DEVELOPMENT BANK OF THE PHILIPPINES
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BAGONG PILIPINAS

25 February 2026

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SUBJECT: Clarification of News Article by Rappler entitled "Why a DBP–LandBank merger has become urgent."

Dear Atty. Selleza:

We reply to your inquiry through email dated 24 February 2026, requesting clarification of the following news article published in Rappler dated 21 February 2026 entitled, "*Why a DBP-LandBank merger has become urgent*".

The article reported the following:

> *"As DBP moves to reassure the public over its ₱36.21-billion non-performing loan exposure, we show why confidence alone is no longer sufficient. A forensic reading of the bank's balance sheet reveals how rising impaired assets, concentration risk, and mandate drift are quietly constraining development finance and shifting risk toward the public purse.*
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> *Against this backdrop, long-delayed proposals to merge DBP with LandBank emerge not as a rescue plan, but as a necessary modernization — one aimed at restoring governance discipline, strengthening risk management, and preserving the state's capacity to finance growth before options narrow further.*
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> *When institutions face uncomfortable scrutiny, their instinct is rarely to issue a denial. It is mostly to provide reassurance. Stability is emphasized, context is invoked, risks are normalized, critics are thanked, and accountability is deferred.*
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> *This pattern was evident in the February 18, 2026, letter of the Development Bank of the Philippines (DBP) to Rappler Executive Editor Glenda Gloria regarding a Vantage Point exposé which probed the implications of DBP's ₱36.21-billion non-performing loan (NPL) exposure.*
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> *The letter was professional, courteous, and calm. It was also carefully constructed to reassure — without substantively addressing the structural issues at hand.*

DBP argues that elevated NPLs are an inherent risk of development banking, and that recent economic headwinds explain borrower distress. This is accurate, but incomplete. All banks face credit risk. What distinguishes resilient institutions from constrained ones is not whether NPLs exist, but whether their scale, composition, and concentration remain consistent with earnings capacity and capital strength.

At more than ₱36 billion, DBP's impaired loans are no longer peripheral. They are large enough to materially influence profitability, provisioning, and future lending capacity. This is not a matter of opinion; it is math at its best. When annual earnings are modest relative to potential provisioning requirements, asset quality becomes a strategic constraint, not a cyclical fluctuation.

Invoking 'economic headwinds' explains why loans deteriorated. It does not explain why exposure accumulated at scale."

The bank has also taken issue with the publication of borrower names appearing in its NPL portfolio, saying the list should not have been disclosed. But loans extended by a government-owned bank are not purely private transactions. DBP operates with public capital and carries public risk. When large exposures turn non-performing and begin to affect profitability, capital buffers, and lending capacity, the consequences extend beyond borrower and bank to taxpayers and the broader economy.

The publication did not disclose sensitive personal identifiers. It reported names and loan amounts strictly in relation to their impact on a state institution's financial condition. A non-performing classification is not an accusation of wrongdoing. It is a financial status. Reporting it is oversight and is never meant to be intrusion.

Privacy protections exist to prevent misuse and harassment, not to shield matters of legitimate public concern. When billions of pesos in unpaid loans weigh on a state-owned bank's balance sheet, transparency becomes an obligation, not a choice. The public has a right to understand how such risks affect development finance and fiscal exposure. Reassurance without visibility is not accountability.

If DBP is as strong and resilient as it maintains, informed scrutiny should not be feared. Trust in public institutions is sustained not by withholding information, but by confronting financial realities openly before they become public liabilities.

The bank further asserts that it has been "proactive and prudent" in managing NPLs. Prudence, however, is measured by outcomes, not intent. A prudent system limits concentration, enforces underwriting discipline, and prevents impaired assets from dominating management attention. When large exposures migrate to non-performing status and remain unresolved, prudence becomes more of a claim than a conclusion.

More revealing is DBP's rejection of the observation that a growing portion of its loan book is exposed to individual borrowers, arguing that these accounts belong to Micro, Small, and Medium Enterprise (MSME) proprietors and development-oriented operators. Legally, this may be correct. Financially, it is incomplete.

From a risk perspective, loans booked under individual names — even when tied to enterprises — behave differently from corporate or project-based credits. They lack audited financials, offer limited restructuring options, and depend heavily on collateral enforcement. Recovery is slower. Resolution is costlier. Capital remains trapped longer. Calling such borrowers "MSME proprietors" does not change the structural risk profile of the exposure.

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This is where the long-delayed conversation on consolidation must finally move from theory to policy.

For decades, proposals to merge DBP with the Land Bank of the Philippines (LandBank) have been deferred. After the Asian Financial Crisis, during public sector rationalization efforts, and under successive administrations, the idea resurfaced — only to be shelved. Political resistance, labor concerns, and the absence of immediate crisis made postponement easy.

What makes the current moment different is that the case for consolidation is no longer abstract. It is anchored in measurable balance-sheet strain. A ₱36-billion impaired loan portfolio is not a temporary inconvenience. It is a structural constraint on DBP's ability to expand development lending without additional capital — capital that would ultimately come from the state. In effect, credit risk is beginning to migrate from the bank to the public balance sheet.

LandBank's relevance in this context is operational and not ideological. It operates with a broader deposit base, stronger rural penetration, more advanced retail and MSME risk systems, and more diversified income streams. For decades, it has invested in portfolio monitoring, credit scoring, and recovery infrastructure — precisely the capabilities needed to manage fragmented exposures.

DBP, by design, is strongest in project and sectoral finance. Its growing exposure to retail-style risk reflects mandate drift, not comparative advantage. A merger would realign these mismatches. It would contain asset-quality risk by absorbing DBP's impaired exposures within a larger, more diversified portfolio. It would strengthen governance by extending LandBank's risk systems across DBP's vulnerable segments. It would improve capital efficiency by eliminating duplication. And it would restore mandate clarity by segmenting development functions within a unified structure.

This would not eliminate losses. It would prevent them from distorting a smaller institution's future.

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DBP acknowledges the article published by Rappler. However, we note that the opinions made by the author do not reflect the views or position of the institution. Furthermore, we are not privy with regards to any resurfacing discussions surrounding the recently vetoed proposal to merge Landbank and DBP. Nevertheless, the Bank shall continue to be guided by the instructions of the National Government and shall perform its duty well within the bounds of its Revised Charter under Executive Order No. 81 series of 1986.

Thank you.

Sincerely,

ALLEN LOUIS V. YANZA
Associated Person/Deputy Corporate Information Officer