals/Others	(1,622,563)	(2,806,249)	(4,428,812)
Balance, December 31, 2022	10,631,349	466,571	11,097,920
Accumulated impairment			
Balance, January 1, 2021, as reported	4,152,536	4,903,943	9,056,479
Restatement	0	(1,116,309)	(1,116,309)
Reclassification	(4,002,777)	(2,527,859)	(6,530,636)
Disposals/Others	0	(1,103,387)	(1,103,387)
Balance, December 31, 2021	149,759	156,388	306,147
Carrying amount, December 31, 2021	10,481,590	310,183	10,791,773

NCAHS consists of ROPA through foreclosure of mortgaged properties, dacion en pago arrangements, or rescissions of sales contract receivable, where the foremost objective is immediate disposal generally under cash or term sale transactions.

For internally appraised properties classified as NCAHS, the value of land was established using the Market Data Approach. The initial value of the land is based on the sales and listings of comparable properties. Adjustments were then applied to the gathered value of land by comparing the physical and occasional characteristics of the subject property and the comparable properties.

On the other hand, the value of the improvements was arrived at using the Cost Approach. The current reproduction cost of the improvement or structure is first established in accordance with the prevailing market prices of construction materials, labor, contractors' overhead, profits and fees. Adjustments are then made to reflect depreciation resulting from physical deterioration and obsolescence.

10. INVESTMENT PROPERTY

The composition of and movements in investment properties and related accumulated depreciation and impairment account are as follows:

	Land	Building and Improvements	Total
Cost			
Balance, January 1, 2022	46,744,070	10,894,235	57,638,305
Additions	4,318,566	584,950	4,903,516
Adjustments	1,639,368	420,983	2,060,351
Reclassifications	9,665,184	466,571	10,131,755
Disposals/Others	(3,034,155)	(251,044)	(3,285,199)
Balance, December 31, 2022	59,333,033	12,115,695	71,448,728
Accumulated depreciation			
Balance, January 1, 2022	0	10,489,823	10,489,823
Additions	0	100,233	100,233
Adjustments	0	(700,578)	(700,578)
Reclassifications	0	0	0
Disposals/Others	0	(67,782)	(67,782)
Balance, December 31, 2022	0	9,821,696	9,821,696
Accumulated impairment			
Balance, January 1, 2022	5,665,252	0	5,665,252
Additions	4,048,603	0	4,048,603
Adjustments	(2,815,500)	0	(2,815,500)
Reclassifications	551,510	0	551,510
Disposals/Others	(37,560)	0	(37,560)
Balance, December 31, 2022	7,412,305	0	7,412,305
Carrying amount, December 31, 2022	51,920,728	2,293,999	54,214,727

	Land	Building and Improvements	Total
Cost			
Balance, January 1, 2021	18,240,723	4,481,722	22,722,445
Additions	3,862,281	0	3,862,281
Adjustments	156,255	273,929	430,184
Reclassifications	24,484,811	6,138,584	30,623,395
Disposals/Others	0	0	0
Balance, December 31, 2021	46,744,070	10,894,235	57,638,305
Accumulated depreciation			
Balance, January 1, 2021	0	3,191,459	3,191,459
Additions	0	388,345	388,345
Adjustments	0	2,411,117	2,411,117
Reclassifications	0	4,515,735	4,515,735
Disposals/Others	0	(16,833)	(16,833)
Balance, December 31, 2021	0	10,489,823	10,489,823
Carrying amount, December 31, 2021	41,078,818	404,412	41,483,230

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

improbable.

The fair value of investment properties is determined based on the Cost and Market Approach methods performed by independent appraisers and in-house appraisers. Market values were based on the evidence of reliable transactions like recent land sales and sales offering of comparable properties within the vicinity and the application of land capitalization rate. Data gathered from the property market were also used as bases. Adjustment factors were likewise considered such as the date of appraisal, size, location, corner/road influence, and conditions of sale.

11. PROPERTY AND EQUIPMENT

The composition of and movements in property and equipment and related accumulated depreciation and impairment accounts are as follows:

	Buildings and Structures, and Leased Asset Improvements	Machinery and Equipment, Furniture and Fixtures, and Other Equipment	Transportation Equipment	Total
Cost				
Balance, January 1, 2022	156,734,292	45,897,537	18,589,301	221,221,130
Additions	0	8,633,136	0	8,633,136
Adjustments	0	0	0	0
Reclassifications	(1,231,794)	(26,923,944)	0	(28,155,738)
Disposals/Others	0	(360,988)	(1,652,670)	(2,013,658)
Balance, December 31, 2022	155,502,498	27,245,741	16,936,631	199,684,870
Accumulated depreciation				
Balance, January 1, 2022	111,194,056	42,437,372	11,980,129	165,611,557
Additions	7,892,776	1,512,502	1,237,994	10,643,272
Adjustments	(2,814,211)	(17,362,779)	0	(20,176,990)
Reclassifications	(507,324)	(11,433,393)	0	(11,940,717)
Disposals/Others	0	(287,170)	(1,487,402)	(1,774,572)
Balance, December 31, 2022	115,765,297	14,866,532	11,730,721	142,362,550
Accumulated impairment				
Balance, January 1, 2022	0	0	0	0
Additions	0	0	144,601	144,601
Adjustments	0	0	0	0
Reclassifications	0	0	0	0
Disposals/Others	0	0	0	0
Balance, December 31, 2022	0	0	144,601	144,601
Carrying amount, December 31, 2021	39,737,201	12,379,209	5,061,309	57,177,719

	Buildings and Structures, and Leased Asset Improvements	Machinery and Equipment, Furniture and Fixtures, and Other Equipment	Transportation Equipment	Total
Cost				
Balance, January 1, 2021	156,643,997	34,157,201	15,108,741	205,909,939
Additions	4,933,831	22,057,149	4,349,030	31,340,010
Reclassifications	(3,391,282)	(9,964,263)	0	(13,355,545)
Disposals/Others	(1,452,254)	(352,550)	(868,470)	(2,673,274)
Balance, December 31, 2021	156,734,292	45,897,537	18,589,301	221,221,130
Accumulated depreciation				
Balance, January 1, 2021	106,393,286	24,755,720	11,540,897	142,689,903
Additions	10,734,779	19,287,573	1,220,855	31,243,207
Reclassifications	(4,715,319)	(1,288,626)	0	(6,003,945)
Disposals/Others	(1,218,690)	(317,295)	(781,623)	(2,317,608)
Balance, December 31, 2021	111,194,056	42,437,372	11,980,129	165,611,557
Carrying amount, December 31, 2021	45,540,236	3,460,165	6,609,172	55,609,573

Reclassifications in CY 2021 include the effects of the adoption of COA Circular No. 2022- 004 relative to the increase in the capitalization threshold for Property and Equipment from P15,000 to P50,000.

12. OTHER ASSETS

This account consists of the following:

	2022	2021 (As Restated)
Prepayments	9,767,907	10,365,075
Deposits	1,848,800	2,305,080
Others, net	3,058,326	3,596,357
	14,675,033	16,266,512
Current	9,767,907	10,365,075
Non-current	4,907,126	5,901,437

Prepayments pertain to advance payments for rent, condominium dues, insurance, subscriptions, and repairs and maintenance of IT equipment and software. It also includes prepaid income tax of P6.565 million and P9.182 million as at December 31, 2022 and 2021, respectively.

Deposits pertain to non-interest bearing security and guarantee deposits for rental and other contractual obligations which are refundable upon the expiration or termination of the related contracts.

Others primarily consist of unserviceable properties covered by on-going implementation of disposal plan costing of P14.021 million and provided with allowance for impairment of P11.183 million and P10.644 million as at December 31, 2022 and 2021, respectively.

13. FINANCIAL LIABILITIES

This account consists of the following:

	2022	2021
Current		
Accounts payable	21,668,370	43,222,436
Loans payable	1,883,823	1,883,823
Interest payable	299,614	424,591
Notes payable	0	17,200,000
	23,851,807	62,730,850
Non-current		
Loans payable	16,012,493	17,896,316

Accounts payable refers to acquired goods and/or services in the normal course of trade and business operation that remains unpaid as at year-end. Analyzed based on fund source, the account is broken down as follows:

	2022	2021
Corporate Fund	18,985,161	39,765,239
P3 Fund	2,683,209	3,457,197
	21,668,370	43,222,436

Loans payable consists solely of the loan from the IFAD which is a subsidiary loan from the Republic of the Philippines 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 has a 25-year term inclusive of an eight-year 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.

Notes payable pertains to the obligations of SB Corporation as at December 31, 2021 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 15 of RA No. 6977, as amended. Said provision expired in CY 2018 while the remaining promissory note matured in August 2022.

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

	2022	2021
IFAD Notes payable	299,614	331,152
	0	93,439
	299,614	424,591

14. INTER-AGENCY PAYABLES

This account, which comprises of obligations or liabilities due to other government agencies and instrumentalities, including NG agencies (NGAs), relating to current or prior period that are unpaid as at year-end, consists of the following:

	2022	2021
Due to NGAs	39,683,010	40,000,000
Due to BIR	27,678,545	9,600,101
Due to GSIS	1,966,951	1,656,452
Due to PhilHealth	278,421	122,514
Due to Pag-IBIG	39,632	36,101
	69,646,559	51,415,168
Current	29,963,549	11,415,168
Non-current	39,683,010	40,000,000

Due to NGAs represents the balance of the Innovation Fund, a component of the IFAD- funded Rural Agro-industrial Partnership for Inclusive Development and Growth (RAPID Growth) Project transferred by the DTI, the Executing Agency. RAPID Growth 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.

Due to Bureau of Internal Revenue (BIR) refers to the

various taxes withheld from the employees' compensation and on certain income payments as mandated by law due for remittance to the BIR as at year-end.

Due to Government Service Insurance System (GSIS), Home Development Mutual Fund (Pag-IBIG) and PhilHealth (Philippine Health Insurance Corporation) pertain to SB Corporation's share in contributions, as well as the amounts withheld from employees' compensation as mandated by law representing contributions and loan amortization payments, due for remittance to said agencies as at year-end.

15. INTRA-AGENCY PAYABLES

This account refers to intra-fund payables between P3 and corporate funds representing advances regularly monitored on a periodic basis. Details follow:

	2022	2021
Due to P3	74,035,219	38,246,627
Due to SB Corporation	69,583,562	53,343,456
	143,618,781	91,590,083

16. TRUST LIABILITIES

This account pertains to security deposits in the form of performance bonds or cash for guaranty totaling P1.608 million and P1.371 million as at December 31, 2022 and 2021, respectively, issued by or received from the winning bidders and contractors to guarantee that they will enter into contract with SB Corporation and/or faithfully perform the terms of their contracts.

17. DEFERRED CREDITS/UNEARNED INCOME

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

	2022	2021
Regular loan agreements	21,070,905	21,706,292
Compromise agreements	3,092,204	2,627,793
	24,163,109	24,334,085

18. PROVISIONS

This account consists solely of accrued leave benefits aggregating P65.998 million and P67.706 million as at December 31, 2022 and 2021, respectively. The amounts represent the accrued money value of earned vacation and sick leave credits of SB Corporation's officers and employees that remained unused at the end of the reporting period.

19. OTHER PAYABLES

This account consists of the following:

	2022	2021 (As Restated)
Undistributed collections	16,575,005	10,807,259
Dividends payable	0	58,557,544
Other payables	76,817,450	47,331,931
	93,392,455	116,696,734

Undistributed collections represent the accumulated inter-branch deposits made to the SB Corporation bank accounts which remain unidentified as at year-end. Proper applications of deposits are subsequently taken up in the books when identification and verification processes are duly satisfied.

Dividends payable is the indicative amount of dividends required to be declared and paid to existing shareholders of SB Corporation, including the NG, pursuant to RA No. 7656.

Other payables include the amounts payable to originating financial institutions for their share in the proceeds from the sale or disposal of foreclosed or acquired properties of SB Corporation where the former has equity. It also includes amount payable for terminated cases wherein the judgments rendered were against SB Corporation.

20. EQUITY

20.1. Share Capital

The authorized capital stock of SB Corporation as provided under Section 16 of RA No. 9501 is P10.000 billion divided into 80.000 million common shares and 20.000 million preferred shares with a par value of P100.00 per share. Prior to the amendment, the authorized capital stock of SB Corporation under RA No. 6977 was P5.000 billion. Section 16 of RA No. 9501 provides further that the initial capital of P1.000 billion shall be established from a pool of funds to be contributed in the form of equity investment in common stock by the LBP and the DBP in the amount of P200.000 million each. The SSS and the GSIS shall also set aside P200.000 million each for the SB Corporation. Moreover, the holders of preferred shares issued under RA No. 6977, as amended, have the option to convert the same into common shares. Additional equity funding shall come from trust placements of excess and unused funds of existing government agencies, bilateral and multilateral ODA funds, subscriptions from GOCCs, and investments of private financial institutions and corporations. Any investment from the private sector shall only be in the form of preferred shares.

As at December 31, 2022 and 2021, SB Corporation's share capital consists of the following:

	2022		2021	
	No. of Shares	Amount	No. of Shares	Amount
Common shares				
NG	72,543,692	7,254,369,200	72,543,692	7,254,369,200
LBP	3,936,115	393,611,500	3,936,115	393,611,500
DBP	2,186,731	218,673,100	2,186,731	218,673,100
GSIS	466,731	46,673,100	466,731	46,673,100
SSS	160,000	16,000,000	160,000	16,000,000
Acquired (Treasury shares)	400,000	40,000,000	400,000	40,000,000
	79,693,269	7,969,326,900	79,693,269	7,969,326,900
Preferred shares				
NG	15,931,795	1,593,179,500	15,931,795	1,593,179,500
GSIS	2,000,000	200,000,000	2,000,000	200,000,000
SSS	2,000,000	200,000,000	2,000,000	200,000,000
	19,931,795	1,993,179,500	19,931,795	1,993,179,500
Total share capital	99,625,064	9,962,506,400	99,625,064	9,962,506,400
Treasury shares	(400,000)	(40,000,000)	(400,000)	(40,000,000)
Total outstanding share capital	99,225,064	9,922,506,400	99,225,064	9,922,506,400

On December 13, 1993, the BOD passed BR No. 102, series of 1993, 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 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, series of 2003, which superseded BR No. 102, and ratified during the 10th Annual Stockholders Meeting on January 29, 2005. The approved new features of the preferred stocks are as follows:

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

On August 5, 2019, the BOD approved under BR No. 2019-08-2803 the transfer of all guarantee-related functions, programs, funds, assets and liabilities of

SB Corporation to PHILGUARANTEE pursuant to EO No. 58. Total assets transferred to PHILGUARANTEE amounted to P37.490 million which was deducted from the equity contribution of the NG.

On November 10, 2020, the NG, in compliance with the provisions of the Bayanihan Act 2, infused additional capital to SB Corporation amounting to P8.080 billion aimed as additional funding for its CARES Program and other lending facilities, as well as interest subsidy to be extended to MSMEs, cooperatives, hospitals, tourism industry and OFWs affected by the COVID-19 pandemic and by other socioeconomic reversals.

20.2. Treasury Shares

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

20.3. Share Premium

The share premium relates to the additional paid in capital of P79.510 million both as at December 31, 2022 and 2021 representing 10 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 the GFSME and Small Business Guarantee Finance Corporation with the latter as the surviving entity.

20.4. Retained Earnings

	2022	2021 (As Restated)
Beginning balance	4,673,121,493	4,487,626,646
Comprehensive income for the year	1,363,095,165	194,550,733
Dividends	0	(67,907,026)
Other adjustments	207,845	58,851,140
	6,036,424,503	4,673,121,493

The ending balance of retained earnings is categorized as either appropriated or unappropriated. Appropriated retained earnings balance as at December 31, 2022 is P5.133 billion. This amount relates to the continuing lending fund balance of the P3 Fund and an appropriation for stock dividends declared in CY 2005 still for issuance to SSS. On the other hand, unappropriated retained earnings consist of the accumulated net operating income (losses) in prior years. Details follow:

	2022	2021 (As Restated)
Appropriation for P3 fund balance	6,967,630,818	5,102,367,342
Appropriated for stock dividends	30,673,100	30,673,100
Total appropriated retained earnings	6,998,303,918	5,133,040,442
Unappropriated retained earnings	(961,879,415)	(459,918,949)
	6,036,424,503	4,673,121,493

As a GOCC, the Corporation is mandated under Section 3 of RA No. 7656 to declare and remit at least 50 per cent of its annual net earnings as cash, stock or property dividends to the NG. For this purpose, net earnings is defined as income derived from whatever source, whether exempt or subject to tax, net of deductions allowed under Section 29 of the National Internal Revenue Code, as amended, and income tax and other taxes paid thereon. However, under Section 12 of RA No. 6977, as amended, SB Corporation may only declare as dividend not more than 30 per cent of its net income and the rest withheld as retained earnings.

21. RESTATEMENTS AND PRIOR PERIOD ERRORS

Below are the relevant analyses of the effects of the restatements on assets, liabilities and equity components of the Corporation's financial statements. Significant restatements include changes in accounting policies on or correction of errors in accounting for leases, capitalization threshold for property and equipment, short-term compensated absences and charges qualifying as direct origination costs.

	As Previously Reported, 12/31/2021	Effects of Restatement	As Restated, 12/31/2021
Changes in Assets			
Other current assets	11,169,796	(804,721)	10,365,075
Receivables, net	9,989,340,993	(425,289,220)	9,564,051,773
Property and equipment, net	73,834,276	(18,224,703)	55,609,573
ROU asset, net	0	9,250,981	9,250,981
Investment property	44,014,872	(2,531,642)	41,483,230
Deferred tax assets	287,853,207	65,173,987	353,027,194
Other non-current assets	5,673,337	228,100	5,901,437
Net Change in Assets	10,411,886,481	(372,197,218)	10,039,689,263
Changes in Liabilities and Equity			
Lease liability	0	8,463,216	8,463,216
Provisions	0	67,705,952	67,705,952
Other payables	58,076,190	58,620,544	116,696,734
Deferred tax liabilities	7,138	196,941	204,079
Retained earnings	5,180,305,364	(507,183,871)	4,673,121,493
Net Change in Liabilities and Equity	5,238,388,692	(372,197,218)	4,866,191,474
Changes in revenues	666,780,927	(323,556,410)	343,224,517
Changes in expenses	(1,144,741,647)	(57,042,610)	(1,201,784,257)
Changes in income tax benefit	78,801,733	(25,691,260)	53,110,473
Changes in subsidy from NG	1,000,000,000	0	1,000,000,000
Net Change in Comprehensive Income	600,841,013	(406,290,280)	194,550,733

22. COMMITMENTS AND CONTINGENCIES

In the normal course of operations of SB Corporation, there are various outstanding commitments and contingent liabilities such as tax assessments, claims from customers and third parties, among others, with amounts not reflected in the financial statements. Management does not anticipate losses from these transactions that will adversely affect SB Corporation's operations.

In the opinion of Management, the suits and claims arising from the normal course of operations of SB Corporation that remain unsettled, if decided adversely, will not involve sums that would have material effect on SB Corporation's financial position or operating results.

Notably, there is a pending criminal complaint for violation of Batas Pambansa Bilang 22 against one borrower which if resolved positively in favor of SB Corporation will result to a possible recovery of P19.600 million.

23. REVENUE

23.1. Service and Business Income

As a GOCC 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. Details follow:

	2022	2021 (As Restated)
Service income		
Processing fees	18,663,439	1,755,924
Business income		
Dividend income	210,608	211,765
Interest income	439,539,159	318,919,283
Fines and penalties	44,052,226	8,033,204
Other business income	2,150,563	2,269,142
	504,615,995	331,189,318

Significant increase in interest income is attributable to substantially higher level of investments as well as loan releases in CY 2022 as compared to the immediately preceding year.

23.2. Gains

	2022	2021 (As Restated)
Realized gains on foreign exchange	67,268	2,052,229
Gain on sale of investment property	4,799,094	7,300,085
Gain on sale of property and equipment	148,115	113,848
Realized gains from changes in fair value of financial instruments	0	1,119,426
	5,014,477	10,585,589

23.3. Other Non-Operating Income

This account includes miscellaneous income and

income from acquired assets amounting to P867,377 and P1.450 million in CYs 2022 and 2021, respectively.

24. EXPENSES

24.1. Personnel Services

	2022	2021 (As Restated)
Salaries and wages	155,940,792	142,307,588
Other compensation	45,843,258	44,609,230
Personnel benefit contributions	36,934,248	32,509,176
Other personnel benefits	10,280,709	42,098,713
	248,999,007	261,524,707

Significant decrease in personnel services is attributable to the adoption of Memorandum Circular No. 3 dated July 28, 2022 of the President of the Philippines which prohibited SB Corporation from entering into new contracts or projects or disburse extraordinary funds until such time that new sets of appointive directors have been appointed and chief executive officer elected in accordance with its Charter.

24.2. Maintenance and Other Operating Expenses (MOOE)

	2022	2021 (As Restated)
Professional services	68,592,896	74,012,261
Taxes, insurance premiums and other fees	20,994,457	46,678,433
Repairs and maintenance	9,908,584	4,306,380
Communication expenses	7,048,014	8,536,114
Supplies and materials expenses	5,377,524	4,220,814
Utility expenses	3,803,910	3,295,011
Confidential, intelligence and extraordinary expenses	3,179,198	5,420,816
General services	2,980,206	3,216,546
Traveling expenses	1,971,390	1,214,760
Training and scholarship expenses	1,866,450	506,510
Other MOOE	39,118,763	32,602,004
	164,841,392	184,009,649

Other MOOE consist of the following:

	2022	2021 (As Restated)
Documentary stamps expenses	23,260,225	9,615,389
Rent/Lease expenses	6,505,695	9,900,288
Representation expenses	3,512,309	1,564,668
Litigation/Acquired asset expenses	1,182,122	1,503,391
Advertising, promotional and marketing expenses	727,383	2,078,066
Printing and publication expenses	446,209	467,350
Subscription expenses	80,906	151,372
Membership dues and contributions to organizations	56,943	99,131
Donations	0	239,564
Others	3,346,971	6,982,785
	39,118,763	32,602,004

Significant decrease in MOOE is likewise attributable to the adoption of Memorandum Circular No. 3 dated July 28, 2022 of the President of the Philippines which limited actual utilization of relevant budgets.

24.3. Financial Expenses

	2022	2021 (As Restated)
Interest expense	1,168,942	4,493,063
Guarantee fees	0	4,734,729
Bank charges	37,640	2,317,846
Trusteeship fees	253,540	213,023
Other financial charges	2,848,597	0
	4,308,719	11,758,661

Significant decreases in interest expense and guarantee fees is the result of the full payment in September 2021 of the ODA loans from ADB and KfW ahead of their maturities. On the other hand, other financial charges include payments for the services of collection agencies commissioned to recover from fully provisioned loan accounts.

24.4. Non-cash Expenses

	2022	2021 (As Restated)
Depreciation		
Investment property	100,233	388,345
Buildings and other structures	7,450,421	10,346,011
Machinery and equipment	1,340,341	16,013,575

	2022	2021 (As Restated)
Transportation equipment	1,237,994	1,220,855
Furniture, fixtures and books	14,025	33,268
Leased assets improvements	442,355	388,768
Other property and equipment	158,136	3,240,730
ROU asset	4,514,785	398,467
	15,258,290	32,030,019
Impairment loss		
Loans and receivables	1,112,536,684	700,977,092
Property and equipment	144,601	0
	1,112,681,285	700,977,092
Losses		
Loss on foreign exchange	0	9,817,214
Loss from changes in values of fair financial instruments	0	1,666,915
	1,127,939,575	744,491,240

SB Corporation strives to promptly recognize, identify deteriorating credit exposures and determine appropriate ECL at all times. The loan classification and provisioning aim to adopt both quantitative and qualitative factors in the determination of SB Corp's credit exposure, risk quality and consequently, the level of ECL to be allocated to individual accounts. Considering however the ongoing system enhancements, the ECL derived is based generally on quantitative factors, specifically the aging of the accounts.

Significant increase in impairment losses on loans and receivables is primarily driven by past due amounts. Past due amounts increased by 73 per cent to P3.800 billion in CY 2022 from P2.190 billion in CY 2021. Past due amounts are primarily driven by corporate-funded portfolio under the CARES Program. Undistributed collections and unapplied payments due to on-going enhancement of the application payment system likewise contributed significantly to the increased ECL requirement since the affected accounts are still tagged as past due in status. Further, restructured, manually reconciled and other adjustments made at the Regional Lending Group level have yet to be captured by the on-going system enhancement.

No unrealized losses due to foreign exchange translation and valuation of derivatives were incurred in CY 2022 due to the prepayment of SB Corporation's two ODA loans during the year.

25. INCOME TAXES

25.1. Income Tax Expense (Benefit)

The components of income tax expense (benefit) as reported in profit or loss in the SCI are as follows:

	2022	2021 (As Restated)
Current income tax expense		
Higher of MCIT or RCIT	3,595,230	57,499,501
Final tax	21,024,464	0
Deferred income tax benefit	(423,305,703)	(110,609,974)
	(398,686,009)	(53,110,473)

25.2. Regular Corporate Income Tax (RCIT) Computation

	2022	2021 (As Restated)
Profit before income tax	964,409,156	141,440,260
Permanent differences		
Interest income already subjected to final tax	(105,122,371)	(94,909,870)
Dividend income from domestic corporation	(210,608)	0
Subsidy from NG – P3 MOOE – P3	(2,000,000,000)	(1,000,000,000)
Disallowed interest expense	1,168,942	4,484,597
Disallowed compromise penalties	145,000	0
	(2,104,019,037)	(1,010,466,066)

Temporary differences

Provision for impairment losses	1,112,681,285	705,414,826
Accounts written-off	(19,403,118)	(80,028,802)
Amortized portion of CY 2020 service income	(56,651,820)	0
Amortized portion of CY 2021 service income	(136,209,406)	0
Unamortized portion of CY 2022 service income	150,330,553	0

	2022	2021 (As Restated)
Unrealized gain on foreign exchange translation	0	(28,552)
Realized gain on foreign exchange translation	28,552	0
Accrued salaries	(875,267)	0
Provision on leave credits	7,900,490	0
Actual payment on leave credits	(9,608,192)	0
Net operating loss carryover (NOLCO) applied	0	(3,606,314)
Excess of cost over rental payment	181,928	0
	1,048,375,005	621,751,158
Taxable income	(91,234,876)	(247,274,648)
Income tax rate	25%	25%
Income tax due – RCIT	(22,808,719)	(61,818,662)

25.3. Minimum Corporate Income Tax (MCIT) Computation

	2022	2021 (As Restated)
Gross income		
Revenue	2,510,497,849	1,343,224,518
Cost of revenue	(4,308,718)	(11,758,661)
	2,506,189,131	1,331,465,857
Permanent differences		
Interest income already subjected to final tax	(105,122,371)	(93,965,857)
Dividend income from domestic corporation	(210,608)	(211,765)
Subsidy from NG – P3	(2,000,000,000)	(1,000,000,000)
Disallowed interest expense	1,168,942	0
	(2,104,164,037)	(1,094,177,622)
Temporary differences		
Realized gain on foreign exchange translation	28,552	0
Amortized portion of CY 2020 service income	(56,651,820)	0
Amortized portion of CY 2021 service income	(136,209,406)	0
Unamortized portion of CY 2022 service income	150,330,553	0
	(42,502,121)	0
Total gross income subject to MCIT	359,522,973	237,288,235
MCIT rate	1%	1%
Income tax due – MCIT	3,595,230	2,372,882

25.4. Deferred Income Tax Benefit

The deferred income tax benefit recognized in the SCI for the year ended December 31, 2022 relate to the following:

Particulars	2022
Payment over provision on leave credits	(426,926)
Excess of cost over rental payment	45,483
NOLCO	22,808,719
MCIT over RCIT	3,595,230
Accrued salaries	218,817
Payment of CY 2021 accrued salaries in CY 2022	(218,817)
Impairment on loans and receivables	350,795,903
Realized gain on foreign exchange translation	7,138
Service income	46,480,156
Deferred income tax benefit	423,305,703

25.5. Net Operating Loss Carry-over

Details of the NOLCO, which can be claimed as a deduction from future taxable income within five years from the year the taxable loss was incurred are as follows:

Net Operating Loss Carry Over						
Year Occurred	Available Until	NOLCO of Prior Years	NOLCO of Current Year	Applied	Expired	Balance
2022	2027	0	91,234,876	0	0	91,234,876
2021	2026	0	0	3,606,314	0	0
2020	2025	3,606,314	0	0	0	3,606,314
		3,606,314	91,234,876	3,606,314	0	91,234,876

25.6. Minimum Corporate Income Tax (MCIT)

Breakdown of the excess MCIT over RCIT with the corresponding validity periods follows:

Minimum Corporate Income Tax						
Year Occurred	Available Until	Excess MCIT of Prior Years	Excess MCIT of Current Year	Excess MCIT over RCIT	Expired/Used Portion of Excess MCIT	Balance
2022	2025	0	3,595,230	0	0	3,595,230
2021	-	0	0	0	(10,262,956)	0
2020	2023	5,357,637	0	0	0	5,357,637
2019	2022	101,588	0	0	0	101,588
2018	2021	4,803,731	0	0	0	4,803,731
		10,262,956	3,595,230	0	(10,262,956)	3,595,230

25.7. Deferred Tax Assets and Liabilities

The deferred tax assets and deferred tax liabilities recognized in the SFP as at December 31, 2022 and 2021 relate to the following:

	2022	2021 (As Restated)
Deferred tax assets		
MCIT	3,595,230	0
NOLCO	22,808,719	0
Allowance for impairment losses	638,649,110	287,853,207
Leave payable	16,499,562	16,958,681
Service income	94,695,463	48,215,306
	776,248,084	353,027,194
Deferred tax liabilities		
Lease liability	153,970	196,941
Financial asset at FVPL	0	7,138
	153,970	204,079

26. SUBSIDY FROM NATIONAL GOVERNMENT

Subsidy from the NG solely pertains to the funds received for the P3 Program, 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 2022 is P3 Program's sixth year of operation. P3 funding for CY 2022 is included as a Tier 1 funding of P2.000 billion. The mobilization fund for the year was at P100.0 million. From CYs 2017 to 2022, total subsidy received for the P3 Program totaled P8.000 billion.

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

	2022	2021 (As Restated)
Subsidy from the NG Expenses	2,000,000,000	1,000,000,000
MOOE		
Professional services	47,391,880	46,810,301
Communication expense	4,326,307	5,045,682

	2022	2021 (As Restated)
Supplies and materials expense	2,760,699	2,140,471
Utility expense	2,062,038	1,793,365
General services	1,595,496	1,529,793
Repairs and maintenance	925,136	2,073,233
Training expenses	807,432	263,267
Traveling expenses	718,181	393,180
Taxes, insurance premiums and other fees	0	4,605,300
Other maintenance and operating expenses	5,765,817	15,304,615
	66,352,986	79,959,207
<i>Provision for probable losses</i>	34,736,524	431,597,529
	101,089,510	511,556,736
Fund balance	1,898,910,490	488,443,264

The fund balance at year-end forms part of the appropriated retained earnings to ensure continuous delivery of activities under the P3 Program.

27. EMPLOYEE BENEFITS

27.1. Provident Fund

a. Legal Basis

The creation of the Provident Fund was authorized by the BOD under BR No. 396, series of 1997, as amended by the DBM in its Letter dated March 13, 2003. This is consistent with Section 11-A(f) of RA No. 6977, as amended.

b. Eligibility

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

c. 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 own Board of Trustees. Each member shall authorize SB Corporation to deduct and withhold at the end of each month 5 per cent 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 10 per cent 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.

27.2. Retirement Benefits

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

Covering Law	Coverage	Available Benefits	Paying Institution
RA No. 1616	Employees as at May 31, 1977 with 20 years of service (YoS), the last three years of which are continuous	One-month basic salary for the first 20 YoS, 1.50month basic salary in excess of 20 up to 30 YoS, and 2.00 months basic salary in excess of 30 YoS	SB Corporation
RA No. 8291	At least 15 years of service, if below age 60 upon retirement, benefit is payable at age 60	Monthly pension or cash payment	GSIS

27.3. 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.

28. LEASES

SB Corporation leases the premises, which serve as its extension offices, including parking spaces, in the cities of Cebu, Davao, Baguio and other desk offices in the different regions of the country and has the option to renew such leases under certain terms and conditions. With the exception of short-term leases and leases of low-value underlying assets, each lease is reflected on the SFP as ROU asset and a lease liability.

Leases are either non-cancellable or may only be cancelled by incurring a substantive termination fee. Lease term ranges from 2 to 3 years, which generally contains an option to extend the lease for a further term subject to mutual agreement with an escalation rate of 5 to 10 per cent per annum.

28.1. ROU Asset

The movements in the ROU asset, including the related accumulated depreciation and impairment accounts, are as follows:

	2022	2021 (As Restated)
Cost		
Balance, January 1	11,288,565	0
Additions	0	11,288,565
Balance, December 31	11,288,565	11,288,565
Accumulated depreciation		
Balance, January 1	2,037,584	1,639,117
Depreciation during the year	4,328,224	398,467
Balance, December 31	6,365,808	2,037,584
	4,922,757	9,250,981

The ROU asset was recognized at an average discount rate of 1.9712 to 2.5327 per cent, and is depreciated over the lease term.

28.2. Lease Liability

The movements in lease liability are as follows:

	2022	2021 (As Restated)
Balance, January 1	8,463,216	0
Accretion of interest	158,392	84,174
Payments	(4,491,249)	(2,733,004)
Others	176,519	11,112,046
Balance, December 31	4,306,878	8,463,216
Current	2,972,376	4,156,338
Non-current	1,334,502	4,306,878

The weighted average incremental borrowing rate applied by SB Corporation to the lease liability is 2.2595 per cent. Lease payments are made on a monthly basis.

28.3. Lease Payments Not Recognized as Liabilities

Payments made under short-term leases and leases on low-value underlying assets are expensed on a straight-line basis. The expenses relating to short-term leases amounted to P3.471 million and P4.963 million for CYs 2022 and 2021, respectively.

29. RELATED PARTY TRANSACTIONS

29.1. Key Management Personnel and Compensation

The key management personnel of SB Corporation are the President and CEO, the Executive Vice President, the Sector Managers, various Group Managers, and the Managers/Corporate Executive Officers of the operating and support groups. Compensation of the key management personnel totaled P41.729 million in CY 2022.

29.2. BOD Composition and Compensation

As at December 31, 2022, the composition of the BOD of SB Corporation is as follows:

Name	Board Position	Position in Other Agencies
Alfredo E. Pascual	Chairperson	Secretary, DTI
Blesila A. Lantayona	Alternate/Acting Chairperson	Undersecretary, DTI
Robert C. Bastillo	Vice Chairperson	President and CEO, SB Corporation
Benjamin E. Diokno	Member	Secretary, DOF
Rosalia V. De Leon	Alternate Member	Treasurer, BTr
Annie F. Candelaria	2nd Alternate Member	Chief Treasury Operations Officer II, BTr
Manuel B. Bendigo	Member	NG Representative
Jacob S. Vasquez	Member	NG Representative
Joe Jay T. Doctora	Member	NG Representative
Voltaire B. Magpayo	Member	NG Representative
Avelino L. Andal	Member	NG Representative
Arnulfo V. Galdo	Member	DBP Representative
Elvira L. Go	Member	Private Sector Representative

The total remuneration received by the appointive members of the BOD amounted to P3.200 million and P2.103 million for CYs 2022 and CY 2021, respectively.

30. SUPPLEMENTARY INFORMATION REQUIRED BY THE BUREAU OF INTERNAL REVENUE

Presented in the succeeding pages is the supplementary information required by the BIR under Revenue Regulation (RR) No. 15-2010 dated November 25, 2010 to be disclosed as part of the notes to the financial statements. This supplementary information on taxes, duties and license fees paid or accrued during the taxable year is not a required disclosure under PFRSs.

30.1. Withholding Taxes

	2022	2021
Taxes on compensation and benefits	29,422,260	26,935,578
Value added taxes (VAT)	3,950,842	4,320,016
Expanded withholding taxes	2,606,219	2,450,347
Gross receipt taxes (GRT)	17,815,634	28,046,733
	53,794,955	61,752,674

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.

30.2. Other Taxes

Documentary stamp taxes is composed of the following:

	2022	2021
Local		
Real estate taxes	568,324	639,770
Corporate community tax	10,500	10,500
	578,824	650,270
National		
Documentary stamp taxes	44,057,959	61,122,591
BIR annual registration	500	1,000
	44,058,459	61,123,591
	44,637,283	61,773,861

Documentary stamp taxes is composed of the following:

	2022	2021
Documentary stamps expense	23,260,225	9,615,389
Due to BIR	20,797,734	51,507,202
	44,057,959	61,122,591

30.3. Tax Cases and Assessments

BIR issued a Termination Letter dated June 30, 2022 for CY 2016 Letter of Authority No. 050-2018-00000202 dated September 13, 2018. The Final Assessment Notice of the BIR related to the said assessment amounted to P124.000 million.

After BIR granted the request for reinvestigation, the reconciliation resulted to the payment of the following tax deficiencies for CY 2016 to close said case:

Tax Type	Payment Date	Amount
Income tax	April 21, 2022	3,075,071
Percentage tax	April 21, 2022	1,038,007
Percentage tax	May 26, 2022	1,852,178
Other percentage tax	May 26, 2022	1,707,729
Expanded withholding tax	April 21, 2022	1,057,458
		8,730,443

SB Corporation has also made payment of tax deficiencies for CY 2019 Letter of Authority No. 050-2021-00000047 dated February 3, 2021, to wit:

Tax Type	Payment Date	Amount
Percentage tax Expanded withholding tax	April 29, 2022	7,401,768
	April 29, 2022	216,396
		7,618,164



Usec. Blesila A. Lantayona
Acting Chairperson, Small Business Corporation
Department of Trade and Industry Representative

Usec. Blesila A. Lantayona is 63 years old and single. Prior to her appointment as Undersecretary of the Department of Trade and Industry, Usec. Blesila A. Lantayona was the Assistant Secretary of DTI-Regional Operations Group, in-charge of Kapatid Mentor ME, Shared Service facilities, Industry Cluster Enhancement Project, Great Women Project 2, among others. She was conferred with the DTI Innovator Award during the 2017 System on Performance Rewards and Incentives (SPRInts) Huwarang DTI Awards, the annual recognition program for top performing Officials and Employees whose outstanding achievements and exemplary demonstration of the DTI values transformed the organization into the "Agency of Choice".

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

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

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

BOARD OF DIRECTORS

BRIEF RESUME OF THE MEMBERS OF THE SB CORPORATION BOARD OF DIRECTORS

(AS OF 31 DECEMBER 2022)



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

Treas. Rosalia V. De Leon (62 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 Financial Management reforms initiated by the government. The TSA made it easier to manage the cash holdings of the National Government thereby improving the efficiency of Treasury operations.

In 2017, Ms. De Leon was re-appointed as National Treasurer. With the increased financing requirement brought about by the Duterte Administration's Build, Build, Build! Program, she had led the Republic towards innovative and cost-effective 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 SB Corporation on March 23, 2017 as alternate of the Secretary of Finance.

APPOINTIVE DIRECTOR



Dir. Robert C. Bastillo

President and CEO, Small Business Corporation

Mr. Bastillo (62 years old) assumed the post of Acting President and Chief Executive Officer of the Small Business Corporation in September 2022 and elected as President and Chief Executive Officer in October 2022. Prior to that he served as Vice President for the Innovation and Advocacy Group for the Corporation from September 2021 up to his appointment as Acting President/CEO.

Prior to joining the Small Business Corporation, he was one of the country's established management experts, with more than 25 years of experience in management consultancy work in the business, government, non-government, grassroots and international development sectors in the Philippines and other countries.

As a consultant, he provided services in multiple competencies in a wide range of thematic areas. He assisted more than 170 local and international organizations, programs and companies in the past 25 years, mostly as leader of a consulting team or as the chief consultant. His work spans areas all over the country from Batanes to Tawi Tawi and has extensive work experience in Mindanao and the Bangsamoro.

He was an Associate Professor at the Asian Institute of Management from 1993 to 2000, where he was the Director of the Master in Development Management Program in 1995-1996. He obtained his Master in Business Management (MBA) degree from the same institute in 1988. He also spent more than 15 years as an entrepreneur/business executive since 1985. His last

post as executive (2017- 2021) prior to joining SB Corp was as Chief Operating Officer and Chief Finance Officer of Negosyong Pinoy (Venture South) Finance Corp., a foreign owned financing company specialized in the "missing middle" - graduating microenterprises, small, growing businesses and medium sized companies.

He drafted the Industry Road Map for the MSME Credit Sector, commissioned by the Small Business Corporation (SBGFC), in 2015.

He graduated from the University of the Philippines at Los Banos in 1982 with a BS in Agricultural Economics, Cum Laude.

COMMON STOCK SHAREHOLDERS REPRESENTATIVES



Dir. Joe Jay T. Doctora

National Government Representative

Dir. Joe Jay T. Doctora is 63 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 52 years old and married. He joins SBCorp with over 10 years of experience in strategic business planning, supply and value chain management, furthering SBCorp's mission to champion MSMEs in the country. Magpayo is an award-winning entrepreneur, a business mentor, and a strong advocate for Filipino MSMEs. He obtained his Bachelor of Science in Accounting from the San Beda University, and his Master's Degree in Applied Business Economics from the University of Asia and the Pacific. He is a certified franchise executive and was previously a consultant on business development at various government agencies. He was appointed as Board of Director of Small Business Corporation on June 10, 2021 vice Atty. Ferdinand D. Tolentino.



Dir. Jacob S. Vasquez
National Government Representative

Dir. Jacob Vasquez is 43 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 74 years old, married and a graduate of BS in Business Administration from the University of the East. He worked with the Bangko Sentral ng Pilipinas in Davao from 1969 to 2013. He was appointed as Member of the Board of SB Corporation on May 10, 2017 representing the National Government.



Dir. Avelino L. Andal
National Government Representative

Dir. Avelino Andal is 73 years old, separated and a graduate of Bachelor of Science in Business Management at Mapua Institute of Technology in 1970 and earned his units in Master of Business Administration also at Mapua Institute of Technology. He specialized in Construction Management, expert in Structural Restoration of Earthquake and Fire- damaged structures, experienced TV host and radio commentator, writer and editor (news, editorial and opinion writer) for 5 weekly provincial newspapers belonging to the Monday Times Group of Publications from 1998-present and with 21 years of experience in radio and TV broadcasting and PR consultant as a media professional. He was appointed as Board of Director of Small Business Corporation on March 9, 2022.



Dir. Arnulfo V. Galdo
DBP Representative

Dir. Arnulfo V. Galdo is 72 years old, married and had 17 long years in private commercial and rural banking, with 8 years of managerial experience. 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.

PRIVATE SECTOR REPRESENTATIVE



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 to present. Her latest trainings are at Institute of Corporate Directors with topics on Corporate Governance and Risk Oversight Committee of the Board.

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

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GLOBAL REPORTING INITIATIVE
PROFILE INDICATORS



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

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DIRECTORY OF OFFICES

North Luzon Group

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South Luzon Group

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