



## Philippine Rural and Cooperative Banking System Quarterly Report: 1<sup>st</sup> Quarter of 2022

The Philippine Rural and Cooperative Banking System is gradually recovering as the Philippines loosen up covid-19 restrictions in the 1<sup>st</sup> Quarter of 2022.

- As of March 31, 2022, the total assets of the Philippine rural and cooperative banking system (RCBs) increased by 12.99 percent compared to the 1<sup>st</sup> Quarter of 2021, to P329 billion. This represents 1.58 percent of the total asset of the Philippine Banking System (PBS) of P20.80 trillion. This growth rate is higher than the previous 1<sup>st</sup> Quarter of 2021, which has a 10.0 percent growth rate.

### Total Assets of RCBs (in Thousands)

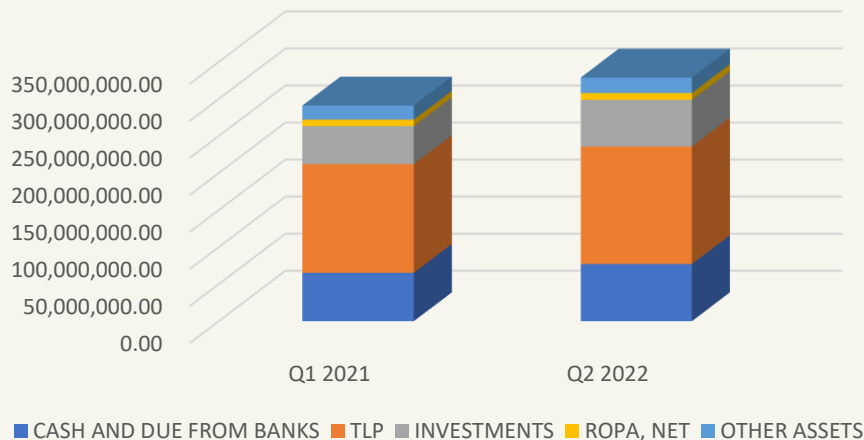


Figure 1. Total Asset of RCBs as of 31March 2022 (BSP, 2022)

- The growth in total Asset in the 1<sup>st</sup> Quarter of 2022 is mainly attributed to the growth in total investment in the RCBs, which grew by 22.84 percent compared to the 1<sup>st</sup> Quarter of the previous year and followed by Cash and due from other banks with 18.30 percent growth rate, Other Assets with 9.70 percent growth rate, Total Loan Portfolio (TLP) with 8.06 percent growth rate and Real and Other Properties Acquired (ROPA) with 5.39 percent growth rate.
- Rural and Cooperative Banking System continue to support the credit requirements in the countryside specially during covid 19 pandemic. The total amount of loans granted by the RCBs during the 1<sup>st</sup> Quarter of 2022 stood at 173 billion which is 8.35 percent higher compared to the 1<sup>st</sup> quarter of 2021 with 160 billion. This represents 1.5 percent of the Philippine Banking System TLP of P11.2 trillion in 1<sup>st</sup> Quarter of 2022. Loans granted by RCBs to private corporations (Agriculture, Industry, and Services) had the largest share at 63 percent (P110 billion) followed by loans to individuals (Consumption) at 37 percent (P63 billion) as seen in figure 2.



### Loan per Economic Activity

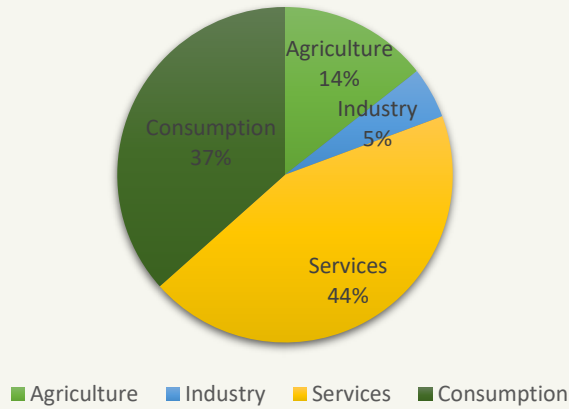


Figure 2. Loan per Economic Activity of RCBs as of 31March 2022 (BSP, 2022)

- It is also shown that in the 1<sup>st</sup> Quarter of 2022, RCBs were able to cater the needs of Agri-Agra and MSME borrowers compared to other banking system. RCBs recorded significant credit compliance ratios for the agrarian reform and agricultural credit compliance at 7.65 percent and 13.14 percent respectively, which far exceeded the credit compliance ratios of universal, commercial, and thrift banks. As for the MS and ME compliance, as of March 31, 2022, RCB’s reached compliance ratios of 22.07 percent and 11.29 percent respectively, which were also exceeded the credit compliance ratios of universal, commercial, and thrift banks as seen in Table 1.

As of March 31, 2022	U/KBs	TBs	RCBs
<b>Compliance with AGRI-AGRA</b>			
Percentage of Compliance with AGRA	0.75%	0.90%	<b>7.65%</b>
Percentage of Compliance with AGRI	9.85%	5.63%	<b>13.14%</b>
<b>Compliance with MS-ME</b>			
Percentage of Compliance with MSE	1.49%	4.54%	<b>22.07%</b>
Percentage of Compliance with ME	2.83%	5.77%	<b>11.29%</b>

Table 1. Mandated Credit Compliance of U/KBs, TBs, and RCBs as of 31March 2022 (BSP, 2022)

- As the Philippine economy recovers from the covid-19 pandemic, loan quality in RCBs is getting better and more manageable which is within the industry’s expectations. The RCBs’ gross non-performing loan (NPL) ratio stood at 12.64 percent as of end-March 2022, which is far better than last year’s 14.35 percent ratio, but only slightly better than the



12.84 percent ratio as of end-December 2021. And if everything held constant, we will see a much a better NPL Ratio for Q2 2022 as seen in figure below.

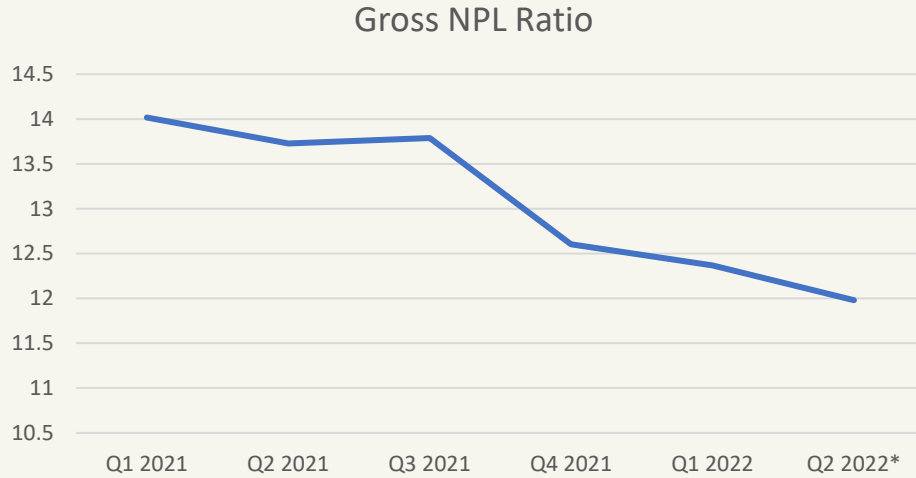


Figure 3. Gross NPL Ratio of RCBs (BSP, 2022)

- Total deposit liabilities of RCBs grew by 14.29 percent YoY to P245.47 billion as of the 1<sup>st</sup> Quarter of 2022. The recorded growth rate is slightly higher than the 14.12 percent recorded in 1<sup>st</sup> Quarter of 2021 which means that the deposits in RCBs is recovering and growing as Philippines loosen up covid-19 Restrictions. In terms of Deposit type in the 1<sup>st</sup> Quarter of 2022, savings deposits had the biggest share of total deposits at 73.21 percent, followed by Time Deposit at 24.28 percent share and Demand deposit at 2.51 percent share. In addition, LTNCD has no contribution in RCBs total deposit as seen figure below.

### Q1 2022 Deposit Liabilities

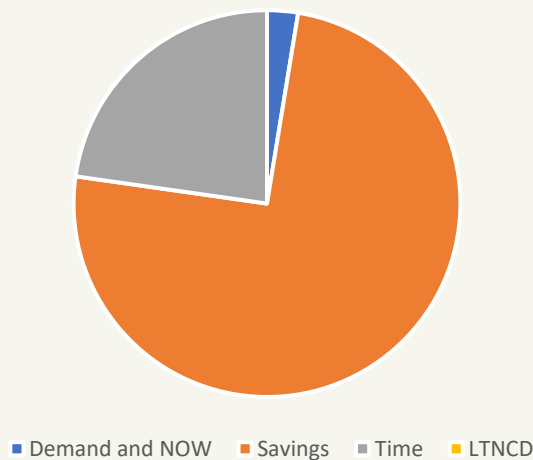


Figure 4. Deposit Liabilities of RCBs as of 31March 2022 (BSP, 2022)



- As of March 31, 2022, there are 16.23 million accounts handled by the RCBs which represent an 18.30 percent of total accounts handled by the Philippine Banking System and it grew by 9.97 percent compared to last year's number of accounts with the value of 14.76 million accounts. In terms of account size of total deposit for the 1<sup>st</sup> Quarter of 2022, Majority of account handled by the RCBs have an account size of "P15,000 and below" which accounted for 93.04 percent of the total number of accounts, followed by "P15,001 – P50,000" which accounted for 3.63 percent of the total number of accounts, then "P50,001 – 100,000" which accounted for 1.35 percent of the total number of accounts, then "P100,000.01 - P250,000" which accounted for 1.03 percent of the total number of accounts, and lastly P250,000 and above is accounted for less 1 percent of the total number of accounts handled by the RCBs. As seen in figure below:

### Number of Account by Deposit Size Q1 2022

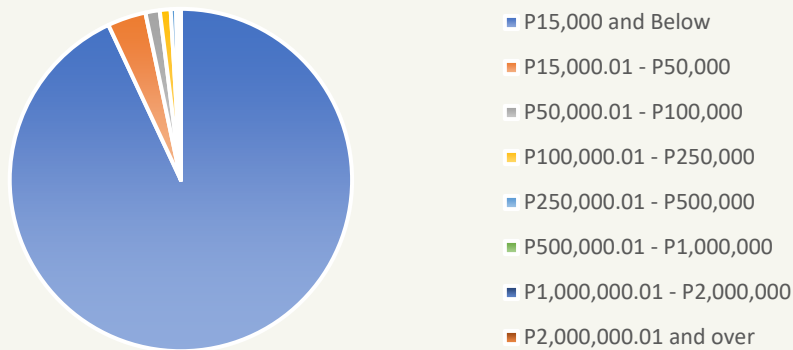


Figure 5. Number of Account by Deposit Size of RCBs as of 31 March 2022 (BSP, 2022)

- The liquidity ratios for rural and cooperative banking system on the 1<sup>st</sup> Quarter of 2022 were likewise well and above the minimum thresholds having a liquidity ratio for Cash and Due from Banks to Deposits of 31.48 percent ratio which increased by 3.52 percent compared to last year's Cash and Due from Banks to Deposits ratio which is 30.41 percent ratio. While Liquid Assets to Deposits Ratio have a 56.93 percent ratio which increased by 5.35 percent compared to last year's Liquid assets to deposit ratio which is 54.04 percent ratio. And lasty the loans to Deposits have a liquidity ratio of 70.68 percent ratio which decreased by 5.20 percent compared to last year loans to deposit liquidity ratio of 74.56 percent ratio.
- The RCBs maintained its profitability even during the pandemic as the net profit of the RCBs system went up by 19.88 percent YoY to P1.61 billion for the period-ended March 31, 2022. This growth was a comeback from the decrease in last year's 1<sup>st</sup> Quarter net profit of .07% due to the effects of covid-19 pandemic. Meanwhile the Return on assets



## Rural Bankers Research & Development Foundation, Inc.

(RoA) for the period-ended March 31, 2022 registered at 1.54 percent ratio, which is lower than the 1.92 percent ratio recorded a year ago. Return on equity (RoE) increased up to 8.21 percent ratio during the period. Net interest margin (NIM) went up to 9.64 percent ratio for the period-ended March 2022. The cost-to-income ratio stood at 75.70 percent ratio for the period-ended March 2022.

- Rural and Cooperative Bank's Physical network continue to grow, however the total number of RCB decline to 407 head offices in period ended March 31, 2022, below is the list of Rural and Cooperative Banks that has been closed/merged from January 31, 2022 to March 31, 2022:
  - Masuwerte Rural Bank of Bacoor (Cavite), Inc.
  - Rural Bank of San Nicolas (Pangasinan), Inc.
  - Rural Bank of San Lorenzo Ruiz (Siniloan), Inc.
  - Rural Bank of Salcedo (Ilocos Sur)
  - Rural Bank of Mahaplag (Leyte), Inc.
  - Malaybalay Rural Bank, Inc.

In addition, the total number of other offices, comprised of branches (1,594) and branch-lite units (1,401), rose to 2,995. This resulted to an increase in the total number of RCBs bank offices to 3,402 as of period ended March 31, 2022.

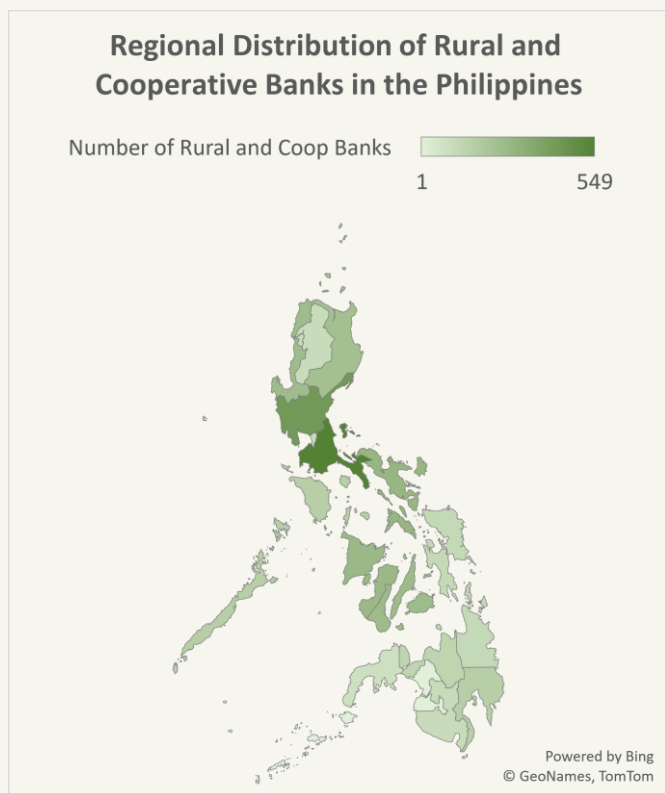


Figure 6. Number of Rural and Cooperative Banks as of 31March 2022 (BSP, 2022)

	Head Office	Branch	Branch lite	Total
NCR	13	36	47	96
Ilocos Region	32	137	90	259
Cagayan Valley	27	140	74	241
Central Luzon	67	251	116	434
CALABARZON	74	271	204	549
MIMAROPA	20	59	89	168
Bicol Region	19	79	194	292
Western Visayas	40	89	146	275
Central Visayas	27	119	119	265
Eastern Visayas	14	47	57	118
Zamboanga Peninsula	12	36	34	82
Northern Mindanao	21	62	54	137
Davao Region	12	89	67	168
SOCCSKSARGEN	9	64	28	101
Caraga	5	65	46	116
CAR	15	50	35	100
ARMM	0	0	1	1
<b>Nationwide</b>	<b>407</b>	<b>1,594</b>	<b>1,401</b>	<b>3,402</b>

Table 2. Number of Rural and Cooperative Banks as of 31March 2022 (BSP, 2022)