COMPANY PROFILE

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

The Development Bank of the Philippines (DBP) acquired the NMLC in 12 June 2008 to complement its traditional banking service. The company expanded the scope of its business while maintaining its particular interest in the maritime field. The company continued to facilitate the deployment of RORO vessels in the missionary routes of the Road RORO Terminal System (RRTS), a component of DBP's Sustainable Logistics Development Program (SLDP).

NMLC was renamed DBP Maritime Leasing Corporation (DMLC) in 11 May 2009. Its primary purpose was amended to allow the company to engage in all forms of leasing for real or personal properties and all kinds of equipment, machines, vehicles and facilities. In 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. This was followed by two (2)more vessels in 2013.

As of 31 December 2013, DLC's Authorized Capitalization remained at **PHP 3.0 Billion** with a Subscribed and Paid-up Capital of **PHP732 Million**. Total Credit Portfolio stood at **PHP 1.132 Billion** composed of Finance Lease Receivables (Net of Allowance for Probable Losses) at **PHP 680.9 Million** and Leasable Assets (Net Book Value) at **PHP 451.1 Million**.

HIGHLIGHTS

No new leases were approved and/or funded in 2013. At the end of the year, DLC had an asset inventory of seventeen (17) units broken down into: nine (9) units under financial lease composed of six (6) vessels (various types and sizes), two (2) units of heavy/construction equipment and one (1) unit building with lot; and, the balance composed of seven (7) vessels laid-up/under repair and one (1) vessel under bareboat charter. During the year, two (2) vessels were turned-over to the lessees with the expiration of their leases.

A total of PHP 75.3.7 Million in revenues were generated with Operating Expenses reaching PHP 63.6 Million or 85% of income, resulting in a Net Income from Operations of PHP 11.7 Million. With Interest and Other Expenses at PHP 14.8 Million, DLC registered a Net Loss After Tax of PHP 3.5 Million.

Net Worth decreased from PHP 721.3 Million in 2012 to PHP 717.8 Million in 2013 and Financial Lease Receivables (Net of Allowance for Probable Losses) decreased by 16.5% to PHP 680.9 Million. Net Cash Flow by the end of 2013 increased by 16% to PHP 87.8 Million.

Corporate governance was improved with the adoption and approval by the DLC Board of critical manuals, the reorganization of the functional and organizational structure and the re-activation of the development of a Quality Management System.

OPERATIONS PERFORMANCE

Asset inventory at the start of the year was composed of sixteen (16) vessels of various types and sizes, two (2) units heavy/construction equipment and one (1) unit building with lot. Nine (9) vessels were under financial release with the balance of seven (7) vessels on either temporary bareboat charter or under repair.

The retirement of the President & CEO, with the appointment of a permanent Officer-In-Charge only in June 2013 coupled with the absence of a quorum in the DLC Board, hampered the adoption of the DLC's Planned Lease Program for 2013. During the period January to October 2013, DLC focused on the conversion of the seven (7) vessels into financial lease

The Performance Agreement Negotiations with the Governance Commission for GOCCs (GCG) covering the period 2013-2014 was concluded in 18 October 2013. Subsequently, the Interim Performance Scorecard for 2013-2014 and the Annual Budget for 2013 was approved by the DLC Board on 07 November 2013.

The Performance Agreement for 2013 and Annual Budget for 2013 has the following salient features:

1. Increase in Financial Release Receivables from PHP 732.9 Million in 2012 to PHP 976.1 Million in 2013;and,

2. Deployment of PHP 65 Million for the funding of new lease projects.

One (1) repossessed vessel was converted to a financial lease during the 1st Quarter while two (2) repossessed vessels were bareboat-chartered during the 3rd and 4th Quarter, respectively.

Three (3) vessels under financial lease were repossessed during the 4th Quarter as their lessees went into default.

Two (2) RORO vessels leased by Montenegro Shipping Lines (MSLI) were turned over in the 1st Quarter and 4th Quarter, respectively, as the lessee opted to forego its Lease Guarantee Deposits (LGDs) and keep the vessels upon expiration of the leases.

Before the end of the year, the proceeds from the insurance claim from the total loss of the M/V Lolo Uweng of Landayan in the amount of PHP 34 Million was collected from GSIS.

Asset inventory at the end of the year is composed of fourteen (14) vessels, two (2) units heavy/construction equipment and one (1) unit building with lot. Six (6) vessels are under financial lease, one (1) vessel is bareboat-chartered and the balance of seven (7) vessels is laid-up/under repair.

FINANCIAL PERFORMANCE

At the start of 2013, DLC's beginning beginning cash flow stood at PHP 104.5 Million, Net Worth at PHP 721.3 million and Financial Lease Receivables at 816.1 Million (Net of Allowance for Probable Losses) and Leasable Assets at PHP 412.4 Million (Net Book Value). Total Credit Portfolio stood at 1.228 Billion.

Revenues increased by 3.4% from PHP 72.7 Million in 2012 to PHP 75.3 Million in 2013. Operating expenses, on the other hand, decreased around 11% from PHP 71.4 Million in 2012 to PHP 63.6 Million in 2013 resulting in Income From Operations of PHP 11.7 Million in 2013 compared to PHP 1.3 Million in 2012. However, DLC registered a Net Loss (After Tax) of PHP 3.5 Million due largely to an Interest Expense of PHP 14.8 Million. This an improvement over a Net Loss (After Tax) of PHP 14.3 Million incurred in 2012.

At the end of the year, ending cash flow was PHP 87.8 Million, Net Worth declined to PHP 717.8 Million, Financial Lease Receivables (Net of Allowance for Probable Losses) was reduced to PHP 680.9 Million and Leasable Assets reached PHP 451 Million. Total Credit Portfolio declined to PHP 1.132 Billion due to repossession of assets.

CORPORATE GOVERNANCE

A functional and structural reorganization was undertaken in June 2013 to provide check and balance, delineate responsibility and eliminate overlapping of functions. This resulted in the creation of the four (4) groups, namely: Account Management Group, Finance and Administration Group, Operations Group and Support Services Group.

The following manuals were approved/noted by the DLC Board;

1. Manual of Operations
2. Accounting Manual
3. HRM Manual

In compliance with Interim Performance Scorecard for 2013-2014 and with GCG Memorandum Circular No. 2013-02 Re: Performance Evaluation System for the GOCC Sector, DLC reactivated the Memorandum of Agreement with the Development Academy of the Philippines (DAP) on the project entitled "*Development of Quality Management System Certifiable to ISO 9001:2008 for the DBP Maritime Leasing Corporation*" in December 2013.

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 Legal was undertaken to fill the void left by the resignation of the Legal Officer in 2012. In addition to the legal tasks, the AVP was appointed as Corporate Secretary and given the responsibility for remedial management.

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

Attrition for the year included the resignation of the Vice President for Support Services.