

COMPANY PROFILE

The company was established on 02 March 2005 by the National Development Company (NDC), as the NDC Maritime Equity Corporation (NMEC), to provide financial support in the full implementation of the Road RORO Terminal System (RRTS) and the government's Strong Republic Nautical Highway (SRNH) program through the acquisition of modern RORO vessels to be leased to qualified operators. On 27 July 2006, NMEC was christened as NDC Maritime Leasing Corporation (NMLC) and acquired its Certificate of Authority from SEC to operate as a financing company on 15 September 2006, NMLC. In the same year NMLC undertook the financial lease of three (3) RORO vessels.

The Development Bank of the Philippines (DBP) acquired the NMLC On 12 June 2008 to complement its traditional banking service and to allow the company to venture into a wider scope of business while maintaining its particular interest in the maritime field. The company was particularly in charge of facilitating the deployment of RORO vessels in the missionary routes for the Road RORO Terminal System (RRTS), a component of its Sustainable Logistics Development Program (SLDP).

NMLC was renamed DPB Maritime Leasing Corporation on 11 May 2009 and primary purpose was amended to engage in all forms of leasing for real or personal properties and all kinds of equipment, machines, vehicles and facilities, especially maritime vessels. On 14 January 2010, the company was renamed DBP Leasing Corporation to further reflect the change in the scope of its business.

The period 2008 to 2011 marked a significant milestone for the company, as it acquired twelve (12) vessels. In 2011, one (1) vessel was turned-over to its lessee upon the end of its contract.

As of 31 December 2012, DLC has an Authorized Capitalization of **PHP 3.0 Billion** with a Subscribed and Paid-up Capital of **PHP732 Million**. Total Assets amounted to **PHP 1.48 Billion**, of which **PHP 816 Million** or 55% in the form of Finance Lease Receivables and **PHP 412.4 Million** or 28% in vessels for lease.

HIGHLIGHTS

A total of PHP 354.5 million in new leases were approved and/or funded in 2012. Funds were sourced from PHP 132 million in Preferred Shares, PHP 150 million from bank loans and the balance from internally-generated funds.

The lease of non-traditional assets was initiated in 2012 with the acquisition and lease of one (1) real property (lot & building) with a TPC of PHP 132 Million and two (2) units of heavy/construction equipment with a TPC of PHP 9.8 Million. Traditional assets continued to dominate the lease program with three (3) vessels, Total Project Cost (TPC) of PHP 212 Million, acquired and leased during the year.

At the end of the year, DLC had an asset inventory of seventeen (17) units broken down into: twelve (12) units under financial lease composed of nine (9) vessels (various types and sizes), two (2) units of heavy/construction equipment and one (1) unit building with lot; six (6) vessels under short-term lease (bareboat charter). During the year, one (1) vessel sunk and was declared a total loss; and, one (1) vessel was turned-over with the expiration of the lease.

A total of PHP 72.7 million in revenues were generated with Operating Expenses reaching PHP 71.4 million or 98% of income, resulting in a Net Income before financial charges of PHP 1.3 Million. With the Provisions for Losses of PHP 14.7 Million, DLC registered a Net Loss After Tax of PHP14.3 Million.

Net Worth increased by 18% to PHP 721.3 Million and Financial Lease Receivables increased by 32% to 816.1 Million (current & non-current). Net Cash Flow by the end of 2012 increased by 77% to PHP104.5 Million.

OPERATIONS PERFORMANCE

Asset inventory at the start of the year was comprised entirely of thirteen (13) vessels of various types and sizes. Only seven (7) vessels were under financial release with the balance of six (6) vessels on temporary bareboat charter awaiting conversion to financial lease.

For 2012, DLC's Planned Lease Program involved the following major activities:

- Conversion of six (6) bareboat-chartered vessels into financial lease;
- Deployment of PHP 936 million, at a minimum, in new financial leases within the 1st semester of 2012; and
- Bulk of the Lease Program of around PHP 725 Million or 80% would be funded through additional equity infusion from DBP, utilizing LIDP Funds, with the balance coming from internally-generated funds and borrowings

During the year, a total of PHP 354.5 Million of new leases was approved and funded. Traditional (maritime) leases continued to dominate the lease program accounting for PHP 212 Million or 60% of the deployed funds for the year. A total of three (3) vessels were acquired and added to the lease account for the period.

Non-traditional leases were introduced during the year with acquisition and lease by the DOLE Regional Office of the Insular Life Building in Cebu (inclusive of lot) with a TPC of PHP 132 Million. Also acquired and leased were two (2) units of heavy/construction equipment with a TPC of PHP 9.8 Million.

Leasing activities were suspended starting September 2012 as the expected equity infusion fell short of the expected amount.

Two (2) bareboat-chartered vessels figured in maritime incidents, one vessel was declared a total loss and the other vessel was salvaged and is under repair.

The first leased asset of DLC, a RORO vessel leased by Montenegro Shipping Lines, was turned over to MSLI when the lessee opted to forego its Lease Guarantee Deposit (LGD) and kept the vessel upon expiration of the lease.

Asset inventory at the end of the year was composed of seventeen (17) units. Of this number, twelve (12) units were under financial lease composed of nine (9) vessels (various types and sizes), two (2) units heavy/construction equipment and one (1) unit building with lot. The six (6) bareboat-chartered

vessels at the start of the year continued to be under bareboat charter, as DLC was not able to convert them to financial lease.

FINANCIAL PERFORMANCE

At the start of 2012, DLC registered a beginning cash flow of PHP 58.9 Million, a Net Worth of PHP 608.2 Million, Financial Lease Receivables of PHP 616.9 Million (current & non-current) and leasable assets (vessels) of PHP 411.4 Million.

The budgeted additional equity infusion utilizing LIDP funds through subscription in Preferred Shares for new projects and re-financing of existing eligible projects, amounting initially to PHP 320 Million, did not push through. As an alternative, a Clean Revolving Credit Line of PHP 550 Million was granted subject to regulatory approval but was not availed in the absence of a favorable endorsement by the DOF to the Monetary Board.

With additional equity infusion of PHP 132 Million in Preferred Shares and PHP 150 Million in borrowings and PHP 72.5 Million in internally-generated funds, DLC invested PHP 354.5 Million in leasable assets for 2012. The new and existing leases generated a lease income of PHP 65.7 Million contributing to the total year-end income of PHP 72.7 Million, a decline of 5% over the 2011 income of PHP 76.5 Million.

Revenues were below projected levels mainly because of unrealized income due to the following factors:

- Lack of funds for new financial leases
- Non-conversion of bareboat-chartered vessels to financial lease
- Breakdown or sinking of vessels

Operating expenses, on the other hand, increased by 35% in 2012 to PHP 71.4 Million from PHP 52.8 Million in 2011 resulting in Income From Operations of PHP 1.2 Million. However, DLC registered a Net Loss (After Tax) of PHP 14.3 Million largely due the Provision for Probable Losses in the amount of PHP 14.7 Million accounting for 80% of the increase in Total Operating Expenses of PHP 18.6 Million.

The balance of the increase in expenses above projected levels were due to the following:

- Increase in depreciation and insurance expenses due to non-conversion of bareboat-chartered vessels to financial lease and the drydocking, repair

and maintenance expenses of bareboat-chartered vessels; and,

- Expenses incurred due to the sinking and breakdown of several bareboat-chartered vessels and watchkeeping services for repossessed or returned vessels.

The overall effect of the slight decline in revenues and the substantial increase in expenses resulted in a Net Loss of PHP 14.3 Million in 2012. Taking out the expense for the Provision for Probable Losses, DLC's Net Loss (After Tax) would only amount to around PHP 0.50 Million.

As a result of its operations for the year, DLC's ending cash flow for 2012 stood at PHP 104.5 Million, Net Worth at PHP 721.3 million and Financial Lease Receivables at 816.1 Million (current & non-current). Leasable Assets remained relatively unchanged at PHP412.4 Million.

Attachment: DLC Financial Statements (As of 31 December 2012) submitted to the Commission On Audit (COA)

CORPORATE GOVERNANCE

The Manual of Operations, based on the DBP template, was finalized/completed covering the following areas:

1. Applications Processing
2. Asset Acquisition and Procurement
3. Leasing
4. Bareboat Charter of Vessels

The HRM Manual was also finalized/completed. Both manuals would be subject to review prior to approval/adoption by the Management Committee for submission/endorsement to the DLC Board for approval and adoption.

HUMAN RESOURCES

DLC continued to invest in trainings/seminars to improve employees' skills and job performance; and, to ensure that DLC remains updated with current government regulations, leasing industry practices and trends in the industries serviced.

Recruitment and hiring of an Assistant Vice-President for Marketing and a

Financial Assistant (replacement of the lateral transfer of an employee to the position of Leasing Assistant) was undertaken to strengthen competence and support in the areas of marketing and finance.

Outsourcing of technical and support services continued in the areas of Admiralty law, information technology and general administrative services.

Attrition for the year included the resignation of the Legal officer and retirement of the President & CEO.

CORPORATE SOCIAL RESPONSIBILITY

During the year, the DLC's continued its partnership with the Balanacan Multi-Sectoral Credit Cooperative (BMCC), which it established, composed of 108 members with a main business are micro-lending and charcoal buying. As of December 2012, BMCC had earned savings of PHP 6,590.00 with a capitalization of PHP 29,337.50, from payments of capital share of the members.

Around 74% of BMCC's members (80 members) have availed of micro loans. In the charcoal buying business, BMCC has an inventory of around 45 tons of charcoal worth PHP 450,000 waiting for pick up.

Considering that BMCC is now self-sustaining and in view of the net loss registered by the DLC in 2012, the CSR Program was officially ended/terminated as of 31 December 2012. DLC continues to monitor BMCC's, which has an outstanding loan balance of PHP 70,194.32 for micro financing and PHP 171,925.34 for charcoal buying.

