Edited transcript of DBS fourth-quarter 2018 results media briefing, 18 February 2019

Edna Koh Good morning and welcome to DBS' fourth-quarter and full year results briefing.

Chng Sok Hui Good morning.

Highlights. We achieved another record performance in 2018. Net profit crossed the $5 billion mark for the first time, rising 28% to $5.63 billion. Total income increased 11% to $13.2 billion from loan and fee income growth as well as a higher net interest margin. The results were moderated by a weaker performance in Treasury Markets.

The reported cost-income ratio was affected by the consolidation of ANZ and weakness in Treasury Markets income. Excluding these items, the underlying cost-income ratio was stable.

Total allowances halved as specific allowances fell to 19 basis points of loans.

Return on equity rose 2.4 percentage points to 12.1%, near the record high more than a decade ago in 2007, when interest rates were twice as high and capital requirements less stringent.

For the fourth quarter, net profit rose 8% from a year ago to $1.32 billion. Total income grew 6% to $3.25 billion, underpinned by healthy business momentum. Loan growth and net interest margin progression were sustained over the quarter. The combined income of IBG and CBG / WM rose 16% to $2.95 billion. Market uncertainty resulted in a halving of Treasury Markets income to $92 million, the lowest on record.

The balance sheet remained healthy. Non-performing asset formation fell 4% from the previous quarter and the NPL rate improved 0.1 percentage point to 1.5%. Regulatory capital and liquidity ratios were all comfortably above regulatory requirements.

The Board proposed a final dividend of 60 cents per share, bringing the full-year payout to $1.20 per share.

Full year compared to a year ago. Total income grew 11% to a new high of $13.2 billion.

Net interest income rose 15% to $8.96 billion. Net interest margin rose 10 basis points to 1.85% in line with higher interest rates. Loans expanded 6% in constant-currency terms from consumer and non-trade corporate loan growth.

Fee income rose 6% to $2.78 billion. Increases in wealth management, card and transaction banking fees were partially offset by lower investment banking fees.

Other non-interest income fell 4% to $1.45 billion. Lower gains on investment securities were partially offset by property disposal gains.

Expenses rose 13% to $5.80 billion. If ANZ and non-recurring cost items were excluded, expenses increased 7%. The underlying cost-income ratio was stable.

Total allowances fell $834 million to $710 million. Allowances had been high in the previous year due to charges for oil and gas support service exposures.

Fourth quarter compared to a year ago. Compared to a year ago, fourth-quarter net profit increased 8% to $1.32 billion. Total income rose 6% to $3.25 billion as an increase in net interest income was moderated by weakness in non-interest income.

Net interest income grew 11% to $2.33 billion. Net interest margin increased nine basis points to 1.87% in line with higher interest rates. Loans were 6% higher in constant-currency terms.

Fee income was stable at $635 million as increases in card, transaction service and loan-related fees were offset by declines in wealth management, investment banking and brokerage fees. Other non-interest income fell 13% to $280 million from lower gains on investment securities.

Expenses rose 11% to $1.50 billion. The underlying cost-income ratio was stable.

Total allowances fell 9% to $205 million due to a higher write-back of general allowances.

Fourth quarter compared to previous quarter. Compared to the previous quarter, fourth-quarter net profit was 7% lower, mainly due to headwinds in TM and wealth management. Business momentum was otherwise healthy. Total income fell 4% as weak financial markets resulted in lower non-interest income.

Net interest income rose 3%. Loans grew 2% from growth in non-trade corporate loans. Net interest margin increased one basis point to 1.87%.

Fee income fell 9% as declines in wealth management and loan-related fees were partially offset by increases in card and transaction service fees. Other non-interest income was 31% lower due to weaker trading income.

Expenses rose 1%. Total allowances were 13% lower.

Net interest income. Fourth-quarter net interest income rose 3% from the previous quarter and 11% from a year ago to $2.33 billion.

Net interest margin increased one basis point during the quarter to 1.87%. Excluding Treasury Market activities, net interest margin rose two basis points due to higher interest rates in Singapore. The underlying NIM increased 16 basis points over the past four quarters to 2.10% as higher interest rates resulted in a faster increase in loan yields than deposit costs in Singapore and Hong Kong. The drag from Treasury Markets was due to swap accounting, lower gapping income and NIM compression in the fixed-rate securities portfolio as funding costs rose.

Loans. Overall loan growth was up $21 billion or 6% on year, and up $5 billion or 2% on quarter.

The growth was due to non-trade corporate loans across various sectors. Non-trade corporate loans increased 12% or $20 billion over the year, with the growth occurring steadily over the four quarters.

Consumer loans were little changed during the quarter as a $500 million increase in housing loans was offset by a similar decline in margin financing due to weak financial markets. Consumer loans rose 3% or $4 billion over the year, with Singapore housing loans accounting for half of the increase.

Trade loans were also stable during the quarter. They declined 6% or $3 billion over the year as we decided to let maturing exposures run off due to unattractive pricing.

Similar to 2018, we expect overall loan growth in 2019 to be in the mid-single-digits, with growth led by non-trade corporate loans.

Liquidity. Deposits rose 2% or $6 billion in constant-currency terms during the quarter. For the year, deposits rose 5% or $19 billion. The increase over both periods was in line with loan growth. Most of the increase was in fixed deposits, in line with industry trends. Our share of Singapore-dollar savings accounts was 52%.

Other funding rose $5 billion during the year from issuances of sub-debt and medium-term notes.

Our liquidity ratios remained well above regulatory requirements. The liquidity coverage ratio was at 138% while the net stable funding ratio was at 109%.

Fee income. Fourth-quarter gross fee income rose 3% from a year ago to $756 million.

Card fees increased 34% to $202 million from the consolidation of the retail and wealth management business of ANZ. Loan-related fees rose 17% to $90 million with a higher number of deals. Transaction service fees grew 10% to $169 million as cash management increased 15% and trade rose 3%.

These increases were moderated by a 4% decline in wealth management fees to $218 million. Fees from investment product sales fell with more volatile financial markets, with the impact moderated by a one-third increase in insurance fees. Financial market volatility also resulted in a halving of investment banking fees to $29 million.

Compared to the previous quarter, gross fee income was 8% lower. Declines in wealth management and loan-related fees were moderated by an increase in card and transaction service fees.

For the full year, gross fee income grew 8% to $3.25 billion, led by card, wealth management and transaction banking fees.

Consumer Banking and Wealth Management. Full-year total income increased 21% to $5.65 billion.

Loan and deposit income rose 26% to $3.32 billion from volume growth and a higher net interest margin. Investment products grew 12% to $1.52 billion due largely to higher insurance income. Card income rose 25% to $773 million from higher credit card transactions as well as the consolidation of ANZ.

Wealth Management customer segment income grew 26% to $2.66 billion as assets under management rose 7% to $220 billion. Income from the retail customer segment increased 17% to $2.99 billion.

Expenses increased 18%, less quickly than income, to $3.03 billion. The cost-income ratio improved one percentage point to 54%. Profit before allowances increased 24% to $2.62 billion.

We had a market share of 31% for Singapore housing loans and 52% for Singapore savings accounts.

Institutional Banking. Full year total income rose 9% to $5.76 billion.

The growth was led by cash management, which increased 55% to $1.71 billion due to mainly to a higher net interest margin. Cash management deposits rose by an underlying 3% after adjusting for currency effects. Treasury customer income increased 5% to $602 million. The growth in cash and treasury income more than offsets declines in loan fee and investment banking income.

Expenses grew 5% to $1.84 billion. Like CBG / WM, the increase in costs for IBG was less than income, and the cost-income ratio fell one percentage to 32%. Profit before allowances was 11% higher at $3.92 billion.

Business momentum. Business momentum in CBG / WM and IBG, which had propelled the group's growth in the first nine months, was sustained in the fourth quarter. The year-on-year income growth for both businesses was $417 million in the fourth quarter, or a 16% increase from the year-ago period.

The increase was materially higher than the $239 million or 10% increase in the first quarter despite headwinds in the fourth quarter, which affected wealth management and investment banking income during the last three months.

Treasury Markets. Treasury Markets income is shown by the red bar segment. The fourth-quarter income of $92 million fell three-fifths from the previous quarter and slightly more than half from a year ago. It was the lowest on record. The weak performance was due to difficult market conditions during the quarter.

Treasury customer income, shown by the beige bars and is recorded under CBG / WM and IBG, also fell, declining 15% from the previous quarter and 8% a year ago to $257 million. It was the lowest in two years.

For the full year, Treasury Markets income fell 21% to $672 million. Treasury customer income was 4% higher at $1.20 billion. Total Treasury income fell 7% to $1.87 billion.

Expenses. For the full year, expenses rose 13% and the reported cost-income ratio was one percentage point higher at 44%. For the fourth quarter, the reported cost-income ratio was at 46%. The reported cost and cost-income ratios for the year were affected by two principal factors.

First, Treasury Markets income was exceptionally weak, declining 21% for the full year and more than half for the fourth quarter compared to the year-ago period.

Second, ANZ, which had the first full year of consolidation, had a cost-income ratio of 52%.

Underlying cost-income. This chart shows the income, expenses and cost-income ratio when ANZ and Treasury Markets activities are excluded. These figures are in red. On this underlying basis, income and expenses both grew 8% for the full year and the cost-income ratio was stable.

For the fourth quarter, which is not shown on this chart, there was a one percentage point jaw between the 7% income growth and 6% expense growth compared to a year ago. The underlying cost-income ratio was stable.

Hong Kong. Hong Kong had a record performance in 2018. Net profit rose to 40% in constant-currency terms to $1.36 billion as total income increased 26% to $2.74 billion. If a property disposal gain of $86 million was excluded, total income and net profit were also at records.

Net interest income rose 30% to $1.83 billion. Loans grew 11% from trade and non-trade corporate loans. Deposits rose 9%, led by fixed deposits in line with industry trends. As current and savings accounts made up 57% of deposits, the increase in Hibor and Libor during the year resulted in a 27 basis point increase in net interest margin to 2.01%.

Fee income increased 7% to $617 million, led by wealth management and cash management. Other non-interest income grew 56% to $294 million from the property disposal gain and higher treasury customer sales.

Expenses rose 14% to $1.06 billion due to higher business volumes and franchise investments. The cost-income ratio improved from 42% a year ago to 39%.

Total allowances were 8% lower at $72 million.

Non-performing loans. Non-performing assets fell 4% from the previous quarter to $5.68 billion. New NPA formation for IBG of $280 million was within the range of recent quarters. The NPL rate improved from 1.6% in the previous quarter to 1.5%.

Specific allowances. Specific allowances of $229 million were little changed from the previous quarter and a year ago. At 25 basis points of loans, they are in line with the level we expect in the coming year.

General allowances. General allowances (or expected credit loss for Stage 1 and 2 assets) fell during the quarter to $2.57 billion. The net write-back of $24 million reflects mainly the reversal of Stage 1 and 2 ECL into specific provisions as performing assets become non-performing.

The MAS 1% requirement for general allowances rose $42 million from the previous quarter to $2.95 billion due to loan growth. The shortfall between the 1% requirement and the ECL for Stage 1 and Stage 2 resulted in a Regulatory Loss Allowance Reserve of $376 million, an increase of $65 million from the previous quarter. The amount was transferred from retained earnings.

Capital. The Common Equity Tier-1 ratio rose 0.6 percentage points from the previous quarter to 13.9% due to retained earnings during the quarter. The leverage ratio was unchanged from the previous quarter at 7.1%.

Dividends. The Board proposed a final dividend of 60 cents per share for approval at the upcoming AGM. This will bring the full-year dividend to $1.20 per share. Based on last closing share price, the dividend yield is 4.8%.

In summary. To summarise, we achieved another record performance in 2018. The real significance of the results was the two-percentage-point increase in ROE to 12.1%, near the record in 2007, when interest rates were higher and capital requirements less stringent than today. Adjusting for interest rates and capital, we estimate that ROE today is four percentage points better than in 2007.

The results were achieved despite strong headwinds in financial markets in the second half, which affected wealth management, investment banking and brokerage fees, as well as Treasury Markets income.

The stronger profitability reflects the structural improvements we have made during the past decade to our franchise. They include the greater contribution of higher-returns businesses such as wealth management and cash management to the group; deeper customer relationships, corroborated by market share gains in Singapore; and more nimble execution.

Despite a challenging fourth quarter, business momentum was maintained as the year-on-year income growth for CBG / WM and IBG remained strong.

The results demonstrate the ability and resilience of our franchise to capitalise on the region's long-term prospects and navigate any short-term uncertainties.

Piyush Gupta Thanks, Sok Hui. First, I'll spend a few minutes talking about the quarter. Second, I'll share our thoughts on where the world is currently and what we're seeing. Third, I'll comment on what we are expecting to see in the next coming months.

Sok Hui pointed out that we had 11% top line growth for the year. Excluding ANZ, we had 6% growth, which reflects the underlying momentum in the business. The fourth quarter was challenging. At our last previous quarterly briefing, which was in November, the world was looking relatively upbeat. People were still pricing in two to four interest rate hikes but then everything came apart, perhaps more quickly than you'd normally expect. As such, in the residual part of the year, yield curves came off. Every asset class basically got hammered: currencies, rates, credit and equities.

You can see the impact across the global banks and we weren't spared. Our overall treasury income for the fourth quarter, if you take both the trading and the customer activity, fell 27% from a year ago and that's in line with the big American banks, which ranged between 25% and 30%. The European banks saw even sharper declines.

When the markets are so turbulent, it's not just trading that suffers. Capital markets took a hit. The deal flow in both debt and equity capital markets didn't come through. Wealth management also suffered because most Asian customers trade, and therefore activity came down sharply. So it was a perfect storm.

To be able to get 6% top line growth for the year despite all those headwinds is something we are quite pleased about. It just speaks to the underlying momentum in the rest of the businesses and the rest of the commercial book, which continues to be quite solid.

For the full year, we had 28% profit growth. Sok Hui had already reflected on the fact that the 12.1% ROE was really strong, given that capital requirements are more stringent and interest rates are lower compared to where they were a decade ago. It's therefore worth reflecting on the structural changes in the DBS franchise over the past decade.

Compared to 2009, look at wealth management, our business grew five times. It used to be 8% of the bank and now it's 20% of the bank. If you look at cash management and custody services on a combined basis, they used to be 3% of the bank and now they are 13% of the bank, that's up eight times. Some of that was due to interest rates. But if you held interest rates constant, three-quarters of the gain is from underlying business volume, fees and flow.

One-third of the bank's income today comes from wealth management and cash management, which are structurally very high ROE businesses.

The other thing we'd point out is that the North Asian franchise, comprising Hong Kong, China and Taiwan, has also performed well. In the same period, Hong Kong's net profit itself was up three times, compared to two times for the group. China and Taiwan were up four times in that period.

This quarter was a good performance for all of these categories: wealth management was up 26%, cash management was up 50%, Hong Kong was up 37%. The point I wanted to leave you with is there's a structural shift in the nature of our franchise, which gave us a degree of resiliency even with turbulent financial markets.

So, where do we see the world going? First, there is synchronised global slowdown in growth. I think the US is still quite robust but slowing down: I think you'll get about 2.5% growth rate in 2019, down from the 3%. Europe is quite clearly slowing down: the latest forecast is 1.6%, down from 1.8% last year. You can see the impact of a slowing China: it is forecast at 6.2% but its PMIs are under 50 and trade is slowing down a little bit. So, you do see synchronised slowdown.

Geopolitical issues such as US-China trade tensions, Brexit, domestic US politics and elections in the region will continue to create volatility this year. I expect choppy markets and a general macroeconomic slowdown.

At the same time, there are mitigating factors. First, notwithstanding whether the US and China come to an agreement on trade in the next few weeks or not, it's quite clear that any structural shift away from China will be a slow process. We've been talking to lot of clients and it continues to be the case that businesses are not really moving capacity out of China yet. What businesses are doing is that they are ramping up capacity that they already have outside of China. For incremental new capacity, they're looking for alternatives to China. However, the actual shift of capacity from China is not happening very rapidly. Interestingly, businesses that are shifting or adding capacity outside of China are still looking around at the region. As such, Thailand, Vietnam are being talked about a lot. Interestingly, many of our other clients are now speaking about building up incremental capacity in India as well.

All of these are beneficial for us. The geopolitical issues play to our strength because we have the ability to participate in all of the new capacity formation if it happens. Our sense is that domestic consumption is likely to hold up; it has affected us a bit but it's still in high single-digit and you can see that across the region. Central Banks are rethinking monetary policy. For instance, RBI has already cut rates while RBA has indicated that the next rate movement will be down. In general, there is some monetary policy relaxation around the region, which should create some stimulus for growth.

Finally, I do think you'll see fiscal stimulus. The Chinese have already started injecting a substantial amount of stimulus. Closer to home, the Singapore government has got some massive infrastructure projects such as Changi Terminal 5. Elections are coming up in India, Indonesia and Thailand. In most election years, you tend to see some fiscal stimulus.

Overall, we think that economic growth will be slower, but will not be a major worry. We guided for mid-single-digit loan growth in November and we are keeping that guidance. If you look at our loan growth in the fourth quarter, notwithstanding all the concerns, we've still got 2% constant currency loan growth in the quarter. The loan growth was quite broad. Singapore housing market was slow, but on the corporate side, we're seeing loan growth from property activity, particularly in the UK and Australia. We continue to see loan growth from Chinese businesses, as well as loan growth from

M&A activity. There are mega prize deals which are happening and are creating momentum, such as the CapitaLand deal early this year and the Keppel-M1 deal recently.

The TMT sector is quite active and we're continuing to see that. There is loan growth in the energy and renewables sector as well. Loan growth has been broad-based throughout multiple sectors across the region, which started in the fourth quarter due to strong pipelines. We continue to see this momentum as we enter 2019. Thus, loan growth this coming year of around 5% – like that of last year – looks achievable for the time being.

On NIM, we got 10 basis points last year, which was obviously helped by rate hikes. A large part of our loan book reprices slowly. For the mortgage book last year, we repriced the fixed-deposit-based portfolio thrice. We added one more repricing in January this year, but it's still lagging Sibor. We do think we can continue to reprice that upwards. Even if there are no more rate increases, we still anticipate four to five basis points of NIM progression this year. If there is one rate hike, then that might be five to six basis points.

We think we will continue to see a high single-digit income growth, from non-interest income including fee income. We also assume a small degree of normalisation in the Treasury Markets business. As Sok Hui said, the Treasury Markets business was at historical lows. Its current total income is about 5% of the group's total income. As such, we only assume a slight correction.

Cost-income ratio of 43% was our guidance for last year and we missed it principally because Treasury Markets was so weak in the fourth quarter, which posed a drag on the income side of the ratio. We target to hold the cost-income ratio at 43% this year as we continue to see productivity gains in our businesses, partially offset by investments in India for the subsidiarisation.

On specific allowances, our overall portfolio is stable. The NPL ratio came down to 1.5% and we're not seeing any challenges in the portfolio. Thus, we think we should be able to maintain allowances throughout the year at cycle average.

All in, we continue to see ROE improvement. We hope to approach 13% ROE, based on the assumption that there would be a couple of rate hikes. Even If there is no rate hike, you'll still see ROE improvement this year.

I feel good about the overall shape of the business. The balance sheet is strong, liquidity is good and there are no credit issues. We think we can reasonably get high single-digit top line growth rates. As we continue to drive efficiency, we hope to be able to continue improving the ROE throughout the year.

I'll stop there and happy to take questions.

Chanyaporn Chanjaroen (Bloomberg) On wealth management, you mentioned that Asian customers are very transaction-based. Do you see a change in this model? On China, we've seen a significant number of bond defaults last year. How did that affect your China and Hong Kong businesses?

Piyush Gupta On the first question, the model is changing slowly. I first started pushing this agenda of discretionary portfolio management (DPM) and annuity fee-based model about 10 years ago at my previous job. If you look at the percentage shift in the annuity fee-based model, the DPM activity across the region is still growing in the single-digit percentages from a decade ago until now, which is a slow shift. As such, I don't think it's going to become anything like that of the European banks anytime soon. I think it'll take several years before it gets to a meaningful part of our business.

On your second question on bond defaults, there were around 100 bond defaults in China last year, and I think that trend will continue. The Chinese government has executed conflicting policies in some ways. On the one hand, the easing monetary policy reduced reserve requirements and pumped liquidity in the broad-based system. On the other hand, the government continued to keep liquidity away from certain kinds of companies, especially in sectors that have overcapacity, such as real estate. In some of the sectors, the POEs and private enterprises are not allowed to do bond issuances and they're finding refinancing difficult as well.

In some cases, even if they wanted to, the market was not conducive, but that has improved a lot. Four months ago, the Chinese real estate bond yields had increased drastically, but credit spreads have since corrected slightly. I still think that you will find idiosyncratic defaults in China in certain sectors. Fortunately, we did not have exposures to any of these bond defaults in 2018. We had a couple of near misses where some companies within the groups that we have exposures to defaulted, but they were not direct borrowers of ours. We reviewed our portfolio extensively two or three times in 2018 and we don't anticipate any of our portfolio companies being impacted by this bond default issue.

Daphne Ang (Channel NewsAsia) I've got two questions here. Why did cost associated with the ANZ takeover account for so much of the overall cost increase and is this the start of slowing profit growth? What is the management doing to cope with this?

Piyush Gupta The businesses we acquired from ANZ have a higher cost-income ratio. When ANZ was running the businesses, the cost-income ratio was over 90% because the business had a large footprint in Asia, employed a lot of people, was consumer-heavy and had legacy systems. After acquiring the businesses, we've reduced cost and shrunk the cost-income ratio down to the low fifties, which is still higher than our own cost-income ratio. Thus, on a weighted average basis, it increased our cost-income ratio even though it was very profitable. Its profit was $162 million last year, which was well more than the $110 million we paid for it. It has been very good for the shareholder.

Goola Warden (The Edge) Just a couple of questions. First, given the slower economic growth and the build-up of CET1, how would that affect dividends? The other question is, could you give us an update on digibank, your plans for India and how much capital will these initiatives take up?

Piyush Gupta We doubled our dividends ratio last year to S$1.20 per share. Given that the increase happened only last year, we have yet to consider further changes at the moment.

On a sustained basis, if we think growth opportunities in the region are limited, then we would go back and revisit both capital and dividend. However, we do think that's not the case. With Asia's GDP growing at 5.5%-6%, I do think there are good growth opportunities. Our North Asia strategy is paying off and if we can make our India and Indonesia strategies pay off, there will be enough opportunities for growth in the region. Nevertheless, we will keep an eye on the total CET1 capital and dividend over the coming quarters.

We're quite pleased with the progress of our digital agenda. First, on our core businesses, digitisation continues to drive efficiency in the SME and consumer franchise for Singapore and Hong Kong. We continued to see a one-percentage-point productivity gain in 2018 for these segments, which explains the half percentage point productivity gain on the group level as the SME and consumer businesses in Singapore and Hong Kong are approximately half of the group.

In India's digibank, we pivoted our strategy about two or three quarters ago. Earlier, we were heavily focused on customer acquisitions and we now have two million customers. However, what we learned from Indonesia, where we now have 400,000 customers, is that focusing on a better customer profile is the smarter way to build up the franchise. The Indonesian franchise is more profitable on a customer basis than that of the Indian franchise.

Early last year, we pivoted our strategy in India to target customers more carefully and that's beginning to pay off. Our customer profile in the second half of last year was much better.

In both countries, in addition to deposits, we now have other products, including loans. We've been able to start growing the loan book in both countries. If you can start growing the asset side of the balance sheet along with the liability side, then you start getting profitability in the business much faster. That's beginning to happen and we're quite pleased with that.

Also, the model we have in Indonesia is what I call a phygital model: it's digital but we also have around 40physical branches. We also acquired additional points of presence from ANZ's credit card business. This model is helpful and we will try to replicate some elements of it in India this year. We're going to launch our subsidiary in March. Between March and the end of the year, we will start rolling out additional branches in Bombay, Delhi as well as three to four other cities. We'll open more kiosks and points of presence, targeted at building the SME portfolio and buttressing the growth in the consumer business.

Interestingly, it doesn't require any more capital right now. The capital that we have in the branch operations can be used by the subsidiary, so we don't need to put in any more capital right now. If our ambitions are realised and we start getting the growth rates we want, particularly on assets, then we'll have to continue supporting it with capital.

Chen Jing (Lianhe Zaobao) Two questions. One is on the follow-up of digibank because UOB recently also announced that they are going to launch a pure digital bank in five of their markets and some of them overlap with DBS, for example, Indonesia. How do you think that it will affect your digibank business and do you also plan to launch digibank business in other Asean markets as well? My second question is on mortgage loans. Given the slower economic growth outlook as well as with the property cooling measures still in place, what's your estimate of mortgage loan growth this year?

Piyush Gupta On the first question, there are lot of other digital banks, UOB is not the only bank launching one. Jenius launched a digital bank in Indonesia even before we did. Kotak has a one in India called 811. We think that our digital offerings and digital capability are very good. It's important to focus on the customer journey and breadth of the product suite. We've got almost three years into the journey in India and almost two years in Indonesia. We've learned a lot, it takes time to learn and build momentum. We have momentum at this stage and we are not overly concerned about the momentum slowing down with the launch of other digital offerings. Frankly, commercial banks are improving their digital capabilities, not just the new players. The good news is that the market is growing rapidly and it will benefit those with greater capabilities.

On the mortgage business, the business continues to be slow. Our mortgage growth for last year didn't even come in at $2 billion. Bookings have been particularly slow. Overall, our new bookings are coming in 30%-40% lower than they were before the cooling measures. As we pointed out earlier, the mortgage book grew close to $500 million in the fourth quarter. If we keep that run rate, we are looking at about $2 billion of mortgage growth. There are almost 65 projects, including those acquired from enbloc transactions, which are supposed to come online, which will create supply. At the same time, total number of units that get traded this year will be slower. We believe we will achieve a mortgage growth between $1.5 billion and $2 billion.

Takashi Nakano (Nikkei) You expect healthy growth throughout the 2019. How about the business environment in this coming quarter? Has it been maintained since the previous quarter or are you seeing a change of business sentiment?

Piyush Gupta The business sentiment has improved a lot. You can see that the equity markets rebounded strongly in January and in the first half of February, that improves consumer confidence all around. Capital markets have opened up, so we've been able to start bringing DCM business back into the market as well. Overall, the business environment and sentiment became more optimistic from January.

That having been said, first quarter last year was very strong. If you were to compare year-on-year, I think this coming quarter might be lower but compared to the second half of 2018, things have quite clearly improved.

Peck Gek (Business Times) Do you see any black swan event?

Piyush Gupta The definition of a black swan event is something you didn't expect. I think there are lot of risks, especially geopolitical risk. I think one of the big uncertainties is China-US tensions: beyond trade, I think we are in the middle of the Thucydides Trap problem, which is the rising power versus the dominant power problem. It is being manifested in terms of technology with concerns around 5G, robotics and IoT. the US attempt to focus on Huawei is a manifestation of this problem.

Looking forward, it would be quite concerning if the region is divided into two blocs by a technology Cold War with China leading one bloc and US on the other. I think Asia has prospered well in the last 40 to 50 years in a whole regime of geopolitical stability but without it, there would be unprecedented headwinds for the region, I won't call it a black swan because it is a known risk. How it manifests itself we don't know yet. But that's an issue. Europe continues to be a risk as the fundamental structural issues there remain to be resolved. The EU parliamentary elections are important, but it seems that the parliament may be dominated by a lot of more hardliner parties, both from the left-wing and right-wing. That itself is a manifestation of challenges in Europe around the EU project, especially on migration issues.

Another concern would be the stability of the financial system remains challenging due to unsustainable debt levels. Brexit is anybody's guess, but I believe its ramification for this part of the world is smaller. Overall, there's still lot of risk in the system.

Peck Gek Another question, is DBS exposed to the electricity market? Are any clients exposed to the tumble in their electricity power prices?

Piyush Gupta Yes, of course. We have exposure to the power sector in general. We have recognised the challenges and restructured some of the debt. The problem with the power sector may last for three to four years due to an oversupply of gas that results in overcapacity in the power sector. This has been creating the downward pressure on power prices, which may only start improving in 2021 or 2022. We've done enough evaluation on our clients and exposures to feel optimistic that we will be able to manage through that.

Edna Koh Okay, that's all the questions we have. Thank you everyone for coming.