



RURAL BANKERS RESEARCH AND DEVELOPMENT FOUNDATION, INC.

Philippine Rural and Cooperative Banking System Quarterly Report: 1st Quarter of 2024

The Philippine Economy grew by 5.7 percent in the first quarter of 2024, slightly below the ADB's forecasted growth rate of 6 percent in 2024¹, the main contributor was Financial and insurance activities (10.0%), Wholesale and retail trade (6.4%), repair of motor vehicles and motorcycles (6.4%) and Manufacturing (4.5%)². In line with this, the Philippine Rural and Cooperative Banking System grew by 15.8 percent which is higher than the Philippine banking industry growth of 10.8 percent.

Figure 1 - Philippine Rural and Cooperative Banking System: Total Assets (Q1 2020 – Q1 2024)

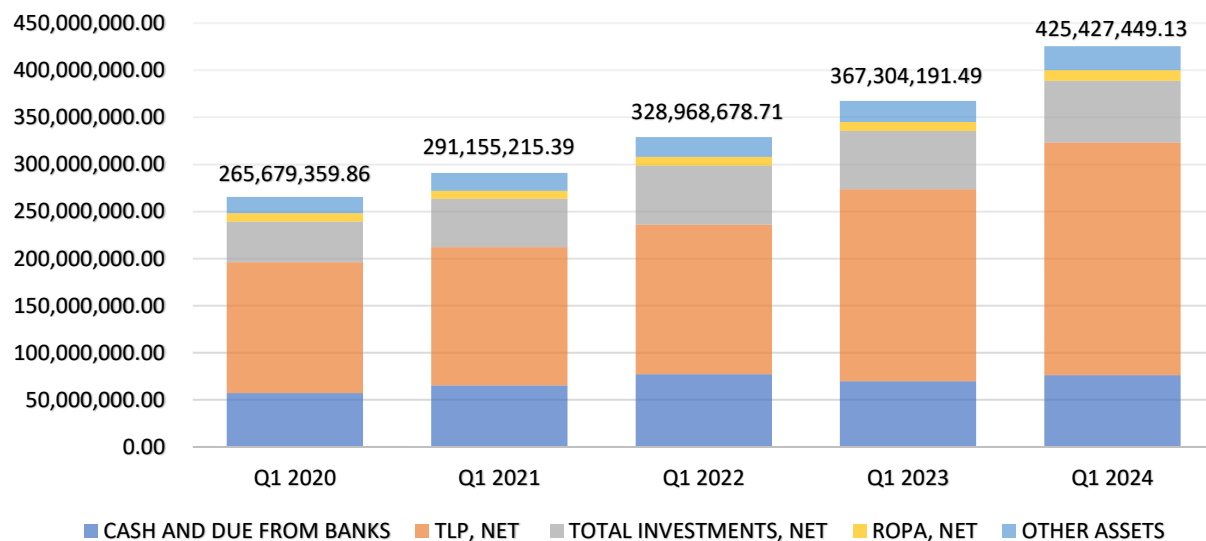


Figure 1. Total Asset of RCBs Q1 2020 – Q1 2024 (BSP, 2024)

- The total assets of the Philippine rural and cooperative banking system (RCBs) grew by 15.8 percent in Q1 of 2024 compared to same period of the previous year, which equates to total assets of ₱ 425.43 billion which represents 1.66 percent of the total asset of the Philippine Banking System (PBS) of ₱ 25.65 trillion. This recorded growth rate, is higher than the recorded growth rate for Universal and Commercial bank (UKBs) and Thrift banks (TBs), of 10.7 percent and 8.8 percent respectively.
- The changes in total asset of Rural and Cooperative banking System in Q1 of 2024 is mainly attributed to the growth in Total Loan Portfolio (net) (TLP-n), which represents 58 percent (₱ 262.45 billion) of the total assets of RCBs, it increased by 21 percent compared to the same period of the previous year. These changes clearly indicate that, RCBs are playing a pivotal role in stimulating economic development in the countryside through grant of new credit, having a 5-year average growth rate in Total Loan Portfolio (Gross) (TLP-G) of 13 percent.

¹ <https://www.adb.org/where-we-work/philippines/economy>

² <https://psa.gov.ph/content/gdp-expands-57-percent-first-quarter-2024>



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Figure 2 - Philippine Rural and Cooperative Banking System: Assets Component (Q1 2020 – Q1 2024)

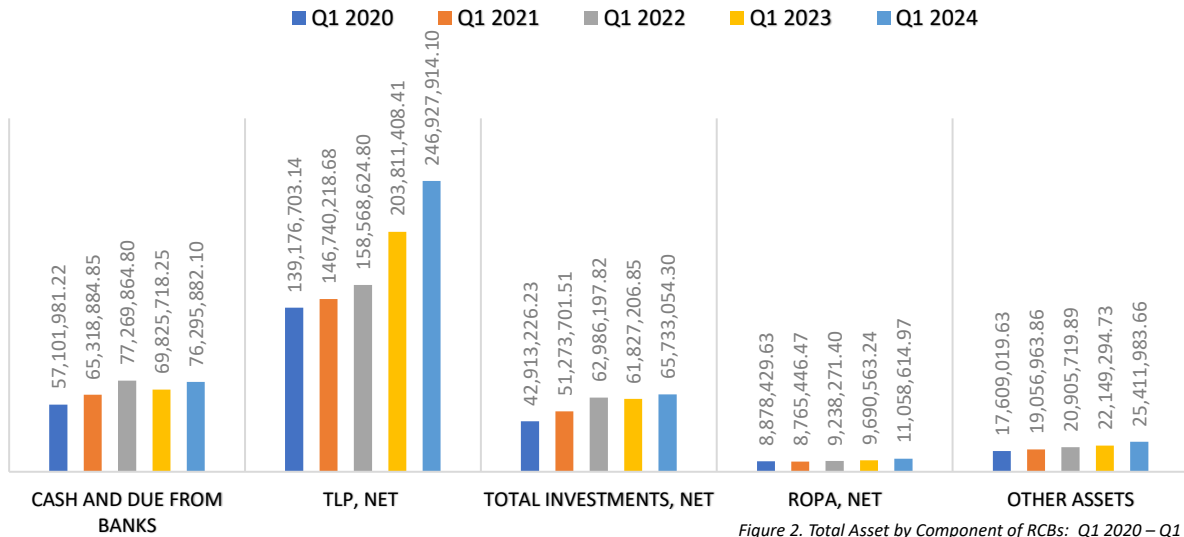


Figure 2. Total Asset by Component of RCBs: Q1 2020 – Q1 2024 (BSP, 2024)

Figure 3 - Philippine Rural and Cooperative Banking System: YoY TLP-G Growth Rate Q1 2020 – Q1 2024

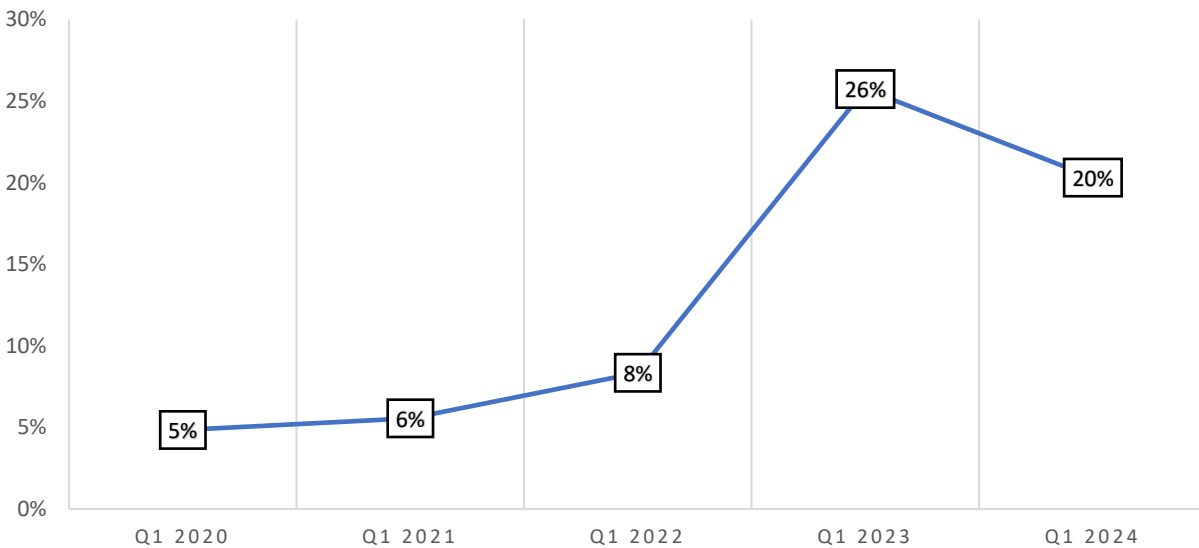


Figure 3. Growth of Total Loan Portfolio (Gross) of RCBs Q1 2020 -Q1 2024 (BSP, 2024)

- Based on economic activity, the changes in TLP-G of RCBs in the 1st Quarter of 2024 compare to 1st Quarter of 2023 was primarily driven by the loan on the following sectors: Agriculture, Forestry and Fishery (up by 68 percent or ₱ 20.46 billion), Real Estate Activities (up by 20 percent or ₱ 3.52 billion), and Salary-Based General-Purpose Consumption Loan (up by 3 percent or ₱ 3.13 billion). Classified as to major economic activities, the total loan granted by RCBs for Production Activities (Agriculture (19% or ₱50 billion), Industry (2% or ₱4 billion), and Services (36% or ₱94 billion)) accounted for more than half of the while loan for Households Activities (Consumption) makes up for the remaining 43 percent (₱ 113.95 billion), as seen in figure 4.



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Figure 4 - Philippine Rural and Cooperative Banking System: Loan Per Major Economic Activity Q1 2024

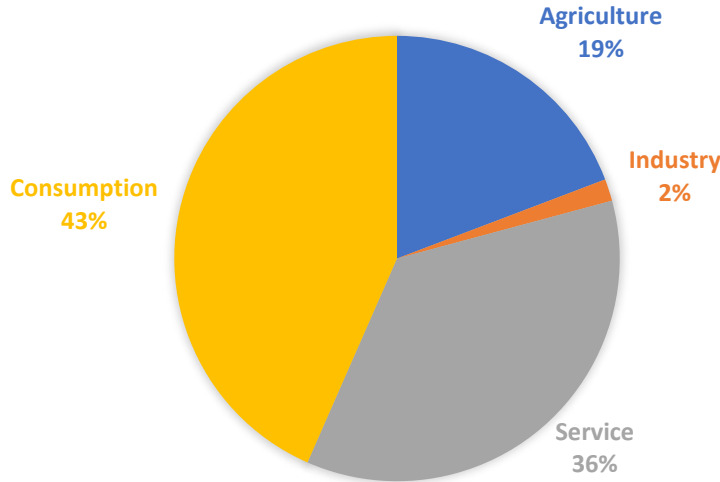


Figure 4. Loan per Major Economic Activity in Q1 2024 (BSP, 2024)

- RCBs are very supportive to the agriculture sector in the first Quarter of 2024, where recent data shows that the industry extended 19% 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 – 4% of their total loan portfolio to the agriculture sector as seen in the table 1.

Table 1: Loan Portfolio Allocation Based on Economic Activity Q1 2024

	UKBs	TBs	RCBs	DBs	PBs
Total Loan Portfolio - Gross (in billions)	₱12,708.07	₱701.79	₱262.45	₱19.86	₱13,692.17
Share to Philippine Total Loan Portfolio	93%	5%	2%	0%	100%
Production Activities	78%	49%	57%	1%	80%
Agriculture	2%	4%	19%	0%	2%
Industry	21%	5%	2%	0%	22%
Service	55%	40%	36%	1%	56%
Consumption	13%	50%	43%	89%	10%
Others	9%	1%	0%	10%	10%

Table 1: PBs Loan Portfolio based on Economic Activity Q1 2024 (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 17.74 percent (Micro, Small) and 9.29 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.



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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	1.33%	3.40%	17.74%	1.02%	1.78%
Percentage of Compliance with ME	2.37%	4.61%	9.29%	0.07%	2.90%

Table 2: RCB Compliance w/ Magna Carta for MSME: Q1 2024 (BSP, 2024)

- Philippines being considered as one of the best-performing Asian economy today, the Gross Loan portfolio of the RCBs slightly increase compared to the fourth Quarter of 2023, having gross non-performing loan ratio at 7.49 percent in the first quarter of 2024, but this is far better than last year's 8.36 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.

Figure 5 - Philippine Rural and Cooperative Banking System: Gross NPL Ratio (Q1 2023 – Q2 2024*)

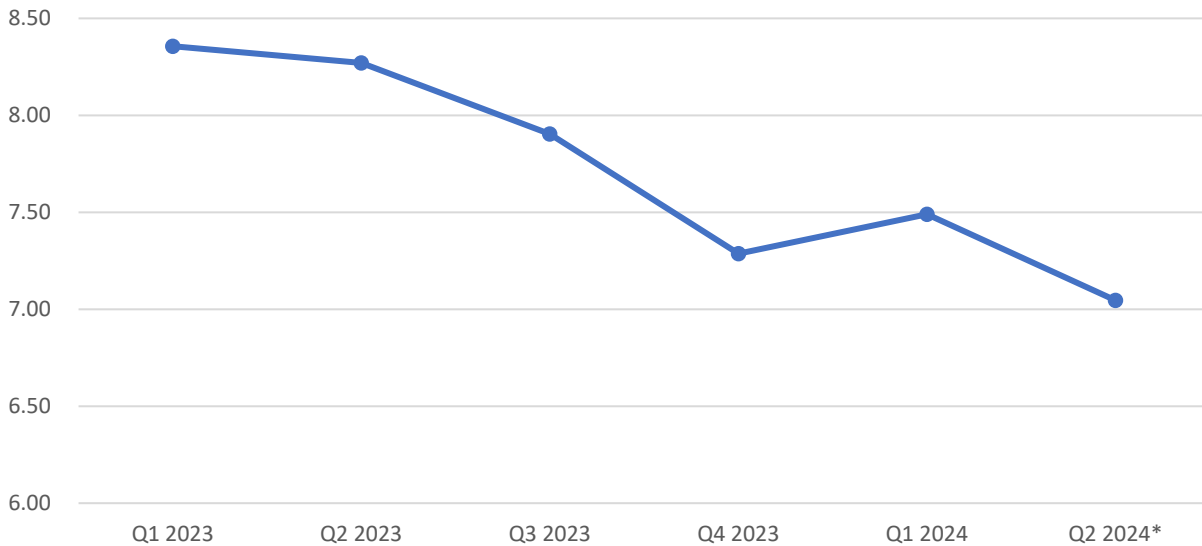


Figure 5. Philippine RCBs: Gross NPL ratio (Q1 2023 – Q2 2024 (BSP, 2024)*

- In relation to savings mobilization, the total deposit liabilities of RCBs continue to expand. Total deposit liabilities of RCBs in the quarter grew by 15 percent compared to the same quarter of the previous year. In terms of type of Deposits, in the first quarter of 2024, Savings Deposit had the biggest share which represents 73 percent (₱ 220.4 billion) of the total deposit, followed by Time Deposit which represents 26 percent (₱ 73.9 billion) and Demand Deposit which represents 3 percent (₱ 7.4 billion) as seen in figure 6



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Figure 6 - Philippine Rural and Cooperative Banking System: Deposit Liability in Q1 2024

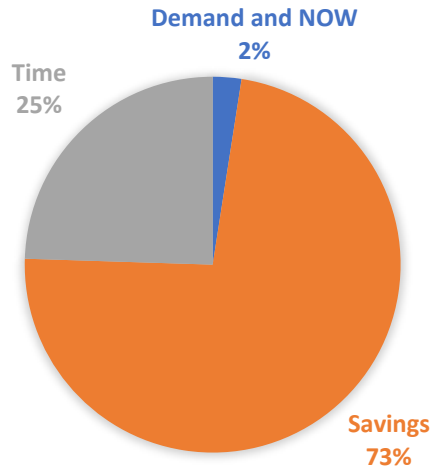


Figure 6. Philippine RCBs: Deposit Liabilities in Q1 2024 (BSP, 2024)

- There are a total of 21.15 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 the first quarter of 2024 grew by 20 percent compared to last year's number of accounts with 17.9 million deposit accounts. Majority of account handled by the RCBs have an account size of “P15,000 and below” which represents 94 percent (19.92 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 in Q1 2024

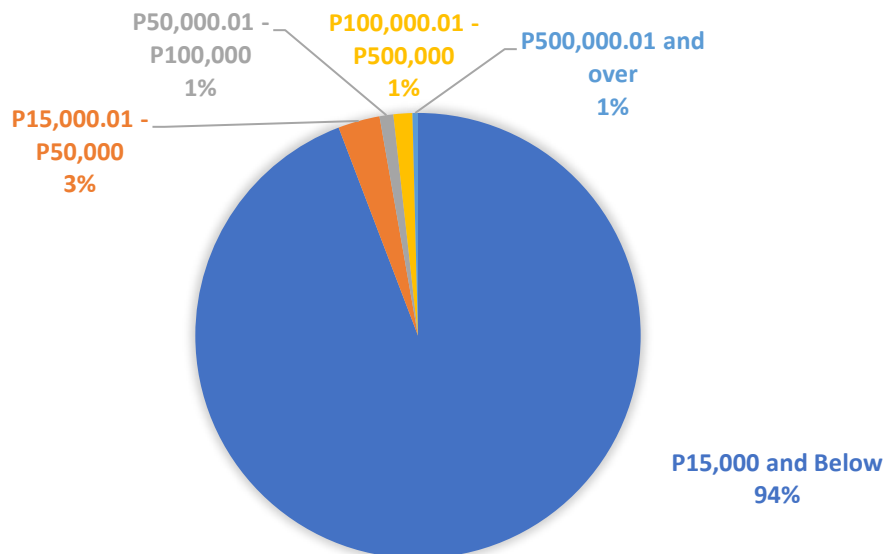


Figure 7. Philippine RCBs: Deposit Liabilities in Q1 2024 (BSP, 2024)



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- The liquidity ratios of Rural and Cooperative Banking System for the 1st quarter of 2024 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 25.29 percent in the 1st quarter which increased by 84 basis points compared to last quarter' 26.13 percent. Liquid Assets to Deposits Ratio of 46.79 percent decreased by 40 basis points compared to last quarter's 47.19 percent. As mentioned, these movements were correlated to the changes in RCBs loan portfolio with the loans (gross) to deposits liquidity ratio in the 1st quarter of 2024 at 86.99 percent, an increase of 412 basis points compared to last year's 82.87 percent.
- RCBs' Capital Adequacy Ratio (CAR) on a solo basis remains well above international and regulatory standards. The RCB Industry CAR during the period decreased by 44 basis points to 18.24 percent compared to the 18.68 percent in the 1st quarter of the previous year.
- The increased lending activity of RCBs translate to more profit; as a result, annualized net profit during the reported period went up by 32 percent Y-o-Y to ₱ 9.13 billion, as seen in figure 8.

Figure 8 - Philippine Rural and Cooperative Banking System: Annualized Net Profit 1st Quarter of 2024

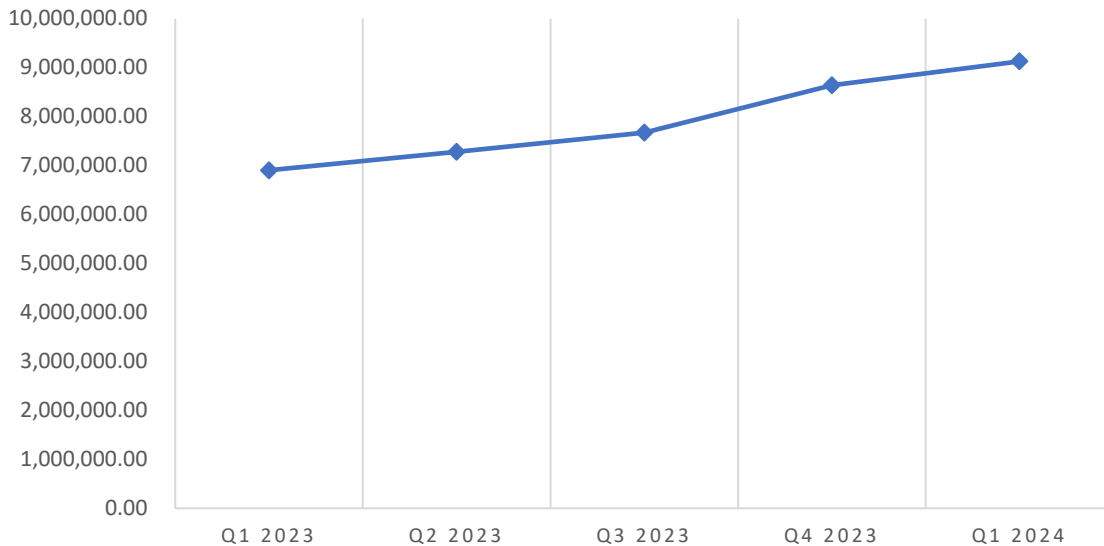


Figure 8. Philippine RCBs: Annualized Net Profit Q1 2023 – Q1 2024 (BSP, 2024)

- Return on Assets (ROA) for the 1st quarter of 2024 improved to 2.30 percent ROA from 1.98 percent recorded ROA a year ago. Return on equity (ROE) increased to 12.55 percent during the period compared to 10.67 percent recorded a year ago. However, the net interest margin (NIM) went up to 10.42 percent during the period compared to 10.11 percent recorded in the previous year. Cost-to-Income ratio stood at 68.46 percent during the period compared to 72.35 percent recorded in the previous year.



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- Rural & Cooperative Banks' Physical network continue to grow, although total number of RCB head offices declined from 389 Head offices at the beginning of the period to 388 at the end of the 1st Quarter of 2024. 1 Rural Banks were closed. Below is the detailed list of Rural and cooperative banks opened, closed, consolidated, and merged during the reported period, January 1, 2023 to March 31, 2024.

Table 3: Rural and Cooperative banking system: 2024 Open and Closure

Rural and Cooperative Bank in the beginning of 2024:	389
Closed Rural Bank	-1
Q1 Rural Bank of Pana-on (Misamis Occidental), Inc.	
Rural and Cooperative Bank in the End of 1st Quarter of 2024:	388

Table 3: Rural and Cooperative banking system: Q1 2024 Open and Closure (BSP, 2024)

In addition, Total number of other offices, which includes branches and branch-lite units, was 3,570 for the 1st Quarter of 2024 up from 3,551 offices recorded in 2023.

Administrative Region	Head Offices	Branches	Branch-lite	Total
NCR	13	39	51	103
CAR	15	51	40	106
Ilocos Region	29	129	110	268
Cagayan Valley	25	126	104	255
Central Luzon	63	260	132	455
CALABARZON	73	263	232	568
MIMAROPA	20	56	100	176
Bicol Region	17	81	215	313
Western Visayas	38	92	174	304
Central Visayas	25	112	124	261
Eastern Visayas	13	47	69	129
Zamboanga Peninsula	13	32	40	85
Northern Mindanao	20	60	64	144
Davao Region	11	93	68	172
SOCCKSARGEN	8	63	35	106
CARAGA	5	68	47	120
BARMM	0	1	4	5
Nationwide	388	1573	1609	3570

Table 4. RCB: Total number of Branches per region in Q1 2024 (BSP, 2024)

Regional Distribution of Rural and Cooperative Banks in the Philippines

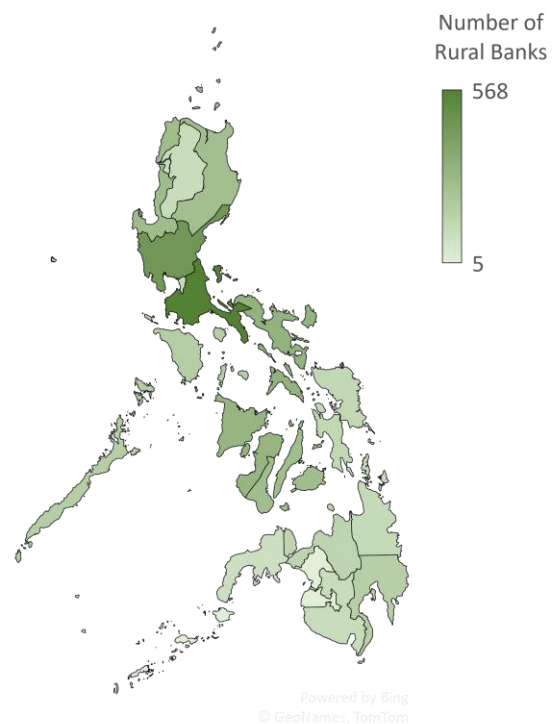


Figure 9. RCB: Regional Distribution of Bank Offices and Branches Q1 2024 (BSP, 2024)