

Singapore Banking Sector MAS Loan Statistics for February 2013

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 February 2013.

- Singapore's total DBU loans outstanding registered y-y growth of 19.6% to S\$510.0 billion in Feb 2013. Business loans and Consumer loans reported growth of 22.7% y-y and 15.4% y-y respectively.
- M-m, loans growth in Feb 2013 was marginally higher. Total loans grew 2.1 %, compared to 1.8% in Jan 2013. Business loans grew 3.1% m-m, while Consumer loans grew weaker at 0.6% m-m.
- 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 grew 0.6% m-m, while Business loans growth was stronger at 3.1% m-m. On the Consumer side, property cooling measures are expected to impact housing loans growth. Growth is expected to remain positive m-m, as customers draw down on previously committed loans, while sales of new housing units remain strong.

We expect Buildings and Construction (B&C) loans to be a growth driver due to the steady pipeline of construction projects. Banks may however be more cautious of B&C lending due to increasingly higher foreign worker levies potentially reducing profitability. DBU LDR increased to 96.0%, as deposits growth was slower than the growth of loans. Total system loans (DBU + ACU) grew 1.2% m-m to S\$916.9 billion. Total system LDR also increased m-m from 96.8% to 97.3%. However, we continue to think that liquidity should not be a concern due to the deep secondary market.

Investment Actions?

On Cyprus, we think that the decision to take a haircut of depositors' money could lead to the shifting of some deposits out of the EU. With strong credit ratings and an increasing presence, the Singapore Banks could possible entice more MNCs in the EU to place some CASA deposits with them. This could also possibly reduce pressure on Net interest margin, due to the cheaper CASA funding. We remain neutral on the Singapore Banking Sector, and maintain our preference for UOB over DBS and OCBC.

Singapore Banking Sector

Company	Rating	Price (\$)	TP (\$)	Upside (%)	M.Cap. (US\$m)
DBS Group Holdings Ltd	Accumulate	16.00	15.80	-1.3%	31,436
Overseas Chinese Banking Corp	Reduce	10.65	8.84	-17.0%	29,441
United Overseas Bank	Accumulate	20.38	20.95	2.8%	25,840

Source: Bloomberg, PSR

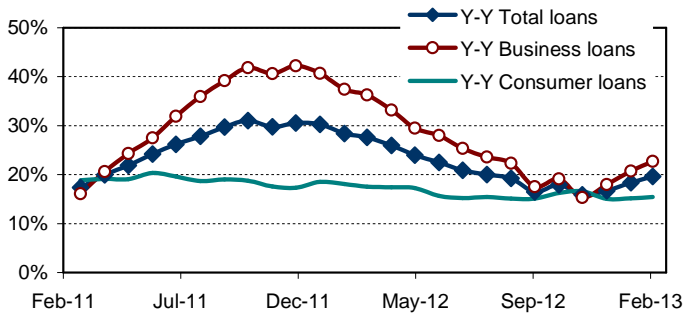
Analyst

Ken Ang

Kenangwy@phillip.com.sg

Tel : (65) 6531 1793

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 2.1% m-m, 19.6% y-y to S\$510.0 billion. Consumer loans grew 0.6% m-m, while Business loans grew 3.1% m-m. We expect y-y loans growth to be flatter in FY2013, as opposed to the higher y-y growth in FY2012 as observed in Fig 1 above.

Fig 2: Singapore DBU Book loan data

Loan Data (S\$ mil)	Feb-13	Feb-12	Jan-13	Y-Y	M-M
Business					
Agriculture	1,932	1,643	2,019	17.6%	-4.3%
Manufacturing	29,953	20,385	27,621	46.9%	8.4%
Building and construction	82,309	69,457	79,964	18.5%	2.9%
General commerce	60,377	49,016	58,766	23.2%	2.7%
Transport	14,366	12,371	14,068	16.1%	2.1%
Business Services	4,801	4,838	4,866	-0.8%	-1.3%
Financial institutions	69,288	53,661	67,677	29.1%	2.4%
Professional and private (business)	5,930	5,438	5,971	9.0%	-0.7%
Others	30,950	27,539	29,839	12.4%	3.7%
Total Business Loans	299,905	244,347	290,790	22.7%	3.1%

Loan Data (S\$ mil)	Feb-13	Feb-12	Jan-13	Y-Y	M-M
Consumer					
Housing	155,154	133,755	154,106	16.0%	0.7%
Car loans	12,434	12,569	12,498	-1.1%	-0.5%
Credit Card	8,853	7,682	8,846	15.2%	0.1%
Share financing	1,210	1,006	1,153	20.2%	4.9%
Others	32,451	27,005	32,145	20.2%	0.9%
Total Consumer Loans	210,101	182,016	208,749	15.4%	0.6%

Source: MAS, Phillip Securities Research

Business Loans

Business loans grew 3.1% m-m in Feb 2013 to S\$299.9 billion, stronger than the 2.3% m-m growth in Jan 2013. M-M growth was driven mainly by Building and construction loans, and Manufacturing loans. Of note, Manufacturing loans have registered a strong 10.3% YTD growth. This may be due to indications of an improving economy increasing manufacturing demands. With a strong pipeline of infrastructure and housing projects, we continue to expect Building and construction loans to grow in 2013. Growth of General commerce loans and Loans to Financial Institutions also remained strong. Growth of Total Business loans may however be relatively muted in 1H13, but may pick up in 2H13 should economic indicators improve and demand for loans increase.

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

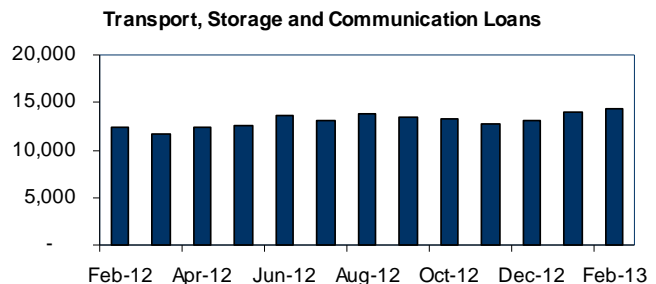
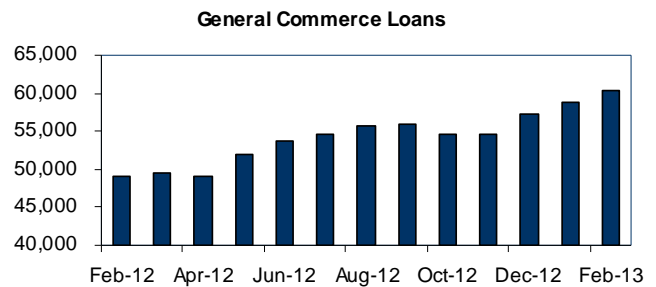
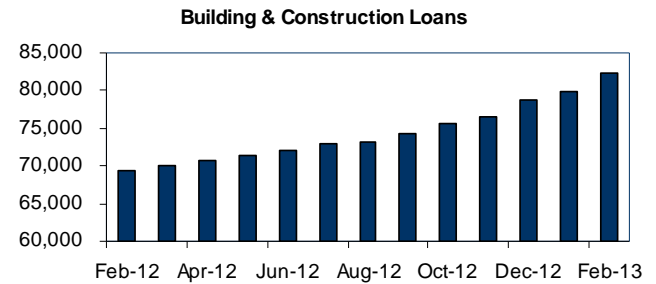
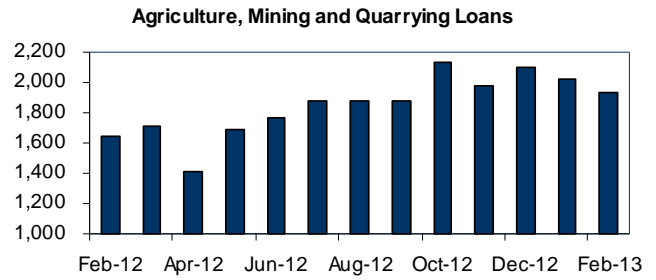
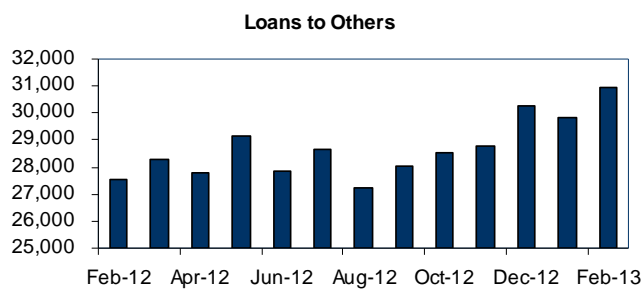
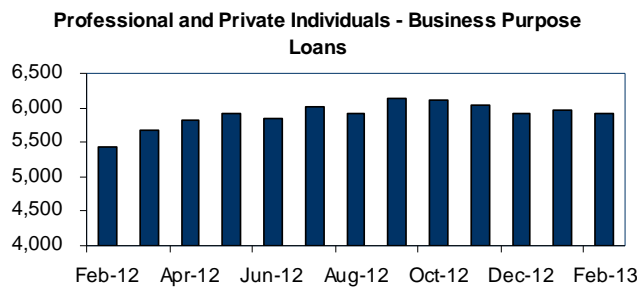
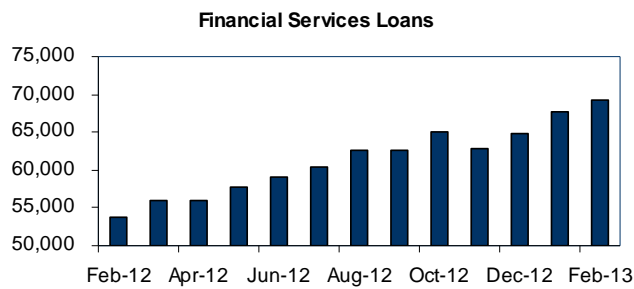
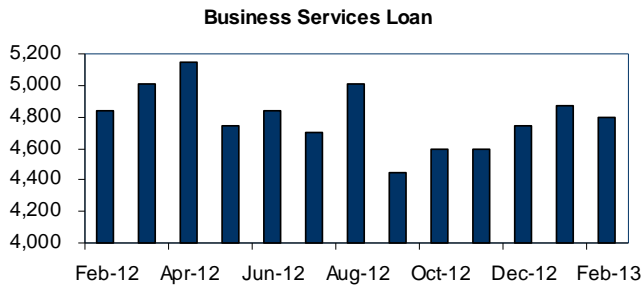


Fig 3: Business Loans in various Segments (in S\$ millions) (Continued)

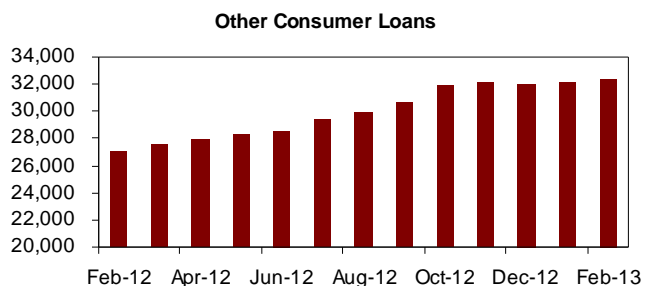
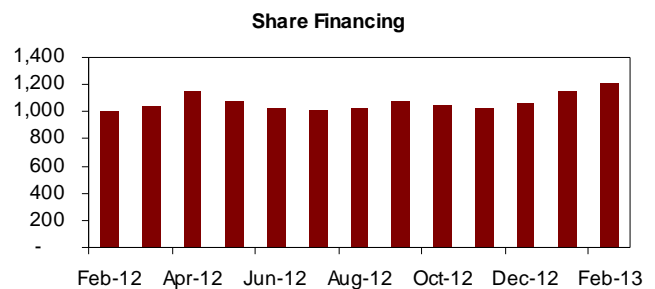
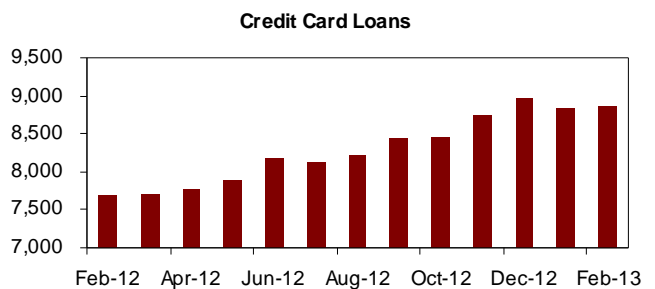
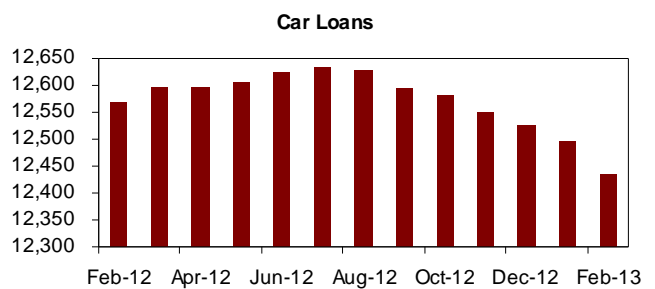
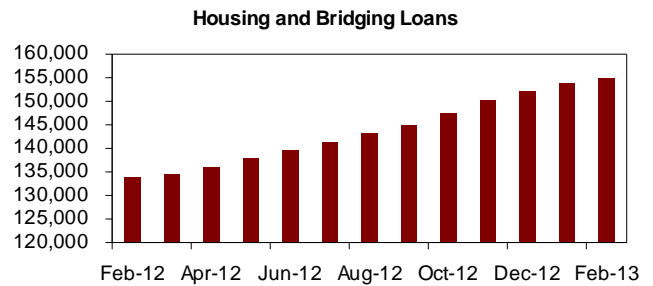


Source: MAS, Phillip Securities Research

Consumer Loans

Consumer loans grew 0.6% m-m to S\$210.1 billion. Growth slowed m-m, possibly due to the shorter month, and Chinese New Year festive period decreasing banking activities. Consumer loans growth is expected to remain resilient, due largely to continued growth of Housing loans. Draw-downs of previously committed loans, and new housing loans to first-time mass market housing owners is expected to continue driving housing loans growth. Car loans decreased m-m by 0.5% in Feb 2013. This is possibly due to the impact of the new tightening measures of LTV ratios, leading to a sharper decline in Car loans

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)	Feb-13	Feb-12	Jan-13
Demand deposits	134,199	117,371	133,285
Fixed deposits	216,393	197,534	217,160
Savings and other deposits	180,473	169,136	177,453
Total Deposits	531,065	484,041	527,897
Total Loans	510,006	426,363	499,539
LDR	96.0%	88.1%	94.6%

Deposits Data (S\$ million)	Y-Y	M-M	% of total deposits
Demand deposits	14.3%	0.7%	25.3%
Fixed deposits	9.5%	-0.4%	40.7%
Savings and other deposits	6.7%	1.7%	34.0%
Total Deposits	9.7%	0.6%	100.0%
Total Loans	19.6%	2.1%	
LDR	9.0%	1.5%	

Source: MAS, Phillip Securities Research

Deposits

Deposits grew 0.6% m-m to S\$531.1 billion, driven by strong deposits of non-bank Financial Institutes and Residents. Foreign currency deposits grew 8.0% m-m. Deposits growth YTD was mostly in CASA deposits, as the competition for Fixed Deposits ease. This is a positive for banks, as it reduces funding pressure. Deposits growth was weaker as compared to Loans growth, leading to a further increase in LDR to 96.0%.

Fig 6: Total Loans vs Total Deposits (DBU)

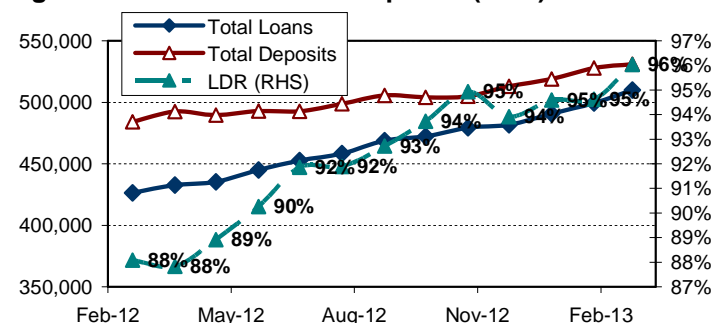
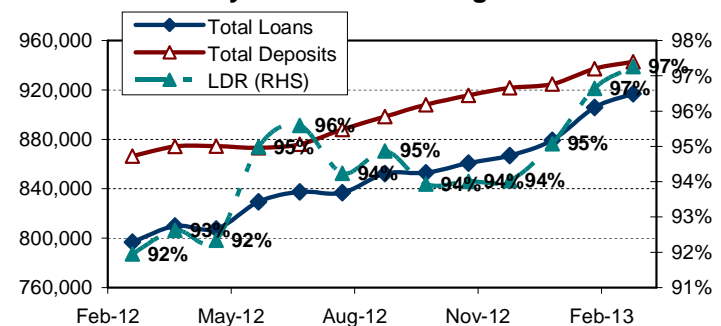


Fig 7: Total Loans vs Total Deposits (DBU + ACU) – Constant currency terms – LDR rising



Source: MAS, Phillip Securities Research

Fig 8: Singapore ACU Book loan data

Loan Data (S\$ mil)	Feb-13	Feb-12	Jan-13	Y-Y	M-M
Business					
Agriculture	20,921	19,612	19,551	6.7%	7.0%
Manufacturing	50,218	49,008	50,726	2.5%	-1.0%
Building and construction	15,578	14,703	14,906	6.0%	4.5%
General commerce	61,788	51,505	61,858	20.0%	-0.1%
Transport	64,850	67,270	65,530	-3.6%	-1.0%
Business Services	5,464	5,372	5,082	1.7%	7.5%
Financial institutions	92,011	85,209	92,880	8.0%	-0.9%
Professional and private (business)	2,848	1,485	2,826	91.8%	0.8%
Others	56,407	44,675	56,150	26.3%	0.5%
Total Business Loans	370,087	338,838	369,508	9.2%	0.2%

Loan Data (S\$ mil)	Feb-13	Feb-12	Jan-13	Y-Y	M-M
Consumer					
Housing	2,986	3,435	3,059	-13.1%	-2.4%
Share financing	130	470	125	-72.3%	4.3%
Others	33,700	27,705	33,515	21.6%	0.6%
Total Consumer Loans	36,815	31,610	36,699	16.5%	0.3%

Source: MAS, Phillip Securities Research

Total ACU Loans

ACU loans grew 0.2% m-m to S\$406.9 billion, weaker as compared to the 4.6% m-m in Jan 2013. Growth of Business loans was mainly driven by Agriculture loans, and Building and construction loans. With loans demand in the region expected to be stronger than that in Singapore, ACU loans growth may see stronger growth, due to higher expected non-SGD and non-Singapore based loans.

Singapore Banking Sector Outlook

Total System loans grew 1.2% m-m. With the higher loans growth and lower deposits growth, total system's LDR rose to 97.3%, as compared to 96.6%. However, we continue to think that liquidity should not be a concern due to the deep secondary market.

On Cyprus, we think that the decision to take a haircut of depositors' money could lead to the shifting of some deposits out of the EU. With strong credit ratings and an increasing presence, the Singapore Banks could possibly entice more MNCs in the EU to place some CASA deposits with them. This could also possibly reduce pressure on Net interest margin, due to CASA funding being cheaper. We remain neutral on the Singapore Banking Sector, and maintain our preference for UOB over DBS and OCBC.

Important Information

This publication is prepared by Phillip Securities Research Pte Ltd., 250 North Bridge Road, #06-00, Raffles City Tower, Singapore 179101 (Registration Number: 198803136N), which is regulated by the Monetary Authority of Singapore ("Phillip Securities Research"). By receiving or reading this publication, you agree to be bound by the terms and limitations set out below.

This publication has been provided to you for personal use only and shall not be reproduced, distributed or published by you in whole or in part, for any purpose. If you have received this document by mistake, please delete or destroy it, and notify the sender immediately. Phillip Securities Research shall not be liable for any direct or consequential loss arising from any use of material contained in this publication.

The information contained in this publication has been obtained from public sources, which Phillip Securities Research has no reason to believe are unreliable and any analysis, forecasts, projections, expectations and opinions (collectively, the "Research") contained in this publication are based on such information and are expressions of belief of the individual author or the indicated source (as applicable) only. Phillip Securities Research has not verified this information and no representation or warranty, express or implied, is made that such information or Research is accurate, complete, appropriate or verified or should be relied upon as such. Any such information or Research contained in this publication is subject to change, and Phillip Securities Research shall not have any responsibility to maintain or update the information or Research made available or to supply any corrections, updates or releases in connection therewith. In no event will Phillip Securities Research or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the preparation or issuance of this report, (i) be liable in any manner whatsoever for any consequences (including but not limited to any special, direct, indirect, incidental or consequential losses, loss of profits and damages) of any reliance or usage of this publication or (ii) accept any legal responsibility from any person who receives this publication, even if it has been advised of the possibility of such damages. You must make the final investment decision and accept all responsibility for your investment decision, including, but not limited to your reliance on the information, data and/or other materials presented in this publication.

Any opinions, forecasts, assumptions, estimates, valuations and prices contained in this material are as of the date indicated and are subject to change at any time without prior notice.

Past performance of any product referred to in this publication is not indicative of future results.

This report does not constitute, and should not be used as a substitute for, tax, legal or investment advice. This publication should not be relied upon exclusively or as authoritative, without further being subject to the recipient's own independent verification and exercise of judgment. The fact that this publication has been made available constitutes neither a recommendation to enter into a particular transaction, nor a representation that any product described in this material is suitable or appropriate for the recipient. Recipients should be aware that many of the products, which may be described in this publication involve significant risks and may not be suitable for all investors, and that any decision to enter into transactions involving such products should not be made, unless all such risks are understood and an independent determination has been made that such transactions would be appropriate. Any discussion of the risks contained herein with respect to any product should not be considered to be a disclosure of all risks or a complete discussion of such risks.

Nothing in this report shall be construed to be an offer or solicitation for the purchase or sale of any product. Any decision to purchase any product mentioned in this research should take into account existing public information, including any registered prospectus in respect of such product.

Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the preparation or issuance of this report, may provide an array of financial services to a large number of corporations in Singapore and worldwide, including but not limited to commercial / investment banking activities (including sponsorship, financial advisory or underwriting activities), brokerage or securities trading activities. Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the preparation or issuance of this report, may have participated in or invested in transactions with the issuer(s) of the securities mentioned in this publication, and may have performed services for or solicited business from such issuers. Additionally, Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the

preparation or issuance of this report, may have provided advice or investment services to such companies and investments or related investments, as may be mentioned in this publication.

Phillip Securities Research or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the preparation or issuance of this report may, from time to time maintain a long or short position in securities referred to herein, or in related futures or options, purchase or sell, make a market in, or engage in any other transaction involving such securities, and earn brokerage or other compensation in respect of the foregoing. Investments will be denominated in various currencies including US dollars and Euro and thus will be subject to any fluctuation in exchange rates between US dollars and Euro or foreign currencies and the currency of your own jurisdiction. Such fluctuations may have an adverse effect on the value, price or income return of the investment.

To the extent permitted by law, Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the preparation or issuance of this report, may at any time engage in any of the above activities as set out above or otherwise hold an interest, whether material or not, in respect of companies and investments or related investments, which may be mentioned in this publication. Accordingly, information may be available to Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the preparation or issuance of this report, which is not reflected in this material, and Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the preparation or issuance of this report, may, to the extent permitted by law, have acted upon or used the information prior to or immediately following its publication. Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the preparation or issuance of this report, may have issued other material that is inconsistent with, or reach different conclusions from, the contents of this material.

The information, tools and material presented herein are not directed, intended for distribution to or use by, any person or entity in any jurisdiction or country where such distribution, publication, availability or use would be contrary to the applicable law or regulation or which would subject Phillip Securities Research to any registration or licensing or other requirement, or penalty for contravention of such requirements within such jurisdiction.

Section 27 of the Financial Advisers Act (Cap. 110) of Singapore and the MAS Notice on Recommendations on Investment Products (FAA-N01) do not apply in respect of this publication.

This material is intended for general circulation only and does not take into account the specific investment objectives, financial situation or particular needs of any particular person. The products mentioned in this material may not be suitable for all investors and a person receiving or reading this material should seek advice from a professional and financial adviser regarding the legal, business, financial, tax and other aspects including the suitability of such products, taking into account the specific investment objectives, financial situation or particular needs of that person, before making a commitment to invest in any of such products.

Please contact Phillip Securities Research at [65 65311240] in respect of any matters arising from, or in connection with, this document.

This report is only for the purpose of distribution in Singapore.

Contact Information (Singapore Research Team)

Chan Wai Chee

CEO, Research

Special Opportunities

+65 6531 1231

yebo@phillip.com.sg

Go Choon Koay, Bryan

Investment Analyst

Property

+65 6531 1792

gock@phillip.com.sg

Roy Chen

Macro Analyst

Global Macro, Asset Strategy

+65 6531 1535

roychencz@phillip.com.sg

Joshua Tan

Head of Research

Global Macro, Asset Strategy

+65 6531 1249

joshuatan@phillip.com.sg

Ken Ang

Investment Analyst

Financials, Telecoms

+65 6531 1793

kenangwy@phillip.com.sg

Nicholas Ong

Investment Analyst

Commodities, Offshore & Marine

+65 6531 5440

nicholasonghg@phillip.com.sg

Derrick Heng

Deputy Head of Research

SG Equity Strategist &

Transport

+65 6531 1221

derrickhengch@phillip.com.sg

Ng Weiwen

Macro Analyst

Global Macro, Asset Strategy

+65 6531 1735

ngww@phillip.com.sg

Research Assistant

General Enquiries

+65 6531 1240 (Phone)

research@phillip.com.sg

Contact Information (Regional Member Companies)

SINGAPORE

Phillip Securities Pte Ltd
Raffles City Tower
250, North Bridge Road #06-00
Singapore 179101
Tel +65 6533 6001
Fax +65 6535 6631
Website: www.poems.com.sg

HONG KONG

Phillip Securities (HK) Ltd
Exchange Participant of the Stock Exchange of Hong Kong
11/F United Centre 95 Queensway
Hong Kong
Tel +852 2277 6600
Fax +852 2868 5307
Websites: www.phillip.com.hk

INDONESIA

PT Phillip Securities Indonesia
ANZ Tower Level 23B,
Jl Jend Sudirman Kav 33A
Jakarta 10220 – Indonesia
Tel +62-21 5790 0800
Fax +62-21 5790 0809
Website: www.phillip.co.id

THAILAND

Phillip Securities (Thailand) Public Co. Ltd
15th Floor, Vorawat Building,
849 Silom Road, Silom, Bangrak,
Bangkok 10500 Thailand
Tel +66-2 6351700 / 22680999
Fax +66-2 22680921
Website www.phillip.co.th

UNITED KINGDOM

King & Shaxson Capital Limited
6th Floor, Candlewick House,
120 Cannon Street,
London, EC4N 6AS
Tel +44-20 7426 5950
Fax +44-20 7626 1757
Website: www.kingandshaxson.com

AUSTRALIA

PhillipCapital
Level 12, 15 William Street,
Melbourne, Victoria 3000, Australia
Tel +61-03 9629 8288
Fax +61-03 9629 8882
Website: www.phillipcapital.com.au

MALAYSIA

Phillip Capital Management Sdn Bhd
B-3-6 Block B Level 3 Megan Avenue II,
No. 12, Jalan Yap Kwan Seng, 50450
Kuala Lumpur
Tel +603 2162 8841
Fax +603 2166 5099
Website: www.poems.com.my

JAPAN

Phillip Securities Japan, Ltd.
4-2 Nihonbashi Kabuto-cho Chuo-ku,
Tokyo 103-0026
Tel +81-3 3666 2101
Fax +81-3 3666 6090
Website: www.phillip.co.jp

CHINA

Phillip Financial Advisory (Shanghai) Co. Ltd
No 550 Yan An East Road,
Ocean Tower Unit 2318,
Postal code 200001
Tel +86-21 5169 9200
Fax +86-21 6351 2940
Website: www.phillip.com.cn

FRANCE

King & Shaxson Capital Limited
3rd Floor, 35 Rue de la Bienfaisance 75008
Paris France
Tel +33-1 45633100
Fax +33-1 45636017
Website: www.kingandshaxson.com

UNITED STATES

Phillip Futures Inc
141 W Jackson Blvd Ste 3050
The Chicago Board of Trade Building
Chicago, IL 60604 USA
Tel +1-312 356 9000
Fax +1-312 356 9005