



Philippine Rural and Cooperative Banking System Quarterly Report: 4th Quarter of 2023

The Philippine economy expanded by **5.6 percent** for both the fourth quarter and year-end 2023. Although this growth rate is below the target of 6 to 7 percent for 2023, Philippines is still one of the best-performing Asian economy in 2023¹ and it will remain robust in 2024, with a projected growth of 5.8 to 6.3 percent. Furthermore, The Philippine Banking System also sustain its growth during the reported period, where it grew by 9.19 percent in 2023 compared to 2022.

Figure 1 - Philippine Rural and Cooperative Banking System: Total Assets (2019 – 2023)

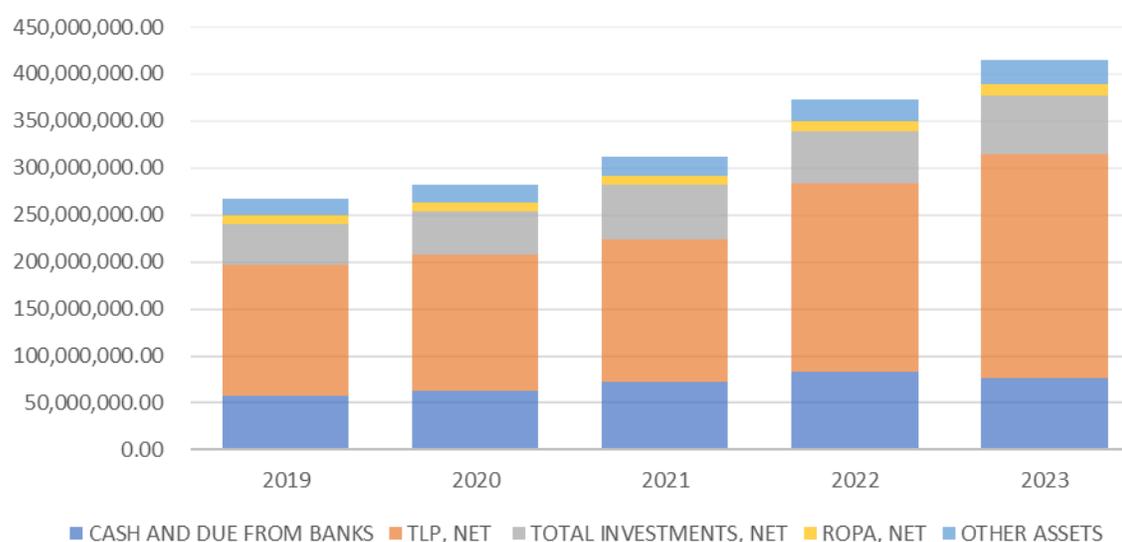


Figure 1. Total Asset of RCBs 2019 – 2023 (BSP, 2024)

- The total Assets of the Philippine rural and cooperative banking system (RCBs) grew by **11.2 percent** in 2023 compared to 2022, which equates to total assets of **₱ 414.28 billion** which represents **1.65 percent** of the total asset of the Philippine Banking System (PBS) of **₱ 25.17 trillion** in 2023. This recorded growth rate, is higher than the recorded growth rate for Universal and Commercial bank (UKBs) and Thrift banks (TBs), of 8.83 percent and 7.25 percent respectively.
- The changes in total asset of Rural and Cooperative banking System in 2023 is mainly attributed to the growth in **Total Loan Portfolio (net) (TLP-n)**, which represents **57.65 percent (₱ 238.83 billion)** of the total assets of RCBs, it increased by **19 percent** compared to 2022. These changes clearly indicate that, RCBs are playing a vital role in spurring economic development through grant of new credit having a 5-year average growth rate in **Total Loan Portfolio (Gross) (TLP-G)** of 13 percent.

¹ <https://neda.gov.ph/statement-of-neda-secretary-arsenio-m-balisacan-on-the-2023-fourth-quarter-performance-of-the-philippine-economy/>



Figure 2 - Philippine Rural and Cooperative Banking System: Assets Component (2019 – 2023)

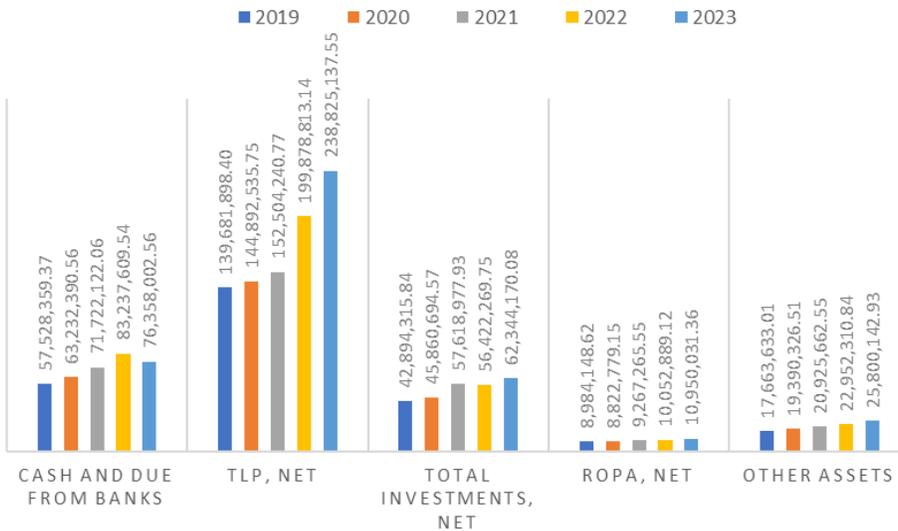


Figure 2. Total Asset by Component of RCBs: 2019 – 2023 (BSP, 2024)

Figure 3 - Philippine Rural and Cooperative Banking System: YoY TLP-G Growth Rate 2019 – 2023

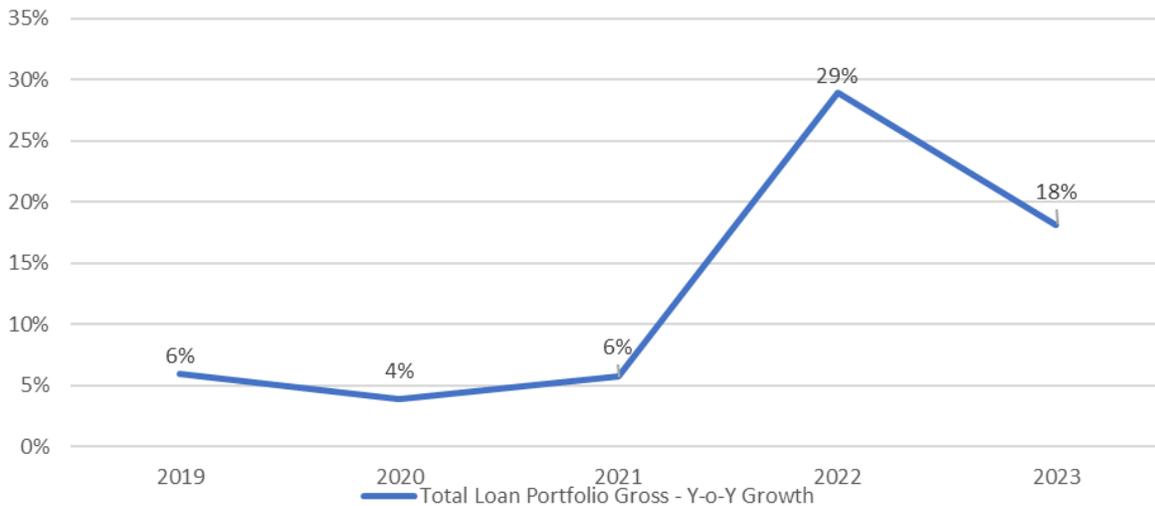


Figure 3. Growth of Total Loan Portfolio (Gross) of RCBs 2019 -2023 (BSP, 2024)

- Based on economic activity, the changes in TLP-G of RCBs in 2023 compare to 2022 was primarily driven by the loan on the following sectors: **Agriculture, Forestry and Fishery** (up by **49 percent** or **₱15.02 billion**), **Activities of Households as Employers and Undifferentiated Goods-and-Services-Producing Activities of Households for Own Use** (up by **253%** or **₱29.78 billion**), and **Salary-Based General-Purpose Consumption Loan** (up by **10%** or **₱8.56 billion**). Classified as to **major economic activities**, the total loan granted by RCBs for **Production Activities** (Agriculture (18% or **₱45 billion**), Industry (2% or **₱2 billion**), and Services (40% or **₱103 billion**)) accounted for more than half of the



industry’s exposure, while loan for **Households Activities (Consumption)** makes up for the remaining 40 percent (₱101.12 billion), as seen in figure 4.

Figure 4 - Philippine Rural and Cooperative Banking System: Loan Per Major Economic Activity 2023

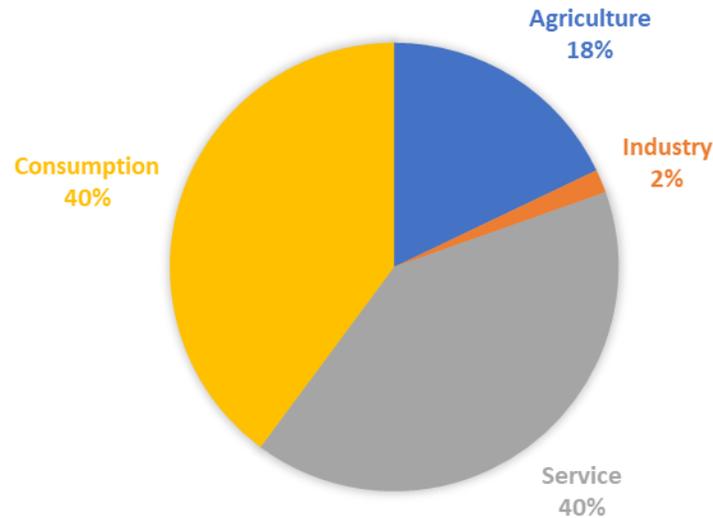


Figure 4. Loan per Major Economic Activity in 2023 (BSP, 2024)

- RCBs are very supportive to the agriculture sector in 2023, where recent data shows that the industry extended 18% of their total loan portfolio to agriculture sector compared to its bigger counter parts (commercial and universal bank (UKBs), thrift (TB), and digital banks (DB)) where they only allotted 0 – 3% of their total loan portfolio to the agriculture sector as seen in the table 1.

Table 1: Loan Portfolio Allocation Based on Economic Activity 2023

	UKBs	TBs	RCBs	DBs	PBs
Share to Philippine Total Loan Portfolio	93%	5%	2%	0%	100%
Production Activities	79%	47%	60%	1%	76%
Agriculture	2%	3%	18%	0%	2%
Industry	21%	6%	2%	0%	20%
Service	56%	38%	40%	1%	54%
Consumption	10%	46%	40%	71%	13%
Others	11%	7%	2%	28%	11%

Table 1: PBs Loan Portfolio based on Economic Activity 2023 (BSP, 2024)

- With respect to the mandatory credit to Micro, Small and Medium Enterprise (MSME) through Republic Act No 6977, RCBs continued to outperform the rest of the banking system. In 2023, RCB’s compliance ratios of 19.23 percent (Micro, Small) and 9.84 percent (Medium), were way



better, compared to credit compliance ratios of universal and commercial (UKBs), thrift (TBs) and digital (DBs) banks as seen in Table 2

Table 2: Compliance with Magna Carta for Micro, Small and Medium Enterprises in 2023

	UKBs	TBs	RCBs	DBs	PBs
Compliance with MS-ME					
Percentage of Compliance with MSE	1.47%	3.74%	19.23%	0.89%	1.93%
Percentage of Compliance with ME	2.59%	5.68%	9.84%	0.03%	2.90%

Table 2: RCB Compliance w/ Magna Carta for MSME: 2023 (BSP, 2024)

- Philippines being considered as one of the best-performing Asian economy in 2023, the asset quality of RCBs continue to improve, having gross non-performing loan ratio at 7.3 percent in the fourth quarter of 2023, which is far better than last year's 8.87 percent. if everything is holds constant, we will see an improvement in loan quality by the end of the year as seen in figure 5.

Philippine Rural and Cooperative Banking System: Gross NPL Ratio (Q4 2022 – Q1 2024*).

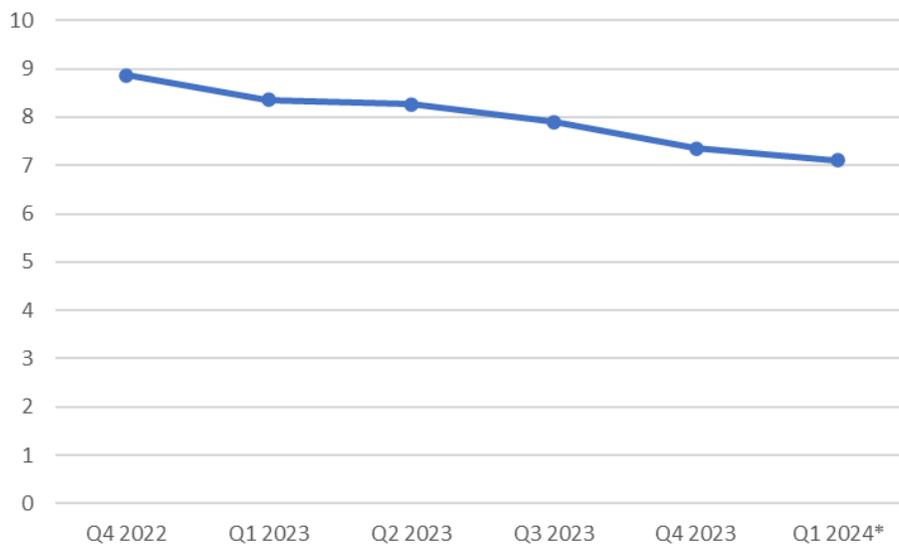


Figure 5. Philippine RCBs: Gross NPL ratio (Q4 2022 – Q1 2024 (BSP, 2024)*

- In relation to savings mobilization, the total deposit liabilities of RCBs continue to expand. Total deposit liabilities of RCBs in the quarter grew by **8.41 percent** compared to the same period of the previous year. In terms of type of Deposits, in the 3rd Quarter of 2023, Savings Deposit had the biggest share which represents **71 percent (₱ 210.63 billion)** of the total deposit, followed by Time Deposit which represents **26 percent (₱ 74.33 billion)** of total deposit and Demand Deposit which represents **3 percent (₱ 7.27 billion)** of the total deposit as seen in figure 6



Figure 6 - Philippine Rural and Cooperative Banking System: Deposit Liability in 2023

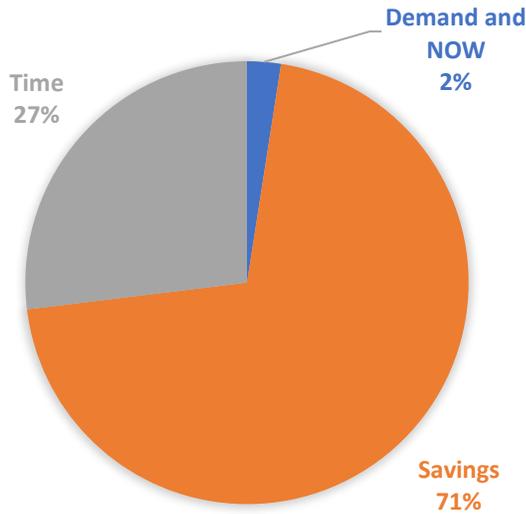


Figure 6. Philippine RCBs: Deposit Liabilities in 2023 (BSP, 2024)

- There are a total of **20.32 million deposit accounts** handled by the RCBs, which represents **16.71 percent** of total deposit accounts handled by the Philippine Banking System. The total deposit account in 2023 grew by **21.41 percent** compared to last year’s number of accounts with **16.74 million deposit accounts**. Majority of account handled by the RCBs have an account size of “**₱15,000 and below**” which represents **94 percent (19.14 million deposit accounts)** of the total number of accounts as seen in figure 7.

Figure 7 - Philippine Rural and Cooperative Banking System: Deposit Account by Size 2023

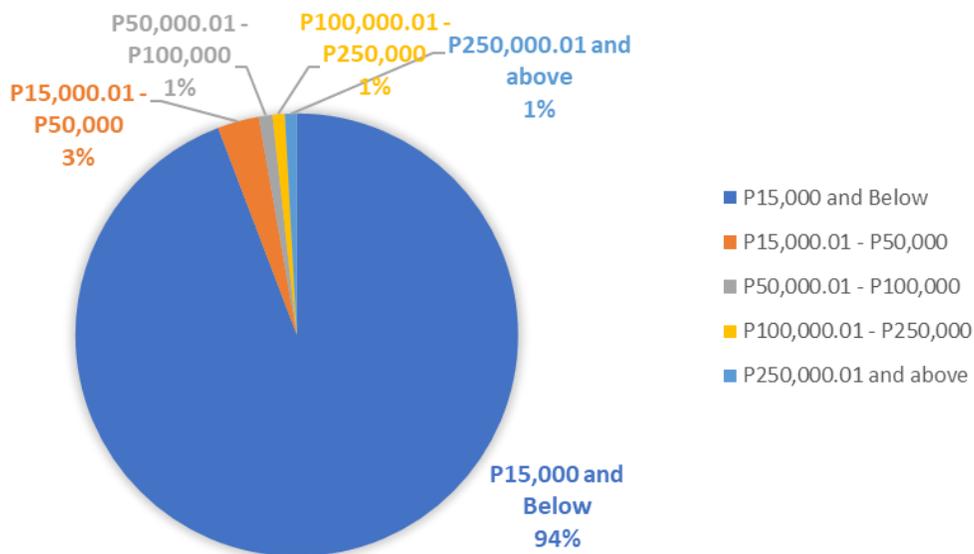


Figure 7. Philippine RCBs: Deposit Liabilities in 2023 (BSP, 2024)



- The liquidity ratios of Rural and Cooperative Banking System for the 4th quarter of 2023 were on a downward trend, this is expected result due to the increase in RCBs loan portfolio. The ratio for Cash & Due from Banks to Deposits was **26.13 percent** in the 4th of 2023, which increased by **44 basis points** compared to last quarter' **25.69 percent**. Liquid Assets to Deposits Ratio of **47.19 percent** decreased by **43 basis points** compared to last quarter's 48.72 percent. As mentioned, these movements were correlated to the changes in RCBs loan portfolio with the loans (gross) to deposits liquidity ratio in the 4th quarter of 2023 at **86.89 percent**, an increase of **715 basis points** compared to last year's **79.74 percent**.
- RCBs' Capital Adequacy Ratio (CAR) on a solo basis remains well above international and regulatory standards. The RCB Industry CAR during the period remains the same compared to the previous year to **18.81 percent**.
- The increased lending activity of RCBs translate to more profit; as a result, annualized net profit during the reported period went up by **18.69 percent Y-o-Y** to **₱ 8.64 billion**, as seen in figure 8.

Figure 8 - Philippine Rural and Cooperative Banking System: Annualized Net Profit 2024

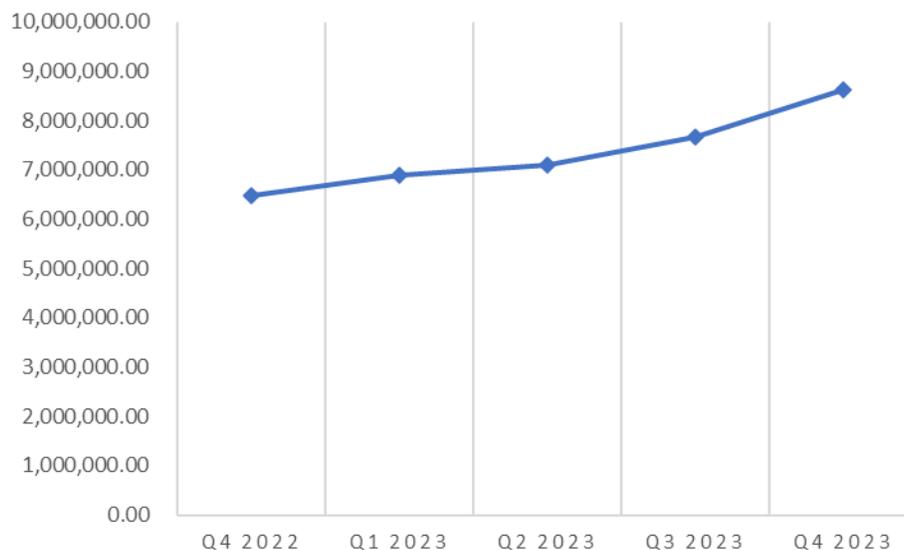


Figure 8. Philippine RCBs: Annualized Net Profit Q4 2022 – Q4 2023 (BSP, 2024)

- Return on Assets (ROA) for the 4th quarter of 2023 improved to **2.20 percent** ROA from **1.90 percent** recorded ROA a year ago. Return on equity (ROE) increased to **11.83 percent** during the period compared to **10.23 percent** recorded a year ago. However, the net interest margin (NIM) went up to **10.02 percent** during the period compared to **9.94 percent** recorded in the previous year. Cost-to-Income ratio stood at **69.36 percent** during the period compared to **72.64 percent** recorded in the previous year.



- Rural & Cooperative Banks' Physical network continue to grow, although total number of RCB head offices declined from **403** Head offices at the beginning of the period to **389** at the end of the 2023. **8 Rural Banks** were closed, **5 rural banks** merged with other bank, **3 cooperative banks** consolidated and **1 new rural bank** was licensed. Below is the detailed list of Rural and cooperative banks opened, closed, consolidated, and merged during the reported period, January 1, 2023 to December 31, 2023.

Table 3: Rural and Cooperative banking system: 2023 Open and Closure

Rural and Cooperative Bank in the beginning of 2023:	403
Closed Rural Bank	-8
Q1 Rural Bank of San Agustine, Inc Rural Bank of San Marcelino, Inc. Rural Bank of Palauig, Inc.	
Q2 Rural Bank of Binangonan, Inc. Rural bank of San Juan(Southern Leyte), Inc. Bangko Pangasinan – A Rural Bank, Inc.	
Q3 United Consumers Rural Bank Inc.	
Q4 Rural Bank of Talisay (Cebu) Inc.	
Merged:	-5
Q3 Municipal Rural Bank of Nabua (Camarines Sur) Inc. Rural Bank of Pozorrubio Inc. First Agro-Industrial Rural Bank, Inc. (FAIR) Progressive Bank, Inc. Undername Progressive A Rural Bank (PARBI)	
Q4 Municipal Rural Bank of Libmanan (Cam Sur), Inc.	
Consolidated:	-3
Q1 Consolidated Cooperative Bank Bataan Cooperative Bank Metro South Cooperative Bank	
New Rural and Cooperative Bank	2
Q1 People’s Hawak Kamay Bank, Inc. – A Rural Bank One Cooperative Bank (Consolidation)	
Rural and Cooperative Bank in the End of 2023:	389

Table 3: Rural and Cooperative banking system: 2023 Open and Closure (BSP, 2024)

In addition, Total number of other offices, which includes branches and branch-lite units, was **3,551** for 2023 up from **3,478** offices recorded in 2022.



	Head Offices	Branches	Branch-lite	Total
NCR	13	38	51	102
CAR	15	51	37	103
Ilocos Region	29	128	108	265
Cagayan Valley	25	134	94	253
Central Luzon	63	261	129	453
CALABARZON	73	265	230	568
MIMAROPA	20	56	101	177
Bicol Region	17	81	211	309
Western Visayas	38	91	172	301
Central Visayas	25	112	122	259
Eastern Visayas	13	47	67	127
Zamboanga Peninsula	13	37	35	85
Northern Mindanao	21	60	65	146
Davao Region	11	94	67	172
SOCCSKSARGEN	8	62	35	105
CARAGA	5	68	49	122
BARMM	0	0	4	4
Nationwide	389	1585	1577	3551

Table 4. RCB: Total number of Branches per region in 2023 (BSP, 2024)

Regional Distribution of Rural and Cooperative Banks in the Philippines

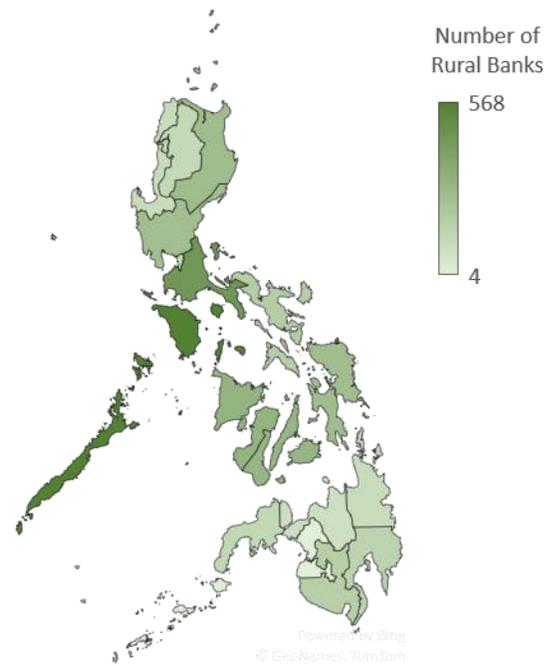


Figure 9. RCB: Regional Distribution of Bank Offices and Branches 2023 (BSP, 2024)