



1974

Annual Report



Philippine Deposit Insurance Corporation

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E0000108

PART I

Financial Statements of the Corporation Statement of Condition December 31, 1974

A s s e t s

Current Assets

Cash on hand and in bank	P19,140,748.70	
Philippine Government obligations	20,308,700.00	
Accrued interest receivable	365,714.79	
Inventory of supplies and materials	35,530.19	
Other current assets	7,355.08	
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Total Current Assets		P39,858,048.76

Assets Acquired in Bank Assistance and Deposit Subrogation Transactions

Cash on hand and in transferee banks	P 29,458.51	
Time deposit	2,042,000.00	
Loans to banks	320,000.00	
Investment in banks	5,000.00	
Subrogated claims paid	46,273,465.31	
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Total		P48,669,923.82

Fixed Assets

Furniture and fixtures	P173,564.66	
Less: Reserve for depreciation	78,219.08	P 95,345.58
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Equipment	P158,355.32	
Less: Reserve for depreciation	74,810.86	83,544.46
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		178,890.04

Other Assets

Inventory of decals and standees	P 3,042.65	
Deposit with other companies	2,120.00	5,162.65
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TOTAL ASSETS

P88,712,025.27

Liabilities, Reserve and Deposit Insurance Funds

Liabilities

Current Liabilities

Notes payable	P62,857,547.29
Accrued interest payable	1,541,098.62
Due to officers and employees	23,990.09
Accounts payable	23,438.70
Life insurance and retirement premiums payable — GSIS	20,505.65
Salary and policy loans payable — GSIS	8,447.75
Income tax withheld	9,552.62
Estimated taxes payable	5,823.17
Deferred assessment income	1,928.14

Total Current Liabilities P64,492,332.03

Reserve for Insurance Losses 17,305,000.00

Deposit Insurance Funds

Permanent deposit insurance fund	P 5,000,000.00	
Add: Accumulated net income	1,914,693.24	6,914,693.24

TOTAL LIABILITIES, RESERVE AND DEPOSIT INSURANCE FUNDS P88,712,025.27

Statement of Income and Expenses
For year ended December 31, 1974

Income:

Assessment income	P 9,067,397.87
Interest earned on Philippine Government Obligations, bank loans and on deposits	1,928,015.84/
Total Income	<u>P10,995,413.71</u>

Deduct Expenses:

Provision for insurance losses	P 4,925,000.00 \
Interest on notes payable	2,190,249.40 \
Salaries	1,487,041.74 \
Other personnel expenses (cost of living allowances, medical and hospitalization, life insurance and retirement premiums, etc.)	1,039,499.23 \
Rental and related expenses	393,571.12 \
Taxes expense	280,000.00 \
Travel-local	274,884.09 \
Advertising and promotion	74,230.54 \
Retainers' fees	66,771.35 \
Communication expense	58,776.93 \
Supplies and materials used	48,399.15 \
Depreciation expense	33,190.95 \
Other expenses	87,660.89 \
Total Expenses	<u>P10,959,275.39</u>

Net Income

P 36,138.32

SUBROGATED CLAIMS PAID
By Closed Banks
As of December 31, 1974

Under R.A. 3591, As Amended

<u>Name of Closed Bank</u>	<u>A M O U N T</u>
Continental Bank	P28,676,721.57*
Provident Savings Bank	11,550,958.53
Philippine National Cooperative Bank	4,550,441.44
Rural Bank of Balagtas	242,286.33
Rural Bank of Binalbagan	2,854.82
Rural Bank of Faire	97.27
Rural Bank of Guimba	2,825.98
Rural Bank of La Carlota	435.36**
Rural Bank of Nabua	2,252.12
Rural Bank of Natividad	58,974.79
Rural Bank of Obando	1,180,131.07
Rural Bank of Villasis	5,486.03
	<hr/>
T O T A L	P46,273,465.31
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Under R.A. 5517

Fidelity Savings and Mortgage Bank	P 2,250,178.05
Island Savings Bank	4,750,015.22
Overseas Bank of Manila	5,455,550.01
Surigao Development Bank	257.30
Rural Bank of Lucena	2,060,015.57
Rural Bank of Tayug	17,240.25
Rural Bank of Urdaneta	818.90
	<hr/>
T O T A L	P14,534,075.30
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* Pay-off is still going on at Continental Bank.

** This Bank was re-opened by the Central Bank. Amount represents the balance of insured deposits paid.

PART II

Banking Developments

Summary of Banking Developments

Among the significant features of this year's banking developments were the following:

The number of banks under the PDIC's ₱10,000 deposit insurance cover was increased from 744 in December 1973 to 823 in December 1974. Of these, 37 (including the PNB and the Land Bank of the Philippines) were commercial banks, 10 were savings and mortgage banks, 34 were development banks, 38 were stock savings and loan associations, and 704 were rural banks. The commercial, savings, and development banks had a total of 1,027 branches, agencies and extension offices at the close of 1974.

The number of private commercial banks, however, was reduced from 39 to 37 due to mergers and/or consolidations and the closure of one commercial bank. The Bank of Asia and the First Insular Bank of Cebu merged sometime in March 1974 into the Insular Bank of Asia and America with equity participation of the Bank of America. The Peoples BTC also merged with the Bank of the Philippine Islands in May of the same year. These mergers were accomplished in line with the government's program of strengthening the capital base of the private commercial banking system. On the other hand, the Continental Bank was forced to stop its operations on June 24, 1974 by the Central Bank.

Assets of the banking system excluding rural banks expanded at the average quarterly rate of 9.29 per cent or nearly the same rate as that of the previous year. Assets totalled ₱51,259 million in 1974.

Deposits at year-end amounted to ₱21,619 million, or an increase of 23.7 per cent from ₱17,476 million. The number of deposit accounts correspondingly grew by 1,349,904 or 16.32 per cent.

Total capital accounts registered a relatively high increment of growth of 34.4 per cent from 1973's level of ₱4,886 million.

The banking system's net earnings for the period reached ₱634.8 million, up 39.9 per cent or ₱181.1 million. Gross earnings exceeded the previous year's level by ₱1,377.1 million to amount to ₱4,183.4 million.

Number of Banking Offices

There were 823 banking offices in operation by year-end of 1974. This represents an increase of 79 offices over the 744 in 1973.

The number of commercial banks decreased from 39 to 37 in 1974 with the consolidation of Bank of Asia and Insular of Cebu into the Insular Bank of Asia and America, the merger of the Peoples Bank with the Bank of the Philippine Islands and the closure of the Continental Bank. Though established earlier, it was only in 1974 that Land Bank was included in our statistical reporting. The 37 commercial banks established seventy-five (75) branches, agencies and offices.

Two new development banks — the Bataan DB and the Calapan DB, started operations in 1974. In addition, seven new branches and agencies were opened.

The rural banking network further expanded during the year with seventy-six (76) new rural banks.

Three more stock savings and loan associations were established bringing the total to thirty-eight.

No new savings and mortgage bank was organized during the year. However, the ten (10) which are already in existence added thirteen (13) more branches in 1974.

Table 1 shows the number of banking offices classified as to type of banks.

Statement of Condition Philippine Banking System

The Philippine banking system's assets which amounted to ₱35,979 million at the end of 1973 increased to ₱51,259 million at the end of 1974, or an increase of ₱15,280 million. Around ₱9,646 million or 63.1 per cent of the increase in assets was attributed to the expansion in the loan portfolios which grew at the rate of 44.8 per cent, or from ₱21,506 million to ₱31,152 million.

The increase in the cash position as well as in the investment portfolio of the banking system improved its liquidity position by ₱3,424 million.

On the other hand, the heavy inflow of deposits and the increase in bills payable swelled total liabilities to ₱44,690 million, or an increase of ₱13,597 million. Deposits, which averaged a 5.8 per growth throughout the four-quarter period, totalled to ₱21,619 million, up by ₱4,143 million from last year's level. Bills payable increased by ₱7,288 million to ₱15,670 million, growing at the average rate of 17.0 per cent during the four quarters ending 1974.

Overall capital accounts of the system expanded by ₱1,681 million to ₱6,567 million, mainly due to the program undertaken by the commercial banks to increase each their paid-in capital to ₱100 million.

The consolidated statement of condition of the Philippine banking system by quarter is shown in Table 2.

Earnings and Expenses of the Philippine Banking System

The Philippine banking system excluding rural banks and stock SLAs aggregated net earnings after income tax deductions of ₱630.7 million for 1974. These net earnings were 28 per cent higher than those attained in the previous year of ₱453.7 million. They were realized from interest and discount on loans and advances, from commissions, fees, and other charges, and from interest on investment securities.

Of the net earnings, however, the commercial banking system, which included the PNB and the Land Bank of the Philippines, accounted for 82.5 per cent (or ₱523.9 million).

This analysis is reflected in Table 3.

Number of Deposit Accounts of the Banking System

Depositor's confidence in the banking system remained strong as ever as the number of deposit accounts of the banking system rose from 8,269,892 in 1973 to 9,619,796 in 1974, or an increment of 1,349,904. This growth was attributed to increases in the number of deposit accounts of commercial banks by 651,909 or 12.86 per cent; savings banks by 386,669 or 16.08 per cent; development banks by 74,336 or 23.38 per cent; and stock savings and loan associations by 236,990 or 49.36 per cent.

On a quarterly basis, the overall growth shown in Table 4 of the number of deposit accounts of the banking system averaged 337,326, as follows: December 1973-March 1974, 675,373; March 1974-June 1974, 347,309; June 1974-September 1974, 477,074; September 1974-December 1974, (163,617).

Commercial Banks

Statement of Condition By Quarter

Tremendous growth is registered in the total assets of the country's thirty-seven (37) commercial banks. A growth of almost 45% or ₱13,277 Million is a record achievement, exceeding last year's growth rate of 42.6 per cent. The growth rate was more or less even during the first three quarters of the year, accounting for 60% of the growth. It was during the fourth quarter, however, where the increment was the highest, almost 40% of the annual growth.

The loan portfolio increased by ₱9,175 Million or 53% from ₱17,224 Million in 1973 to ₱26,399 Million in 1974. The growth was more or less constant during the four quarters. The liquid resources of the commercial banks increased by 36% or ₱1,944 from December, 1973 total of ₱5,376 Million. Almost 86% of this growth took place during the fourth quarter. The investments in bonds and other securities rose by 29% from ₱4,425 Million in 1973 to ₱5,700 Million in December, 1974. The assets other than those already mentioned accounted for the other ₱883 Million of the total increase in the resources of the system.

The increase in resources was principally financed by bills payable and by deposits. Bills payable increased by ₱6,283 Million or 102% during the year. The increase was uniformly realized during the first, third and fourth quarters. The second quarter did not produce a comparable rate of increase. The deposits increased by 22% from ₱15,771 Million in 1973 to ₱19,262 Million in 1974. A little over half of this increase was registered during the fourth quarter.

The stockholders financed ₱1,546 Million of the increase in resources. The paid-in capital accounts rose by ₱1,384 Million or 62% of 1973 total of ₱2,204 Million. The reinvested earnings registered a net increase of ₱152 Million. (Refer to Table 5 for details.)

Earnings and Expenses

Commercial Banks

In 1974 the country's thirty-seven (37) commercial banks grossed P3.5 billion in earnings as against 1973 P2.3 Billion. This represents 53.7% growth over 1973.

The operating expenses registered a 54.7% increase from P1.8 Billion in 1973 to P2.8 Billion in 1974. Among the expenses, the interest and discount on money borrowed (excluding interest on deposits) had the highest rate of increase of 104% from P473 million to P966 million.

The net earnings before taxes totalled P771 million during the year, up by 51% or P261 million over that of last year. As regards income tax, the commercial banking system paid the government P82 million or 72% more than last year's P114 million.

Table 6 gives the combined statement of operations.

Quarterly Growth of the Number of Deposit Accounts of Commercial Banks

From 5,067,569 in 1973, the number of deposit accounts of commercial banks went up to 6,174,922 in 1974, or an addition of 1,107,353 accounts.

The banks whose accounts decreased were: Bank of America, by 1,269; First National City Bank, by 2,745; Philippine Bank of Communication, by 4,775; and Prudential Bank, by 3,675. (Table 7.)

Rankings of Commercial Banks

Significant changes occurred in the rankings of commercial banks from 1973's rankings, as follows:

In assets: BPI jumped from 11th place to 3rd place presumably due to its merger with the People BTC; FEBTC advanced three ranks higher to 7th place previously occupied by Consolidated. On the other hand, PCIB dropped one rank to 4th; RCBC, from 4th to 5th; China BC, from 5th to 6th; Equitable BC, from 6th to 10th; and Consolidated, from 7th to 11th. The PNB retained its premier position while FNCB remained in 2nd position. Manila Bank and Metropolitan Bank similarly retained their positions in 8th and 9th, respectively.

In deposits: Those that upped their ranks were: BPI, from 7th to 3rd, FEBTC, from 10th to 7th; Metropolitan, from 11th to 5th; and Prudential, from 9th to 8th. Downgraded were: PCIB, from 6th to 9th; RCBC, from 5th to 10th; China, from 8th to 11th; EQBC, from 4th to 6th; and Consolidated, from 3rd to 4th. PNB and FNCB, as usual, did not change their ranks in 1st and 2nd, respectively.

In capital accounts: The members of the top ten according to rank were: PNB, Land Bank of the Philippines, BPI, China BC, FEBTC, Equitable BC, PCIB, CBTC, Philippine Trust Co., and Chartered Bank. China, Equitable and Chartered occupied lower ranks in 1974 than in 1973. PNB's, BPI's, and FEBTC's ranks were those of 1973. The newcomer in the top ten was Philippine Trust Co. which was in 27th in 1973 rankings as to deposits.

These rankings are depicted in detail in Table 8.

Savings and Mortgage Banks

Statement of Condition By Quarter

The savings banking sector generated an increase of ₱156 Million or 15% rise in resources from 1973 total of ₱1,004 Million. The loan portfolio rose by ₱250 Million. The investments in bonds and other securities decreased by ₱104 Million. This decrease helped finance the increase in the loan portfolio. Almost 50% of the net increase in the resources was achieved during the last quarter of the year.

The increment in resources was principally financed by the deposit liabilities which rose by ₱142 Million or 14.5% from last year's total of ₱819 Million. The highest quarterly increase was realized during the fourth quarter. The stockholders of the bank made available to the system a total of ₱14 Million additional capital during the year.

Table 9 shows the statement of condition of the savings banks.

Earnings and Expenses

Savings and Mortgage Banks

The operations of the ten (10) savings and mortgage banks netted the system only ₱13 Million in 1974. This registered a 4.59% increase over 1973's ₱12.5 Million net income.

The current operating earnings amounted to ₱112.7 Million, up by 17% or ₱16.6 Million over last year. The operating expenses likewise increased by ₱15 Million from ₱84 Million to ₱99 Million.

See Table 10 for details.

**Quarterly Growth of the Number of Deposit Accounts
of Savings and Mortgage Banks**

The number of deposit accounts of savings and mortgage banks improved considerably as it posted a positive average growth per quarter of 3.80 per cent during 1974. This compared with the negative growth of 0.87 per cent posted during the four-quarter period in 1973.

The totals posted by quarter were: first quarter, 2,522,083; second quarter, 2,627,843; third quarter, 2,706,287; and fourth quarter, 2,790,889. From 1973 to 1974, the number of deposit accounts expanded by 386,669 or by 16.08 per cent.

Three savings banks reported decreases in the number of their deposit accounts. These were Monte de Piedad & SB, Philippine SB, and Savings Bank of Manila. Their combined accounts decreased by 30,053 or 4.27% from 1973. (See Table 11 for details.)

Rankings of Savings and Mortgage Banks

The Banco Filipino S & MB and the Philippine SB again topped all savings banks in all categories of accounts in the rankings for the fourth quarter of 1974. They also topped in these accounts in previous ranking periods.

Family SB ranked No. 3 in assets, deposits, loan portfolio, and number of deposit accounts, but ranked No. 4 in investments and capital accounts. On the other hand, Home SB kept to the No. 5 position in five selected accounts, namely, assets, deposits, loans, investments, and capital accounts. It had consistently been in this position up to the end of the fourth quarter of 1974.

San Antonio SB and the Bank of Calape occupied the No. 9 and No. 10 posts, respectively, as they had in the first, second, and third quarters of 1974. They also were in the same posts as of the end of the fourth quarter of 1973.

Quarterly rankings of savings banks are shown in Table 12.

Statement of Condition By Quarter

Total resources of the development banking system grew by P1,781 Million or 34% over last year's total of P5,195 Million. This growth, however, was not evenly distributed during the year; almost 60% of this being achieved during the last quarter. Almost 97% of all this growth was earned by the Development Bank of the Philippines.

It is not the loan portfolio which had the highest increase. The lending operations of the development banking system brought about an increase of only P191 Million or 10.7% of the total increase in resources. The highest increase was in "other property owned or acquired" which rose by P1,244 Million.

The increase in resources was financed principally by bills payable which rose by P1,021 Million or 46% during the year. Stockholders of the banks financed P113 Million of the increase, P37 Million by additional capital investments and the balance of P76 Million by reinvested earnings.

The deposits rose by 70% or P554 Million from last year's P786 Million, though the year started off with a P144 Million -- decrease during the first quarter. There was a partial recovery of P120 Million during the second quarter but the level achieved was still lower than December 1973 figure. It was during the third quarter that a net increase of P196 Million was achieved. The increment further rose to P554 Million during the fourth quarter. Again DBP accounted for P418 Million of the deposit growth. (Table 13.)

Earnings and ExpensesDevelopment Banks

The current operating earnings of the development banking system totalled P53 Million in 1974. Of the earnings, it was the interest of P69 Million on investment securities which posted the highest rate of increase, 170%, over 1973's P26 Million.

After deducting the current operating expenses of P405 Million (up by P93 Million over 1973's P316 Million) the 1974 operations netted the development banks only P122.5 Million in income before income taxes. The system contributed P25 Million in income taxes to the government.

Table 14 presents the consolidated report of earnings and expenses of development banks.

Quarterly Growth of the Number of Deposit Accounts
of Development Banks

The development banks displayed an irregular growth in the number of deposit accounts. From 7.33 per cent during the first quarter, deposit accounts posted a smaller growth of 4.58 per cent during the second quarter only to rise again to 5.46 per cent during the third quarter. During the fourth quarter the growth was much smaller at 4.22 per cent. During the year the growth was 23 per cent.

In absolute figures, the growth per quarter was as follows: first quarter, 23,310; second quarter, 15,638; third quarter, 19,480; and fourth quarter, 15,908. The annual growth was 74,336 from 317,964 in 1973 to 392,300 in 1974. (Table 15.)

Rankings of Development Banks

In this year's rankings, Laguna DB led all private development banks in total assets; in last year's, it was in sixth place. Second Bulacan DB, which occupied first place in 1973 rankings, moved down to second place in 1974; Cavite DB likewise moved down from second to third; Agro-Industrial DB, from fourth to eighth; and Quezon DB, from eighth to ninth. Pasay City DB was on fifth and DB of Rizal on 10th — the positions they held in previous rankings.

Changes in rankings as to deposits were also recorded in 1974, as follows: Laguna DB moved up from fifth to second; Bulacan DB, from sixth to fifth. Cavite DB slid from second to third and Bulacan DB from third to sixth. Second Bulacan DB, Second Laguna DB, Pasay City DB, Quezon DB, and Capitol City DB did not move from their positions of previous rankings.

In rankings as to loan portfolio, the Second Bulacan DB and Cavite DB held on to its second place and third place positions, respectively, of 1973. Laguna DB improved from 6th to 4th, and Bulacan DB from 11th to 7th.

In 1974 as it was in 1973, the DBP led all development banks in all categories, except in number of deposit accounts where it ranked fifth.

These changes are shown in Table 16.

Stock Savings and Loan Associations

Statement of Condition By Quarter

In terms of total asset growth, 1974 proved to be another good year for the stock savings and loans associations. Percentage-wise the growth rate achieved was 44.5 per cent over 1973's P146 Million total resources. The loans, discounts and advances accounted for P45 Million of the total increase of P65 Million.

The deposit growth rate of 49.1% exceeded last year's rate of 42.3 per cent. This increase of P49.4 Million was evenly achieved during the four quarters.

The bank's owners upped their paid-up equity by another P8.3 Million from 1973 total of P33.4 Million. (Table 17.)

Earnings and Expenses of Stock SLAs

The SLA industry improved its operations during 1974 when it realized net operating profit of P2.777 million. This represented an increase of P1.061 million or 61.8 per cent over 1973.

The gross income of the industry increased by P9.102 million to P26.429 million of which interest on various types of loans constituted 65.4 per cent. Interest on loans in 1973 amounted to P11.123 million and made up 64.2 per cent of gross income. The most noteworthy change, however, was in the "fees and other charge" component of gross income which increased by 150.6 per cent from P1.098 million to P2.588 million.

Operating expenses increased by a slightly smaller percentage (51.5 per cent) than gross income from P15,611 million to P23,653 million. Interest on deposit liabilities amounting to P8.601 million formed the biggest expense item. (Refer Table 18.)

Quarterly Growth of the Number of Deposit Accounts of Stock Savings and Loan Associations

The number of deposit accounts of stock SLAs expanded progressively since the second quarter up to the end of the fourth quarter of 1974. The quarterly rates of growth were as follows: second quarter, 7.78 per cent; third quarter, 8.92 per cent; and fourth quarter, 13.22 per cent. The first quarter rate was much higher at 13.37 per cent. The percentage change from 1973 was 49.36 per cent, up from 480,139 to 717,129. (Refer to Table 19.)

Rankings of Stock SLAs

Quarterly rankings of SLAs for 1974 showed Royal SLA, First Peso SLA and Tarlac SLA maintaining their previous rankings in assets as well as in deposits. Cebu SLA kept its fourth rank in assets and its fifth rank in deposits. Davao SLA similarly kept its fifth rank in assets and its fourth rank in deposits. Guagua SLA moved up from seventh in 1973 to sixth in 1974, while it maintained its sixth rank in deposits. On the other hand, Secured SLA dropped from sixth to seventh and from seventh to eighth in assets and deposits, respectively. Likewise, Homeowners SLA and Daily SLA dropped from eighth to tenth and from ninth to eleventh, respectively, in assets; in deposits, the former kept its ninth rank while the latter climbed down from fifteenth to seventeenth. Paluwagan ng Bayan SLA, a newcomer, joined the top ten in ninth position. Table 20 shows the shifts in rankings as to selected accounts of stock SLA.

Number of Operating SLAs

With the addition of three new associations during 1974, the number of operating stock SLAs was increased from 35 to 38, excluding branches and extension offices.

The new associations beginning operations in 1974 were the Paluwagan ng Bayan SLA in Ermita, Manila; the Bataan SLA in Dimalupihan, Bataan; and the Liberty SLA in Meycauayan, Bulacan

Table 21 shows the distribution of SLAs by region, as follows: Greater Manila Area, 18; Central Luzon, 9; Southern Luzon, 5; Bicol Region, 1; Eastern Visayas, 2; Southern Mindanao 1; and Northern Mindanao. 2.

Rural Banks

Statement of Condition

The year 1974 proved to be a good year for the rural banks. Their total resources increased by 53% or P728 Million from last year's figure of P1,382.6 Million, exceeding 1973's growth rate of 40.8 per cent. In fact this year their resources exceeded the P2 Billion mark. Their agricultural loans increased by P590.7 Million or 58.7 per cent. Investments in government securities likewise increased by P21 Million or 42 per cent. An improvement was noted in their liquidity position which rose by 23% from last year's P191 Million.

The deposit liabilities, exclusive of special deposits, rose by P139 Million. This corresponded to a growth rate of 31.5% which is lower than 1973's rate of 36 per cent. The special deposits increased by 66% from P201.8 Million to P335.5 Million. Bills payable likewise registered an increase of 112% from P325 Million to P689.8 Million in 1974.

The rural bankers upped their paid-up equity by another P30 Million. Operations provided another P22.7 Million increase in total capital of the system. (Table 22.)

Income and Expenses of the Rural Banking System

The total gross earnings of the rural banking system for 1974 reached P153.7 million, which surpassed the previous year's level by P52.4 million or 51.7 per cent. The biggest source of income arose from interest on agricultural loans amounting to P109.5 million, up P35.4 million or 47.8 per cent from last year's figure. The increase in this account indicated the system's heavy reliance on agricultural financing.

Operating expenses for the same period commensurately increased by P37.6 million (or 48.8 per cent) to P114.7 million. Interest on deposit liabilities which included special savings and time deposits formed the biggest component and amounted to P35.1 million, which was more than the previous year's level by P13.2 million or 60.2 per cent. Borrowings totalled P11.3 million and constituted the third biggest expense item.

On the whole, the system operated profitably having realized net income of P39.0 million or 61.2 per cent over the income attained during the previous year. (Refer to Table 23.)

Changes in the Number of Rural Banks

There were 704 operating rural banks in the country at the end of 1974, an increase of 76 over the level in 1973. As Table ___ shows, this growth, the highest so far attained by the rural banking system, was largely concentrated in Luzon. Of the 76 new rural banks established, 59 (comprising more than 50 per cent) were in the Luzon region. Twenty-four rural banks were established in the Visayas and 13 in the Mindanao area.

The organization of new rural banks was in accordance with the Central Bank's program of expanding the network of rural banks in the country to 1,000 by 1975.

Table 6. CONSOLIDATED REPORT OF EARNINGS AND EXPENSES OF COMMERCIAL BANK
For the Years Ended December 31, 1974 and 1973

	(Amounts in Thousands of Pesos)		Change	
	1 9 7 4	1 9 7 3	Amount	Percentage
Current Operating Earnings				
Interest and discount on loans and advances	2,159,277	1,447,603	711,674	49.16
Interest on investment securities	297,491	224,102	73,389	32.75
Commissions, fees, service and collection charges	466,164	225,338	240,826	106.87
Foreign exchange profits	330,334	233,055	97,279	41.74
Trust Department earnings	24,948	23,653	1,295	5.47
Other current operating earnings	<u>261,312</u>	<u>149,091</u>	<u>112,221</u>	75.27
Total Current Operating Earnings	3,539,526	2,302,842	1,236,684	53.70
Deduct: Current Operating Expenses				
Salaries and wages	227,304	186,958	40,346	21.58
Bonuses and overtime pay	69,398	52,827	16,571	31.37
Allowances	92,983	73,483	19,500	26.54
Interest on deposits	786,468	537,041	249,427	46.44
Interest and discount on money borrowed	965,859	473,100	492,759	104.16
Taxes (other than income tax)	160,941	118,374	42,567	35.96
Foreign exchange losses	150	364	(214)	(58.79)
Depreciation on bank premises, furniture and equipment	46,233	39,868	6,365	15.96
Other operating expenses	<u>447,556</u>	<u>326,094</u>	<u>121,462</u>	37.25
Total Current Operating Expenses	2,796,892	1,808,109	988,783	54.69
Net Current Operating Earnings (losses)	742,634	494,733	247,901	50.11
Add: Recoveries, Reductions in Valuation Reserves and Profits	28,697	15,046	13,651	90.73
Total	771,331	509,779	261,552	51.31
Deduct: Losses, Charge-offs and Additions to Valuation Reserves	55,912	35,986	19,926	55.37
Net Earnings (Losses) Before Income Tax	715,419	473,793	241,626	51.00
Provision for Income Tax	195,634	113,677	81,957	72.10
Net Earnings (Losses) After Income Tax	519,785	360,116	159,669	30.71

Table 10. CONSOLIDATED REPORT OF EARNINGS AND EXPENSES OF SAVINGS & MORTGAGE BANKS For the Years Ended December 31, 1974 and 1973

(Amounts in Thousands of Pesos)

	1974	1973	Change	
			Amount	Per Cent
Current Operating Earnings				
Interest and discount on loans and advances	70,834	50,617	10,217	16.86
Interest on investment securities	20,716	20,563	153	0.74
Commissions, fees, service and collection charges	6,560	4,047	2,513	62.10
Foreign exchange profits	213	113	100	88.50
Trust Department earnings	368	44	324	736.36
Other current operating earnings	<u>14,024</u>	<u>10,751</u>	<u>3,273</u>	30.44
Total Current Operating Earnings	112,715	96,135	16,580	17.25
Deduct: Current Operating Expenses				
Salaries and wages	9,161	8,000	1,161	14.51
Bonuses and overtime pay	3,323	2,555	768	30.06
Allowances	3,780	2,377	1,403	59.02
Interest on deposits	51,957	44,268	7,689	17.37
Interest and discount on money borrowed	1,035	2,543	(1,508)	(59.30)
Taxes (other than income tax)	5,177	4,646	531	11.43
Foreign exchange losses	115	68	47	69.12
Depreciation on bank premises, furniture and equipment	4,718	3,632	1,086	29.90
Other current operating expenses	<u>19,827</u>	<u>15,977</u>	<u>3,850</u>	24.10
Total Current Operating Expenses	<u>99,093</u>	<u>84,066</u>	<u>15,027</u>	17.88
Net Current Operating Earnings (Losses)	13,622	12,069	1,553	12.87
Add: Recoveries, Reductions in Valuation Reserves and Profits	<u>172</u>	<u>1,039</u>	<u>(867)</u>	(83.44)
Total	13,794	13,108	686	5.23
Deduct: Losses, Charge-offs and Additions to Valuation Reserves	<u>284</u>	<u>16</u>	<u>268</u>	1,675.00
Net Earnings (Losses) Before Income Tax	13,510	13,092	418	3.19
Provision for Income Tax	379	537	(158)	(29.42)
Net Earnings (Losses) After Income Tax	<u>13,131</u>	<u>12,555</u>	<u>576</u>	4.59

Table 14. CONSOLIDATED REPORT OF EARNINGS AND EXPENSES OF DEVELOPMENT BANKS*
For the Years Ended December 31, 1974 and 1973

(Amounts in Thousands of Pesos)

	1 9 7 4	1 9 7 3**	Change	
			Amount	Per Cent
Current Operating Earnings†				
Interest and discount on loans and advances	301,984	251,005	50,979	20.31
Interest on investment securities	69,091	25,602	43,483	169.80
Commissions, fees, service and collection charges	68,103	43,854	24,249	55.29
Foreign exchange profits	3,350	7,204	(3,854)	(53.50)
Trust Department earnings	-	-	-	-
Other current operating earnings	<u>38,670</u>	<u>79,697</u>	<u>8,973</u>	11.26
Total Current Operating Earnings	<u>531,198</u>	<u>407,368</u>	<u>123,830</u>	30.40
Deduct: Current Operating Expenses				
Salaries and wages	36,527	34,042	2,485	7.30
Bonuses and overtime pay	5,118	3,420	1,698	49.65
Allowances	9,370	3,609	5,761	159.65
Interest on deposits	53,756	40,238	13,518	33.60
Interest and discount on money borrowed	226,152	197,725	28,427	14.38
Taxes (other than income tax)	878	1,506	(628)	(41.70)
Foreign exchange losses	15,505	10,138	5,367	52.94
Depreciation on bank premises, furniture and equipment	29,971	3,287	26,684	811.80
Other current operating expenses	<u>27,774</u>	<u>22,001</u>	<u>5,773</u>	26.24
Total Current Operating Expenses	<u>405,051</u>	<u>315,966</u>	<u>89,085</u>	28.19
Net Current Operating Earnings (Losses)	126,147	91,402	34,745	38.01
Plus: Recoveries, Reductions in Valuation Reserves and Profits	<u>3,446</u>	<u>1,216</u>	<u>2,230</u>	183.39
Total	129,593	92,618	36,975	39.92
Deduct: Losses, Charge-offs and Additions to Valuation Reserves	<u>7,055</u>	<u>1,177</u>	<u>5,878</u>	499.40
Net Earnings (Losses) Before Income Tax	122,538	91,441	31,097	34.01
Provision for Income Tax	<u>24,741</u>	<u>10,440</u>	<u>14,301</u>	136.98
Net Earnings (Losses) After Income Tax	<u>97,797</u>	<u>81,001</u>	<u>16,796</u>	20.74

*Includes the Development Bank of the Philippines.

**Excludes Second Palawan Development Bank and Second Pampanga Development Bank whose data are not available.

Table 17. STATEMENT OF CONDITION OF STOCK SAVINGS & LOAN ASSOCIATIONS
 (Amounts in thousands of Pesos)

	Dec. 31, 1973	March 31, 1974	June 30, 1974	Sept. 30, 1974	Dec. 31, 1974
<u>A S S E T S</u>					
Cash on hand	5,013	2,725	3,417	3,538	4,625
Checks and other cash items	1,464	2,963	2,533	1,362	1,876
Due from other banks	6,786	5,499	5,714	6,817	9,461
Loans, discounts and advances	99,517	108,478	122,919	133,938	144,811
Investments in securities	13,431	16,229	20,286	19,119	16,816
Other investments	9,118	10,530	3,969	8,694	15,109
Due from Central Bank of the Philippines	1,109	1,284	1,391	2,133	3,009
Accounts receivables	524	799	988	841	417
Deferred charges	929	1,330	1,609	1,581	1,979
Building or office premises (Net)	1,097	1,024	1,560	1,998	2,114
Leasehold improvements (Net)	329	1,367	1,650	1,298	1,256
Furniture, fixture and equipment (Net)	2,586	3,188	3,517	3,952	4,344
Assets acquired in settlement of loans	2,058	1,039	881	1,262	1,199
Other assets	2,255	1,830	2,557	2,762	3,881
TOTAL ASSETS	145,850	157,476	173,344	189,295	210,896
<u>LIABILITIES & CAPITAL ACCOUNTS</u>					
<u>LIABILITIES</u>					
Deposits	100,578	106,594	122,030	135,676	149,962
Borrowings	2,520	1,390	2,047	2,051	1,323
Accounts Payable	684	729	936	632	761
Accrued expenses	674	442	788	874	89
Unearned interest and discounts	4,452	5,173	6,439	7,322	7,018
Other deferred credits	25	26	37	93	43
Other liabilities	1,408	2,063	2,450	1,605	4,465
TOTAL LIABILITIES	109,131	119,418	133,622	148,233	166,661
<u>CAPITAL ACCOUNTS</u>					
Paid-up capital stock	33,428	37,082	38,497	39,337	41,741
Withdrawable share reserves	2,084	174	7	18	112
Surplus	214	(376)	(326)	(24)	2,297
Surplus reserves	?	349	556	443	205
Undivided profits	1,091	629	988	1,288	1,882
TOTAL CAPITAL ACCOUNTS	36,819	38,058	39,722	41,062	44,237
TOTAL LIABILITIES AND CAPITAL ACCOUNTS	145,950	157,476	173,344	189,295	210,896

Note: Items will not add exactly to totals because of rounding.

Table 10 . CONSOLIDATED STATEMENT OF EARNINGS AND EXPENSES OF
STOCK SAVINGS AND LOAN ASSOCIATIONS
Years Ended December 31, 1974 and 1973

(Amounts in Thousands of Pesos)

	<u>1 9 7 4</u>	<u>1 9 7 3</u>	<u>Changes</u>	
			<u>Amount</u>	<u>Per Cent</u>
<u>Gross Income</u>				
Interests on:				
Agricultural loans	1,660	873	787	90.1
Industrial loans	173	145	28	19.3
Commercial loans	6,069	3,962	2,107	53.2
Real estate loans	3,783	3,386	397	11.7
Consumptions loans	5,588	2,757	2,831	102.7
Interests on bank deposits	409	354	55	15.5
Interests/dividends on investments	3,407	2,874	533	18.5
Fees and other charges	2,752	1,098	1,654	150.6
Other earnings	<u>2,588</u>	<u>1,878</u>	<u>710</u>	<u>37.8</u>
Total Gross Income	<u>26,429</u>	<u>17,327</u>	<u>9,102</u>	<u>52.5</u>
<u>Operating Expenses</u>				
Salaries	4,849	3,763	1,086	28.9
Per diems, allowances, etc.	1,641	961	680	70.8
Meeting and election expenses	27	20	7	27.0
Interest on deposit liabilities	8,601	5,056	3,545	41.1
Interest on borrowings	238	182	56	23.8
Taxes	416	254	162	39.8
Organization expenses	135	91	44	48.4
Stationery and supplies	1,075	526	549	104.4
Bond/insurance premiums	348	262	86	32.8
Postage, telephone and telegraph	141	109	32	29.4
R e n t	769	706	63	8.9
Light and water	549	270	279	103.3
Depreciation	977	661	316	47.8
Other operating expenses	<u>3,886</u>	<u>2,750</u>	<u>1,136</u>	<u>41.3</u>
Total Operating Expenses	<u>23,652</u>	<u>15,611</u>	<u>8,041</u>	<u>51.5</u>
Net Operating Profit	<u>2,777</u>	<u>1,716</u>	<u>1,061</u>	<u>61.8</u>

SOURCE OF BASIC DATA: Department of Rural Banks and Savings & Loan Associations,
Central Bank of the Philippines

Table 22. CONSOLIDATED STATEMENT OF CONDITION OF THE RURAL BANKING SYSTEM
As of December 31, 1974 and 1973

(Amounts in Millions of Pesos)

<u>Resources</u>	<u>1 9 7 4</u>	<u>1 9 7 3</u>	<u>Change</u>	
			<u>Amount</u>	<u>Percentage</u>
<u>Loan Investments:</u>				
Agricultural loans	1,597.5	1,006.8	590.7	58.7
Commercial loans	67.5	39.7	27.8	70.0
Industrial loans	28.7	15.8	12.9	81.6
Other loans and advances	24.9	8.1	16.8	207.4
Total	1,718.6	1,070.4	648.2	60.6
Less: Reserve for bad debts	16.9	14.6	2.3	15.8
Net Loan Investments	1,701.7	1,055.8	645.9	61.2
<u>Cash and Due from Banks</u>				
Cash on hand/in vault	40.9	32.9	11.0	33.4
Checks and other cash items	6.5	5.6	0.9	16.1
Due from Central Bank of the Philippines	22.3	15.3	7.0	45.8
Due from other banks	111.2	137.4	26.2	24.6
Total	180.9	191.2	10.3	27.6
Investment in government securities	72.0	50.6	21.4	42.3
<u>Fixed Assets</u>				
Bank premises (Net)	19.7	15.6	3.9	24.7
Furniture, fixtures and equipment	9.0	6.5	2.5	38.5
Transportation equipment	4.5	3.4	1.1	32.4
Leasehold improvements	1.5	1.0	0.5	50.0
Others	0.3	-	0.3	100.0
Total	35.0	26.7	8.3	31.1
<u>Other Assets</u>				
Account receivables	6.5	5.3	1.2	22.6
Stationery and supplies	2.3	1.6	0.7	43.8
Other prepaid items	0.1	0.2	(0.1)	(50.0)
Assets acquired in settlement of loans	34.4	35.1	4.3	12.4
Other assets	9.8	16.1	(6.3)	(39.1)
Total	52.1	58.2	(6.1)	(10.3)
TOTAL RESOURCES	2,110.7	1,992.6	118.1	5.9

Table 22. CONSOLIDATED STATEMENT OF CONDITION OF THE RURAL BANKING SYSTEM
As of December 31, 1974 and 1973

(Amounts in Millions of Pesos)

<u>Liabilities & Capital Accounts</u>	<u>1 9 7 4</u>	<u>1 9 7 3</u>	<u>Change</u>	
			<u>Amount</u>	<u>Percentage</u>
<u>Liabilities</u>				
Deposit Liabilities				
Demand deposits	16.9	14.4	2.5	17.4
Savings deposits	506.0	392.5	113.5	28.9
Time deposits	<u>54.6</u>	<u>32.1</u>	<u>22.5</u>	<u>70.1</u>
	<u>577.5</u>	<u>439.0</u>	<u>138.5</u>	<u>31.5</u>
Special Deposits				
Special savings deposits	90.6	40.7	49.9	122.6
Special time deposits	<u>244.9</u>	<u>161.1</u>	<u>83.8</u>	<u>52.0</u>
	<u>335.5</u>	<u>201.8</u>	<u>133.7</u>	<u>66.3</u>
Bills Payable	<u>689.8</u>	<u>325.4</u>	<u>364.4</u>	<u>112.0</u>
Loans Payable	<u>89.2</u>	<u>58.9</u>	<u>30.3</u>	<u>51.4</u>
Other Liabilities				
Cashier's checks	0.6	0.4	0.2	50.0
Unearned interest and discounts	28.5	22.3	6.2	27.8
Accounts payable	6.5	5.0	1.5	30.0
Dividends payable	4.8	2.0	2.8	140.0
Others	<u>2.9</u>	<u>5.1</u>	<u>(2.2)</u>	<u>(43.1)</u>
	<u>43.3</u>	<u>34.8</u>	<u>8.5</u>	<u>24.4</u>
TOTAL LIABILITIES	<u>1,735.3</u>	<u>1,059.9</u>	<u>675.4</u>	<u>63.7</u>
<u>Capital Accounts</u>				
Capital stock - Common	149.3	131.0	18.3	14.0
Preferred	<u>101.4</u>	<u>89.7</u>	<u>11.7</u>	<u>13.0</u>
	250.7	220.7	30.0	13.6
Reserve for retirement of preferred shares	48.6	47.2	1.4	3.0
Reserve for contingencies	3.0	2.6	0.4	15.4
Surplus	33.6	26.4	7.2	27.3
Other surplus reserves	1.0	-	1.0	100.0
Undivided profits	<u>38.5</u>	<u>25.8</u>	<u>12.7</u>	<u>49.2</u>
TOTAL CAPITAL ACCOUNTS	<u>375.4</u>	<u>322.7</u>	<u>52.7</u>	<u>16.3</u>
TOTAL LIABILITIES & CAPITAL ACCOUNTS	<u>2,110.7</u>	<u>1,382.6</u>	<u>728.1</u>	<u>52.7</u>

SOURCE OF BASIC DATA: Department of Rural Banks and Savings & Loan Associations, Central Bank of the Philippines.

Table 23. COMPARATIVE CONSOLIDATED STATEMENT OF INCOME AND EXPENSES
OF THE RURAL BANKING SYSTEM
For the Years Ended December 31, 1974 and 1973
(Amounts in Millions of Pesos)

	<u>1974</u>	<u>1973</u>	<u>Change</u>	
			<u>Amount</u>	<u>Per Cent</u>
<u>Gross Income</u>				
Interest on loans				
Agricultural	109.5	74.1	35.4	47.8
Commercial	6.3	3.7	2.6	70.3
Industrial	2.4	1.7	0.7	41.2
Others	7.1	5.5	1.6	29.1
Interests on securities investments	4.4	2.9	1.5	51.7
Other earnings	<u>24.0</u>	<u>13.4</u>	<u>10.6</u>	<u>79.1</u>
Total	<u>153.7</u>	<u>101.3</u>	<u>52.4</u>	<u>51.7</u>
<u>Operating Expenses</u>				
Salaries	26.4	21.5	4.9	22.8
Interest on:				
Deposit liabilities	27.2	17.8	9.4	52.8
Special savings/time deposits	7.9	4.1	3.8	92.7
Borrowings	11.3	6.3	5.0	79.4
Depreciation	4.0	3.3	0.7	21.2
Rent	1.0	0.9	0.1	11.1
Stationeries and supplies	5.6	2.4	3.2	133.3
Postage, telephone and telegraph	0.5	0.6	(0.1)	(16.7)
Light and water	0.8	0.5	0.3	60.0
Travel expenses - Directors	0.5	0.3	0.2	66.7
Travel expenses - Officers and employees	2.8	1.8	1.0	55.6
Advertising	0.6	0.3	0.3	100.0
Organization expenses	0.4	0.2	0.2	100.0
Bad debts	0.5	0.1	0.4	400.0
Other operating expenses	<u>25.2</u>	<u>17.0</u>	<u>8.2</u>	<u>48.2</u>
Total	<u>114.7</u>	<u>77.1</u>	<u>37.6</u>	<u>48.8</u>
Net Operating Income	<u>39.0</u>	<u>24.2</u>	<u>14.8</u>	<u>61.2</u>

SOURCE OF BASIC DATA: Department of Rural Banks and Savings & Loan Associations,
Central Bank of the Philippines.