

## Development Bank of the Philippines

**Sector:** Financial Services

**Country:** Philippines

**Bond:** DEVPHI 2.375 31

**Sub Sector:** Banks

**Indicative YTM (as of 01-13-2025):** 5.311%

### Fundamental View

- The Development Bank of the Philippines (DBP) has a long history and we believe it is a fundamentally sound bank given its prudent capitalization and sound liquidity. We expect the bank to continue to maintain its profitability amid a Philippine gross domestic product (GDP) outlook of around 6% (2025-2026).
- We view the bank as systemically important to the state given its large balance sheet and strategic policy function.
- Despite DBP's non-performing loan (NPL) ratio of 7.19% (2023), which is higher compared to the 1.13% of Indonesia's state-owned Bank Mandiri, we still remain comfortable on DBP's credit profile given its government banking and strong balance sheet.

### Business Description

- DBP is a state-owned development bank, which is primarily focused on infrastructure, utilities, and projects related to social services.
- As of December 2023, utilities account for 25.07% of the total loan portfolio, public administration accounts for 15.40%, and real estate activities account for 10.81%.

### Risk & Catalysts

- The Philippines' economy is projected to grow at around 6% (2025-2026) amid a resurgence in capital formation. Rate cuts by the Bangko Sentral ng Pilipinas (BSP) in 2024 and projections of more easing should be supportive of investment activity. We are, however, wary about the impact of the tariffs that the Trump administration plans to slap on China. This may affect the Philippines' growth given that China is one of the major trading partners of the country.
- As a state-owned corporation, any rating downgrade of the Philippine sovereign would have a negative impact on DBP.
- The bank's non-performing loan (NPL) ratio is relatively higher compared to the top three largest banks in the Philippines, but it still remains at the single digits for the past four years. Despite this, we expect DBP's credit quality to remain good given that the Philippine government would be able to provide timely support if needed.

## Key Metrics

	FY2021	FY2022	FY2023
Debt to Capital	59.62%	58.07%	51.06%
Debt/Total Equity	147.63%	138.61%	104.36%
ROA	0.37%	0.36%	0.66%
ROE	5.79%	5.04%	8.27%
NPL Ratio	5.18%	4.91%	7.19%
CET1 Ratio	12.16%	11.67%	13.00%
Net Interest Margin	2.03%	2.45%	2.62%

Sources: Bloomberg, DBP

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