



DEVELOPMENT BANK OF THE PHILIPPINES

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28 January 2026

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SUBJECT: Clarification of News Article in the Rappler entitled “DBP’s P36.2-B NPL Exposure Emerges as A State-Level Credit Risk”

Dear Atty. Selleza:

We reply to your inquiry through email dated 27 January 2026, requesting clarification of the following news article published in the Rappler dated 27 January 2026 entitled, “DBP’s P36.2-B NPL exposure emerges as a state-level credit risk”.

The article reported the following:

“Based on documents obtained by Vantage Point from reliable sources, DBP’s P36.21 billion in non-performing loans (NPLs) is no longer a peripheral banking issue but a material strain on financial viability — silently eroding capital, compressing future lending, and transforming development finance into a deferred fiscal risk the country may eventually be forced to absorb.

Development banks do not fail loudly. They erode quietly — through balance sheets that still look compliant, profits that still appear respectable, and capital ratios that technically pass regulatory tests. The danger is not collapse, but complacency. And that is precisely the risk now facing the Development Bank of the Philippines (DBP).”

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Documents show that most of DBP’s NPLs were granted during the Duterte administration to 442 borrowers — spanning both businesses and individuals — with loan exposures ranging from one peso to as much as P3.4 billion.

Records further show that the largest non-performing exposure in DBP’s loan book is Premium Megastructures, Inc., with outstanding loans totaling approximately P3.4 billion, followed closely by Chua Manuel & Theresa with about P3.31 billion.

Phoenix Petroleum Philippines Inc., controlled by businessman Dennis Uy, ranks third, with NPLs amounting to roughly P2.93 billion. Together, these top accounts highlight the concentration risk embedded within DBP’s impaired portfolio, underscoring how a handful of large borrowers now account for a substantial share of the bank’s P36.21 billion in bad loans.



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Measured against DBP's gross loan portfolio of roughly ₱560 billion, the NPL stock implies a ratio of about 6.4%. That figure alone places the bank well above the system average and beyond the comfort zone for an institution whose funding and survival ultimately rest on public confidence. But ratios only tell part of the story. What matters more is how such NPLs interact with earnings.

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DBP's annual net income of roughly ₱7 billion provides a narrow cushion. Credit provisions are not optional; they rise as loans deteriorate. Even modest increases in provisioning can absorb most of the bank's annual profit. A 5-billion additional reserve requirement — easily triggered by reclassification or regulatory review — would effectively wipe out a year's earnings. A deeper deterioration cycle would push the bank into losses without a single peso leaving the vault.

This is the first hard reality: DBP's earnings capacity is insufficient to comfortably absorb its current level of impaired assets.

The second reality lies in capital sensitivity. DBP's equity base, estimated at just under ₱100 billion, appears robust — until loss severity is introduced. If even 15% of NPLs ultimately prove unrecoverable, the bank would absorb a capital hit exceeding ₱5 billion. At 25% loss severity, the impact approaches ₱9 billion. These are not catastrophic numbers — but they materially weaken buffers meant to protect against future shocks.

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Yet the most unsettling discovery is not merely the size of DBP's problem loans. It is who the bank has been lending to.

A growing portion of DBP's loan book is extended not to corporations, infrastructure project vehicles, or institutional borrowers — but to individuals. That shift should immediately raise alarms.

DBP's charter allows lending to individuals only as an incidental function — typically when the borrower is a sole proprietor or project proponent directly engaged in a development-oriented activity.

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In that sense, ₱36.21 billion in NPLs is not merely a backward-looking problem. It is a forward-looking constraint. It defines what DBP will not be able to do tomorrow — long before any crisis appears today.

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With reference to the foregoing, DBP acknowledges the article published by Rappler and takes the matters raised seriously. We have already initiated an internal review to determine the matters surrounding the circumstance and to confirm the accuracy and proper context of the figures presented.

We also note that DBP remains financially sound with respect to its capital and financial health, which also sufficiently enables us to continue fulfilling our mandate of supporting national economic development. As with all banks, non-performing loans are a recognized risk in lending activities, and DBP manages these through credit risk controls, adequate

provisioning, and active account monitoring and recovery measures, in line with regulatory expectations and prudent banking practices. We likewise maintain close coordination with our regulators and continue strengthening our compliance and risk governance to ensure we protect the interests of our stakeholders.

We also note that recent economic headwinds, which include the aftereffects of the pandemic and heightened global and local uncertainties, have affected borrowers and have contributed to higher NPL levels across the banking sector. As a government and development bank, DBP supports priority sectors aligned with development objectives of the National Government, which may carry different risk profiles. These exposures, however, are undertaken within the Bank's charter, its risk appetite, and governance framework.

Finally, stress tests referenced are generally designed to be conservative by nature. They are tools used to assess resilience under severe scenarios and to ensure that the Bank remains prepared to continue operations and deliver services even under adverse conditions.

We will duly provide updates, as appropriate, once our validation is completed.

Thank you.

Sincerely,



ALLEN LOUIS V. YANZA

Associated Person/Deputy Corporate Information Officer