

Singapore Banking Sector MAS Loan Statistics for December 2012

Report type: Update

Sector Overview

The Singapore Banking Sector provides traditional lending and depository functions, as well as other services in the areas of commercial banking, financial advisory, insurance broking and capital market services. The sector is exposed to changes in the macroeconomic environment, and would be adversely affected should conditions in US, Europe or China deteriorate.

What is the news?

The Monthly statistics bulletin released by the Monetary Authority of Singapore revealed the loan and deposit numbers ending December 2012.

- Singapore's total DBU loans outstanding registered y-y growth of 16.7% to S\$490.8 billion in Dec 2012. Business loans and Consumer loans reported growth of 18.0% y-y and 15.0% y-y respectively.
- M-m, loans growth in Dec 2012 was higher. Total loans grew 1.9 %, compared to 0.5% in Nov 2012. Business loans grew 2.6% m-m, while Consumer loans grew 1.7% m-m.
- 57.9% of total loans comprise of Business loans, with the remaining attributed to Consumer loans.
- We are neutral on the Singapore Banking Sector, and maintain our preference for UOB over DBS and OCBC.

How do we view this?

Consumer loans continue to grow 0.9% m-m, 4.4% while the more volatile Business loans grew 2.6% m-m, 3.5% q-q, rebounding from the negative growth in Nov 2012. Total DBU loans grew 1.9% m-m, 3.9% q-q to S\$490.8 billion. We continue to expect Buildings and Construction loans to be a growth driver due to the steady pipeline of construction projects, while the growth of General Commerce loans may benefit from signs of a recovering China economy. LDR increased to 94.6% in Dec 2012. Y-Y, LDR has increased from 87.0% in Dec 2011, due to a slowdown in Deposits growth from 11.4% y-y in 2011 to 7.4% y-y in 2012. Total system loans (DBU + ACU) grew 1.4% m-m, 3.1% q-q to S\$879.3 billion.

Investment Actions?

Total system loans growth of 10.4% YTD is largely in line with our expectations. We maintain our preference for UOB over DBS and OCBC. We have presented a more detailed outlook of the Singapore Banking Sector outlook in our report dated 21 Jan 2013.

Singapore Banking Sector

Company	Rating	Price (\$)	TP (\$)	Upside (%)	M.Cap. (US\$m n)
DBS Group Holdings Ltd	Accumulate	14.96	16.10	7.6%	29,474
Overseas Chinese Banking Corp	Reduce	9.78	8.30	-15.1%	27,132
United Overseas Bank	Accumulate	18.85	20.95	11.1%	23,999

Source: Bloomberg, PSR

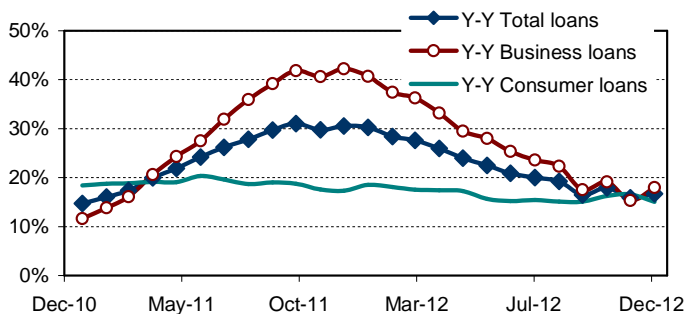
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Fig 1: Y-Y growth in total loans, business loans and consumer loans (in %)



Source: MAS, Phillip Securities Research

Total DBU Loans

Total DBU loans increased 1.9% m-m, 16.7% y-y to S\$490.8 billion. Consumer loans grew 0.9% m-m, while Business loans grew 2.6% m-m. Q-Q, Consumer loans growth of 4.4% was faster than Business loans of 3.5%, due to the stronger 4.8% q-q growth of housing loans.

Fig 2: Singapore DBU Book loan data

Loan Data (S\$ mil)	Dec-12	Dec-11	Nov-12	Y-Y	M-M
Business					
Agriculture	2,104	1,720	1,980	22.4%	6.3%
Manufacturing	27,166	19,024	28,845	42.8%	-5.8%
Building and construction	78,704	67,304	76,543	16.9%	2.8%
General commerce	57,361	48,810	54,597	17.5%	5.1%
Transport	13,089	11,883	12,827	10.1%	2.0%
Business Services	4,748	4,668	4,594	1.7%	3.4%
Financial institutions	64,895	55,551	62,804	16.8%	3.3%
Professional and private (business)	5,921	4,237	6,039	39.7%	-2.0%
Others	30,249	27,720	28,755	9.1%	5.2%
Total Business Loans	284,238	240,916	276,983	18.0%	2.6%

Loan Data (S\$ mil)	Dec-12	Dec-11	Nov-12	Y-Y	M-M
Consumer					
Housing	152,003	131,107	150,289	15.9%	1.1%
Car loans	12,524	12,744	12,551	-1.7%	-0.2%
Credit Card	8,964	7,882	8,746	13.7%	2.5%
Share financing	1,060	932	1,029	13.8%	3.1%
Others	31,983	26,876	32,147	19.0%	-0.5%
Total Consumer Loans	206,534	179,539	204,761	15.0%	0.9%

Source: MAS, Phillip Securities Research

Business Loans

Business loans grew 2.6% m-m in Dec 2012 to S\$284.2 billion, rebounding from the -0.4% m-m growth in Nov 2012. M-M growth was driven by General commerce loans, Building and construction loans, and loans to Financial Institutions. With a strong pipeline of infrastructure and housing projects, we continue to expect Building and construction loans to grow in 2013, building on the strong 5.9% q-q, 16.9% y-y growth in 2012. General commerce loans, which experienced strong growth in mid 2012, may also benefit from signs of a recovering China economy in 2013. Growth of Total Business loans may however continue to face a drag due to the weak, below-trend, Singapore 2013 GDP growth forecast.

Fig 3: Business Loans in various Segments (in S\$ millions)

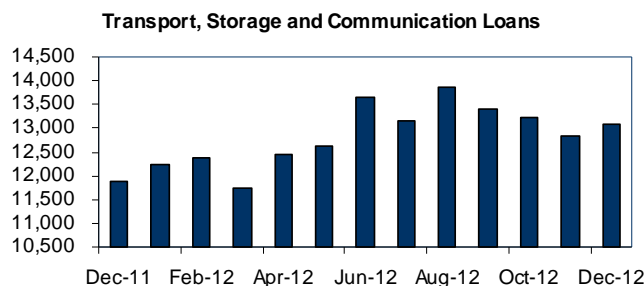
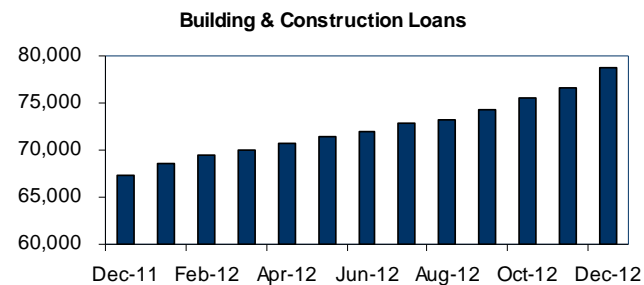
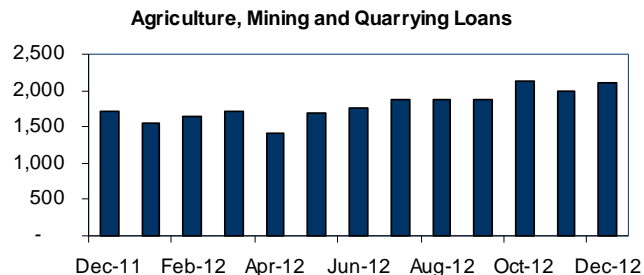
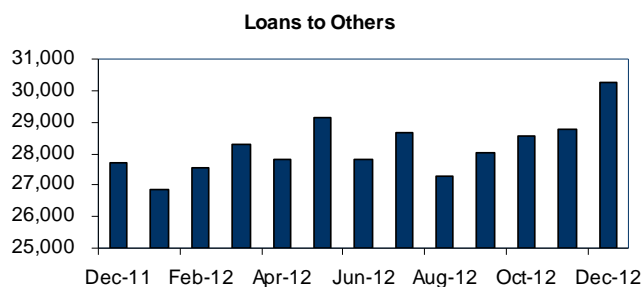
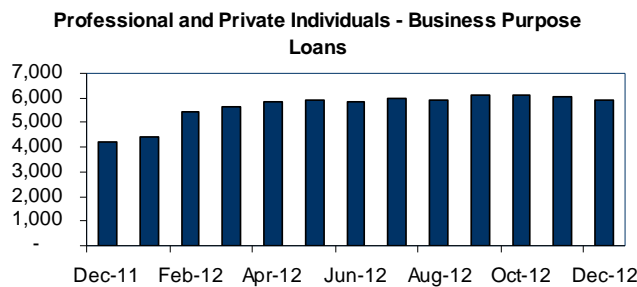
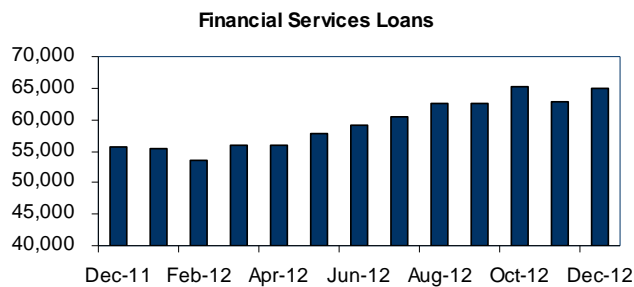
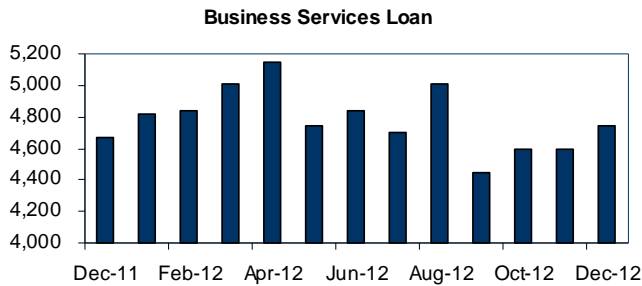


Fig 3: Business Loans in various Segments (in S\$ millions) (Continued)

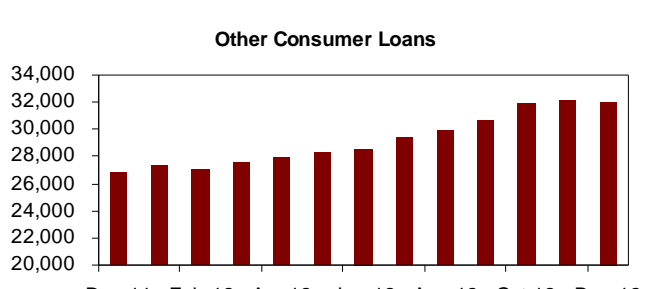
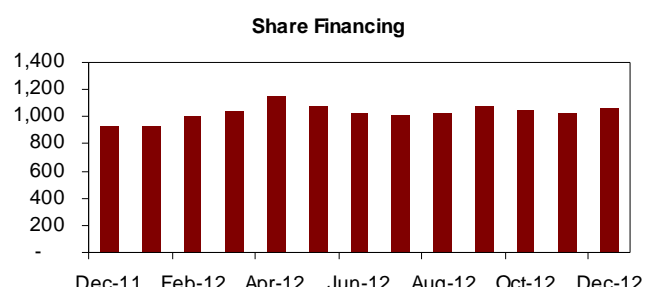
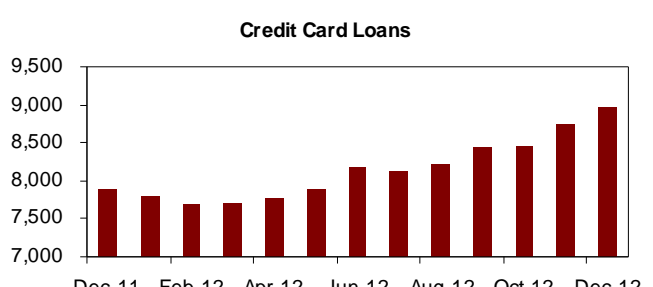
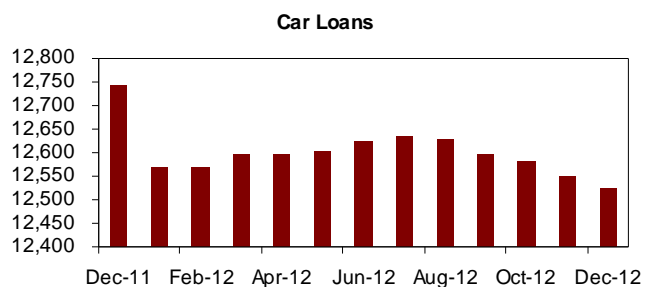
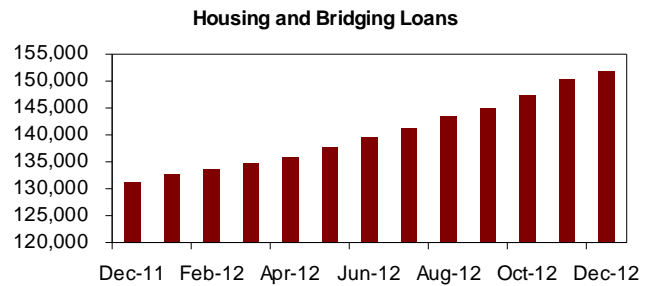


Source: MAS, Phillip Securities Research

Consumer Loans

Consumer loans grew 0.9% m-m, 4.4% q-q to S\$206.5 billion. Growth continues to be resilient, due largely to the performance of housing loans despite the numerous cooling measures introduced. The new round of more aggressive cooling measures may reduce housing loans growth, as we estimate a 23.8% decline in housing loans growth per our Banking sector report dated 21 Jan 2013. Credit card loans increased 2.5% m-m to S\$9.0 billion, while charge-off rates for bad debts remain manageable at 4.8% for the quarter.

Fig 4: Consumer Loans in various segments (in S\$ million)



Source: MAS, Phillip Securities Research

Fig 5: Singapore DBU book deposit data

Deposits Data (S\$ million)	Dec-12	Dec-11	Nov-12
Demand deposits	130,966	118,370	127,031
Fixed deposits	213,658	197,610	215,579
Savings and other deposits	174,217	167,131	170,339
Total Deposits	518,841	483,110	512,949
Total Loans	490,771	420,456	481,744
LDR	94.6%	87.0%	93.9%

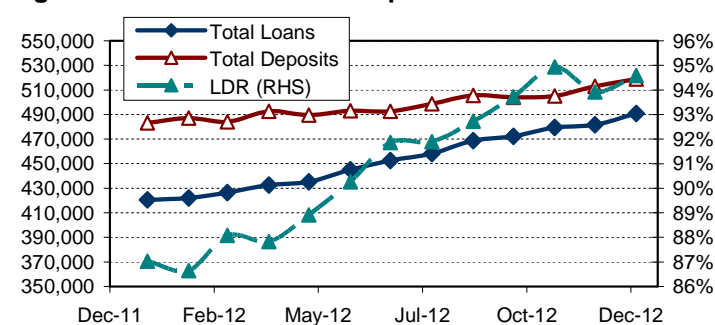
Deposits Data (S\$ million)	Y-Y	M-M	% of total deposits
Demand deposits	10.6%	3.1%	25.2%
Fixed deposits	8.1%	-0.9%	41.2%
Savings and other deposits	4.2%	2.3%	33.6%
Total Deposits	7.4%	1.1%	100.0%
Total Loans	16.7%	1.9%	
LDR	8.7%	0.7%	

Source: MAS, Phillip Securities Research

Deposits

Deposits grew 1.1% m-m, 3.0% q-q to S\$518.8 billion, driven by stronger deposits of residents. Deposits growth in Q4 was mostly in Fixed deposits at 3.0% q-q, while Savings and Demand deposits contracted -3.1% q-q. This may imply further margin compressions in Singapore for the three banks, as cost of funding increases with the higher proportion of fixed deposits. Deposits growth was slightly weaker than Loans growth, leading to m-m increase in LDR from 93.9% to 94.6%.

Fig 6: Total Loans vs Total Deposits



Source: MAS, Phillip Securities Research

Fig 7: Singapore ACU Book loan data

Loan Data (S\$ mil)	Dec-12	Dec-11	Nov-12	Y-Y	M-M
Business					
Agriculture	19,573	19,193	20,935	2.0%	-6.5%
Manufacturing	47,644	49,402	49,868	-3.6%	-4.5%
Building and construction	14,781	14,567	14,828	1.5%	-0.3%
General commerce	57,362	49,608	57,052	15.6%	0.5%
Transport	64,979	70,287	64,558	-7.6%	0.7%
Business Services	5,056	6,065	4,776	-16.6%	5.9%
Financial institutions	88,746	83,429	86,753	6.4%	2.3%
Professional and private (business)	2,273	1,382	2,552	64.4%	-10.9%
Others	52,602	49,976	48,563	5.3%	8.3%
Total Business Loans	353,015	343,908	349,885	2.6%	0.9%

Loan Data (S\$ mil)	Dec-12	Dec-11	Nov-12	Y-Y	M-M
Consumer					
Housing	3,014	3,407	3,442	-11.5%	-12.4%
Share financing	40	532	39	-92.6%	1.5%
Others	32,430	28,145	31,659	15.2%	2.4%
Total Consumer Loans	35,484	32,084	35,140	10.6%	1.0%

Source: MAS, Phillip Securities Research

Total ACU Loans

ACU loans grew 0.9% m-m to S\$388.5 billion. Growth of Business loans was 0.9% m-m, while Consumer loans grew 1.0% m-m. Growth was driven by 8.3% m-m increase in Other business loans to S\$52.6 billion, and Loans to Financial Institutions at 2.3% m-m to S\$88.7 billion. For full year 2012, ACU loans grew 3.3%, much lower compared to the 16.7% growth of DBU loans.

Singapore Banking Sector Outlook

Total system loans growth of 10.4% YTD is largely in line with our expectations. We maintain our preference for UOB over DBS and OCBC. We have presented a more detailed outlook of the Singapore Banking Sector outlook in our report dated 21 Jan 2013.

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