MABS-M PROGRAM
Microenterprise Access to Banking Services in Mindanao

Rural Banks and Microfinancing

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SECTION I

Introduction

When one talks about microfinancing and microenterprises, one usually thinks of informal markets and/or NGOs as conduits of funds. Rural banks are sometimes not considered, because they are seen erroneously as conduit of funds for agricultural activities alone.

But rural banks may be precisely the correct conduits for financing and lending both to non-agricultural and agricultural microenterprises, because they can provide cheaper credit than the informal markets and, at the same time, practice the market discipline and monitoring that usually evade NGOs. Rural banks have a further advantage of being 'the neighborhood bank,' and can provide the sort of approachable and personal atmosphere that commercial banks often lack. Rural banks cater to smaller depositors and smaller borrowers, and often have less stringent requirements on the minimum amounts of deposits and loans. This makes rural banks well equipped to channel funds to viable and sustainable microenterprises.

This study is an initial attempt to provide a descriptive analysis of rural banks in Mindanao, and to discuss issues concerning the capacity of these banks to undertake microfinancing — particularly during a period of serious crisis in the economy, crisis brought about by a devastating drought caused by El Niño, the threat of massive floods caused by La Niña, and a crippling financial meltdown that has engulfed the East Asian region.

The study commissioned by the Microenterprise Access to Banking Services in Mindanao (MABS-M) is, based on the terms of reference of the project, to "survey 20 to 25 rural banks in Mindanao to assess the level of current microfinance activity." (The MABS-M team already had raw data on 15 banks to use as a starting point).

The data used for most of the banks were financial statements gathered from rural banks from 1996 to 1998. Financial statements do not give much information on the microenterprise lending of banks and deposit-mobilization strategies they aim at small depositors. The MABS-M team, however, conducted in-depth interviews and gathered additional data for four banks in Region XI. The data and information were gathered as part of the pilot testing of the banks' loans-outreach program for microenterprises. The author also interviewed seven rural banks (four in Region X, two in Caraga, and one in Region XI) on their microfinance activities. Unfortunately, three out of these seven banks did not allow the project access to their financial statements.

The terms of reference document also requests an overview of the rural banking system. We therefore gathered macro data for the Philippines and for the regions in Mindanao and calculated financial indicators to give a picture of the macro situation, focusing especially on the effects of the previously mentioned economic crisis on rural banks.

Because of the requirements of this project, the paper has four distinct parts: an overview of the rural banking system in the country and in the regions in Mindanao, based on the macro financial indicators; an analysis of the financial statements of sample rural banks; a description of the implications of the macro indicators and sample rural-bank financial

indicators on microfinance; and a discussion of the issues and practices of microfinance that arose in the discussions and sessions with the rural bank managers and their staff. Though each of these four topics could have been a paper and project in itself, the author has attempted to integrate them into one. The reader should, however, bear in mind that there are various components to this paper and these components have different methodologies.

Consequently, Section II of the paper analyzes the overall macro indicators for rural banks in the Philippines and in Mindanao. These are data derived from the Bangko Sentral ng Pilipinas (BSP) and the Philippine Deposit Insurance Corporation (PDIC). Section III analyzes the financial indicators of 23 rural banks in Mindanao as they are calculated from financial statements, and discusses the trends seen in these indicators.

Section IV gives an overview of the macro indicators and the indicators, derived from the financial statements of the 23 rural banks and the implications these have on microfinancing. This is discussed both from the deposits side, and from the microlending side. This section also discusses briefly the effects of the stricter requirements imposed by the BSP on capital-adequacy ratios and loan-loss provision, and the additional implications these have on lending to microenterprises. Section V discusses issues and practices that emerged in the interviews and discussions with the rural banks as conducted by the MABS-M team and the author, and Section VI gives the summary and conclusions of the paper.

SECTION II

Macro Picture of the Rural Banks' Performance

A. For the Philippines

Table 1 gives us the indicators for the rural banking system in the Philippines for the period 1990 to March 1998, as gotten from the data released by the Philippine Deposit Insurance Corporation (PDIC). Note that these macro indicators do not directly describe microenterprise lending and microfinance, but only affect them.

The data show a rapid increase in deposit-and-loan expansion (see percent increase in net loans, risk assets, total assets, total deposits, savings deposits, and time deposits) from 1991 to 1996, when growth rates reached more than 20 percent and, in many cases from 1996 to 1996, surpassed 30 percent. There was also an improvement in past-due performance, as the share of past-due loans (plus items in litigation) fell steadily from 28.3 percent in 1990 to 14 percent in 1996. This is partly a result of the transition of the country from recession (1990 to 1992) to boom (1993 to 1996), and partly a result of the successful rehabilitation of rural banks that took place in the late 1980s on to the 1990s. The important things to note here include the following:

- The capital adequacy ratio (net worth, or capital, to risk-asset ratio), which measures the degree of capitalization of the bank vis-à-vis its risky assets, declined from a very conservative 20 percent in the early 1990s (1992-1993) to 17 percent in 1997, as the boom period brought on substantial loan expansion — which of course increases risk assets. This ratio inched upwards in the first quarter of 1998, as the financial crisis and El Niño reduced loan expansion and halted the high optimistic lending period. This increase in the capital adequacy ratio is also a result of stricter Central Bank regulations that call for a ratio of at least 10 percent (banks that do not satisfy this requirement will either have to increase their capital or reduce their loans), and stricter rules for loan-loss provisioning (which discourages high expansion in loans and risky assets).

- The share of past-due loans and items in litigation from total gross loans declined substantially and steadily from 1990 to 1996. This again can be attributed to the boom years and the strengthening of the rural banking sector. Past-due ratios started to move up (not alarmingly but significantly) in 1997 and 1998, as El Niño and the financial crisis hit the country. Past due ratio was 14 percent in end of 1996. It went up to 15.3 percent by end of 1997, and increased further to 16.6 percent in March 1998. It is expected to rise even more strongly in the second and third quarters of 1998 as the major impact of El Niño and the financial crisis are felt in full force.

- Return to equity and to assets (measures of profitability) showed a decline in the stagnation years of 1991 and 1992, but improved from 1993 to 1995 due to the boom during this period. However, profit rates started to decline in 1996 and had returned to the levels of the early 1990s by March 1998. We expect profit rates will worsen in the second and third quarters of 1998 due to El Niño and the financial crisis.

- Other operating expense as a share of total operating income (net of interest expense) decreased from 1991 to 1995 (during the boom) and started to increase quite fast from 1996 to 1998. This may only point to higher operating expenses and/or lower income from lending due to lower

growth or a contraction in lending. The latter is definitely the case in 1998 and the latter part of 1997. But the rise in this indicator in 1996 — when loan expansion was still high — points to increasing inefficiency in the provision of banking services, starting even before the crisis.

- The quick assets-to-deposit ratio measures the amount of liquid assets in relation to the bank's total deposits. This ratio declined rapidly from 1992 to 1997, mainly due to rapid loan expansion (liquid assets are mostly lent out) and remained low in March 1998. This low ratio in March 1998 is a bit worrisome, for it accompanies the negative trend in performance of the rural banking sector (particularly the decline in deposit expansion). As the sector weakens and its quick assets remain low vis-à-vis deposits, the danger of bank runs becomes stronger.

- The ratios of gross loans to deposits show a downward trend from 1990 to 1995, as deposits grew faster than loans, due to people's renewed confidence to deposit in rural banks. The years 1996 and 1997 showed a reverse trend as loan expansion outpaced deposit growth because of high optimism and high loan expansion. March 1998 showed a reversal again, with the loans-to-deposit ratio declining because of the economic crisis and the slowdown in lending.

- The share of savings deposits to total deposits had declined from 1990 to 1996, as time deposits rapidly increased during this period. This trend stopped when the Asian economic crisis started to be felt in 1997 and 1998. This fast-rising share of time deposits points to rural banks' attempt at competing with commercial banks on generating deposits on the more expensive end. This may be dangerous if they neglect savings deposits, which should be more their niche and would give them an edge, because the cost of funds for savings deposits is much lower than that of time deposits. This is tempered somewhat by the fact that rural banks give smaller denominations of time deposits (at lower interest rates), compared with commercial and thrift banks.

- The bills payable share to deposits plus bills payable is a measure of the bank's dependence on borrowed funds rather than deposits for funds generation. This ratio was on a healthy declining trend from 1990 to 1995. It experienced an uptick in 1996 and early 1997, most likely due to declining lending rates during this period, when many rural banks were encouraged to establish credit facilities with commercial and government banks. The measure is again in a downward trend as cost of borrowed funds is quite expensive because of the economic crisis.

- Table 1 also shows massive increases in loans, risk assets, deposits, and capital from 1991 to 1996. The growth rates slowed in 1997 when the financial crisis hit (and depositors veered from small banks to large established banks). The decline intensified further in 1998, as the figures for the first quarter of 1998 show a loss in net loans and practically no increase in deposits. These figures are expected to worsen in succeeding quarters. The fall in loans is due to the pessimistic outlook, higher risks of defaults, and the Central Bank's more stringent restrictions on capital-adequacy ratio and loan-loss provisions. The slowdown in deposit generation signifies the shift of big depositors away from small banks (including rural banks) to large, established commercial banks. This emphasizes even further the necessity of rural banks to mobilize savings deposits from small depositors — those not serviced by the larger commercial banks.

- The number of rural banks operating in the country declined during the recession years 1991 to 1993. From 1994 to the present, however, there was substantial growth in the number of rural banks, most likely due to the boom from 1994 to 1997. Since the financial crisis has not yet hit

the rural banks hard, we do not expect a big decline in the number of rural banks in 1998. At the same time, we do expect the number of rural banks in the country to grow too much.

B. Indicators for the Regions in Mindanao

Tables 2a and 2b, and Tables 3 to 5 give us some more indicators, this time including regions in Mindanao. Tables 2a and 2b give us indicators derived from the consolidated balance sheets of the regions. Table 2a shows the breakdown of loans for agricultural, industrial, commercial, and other loans (a major portion of other loans is made up of salary loans).

It can be seen that most regions in Mindanao, with the striking exception of Region XI (Southern Mindanao) and, less strikingly, Caraga, have higher share of agricultural loans in their portfolio, especially when compared to the national average. The share of commercial and other loans for the regions in Mindanao are therefore lower than the national average, except for Region XI, which has a higher share for other loans than the national average. Caraga has a similar loan portfolio as the national average.

The areas with lower incomes, such as the Autonomous Region of Muslim Mindanao (ARMM) and Region XII, have a higher share of agricultural loans in their portfolio. Mindanao, on the average, has a higher share of agricultural loans in the rural banks' portfolio than the national average. The exception is 1996, when Region X had a striking shift from agricultural loans to other loans (signifying a large shift to salary loans). This shift was reversed even more sharply in 1997 due to high past-due ratios of salary loans in 1997. Still, the data show that Mindanao follows the general pattern of the Philippines, where rural banks in more-developed areas have high exposure to salary loans (as shown on the high share of 'other loans'). This is because salary loans are easy to promote and have collateral substitutes, such as automatic salary deduction and post-dated checks.

The table also shows the past-due ratios for the various regions by loan categories. It can be seen that past-due ratios for all the regions in Mindanao, with the important exception of Region XII (Central Mindanao), compare reasonably well with the national average. Region IX (Western Mindanao) has slightly higher past-due ratios than the national average, but it is the past-due ratios of Region XII that are alarmingly high for agricultural loans and for all other categories except other loans.

The table also shows that, in general, the different categories of loans (agricultural, industrial, commercial, and others) have similar past-due ratios, with industrial loans (the smallest category) performing the best. Commercial loans fare poorly in ARMM (salary loans also performed poorly there in 1997). Agricultural loans perform worst in Region XII.

Readers should note, however, that on a macro level, 1997 was not yet a year of extreme crisis for Mindanao (and, for that matter, the entire country). Though 1998 might be, unfortunately the data are not yet available for the indicators of Table 2a.

Table 2a also shows the average sizes of deposits. For all regions in Mindanao, both savings and time deposits have smaller sizes than the national average — one more indication that rural banks in Mindanao cater more to the smaller savers and depositors, and would be ideal for generating microfunds for microfinancing.

Table 2b gives some indicators for the different regions in Mindanao that can be compared with Table 1. Let us tackle first the past-due ratios. Past-due ratios have been going up for the Philippines

as a whole, and for the regions in Mindanao, since 1997, and intensified from 1997 to March 1998 as a result of the economic crisis and El Niño. This deterioration in past-due ratios is alarming most especially for ARMM, where the past-due ratio has tripled from end of 1996 to March 1998. All other regions (the next significant region is Region XI) experienced deterioration in the past-due ratio since 1996, except for Region XII (the worst performer in 1995), whose past-due ratio improved in March 1998 compared with December 1997.

With respect to capital-adequacy ratios, the regions in Mindanao have higher ratios than the national average, which generally means that banks are adequately capitalized. But the very high ratios in Mindanao, especially in Region X (Northern Mindanao) and Region IX (Western Mindanao), may hide a low level of loan expansion vis-à-vis the capability of the banks. This should be looked into carefully.

Quick assets to total deposits for regions in Mindanao are higher than the national average. This makes rural banks in Mindanao more resistant to bank runs, but again may reflect the more conservative expansion in loans practiced by the banks in Mindanao. In the main, the quick-assets-to-deposits ratio increased in March 1998, reflecting again the conservatism in incurring further loans during a crisis year.

Total loans to deposit are higher for the regions in Mindanao compared to the national average. This is consistent with the lower expansion of loans observed above but reflects a higher dependence on borrowed funds (bills-payable and lending facilities from government and commercial banks) rather than on deposit mobilization as the source of funds. The loans-to-deposits ratio also increased in 1996 and for some regions in 1997, due to the optimism and growth in the economy during this periods. For all regions, however, the loans-to-deposit ratio fell in March 1998, influenced by the economic crisis.

Mindanao has a higher dependence on bills payable for funds sourcing, as the share-of-bills-payable indicator shows. This dependence on bills payable is worrisome, because the high share of bills payable to fund sources is high for all regions and continues to be high in 1998. This means that in this time of crisis, the Mindanao banks' debts to other banks may put them in a weaker position, because these bills payable are more expensive than savings deposits and time deposits. There is therefore room to shift fund sources toward savings deposits, and to gear efforts and programs to generate these cheaper funds in an efficient and sustainable way.

Table 2b also shows that the profitability ratios — the return-to-equity and return-to-assets ratios (the net-income-to-total-capital ratio, and the net-income-to-total-assets ratio, respectively) — for the regions in Mindanao are higher than the national average, reflecting untapped potential for expansion in the area. The drop, however, in the profitability ratios for Mindanao in March 1998 is much sharper than for the national average. Looking at the regional indicators, this is mainly a result of the sharp fall in the profitability ratios of the two largest and most developed regions in Mindanao — Region X and Region XI.

In terms of growth of deposits and loans, most regions in Mindanao suffered a loss or a slowdown in growth in the first quarter of 1998 except Region XII, which suffered in 1997 but rebounded in the first quarter of 1998, and Region IX. The rest suffered a substantial decline or slowdown in deposit and loan expansion, most likely due to El Niño and the financial crisis. It is interesting again to note that the more developed areas (Region X and XI) are the ones showing significant declines in profitability, deposits, and loans.

In terms of the composition of deposits, the rural banks in the Mindanao regions in general have a higher share of savings deposits than time deposits, compared with the national average. This is true because Mindanao has lower incomes and less accessibility to more-sophisticated financial instruments. Among the regions in Mindanao, ARMM and Region X have the highest share of savings deposits, while Region XI and Caraga have the highest share of time deposits.

Table 3 shows the March 1998 indicators for different regions in the Philippines. Interestingly, profitability ratios are high in the more backward areas in Mindanao (Region 12, ARMM and Caraga). This shows the lack of competition among rural banks in these areas, which also have a small number of rural banks, lending monopoly status to some of the rural banks in these areas.

Table 4 shows the number of head offices of rural banks in the regions of Mindanao. In general, Tables 3 and 4 show that there are fewer rural banks in the Mindanao regions compared with other regions. Regions XI and X (the most developed areas) have the highest number of banks in Mindanao. Region XII has the fewest banks. The number of rural banks in the country and in Mindanao fell from 1990 to 1993 (given the recession in between). There was a slight increase in the number of rural banks in Mindanao in 1997, and the number remains stable in the first half of 1998.

Table 5 gives us some interest and expense statistics for 1995 to 1997. Some of the insights we get here are:

- The breakdown of interest income from loans shows some variation in the sources of loan-interest income in the regions of Mindanao. The less developed areas — ARMM, Region XII, Region IX and Caraga — depend more on agriculture for interest income. The more developed areas — Regions X and XI — depend more on ‘other loans’ (of which salary loans make up a significant portion) for interest income. The dependence on commercial loans in Mindanao and its regions is similar to the national average, making up anywhere between 12 and 17 percent of interest income in 1996 and 1997.

- As would be expected from banks, interest income from loans make up the main bulk of interest income. But it must be pointed out that in ARMM and Region IX, the crisis caused a marked shift away from interest income from loans (due to declines or slowdown in loan expansion, as well as increasing defaults and past dues) to interest income from deposits with other banks and other investments.

- Interest income makes up the majority of income. Mindanao has a higher share of other income than the national average. This means it has a higher share of income from commissions and fees for bank services. Particularly high is the share of these other income sources in ARMM.

- As discussed earlier, rural banks in general depend more on borrowed funds than on deposit mobilization. This shows up in the composition of income expense, of which borrowed funds make up a bigger share of interest expense than the national average. This demonstrates that depending on more-expensive borrowed funds will reduce one’s profits. Many rural banks in the Mindanao region could improve their financial conditions by sourcing funds more from deposit mobilization.

- Rural banks in Mindanao also have a higher share of non-interest expense (salaries, operating expenses, etc) than the national average. This means that there is a lot of room for improvements in efficiency, administration, and management for the banks.

- This higher non-interest expense is further emphasized when one calculates the ratio of non-interest expense to average loans. This is particularly high for regions IX, X, XI, and Caraga, driving this ratio much higher for Mindanao than the national average. This ratio, together with the national average, has been going up from 1995 to 1997 for most regions in Mindanao, reflecting the increasing inefficiencies and administrative costs during the latest credit-expansion period.

SECTION III

The Financial Statements of the Sample Rural Banks

The sample rural banks are made up of the following:

- Sixteen rural banks that the MABS-M team considered for the pilot phase of its loan-outreach program. Criteria for choosing the banks for the pilot phase of MABS-M included considering whether the rural banks were in good standing with the Bangko Sentral ng Pilipinas (BSP) (based on performance on key financial indicators) and whether they were three hours or less from Davao City. There were 49 rural banks within three-hour travel distance from Davao City; 23 qualified under the BSP test. The MABS-M team visited 21 of the 23, of which 16 were willing to provide financial statements. Even so, as can be seen in Table 6, not all of the 16 banks gave complete information in all categories for 1996 to the latest month in 1998. Blanks in the table mean data are missing. Rural Bank No. 11, for example, did not submit any balance sheet, but provided income statements to the MABS-M team. Twelve of the banks came from Region XI and four from Region XII.

- The financial statements of five more banks from the other regions were further included by the MABS-M team to give a better representation of rural banks in Mindanao. Two came from Region X, two from Caraga, and one from the Autonomous Region of Muslim Mindanao (ARMM).

- The author interviewed representatives of seven banks: one from Region XI, four in Region X, and two in Caraga. One bank, in Region XI, was one of the 16 mentioned above. The six other banks were from areas outside the three-hour traveling radius from Davao City. From among these, only three banks, in Region X, submitted financial statements.

The above therefore adds up to 24 rural banks. As mentioned above, not all gave complete information. The rural banks with financial statements, as well as those interviewed by the MABS-M team and the author, are obviously the ‘better’ banks, and could skew the results. However, this is not inconsistent with the aims of the study, which is to analyze the issues concerning rural banks that have the capacity and capabilities to successfully undertake microfinancing activities. This, of course, entails some sound banking practices that could show up as better performance in the financial indicators.

That said, the indicators of the financial statements of sample rural banks mirror the profile of rural banks in Mindanao that was presented in the macro portion above (such as dependence on agricultural and other loans, high loan-to-deposit ratios, etc.). We will not repeat them here. More important are the effects of the economic crisis and El Niño on the rural banks, as reflected in their financial statements. Again, the results are similar to that shown in the macro data. Table 6 presents the balance sheet indicators, while Table 7 presents the income statement indicators.

The most important trend seen across most banks is the sharp fall or slowdown in deposit generation in 1998, as the rates of deposits fell or rose by very small amounts.[1] This fall in deposits, discussed earlier, is due to the shift of depositors away from small banks and a fall in incomes due the El Niño and financial crisis.

The next trend one can see is a fall or slowdown in loan expansion. This is particularly true for sample banks in Regions XI, XII, and ARMM (although we have only one sample for ARMM). Sample banks in Region X and Caraga seem to still have some expansion of loans.

These trends crisis are potentially dangerous. The primary role of banks is precisely to generate deposits and lend them out a higher interest rates. If both these roles continue to be diminished for a longer period, then the banks will eventually be in trouble.

Aggravating the situation is the general deterioration in the past-due ratios in all categories. We again saw this in the macro data. Especially clear is the deterioration of the agricultural-loan portfolio, due to the El Niño phenomenon. Agricultural past-due ratios range between 10 percent to 20 percent for most banks.

But perhaps the most worrisome is the high past-due ratios the sample banks have on commercial loans and the continuing deterioration of these ratios. Past-due ratios for commercial loans are more than 16 percent, and oftentimes more than 20 percent in many of the sample banks. This is especially important for this study, because most targeted microenterprises are in the commercial sectors (e.g. market vendors, sari-sari stores, sale of processed food, etc.). The high past-due ratios should give MABS-M some warning not to encourage banks to expand to a sector without careful credit-selection and policies in place. As will be pointed out again later, a study on past-due ratios, specifically for microenterprises, and their repayment capabilities is a most important project that needs to be undertaken.

It is also worth pointing out that the share of commercial loans in total loans is very low for the majority of the sample banks, much lower than the 15 percent to 18 percent share of total loans going to commercial loans for Mindanao, shown in Table 2a.

The slowdown in loan expansion and the increasing non-interest expense caused by inefficiencies during the credit expansion years (as described in the last section) are increasing the ratio of non-interest expense to average loans, especially from their 1996 ratios. This is true for most banks, as shown in the last line of Table 7.

The fall in deposits, the slower expansion — and, in many cases, cutbacks — of loans, and the deteriorating past-due ratios are, surprisingly, not causing net income to fall drastically, as can be seen in the indicators of return-to-equity and return-to-assets in Table 6, and by the levels of net

[1] The growth rates for 1998 in all the tables of the paper refer to the growth rates between beginning of the year (or end of 1997) to the month of 1998 in the financial statement. If this growth rate continues for the rest of the year, one can approximate the annual growth rate by multiplying the growth rates (for 1998) in the tables by 12 / (number of months). The number of months, for example, is 8 if the income statement is for August 1998.

income before tax[2] in Table 7. This is most likely due to a delay in the negative effects of higher past-due ratios and slower loan expansion on interest income, whereas declines in interest expense due to deposit contraction occurs immediately. But, as the higher past-due ratios continue, and as the loan-loss provision rules become stricter and must be complied with (please see the following section for a more detailed discussion of this), the effects on net income will definitely become much more adverse.

It must be pointed out that some banks (such as Rural Bank No. 4) were able to make higher profits even with the slowdown (or decline) of deposits and loans by shifting out of loans and putting their money in time deposits with other banks (or investments in higher-yielding financial assets, such as treasury bills) whose yields (interest rates) were temporarily very high in the first quarter of the year due to the BSP's effort to stem currency instability and depreciation by tightening and contracting liquidity. This can be seen by their higher dependence in 1998 on interest income on deposits with other banks or other investments (as shown in Table 7). This quick profit is no longer available since monetary policy has relaxed considerably and interest rates (for one-month financial instruments) have fallen from a high of about 20 percent net interest rate in early January 1998 to about 10 percent in November 1998.

[2] Again, net income before tax figure for 1998 in Table 7 is from the beginning of the year to the particular month of the income statement. If we assume this reflects the net income for the whole year, we can approximate 1998's net income before tax by 12 / (number of months into 1998).

SECTION IV

General Assessment of the Situation

The situation that is being painted by the many indicators we have just seen is one that puts constraints on the healthy expansion of micro-deposits and micro-loans. Indicators show that the effects of the economic and financial crisis, as well as weather problems, are threatening to bring about stagnation or declines in rural bank deposits and rural bank loans.

No doubt the fall in deposits may have to do with the crisis where depositors (especially large depositors) would transfer their funds to large, established banks. But it is a fact that the financially strong and solvent rural banks we visited did not at all face any bank runs or transfer of funds by their depositors. This is precisely because of their good reputation and strong personal ties with their depositors and borrowers. At the same time, rural banks could still lose their big depositors. That is why it is important for them to diversify their deposits to many small savers in their area so that they will not be adversely affected by the loss of a few large depositors when economic instability occurs.

The current crisis increases the need for rural banks to try to mobilize savings deposits from small savers not reached by commercial banks. This will help them weather liquidity crises, and will give them access to the cheapest source of funds, so they can reduce their cost of funds to compensate for potential decreases in revenues due to higher defaults and past dues from loans. Of course, recession and economic hardship would mean less income, especially for many who used to be able to save. Among existing small depositors, there may be a contraction in the number and amount of deposits at the same time as big depositors are moving to larger commercial banks. Consequently, rural banks should prudently manage the flow of their deposit funds, and make strong efforts to retain present depositors by building relationships and providing better service. At the same time, they should undertake strong promotional efforts to attract stable depositors, both large and small, in the area.

Due to the slowdown or cutback in loan expansion (to be discussed in the following paragraphs), banks may have fewer incentives to mobilize deposits, which are the main sources of funds for lending. The forward-looking banks, who look beyond the crisis and recovery, will realize the importance of retaining their depositors, and of taking advantage of the crisis to attract depositors lost by other banks, thus increasing their financial strength and market share in their service area.

The potential role of microenterprise lending as buffer to unstable repayment practices of debtors is similar to the positive role of micro-savings at a time of unstable deposits. In times of crisis, many big borrowers could be placed in jeopardy of bankruptcy because a massive devaluation of currency, or high interest rates, or a fall in demand because of the recession. These banks may be partially protected if they diversify their portfolios to include small, reliable borrowers. El Niño, for example, is a temporary phenomenon. If the farmers cannot pay back their loans this harvest, rescheduling the loans (or asking only for interest payments in the meantime) is not fatal, because the weather will improve and they will presumably be able to pay next harvest.

Micro-lending to various projects can also act as a hedge, especially if it is accompanied by good credit investigation, credit analysis, and loan-collection schemes. Small lenders actually provide some sort of insurance to the financial crisis if their repayment is adequate and not deteriorating. But it must be done with the proper selection of borrowers (which requires credit investigation and credit

analysis), proper schemes for loan payment and proper monitoring, loan collection policy, and correct handling of delinquent loans. This is because economic hardships brought about by the crisis and the weather will have adverse effects on the incomes and earnings of microenterprises, making some unviable, some illiquid, or some insolvent, increasing the probability of default and bankruptcy.

It is important to find out, at this point of the economic crisis, if microenterprises are doing better or worse than the larger enterprises. This should be reflected in the repayment rates of the two sets of borrowers. The bad past-due ratios of commercial loans derived from our sample banks should make us more cautious. However, past-due ratios for commercial loans in the financial statements we studied are calculated by combining both big and small commercial loans together. Thus, it is imperative that a project be set up that would determine whether capacity to repay is gravely jeopardized for microenterprises and how they are faring vis-à-vis larger enterprises.

This particular study cannot ascertain this beyond the anecdotal level — what rural bankers and their staff members have told us in the interviews. Many rural banks interviewed put the share of the microenterprise loans as anywhere between 30 to 70 percent of their total commercial loans. The past-due ratio, therefore, for commercial loans cannot be used as a substitute for the past-due ratio of microenterprises. We have to get the figures straight from the ledgers of the banks.

The data showing significant increases in the past-due ratios of all categories of loans point to probable deterioration in the existing loan portfolios of many rural banks. Many banks would pursue the policy of not increasing the loan portfolio, or even cut back loans to some borrowers. This tendency would be even strengthened by the stricter regulations imposed by the Central Bank. These stricter rules are:

- *A stricter definition of past-due loans and performing loans.* The definition of past-due loans was amended, reducing the number of installments in arrears on loans payable in monthly and quarterly installments from six and two, to three and one, respectively, before they are considered past due. Restructured loans shall be treated as performing loans only if: a) they are in current status, and b) they are fully secured by real estate with loan value up to 60 percent of appraised value of the real estate security and the insured improvements thereon, and such other first-class collaterals as may be deemed appropriate by the Monetary Board.

- *Stricter general loan-loss provision.* A general loan-loss provision over and above the provision for probable losses linked to individually identified bad accounts has been required. On top of the existing specific provisioning requirements (see the next item, below), banks are now required to put up 2 percent of their gross loan portfolio — less interbank loans, certain guaranteed loans that are not past due, and those that are considered non-risk under existing rules — as allowance for probable loss. The schedule of compliance was accelerated. A 1 percent (of gross loans) loan-loss provision should be achieved by 1 October 1998; 1.5 percent by 1 April 1999; and 2 percent by 1 October 1999.

- *Stricter rules on allowance for probable losses.* The BSP further tightened the provisioning requirement to include “loans especially mentioned,” regardless of collateral (5 percent), and secured loans classified as “substandard” (25 percent) among specified loans subject for loan-loss provision. Banks are given until April 1999 to comply fully with these new provisioning requirements. Here is the schedule of compliance for the allowance for probable losses:

Classification	Existing	12/31/98	4/15/99
Loans especially mentioned	0 percent	2.5 percent	5 percent
Substandard			
Collateralized	0 percent	12.5 percent	25 percent
Uncollateralized	25 percent	25 percent	25 percent
Doubtful	50 percent	50 percent	50 percent
Loss	100 percent	100 percent	100 percent

These more stringent rules — necessary to prevent bank failures — have the effects of further increasing the conservatism of banks when it comes to expanding their loan portfolio. It forces them to be more careful in extending loans, and to ensure that defaults and late payments do not occur.

The implication of this on expanding microenterprise loans is tremendous. Any program that wants to expand these kinds of loans should take the crisis environment and the stronger regulations seriously. First, rural banks could cut back and reduce their lending to uncollateralized loans (or loans with soft collaterals) because of the unstable economic conditions and stricter BSP rules. Microenterprise loans would be in the front line of the cutbacks.

One part of the program should be to make sure existing microenterprise loans that are viable in the medium- and long-term (but that may be suffering temporarily due to the crisis) will not be terminated by the rural banks. Secondly, any expansion program (as in getting 500 new borrowers) should be accompanied by strong credit-checking practices in selecting the most viable and sustainable microenterprises (including spot checks and effective credit investigation), setting the terms and timing of payment most suited to the client, monitoring the business of the client and its use of the credit fund, and policies to deal with defaulting clients.

The institution of such credit practices in the pilot banks would be more important than finding new microenterprise borrowers for the banks, especially in this time of economic instability and strict regulation.

SECTION V

Issues and Practices of Microfinance, Based on Interviews

This section tackles the issues and practices of microfinance that emerged in the interviews and sessions with the four pilot rural banks (selected by the MABS-M) team, and the seven rural banks interviewed by the author.

A. On Deposit Mobilization for Small Savers

Before the financial crisis hit in 1997, many rural banks had successfully mobilized deposits from small savers by implementing a mix of the following strategies:

- *Incentive schemes to attract depositors* — free gifts (T-shirts, other items) and raffles that are promoted in the town or municipality.

- *Promotions and talks* to advertise the deposit 'product' and to mobilize deposits of target groups, such as school children (targeting also their parents and relatives), government employees, market vendors and other microenterprises. The potential to borrow money once one is a regular depositor is also an attractive mechanism to attract deposits from microenterprises.

- *Higher interest rates on savings and time deposits.* Rural banks facing stiff competition with branches of commercial and thrift banks offer higher rates (vis-à-vis the other banks) to attract depositors, increasing the cost of funds for these banks.

- *The opportunity to establish credit.* As mentioned earlier, many depositors are attracted by the opportunity to establish credit links with the bank. Such strategies are effective, but based on the author's interviews with bank staff and management, credit links should be established only with responsible borrowers with capability to repay the loans.

The type of small depositors that are most likely to open accounts in rural banks include government employees, teachers, housewives, students, middle- and upper-income farmers, market vendors, tricycle drivers, and sari-sari and carinderia owners. Many of the lower-middle-class and low-income savers feel threatened in (or even banned from) large commercial banks. Rural banks that provide a cozy, friendly, and more personal atmosphere, and that have a staff of employees well-known to local depositors, are especially preferred by these small savers.

Rural bankers say that their most stable and consistent depositors are the middle-class depositors. Forward-looking banks also target the poorer sections of the community, because the minimum amount of deposits is usually around P100. To do this, the bank should have an efficient records-and-operating system with good personnel, so that getting many small deposits will not significantly increase transactions costs.

When the financial crisis and El Niño hit the country, most banks felt that the schemes above no longer worked. Large and medium depositors became genuinely afraid for their financial savings and preferred large established commercial banks. At the same time, incomes of all savers were adversely

affected, and so financial savings and deposits fell. Rural banks with strong reputation of soundness and strength, usually combined with strong goodwill and personal ties with their clients, and those that improved their savings-mobilization efforts qualitatively during or right before the crisis, weathered the liquidity problem well. Their depositors remained and some even increased their financial deposits as transfers were made to the strong rural banks from other banks perceived as weak and unstable.

Rural banks that were not perceived as sound and that did not promote strong bonds and ties with their depositors — even those banks that were otherwise doing relatively well — have fallen victim to deposit withdrawals and lower injection of new deposits.

But the suffering could soon be over. El Niño has ended, and La Niña so far has spared Mindanao. (Luzon has been the most battered, hit by two typhoons in October 1998.) Because the financial crisis in the East Asian region seems to have bottomed out as of November 1998, 1999 may be a period of recovery for the rural banking system in Mindanao. As mentioned earlier, the income position of rural banks as of mid-1998 (since the financial statements for 1998 ranged between April to August of the year) did not register sharp and alarming declines. It would help if economic and financial recovery occurred as soon as possible, so that rural banks, which have just recovered from tough times in the late 1980s and early 1990s, will continue to grow, prosper, and branch out to the different areas in Mindanao and the rest of the country.

There are a lot of ways the rural banking system in Mindanao can improve deposits generation, with or without the crisis. The difficulties associated with the crisis have caused some rural bankers give up on promotional efforts to mobilize deposits. We hope this attitude changes. Promotional schemes and door-to-door marketing would benefit banks the most, especially in contrast to such “lazy” schemes as waiting for walk-in depositors or relying on deposits by the banks’ borrowers. The latter is a healthy practice, especially if it is accompanied by loyalty of borrowing clients. But outreach to many other small savers would give the bank access to cheap funds that it can use to lend and make profits with.

Promotion of goodwill by the bank — such as linking deposit-mobilization promotions with community projects, developing personal relations with depositors, and giving them a friendlier and cozier style of service than commercial banks, goes a long way toward increasing the number of depositors. A good reputation (both as community developer and sound financial management) as well as good customer relations allows rural banks to gain loyalty of choice depositors, who will in turn introduce other depositors to the bank.

Rural banks would generally benefit from having an officer that goes on an outreach for deposits (door-to-door) mobilization. For example, at many rural banks, the field loan collector and officer performs this function, given the fact that borrowers usually are bank depositors, too. There are many banks that are doing this successfully and improving their liquidity and financial situation.

B. On Lending to Microenterprises

Many banks we talked to are wary of lending to microenterprises now because they feel that these are the entities that would default during times of crisis. Indeed, past-due ratios and defaults are increasing because of El Niño and the onset of economic recession, as verified by both the macro and financial data of the sample rural banks.

The author's interviews with seven rural banks yielded a unanimous belief that loans to microenterprises should remain at the status quo or be cut down. No new borrowers are being considered, and new loans are being considered only for good character loans — choice clients with a good record of repayment.

Microenterprises seem to be in the front line of credit contraction (or non-availability of new loans). The complaints rural bankers have about microenterprise lending are:

- Microenterprises are now defaulting and increasing their past dues because of the financial crisis and El Niño. Many who claim that this is happening say that many of the commercial microenterprises are 'hiding' from them and the loan officers have a hard time looking for the borrowers. But this points to deficient credit practices, as credit should be given to borrowers with fixed location (the market stalls and residence should be fixed) and to people already known and residents of the community. The loan officers themselves should, after some period, know the area and the residences in the area quite well. There seem to be some problems in credit selection, credit investigation, and credit analysis.

- Microenterprises do not have hard collaterals. In the past, many rural banks did not require collateral below some amount (such as below P30,000 or below P20,000), while others required any soft collateral (such as television sets, karaoke equipments) for their loans. With the more stringent BSP regulations, defaulting microenterprises seen as substandard loans will require larger loan-provisioning and allowance for probable losses. This increases the intermediation cost for the banks, and directly reduces their profits. There is therefore a view that microenterprises are disadvantaged compared to other types of loans because of the lack of hard collateral. This is the belief of around 75 percent of the rural banks interviewed by the author. Again, the Central Bank rulings might have contributed to this belief. The problem here possibly is a view that collaterals should be what one turns to if loans are not repaid. Of course this is the main rationale for collaterals. But this should not be made into the prime reason for lending. Not all collateralized loans are good, and not all uncollateralized loans are bad. The prime criteria for credit selection should be the viability of the project and the character of the borrower. But the author still subscribes to getting collaterals, even for microenterprise lending. The point is, even if soft collaterals yield very little and are hard to dispose of, they provide good bargaining weapons to deal with defaulting debtors. In these instances, incentives for the debtors to repay their loans, and to follow restructuring or rescheduling agreements, will be stronger if there is still the possibility that their soft assets will be paid back.

- Many microenterprises have multiple borrowings, including borrowings from informal lenders. With these multiple borrowings, rural banks may be the last priority, since the informal lenders have more time to go to borrowers' homes, and have stronger personal ties and hold over the borrowers. These multiple borrowings, the rural banks claim, have increased during the crisis period because of economic difficulties and have contributed their share to the defaults and

increasing past dues. The point here, again, is that credit selection and credit monitoring should have been strict in setting limits to multiple borrowings. We cannot blame the banks here if it was actually the economic difficulties that forced microenterprises to obtain multiple borrowings and made them highly leveraged. But this points to the challenges to rural banks face in coping with these difficulties and the need to use sound banking practices during these times. Microenterprises that are only temporarily hit by the crisis should have their debt restructured and rescheduled, instead of incurring loans from outside the banks just to pay interest payments and keep their loans current. Incurring multiple loans will only jeopardize future ability to pay.

- There are also bank managers who claim that many of the small borrowers have the wrong "culture" in their borrowing patterns. As a vestige of the 1970s (when credit subsidies were plentiful and rural banks were lending with government and Central Bank funds to finance the adoption of the "Green Revolution" technology), many borrowers still believe rural banks use government money, that this should be free-of-charge, and that it need not be repaid. This dole-out "culture," according to two banks interviewed, makes it difficult to collect from many low-income borrowers, including many microenterprises. Again, the solution here is in the credit selection phase, when the banks should make sure their clients are fully aware that the loan transaction is a business deal with consequences to bear if defaults are made. Choosing the right borrowers, and explaining credit policies to clients is a major responsibility of banks. The author believes that there are enough responsible and viable microenterprises that are still worth lending to, with or without the crisis.

The above problems don't mean, of course, that rural banks should stop lending altogether. It does mean that the banks must be more careful in selecting their borrowers and in coming up with interest and payment schemes that do not unduly burden viable enterprises from complying with their obligations in adverse environments. As mentioned earlier, diversifying their loan portfolios to many viable microenterprises (with smaller loan values) is safer than putting all of a bank's money into one big project that may collapse when crisis hits.

Providing new loans should be accompanied by strict and efficient credit selection, credit investigation, credit analysis, a viable and reliable loan-payment scheme, and proper monitoring and responses to defaults and past dues. Undue expansion of loans without these prerequisites leads to bad loans and high defaults, making the bankers' original fears a reality. Right now, Central Bank and sample rural banks' data show a growing trend of past-due and non-performing loans. It is therefore important that these banks make the proper safeguards.

B1. The Microenterprise Market of Rural Banks

Interviews and research done by the MABS-M team on the four potential pilot banks have concentrated on finding out which microenterprises are being served by the rural banks, and which markets are still potentially viable to tap. Microenterprise loans are informally defined by MABS-M as loans below P30,000 used for commercial or industrial use. Rural banks usually define their microenterprise loans as under P30,000 and without collateral. This portfolio does not make up a sizable percentage of the banks' total right now. The average for 20 rural banks visited by MABS-M is about 6 percent, but ranges between 0.3 and 28 percent. In terms of outreach, the average number is 255 microenterprise borrowers per bank. Further information from nine of the 20 banks also shows that microenterprise borrowers make up about 15 percent of total borrowing clients. Again, this share ranges widely, between 1 and 35 percent.

Annex F gives us sample loans from two pilot banks. There are 100 sample ledgers per bank. One can see that the two banks are very different. The first bank lends mainly for consumption (education, health, household) expenses and agricultural production, with salary loans making up a significant portion of the loan portfolio, while the second bank lends much more to what we consider microenterprises, since the second bank has a credit facility with the People's Credit and Finance Corporation to lend to microenterprises. As expected, commercial microenterprises are made up of sari-sari stores, market vendors, some food products, eateries, and tricycle operation or parts. Both female and male borrowers are represented, and the borrowers are usually 30 and above (although there is a sprinkling of young entrepreneurs).

From the ledgers, it is clear that what are informally defined as microenterprise loans make up a smaller portion of the total loan value of loans as compared to the portion of total borrowers. One can see from the ledgers too, particularly the second ledger, that there are large commercial borrowers whose loan value is equivalent to several microenterprise borrowings. This is another reason why past-due ratios for commercial loans should not be used as a proxy for the past due ratios of microenterprise loans. We should find out whether microenterprise borrowers have similar past-due ratios as the big commercial borrowers before making the claim.

The information in the annex, however, does not contain repayment information and therefore we cannot determine the past-due performance of microenterprises vis-à-vis large commercial borrowers.

Annex F also contains some information on salary and other loans. We have seen that this makes up a significant portion of the loan portfolio of rural banks, much bigger on the whole than commercial loans. Salary loans may be considered microenterprise loans if they are being used for some businesses undertaken by the employee and her/his family. The first ledger seems to indicate much consumption use by salaried employees, but there are some salary loans that are used for commercial purposes. More probing is needed here. Many banks claim their salary loans are also getting sour with the crisis, as post-dated checks bounce and as employees persuade their disbursing officers to give them their salary instead of automatically giving it to the rural bank. Again, credit practices are important here. Those banks who are astute enough to make the employers as co-guarantors, or who have agreements with the company's disbursing officers (such as giving them commissions for transferring salaries to the banks) are faring much better than those banks who just rely on post-dated checks.

B2. Credit Practices Toward Microenterprises

It is important also to discuss the credit practices of rural banks. Interviews made by the MABS-M team with their pilot banks concentrated on the outreach of the bank to microenterprises and further potential credit expansion to other microenterprises. It is recommended that more-intensive documentation of credit practices toward microenterprises also be made and adoption of improved credit practices be included in the pilot phase of the program.

Issues that the author deems important in credit practices, based on his interviews with the banks, are:

- *Source of funds for microenterprise lending.* The main source of funds for microenterprise lending should be savings deposits since it is the cheapest source of funds. The matching in microfinance is best when micro-deposits are channeled to successful microenterprise lending.

Some banks are encouraged to lend to microenterprises because of the opening up of credit facilities to special funds, such as the People's Credit and Financing Corporation (PCFC), which specifically aims at channeling funds to microenterprises. There are advantages and disadvantages to getting specifically targeted funds to microenterprise. The benefits, for example, include moderate successes in using the group (mutual guarantee)-lending system to microenterprises encouraged by PCFC. Disadvantages may include longer releases of money, additional paper work and reports to be made, and the higher cost of funds. What is important is that the banks must not begin to depend on bills payable to such credit facilities at the expense of deposit mobilization.

- *Credit selection, credit investigation, and credit analysis.* Many disappointments with microenterprise lending arise due to laxity or incorrect policies on credit selection. Banks must take care to conduct a general market assessment of major microenterprise borrowers (e.g. market vendors or tricycle drivers in the area); to select borrowers with fixed residence and work places, and who are permanent residence in the area; and whose businesses provide good potential to repay the loans (initial spot checks may help in determining these). A study of the businesses and income sources of the borrower and his/her family is important. Banks should investigate the possibility of multiple borrowings. Explaining terms and conditions, and instilling the right attitude on the borrower is also important from the very start.

- *Setting the terms and frequency of payments.* Knowing the income sources and cash flow of the borrower will enable the bank to determine the timing of collection. More frequent but smaller installments of principal and interest payments may work for smaller businesses, where revenues and working capital revolve frequently (as in a daily basis), especially market vendors, tricycle drivers, and the like. Frequent encounters between the bank's loan officer and the borrower also will facilitate better monitoring and help build good personal relationships. Setting the correct interest rate and loan pricing based on the operating expenses of the bank vis-à-vis its loan portfolio, interest rates of competitors in the market, and repayment record and capability of the borrower should be done efficiently and correctly.

- *Credit monitoring.* Once a loan is disbursed, loan officers and his staff should not just sit and wait for the loan to be repaid. Once in a while they should do some spot checks (friendly visits, etc.) or inquire about the current market conditions of their clients.

- *Dealing with delinquent loans.* Dealing with delinquent loans is important. Finding out the reason for payment delay is probably the most important. If mishaps (drought, fires, financial crisis, etc.) are the main cause, then restructuring and rescheduling the loan may be more productive than litigation, because the client may really not be able to pay. If delinquency is due to irresponsibility or negligence, then strong letters followed by initiation of legal proceedings and other threats of punishment might encourage the borrowers to shape up.

- *Need for good, competent, and responsible personnel.* All the above work may be costly with inexperienced or inefficient staff. The complaint that lending to microenterprises increases transaction costs, because a bank has to deal with many different small loans, holds water only if the staff is inadequate and incompetent to deal with the things mentioned above. But if the staff is trained and well-acquainted with credit selection, credit analysis, credit monitoring, record keeping, and dealing with delinquent loans, then it should not take too much time and effort to do the above work. Good banks will incur initial large costs in the beginning, as they train and

recruit competent and responsible personnel, and purchase the necessary equipment (computer hardware and software) for the work needed. But these expenses will pay off later with lower transaction costs and higher incomes from quality loans.

- *Sound management.* In the end, it is good leadership and management that make sound banking and credit practices work.

SECTION VI

Summary and Recommendations

The following is a summary of the points and recommendations made in this study:

- Rural banks are the best conduits for microfinancing and they should be encouraged and given incentives to undertake this function efficiently and productively.

- Because of the current economic crisis, rural banks are experiencing lower deposit mobilization and higher past-due problems, leading them to be more cautious in their lending, especially to microenterprises.

- The current economic difficulties and stricter regulations make it essential that rural banks improve their banking practices in both deposit mobilization and credit dispensing, so as not to be pulled under by the economic crisis. Caution should be taken in programs that concentrate only in expanding microenterprise loans without first improving these banking practices.

- In this time of economic difficulties, the repayment capacity and past-due picture of microenterprises should be studied and analyzed, and compared with other borrowers of the rural banks. One should then try to set up policies that will either improve their repayment performance or design restructuring and rescheduling of their loans so that they will not be shut off from the formal banking system.

- Finally, this study was made from the point of view of the rural banks. We recommend that a counterpart study be made from the point of view of microenterprises, particularly on how they have been adversely affected by the economic crisis, and how credit contraction has played a role in compounding their problems and their coping mechanisms to remain viable. The study should also explore what their credit needs from the rural banks are in terms of loan amount, interest rates, terms of payment, timing of loan releases. One should then compare this with their other sources of credit and the advantages and disadvantages for them to borrow from rural banks vs. other credit sources. The study can also explore the practice of multiple borrowings among microenterprises, and how this problem can be met to the satisfaction of both microenterprise and rural banks.

Table 1: Indicators for Rural Banks in the Philippines

	Dec-90	Dec-91	Dec-92	Dec-93	Dec-94	Dec-95	Dec-96	Dec-97	Mar-98
INDICATORS									
Capital/Risk Assets	19.25%	19.72%	20.38%	20.07%	18.67%	17.41%	17.52%	17.00%	17.46%
Past Due Loans + Items in Lit/Gross Loans	28.31%	26.25%	24.48%	21.15%	18.82%	15.77%	14.04%	15.33%	16.63%
Net Income Before Tax/Capital (ROE) a_/	15.41%	12.48%	12.27%	13.49%	14.25%	17.40%	15.77%	15.25%	13.61%
Net Income Before Tax/Assets (ROA)ab_/	2.61%	2.14%	2.13%	2.31%	2.29%	2.64%	2.42%	2.31%	2.12%
Other Op. Expense/Net Interest Income									
+ Other Operating Income	71.05%	79.14%	78.89%	76.96%	76.68%	74.11%	75.34%	78.01%	79.67%
Quick Assets/Total Deposits	37.55%	40.29%	40.10%	37.17%	36.49%	35.11%	31.82%	27.96%	27.86%
Gross Loans/Total Deposits	137.57%	125.07%	119.20%	115.07%	109.74%	106.46%	109.94%	111.08%	109.95%
% Share of Deposit Components									
Demand & NOW	1.03%	0.58%	0.52%	1.23%	1.07%	1.03%	1.18%	1.44%	1.26%
Savings	66.57%	64.01%	59.89%	56.03%	54.49%	53.28%	50.95%	51.86%	51.84%
Time	32.39%	35.41%	39.59%	42.74%	44.45%	45.70%	47.87%	46.70%	46.90%
% increase in net loans		10.08%	18.00%	25.70%	24.81%	29.62%	33.30%	21.40%	-0.14%
% increase in risk assets		14.01%	14.33%	24.68%	26.23%	30.79%	30.68%	21.34%	0.89%
% increase in total assets		15.44%	17.15%	24.09%	25.23%	29.38%	30.24%	19.37%	0.82%
% increase in total deposits		21.06%	23.36%	29.39%	30.37%	33.00%	28.58%	20.12%	0.99%
% increase in savings deposits		16.40%	15.43%	21.06%	26.77%	30.04%	22.97%	22.27%	0.96%
% increase in time deposits		32.33%	37.93%	39.67%	35.59%	36.73%	34.70%	17.20%	1.41%
% increase in capital		16.84%	18.36%	22.81%	17.40%	22.16%	31.54%	17.86%	3.64%
No. of PDIC Member Banks	804	784	787	759	762	766	778	809	818
Banks with Terminated Insurance Status				21	22	24	25	24	23
Total No. Operating Banks	804	784	787	780	784	790	803	833	841
Total Loans (in pesos)	9665566	10637725	12507971	15622404	19424462	25061006	33279726	40389383	40374332
Total Assets (in pesos)	13329124	15386614	18025872	22368773	28013321	36245032	47204980	56348837	56810715
Total Deposits (in pesos)	7026007	8505658	10492865	13576957	17700445	23540995	30269983	36359660	36720904
Total Liabilities (in pesos)	11071369	12748701	14903533	18534244	23511721	30746082	39971423	47823622	47974858
Total Capital (in pesos)	2257754	2637917	3122341	3834529	4501605	5498950	7233558	8525213	8835856
Source:									
Philippine Deposit Insurance Co. (PDIC)									
\a March'98 ROA and ROE are annualized									

Table 2a: Indicators Comparing Regions in Mindanao

	PHILIPPINES			MINDANAO			ARRM			Region IX		
	1995	**1996**	**1997**	**1995**	**1996**	**1997**	**1995**	**1996**	**1997**	**1995**	**1996**	**1997**
Breakdown of Loans												
Agricultural	49.78	45.59	45.77	53.95	46.15	52.17	87.85	89.24	85.23	62.40	61.83	59.02
Industrial	5.69	5.74	5.90	2.86	2.51	2.69	1.31	1.20	0.98	0.18	0.31	1.67
Commercial	15.37	16.56	17.17	14.92	15.49	18.05	4.11	3.30	3.14	14.63	15.82	16.08
Others	29.17	32.11	31.16	28.26	35.85	27.09	6.72	6.27	10.65	22.79	22.04	23.22
Past Due Ratios												
Agricultural												
Current	80.97	83.18	83.59	82.53	83.65	86.77	93.33	94.01	94.87	84.50	84.20	82.96
Past Due	16.33	14.44	14.08	14.06	13.52	11.05	6.66	5.99	5.13	13.56	14.17	14.35
Items in Litigation	2.70	2.38	2.33	3.41	2.83	2.17	0.01		0.01	1.94	1.64	2.69
Industrial												
Current	87.51	90.12	85.53	94.61	93.61	91.02	92.52	92.52	92.52	70.17	86.34	92.27
Past Due	10.86	8.40	12.64	4.86	5.80	7.77	7.48	7.48	7.48	22.43	10.16	7.47
Items in Litigation	1.63	1.48	1.84	0.53	0.59	1.21				7.40	3.51	0.27
Commercial												
Current	83.62	86.46	84.82	87.17	89.54	90.21	67.94	56.19	47.27	79.90	86.77	83.51
Past Due	14.31	11.72	12.98	11.02	9.27	8.43	5.30	13.41	13.47	17.27	11.24	13.39
Items in Litigation	2.07	1.83	2.20	1.81	1.19	1.36	26.76	30.39	39.26	2.83	1.99	3.10
Others												
Current	88.45	88.60	85.88	86.76	89.84	83.57	86.89	87.17	41.14	81.88	81.17	84.95
Past Due	10.24	10.34	12.25	11.52	9.30	14.38	9.21	9.02	4.66	15.03	16.51	12.50
Items in Litigation	1.30	1.05	1.87	1.72	0.86	2.05	3.89	3.81	54.20	3.09	2.31	2.55
Total												
Current	83.93	85.86	84.63	84.76	87.03	86.64	91.85	92.32	87.63	83.21	83.94	83.67
Past Due	13.93	12.33	13.24	12.63	11.15	11.39	6.78	6.44	5.36	14.46	14.21	13.65
Items in Litigation	2.13	1.81	2.13	2.61	1.82	1.97	1.37	1.24	7.01	2.34	1.85	2.68
Average Size of Deposits												
Demand		18732	23083		23289	28,204					1190	1387
Savings		11358	12195		7834	8,252		8955	44129		4279	4855
Time		248190	225725		63103	59,287		487333	2099516		129409	134998

Source:
Bangko Sentral ng Pilipinas (BSP)

				Region X			**Region XI**			**Region XII**		**CARAGA**
			1995	**1996**	**1997**	**1995**	**1996**	**1997**	**1995**	**1996**	**1997**	**1997**
Breakdown of Loans												
	Agricultural		59.12	39.44	65.02	43.39	41.93	38.20	63.28	61.62	60.12	49.63
	Industrial		1.13	0.86	0.93	5.35	4.48	4.74	1.41	1.56	1.26	2.28
	Commercial		18.03	17.55	15.40	14.54	15.88	22.48	8.70	10.97	12.49	17.74
	Others		21.72	42.14	18.65	36.73	37.70	34.58	26.61	25.85	26.13	30.35
Past Due Ratios												
Agricultural												
	Current		86.44	83.17	91.54	83.66	86.81	84.67	64.49	74.91	75.25	86.09
	Past Due		12.04	15.12	7.56	13.47	10.98	12.93	23.64	17.91	17.73	12.24
	Items in Litigation		1.52	1.70	0.90	2.87	2.20	2.41	11.88	7.18	7.03	1.67
Industrial												
	Current		89.71	83.71	78.37	96.27	94.99	93.02	87.08	95.29	90.06	90.56
	Past Due		9.28	15.12	21.32	3.29	4.48	5.75	12.61	4.56	9.84	5.95
	Items in Litigation		1.00	1.17	0.31	0.43	0.52	1.23	0.31	0.15	0.10	3.49
Commercial												
	Current		90.55	92.43	92.86	85.46	88.76	91.25	83.03	85.27	83.40	86.52
	Past Due		8.49	6.99	6.56	12.37	10.00	7.54	14.86	13.31	15.25	11.33
	Items in Litigation		0.96	0.58	0.58	2.18	1.24	1.21	2.11	1.42	1.35	2.15
Others												
	Current		81.99	91.54	70.66	88.87	89.09	87.57	91.09	90.10	90.19	87.85
	Past Due		15.25	7.50	26.86	9.93	10.22	10.96	8.06	9.30	8.94	11.11
	Items in Litigation		2.75	0.96	2.48	1.19	0.69	1.47	0.86	0.59	0.87	1.04
Total												
	Current		86.25	88.33	87.73	86.51	88.35	87.55	73.50	80.29	80.36	86.80
	Past Due		12.07	10.48	11.13	11.47	10.25	10.69	18.57	14.97	15.02	11.59
	Items in Litigation		1.68	1.19	1.14	2.02	1.40	1.76	7.93	4.74	4.62	1.61
Average Size of Deposits												
Demand				109219			21110	24961		9872	13657	-
Savings				12004	12099		7409	7834		4763	5329	6,932
Time				147992	75796		53241	50332		58415	54123	96,303
Source:												
Bangko Sentral ng Pilipinas (BSP)												

Table 3: Indicators Comparing Regions in the Philippines, March 1998

	NCR	Region 1	Region 2	Region 3	Region 4	Region 5	Region 6	Region 7	Region 8
Capital/Risk Assets a_/	18.86	15.56	16.07	15.52	16.07	16.81	13.65	21.01	20.16
Past Due Loans + Items in Lit/Gross Loans	12.69	20.38	14.85	17.30	16.39	14.11	22.18	17.89	17.14
Net Income Before Tax/Capital (ROE) b_/	6.89	13.89	6.70	12.27	17.94	10.42	8.80	6.12	21.28
Net Income Before Tax/Assets (ROA) b_/	1.13	1.95	0.97	1.68	2.57	1.38	1.06	1.14	3.95
Other Op. Expense/Net Interest Income									
+ Other Operating Income	88.90	80.28	93.17	82.35	74.73	79.15	86.90	89.35	69.27
Quick Assets/Total Deposits	23.82	28.28	24.07	28.26	27.31	20.64	26.30	30.54	39.10
Gross Loans/Total Deposits	93.26	110.05	138.84	99.89	101.00	118.15	114.99	105.47	150.31
No. of PDIC Member Banks	23	83	33	107	183	57	86	56	32
Banks with Terminated Insurance Status	-	-	-	-	1	1	1	-	-
Total No. Operating Banks	23	83	33	107	184	58	87	56	32

	Region 9	Region 10	Region 11	Region 12	CAR	ARMM	CARAGA	Mindanao	PHILIPPINES
Capital/Risk Assets a_/	26.47	33.72	17.17	19.29	21.12	19.79	22.62	23.28	17.46
Past Due Loans + Items in Lit/Gross Loans	16.76	12.41	13.96	18.49	15.89	22.58	15.20	14.32	16.63
Net Income Before Tax/Capital (ROE) b_/	13.08	15.55	10.11	21.28	12.50	19.91	24.23	15.05	13.61
Net Income Before Tax/Assets (ROE) b_/	3.17	4.90	1.50	3.74	2.21	3.29	4.88	3.18	2.12
Other Op. Expense/Net Interest Income									
+ Other Operating Income	76.12	56.04	87.29	71.79	78.88	75.28	71.80	73.64	79.67
Quick Assets/Total Deposits	31.18	33.75	30.16	38.02	41.40	80.98	21.89	31.44	27.86
Gross Loans/Total Deposits	146.76	183.70	120.32	173.38	95.33	106.16	163.95	148.03	109.95
No. of PDIC Member Banks	16	38	42	13	17	5	22	136	818
Banks with Terminated Insurance Status	-	-	-	-	-	16	-	16	23
Total No. Operating Banks	16	38	42	13	17	21	22	152	841

Note: Date excludes banks with terminated insured status

a_/ For purposes of ratio computation, capital is net of Appraisal Increment

Risk assets=Total Assets less Non-risk assets

(Non-risk assets include Cash on Hand, Due from BSP Marketable Securities, IBODI-Government, Bank Premises and Deferred Income Tax)

b_/ March ROA and ROE are annualized

Source: Philippine Deposit Insurance Corporation (PDIC)

Table 4: Number of Rural Banks (Head Office)

Year	Philippines	Mindanao	ARMM	Region IX	Region X		Region XI		Region XII		CARAGA
1990	803	164		18	56	\1	51	\1	39	\2	
1993	780	152		16	50	\1	48	\1	38	\2	
1995	790	153	19	16	51	\1	48	\1	19		
1996	803	152	19	16	37		45		15		20
1997	833	158	20	16	39		47		14		22
June 1998	839	158	21	16	38		48		13		22

\1 Includes some in what is now the Caraga region

\2 includes some in what is now the Autonomous Region of Muslim Mindanao (ARMM)

Source: Bangko Sentral ng Pilipinas

Table 5: Income Statement Indicators for Mindanao Region

	Philippines				Mindanao				ARRM				Region IX		
	1995	**1996**	**1997**	**Mar-98**	**1995**	**1996**	**1997**	**Mar-98**	**1995**	**1996**	**1997**	**Mar-98**	**1995**	**1996**	**1997**
Interest Income from Loans (in P000)	**3865832**	**5216046**	**6869063**	**1797065**	**633286**	**772848**	**1110416**	**273441**	**1315**	**1653**	**2980**	**497**	**36907**	**50547**	**56033**
Breakdown of interest income from loans (%)															
Agri+AR	41.01	37.97	37.40		29.65	37.07	33.44		16.05	83.20	87.28		47.38	44.04	49.52
Commercial	12.94	13.54	14.46		12.52	12.91	14.67			0.10	0.67		12.81	12.02	13.36
Industrial	3.69	4.40	4.23		5.07	1.90	2.32						1.67	0.16	1.61
Other Loan	28.52	29.19	30.68		41.46	35.52	39.18		62.36	12.40	9.67		21.10	21.96	19.57
Past Due/Item in Litigation	13.83	14.91	13.23		11.30	12.59	10.38		21.60	4.30	2.38		17.04	21.82	15.95
Interest Income (in P000)	**4196513**	**5639184**	**7360755**	**1924554**	**671838**	**821470**	**1162494**	**285765**	**1442**	**1697**	**3019**	**699**	**38079**	**52017**	**57567**
Breakdown of interest income (%)															
from loans	92.12	92.50	93.32	93.38	94.26	94.08	95.52	95.69	91.19	97.38	98.71	71.10	96.92	97.17	97.34
from investments	2.77	2.84	1.92	1.70	3.36	3.39	2.12	1.38	1.11	0.24	0.13	10.87	0.02	0.19	0.12
from bank deposits	5.11	4.66	4.76	4.91	2.38	2.53	2.35	2.86	7.70	2.38	1.16	18.03	3.06	2.64	2.54
others				0.02				0.08							
Total Income (in P000)	**5383749**	**7277568**	**9447515**	**2385563**	**891656**	**1084493**	**1562791**	**364698**	**3498**	**2549**	**4291**	**1187**	**47805**	**65426**	**73277**
Breakdown of Income (%)															
interest income	77.95	77.49	77.91	80.68	75.35	75.75	74.39	78.36	41.22	66.58	70.37	58.89	79.65	79.51	78.56
others	22.05	22.51	22.09	19.32	24.65	24.25	25.61	21.64	58.78	33.42	29.63	41.11	20.35	20.49	21.44
Interest Expense (in P000)	**2014725**	**2817035**	**3879128**	**1082766**	**227236**	**282900**	**430276**	**124848**	**108**	**497**	**737**	**74**	**11931**	**16531**	**20888**
Breakdown of interest expense (%)															
deposits	83.09	81.46	81.48	78.70	73.35	70.30	67.14	59.17	100.00	85.52	13.10	100.00	75.05	68.03	64.91
borrowed funds	16.91	18.54	18.52	21.26	26.65	29.70	32.86	40.51		14.48	86.90		24.95	31.97	35.09
others				0.04				0.33							
Total Expense (in P000)	**4455861**	**6039255**	**8085559**	**2120707**	**661035**	**775446**	**1173592**	**301467**	**3444**	**3333**	**2754**	**911**	**40936**	**56086**	**62094**
Breakdown of Expense (%)															
from interest expense	45.22	46.65	47.98	51.06	34.38	36.48	36.66	41.41	3.14	14.92	26.78	8.12	29.15	29.47	33.64
from others	54.78	53.35	52.02	48.94	65.62	63.52	63.34	58.59	96.86	85.08	73.22	91.88	70.85	70.53	66.36
Net Income Before Tax (in P000)	**927888**	**1238313**	**1361957**	**300538**	**230621**	**309047**	**389199**	**65334**	**54**	**(784)**	**1537**	**275**	**6869**	**9340**	**11184**
Non-Interest Expense/Average Loans	9.81	11.06	11.34		11.38	12.02	14.22		3.76	3.05	1.87		12.24	15.09	13.23

Sources:
Philippine Deposit Insurance Co. (PDIC)
Bangko Sentral ng Pilipinas (BSP)

							Region X				Region XI				Region XII			Caraga	
					Mar-98	1995	1996	1997	Mar-98	1995	1996	1997	Mar-98	1995	1996	1997	Mar-98	1997	Mar-98
Interest Income from Loans (in P000)					**15816**	**288492**	**299598**	**380089**	**67513**	**242957**	**337784**	**464672**	**118040**	**63615**	**83266**	**85988**	**34351**	**120654**	**37224**
Breakdown of interest income from loans (%)																			
Agri+AR						19.51	37.28	27.90		34.06	32.74	31.15		48.76	48.80	46.70		41.45	
Commercial						13.06	11.45	10.42		12.59	14.53	17.83		9.89	12.40	14.61		16.91	
Industrial						0.65	0.53	0.56		11.35	3.49	4.01		3.22	1.45	1.59		2.25	
Other Loan						56.98	40.16	51.77		30.63	36.05	36.01		23.79	25.41	25.60		31.25	
Past Due/Item in Litigation						9.80	10.59	9.34		11.37	13.20	10.99		14.33	11.94	11.50		8.13	
Interest Income (in P000)					**16631**	**304209**	**316396**	**395898**	**69621**	**261318**	**364405**	**494246**	**125094**	**66790**	**86955**	**89791**	**36226**	**121972**	**37494**
Breakdown of interest income (%)																			
from loans					95.10	94.83	94.69	96.01	96.97	92.97	92.69	94.02	94.36	95.25	95.76	95.76	94.82	98.92	99.28
from investments					0.03	3.74	3.39	1.86	0.89	3.92	4.37	3.34	2.37	1.39	1.25	0.54	0.71	0.21	0.05
from bank deposits					4.87	1.43	1.92	2.13	2.14	3.10	2.94	2.64	3.27	3.36	3.00	3.69	3.87	0.87	0.67
others																	0.60		
Total Income (in P000)					**21369**	**381842**	**400003**	**556694**	**91622**	**376171**	**507762**	**665353**	**159155**	**82340**	**108753**	**112952**	**45956**	**150225**	**45409**
Breakdown of Income (%)																			
interest income					77.83	79.67	79.10	71.12	75.99	69.47	71.77	74.28	78.60	81.11	79.96	79.50	78.83	81.19	82.57
others					22.17	20.33	20.90	28.88	24.01	30.53	28.23	25.72	21.40	18.89	20.04	20.50	21.17	18.81	17.43
Interest Expense (in P000)					**6381**	**81946**	**79512**	**96317**	**23410**	**110540**	**153533**	**232963**	**65660**	**22711**	**32827**	**35118**	**15192**	**44252**	**14131**
Breakdown of interest expense (%)																			
deposits					69.42	74.32	76.83	67.63	55.84	73.91	69.83	70.31	61.49	66.06	57.55	57.09	48.74	59.31	60.25
borrowed funds					30.58	25.68	23.17	32.37	44.16	26.09	30.17	29.69	37.90	33.94	42.45	42.91	51.26	40.69	39.69
others													0.61						0.06
Total Expense (in P000)					**17789**	**252580**	**237724**	**311322**	**61633**	**297613**	**387777**	**572515**	**147269**	**66462**	**90525**	**92527**	**37276**	**132381**	**36589**
Breakdown of Expense (%)																			
from interest expense					35.87	32.44	33.45	30.94	37.98	37.14	39.59	40.69	44.59	34.17	36.26	37.95	40.76	33.43	38.62
from others					64.13	67.56	66.55	69.06	62.02	62.86	60.41	59.31	55.41	65.83	63.74	62.05	59.24	66.57	61.38
Net Income Before Tax (in P000)					**3580**	**129262**	**162279**	**245372**	**29880**	**78558**	**119984**	**92838**	**13442**	**15878**	**18228**	**20424**	**9216**	**17843**	**8941**
Non-Interest Expense/Average Loans						11.83	10.81	12.43		11.81	13.40	15.43		9.53	10.85	9.73		15.41	

Sources:
Philippine Deposit Insurance Co. (PDIC)
Bangko Sentral ng Pilipinas (BSP)

Table 6: Balance Sheet Indicators for Sample Rural Bank

		REGION X						REGION X						REGION X	
			RB01			RB02			RB03			RB04			RB05
			CoopBank of MisOr			El Salvador			Kagay-anon (1st)			Naawan			Talisayan (2nd)
		1996	1997	1998	1996	1997	1998	1996	1997	1998	1996	1997	1998	1996	1997
INDICATORS				Aug 31			Aug 31			Sep 30			Aug 31		
Ratios in %															
1.	Capital Adequacy Ratio	24.42	22.45	21.34	16.97	13.06	12.91	18.20	27.48	27.43	45.24	54.15	64.48	16.06	18.47
2.	Quick Assets/Total Deposits	42.99	51.87	40.96	19.07	18.28	24.10	30.34	9.46	11.43	40.93	87.69	110.59	66.69	50.66
3.	Total Loans/Total Deposits	312.63	321.24	408.82	222.45	271.73	350.75	218.76	201.90	212.63	277.79	319.64	353.35	252.73	214.33
4.	Bills Payable/(Total Deposits+Bills Payable)	59.75	61.45	70.32	44.92	57.34	65.56	47.30	43.16	53.87	9.13	3.01	0.52	61.27	52.81
5.	Net Income/Capital Accounts (ROE) \a	30.60	38.01	35.24	21.84	22.34	13.08	31.00	25.53	11.23	12.47	11.40	13.92	30.37	19.69
6.	Net Income/Assets (ROA) \a	6.49	7.57	6.44	3.55	2.80	1.63	5.22	6.62	2.70	5.27	5.70	8.37	4.34	3.16
7.	Breakdown of Loans (%)														
	Agricultural Loan	63.42	70.93	70.28	96.84	94.48	91.88	29.63	42.13	40.86	37.01	33.57	31.86	68.44	67.48
	Industrial					1.60	6.08	21.35	15.50	10.69					
	Commercial	9.29	6.69	5.73							1.58	1.43	1.32	3.80	4.71
	Others	27.29	22.38	23.99	3.16	3.92	2.04	49.02	42.37	48.46	61.41	65.00	66.82	27.75	27.81
8.	Past Due Ratios (%)														
	Agricultural Loan														
	Currrent	89.06	92.41	88.72	85.31	85.59	82.45				77.57	76.97	73.66	91.21	92.90
	Past Due	8.96	6.47	10.47	11.65	12.45	15.74				19.61	18.95	24.05	7.69	6.39
	Items In Litigation	1.99	1.12	0.81	3.04	1.96	1.81				2.82	4.08	2.29	1.10	0.71
	Industrial														
	Current		98.90	84.31		100.00	88.30								
	Past Due						11.70								
	Items In Litigation	100.00	1.10	15.69											
	Commercial														
	Current	83.96	75.40	75.11							47.83	39.80	32.78	100.00	100.00
	Past Due	12.94	22.05	22.20							31.13	31.29	34.14	0.00	0.00
	Items In Litigation	3.11	2.54	2.69							21.04	28.91	33.09		
	Others														
	Current	85.68	87.21	89.05		37.43	27.87				84.17	82.70	82.23	99.85	98.94
	Past Due	9.93	9.94	8.88		62.57	72.13				12.46	13.42	14.46	0.15	1.06
	Items In Litigation	4.39	2.85	2.06							3.38	3.88	3.31		
	Total Loans														
	Current	87.66	90.14	88.02	82.62	83.93	81.69				81.15	80.17	78.84	93.94	94.91
	Past Due	9.59	8.26	10.76	11.28	14.21	16.64				15.40	15.53	17.77	5.31	4.61
	Items In Litigation	2.75	1.60	1.22	2.94	1.85	1.66				3.45	4.30	3.38	0.75	0.48
9.	% Increase														
	Deposits		39.44	0.04		28.15	(12.98)		39.88	(3.48)		(13.84)	(8.41)		33.63
	Loans		43.28	27.32		56.53	12.33		29.10	1.65		(0.86)	1.25		13.33
	Assets		44.16	26.24		54.22	11.67		38.54	14.36		4.51	0.04		9.19
	Liabilities		46.52	28.83		61.09	11.71		23.38	17.32		(9.57)	(20.15)		6.92
	Capital		35.38	15.84		18.87	11.36		113.40	5.90		23.79	20.21		22.81
10.	Average Size														
	Demand deposits														
	Savings deposits	2177	2400	1889	2095	2786	2074				1293	1365	1261		
	Time deposits	8703	13311	13249	29915	30458	64640				104192	65904	65088		
11.	Distribution of Deposits														
	Demand														
	Savings	69.37	61.67	60.97	84.60	90.08	77.42	62.29	55.60	34.16	51.55	67.13	69.90	78.47	77.11
	Time	30.63	38.33	39.03	15.40	9.92	22.58	37.71	39.33	59.69	48.45	32.87	30.10	21.53	22.89
	Total Loans (in pesos)	66719934	95595016	121713702	15987920	25026432	28112256	15798839	20395817	20732545	47192104	46784790	47367378	28800509	32639350
	Total Assets (in pesos)	82577216	119040164	150276298	17138933	26432030	29516209	18664018	25856687	29568654	58473162	61112905	61138078	38712677	42271111
	Total Deposits (in pesos)	21341836	29758360	29771652	7187174	9210100	8014948	7222013	10102174	9750379	16988613	14636667	13405370	11395882	15228283
	Total Liabilities (in pesos)	65073303	95342816	122826186	14351786	23118823	25826757	15520793	19149062	22465023	33777704	30543612	24390096	33180248	35476786
	Total Capital (in pesos)	17503913	23697348	27450112	2787147	3313207	3689452	3143225	6707625	7103631	24695459	30569293	36747983	5532430	6794325

\a Figures in 1998 are annualized

\b Negative capital accounts

			REGION XI			REGION XI						REGION XI		
				RB06			RB07			RB08			RB09	
				Alabel (4th)			Babak (5th)			Compostela (4th)			Cuambog	
		1998	1996	1997	1998	1996	1997	1998	1996	1997	1998	1996	1997	1998	1996
INDICATORS		**Sep 30**			**May 31**			**Apr 30**			**May 31**			**May 31**	
Ratios in %															
1.	Capital Adequacy Ratio	21.22	43.24	33.97	35.19	23.70	20.75	40.23	25.58	23.44	21.72	24.61	23.02	18.41	27.77
2.	Quick Assets/Total Deposits	50.95	21.37	38.86	18.78	51.07	41.97	49.68	43.03	51.87	43.45	39.16	45.83	37.62	38.34
3.	Total Loans/Total Deposits	249.15	161.41	191.12	249.52	83.26	77.50	46.69	112.42	85.67	96.63	107.22	92.90	101.50	134.78
4.	Bills Payable/(Total Deposits+Bills Payable)	60.41	22.97	42.51	47.81	4.19	4.23	0.42	15.83	4.78	2.46	12.67	18.90	8.27	20.67
5.	Net Income/Capital Accounts (ROE) \a	22.74	2.30	13.81	41.39	5.04	2.09	5.71	12.50	13.95	48.87	10.27	2.40	1.28	15.35
6.	Net Income/Assets (ROA) \a	4.24	0.80	4.02	13.15	0.95	0.32	1.57	2.42	2.59	8.21	2.07	0.40	0.20	3.59
7.	Breakdown of Loans (%)														
	Agricultural Loan	60.25	60.97	71.08	76.23	75.74	60.03	68.03	23.28	22.67	20.74		40.90	37.95	56.00
	Industrial		2.77		7.69	0.03	25.54	0.14	0.44	4.23	0.80		6.63	62.05	6.91
	Commercial	1.57	15.16	10.92		2.88	0.61	2.62	5.14	0.76	6.12		1.27		9.91
	Others	38.17	21.10	18.00	16.08	21.35	13.82	29.21	71.15	72.34	72.34		51.21		27.18
8.	Past Due Ratios (%)														
	Agricultural Loan														
	Currrent	86.24	96.25	86.30	90.03	88.05	83.10	78.32					88.55	92.69	85.95
	Past Due	13.04	3.75	11.86	8.97	11.95	16.90	21.68					10.41	7.31	10.78
	Items In Litigation	0.72		1.84	1.00	0.00	0.00	0.00					1.04		3.27
	Industrial														
	Current		100.00		48.79	99.93	97.85	99.96					89.37	82.73	78.87
	Past Due				45.90	0.07	2.15	0.04					7.74	16.63	16.66
	Items In Litigation				5.31		0.00						2.89	0.64	4.48
	Commercial														
	Current	92.61	92.22	79.49		87.76	100.00	93.06					66.56		93.51
	Past Due	7.39	7.78	15.69		12.24	0.00	6.94					16.78		6.45
	Items In Litigation			4.83		0.00		0.01					16.66		0.04
	Others														
	Current	97.69	99.35	67.88	67.63	86.99	80.96	65.85	83.14	79.43	74.52		86.02		66.35
	Past Due	2.31	0.65	26.47	27.47	13.01	19.04	34.15	16.86	20.57	25.48		13.98		31.55
	Items In Litigation			5.65	4.90										2.10
	Total Loans														
	Current	90.71	96.40	82.24	83.26	87.82	86.67	75.09	83.74	76.78	73.12		87.03	86.51	80.88
	Past Due	8.86	3.60	14.91	14.78	12.18	13.33	24.91	16.26	23.22	26.88		12.14	13.10	16.40
	Items In Litigation	0.43		2.85	1.96	0.00	0.00	0.00					0.83	0.39	2.72
9.	% Increase														
	Deposits	(5.94)		78.51	(1.20)		32.50	(51.85)		28.75	(9.06)		61.63	6.38	
	Loans	9.34		111.37	29.00		23.33	(70.99)		(1.89)	2.58		40.04	16.22	
	Assets	8.82		113.94	11.30		22.48	(45.63)		9.70	(10.41)		57.27	6.66	
	Liabilities	5.47		132.96	7.06		27.64	(53.43)		10.76	(8.49)		64.47	8.16	
	Capital	26.29		78.42	21.64		0.24	(2.79)		5.25	(18.85)		28.76	(0.93)	
10.	Average Size														
	Demand deposits														
	Savings deposits	3341	3316	2898	2799										
	Time deposits	13118	55942	57960	53807										
11.	Distribution of Deposits														
	Demand									0.1	0.3				7.9
	Savings	76.83	71.3	64.5	69.3	77.8	70.4	57.3	92.9	94.5	92.2	80.2	72.6	78.6	60.5
	Time	23.17	28.7	35.5	30.7	22.2	29.6	42.7	7.1	5.4	7.5	19.8	27.4	21.4	31.6
	Total Loans (in pesos)	35688001	7226227	15274162	19703482	19420017	23951309	6948594	30463912	29889056	30660749	10140971	14201660	16504942	37765156
	Total Assets (in pesos)	45998881	9674152	20697142	23036030	34227932	41923100	22795216	47796032	52430586	46970082	15350875	24142172	25750764	51215810
	Total Deposits (in pesos)	14324014	4477043	7992124	7896438	23325357	30906132	14882210	27098881	34889624	31729912	9457678	15286396	16260998	28020856
	Total Liabilities (in pesos)	37418286	6301342	14679501	15716361	27782805	35462510	16514721	38559590	42709498	39081433	12254659	20155373	21800881	39240036
	Total Capital (in pesos)	8580596	3372810	6017641	7319668	6445127	6460590	6280495	9236442	9721088	7888649	3096217	3986799	3949883	11975773

\a Figures in 1998 are annualized

\b Negative capital accounts

				REGION XI						REGION XI					
		RB10			RB11			RB12			RB13			RB14	
		Digos (1st)			Kiamba (4th)			Montevista (4th)			Panabo				Sarangani (1st)
		1997	1998	1996	1997	1998	1996	1997	1998	1996	1997	1998	1996	1997	1998
INDICATORS			May 31						May 29			Jun 30			Jun 30
Ratios in %															
1.	Capital Adequacy Ratio	24.30	25.09				16.52	18.76	18.43	21.68	17.01	16.52	12.75	17.84	25.66
2.	Quick Assets/Total Deposits	31.96	24.62				30.81	33.95	30.63	34.66	32.24	43.26	25.27	18.59	36.50
3.	Total Loans/Total Deposits	123.95	119.66				131.04	115.14	111.38	126.23	103.94	88.92	161.77	170.85	124.73
4.	Bills Payable/(Total Deposits+Bills Payable)	16.74	12.98				38.54	34.25	31.54	23.83	14.57	14.90	34.39	34.42	22.65
5.	Net Income/Capital Accounts (ROE) \a	21.03	12.67				4.50	3.65	2.60	33.14	25.36	14.30	15.65		11.61
6.	Net Income/Assets (ROA) \a	4.23	2.54				0.58	0.53	0.37	6.26	3.56	2.01	1.70		2.53
7.	Breakdown of Loans (%)														
	Agricultural Loan	62.98	62.64				57.67	47.04	42.95	11.45	11.37	13.79	64.22	62.80	65.07
	Industrial	10.14	3.39				2.18	1.52	1.50	27.25	27.83	24.75	0.00	0.00	0.00
	Commercial	3.82	9.99				14.95	25.33	30.63	8.52	8.34	9.23	10.82	13.31	11.39
	Others	23.06	23.98				25.20	26.10	24.92	52.77	52.47	52.23	24.96	23.89	23.54
8.	Past Due Ratios (%)														
	Agricultural Loan														
	Currrent	81.01	74.53				97.33	93.28	93.01	91.74	91.56	92.19	79.97	80.61	74.08
	Past Due	13.08	22.54				1.57	5.64	5.85	7.63	7.87	7.30	8.98	7.20	16.83
	Items In Litigation	5.91	2.93				1.09	1.07	1.15	0.63	0.57	0.51	11.05	12.18	9.09
	Industrial														
	Current	81.79	66.88				82.84	80.22	80.33	97.14	97.30	97.49			
	Past Due	16.66	27.64				0.58	0.67	0.67	2.86	2.70	2.51	50.00	50.00	50.00
	Items In Litigation	1.55	5.49				16.58	19.10	19.00				50.00	50.00	50.00
	Commercial														
	Current	79.03	86.41				91.39	92.61	94.71	87.52	76.11	79.66	91.36	94.50	82.72
	Past Due	12.47	13.24				7.85	7.03	5.00	12.47	23.88	20.34	7.28	4.33	15.78
	Items In Litigation	8.50	0.35				0.76	0.36	0.29	0.01	0.01	0.01	1.35	1.17	1.50
	Others														
	Current	86.24	81.79				84.56	86.35	86.71	88.29	84.58	79.80	93.22	93.00	87.38
	Past Due	11.48	15.77				14.01	12.54	12.16	11.62	15.36	20.13	5.39	5.46	10.91
	Items In Litigation	2.28	2.45				1.42	1.11	1.13	0.08	0.06	0.07	1.38	1.54	1.71
	Total Loans														
	Current	82.22	77.20				92.91	91.10	91.77	91.03	88.20	85.88	84.51	85.42	78.20
	Past Due	13.05	20.16				5.63	7.72	7.08	8.85	11.70	14.02	7.90	6.40	15.32
	Items In Litigation	4.73	2.64				1.46	1.18	1.15	0.12	0.10	0.11	7.59	8.17	6.49
9.	% Increase														
	Deposits	47.77	(0.76)					41.20	5.81		35.27	9.08		(11.19)	25.36
	Loans	35.90	(4.20)					24.07	2.35		11.38	(6.69)		(6.21)	(8.48)
	Assets	36.03	(4.47)					29.33	0.79		19.66	8.11		(6.23)	7.96
	Liabilities	41.86	(4.41)					26.77	1.20		26.80	3.43		(10.18)	(1.11)
	Capital	16.92	(4.69)					46.76	(1.58)		(11.07)	8.24		26.19	60.88
10.	Average Size														
	Demand deposits														
	Savings deposits						2315	2307	2247						
	Time deposits						25070	16832	14964						
11.	Distribution of Deposits														
	Demand	8.1	5.2									13.2			
	Savings	56.9	57.1				76.9	80.6	82.7	53.5	50.8	42.7	28.0	46.2	34.8
	Time	35.0	37.7				23.1	19.4	17.3	46.5	49.2	44.2	72.0	53.8	65.2
	Total Loans (in pesos)	51324117	49169175				38618740	47912883	49040012	166120942	185027901	172658287	24875303	23330514	21352050
	Total Assets (in pesos)	69666555	66554146				60655883	78443432	79065681	226805613	271385046	293401380	31105050	29168386	31489790
	Total Deposits (in pesos)	41406902	41091742				29471824	41612963	44029912	131602292	178013588	194172912	15376999	13655559	17118418
	Total Liabilities (in pesos)	55665058	53209625				52903223	67065578	67867671	183992217	233311056	241302527	27724566	24902653	24626873
	Total Capital (in pesos)	14001497	13344521				7752661	11377854	11198009	42813396	38073990	41211105	3380484	4265733	6862917

\a Figures in 1998 are annualized

\b Negative capital accounts

		REGION XI						REGION XI				REGION XII		REGION XII	
			RB15			RB16			RB17			RB18			RB19
			Sto. Tomas (3rd)			Tagum (1st)			Tupi			Isulan (3rd)			Matalam (4th)
		1996	1997	1998	1996	1997	1998	1996	1997	1998	1996	1997	1998	1996	1997
INDICATORS				Apr 30			Jul 20						May 31		
Ratios in %															
1.	Capital Adequacy Ratio	22.14	22.27	22.37	16.75	15.01	17.23		19.16		18.81	14.17	18.50	(45.10)	
2.	Quick Assets/Total Deposits	29.87	29.96	32.78	38.44	30.48	20.10		15.11		26.94	28.76	26.84	262.57	
3.	Total Loans/Total Deposits	109.46	127.22	118.17	120.60	120.14	127.91		104.84		321.50	312.33	325.16	767.57	
4.	Bills Payable/(Total Deposits+Bills Payable)	4.54	12.65	11.00	23.18	21.38	19.94		9.66		63.09	61.61	64.19	79.35	
5.	Net Income/Capital Accounts (ROE) \a	21.04	23.53	3.81	38.76	31.49	19.31		17.83		19.50	32.14	10.10	9.07	
6.	Net Income/Assets (ROA) \a	3.96	4.83	0.78	5.58	4.08	2.92		2.92		3.22	3.91	1.55	(3.58)	
7.	Breakdown of Loans (%)														
	Agricultural Loan	67.68	68.16	68.54	50.75	47.93	46.74		43.47		81.07	78.76	73.25	56.07	
	Industrial	0.27	10.28	0.20	2.76	2.15	2.18		31.78		2.02	13.26	1.95	7.30	
	Commercial	11.29	0.19	10.36	15.22	17.43	19.09		1.28		7.74	1.89	13.49	13.15	
	Others	20.77	21.36	20.90	31.28	32.49	31.98		23.47		9.17	6.09	11.31	23.47	
8.	Past Due Ratios (%)														
	Agricultural Loan														
	Currrent	83.06		90.39	95.51	95.05	92.02		86.53		94.46	88.30	87.37		
	Past Due	16.79		9.52	4.24	4.51	7.54		12.88		2.79	9.60	11.01		
	Items In Litigation	0.14		0.10	0.25	0.45	0.44		0.59		2.74	2.10	1.62		
	Industrial														
	Current	39.30	100.00	31.62	91.47	81.96	52.11		94.84		100.00	100.00	89.59		
	Past Due	60.70		68.38	8.51	18.03	47.88		5.16						
	Items In Litigation				0.01	0.01	0.01						10.41		
	Commercial														
	Current	64.91	100.00	75.93	93.15	90.88	81.43		88.49		100.00	100.00	90.25		
	Past Due	35.09		24.07	6.71	8.24	17.84		11.51				1.00		
	Items In Litigation				0.14	0.88	0.74						8.74		
	Others														
	Current	75.10	100.00	80.99	79.93	77.88	78.88		98.89		94.87	74.72	88.81	99.29	
	Past Due	24.90		19.01	18.49	20.94	19.98		1.11		2.34	21.12	7.08	0.71	
	Items In Litigation				1.57	1.18	1.14				2.80	4.16	4.11		
	Total Loans														
	Current	79.24	31.84	86.81	90.17	88.46	84.93		92.10		95.04	89.24	87.96	45.91	
	Past Due	20.66		13.13	9.19	10.79	14.37		7.65		2.48	8.85	9.00	50.22	
	Items In Litigation	0.10		0.07	0.64	0.75	0.71		0.26		2.48	1.91	3.03	3.87	
9.	% Increase														
	Deposits		6.00	3.02		16.79	(1.58)					38.57	(7.39)		
	Loans		23.20	(4.31)		16.35	4.78					34.62	(3.59)		
	Assets		19.06	(0.68)		12.70	0.27					31.41	0.84		
	Liabilities		16.52	(0.42)		14.60	(2.22)					38.21	(2.78)		
	Capital		30.02	(1.67)		1.41	17.04					(3.00)	26.88		
10.	Average Size														
	Demand deposits								3359			568	2464		
	Savings deposits	3338		3631					5566			2984	2649		
	Time deposits	41804		51816					57913			378082	395383		
11.	Distribution of Deposits														
	Demand					0.2			4.5		0.5	0.7	2.3		
	Savings	78.6	71.0	74.4	71.1	71.1	70.6		78.8		60.5	59.2	57.7	100.0	
	Time	21.4	29.0	25.6	28.1	26.5	29.3		16.7		39.0	40.1	40.1		
	Total Loans (in pesos)	33116387	40798023	39039826	95733362	111389688	116710088		127279360		56864415	76549159	73801552	5990342	
	Total Assets (in pesos)	42564147	50678245	50334775	136117248	153407477	153825810		168265862		66430747	87297675	88027409	8079227	
	Total Deposits (in pesos)	30254430	32068695	33037398	79383639	92713450	91247453		121404018		17687042	24509035	22697241	780427	
	Total Liabilities (in pesos)	34555952	40266221	40096877	116526388	133540190	130572443		140659041		55467619	76663950	74535508	11264766	
	Total Capital (in pesos)	8008196	10412024	10237898	19590861	19867287	23253367		27606821		10963128	10633724	13491901	-3185539	

\a Figures in 1998 are annualized

\b Negative capital accounts

						REGION XII			ARRM			CARAGA		
				RB20			RB21			RB22			RB23	
				Midsayap			Tacurong (3rd)			Cotabato (2nd)			Cantilan (3rd)	
		1998	1996	1997	1998	1996	1997	1998	1996	1997	1998	1996	1997	1998	1996
INDICATORS		**Jun 15**			**May 31**			**May 31**			**Sep 30**			**Sep 30**	
Ratios in %															
1.	Capital Adequacy Ratio	(8.70)	26.05	20.99	17.97	15.04	25.43	29.24	34.46	42.14	32.78	22.95	19.70	19.60	25.89
2.	Quick Assets/Total Deposits	15.42	60.18	56.93	67.47	55.35	34.28	30.78	78.98	185.56	98.52	18.40	17.89	26.90	24.83
3.	Total Loans/Total Deposits	193.36	75.23	71.76	59.81	539.19	500.53	519.06	250.77	249.37	230.93	186.51	144.39	120.80	212.50
4.	Bills Payable/(Total Deposits+Bills Payable)	27.53	7.52	4.85	4.05	76.54	73.12	74.73	40.08	31.05	31.16	38.75	24.74	17.06	47.13
5.	Net Income/Capital Accounts (ROE) \a	(20.28) \b	19.41	21.39	11.42	46.66	30.71	10.77	(11.14)	31.76	48.43	29.83	16.54	17.48	25.00
6.	Net Income/Assets (ROA) \a	1.59	3.70	3.91	1.84	6.50	7.18	2.60	(3.07)	9.64	12.49	6.16	2.87	2.99	5.23
7.	Breakdown of Loans (%)														
	Agricultural Loan	43.08	55.92	56.15	53.70	97.85	97.83	96.18	12.48	10.82	11.60	58.83	54.38	56.45	36.75
	Industrial	1.77	44.08	23.17	2.67		0.03								
	Commercial	24.15		2.68	25.23	0.05		0.03	9.58	8.78	9.52	19.09	16.73	13.01	4.97
	Others	31.00		17.99	18.40	2.10	2.14	3.79	77.94	80.41	78.88	22.08	28.90	30.54	58.28
8.	Past Due Ratios (%)														
	Agricultural Loan														
	Currrent		95.25	91.89	87.22	90.66		86.43	(1.40)	(1.51)	(1.53)	91.77	90.29	86.95	92.32
	Past Due		4.28	7.72	11.08	8.13		12.33	101.33	101.43	101.44	7.73	8.05	10.63	7.02
	Items In Litigation		0.48	0.38	1.70	1.21		1.24	0.08	0.08	0.08	0.50	1.66	2.42	0.66
	Industrial														
	Current		98.31	88.26	80.68		100.00								96.96
	Past Due		1.48	11.74	19.32				100.00	100.00	100.00				3.04
	Items In Litigation		0.20												
	Commercial														
	Current			100.00	80.88	22.48			83.74	76.27	76.27	93.37	86.08	72.82	70.82
	Past Due				19.12	77.52		100.00	14.50	21.93	21.93	6.59	12.57	15.43	24.91
	Items In Litigation								1.76	1.80	1.80	0.04	1.35	11.75	4.27
	Others														
	Current	98.30		96.04	94.50	90.92	100.00	96.35	20.12	44.48	57.34	92.53	93.55	94.30	94.81
	Past Due	1.70		1.58	2.14	9.08		3.65	27.48	26.09	15.92	6.81	5.68	3.65	5.05
	Items In Litigation			2.38	3.36				52.40	29.44	26.74	0.66	0.77	2.06	0.14
	Total Loans														
	Current	90.05	96.60	92.02	86.79	90.63	2.17	86.78	23.53	42.29	52.31	92.24	90.53	87.35	92.72
	Past Due	9.51	3.05	7.34	11.68	8.18		12.03	35.45	33.87	26.42	7.31	8.12	9.12	6.75
	Items In Litigation	0.44	0.36	0.64	1.53	1.19		1.19	41.02	23.84	21.27	0.45	1.35	3.52	0.53
9.	% Increase														
	Deposits			39.73	20.74		40.14	(0.98)		7.84	(0.48)		58.99	27.70	
	Loans			33.28	0.63		30.09	2.68		7.24	(7.84)		23.09	6.84	
	Assets			34.80	18.06		26.86	5.87		29.53	(26.96)		25.71	14.64	
	Liabilities			36.13	21.13		12.93	4.76		24.43	(22.16)		30.96	14.95	
	Capital			29.12	4.29		112.83	9.48		42.95	(37.97)		5.56	13.15	
10.	Average Size														
	Demand deposits		33606	4600	3852										
	Savings deposits		9426	10765	13893										
	Time deposits		167546	267790	191000										
11.	Distribution of Deposits														
	Demand		2.3	0.9	0.9				1.35	5.34	3.29				
	Savings	50.8	72.6	81.0	95.3	53.0	48.5	56.7	96.99	93.08	84.92	63.31	61.30	58.31	65.18
	Time	49.2	25.1	18.2	3.8	47.0	51.5	43.3	1.66	1.58	11.79	36.69	38.70	41.69	30.66
	Total Loans (in pesos)	41220881	24594183	32779836	32987771	23645082	30759996	31584801	5329420	5715062	5266882	49669762	61136562	65316043	52705217
	Total Assets (in pesos)	51165713	46545692	62741474	74070240	28139438	35696363	37790548	11480723	14870677	10861825	59123221	74326747	85205198	67167600
	Total Deposits (in pesos)	21318620	32692617	45680764	55155311	4385301	6145438	6084942	2125256	2291800	2280694	26630738	42341115	54070999	24801917
	Total Liabilities (in pesos)	55175383	37673802	51285854	62123581	24216676	27347638	28650577	8322512	10355886	8061284	46924322	61450016	70635571	53103897
	Total Capital (in pesos)	-4009670	8871890	11455620	11946659	3922762	8348725	9139971	3158212	4514791	2800541	12198899	12876730	14569627	14063703

\a Figures in 1998 are annualized

\b Negative capital accounts

			RB24	
			green bank of Caraga (4th)	
			1997	**1998**
INDICATORS				**Sep 30**
Ratios in %				
1.	Capital Adequacy Ratio		22.26	25.69
2.	Quick Assets/Total Deposits		38.19	19.00
3.	Total Loans/Total Deposits		197.80	193.87
4.	Bills Payable/(Total Deposits+Bills Payable)		48.63	42.24
5.	Net Income/Capital Accounts (ROE) \a		24.44	32.17
6.	Net Income/Assets (ROA) \a		4.40	7.07
7.	Breakdown of Loans (%)			
		Agricultural Loan	38.36	35.28
		Industrial		
		Commercial	5.70	4.46
		Others	55.94	60.26
8.	Past Due Ratios (%)			
	Agricultural Loan			
		Currrent	96.13	86.98
		Past Due	3.50	6.19
		Items In Litigation	0.37	6.83
	Industrial			
		Current	84.94	58.56
		Past Due	15.06	41.44
		Items In Litigation		
	Commercial			
		Current	84.88	68.42
		Past Due	12.95	23.95
		Items In Litigation	2.17	7.63
	Others			
		Current	97.48	93.99
		Past Due	2.44	2.98
		Items In Litigation	0.08	3.03
	Total Loans			
		Current	96.19	90.27
		Past Due	3.50	5.17
		Items In Litigation	0.31	4.57
9.	% Increase			
		Deposits	82.70	18.02
		Loans	70.06	15.68
		Assets	74.46	10.38
		Liabilities	80.96	5.04
		Capital	49.91	34.74
10.	Average Size			
		Demand deposits		
		Savings deposits		
		Time deposits		
11.	Distribution of Deposits			
		Demand		
		Savings	53.67	50.86
		Time	37.89	46.56
		Total Loans (in pesos)	89629910	103685885
		Total Assets (in pesos)	117180483	129345482
		Total Deposits (in pesos)	45313641	53481236
		Total Liabilities (in pesos)	96097075	100936718
		Total Capital (in pesos)	21083408	28408764
	\a Figures in 1998 are annualized			
	\b Negative capital accounts			

Table 7: Indicators from Income Statement of Sample Rural Banks

	REGION X									REGION X			
		RB01			RB02			RB03			RB04		
		CoopBank of MisOr			El Salvador			Kagay-anon (1st)			Naawan		
	1996	1997	1998	1996	1997	1998	1996	1997	1998	1996	1997	1998	1996
			Aug 31			Aug 31			Sep 30			Aug 31	
Interest Income from Loans in (P000)	**9098**	**14880**	**13820**	**3192**	**3352**	**2807**	**2080**	**4212**	**3410**	**8945**	**9023**	**6463**	**3570**
Breakdown of interest income from loans (%)													
Agri+AR	58.57	59.13	63.02	80.94	86.26	72.06				32.50	37.80	29.72	48.49
Commercial	8.48	8.35	5.16							1.74	1.44	1.18	2.54
Industrial		0.14	0.19		0.20	0.04							
Other Loan	28.09	28.24	25.58				100.00	100.00	100.00	58.77	48.75	59.32	46.40
Past Due/Item in Litigation	4.86	4.14	6.06	19.06	13.54	27.90				6.99	12.01	9.78	2.58
Interest Income (in P000)	**9339**	**15059**	**14322**	**3212**	**3365**	**2820**	**2103**	**4229**	**3424**	**10573**	**9272**	**7240**	**3658**
Breakdown of interest income													
from loans	97.42	98.82	96.50	99.38	99.60	99.53	98.94	99.59	99.61	84.61	97.31	89.27	97.60
from investments	1.08	0.04	0.44	0.06	0.05					0.52	0.00		0.79
from bank deposits	1.50	1.14	3.06	0.56	0.36	0.47	1.06	0.41	0.39	14.88	2.68	10.73	1.61
from others													
Total Income (in P000)	**14975**	**23576**	**22452**	**3759**	**4750**	**4234**	**3297**	**6123**	**4433**	**12405**	**12980**	**9414**	**6728**
Breakdown of Income (%)													
interest income	62.36	63.87	63.79	85.44	70.85	66.60	63.77	69.08	77.23	85.23	71.43	76.91	54.37
others	37.64	36.13	36.21	14.56	29.15	33.40	36.23	30.92	22.77	14.77	28.57	23.09	45.63
Interest Expense (in P000)	**3730**	**6160**	**8447**	**934**	**1390**	**1751**	**819**	**1964**	**2006**	**1800**	**1722**	**716**	**1450**
Breakdown of Interest Expense (%)													
deposits	28.00	30.73	20.33	51.06	30.36	15.85	50.01	43.55	39.94	84.92	92.97	94.71	31.77
preferred stocks													
borrowed funds	72.00	69.27	79.67	48.94	69.64	84.15	49.99	56.45	60.06	15.08	7.03	5.29	68.23
Total Expense (in P000)	**9620**	**14568**	**16003**	**3150**	**4010**	**3912**	**2322**	**4410**	**3835**	**9326**	**9496**	**6003**	**5048**
Breakdown of Expense (%)													
from interest expense	38.77	42.28	52.78	29.64	34.67	44.75	35.26	44.53	52.31	19.30	18.14	11.93	28.72
from others	61.23	57.72	47.22	70.36	65.33	55.25	64.74	55.47	47.69	80.70	81.86	88.07	71.28
Net-Income Before Tax (in P000)	**5355**	**9007**	**6449**	**609**	**740**	**322**	**974**	**1712**	**598**	**3080**	**3484**	**3411**	**1680**
Net Interest Expense/Average Loans \a	5.59	7.59	10.41	5.84	6.78	9.34	5.18	10.85	12.90	3.81	3.67	2.27	5.03

\a Figures in 1998 are annualized

				REGION XI			REGION XI						
	RB05			RB06			RB07			RB08			RB09
	Talisayan (2nd)			Alabel (4th)			Babak (5th)			Compostela (4th)			Cuambog
	1997	1998	1996	1997	1998	1996	1997	1998	1996	1997	1998	1996	1997
		Sep 30			May 31			Apr 30			May 31		
Interest Income from Loans in (P000)	**4856**	**5692**	**1077**	**2846**	**1984**	**4324**	**5660**	**1974**	**7421**	**7505**	**3472**	**2384**	**3377**
Breakdown of interest income from loans (%)													
Agri+AR	50.77	56.06	53.75	54.37	62.10	72.39	70.44	56.88		19.33	13.86	38.41	35.96
Commercial	3.41	2.49	18.30	9.56	5.04	0.95	11.51	27.03		4.40	3.65	5.80	5.13
Industrial			0.77	0.17		0.01	0.26	0.49		0.66	0.57		0.93
Other Loan	44.10	40.85	23.12	34.27	30.64	23.62	15.31	13.23	100.00	70.85	74.67	54.66	56.12
Past Due/Item in Litigation	1.71	0.59	4.05	1.62	2.22	3.02	2.48	2.37		4.75	7.25	1.13	1.85
Interest Income (in P000)	**4948**	**5826**	**1090**	**2868**	**2010**	**4447**	**5920**	**2134**	**7499**	**7589**	**3853**	**2439**	**3439**
Breakdown of interest income													
from loans	98.14	97.70	98.83	99.23	98.70	97.24	95.61	92.48	98.95	98.89	90.11	97.75	98.20
from investments	0.52	0.45				1.52	2.01	4.55				0.74	0.69
from bank deposits	1.34	1.84	1.17	0.77	1.30	1.24	2.38	2.96	1.05	1.11	9.89	1.51	1.11
from others													
Total Income (in P000)	**9131**	**7475**	**1681**	**4126**	**2780**	**5695**	**7955**	**2639**	**9250**	**9446**	**4903**	**3504**	**4868**
Breakdown of Income (%)													
interest income	54.19	77.94	64.86	69.51	72.31	78.09	74.42	80.89	81.08	80.35	78.58	69.62	70.63
others	45.81	22.06	35.14	30.49	27.69	21.91	25.58	19.11	18.92	19.65	21.42	30.38	29.37
Interest Expense (in P000)	**2975**	**2365**	**356**	**839**	**370**	**1328**	**2056**	**732**	**1847**	**2122**	**543**	**625**	**878**
Breakdown of Interest Expense (%)													
deposits	23.33	27.23	64.67	54.61	54.53	100.00	97.90	95.50	82.57	78.45	89.12	71.25	77.64
preferred stocks													
borrowed funds	76.67	72.77	35.33	45.39	45.47		2.10	4.50	17.43	21.55	10.88	28.75	22.36
Total Expense (in P000)	**7794**	**6011**	**1603**	**3295**	**1518**	**5370**	**7820**	**2519**	**8095**	**8090**	**3297**	**3186**	**4773**
Breakdown of Expense (%)													
from interest expense	38.17	39.34	22.18	25.47	24.38	24.72	26.30	29.05	22.82	26.23	16.47	19.60	18.39
from others	61.83	60.66	77.82	74.53	75.62	75.28	73.70	70.95	77.18	73.77	83.53	80.40	81.61
Net-Income Before Tax (in P000)	**1338**	**1463**	**78**	**831**	**1262**	**325**	**135**	**119**	**1155**	**1356**	**1606**	**318**	**96**
Net Interest Expense/Average Loans \a	9.68	8.84	4.92	7.46	4.51	6.84	9.48	31.60	6.06	7.03	4.25	6.16	7.21

\a Figures in 1998 are annualized

			REGION XI								REGION XI		
				RB10			RB11			RB12			RB13
				Digos (1st)			Kiamba (4th)			Montevista (4th)			Panabo
	1998	**1996**	**1997**	**1998**	**1996**	**1997**	**1998**	**1996**	**1997**	**1998**	**1996**	**1997**	**1998**
	May 31			**May 31**						**May 29**			**Jun 30**
Interest Income from Loans in (P000)	**1443**	**5649**	**8044**	**3724**	**5733**	**7506**	**3117**	**5151**	**8138**	**3485**	**33966**	**39629**	**23577**
Breakdown of interest income from loans (%)													
Agri+AR	40.96	49.01	56.20	62.45			39.35	62.25	63.38	61.78	12.18	10.45	12.58
Commercial	9.00	8.50	9.40	11.75			13.14	8.23	17.89	20.25	9.83	7.76	9.25
Industrial	1.02	7.42	3.69	3.15				3.84	1.31	1.06	21.62	27.79	28.77
Other Loan	48.96	22.27	18.96	13.56			30.68	17.99	13.04	13.35	48.48	46.42	39.29
Past Due/Item in Litigation	0.06	12.81	11.75	9.09			11.52	7.70	3.71	3.55	7.89	7.58	10.11
Interest Income (in P000)	**1486**	**5877**	**8246**	**3880**	**6211**	**7772**	**3165**	**5224**	**8241**	**3528**	**35815**	**41298**	**24349**
Breakdown of interest income													
from loans	97.09	96.12	97.55	95.97	92.30	96.58	98.48	98.60	98.76	98.80	94.84	95.96	96.83
from investments	0.86	0.67	1.11	2.44		0.45	0.95	0.66	0.58	0.61	1.85	0.63	0.36
from bank deposits	2.05	3.21	1.34	1.59	7.70	2.97	0.44	0.73	0.66	0.59	3.32	3.35	2.82
from others							0.12					0.06	
Total Income (in P000)	**2383**	**10028**	**14655**	**6467**	**7012**	**8596**	**3504**	**10141**	**14352**	**5820**	**38491**	**43916**	**25943**
Breakdown of Income (%)													
interest income	62.35	58.60	56.27	60.00	88.57	90.41	90.31	51.52	57.42	60.61	93.05	94.04	93.86
others	37.65	41.40	43.73	40.00	11.43	9.59	9.69	48.48	42.58	39.39	6.95	5.96	6.14
Interest Expense (in P000)	**301**	**2151**	**3012**	**1728**	**1449**	**1721**	**766**	**2833**	**3859**	**1549**	**12897**	**19497**	**10972**
Breakdown of Interest Expense (%)													
deposits		68.17	67.68	82.43	92.50	81.97	100.00	50.93	48.07	39.91	70.05	81.77	78.47
preferred stocks													
borrowed funds	100.00	31.83	32.32	17.57	7.50	18.03		49.07	51.93	60.09	29.95	18.23	21.53
Total Expense (in P000)	**2362**	**8190**	**11711**	**5762**	**4217**	**4950**	**1954**	**9791**	**13936**	**5528**	**24304**	**34261**	**20048**
Breakdown of Expense (%)													
from interest expense	12.74	26.26	25.72	29.98	34.36	34.78	39.22	28.94	27.69	28.01	53.06	56.91	54.73
from others	87.26	73.74	74.28	70.02	65.64	65.22	60.78	71.06	72.31	71.99	46.94	43.09	45.27
Net-Income Before Tax (in P000)	**21**	**1838**	**2945**	**705**	**2795**	**3646**	**1551**	**349**	**416**	**292**	**14187**	**9656**	**5895**
Net Interest Expense/Average Loans \a	4.38	5.70	6.76	8.43					8.92	7.58	7.76	11.10	12.71
\a Figures in 1998 are annualized													

								REGION XI					REGION XII
		RB14			RB15			RB16			RB17		
			Sarangani (1st)		Sto. Tomas (3rd)				Tagum (1st)			Tupi	
	1996	1997	1998	1996	1997	1998	1996	1997	1998	1996	1997	1998	1996
			Jun 30			Apr 30			Jul 20				
Interest Income from Loans in (P000)	**4000**		**1484**	**7287**	**8917**	**2573**	**17562**	**21541**	**9416**		**27033**		**8973**
Breakdown of interest income from loans (%)													
Agri+AR			71.73	57.13	53.30	51.85	39.21	40.89	46.69		50.17		75.24
Commercial			14.37	7.61	6.05	6.38	16.54	17.87	23.36		22.59		
Industrial				0.13	0.09	0.04	1.71	2.62	1.43		1.79		
Other Loan	100.00		13.90	16.73	18.43	19.36	30.80	26.17	22.52		20.67		18.50
Past Due/Item in Litigation				18.40	22.13	22.37	11.75	12.45	6.01		4.78		6.25
Interest Income (in P000)	**4045**		**2285**	**7415**	**9073**	**2615**	**18095**	**22168**	**9708**		**27748**		**9084**
Breakdown of interest income													
from loans	98.90		64.93	98.28	98.28	98.40	97.06	97.17	96.99		97.42		98.78
from investments	0.69						0.88	0.87	0.18		1.00		1.06
from bank deposits	0.41		1.41	1.72	1.72	1.60	2.06	1.96	2.83		1.09		0.17
from others			33.66								0.49		
Total Income (in P000)	**6015**		**5871**	**8750**	**10682**	**3261**	**24021**	**26794**	**11410**		**40520**		**11756**
Breakdown of Income (%)													
interest income	67.25		38.93	84.75	84.94	80.19	75.33	82.74	85.08		68.48		77.27
others	32.75		61.07	15.25	15.06	19.81	24.67	17.26	14.92		31.52		22.73
Interest Expense (in P000)	**2379**		**1448**	**2269**	**2734**	**1066**	**4719**	**6474**	**2854**		**9066**		**3225**
Breakdown of Interest Expense (%)													
deposits	60.13		40.76	94.78	90.89	82.00	84.04	70.32	60.03		83.99		21.53
preferred stocks													
borrowed funds	39.87		59.24	5.22	9.11	18.00	15.96	29.68	39.97		16.01		78.47
Total Expense (in P000)	**5486**		**3590**	**7064**	**8232**	**2871**	**16428**	**20538**	**6920**		**35599**		**9618**
Breakdown of Expense (%)													
from interest expense	43.37		40.34	32.12	33.22	37.13	28.72	31.52	41.25		25.47		33.53
from others	56.63		59.66	67.88	66.78	62.87	71.28	68.48	58.75		74.53		66.47
Net-Income Before Tax (in P000)	**529**		**797**	**1685**	**2450**	**390**	**7593**	**6256**	**4491**		**4922**		**2138**
Net Interest Expense/Average Loans \a	9.57		13.57	6.85	7.40	8.19	4.93	6.25	4.19				5.67
\a Figures in 1998 are annualized													

				REGION XII									ARRM
	RB18			RB19			RB20			RB21			RB22
	Isulan (3rd)			Matalam (4th)			Midsayap			Tacurong (3rd)			Cotabato (2r
	1997	1998	1996	1997	1998	1996	1997	1998	1996	1997	1998	1996	1997
		May 31			Jun 15			May 31			May 31		
Interest Income from Loans in (P000)	**17498**	**7524**	**75**		**3424**	**5119**	**7620**	**3363**	**4240**	**5445**	**2927**	**501**	**542**
Breakdown of interest income from loans (%)													
Agri+AR	70.62	80.63	9.97		39.86	54.30	52.50	52.96			97.54		
Commercial	3.60	2.18	15.89		26.05	15.46	19.58	23.18				0.89	2.22
Industrial	1.00	1.34	1.77		3.31	0.31	1.70	2.70				7.02	
Other Loan	8.77	6.28	17.91		30.02	27.54	23.51	15.90			1.55	14.44	19.69
Past Due/Item in Litigation	16.01	9.57	54.46		0.76	2.39	2.71	5.26			0.91	77.64	78.10
Interest Income (in P000)	**17903**	**7620**	**81**		**3460**	**6628**	**9156**	**4573**	**4246**	**5490**	**2929**	**513**	**825**
Breakdown of interest income													
from loans	97.74	98.73	92.62		98.97	77.23	83.22	73.53	99.85	99.18	99.92	97.69	65.61
from investments	1.90	0.46			1.03	10.35	1.94	0.01	0.15	0.82		1.69	32.53
from bank deposits	0.37	0.81	7.38			12.41	14.83	26.46			0.08	0.62	1.85
from others													
Total Income (in P000)	**22404**	**9234**	**184**		**4573**	**7915**	**11180**	**5599**	**6095**	**8438**	**3784**	**1527**	**4612**
Breakdown of Income (%)													
interest income	79.91	82.53	43.90		75.66	83.73	81.90	81.67	69.66	65.06	77.42	33.58	17.90
others	20.09	17.47	56.10		24.34	16.27	18.10	18.33	30.34	34.94	22.58	66.42	82.10
Interest Expense (in P000)	**1983**	**3307**	**9**		**818**	**3223**	**4482**	**2368**	**1537**	**2321**	**1375**	**64**	**124**
Breakdown of Interest Expense (%)													
deposits	74.79	17.29	100.00		100.00	94.13	94.94	94.42	100.00	100.00	14.50	67.31	54.20
preferred stocks													
borrowed funds	25.21	82.71				5.87	5.06	5.58			85.50	32.69	45.80
Total Expense (in P000)	**18986**	**7872**	**473**		**3760**	**6193**	**8730**	**4235**	**4265**	**5875**	**2799**	**1879**	**3178**
Breakdown of Expense (%)													
from interest expense	10.44	42.01	1.82		21.75	52.03	51.34	55.91	36.04	39.51	49.11	3.40	3.91
from others	89.56	57.99	98.18		78.25	47.97	48.66	44.09	63.96	60.49	50.89	96.60	96.09
Net-Income Before Tax (in P000)	**3417**	**1362**	**-289**		**813**	**1722**	**2450**	**1365**	**1830**	**2564**	**984**	**-352**	**1434**
Net Interest Expense/Average Loans \a	2.97	10.75	0.14		4.33		15.62	17.23	6.50	8.53	10.45	1.20	2.25

\a Figures in 1998 are annualized

				CARAGA				
				RB23			**RB24**	
		d)		**Cantilan (3rd)**			**green bank of Caraga (4th)**	
		1998	**1996**	**1997**	**1998**	**1996**	**1997**	**1998**
		Sep 30			**Sep 30**			**Sep 30**
Interest Income from Loans in (P000)		**380**	**10365**	**13302**	**12491**	**9390**	**16486**	**21391**
Breakdown of interest income from loans (%)								
Agri+AR			43.80	45.27	40.56	19.26	27.77	23.75
Commercial			22.48	17.70	14.12	3.95	5.27	5.31
Industrial								
Other Loan		54.02	24.17	25.22	27.80	68.04	64.57	66.12
Past Due/Item in Litigation		45.98	9.55	11.81	17.52	8.75	2.38	4.82
Interest Income (in P000)		**513**	**10418**	**13401**	**12609**	**9428**	**16740**	**21589**
Breakdown of interest income								
from loans		74.07	99.49	99.27	99.06	99.60	98.48	99.08
from investments		23.99				0.00	0.00	
from bank deposits		1.94	0.51	0.73	0.94	0.39	1.52	0.92
from others								
Total Income (in P000)		**3664**	**13336**	**17758**	**16418**	**13287**	**22466**	**27235**
Breakdown of Income (%)								
interest income		13.99	78.12	75.46	76.80	70.95	74.51	79.27
others		86.01	21.88	24.54	23.20	29.05	25.49	20.73
Interest Expense (in P000)		**48**	**3026**	**4845**	**4535**	**2870**	**6555**	**8947**
Breakdown of Interest Expense (%)								
deposits		100.00	63.66	52.38	64.06	45.90	39.28	41.19
preferred stocks								
borrowed funds			36.34	47.62	35.94	54.10	60.72	58.81
Total Expense (in P000)		**2308**	**9697**	**15628**	**13871**	**9771**	**17313**	**18096**
Breakdown of Expense (%)								
from interest expense		2.07	31.21	31.00	32.70	29.37	37.86	49.44
from others		97.93	68.79	69.00	67.30	70.63	62.14	50.56
Net-Income Before Tax (in P000)		**1356**	**3639**	**2130**	**2547**	**3515**	**5153**	**9139**
Net Interest Expense/Average Loans \a		1.21	6.09	8.74	9.26	5.44	9.21	11.51
\a Figures in 1998 are annualized								