Transcript of DBS first quarter 2017 results media briefing, 2 May 2017

Edna Koh Good morning, everyone, and welcome back from the long weekend. This morning we're very happy to announce record earnings of $1.21 billion, and fee income also reached a new high. To take us through the numbers we have our CEO, Piyush Gupta, and our CFO, Chng Sok Hui.

Chng Sok Hui Good morning, everyone.

Highlights. We achieved record earnings of $1.21 billion for the first quarter, up 1% from a year ago and 33% from the previous quarter. Total income of $2.89 billion was also higher than both periods, reflecting healthy business momentum. Net interest income rose 3% from the previous quarter on a day-adjusted basis as net interest margin improved 3 basis points to 1.74%. In constant currency terms, loans rose 1% or $2 billion and 7% or $21 billion from a year ago to $298 billion.

Fee income rose to a record $665 million, up 16% from a year ago and 29% from the previous quarter. The performance was broad-based and led by new highs in wealth management and transaction service fees. Sustained productivity gains from concerted digitisation and cost management efforts resulted in a one percentage point improvement in the cost to income ratio from a year ago to 43%. Including one-time items, net profit was $1.25 billion.

As previously announced, we booked a gain of $350 million from the divestment of PWC Building in Singapore. The amount was set aside as general allowances. In addition, we accrued $10 million of integration costs for the ANZ retail and wealth management business. There was a tax impact of $45 million from the last two items as general provisions are tax-deductible in Singapore.

Our balance sheet was sound. The amount of non-performing assets fell marginally from the previous quarter to $4.83 billion and the NPL rate was unchanged at 1.4% as new NPA formation moderated. Specific allowance charges also eased from recent quarters to 26 basis points of loans. Allowance coverage was at 103% and 217% when collateral was considered. Our capital and liquidity ratios remained well above regulatory requirements.

First quarter compared to a year ago. Compared to a year ago, net profit of $1.21 billion was 1% higher. Total income increased 1% to $2.89 billion. While expenses fell 1%, resulting in profit before allowances growing by 2% to $1.64 billion. Net interest income of $1.83 billion was up 1% on a day-adjusted basis. Net interest margin declined 11 basis points from a year ago due to softer Singapore dollar interest rates. The impact was offset by a 7% constant currency loan growth which was broad-based across trade, corporate and Singapore housing loans.

Net fee income grew 16% or $91 million to $665 million. It was led by a 26% increase in wealth management fees as buoyant equity market sentiment contributed to stronger customer demand for unit trusts and other investment products. Card, transaction services and investment banking fees also recorded strong growth.

The non-interest income fell 15% or $68 million to $390 million due to lower trading income. There has also been a non-recurring gain of $38 million a year ago. These declines were partially offset by higher gains from investment securities.

Expenses fell 1% or $17 million to $1.25 billion. The positive jaw resulted in a 2% increase in profits before allowances to $1.64 billion. Specific allowances were $30 million higher at $200 million and amounted to 26 basis points of loans.

First quarter compared to previous quarter. Compared to the previous quarter, net profit was 33% higher as total income rose 4%. Net interest income of $1.83 billion was 3% higher on a day-adjusted basis as net interest margin rose 3 basis points to 1.74% and loans grew 1% in constant currency terms.

Fee income of $665 million was 29% or $150 billion higher. The growth was led by a 41% increase in wealth management fees and 60% increase in loan-related fees. Other non-interest income of $390 million was 11% or $47 million lower. A decline in trading income was partially offset by an increase in treasury customer income and gains from investment securities.

Expenses of $1.25 billion were 2% or $25 million higher, below the 4% rise in total income. Profits before allowances of $1.64 billion was 5% higher. Specific allowances more than halved from $462 million in fourth quarter to $200 million [in the first quarter] as charges for exposure to the oil and gas support services sector eased.

Net interest income. Net interest margin rose three basis points from the previous quarter to 1.74%. The increase was due to higher interest rates in Singapore and Hong Kong. The increase in our Singapore dollar net interest margin was more muted compared with the US Fed rate increases in December and March. There is a lag between Singapore dollar interest rate movements and the repricing of our loans. With US dollar LIBOR rates having normalised to levels higher than SOR and SIBOR in the more recent periods, unlike normally in the past few years, we expect a higher pass-through to Singapore dollar rates from US dollar rate increases going forward. Loan rate pricing should also catch up with interest rate movements in subsequent quarters.

In Hong Kong our current and savings account deposit franchise has grown steadily over the past few years, in line with our cash management and wealth management franchises. The proportion of current accounts and saving accounts to total deposits has risen from 40% in 2014 to almost 60% today. As a result of a more-sticky and low-cost deposit core, Hong Kong, like Singapore, will also see a higher net interest margin when interest rates rise.

Loans. In constant currency terms, overall gross loans rose $2 billion or 1% from the previous quarter and 7% or $21 billion during the year to $303 billion. Consumer loans rose $5 billion or 6% from a year ago to $95 billion as a result of market share gains in Singapore housing loans. Consumer loans were little changed during the quarter, in line with industry trends. Non-trade corporate loans of $164 billion were $8 billion or 5% higher than a year ago. They were a billion lower during the quarter as some clients repaid loans funded from bond issuances. Trade loans grew $3 billion or 8% during the quarter to $41 billion, bringing growth over the past 12 months to $5 billion or 15%.

Our loan pipeline remains healthy and we are maintaining full-year guidance of mid-single digit loan growth.

Liquidity. Deposits were little changed from the previous quarter in constant currency terms at $342 billion. The strong growth in deposits from $314 billion a year ago reflect the success of our cash management and wealth management businesses in growing current and savings accounts. Of the $29 billion growth and deposits over the past year, $20 billion were from current and savings accounts and the remainder from fixed deposits. Other funding, comprising mainly commercial papers and medium-term notes rose $4 billion to $32 billion due to increased issuances of commercial papers.

The liquidity coverage ratio was at 138%. The net stable funding ratio also exceeded regulatory requirements of 100% due from 2018.

Fee income. Gross fee income grew by almost $100 million or 15% from a year ago to a record $741 million. Compared to the previous quarter, fee income was 23% or $139 million higher. The growth was broad-based and led by new highs in wealth management and transaction banking fees. Wealth management fees reached $222 million, up 26% from a year ago and 41% from the previous quarter, as buoyant equity market sentiment boosted sales of unit trusts and other investment products.

Transaction services fees grew 11% from a year ago and 6% from the previous quarter to $157 million. Both cash management and trade finance contributed to the increase. Cash management fees have been growing over the quarter as we progressively expand our products, services and customer base. Trade fees, which had been declining in previous years, began stabilising in recent quarters and grew in the first quarter. Other fee segments also contributed to the growth from a year ago. Investment banking fees doubled from a year ago to $45 million as both equity and fixed income fees grew. Cards and loan-related fees were also higher.

Institutional Banking. Institutional banking's performance was stable from a year ago. Total income rose 1% to $1.32 billion. Growth in cash management and investment banking income was offset by lower contributions from treasury customer income. In particular, cash management income grew 21% to $245 million as transaction volumes grew. Expenses were 1% higher, in line with income growth at $423 million. Allowances rose $6 million to $140 million. While charges for oil and gas support service exposures were above a year ago, they were below recent quarters' levels. Profit before tax was little changed at $756 million.

Asset balances rose 7% or $14 billion to $228 billion as both trade and non-trade assets grew. Cash management deposits were 10% higher at $134 billion, reflecting continued momentum in the cash management franchise.

Consumer Banking and Wealth Management. Consumer banking and wealth management segment pre-tax profit rose by almost a hundred million dollars or 22% to a quarterly high of $534 million. Total income was 13% or $137 million higher at $1.16 billion. Investment product income rose 31% to $348 million, led by higher sales of unit trusts.

Loan and deposit income increased 8% to $643 million from higher deposit and housing loan volumes as well as improved net interest margin. Cards rose 8% to $150 million as customer transactions grew. The wealth management customer segment did well with income rising 35% to $516 million and assets under management grew 16% to $170 billion, putting DBS among the top five banks in the Asia Pacific. Income from the retail customer segment was little changed at $643 million.

Our market share of Singapore housing loans increased from a year ago, while our Singapore-dollar savings deposit market share was stable. Expenses rose 7% to $597 million, significantly slower than the 13% increase in income resulting in an improved cost-income ratio of 52% compared to 55% a year ago.

Treasury. Treasury customer income was stable from a year ago at $304 million as an increase in wealth management treasury sales was offset by a decline in corporate treasury sales. Income from the Treasury Markets business segment, which reflects structuring, market-making and trading activities fell 39% from a year ago to $187 million. The weaker results were due to a less favourable performance in interest rate activities. Total treasury income amounted to $491 million, 19% below a year ago.

Compared to the previous quarter, total treasury customer income was 5% lower as a 19% increase in customer income was more than offset by a 29% decline in Treasury Markets segment income.

Expenses. Expenses fell 1% from a year ago to $1.25 billion. Expenses have now declined year on year for three quarters, reflecting sustained productivity gains from digitalisation and strategic cost management efforts. These gains have enabled us to achieve positive jaws for the past four quarters, enabling us to increase profit before allowances at a faster rate than income growth. One outcome of the productivity gains was a decline in underlying headcount by 364 over the past year as business volume expanded.

The cost to income ratio improved from 44% a year ago to 43% in the first quarter 2017. We expect the cost to income ratio to be around 43% for full-year 2017.

Hong Kong. For Hong Kong, currency effects for the first quarter were minimal compared to a year ago. Hong Kong's net profit rose 9% from a year ago to $228 million from income growth, a positive jaw and lower allowances.

Total income grew 4% to $524 million. Net interest income was 6% higher at $351 million, driven by asset growth. Net interest margin was stable at 1.79% year on year and up 15 basis points quarter on quarter. Fee income rose significantly by 38% or $40 million to $145 million, driven by higher wealth management, cash management and card contributions as well as a stronger recovery in capital markets. Other non-interest income declined 59% or $41 million from lower trading gains as well as lower Treasury customer flows from RMB-related products.

Expenses were stable from a year ago at $230 million due to cost management initiatives. Specific allowances declined $44 million to $8 million as allowances have been taken for customers with exposures to RMB hedging derivatives a year ago. An additional general allowance charge of $12 million was taken, bringing total allowance charge to $20 million.

Non-performing loans. Non-performing assets declined slightly from the previous quarter to $4.83 billion. The NPL rate was stable at 1.4% compared to the previous quarter. New non-performing assets moderated to $523 million. While they continued to include oil and gas support services exposures in Singapore, the amount was substantially lower than the elevated levels in the previous three quarters.

The new NPAs were offset by recoveries and write-offs which included a net disposal of $170 million of non-performing assets in India to an asset reconstruction company. A small additional specific provision charge of $5 million was taken arising from the disposal, reflecting realistic provisioning levels.

Specific allowances were at $200 million or 26 basis points of loans compared to 38 basis points for full-year 2016.

Allowance coverage. Our allowance coverage was at 103%. General allowances amounted to $3.49 billion, and included the $350 million of general allowances that was set aside from the divestment gains of PWC Building in Singapore.

Our allowance coverage, after taking collateral into account, remains high at 217%. The value of the collateral is assessed regularly and appropriate haircuts to market valuations are taken.

Capital. Our capital ratios remain strong, with the fully phased-in Common Equity Tier 1 ratio improving 0.9% points from the previous quarter to 14.2%. The increase was due to higher retained earnings and a decline in risk-weighted assets due partially to currency effects. Our leverage ratio at 7.9% remains more than twice the minimum of 3% under Basel guidelines.

In summary. Our first quarter performance gives us a good start to 2017. We were able to maintain earnings at the record levels achieved a year ago. The results were underpinned by sustained business momentum and productivity gains, which offset the impact of a lower net interest margin and a weak trading quarter.

Our business pipeline for regional corporate and Singapore housing loans is healthy and we are maintaining our mid-single-digit loan growth guidance. Net interest margins should improve in the coming quarters, assuming one or two more US rate increases for the remainder of the year and an improved pass-through rate.

Fee income growth will continue to be supported by multiple activities, including wealth management and cash management.

Our ongoing efforts to digitalise the Bank and managed costs will sustain further productivity gains, enabling us to flow a greater proportion of income to earnings. We remain watchful on the oil and gas support services sector where problems are likely to be protracted. However, NPL formation pressures appear to have moderated and the worst is likely to be behind us.

Our balance sheet strength, multiple business lines and a nimbleness in executions put us in a good position to continue supporting customers and delivering shareholder returns in the coming year.

Thank you. I will now pass you to Piyush.

Piyush Gupta Key highlights. If I can just make a few observations. First, as Sok Hui pointed out, I want to underline that our business momentum has been quite healthy. We achieved $2.89 billion [in total income] despite two things. [First,] our NIMs were 11 basis points down from first quarter last year. We had to cover the shortfall in NIM. [Second,] we had a weak trading quarter, perhaps one of the weakest trading quarters we've had. If you look at our Treasury Markets segment, you'll find we're about $100 million short of what we should normally be. In fact, $120 million short of [first quarter of last year], which we had to make up.

One of the things to observe is that we've had broad-based improvement across all of our countries. There's improvement in the bottom line as well as the top line for the Rest of China, South East Asia, Rest of the World. So, broadly, the businesses in Taiwan, Indonesia, India [and Rest of the World] were relatively strong in the first quarter. I think it reflects a degree of turnaround in the global economic environment. On the whole, our business momentum has been good. The standout was net fee income. We hit a record of $665 million.

Fee income. If you look at the slide Sok Hui put up, it tells you the diversity and breath of the fee income line. Transaction services continue to grow. Sok Hui pointed out cash management has been very steady and continues to grow quarter by quarter. The good news in this quarter was that trade reversed a declining trend, partly because exports in Asia picked up. So trade is beginning to see some stabilisation. That, coupled with the consistently growing cash management business, bodes well for transaction services fees.

Wealth management was a standout. It's not clear to me if we'll be able to [constantly maintain the same level of income as this quarter] because wealth management has an element of market animal spirits, which were very strong in the first quarter. [Nevertheless,] the [steady growth] of our wealth management franchise can be seen from the numbers, which continue to improve every quarter. Our AUMs are up. The number of customers is up. So there is no reason to believe that we won't get steady performance in this product line, although [this quarter's wealth management fees of] $222 million [might not be consistently maintained in absolute terms].

Loan-related fees were back to a consistent level – the fourth quarter was an anomaly [due to seasonal factors]. We recovered from [the fourth quarter] and were able to book a consistent set of fees [this quarter]. Cards fees were strong and the cards business continues to have momentum. Investment banking was strong, both ECM and DCM, and also from M&A business. We're quite positive about the trajectory as well as the momentum in that business as well. The reason I'm pointing all this out is that it wasn't just one or two things that worked. There's consistency and breadth across our fee income lines.

<u>Key highlights.</u> Going back to the [other] highlights Sok Hui pointed out. We're quite pleased about our expense track record. We've had negative year-on-year growth for three quarters in a row. Our cost-income ratio continues to improve. It came off two percentage points last year. We said it should be flattish at about 43% this year. But if our digitalisation efforts continue to give us the benefits that we have been seeing, I feel confident that as you look out towards the next two, three years, we should be able to drive the cost-income ratio lower.

Our NPA formation, which I'll talk a little bit more about, [has moderated]. The NPL ratio at 1.4% was stable, the allowance coverage of 103% was what we've guided before. [And our] net profit [was at a] record $1.21 billion.

<u>Portfolio update: Support services.</u> I wanted to give you a sense for the portfolio and how to think about it. This is a slide I've now used for the past couple of quarters on [oil and gas] support services. The reason I [continue to] focus on it is that our portfolio outside of the support services sector is quite robust. That continues to be the case. We're not seeing any [systemic] deterioration in other parts of our portfolio in any country.

Of the $7 billion in the support services [exposure], as I pointed out before, there is about $5.5 billion that is more at risk. Half of it, comprising $2.6 billion, is in five chunky names. The rest of it is [a granular portfolio of] 90-odd names. For the five chunky names, nothing much has changed. The two names which became NPAs continue to be NPAs. We continue to work with those clients [to determine] what we can do for recovery and restructuring. The other three names are quite stable. We've seen no deterioration. And our baseline that we will be able to work [things] through [with them] continues to be the case.

[In the granular portfolio] of 90 names, I guided before that we should expect to see more NPLs. [During the first quarter], three additional names were moved into NPL. [Of] the total NPL formation of [$523 million], [$362 million] was from them. We continue to see some deterioration in this part of the book, [which] we expect to continue through this year. It would be unwise to think that the sector is [past] its troubles and [on the way to] recovery. There is still a large part of the sector going through challenges and we will continue to see NPL formation from it. The point to note, though, is our gross NPL formation last year was some $3.6 billion and net NPL formation was over $2 billion. This year, net NPL formation in the first quarter was zero and gross [NPL formation] was [$523 million]. And therefore, our guidance that new NPL formation will be substantially lower than last year continues to be the case.

<u>Provisions:</u> The second part I wanted to point out is provisions. NPL formation will be much lower – we're quite comfortable [with making such a statement]. How about our provisioning levels? As I pointed out before, we continue to use realistic collateral valuations. Because the industry is where it is, deal flow is limited. There are not too many transactions [for vessels]. For some of the collateral valuations, you've got to make estimates. You've got to figure how much the ships could sell for. You can't just rely on third-party observers because there are just not enough data for anybody to make an estimate.

We continue to use realistic collateral valuations. We have further taken haircuts on last year's collateral values that were used to determine what we think the ships could sell for. The good news is what I call the standard vessels – the regular kind of ships, tugs and barges, et cetera – are realising values within our expected range. If you look at the couple of [recent] trades in the market which were quite visible, we will recover the net value of our loans. That demonstrates that our provisioning levels have been relatively adequate and that the net values at which we are holding the loans are quite realistic.

The other place where we get a checkpoint is the India NPL book. We sold $170 million of NPA to an asset restructuring company. They valued the book independently and net-net they gave us pretty much what we were holding the book at – I think $5 million bucks off was what Sok Hui said. So, from the data points in Singapore as well as the data point in India, you should have some assurance on the marks we've taken. The haircuts we've taken on collateral are quite realistic and we have not had to take [additional] provisions when we disposed of the collateral or the loans.

That having been said, there is some variability around the outcomes for what I call non-standard vessels. We do have, for some clients, very specialised vessels, for which the market is thin. There are not that many buyers and therefore these vessels are going to have to be worked out on a case-by-case basis. It is, frankly, quite hard to say how much we will realise for a ship until a deal actually gets done. So there is still some uncertainty on [their valuations].

<u>Outlook</u>: On our outlook, I want to start right from the bottom [of the slide], where it says for total allowances, we expect similar levels to 2016 ex-Swiber. Last year, we took close to $1.5 billion [of specific allowances]. Swiber was $400 million, so this would suggest allowances of $1.1 billion ex-Swiber. If you take the run rate of the $200 million in the first quarter, that's only $800 million [for the full year]. So the right question is – if we're only running at $800 million, why do we still expect that this might go up to $1 billion? The answer is because of those specialised vessels, which we won't know how much we're going to realise until the restructuring is

completed. We're leaving ourselves some cushion to take care of any vessels where the realisation value might be lower than we'd expected.

If you look at the rest of the outlook, we're pretty much on track. For loan growth, we expect to come in at mid-single digits. We've got 1% [constant-currency] loan growth in the first quarter. Our corporate loan growth was slow. Sok Hui pointed out that a number of our clients did bond issuances in the first quarter, and many of them repaid us [from the proceeds] and therefore corporate loan growth was slow. But trade loan growth picked up. Like I said, trade has been strong around the region. Most of Korea, Taiwan, Vietnam, Singapore grew 16% trade exports in the first quarter, so that has been quite helpful.

On NIMs, we've given guidance for getting to the 2016 level of about 1.80%. I think we still have a good chance of getting there if rate expectations materialise. I would have been a little more confident about that two weeks ago. The data from the US in the last two weeks have been surprisingly soft, both on the GDP number as well as the consumer data. If, on the back of that, the Fed decides to do one rate hike less than we are anticipating, we might have some headwinds on NIM. Then we might miss it by a few basis points. But if our expectation of rate hikes comes through and the pass-through to the Singapore-dollar comes through, I think we should be able to achieve 1.80% for NIM.

Our fee income, which I have spoken about, it continues to stay strong and we still have momentum. Our cost-income ratio should be at about 43%. And I've said for NPL, we think it will moderate quite substantially from 2016. So when you put all of that together, we continue to be relatively optimistic about our prospects for the rest of this year.

Kevin Lim (Nikkei) Two questions. One is the falling headcount. What roles have DBS reduced over the last three to 12 months? My second question is more about the outlook for the commercial property markets. If you look at the URA first-quarter numbers, I think office values fell by about 4% quarter on quarter. You have said the other parts of your book look okay, but is that something you are watching closely?

Piyush Gupta On the headcount, as we have indicated before, our digitalisation is resulting in the elimination of work in our operations. The most visible [impact] is our contact centre. In the call centre we have now been able to use artificial intelligence and chat bots to respond to customer queries. We did that in India. We have now introduced that in Singapore as well. We don't have to hire when people attrite. We don't have to lay people off. When people leave, we just don't replace them. We are also seeing the same phenomenon in our branches as well.

On the commercial property market, there is some softness but there is a reasonable amount of take-up in the pipeline. More materially, our loan-to-value in that sector is quite conservative. We don't do very aggressive lending and the loan-to-value tends to be in the 50-60% range. So, no, we are not overly concerned about prospects there.

Chanyaporn Chanjaroen (Bloomberg) Could you talk a bit about housing loans because I think as of last year you said you had 28% market share. Are you expecting the same level of market share?

Piyush Gupta It's 29% now.

Chanyaporn Chanjaroen Do you expect a similar pace of increase this year and what are you doing to further boost the market share? And I think Sok Hui mentioned "real estate provisions" on specific provisions. Did I mishear you?

Piyush Gupta Not real estate, she said "realistic provisions".

Chanyaporn Chanjaroen You also mentioned the healthy business pipeline for housing. I want more colour on that.

Piyush Gupta The first quarter this year was very slack and it was what happened last year as well. The first quarter was very slow and then it picked up in the second, third and fourth quarters. In the first quarter [this year], our booking levels were pretty stable. We did $2 billion of new bookings but [more of] the bookings were for buildings under construction, which you don't see immediate drawdowns on.

As we look at our pipeline, we are still fairly optimistic that we'll get the $4.5 billion of growth in housing loans that we anticipated for this year. However, our market share for the first time in many quarters was flat. We didn't grow market share in the first quarter after two years of [growth]. The market is becoming more competitive. Many of our competitors launched some fairly aggressive tactical pricing this quarter and we did not see growth.

But we believe we will continue to see market share gains. The reason is that many of our competitors do tactical promotions which last short windows. Very few of them can keep a sustained set of pricing-led promotions through the year. For example, we've launched a three-year fixed rate product at 1.68%. There is nobody else in the market that can price a three-year fixed rate loan at 1.68%. We've also launched a floating rate programme with a cap. Very few people are able to do that. It reflects the sticky Casa deposits that we have. So I'm relatively hopeful that we will continue to see further market share gains through this year, though the first quarter was flat.

Anshuman Daga (Reuters) Can you give some colour on what's helping the wealth management business? You mentioned it's hard to replicate the numbers in the short term but in general, are you taking market share?

Piyush Gupta I pointed out before that wealth management is being aided by two things. [First,] the Asia market continues to grow apace because wealth formation in Asia is very strong. If you are one of the top ten players, you will get a degree of growth just by being in the market, and we benefit from that. Second, we continue to gain share. The fact that we have grown from number 16 in Asia to number five means that we have gained share. Obviously some have shut down, we've consolidated a bit.

[But we've also] gained share because of the platform we've built. That reflects two things. First, our product suite is fairly broad. We cover what the global banks cover, but we specialise in Asian products [such as] Asian structured notes and Asian IPOs, which many of the global banks can't. Second, we've invested a lot in digital. If you look at the iWealth app we launched this year, I believe it is one of the best wealth management apps in the world. It is very easy to use and clients love it. You can trade stocks in the middle of the night, you can do unit trusts, you can do your portfolio. It tells you how much you made or lost and it gives insights. [An increasing number] of our customers use digital to engage us. New customer acquisitions through digital continue to increase. So product platform and digitalisation are proving helpful.

Unfortunately, the wealth business in Asia is to some extent linked to markets. When markets are bullish, people put more money to work. When markets are bearish, people withdraw. And that's because there is a bit of a trading mentality in wealthy Asians. That is why I said we might not be able to replicate this [level of income] if the markets don't continue to have as strong a run.

Anshuman Daga **[**Are your market share gains coming at the expense of] smaller players, [or because larger banks] say these clients don't meet their due diligence or compliance and have taken steps [to attrite customers], especially in Hong Kong and other markets?

Piyush Gupta I think it's mostly from the smaller players. I don't think we are gaining market share from UBS, for example. I think UBS continues to grow as fast, if not faster than we are. But among the bigger players, there are one or two that have lost share, partly because they have taken a view on due diligence, partly because of their service standards.

Siow Li Sen (Business Times) I just needed clarification on some numbers. Were the market share gains for the Singapore housing market last year?

Piyush Gupta Last year we went up two percentage points and the year before we also went up two percentage points.

Chng Sok Hui It's 25% to 29% over two years.

Siow Li Sen Okay, over the last two years. But you said the first quarter you didn't [grow market share]? It stayed at 29%?

Piyush Gupta Right.

Siow Li Sen And this year you expect to add $4.5 billion to the loan book.

Piyush Gupta That's right.

Siow Li Sen Then you talked about your interest rate expectations now being a bit tempered. If the Fed does one hike, what would your NIM be at?

Piyush Gupta If the Fed winds up with only one more hike, we might wind up at 1.77-1.78%.

Siow Li Sen Okay. But if it does two at least, then you will wind up at 1.80% at the end of year?

Piyush Gupta Then I think we'll get to 1.80% for the average of the year.

Goola Warden (The Edge) You said that you're going to have single-digit loan growth. What sectors are these likely to be from? And what are the secular trends in loan growth? If we look further out, maybe five years, what would you see?

Piyush Gupta That's a very tough question on where you see five years' loan growth. In the short term, loan growth will continue to be more of what we saw in the last year. Our clients from Singapore and China are expanding outside Asia. You can see that our loans are increasing in Australia, the UK and other parts of the world where our clients are going out. The Chinese continue to do more business outside the mainland and so we participate in a lot of that financing activity. So one part of the loan growth is in the large corporates. [In addition,] our SME loan growth is picking up again. If you look at the first quarter this year, the SME [business] did better than large corporates. We see some upside there. Finally, for the consumers, [$4.5 billion of housing loans plus some unsecured lending should result in] $5 billion-$6 billion of loan growth. So, loan growth will be quite broad-based.

Goola Warden For the One Belt One Road initiative, what sort of financing do you do? Do you do project financing?

Piyush Gupta We do project financing, M&A financing, all kinds of financing. When a company goes overseas, they need money for both buying the asset or doing greenfield projects. We do both.

Five-year [loan growth] is hard to [project]. In general, I'd say that total demand for infrastructure investment in Asia is huge. ADB [has] now doubled the estimate [for infrastructure investments]. Earlier it said US$7 trillion, now it’s saying more like US$15 trillion. So there is tremendous demand for capital investment in the region. While a lot of it will be taken up by FDI and by the debt capital markets, I don't think the markets will be adequate to fulfil the demand. So there will continue to be significant demand for bank financing.

At the same time, in many of these countries consumer financing continues to grow quite rapidly. In countries like India and China, it's just beginning. So, as a general theme, there will continue to be a lot of lending opportunities in the region over the next five years. Some of it is obviously cyclical – you know, there are some good times in the cycle and some bad times.

Chanyaporn Chanjaroen Piyush, last year Greater China didn't go quite well. What do you see in terms of outlook this year? Have you seen enough rebound during the first quarter?

Piyush Gupta Yes. You can look at our performance summary. You can see that for Greater China in the fourth quarter last year, we had a loss [of $45 million]. This year it's [a profit of $38 million]. So there's been a swing of $80 million during the quarter. We have seen some pick-up in margins [from two PBOC rate hikes]. We are beginning to see a stabilisation in our business. The overall portfolio quality is looking okay, though we are still watchful because, as President Xi and the government continue to focus on restructuring and deleveraging, it could still be choppy. So the overall situation is better but we are not going gangbusters yet.

Goola Warden How do you book your overseas income? Is it where your client's risk lies or where your client is incorporated?

Chng Sok Hui If you are looking at the performance summary of the countries' performance, it's based on the location the transaction is booked.

Mayuko Tani (Nikkei): Can I ask about the digitalisation impact? You've talked quite a bit about savings. In terms of creating new business, how is it going and where are the areas that you are looking at?

Piyush Gupta We are trying to leverage the digital opportunity to create new business in three ways. One is distribution and reach. We are focused on India for now. We will start doing Indonesia later this year. In India, we've put on a million customers in our first year since we launched [digibank] in April last year. That's quite substantial. Normally, with a brick and mortar strategy, it would have taken us years to get a million customers. So far, like most fintechs, we're not making money. We continue to invest money in marketing and [acquiring] customers. But these customers do come with [account] balances and so Casa deposits from these customers are [gradually] building up. We believe that digital opportunity will allow us to reach customers, both for taking liabilities as well as lending, that we can't do with our distribution limitations today.

The second big opportunity is that even in [markets] like Singapore or Hong Kong where we already have customers, it's quite clear that if customers deal with us digitally, they do a lot more business with us. The data seem to suggest that digitally-engaged customers are giving us almost twice, in some cases two and a half times, the business [of customers] who are not digitally engaged. We get greater customer penetration and share of wallet if the customer deals with us digitally.

The third opportunity comes from the ability to create new products. I've talked about remittances. We have a product called DBS Remit, which allows us to digitally transfer money currently across ten corridors in Asia in three seconds, and that has given us a very significant revenue lift.

In bancassurance, we completely digitised the end-to-end process of how we sell as well as underwrite. That has doubled our market share [in Singapore over four years]. We are finding that if we put our minds to it, we can create new revenue-generating opportunities through digital. It's happening already. The million customers in India we booked, that's quite real. The increased digital engagement has been tracked, that quite real. And the new products and the revenues that come from that, they show in our P&L. Sometime in the course of this year, [perhaps] towards the end of the year, we will take a stab at putting together this whole digital value and see how we can showcase it a little bit better.

Anshuman Daga Can you talk about your Indonesia digital banking? India you've explained but what's happening in Indonesia?

Piyush Gupta In Indonesia, we've only launched a very basic digital banking product, which is not dissimilar to the mobile banking we have in other markets. In Indonesia, we haven't had a mobile banking offering because of these onshoring-offshoring requirements around technology. We did the Phase I launch in April. We will do a more full-fledged launch similar to the India offering in the second half of the year.

Edna Koh If there are no final questions, thank you, everyone, for coming.