



# RURAL BANKERS RESEARCH AND DEVELOPMENT FOUNDATION, INC.

## Philippine Rural and Cooperative Banking System Quarterly Report: 2<sup>nd</sup> Quarter of 2024

The Philippine Economy grew by 6.3 percent in the second quarter of 2024<sup>1</sup>, which resulted to a 6 percent growth rate on Philippines Real GDP in the First half of 2024. Keeping the Philippines on track to achieve its target growth of 6 to 7 percent at the end of 2024. With this performance, Philippines also keep its position as one of Asia's best performing major emerging economies<sup>2</sup>. Meanwhile, as for the Philippine banking system, it also sustained its solid performance in the second quarter of 2024, where it grew by 12 percent during the reporting period<sup>3</sup>. In relation to per banking system in the reported period, The Universal and Commercial (UKBs) grew by 12 percent, Thrift (TBs) grew by 11 percent, Rural and Cooperative (RCBs) grew by 14 percent and Digital Banks (DBs) grew by 35 percent.

**Figure 1 - Philippine Rural and Cooperative Banking System: Total Assets (Q2 2020 – Q2 2024)**

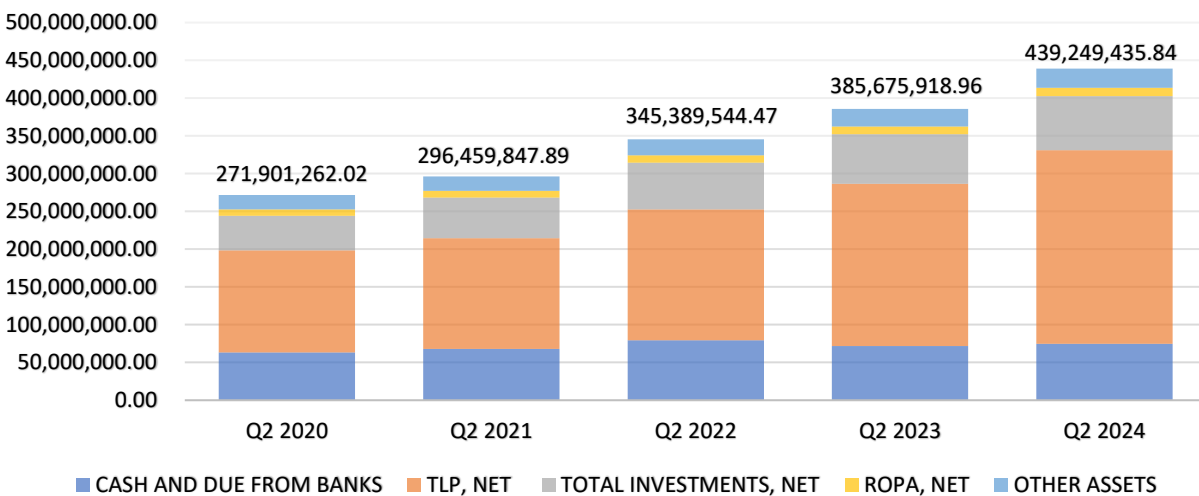


Figure 1. Total Asset of RCBs Q2 2020 – Q2 2024 (BSP, 2024)

- The total assets of the Philippine rural and cooperative banking system (RCBs) grew by 14 percent in Q2 of 2024 compared to same period of the previous year, which equates to total assets of ₱ 439.25 billion which represents 1.68 percent of the total asset of the Philippine Banking System (PBS) of ₱ 26.19 trillion. This recorded growth rate, is higher than the recorded growth rate for Universal and Commercial bank (UKBs) and Thrift banks (TBs), of 12 percent and 11 percent respectively.
- The changes in total asset of Rural and Cooperative banking System in Q2 of 2024 is mainly attributed to the growth in Total Loan Portfolio (net) (TLP-n), which represents 58 percent (₱ 256.52 billion) of the total assets of RCBs, it increased by 20 percent compared to the

<sup>1</sup> <https://psa.gov.ph/content/gdp-expands-63-percent-second-quarter-2024#:~:text=The%20Philippine%20Gross%20Domestic%20Product,the%20second%20quarter%20of%202024.>

<sup>2</sup> <https://neda.gov.ph/as-delivered-press-statement-of-neda-secretary-arsenio-m-balisacan-on-the-philippine-economic-performance-for-the-first-quarter-of-2024-2/>

<sup>3</sup> <https://www.bworldonline.com/top-stories/2024/09/02/617343/assets-of-philippines-biggest-banks-rose-by-11-in-q2/>



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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 to the MSME and Agricultural Sector, having a 5-year average growth rate in Total Loan Portfolio (Gross) (TLP-G) of 13 percent.

**Figure 2 - Philippine Rural and Cooperative Banking System: Assets Component (Q2 2020 – Q2 2024)**

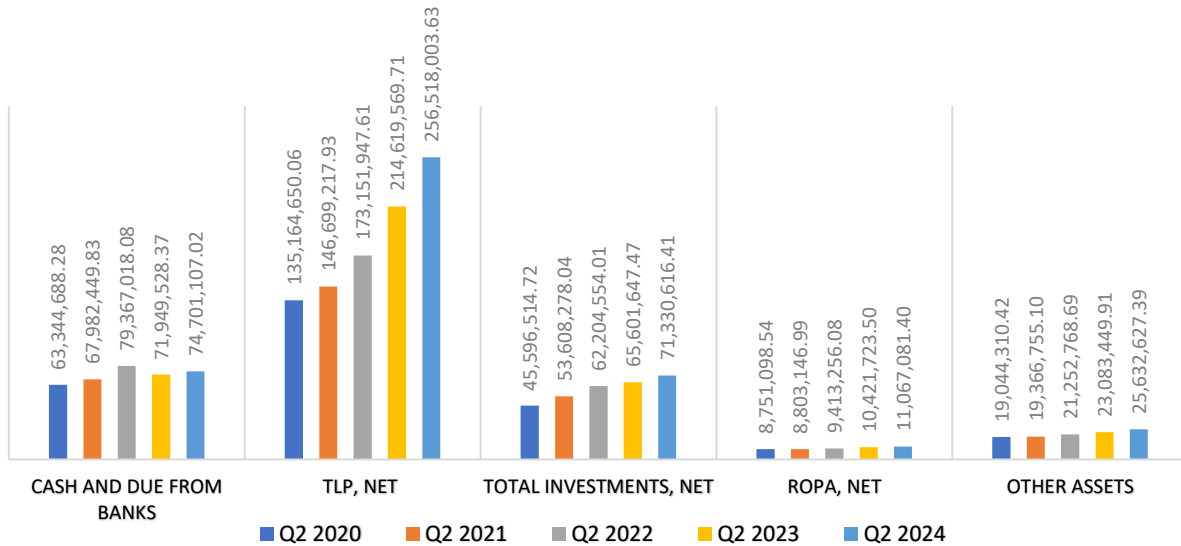


Figure 2. Total Asset by Component of RCBs: Q2 2020 – Q2 2024 (BSP, 2024)

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

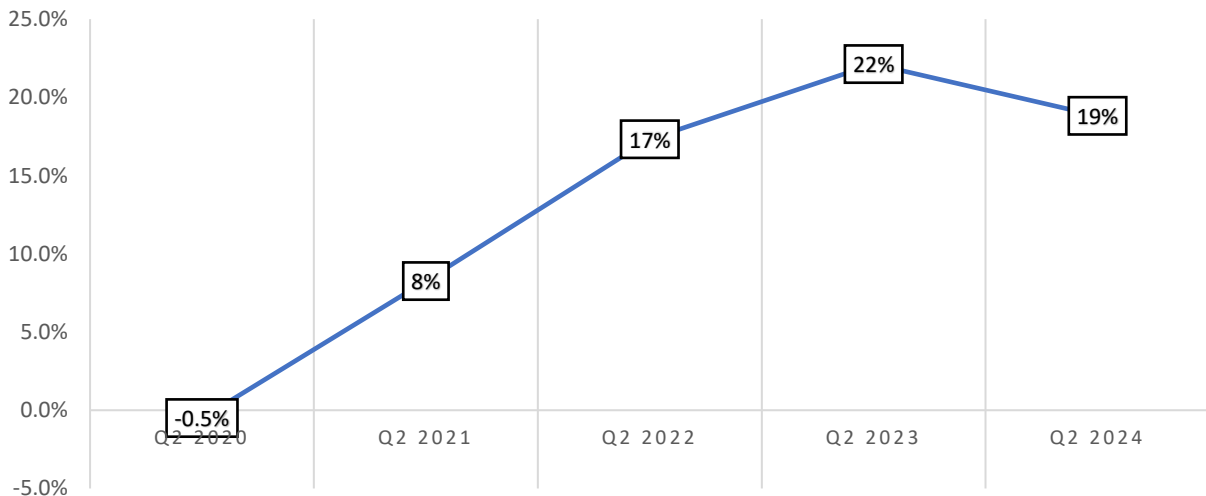


Figure 3. Growth of Total Loan Portfolio (Gross) of RCBs Q2 2020 - Q2 2024 (BSP, 2024)



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- Based on economic activity, the changes in TLP-G of RCBs in the 2<sup>nd</sup> Quarter of 2024 compare to 2<sup>nd</sup> Quarter of 2023 was primarily driven by the loan on the following sectors: Agriculture, Forestry and Fishery (up by 60 percent or ₱ 19.20 billion), Other Consumer loans (up by 424 percent or ₱ 15.12 billion), and Activities of Households as Employers and Undifferentiated Goods-and-Services-Producing Activities of Households for Own Use (down by 63 percent or ₱ 5.04 billion). As to major economic activities, the total loan granted by RCBs for Production Activities (Agriculture (19% or ₱51 billion), Industry (1% or ₱4 billion), and Services (35% or ₱96 billion)) accounted for more than half of the Gross loan portfolio while loan for Households Activities (Consumption) makes up for the remaining 45 percent (₱ 122 billion), as seen in figure 4.

**Figure 4 - Philippine Rural and Cooperative Banking System: Loan Per Major Economic Activity Q2 2024**

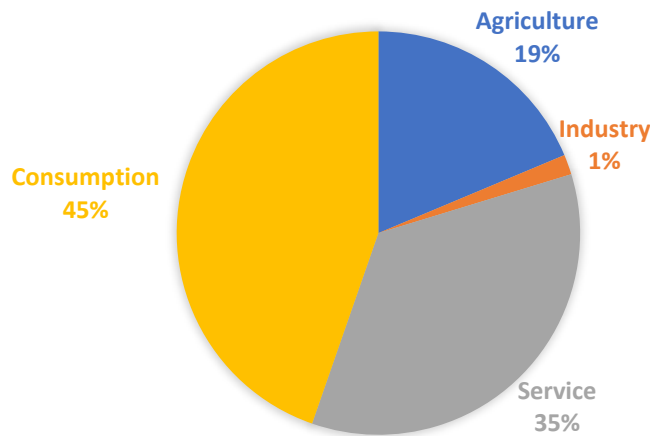


Figure 4. Loan per Major Economic Activity in Q2 2024 (BSP, 2024)

- RCBs are very supportive to the agriculture sector in the Second Quarter of 2024, where recent data shows that the rural banking 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 Q2 2024**

	UKBs	TBs	RCBs	DBs	PBs
<b>Total Loan Portfolio - Gross (in billions)</b>	<b>₱13,249.70</b>	<b>₱767.60</b>	<b>₱272.64</b>	<b>₱28.27</b>	<b>₱14,318.20</b>
<b>Share to Philippine Total Loan Portfolio</b>	93%	5%	2%	0%	100%
<b>Production Activities</b>	78%	46%	<b>55%</b>	1%	76%
<b>Agriculture</b>	2%	3%	<b>19%</b>	0%	2%
<b>Industry</b>	21%	5%	<b>1%</b>	0%	20%
<b>Service</b>	55%	38%	<b>35%</b>	1%	54%
<b>Consumption</b>	11%	48%	<b>45%</b>	69%	13%
<b>Others</b>	11%	6%	<b>0%</b>	30%	11%

Table 1: PBs Loan Portfolio based on Economic Activity Q2 2024 (BSP, 2024)



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- 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 the 2<sup>nd</sup> Quarter of 2024, RCB has compliance ratios of 17.61 percent for Micro/Small Enterprise and 9.26 percent Medium Enterprise, which is way better, compared to credit compliance ratios of universal and commercial (UKBs), thrift (TBs) and digital (DBs) banks as seen in Table 2.

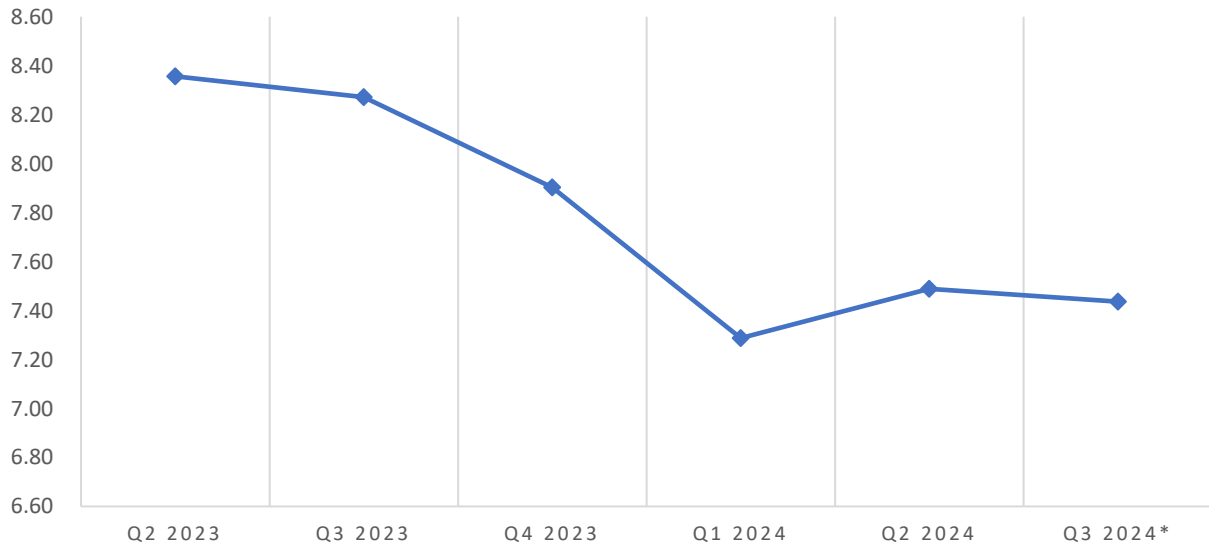
**Table 2: Compliance with Magna Carta for Micro, Small and Medium Enterprises in 2023**

	U/KBs	TBs	RCBs	DBs	PBs
<b>Compliance with MS-ME</b>					
Percentage of Compliance with MSE	1.35%	3.74%	<b>17.61%</b>	1.41%	1.82%
Percentage of Compliance with ME	2.38%	5.39%	<b>9.26%</b>	0.16%	2.70%

*Table 2: RCB Compliance w/ Magna Carta for MSME: Q2 2024 (BSP, 2024)*

- Philippines being considered among ASEAN’s fastest growing economies<sup>4</sup> today, the Gross non-performing loan portfolio of the RCBs slightly increase compared to the first quarter of 2024, having gross non-performing loan ratio at 7.53 percent in the second quarter of 2024, but this is far better than last year’s 8.27 percent. If everything is held constant and based on its moving average, we might see a slight improvement on loan quality by the third quarter of 2024 as seen in figure 5.

**Figure 5 - Philippine Rural and Cooperative Banking System: Gross NPL Ratio (Q2 2023 – Q3 2024\*)**



*Figure 5. Philippine RCBs: Gross NPL ratio (Q2 2023 – Q3 2024\* (BSP, 2024)*

<sup>4</sup> <https://asianews.network/philippines-still-among-aseans-fastest-growing-economies/>



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- In relation to savings mobilization, the total deposit liabilities of RCBs continue to expand. Total deposit liabilities of RCBs in the quarter grew by 12 percent compared to the same quarter of the previous year. In terms of type of Deposits, in the second quarter of 2024, Savings Deposit had the biggest share which represents 73 percent (₱ 230 billion) of the total deposit, followed by Time Deposit which represents 24 percent (₱ 76 billion) and Demand Deposit which represents 3 percent (₱ 8 billion) as seen in figure 6

**Figure 6 - Philippine Rural and Cooperative Banking System: Deposit Liability in Q2 2024**

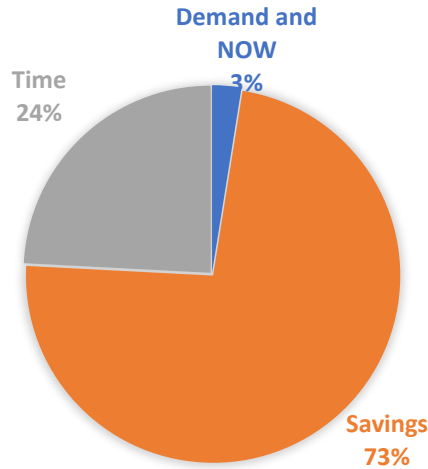


Figure 6. Philippine RCBs: Deposit Liabilities in Q2 2024 (BSP, 2024)

- There are a total of 21.83 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 second quarter of 2024 grew by 18 percent compared to last year’s number of accounts with 19 million deposit accounts. Majority of account handled by the RCBs have an account size of “₱15,000 and below” which represents 94 percent (19.92 million deposit accounts) of the total number of accounts as seen in table 2.

**Table 3.: Deposit Account by Account size of Philippine Banking System Q2 of 2024**

	UKBs	TBs	RCBs	DBs	PBs
<b>Total Loan Portfolio - Gross (in millions)</b>	<b>88.53</b>	<b>6.98</b>	<b>21.83</b>	<b>13.90</b>	<b>131.25</b>
<b>Share to Philippine Total Loan Portfolio</b>	<b>67%</b>	<b>5%</b>	<b>17%</b>	<b>11%</b>	<b>100%</b>
<b>Account Size</b>					
P15,000 and below	79%	85%	<b>94%</b>	96%	83%
P15,000.01 - P50,000	9%	6%	<b>3%</b>	2%	7%
P50,000.01 - P100,000	4%	2%	<b>1%</b>	1%	3%
P100,000.01 - P250,000	4%	3%	<b>1%</b>	1%	3%
P250,000.01 - P500,000	2%	2%	<b>0%</b>	0%	2%
P500,000.01 - P1,000,000	1%	1%	<b>0%</b>	0%	1%
P1,000,000.01 - P2,000,000	1%	1%	<b>0%</b>	0%	1%
P2,000,000.01 and over	1%	1%	<b>0%</b>	0%	1%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

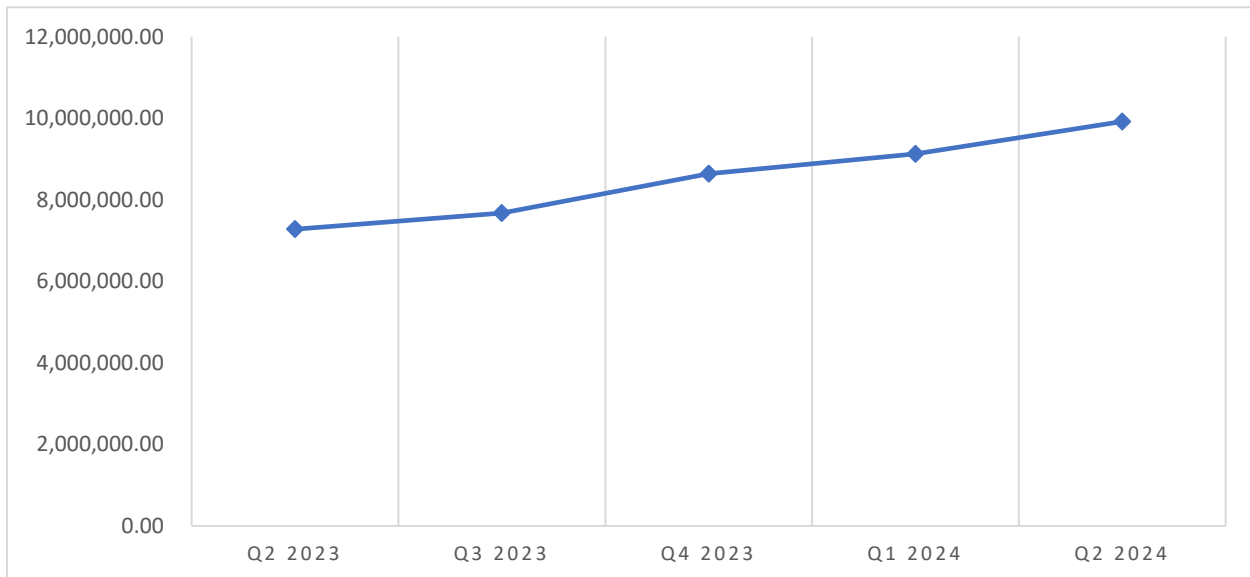
Table 3. Philippine RCBs: Deposit Liabilities in Q2 2024 (BSP, 2024)



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- The liquidity ratios of Rural and Cooperative Banking System for the 2<sup>nd</sup> 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 23.80 percent in the 1<sup>st</sup> quarter which decreased by 148 basis points compared to last quarter' 25.26 percent. Liquid Assets to Deposits Ratio of 46.26 percent decreased by 53 basis points compared to last quarter's 46.79 percent. As mentioned, these movements were correlated to the changes in RCBs loan portfolio with the loans (gross) to deposits liquidity ratio in the 2<sup>nd</sup> quarter of 2024 at 86.88 percent, an increase of 492 basis points compared to last year's 81.97 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 72 basis points to 18.62 percent compared to the 19.34 percent in the 2<sup>nd</sup> 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 36 percent Y-o-Y to ₱ 9.92 billion compared to same period of the prior year, as seen in figure 7.

**Figure 7 - Philippine Rural and Cooperative Banking System: Annualized Net Profit Q2 2023 – Q2 2024)**



*Figure 7. Philippine RCBs: Annualized Net Profit Q1 2023 – Q2 2024 (BSP, 2024)*

- Return on Assets (ROA) for the 2<sup>nd</sup> quarter of 2024 improved to 2.4 percent ROA from 1.99 percent recorded ROA a year ago. Return on equity (ROE) increased to 12.96 percent during the period compared to 10.90 percent recorded a year ago. Furthermore, the net interest margin (NIM) went up to 10.53 percent during the period compared to 9.96 percent recorded in the previous year. And lastly the Cost-to-Income ratio stood at 67.27 percent during the period compared to 72.14 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 386 at the end of the 2<sup>nd</sup> Quarter of 2024. During the first six months 2 Rural Banks were closed and 1 rural bank merge to a bigger thrift bank. Below is the detailed list of Rural and cooperative banks opened, closed, consolidated, and merged during the reported period, January 1, 2023 to June 30, 2024.

Table 4: Rural and Cooperative banking system: 1<sup>st</sup> Half of 2024 Open and Closure

<b>Rural and Cooperative Bank in the beginning of 2024:</b>	<b>389</b>
<b>Closed Rural Bank</b>	<b>-2</b>
Q1 Rural Bank of Pana-on (Misamis Occidental), Inc. <sup>5</sup>	
Q2 Rural Bank of Cuyo (Palawan), Inc. <sup>6</sup>	
<b>Merged</b>	<b>-1</b>
Q2 Rural Bank of Maasin to Producers Savings Bank Corporation <sup>7</sup>	
<b>Rural and Cooperative Bank in the End of first half of 2024:</b>	<b>386</b>

*Table 4: Rural and Cooperative banking system: Q2 2024 Open and Closure (BSP, 2024)*

In addition, the total number of offices, which includes head office, branches and branch-lite units, was 3,581 for the 2<sup>nd</sup> Quarter of 2024 up from 3,551 offices recorded in 2023.

	Head Offices	Branches	Branch-lite	Total
NCR	13	40	51	104
CAR	15	54	37	106
Ilocos Region	28	125	116	269
Cagayan Valley	25	128	102	255
Central Luzon	64	261	132	457
CALABARZON	73	264	231	568
MIMAROPA	19	56	101	176
Bicol Region	17	84	213	314
Western Visayas	38	92	180	310
Central Visayas	25	113	124	262
Eastern Visayas	12	50	65	127
Zamboanga Peninsula	13	32	40	85
Northern Mindanao	20	61	63	144
Davao Region	11	93	68	172
SOCCKSARGEN	8	63	35	106
CARAGA	5	69	46	120
BARMM	0	2	4	6
<b>Nationwide</b>	<b>386</b>	<b>1587</b>	<b>1608</b>	<b>3581</b>

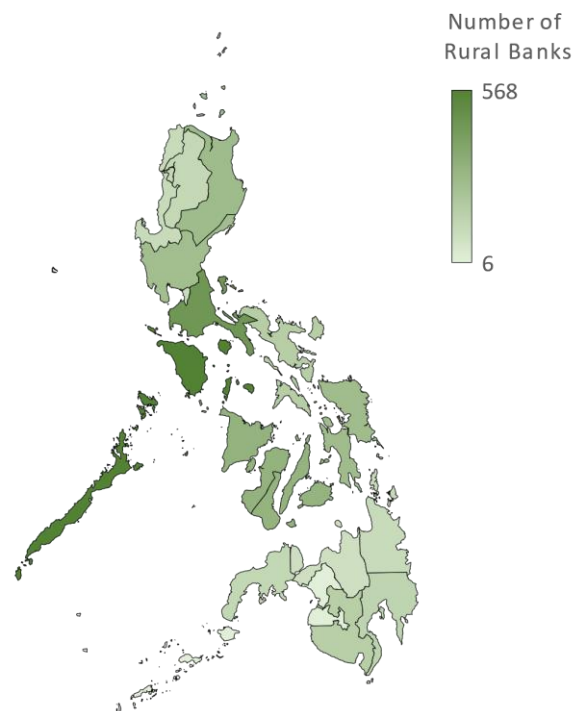
*Table 4: Rural and Cooperative banking system: Q1 2024 Open and Closure (BSP, 2024)*

<sup>5</sup> <https://www.bsp.gov.ph/Regulations/Issuances/2024/CL-2024-003.pdf>

<sup>6</sup> <https://www.bsp.gov.ph/Regulations/Issuances/2024/CL-2024-028.pdf>

<sup>7</sup> <https://www.bsp.gov.ph/Regulations/Issuances/2024/CL-2024-022.pdf>

## Regional Distribution of Rural and Cooperative Banks in the Philippines



*Figure 8. RCB: Regional Distribution of Bank Offices and Branches Q2 2024 (BSP, 2024)*