

Philippine Rural and Cooperative Banking System Quarterly Report: 3rd Quarter of 2024

The Philippine economy grew by 5.2 percent in the 3rd quarter of 2024 which is still considered as one of the fastest growing economies in Asia¹. Having a year-to-date growth of 5.8 percent, fall short on the government’s target of 6 percent² growth rate. As for the Philippine banking system, the total resources grew by 11 percent y-o-y and by 2 percent q-o-q which the total resources stood at 106.4 percent of GDP³. In relation to per banking system in the reported period, The Universal and Commercial (UKBs) grew by 11 percent, Thrift (TBs) grew by 7 percent, Rural and Cooperative (RCBs) grew by 16 percent and Digital Banks (DBs) grew by 31 percent.

Figure 1 - Philippine Rural and Cooperative Banking System: Total Assets (Q3 2020 – Q3 2024)

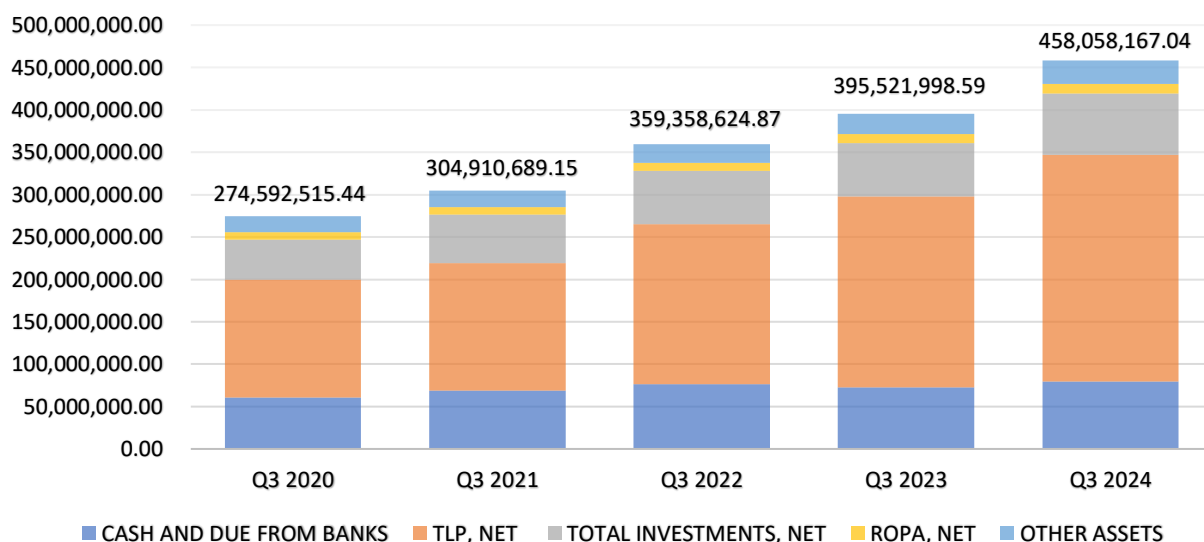


Figure 1. Total Asset of RCBs Q3 2020 – Q3 2024 (BSP, 2024)

- The total assets of the Philippine rural and cooperative banking system (RCBs) grew by 16 percent in Q3 of 2024 compared to same period of the previous year, which equates to total assets of ₱458.06 billion representing 1.71 percent of the total asset of the Philippine Banking System (PBS) of ₱26.74 trillion. This recorded growth rate, is higher than the recorded growth rate for Universal and Commercial bank (UKBs) and Thrift banks (TBs), of 11 percent and 7 percent respectively.
- The changes in total asset of Rural and Cooperative Banking System in Q3 of 2024 is mainly attributed to the growth in Total Loan Portfolio (net) (TLP-n), which represents 58 percent (₱267.59 billion) of the industry’s assets, it increased by 20 percent compared to the same period of the previous year and contributed 58 percent of the change. These changes clearly indicate that, RCBs are playing an important role in stimulating economic growth in rural areas 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 15 percent.

¹ <https://www.dof.gov.ph/recto-ph-economy-continues-to-expand-by-5-2-in-q3-2024-still-one-of-the-fastest-growing-economies-in-the-region/>

² <https://www.pna.gov.ph/articles/1237302>

³ https://www.bsp.gov.ph/Lists/Quarterly%20Report/Attachments/26/LTP_3qtr2024.pdf

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

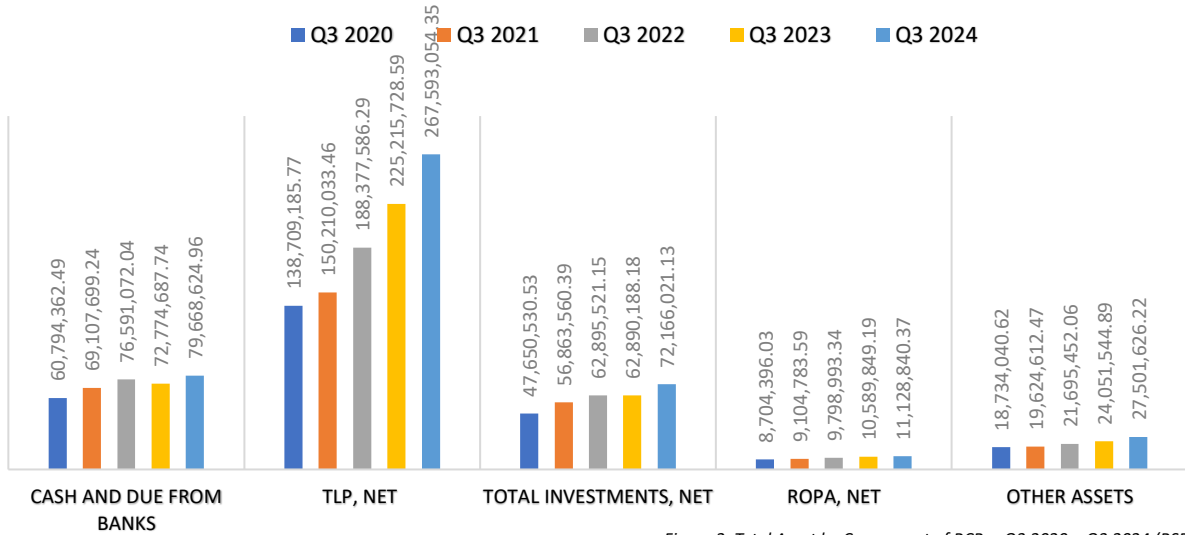


Figure 2. Total Asset by Component of RCBs: Q3 2020 – Q3 2024 (BSP, 2024)

Figure 3 - Philippine Rural and Cooperative Banking System: YoY TLP-G Growth Rate Q3 2020 – Q3 2024

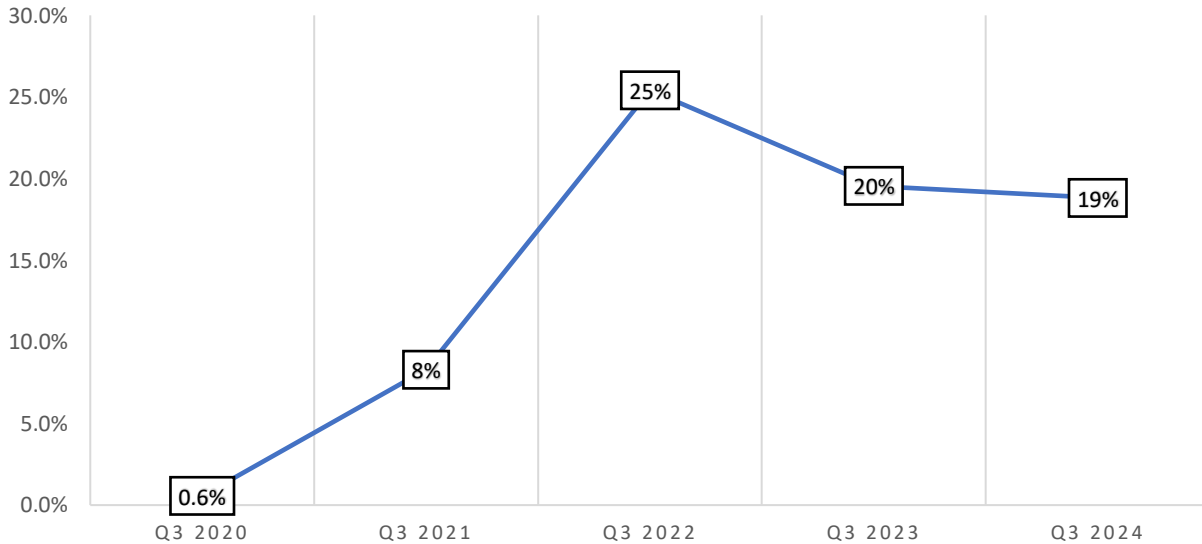


Figure 3. Growth of Total Loan Portfolio (Gross) of RCBs Q3 2020 -Q3 2024 (BSP, 2024)

- Based on economic activity, the changes in TLP-G of RCBs in the 3rd Quarter of 2024 compare to the same quarter of the prior year was primarily driven by the loan on the following sectors: Household Consumption (up by 34 percent or ₱ 32.72 billion), followed by Activities of Households as Employers and Undifferentiated Goods-and-Services-Producing Activities of Households for Own Use (Down by 69 percent or ₱ 7.27 billion) and Agriculture, Forestry and Fishery (up by 13 percent or ₱ 5.82 billion). As to major economic activities, the total loan granted by RCBs for Production Activities (Agriculture (18% or ₱51 billion), Industry (2% or ₱4 billion), and Services (36% or ₱101 billion)) accounted for more than half of the Gross loan portfolio while loan for Households Activities (Consumption) makes up for the remaining 45 percent (₱ 128 billion), as seen in figure 4.

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

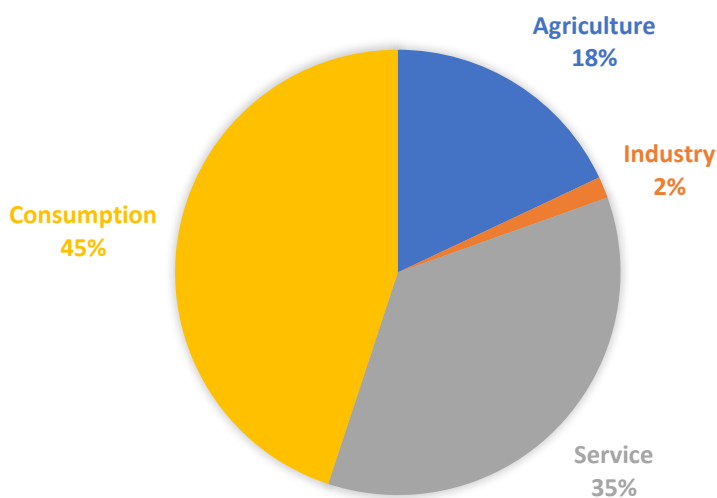


Figure 4. Loan per Major Economic Activity in Q3 2024 (BSP, 2024)

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

	UKBs	TBs	RCBs	DBs	PBs
Total Loan Portfolio - Gross (in billions)	₱13,809.32	₱780.71	₱284.03	₱29.78	₱14,903.83
Share to Philippine Total Loan Portfolio	93%	5%	2%	0%	100%
Production Activities	77%	46%	55%	1%	75%
Agriculture	2%	3%	18%	0%	2%
Industry	21%	5%	2%	0%	19%
Service	54%	38%	36%	1%	53%
Consumption	11%	49%	45%	89%	13%
Others	13%	5%	0%	10%	12%

*Values may not add up due to rounding off

Table 1: PBs Loan Portfolio based on Economic Activity Q3 2024 (BSP, 2024)

- With respect to the mandatory credit to Micro, Small, and Medium Enterprise (MSME) through Republic Act No 6977⁴, RCBs continue to do the heavy lifting and outperform the rest of the banking system. In the 3rd Quarter of 2024, RCB has compliance ratios of 17.38 percent for Micro/Small Enterprise and 9.26 percent Medium Enterprise, which exceed the threshold and 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
Compliance with MS-ME					
Percentage of Compliance with MSE	1.39%	3.79%	17.38%	2.08%	1.86%
Percentage of Compliance with ME	2.39%	5.22%	8.86%	2.69%	0.22%

Table 2: RCB Compliance w/ Magna Carta for MSME: Q3 2024 (BSP, 2024)

- Philippines being considered among Asia’s fastest growing economies today⁵, the Gross non-performing loan portfolio of the RCBs slightly increase compared to the second 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.

⁴ https://lawphil.net/statutes/repacts/ra1991/ra_6977_1991.html

⁵ https://pco.gov.ph/news_releases/ph-still-among-asias-fastest-growing-economies-neda/

Figure 5 - Philippine Rural and Cooperative Banking System: Gross NPL Ratio (Q3 2023 – Q4 2024*)

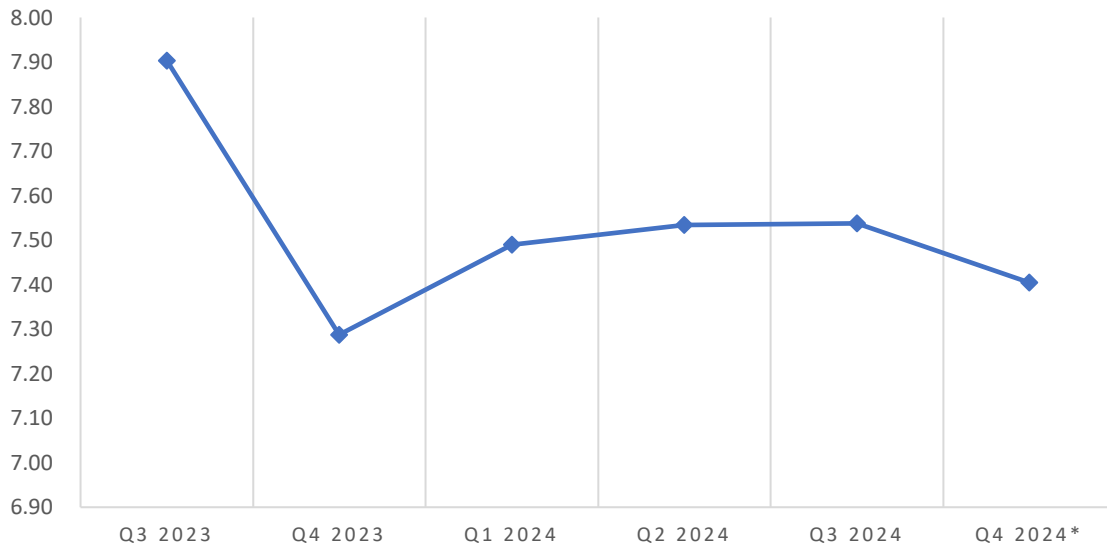


Figure 5. Philippine RCBs: Gross NPL ratio (Q3 2023 – Q4 2024 (BSP, 2024)*

- In relation to savings mobilization, the total deposit liabilities of RCBs continue to expand. Total deposit liabilities of RCBs in the quarter grew by 16 percent compared to the same quarter of the previous year. In terms of type of Deposits, in the third quarter of 2024, Savings Deposit had the biggest share which represents 73 percent (₱ 238 billion) of the total deposit, followed by Time Deposit which represents 25 percent (₱ 81 billion) and Demand Deposit which represents 2 percent (₱ 8 billion) as seen in figure 6.

Figure 6 - Philippine Rural and Cooperative Banking System: Deposit Liability in Q3 2024

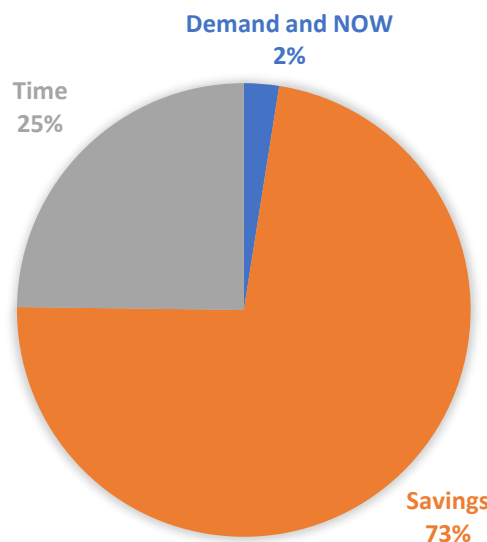


Figure 6. Philippine RCBs: Deposit Liabilities in Q3 2024 (BSP, 2024)

- Further, there are a total of 23.53 million deposit accounts handled by the RCBs in the 3rd quarter of 2024, which represents 17 percent of total deposit accounts handled by the Philippine Banking System. The total deposit account in the third 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 “P15,000 and below” which represents 94 percent (22.23 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 Q3 of 2024

	UKBs	TBs	RCBs	DBs	PBs
Total Deposit - No. of Account (in millions)	91.39	7.16	23.53	16.25	138.33
Share to Philippine Total Deposit Account	66%	5%	17%	12%	100%
Account Size					
P15,000 and Below	80%	85%	94%	96%	85%
P15,000.01 - P50,000	8%	6%	3%	2%	6%
P50,000.01 - P100,000	3%	2%	1%	1%	3%
P100,000.01 - P250,000	3%	2%	1%	1%	3%
P250,000.01 - P500,000	2%	1%	0%	0%	1%
P500,000.01 - P1,000,000	1%	1%	0%	0%	1%
P1,000,000.01 - P2,000,000	1%	1%	0%	0%	1%
P2,000,000.01 and over	1%	1%	0%	0%	1%
Total	100%	100%	100%	100%	100%

Table 3. Philippine RCBs: Deposit Liabilities in Q3 2024 (BSP, 2024)

- The liquidity ratios of Rural and Cooperative Banking System for the 3rd quarter of 2024 were on a downward trend as general, this is expected result due to the increase in loan provided by the industry to the countryside. The ratio for Cash & Due from Banks to Deposits was 24.34 percent in the 3rd quarter which decreased by 54 basis points compared to last quarter’ 23.80 percent. Liquid Assets to Deposits Ratio of 46.11 percent decreased by 15 basis points compared to last quarter’s 46.26 percent. As mentioned, these movements were correlated to the changes in RCBs loan portfolio with the loans (gross) to deposits liquidity ratio in the 3rd quarter of 2024 at 86.79 percent, an increase of 192 basis points compared to last year’s 84.87 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 119 basis points to 17.94 percent compared to the 19.13 percent in the 3rd 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 40 percent Y-o-Y to ₱ 10.72 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 Q3 2023 – Q3 2024)

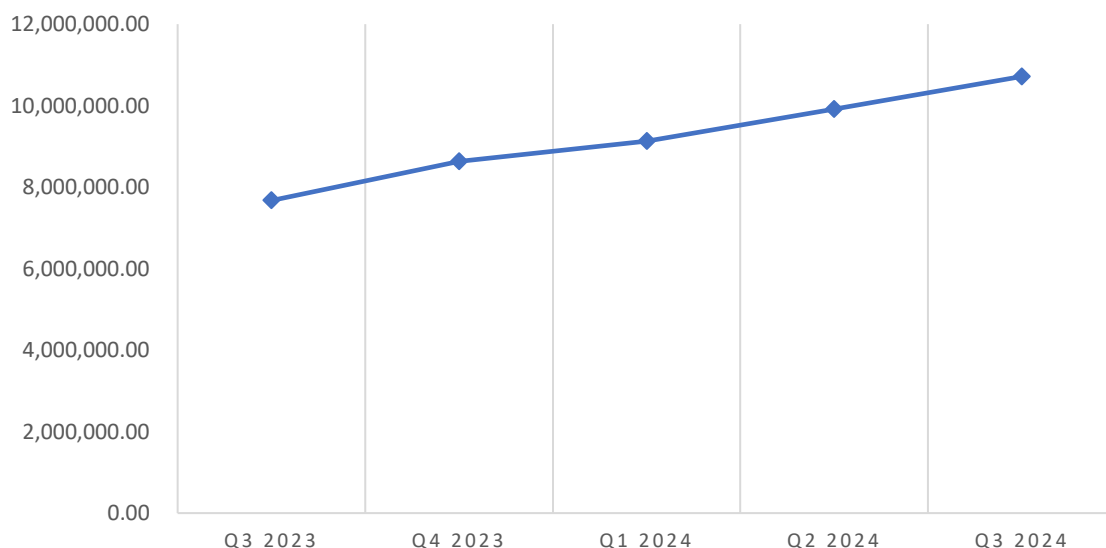


Figure 7. Philippine RCBs: Annualized Net Profit Q3 2023 – Q3 2024 (BSP, 2024)

- Return on Assets (ROA) for the 3rd quarter of 2024 improved to 2.5 percent ROA from 2 percent recorded ROA a year ago. Return on equity (ROE) increased to 13.6 percent during the period compared to 11 percent recorded a year ago. Furthermore, the net interest margin (NIM) went up to 10.8 percent during the period compared to 10 percent recorded in the previous year. And lastly the Cost-to-Income ratio stood at 66 percent during the period compared to 71.23 percent recorded in the previous year.
- Rural & Cooperative Banks’ Physical network and presence 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 3rd Quarter of 2024. During the first nine months, 1 new rural bank were converted from a thrift bank, 3 Rural Banks were closed, and 1 rural bank merge to a bigger thrift bank. In addition, the total number of offices, which includes head office, branches and branch-lite units, was 3,598 for the 3rd Quarter of 2024 up from 3,551 offices recorded in 2023. Below is the detailed list of Rural and cooperative banks opened, closed, consolidated, and merged and the regional distribution of rural and cooperative bank during the reported period, January 1, 2023 to September 30, 2024.

Table 4: Rural and Cooperative banking system: Nine months of 2024 New and Closed Rural Banks

Rural and Cooperative Bank in the beginning of 2024:		389
New Rural Bank		1
Q3	Quezon Coconut Bank, Inc. (A Rural Bank) (Converted from a Thrift Bank) ⁶	
Closed Rural Bank		-3
Q1	Rural Bank of Pana-on (Misamis Occidental), Inc. ⁷	
Q2	Rural Bank of Cuyo (Palawan), Inc. ⁸	
Q3	Cooperative Bank of Bohol ⁹	
Merged		-1
Q2	Rural Bank of Maasin to Producers Saving Banks ¹⁰	
Rural and Cooperative Bank in the End of 3rd Quarter of 2024:		386

	Head Offices	Branches	Branch-lite	Total
NCR	13	40	51	104
CAR	15	54	37	106
Ilocos Region	28	125	117	270
Cagayan Valley	25	128	104	257
Central Luzon	64	262	129	455
CALABARZON	74	264	233	571
MIMAROPA	19	56	102	177
Bicol Region	17	84	215	316
Western Visayas	25	75	159	259
Region NIR¹¹	20	39	67	126
Central Visayas	17	89	87	193
Eastern Visayas	12	50	65	127
Zamboanga Peninsula	13	32	40	85
Northern Mindanao	20	61	64	145
Davao Region	11	93	68	172
SOCCSKSARGEN	8	64	35	107
CARAGA	5	69	47	121
BARMM	0	2	5	7
Nationwide	386	1587	1625	3598

Table 4: Rural and Cooperative banking system: Q3 2024 Open and Closure (BSP, 2024)

⁶ <https://www.bsp.gov.ph/Regulations/Issuances/2024/CL-2024-042.pdf>

⁷ <https://www.bsp.gov.ph/Regulations/Issuances/2024/CL-2024-003.pdf>

⁸ <https://www.bsp.gov.ph/Regulations/Issuances/2024/CL-2024-028.pdf>

⁹ <https://www.bsp.gov.ph/Regulations/Issuances/2024/CL-2024-039.pdf>

¹⁰ <https://www.bsp.gov.ph/Regulations/Issuances/2024/CL-2024-022.pdf>

¹¹ <https://psa.gov.ph/content/second-quarter-2024-psgc-updates-creation-negros-island-region-and-correction-names-two>