Transcript of DBS first-quarter 2018 results media briefing, 30 April 2018

Edna Koh Welcome, everyone. We announced this morning a very stellar set of results. A record net profit of $1.52 billion, up 26% on broad-based growth. Return on equity was 13%, the highest in a decade. To tell us more today, we have with us our CEO, Piyush Gupta, and our CFO, Chng Sok Hui. So, without further ado, Chng Sok Hui, please.

Chng Sok Hui Good morning, everyone.

Overview. We achieved record earnings of $1.52 billion for the first quarter, up 26% from a year ago, and up 25% from the previous quarter. The increase was driven by broad-based growth in total income of 16% from a year ago, and 10% from the previous quarter to $3.36 billion.

Net interest income rose 4% from the previous quarter on a day-adjusted basis from higher net interest margins and loan volumes. Net interest margin improved five basis points during the quarter to 1.83%, while loans grew 2%, or $8 billion. Compared with a year ago, net interest income was up 16%.

Fee income rose to a record $744 million, up 12% from a year ago, led by wealth management fees and cards. Fee income was up 17% from the previous quarter, as most fee streams were higher.

The cost-income ratio improved one percentage point from a year ago to 42%. Excluding ANZ and a non-recurring item, underlying expenses were 6% higher than a year ago.

Return on equity rose to 13.1%, the highest in a decade, with interest rates and allowance charges reverting to more normalised levels. The results demonstrate the success of our efforts over the years to improve the structural profitability of our franchise.

Asset quality was benign. Total allowances were 18% below a year ago, as specific allowances declined to 20 basis points of loans. The amount of non-performing assets fell 4% from the previous quarter, with new NPA formation at a four-year low. The NPL rate improved slightly from the previous quarter to 1.6%.

Our capital and liquidity remain strong, with the ratios remaining well above regulatory requirements.

First quarter compared with a year ago. This quarter's year-on-year comparisons are affected by a significant 7% average depreciation of the US dollar against the Singapore dollar from a year-ago period. This had the impact of lowering the key reported profit and loss line items by three percentage points from the actual change. The numbers on this chart are based on reported currency.

Compared with a year ago, total income rose 16%, or $474 million to $3.36 billion.

Net interest income increased 16%, or $297 million to $2.13 billion. Net interest margin rose nine basis points to 1.83% from loan repricing in line with the higher interest rates. Loans grew 13%, or $39 billion to $328 billion. The growth was broad-based across corporate, trade and consumer loans.

Net fee income grew 12%, or $79 million to $744 million. It was led by a 31% underlying increase in wealth management fees from higher bancassurance and investment product sales. Card fees were also higher, partly due to the consolidation of ANZ.

Other non-interest income rose 25%, or $98 million to $488 million. There was a gain of $86 million from the sale of a property in Hong Kong. Trading income was also higher. These gains were partially offset by lower gains on investment securities.

Expenses rose 12%, or $150 million to $1.40 billion, which included ANZ and a non-recurring cost item. Excluding these factors, underlying expenses were up 6%. The positive jaw resulted in a 20% increase in profit before allowances to $1.96 billion.

Total allowances were $36 million lower at $164 million, as asset quality improved.

On constant currency basis, total income was up 19% and net profit was up 28%.

First quarter compared with previous quarter. The quarter-on-quarter comparisons were affected by a 3% average depreciation of the US dollar against the Singapore dollar from the previous quarter. This had the impact of lowering the key reported profit and loss aligned items by one percentage point from the actual change. The numbers on this chart are based on the reported currency.

Compared with the previous quarter, total income was 10% of $305 million, higher from strong business momentum.

Net interest margin was 4% higher on a day-adjusted basis. Loans grew 2%, while net interest margin rose five basis points to 1.83%. Fee income was 17%, or $108 million higher. The growth was led broad-based by a 46% increase in wealth management fees, and a 29% increase in loan-related fees. Other non-interest income was 52%, or $166 million higher as the property disposal gain and an improvement in trading income was partially offset by lower gains from investment securities.

Expenses were 3%, or $41 million higher. The positive jaw resulted in a 16% increase in profits before allowances to $1.96 billion. Total allowances of $164 million were 27% below the previous quarter.

On a constant currency basis, total income was up 11%, while net profit was up 26%.

Business momentum. This chart shows the growth in various income streams over the year-ago period. Business momentum, which had accelerated in the second half of last year, was sustained during the quarter. Total income rose $474 million from a year ago. The size of the increase was greater than all four quarters of 2017.

Net interest income continued to be the biggest contributor to growth. This was due to a sustained increase in net interest margins compared with the year-ago period, as well as steady loan growth. Net interest margin has been rising year-on-year since the second half of 2017, after bottoming during the middle of last year.

Non-interest income contributed more to growth during the first quarter than the four quarters of 2017. Fee income growth continued to be health. The difference was in other non-interest income, which rose during the quarter, as a result of an improvement in trading income, as well as a property disposal gain.

As the 16% year-on-year growth in total income during the first quarter was significantly above the four quarters of 2017, the growth in profit before allowances was also substantially higher at 20%.

Net interest income. Net interest income of $2.13 billion was 4% higher than the previous quarter on a day-adjusted basis.

Contributing to the strong growth was a higher net interest margin, which rose five basis points from the previous quarter to 1.83%. We benefited from higher interest rates in all our major currencies, the Singapore dollar, US dollar, and Hong Kong dollar. This resulted in the repricing of loans across the board. The increase in loan yields was partially offset by higher deposit costs for US dollar and Hong Kong dollar fixed deposits.

We are maintaining our guidance for a full-year NIM of at least 1.85% compared with the full-year 2017 NIM of 1.75%. This is predicated on two to three more US Fed rate increases, and a meaningful pass-through to Sibor and Sor, as well as the impact of higher Libor and Hibor rates than last year.

Loans. We had underlying loan growth of $7 billion, or 2%, during the quarter. In addition, we consolidated $1 billion of unsecured loans from ANZ in Indonesia, bringing total loan growth to $8 billion.

The underlying growth was led by non-trade corporate loans for property transactions in Singapore and Hong Kong, deal-related borrowing and working capital financing. Singapore housing loans also continued to increase, but at a slower pace in the fourth quarter in line with market trends. Our market share of housing loans increased during the quarter.

Underlying loan growth for the full year was $30 billion, or 10%, from increases in corporate trade and consumer loans. Including $9 billion from ANZ, full-year loan growth was $39 billion, or 13%.

Liquidity. Deposits rose 2% during the quarter, and 13% from a year ago, in constant-currency terms, to $376 billion. They included $12 billion from the consolidation of ANZ, of which $1 billion was from Indonesia in the first quarter.

Other funding rose $2 billion during the quarter to $43 billion from issuances of medium-term notes.

Our liquidity ratios remain well above regulatory requirements. The liquidity coverage ratio was 125% while the net stable funding ratio was at 110%.

Fee income. Gross fee income was $851 million, 15% higher than a year ago.

Wealth management fees rose by an underlying 31% to a new high of $331 million. The growth was partly due to the addition of the ANZ customer base. Two-thirds of the increase was from investment products, including unit trusts, as buoyant market sentiment boosted demand. The remaining one-third was from bancassurance.

Card fees were 27% higher at $156 million from higher transactions in Singapore, as well as the consolidation of ANZ, particularly in Taiwan and Indonesia.

Transaction services fees were little changed at $156 million as an 11% increase in cash management fees was offset by a decline in trade finance. Cash management accounted for about 60% of transaction services fees during the quarter, compared with about half in the year-ago period.

Investment banking and loan-related fees both declined due to fewer significant transactions compared with a year ago.

Compared with the previous quarter, total gross fees were 16% higher. The increase was broad-based, and was led by wealth management.

Institutional Banking. Institutional Banking's total income rose 5%, in constant-currency terms from a year ago to $1.36 billion. As the average US dollar depreciated 7% against the Singapore dollar, compared with a year ago, Institutional Banking's reported total income growth was 3%. The constant-currency growth for IBG's profit and loss and balance sheet items on this chart are about three percentage points higher than the reported growth.

Cash management income grew 40% from new customer mandates and deeper customer relationships, with the introduction of new products and solutions through digital channels. In addition, while cash management deposits were up 1% to $134 billion, there was a shift towards lower-cost deposits out of more expensive ones, resulting in a higher net interest margin.

The increase in lower-cost deposits was broad based across all segments, particularly from SME customers. The higher margin of these deposits contributed to the 9% increase in SME customer segment income to $455 million.

The increase in cash management income was offset by moderate declines in other products, including loans from lower net interest margin, trade volumes, and treasury customer sales.

Consumer Banking and Wealth Management. Consumer Banking and Wealth Management's total income rose 19% in constant-currency terms from a year ago to a new high of $1.36 billion. The constant-currency growth of CBG's profit and loss items and AUM on this chart about three percentage points higher than the reported growth.

The growth in total income was across all key product categories. Buoyant market sentiment boosted investment product income by 25%. Card income grew 25% from growth in transactions, as well as the consolidation of ANZ. The 12% increase in loan and deposit income was due to higher loan and deposit volumes as well as higher net interest margin.

Wealth Management customer segment income grew 28% to $663 million. Assets under management rose 22% to $208 billion, including $22 billion from ANZ.

Income from the retail customer segment increased 8% to $696 million. Our market share in Singapore housing loans was at 31%, while our market share of Singapore-dollar saving deposits was maintained at 52%.

Both our housing loans and savings deposits market share continued to show incremental improvements, quarter-on-quarter.

Treasury. Total treasury income of $572 million was 18% higher than a year ago in constant-currency terms. The increase was two percentage points higher than the reported growth of 16%.

Treasury Markets income, which comprises trading, market-making, and structuring activities, rose by one-third to $249 million from more favourable trading positions in interest rates and equities.

Treasury customer income was moderately higher at $323 million. Higher income from wealth management customers was partially offset by declined income from corporate and institutional customers.

Expenses. Expenses rose 12% from a year ago to $1.40 billion. Excluding ANZ and the non-recurring items, underlying expenses were 6% higher than a year ago.

The underlying increase was due to higher headcounts, and other investments, to support the growth in business volumes over the past year. We continue to maintain a positive jaw during the quarter as the underlying 6% increase in expenses was lower than the underlying increase in total income.

The cost income ratio was 42%. We continue to target productivity gains from digitalisation and cost management initiators, and expect the cost income ratio to progressively improve over time.

Hong Kong. Hong Kong. In constant-currency terms, Hong Kong's earnings doubled to $436 million as total income increased 48% to $721 million.

Excluding the property gain, earnings increased 66% to $350 million, while total income grew 31% to $635 million. Earnings and total income, excluding the property gain, were both at new highs.

The increase in total income was broad-based. In constant-currency terms, net interest income rose 24% to $402 million. Loans grew 20% from lending to large corporate customers. Net interest margin increased eight basis points to 1.87%, as loans were repriced with higher Libor and Hibor rates. The deposit franchise improved further as the proportion of Casa deposits increased five percentage points over the 12 months to 63%, driven by 32% year-on-year growth in Casa deposits.

Fee income rose 24%, in constant-currency terms, to $166 million. The increase was led by sales of wealth management investment products, bancassurance and cash management. Excluding the property gain, other non-interest income more than doubled in constant-currency terms to $67 million from higher treasury customer sales and trading gains.

Expenses rose less than income and the positive jaw resulted in a 79% constant-currency increase in profits before allowances to $489 million. Excluding the property gain, profit before allowance rose 48% in constant-currency terms to $403 million, which was also a record.

There were allowances write-backs totally $18 million for both impaired and non-impaired portfolios, compared with a charge of $20 million a year ago.

Non-performing loans. Non-performing assets fell 4% from the previous quarter to $5.8 billion. New NPA formation fell to a four-year low of under $200 million. The NPL rate improved to 1.6%.

Allowances. Allowances for impaired loans, or specific provisions, fell to $162 million or 20 basis points of loan, below our through-the-cycle average of around 27 basis points. Most of the SP charges taken during the quarter were for existing NPLs.

Impact of SFRS(I) on GP. The SFRS(I)9 was implemented on 1 January 2018. One impact of the new accounting standard is the treatment of general allowances.

We had $2.62 billion of general allowances on 31 December. This was equivalent to 1% of credit exposures net of qualifying collateral under the MAS guidelines. This is the level of general loan loss reserve that MAS still requires us to maintain today after the new accounting standard implementation.

On implementation of the new standard on 1 January 2018, the Stage 1 and Stage 2 Expected Credit Loss, which replaces general allowances under the new standard, was calculated to be $2.53 billion. This was $95 million lower than the 1% required by MAS.

Under MAS Notice 612, if the Expected Credit Loss is below 1%, the difference must be held as Regulatory Loss Allowance Reserves in shareholders' funds. As such, the $95 million was transferred to the Regulatory Loss Allowance Reserve on 1 January 2018.

During the course of the quarter, the Expected Credit Loss rose to $2.57 billion. Of the increase, $7 million was for credit growth net of transfers to specific provisions. This amount was taken through the profit and loss account. The remaining $40 million was taken through the balance sheet mainly for the ANZ Indonesia Expected Credit Loss reserve.

The 1% requirement on the 31 March was calculated to be $2.72 billion. As the expected credit loss of $2.57 billion was lower, a Regulatory Loss Allowance Reserve of $150 million was required. As a result, an additional $55 million was transferred out of retained earnings during the quarter, to increase the RLAR to $115 million.

The transfer had no impact on either the profit and loss account, or the amount of shareholders' funds.

Both the ECL and the RLAR are used in the computation of allowance coverage.

The adoption of the new accounting standard also affected the classification of certain financial assets and the treatment of hedges. These are expected to not have a material impact for us.

Capital. Our capital ratios remain strong. The Common Equity Tier-1 ratio was 14.0%, 10 basis points higher than the previous quarter as the accretion of retained earnings was partially offset by loan growth. After the payment of the final and special dividend of 2017 in May, the Common Equity Tier-1 ratio will be 13.0%, in line with our targeted range.

Our leverage ratio of 7.6% was more than twice the regulatory minimum of 3%.

In summary. The result of improvements to our franchise has been masked in recent years by low interest rates and high allowance charges. With both reverting to more normalised levels, the increased profitability of our business has become more evident in the first quarter's results.

The results were also underpinned by broad-based growth in loan volumes and non-interest income. Business momentum remains healthy, as we continue to capture opportunities in a reflationary environment across the region.

We will continue to maintain a positive jaw as digitalisation and cost improvement initiators deliver productivity gains over time. The gradual improvement of cost-income ratio will be another lever in enhancing returns for shareholders. At the same time, our continued focus on customer centricity and journey thinking will allow us to use digital technology to seamlessly integrate banking into the lives of our customers.

Our balance sheet is healthy. Asset quality is benign, with new NPA formation at a four-year low. Our capital and liquidity are healthy.

We are well placed to serve customers and deliver further shareholder returns in the coming year.

Piyush Gupta Thank you, Sok Hui. I don't have that many independent observations this time. It's a fairly stellar and clean set of results. I thought I would make a couple of comments on our digital agenda.

Digital momentum. The good news is that, as you know, in November last year, when we did our investor day, we had results of our digital transformation for the first half of last year, and then we forecasted what we might see for the full year.

In fact, our actual performance for the conversion from traditional to digital for the full year outperformed the expectations that we had. It was originally expected that we'd have about 2.3 million digital customers by year end. We finally wound up at about 2.5 million digital customers by year end.

And our total digital income, which we thought would hit about $3.1 billion actually hit $3.3 billion. So both customer transformation, as well as the income we generate from digital customers, are continuing to track extremely well.

In Singapore, we are also having good traction from our payment franchise. In the past, I've talked about DBS remit cross-border payments business, which is doing very well. In this quarter, the business of domestic payments, through both PayNow and PayLah, in particular, also did extremely well. Today, we have almost 900,000 PayLah customers, individuals, in Singapore who have downloaded PayLah.

And the total PayLah transactions have been going up extremely rapidly. So, we reach a stage where today we're seeing about 50,000 transactions a day, 350,000 PayLah transactions a week, and that's broad based. That's both person-to-person transactions, as well as at the hawker stalls, the campuses, in Comfort taxis. So, we seem to have hit the tipping point, in terms of the PayLah adoption in Singapore in the course of the last quarter.

Outside Singapore, Digibank in India and Indonesia continue to grow well. We have about 1.8 million customers in India. These include wallet and savings accounts; about 700,000 of them are full savings accounts. We have about 110,000 savings account customers in

Indonesia. The performances are doing well; the average balances per account are continuing to improve quite nicely.

In the first quarter, we also launched a digital lending capability in India, and now an algorithmic lending product in Indonesia. That said, it's very early days. They've only been in the market for less than a month but again, early performance in both countries is quite good.

So, we're quite optimistic about being able to layer on these incremental products on top of our base digital and Digibank offering. The first quarter continues to show good momentum with our digital transformation journey, and we're fairly confident that through the course of this year, we will continue to see the trajectory maintain.

<u>Outlook.</u> The only other thing I thought I'd talk about is our outlook. I think global momentum is still fairly robust. The US is charging along, the first quarter is slightly slower, but on the whole, it is still very robust. Europe has disappointed a little bit in the first quarter, but it's still higher than most people expected it to be. Japan, China and the region are okay. So, our sense is that the global growth reflationary environment will continue to stay in place, which means that opportunities that we see are continuing to stay before us.

As you can see, in the last few quarters, [excluding ANZ], we've been growing our loan book at between $7 billion and $9 billion a quarter. And we think we should be in a position to continue to do that. The pipeline is quite good. We have line of sight to a whole range of opportunities. It's not just some property transactions, but there continues to be a lot of deal flow, which we're financing, and there continues to be a lot of demand for working capital.

What could go wrong? I guess the trade war is on everybody's mind. Our own sense is that the broader trade issues, tariff barriers on steel, aluminium, on cars, and so on, will have some impact. But unless there's a big crisis of confidence, we don't see them as having a real material impact on the overall business climate.

Other than that, I think the impact on the technology sector needs to be watched. Because actions in the US on the back of the intellectual property concerns about Chinese companies could have [broader] ramifications. That could even get into the supply chain of the tech sector.

It's hard to [ascertain] what the impact of that might be, but my own sense is that you will see some more noise in the technology sector. Although, overall, I don't expect the trade wars to materially derail the economy.

Similarly, tighter monetary policy — I think it's quite likely that you will see consistent trade hikes and rate hikes this year. In fact, I wouldn't be surprised if we wind up with four rate hikes instead of three. The general consensus seems to be that you might see an extra rate hike in the course of the year. But given that we're coming from such low interest rate environments, it's not likely to me that you will see, again, a derailing of growth on the back of interest hikes this year. As rate hikes continue into 2019, you might start seeing some greater impact and further slowdown. But I think this year, I'm relatively sanguine about the prospects of the global economy.

On NIM, we have guided before that we should expect to see a full year NIM of at least 1.85%. If you wind up getting an extra Fed rate hike in the course of the year, and obviously, with Sibor and Sor pass-through improving in the last couple of weeks, we might actually better that by a basis point or two. It's hard to say, because there are many things which are variables. There's a tear between the OIS and the Libor rate. There is also continued uncertainty about the pass-through from Libor into both Hibor and the Singapore dollar. So, you can't call this exactly accurately, but based on current trend lines, I think it's a distinct possibility that we might actually do better than 1.85%.

On cost-income ratio, we guided 43% [but] our first quarter [turned out] better, flattered a little bit by that property divestment. I think we should be in a position to be able to come in at the 43%. Underlying expenses for the first quarter grew 6%, which is not bad. Some of that is head count, some of that is wage increase, as well. But on the whole, we think we should continue to be able to deliver good productivity.

And finally, asset quality is looking very good. New NPA formation is very low. We did not have to provide SPs of any meaningful audit for new NPAs. We did take some SPs in the first quarter, mostly in India, but across the region, the whole of the portfolio is looking good.

So, I'm quite optimistic about the cost of credit in the course of the year, as well. So, when you put all of that together, it's shaping up to what I think will be a fairly strong year for DBS. I'm happy to take questions.

Chanyaporn Chanjaroen (Bloomberg) How sustainable is the 13% ROE? Do you think that could continue for the rest of the year?

Piyush Gupta ROE, as I said, was flattered a little bit because we did have this one-time property divestment in Hong Kong. If you back that out, then your ROE would be closer to 12.5% and not 13%. On the other hand, we gave up almost $60 to $70 million on the currency [given] the strong Singapore dollar in the course of the quarter. And as you know, we will be dishing out a fairly large dividend payment [in due course], which means our equity base will shrink when that happens. So, some of that should counter the effect of the one-time [property divestment].

If you look at our current business profile, which is structurally better. We're doing better-returns businesses such as cash management and wealth management. And if you look at our productivity drive, which is our cost-income ratio, it continues to improve.

I think that on the back of that, getting to a range of around 12.5% to 13% this year [is doable]. Whether we hit 13%, frankly, depends to a large extent on the cost of credit. It's not entirely clear how the environment will stay for the year. So, I think I'm fairly confident of being able to get to the 12.5% range.

Chanyaporn Chanjaroen Credit – it looks like you have contained it, but do you see any possibility of credit issues spilling out of the oil and gas sector this year at all?

Piyush Gupta That could be, because it depends on what the consequence of the rising interest rate environment is. I've often said that if interest rates go up, you should expect to see higher delinquencies in consumer unsecured financing and in SME.

Depending on the pace of interest rate increase, we should start to see some pick-up in cost of credit for those businesses. It’s not entirely clear if they will continue to be relatively okay, which is how they’ve been, or will the pop-up in the course of the year because interest rates increase. That answer will determine what kind of ROE we might wind up with in the year.

Chanyaporn Chanjaroen And on IBG, the income from the corporate side shows no growth. Is it a sector that you want to boost? And why was there no growth in this sector?

Piyush Gupta Of course it’s a sector we want to boost. And if you look at the underlying, the SME part of that business grew very nicely at 9%. What was relatively slow was the large corporate businesses. The overall growth of IBG was 5% in constant-currency terms, which was not bad.

The large corporate business was somewhat slower; it has got pluses and minuses. We’re still trying to manage the portfolio for some of the weaker sectors. We’re growing some parts of the business, particularly the China outbound business. We’re getting some growth in loans, which I think will be quite good.

The real impact on the business was that treasury-related revenues from customer sales in the top end of the market have been slow. Second, the margins at the top end of the market have been somewhat tighter. But we’re positive on the business and we think we’ll see good growth in the later parts of this year.

Hu Yuanwen (Zaobao) I’m just wondering what is the impact from the trade dispute on the trade finance? Because MAS mentioned in their recent review that if it escalates, the local banks and trade financing could be hit. Is this something that you’re looking at?

Piyush Gupta I expect it to be modest. MAS [was pointing to the consequences of a potential escalation]. I don’t think that will happen. I think it will be focused on the technology sector rather than being broad-based. Our trade book is holding up.

Hu Yuanwen Grab is going into consumer credit, and they’re going to sell insurance products to their drivers and maybe to passengers. It’s coming to Southeast Asia. Do you see a potential competitor coming?

Piyush Gupta I do see a potential competitor coming. But it’s something we’ve anticipated for the last three or four years. I have said for some time that you should expect to see the big tech players being in competition, not just the local banks. Our whole digital transformation over the past four years has been focused on trying to pre-empt some of this new competition.

I’m confident that we’ve been able to build up our capacities to hold our own against many of these competitors. If you look at our PayLah wallet, for example, we’re continuing to get a lot of traction in the payments in the country. And if you look at our other digital offerings, which allow mass market people to be able to consume services, those have actually grown quite nicely as well.

So, yes, we do expect competition to increase, but I'm also fairly optimistic that all the work we've done in the past three or four years should allow us to be able to maintain our market shares and our position.

Siow Li Sen (Business Times) Is growth in housing loan is slowing down? Can you give more colour on why?

Piyush Gupta Compared with the first quarter last year, growth is up, year-on-year. It's only compared with the fourth quarter last year, growth is down.

For some reason, drawdowns and bookings for housing loans in the past three years tend to be slow in the early part of the year. I think it's to do with Chinese New Year. The picks up in the third and fourth quarter. I think the right comparison to eliminate the seasonality is to compare first quarter this year with first quarter last year. And if you do a year-on-year comparison, I see this year is stronger than last year. But it's lower than the fourth quarter of last year, and I think there's a seasonality effect that's kicking in.

Mayuko Tani (Nikkei) On trade disputes and trade loans, you mentioned about your concern in the tech sector. I think you said that you expect some more noise. The noise could come out without the trade war more being more escalated?

Piyush Gupta In my mind, I'm thinking of the trade war in two ways. One is the broader tariff barriers imposed on a range of goods in the desire to equalise the trade balance. That includes automobiles, steel, aluminium, a bunch of parts.

As you know, the US announced a range of duties on some Chinese goods. The Chinese announced a range of duties. But at the same time, the Chinese have lowered the import tariffs on automobiles, for example. They've improved access to financial markets.

I think, after some negotiating, they will come to a situation and position that is acceptable to both parties. I think the Chinese recognise that trade surpluses are very high, and they're willing to make compromises to reduce the size of the trade surpluses. I think you'll get a reasonable outcome on that part.

The issues around technology are not to do with trade imbalance. They're more to do with intellectual property rights. I think there is a concern in the US that the Chinese are catching up very rapidly on high tech. And they want to be able to control the pace of the high tech listing in China. I think it's less to do with imbalances. That's to do with protection of the technology and intellectual property. And if you look at some of the actions they have on companies, such as ZTE and Huawei and so on so forth, I think those are more targeted from an IP standpoint. That will continue to stay in place and therefore the impact and ramifications of that are less clear in my mind.

Mayuko Tani What's the exposure of DBS loan book towards that sector?

Piyush Gupta It's not big, but you don't know what the second impact of that might be because of a complicated supply chain. We're conducting a portfolio review of that part of the supply chain to make sure that we don't get damaged if something untoward happens.

Mayuko Tani Your trade loan seems to be coming down, looking at page seven of the slides.

Piyush Gupta I think that's the currency impact. Trade loan is up $1 billion or 2% on the quarter, and $7 billion or 17% for the year.

Anshuman Daga (Reuters) Can you give some details of the wealth management business? It had a good run for the last few years, at least the last two years. Are you earning more market share? What's going on there?

Piyush Gupta First of all, the wealth business across Asia is continuing to do well for everybody. I think if you are one of the top ten players in Asia, you are doing well. As you know, we're somewhere around number five or six in Asia, and so the market grows, and we continue to grow with that. That's positive.

Our platform is actually performing well. We continue to win business, both in North Asia, in Southeast Asia, and also now in the Middle East and in international markets. So, the business is doing well, and one of the big other boosts we've got to our business, seen in the SocGen acquisition two or three years ago as well as with the ANZ acquisition, is the ability to increase the productivity of the new RMs. We've already brought up to the ANZ RM productivity to the DBS RM productivity level, which is almost a doubling of their productivity.

Janice Lim (Channel NewsAsia) With regards to the non-performing assets, it fell compared with the previous quarter, but on a year-on-year basis it actually rose. Can I just get a sense of what contributed to that? Also, can I just find out why the non-performing assets for housing loans have increased but the allowances have remained the same?

Piyush Gupta As you know, we did a fairly aggressive recognition of non-performing loans in the oil and gas sector in the third quarter of last year. We took a lot of loans that were not over 90 days and we categorised them as non-performing, and we provided against them. That explains the year-on-year lift in the NPA, and that was widely reported a couple of quarters ago. The key thing to look at is [that, on the whole,] the quarter-on-quarter NPAs are coming off.

On the housing loans, while some picked up in the NPAs, there's also pick-up in the size of our business. The underlying denominator of our business is also increasing. The absolute NPA number will obviously go up because the size of the business is going up. But either because they're well collateralised, their loan-to-values are low, or the client pays back, you don't have to book any losses against it.

Clara Ferreira-Marques (Reuters) I'd like to ask a macro question. You seem fairly sanguine on the impact of three and even four US rate rises, but we saw a very agitated week for Indonesia last week. Could give us an idea of how you assess the impact on India and Indonesia, two important markets for you, given what we saw back in 2013.

Piyush Gupta I think it is possible that we see very volatile markets. And it is quite possible that you'll see weakness in the currencies for both of those countries, given the current account and the trade deficits that they run. But as you saw in 2013, it didn't materially impact our business. While it is a macro volatility, DBS does very well in rising interest rate environments, because our margins improve. And given the size of Indonesia and India to our overall book, [our overall performance isn't much affected by volatility in those two countries]. We do so much better in our core businesses when that happens.

Clara Ferreira-Marques Do you think if India and Indonesia are better prepared or not?

Piyush Gupta If you look at the FX reserves in both countries, at a country level, they're very robust. I think Indonesia has about ten months' worth of imports and FX reserves. India also has a lot of strong FX reserves. The countries from a reserve standpoint are fairly well equipped to handle the short-term debt and the consequences of outflows.

I don't think you're going to see a macroeconomic risk at an NPA level from this. I do think that if you wind up with a weakness in the currency, you might see some more portfolio outflows in the equities and the fixed income market. I think the volatility will be in the markets more than in the underlying economy.

Siow Li Sen On the housing market, can you give a sense of how new sales are?

Piyush Gupta New sales have been fairly reasonable. Our total new bookings in the quarter are almost $2.5 billion. Again, they're up on last year, down on the fourth quarter, but they continue to be fairly strong and it's broad based. Obviously, there's some amount of resale and refinancing in that as well, but also building and construction has been quite steady.

Edna Koh Thank you everyone, for coming. See you next quarter.