

## Rural banks upbeat, eye 13% profit growth

By Michelle V. Remo

THE RURAL BANKING INDUSTRY, which appears unaffected by the global financial crisis, is projecting at least 13 percent growth in its combined net income this year.

Tomas Gomez IV, president of the Rural Bankers Association of the Philippines [RBAP], told the INQUIRER that lending was expected to remain the industry's growth driver for 2009.

"We are not affected by the financial crisis. We don't have treasury operations. Our portfolio is invested mostly in lending to SMEs [small and medium enterprises] and in microfinancing," Gomez said in a recent roundtable discussion with INQUIRER reporters and editors.

He said loans extended by rural banks were mostly used to finance hardware stores, groceries, piggeries, soft drink or vegetable dealership, and agriculture-related projects.

Latest official data showed the country's rural banks posted a combined net income of P2 billion in the first half of 2008. For the full year 2008, Gomez said, the industry likely posted a 13-percent growth to at least P3.1 billion.

In 2007, the industry's net in-

come stood at P2.8 billion.

"Over the past four years, our return on equity has been higher than those of commercial and thrift banks," Gomez said.

As of the first half of 2008, he said, the ROE of rural banks stood at 13.5 percent, better than the commercial banks' 11.5 percent and the thrift banks' 2 percent.

Risks of rural banks remained sufficiently covered, with its capital adequacy ratio at 13.5 percent, better than the minimum requirement of the Bangko Sentral ng Pilipinas of 10 percent.

There are about 650 rural banks in the country with a combined deposit base of P123.55 billion as of end-September 2008.

Gomez said the rural banking sector was the only subgroup in the country's banking industry to have posted income growth last year. The same thing could happen this year, he added.

He said there was still a lot of room for growth for rural banks.

"A huge portion of the population remained underserved or unserved by banks, and the industry was determined to penetrate these markets," Gomez said.

"Our outlook for the year is quite positive. Rural banks are in a position to win these markets."