Edited transcript of DBS second-quarter 2022 results media briefing, 4 August 2022

Edna Koh Good morning and welcome to our second-quarter results briefing.

Chng Sok Hui Good morning, everyone.

Overview. We achieved a strong first-half performance with net profit of $3.62 billion, 3% lower than the record set a year ago. Return on equity was 13.3%.

Business momentum was broadly sustained over the first half. Loans grew 3% while fee income streams, other than wealth management and investment banking rose from a year ago. Net interest margin increased after three years of decline. The cost-income ratio was at 44%.

Second-quarter net profit was the second highest on record, rising 7% from a year ago to $1.82 billion. During the quarter, NIM expansion accelerated to 12 basis points as the impact of interest rate hikes was felt more fully. The increase boosted net interest income by 17% from a year ago and 12% from the previous quarter.

The higher net interest income more than offset a decline in non-interest income due to weaker market conditions. As a result, total income rose 6% from a year ago and 1% from the previous quarter.

Asset quality was stable. Non-performing assets fell 1% during the quarter while the NPL ratio was unchanged at 1.3%. Specific allowances were at 11 basis points for the first half. General allowance overlays were maintained. Allowance coverage was stable at 113%. Capital was healthy with the CET-1 ratio rising 0.2 percentage points from the previous quarter to 14.2%. Liquidity was ample.

The Board declared a second-quarter dividend of 36 cents per share, bringing the first-half dividend to 72 cents per share.

First-half performance. First-half net profit of $3.62 billion was the second highest on record, 3% below the high a year ago. Total income was up 1% to $7.54 billion. Business momentum was broadly sustained and net interest margin rose due to high interest rates. The gains were offset by lower wealth management and investment banking fees due to weaker market conditions, as well as a moderation in Treasury Markets income from the previous year's high.

Net interest income rose 11% or $445 million to $4.64 billion. Net interest margin increased five basis points after three years of decline. Loan growth was sustained at 7%.

Fee income fell 9% or $162 million to $1.66 billion. Lower wealth management and investment banking fees more than offset growth in other fee activities. Other non-interest income declined 13% or $187 million to $1.24 billion as investment gains fell due to less favourable market opportunities. Other non-interest income also included an associate contribution of $85 million from Shenzhen Rural Commercial Bank.

Expenses were 5% or $172 million higher at $3.3 billion due to higher staff costs.

Total allowances were stable, with specific allowances declining from 18 to 11 basis points of loans.

Second-quarter performance. Second-quarter net profit rose 7% from a year ago to $1.82 billion, making it the second highest on record. Total income increased 6% to $3.79 billion as higher net interest income more than offset lower non-interest income. Profit before allowances rose 4% to $2.13 billion.

Net interest income rose 17% or $365 million to $2.45 billion. NIM rose 13 basis points to 1.58%. Loans grew 7% from a year ago.

Fee income fell 12% or $100 million to $768 million. Fees from wealth management activities and investment banking declined but were partially offset by higher fees from loans cards and transaction services. Other non-interest income declined 10% or $62 million to $517 million as higher trading income partially offset lower gains from invest securities. Shenzhen Rural Commercial Bank contributed $42 million in associate income.

Expenses were 7% or $115 million higher at $1.66 billion from higher staff costs.

Total allowances fell to $46 million with specific allowances declining from 14 to 8 basis points of loans.

Second-quarter net profit rose 1% from the previous quarter. Business momentum was broadly sustained from the first quarter and NIM expansion accelerated as the impact of higher interest rates was felt more fully. These gains were offset by a decline in non-interest income from weaker market conditions. As a result, total income grew 1%.

Net income rose 12% or $267 million from a 12 basis points rise in net interest margin and loan growth of 1%. Fee income declined 14% or $123 million. Fees from wealth management and investment banking were lower as market conditions further weakened, while loan related fees moderated from record levels. These declines were partially offset by a 9% increase in card fees. Transaction service fees were in line with recent quarters. Other non-interest income fell 15% or $99 million.

Expenses were little changed.

Total allowances were stable, with specific allowances declining from 15 to 8 basis points of loans.

Net interest income. Second-quarter net interest income increased 12% from the previous quarter to $2.45 billion, significantly faster than the 2% quarterly increase in the first quarter. This was on the back of an accelerated expansion in NIM.

NIM rose 12 basis points during the second quarter to 1.58%. The increase was faster than the three basis points in the first quarter as the impact of the Fed rate hikes was more fully felt. Loans grew 1% during the second quarter, bringing the growth over the first half to 3%. First-half net interest income increased 11% to $4.64 billion as net interest margin rose five basis points and loans grew 7% from a year ago.

Net interest income growth will remain strong in the coming quarters as net interest margin is boosted by the steep increases in interest rates. Our NIM was slightly above 1.80% in July, more than 20 basis points above the second-quarter levels.

Loans. Gross loans amounted to $431 billion. They grew 3% or $14 billion in constant-currency terms over the half year. Two percentage points or $8 billion of the growth was in the first quarter, and one percentage point or $6 billion was in the second.

In the second quarter, non-trade corporate loans were $2 billion higher, led by drawdowns in Singapore. Trade loans grew $4 billion. Housing loans and wealth management loans were little changed.

Over the half year, growth was led by both trade and non-trade corporate loans, with housing loans and wealth management loans stable.

Deposits. Over the first half, deposits grew 5% or $23 billion in constant-currency terms to $528 billion. Fixed deposits grew $25 billion while Casa declined $2 billion.

The growth in fixed deposits was largely in foreign currencies. It was used to fund foreign-currency loan growth, replace more expensive commercial paper, and pre-empt expected Casa outflows. Growing foreign-currency fixed deposits has enabled us to maintain our surplus Singapore Casa deposits, which continue to earn us attractive returns in a rising interest rate environment.

The deposit flows over the past six months have been in line with the assumptions used to derive our net interest income sensitivity of $18 million to $20 million per basis point of US Fed fund rates.

Our overall Casa ratio of 72% is 13 percentage points higher than before the pandemic.

Our liquidity remains above regulatory requirements, with the liquidity coverage ratio at 142% and the net stable funding ratio at 118%.

Fee income. Second-quarter gross fee income was $917 million, 7% lower than a year ago and 10% below the previous quarter.

Compared to a year ago, wealth management fees declined 21% to $337 million as market conditions continued to weaken, dampening sales of investment products. Investment banking fees also fell by 54% to $30 million. he declines were partially offset by increases in other fee activities. Card fees increased 23% to $203 million as travel spending continued to recover to pre-pandemic levels. Transaction service fees rose 4% to $233 million and loan related fees rose 3% to $114 million.

First-half gross fee income was 7% lower than a year ago at $1.94 billion. The decline was due to lower wealth management and investment banking fees. Fees from cards, loan related activities and transaction services were all higher.

Expenses. First-half expenses rose 5% from a year ago to $3.30 billion due to higher staff costs.

Second-quarter expenses were little changed from the previous quarter at $1.66 billion. Compared to a year ago, expenses increased 7%.

The cost-income ratio was 44% for the first half.

Consumer Banking and Wealth Management. First-half Consumer Banking and Wealth Management income rose 6% from a year ago to $2.88 billion. Income from loans and deposits increased 33% to $1.50 billion driven by an improved NIM and higher volumes. This was partially offset by a 16% decline in wealth management investment product income to $973 million. Assets under management rose 3% to $294 billion. We maintained our domestic market share for savings deposits and housing loans during the past 12 months.

Second-quarter Wealth Management total income rose 14% from the previous quarter to $753 million. While non-interest income from investment product sales was affected by weaker market conditions, it was more than offset by significantly higher net interest income from deposits as higher interest rates boosted NIM. We also attracted faster net new money inflows, which doubled to $6 billion during the second quarter, from an average of $3 billion in recent quarters. The inflows enabled us to maintain the overall AUM at $294 billion despite lower investment values due to the market volatility.

Institutional Banking. First-half Institutional Banking income rose 13% from a year ago to $3.39 billion.

The growth was broad-based across loans, trade, cash management, and treasury sales, and partially offset by lower investment banking income.

Cash management was a standout as income grew by 51% to $752 million driven by higher interest rates and a 12% growth in deposits.

Second-quarter Global Transaction Services total income rose 45% from the previous quarter to $674 million. The increase was due to a 76% increase in cash management income to $480 million as it benefited from higher interest rates and continued deposit growth. Deposits rose 2% from the previous quarter and 12% from a year ago. The sustained deposit growth is a testament to our leading cash management capabilities, which have enabled us to win new client mandates as well as deepen wallet share with existing clients.

Treasury Markets. First-half Treasury Markets trading income and treasury customer income were both lower compared to record levels a year ago.

Treasury Markets trading income fell 25% to $702 million due to less favourable market conditions. Lower trading income from rates and equity derivatives was partially offset by a stronger performance in FX. Gains from the investment portfolio were also lower.

Customer income fell 8% to $838 million as sales to Consumer Banking customers were affected by weak equity market sentiment. This was moderated by higher Institutional Banking sales as heightened market volatility resulted in more hedging activity.

Hong Kong. Hong Kong's first-half net profit fell 6% in constant-currency terms to $593 million.

Total income increased 1% to $1.29 billion from higher net interest income and trading income. Net interest income rose 5% to $738 million from loan growth. Net interest margin fell 12 basis points to 1.18% mainly due to higher funding costs, which was more than offset by 9% constant-currency loan growth.

Fee income fell 12% to $354 million from lower wealth management and investment banking fees due to the weak market sentiment. Other non-interest income rose 15% to $200 million from higher trading income.

Expenses rose 8% to $539 million. The cost-income ratio was 42%.

Total allowances increased 61% to $43 million due mainly to a lower general allowance write-back.

Non-performing loans. Asset quality continued to be resilient.

New non-performing asset formation in the second quarter was below pre-pandemic levels. First-half new NPA formation, which included a significant exposure in the previous quarter, was offset by repayments and write-offs. As a result, the NPL ratio was stable at 1.3%.

Specific allowances. The resilient asset quality resulted in first-half specific allowances declining 35% from a year ago. SP charges amounted to $235 million or 11 basis points of loans, compared to 18 basis points a year ago.

Second-quarter specific allowances were $68 million or eight basis points of loans. They were 59% lower than the first quarter and 58% lower than a year ago.

General allowances. Total allowance reserves stood at $6.69 billion with $2.96 billion in specific allowance reserves and $3.74 billion in general allowance reserves.

The general allowance reserves included $1.8 billion of overlays built up in prior periods, which were maintained.

The $6.69 billion of allowance reserves resulted in an allowance coverage of 113% and 199% after considering collateral.

Other comprehensive income. Other comprehensive income was impacted by higher rates through cash flow hedge movements and marked-to-market losses on fair value through OCI debt securities. The cash flow hedge movements accounted for majority of the negative OCI. They are due to accounting asymmetry and do not affect CET-1 computations.

Cash flow hedges are used to transform 8% of floating rate loans to fixed rate via interest rate swaps to stabilise net interest income. The swaps are marked-to-market while the loans are not. This accounting asymmetry creates artificial volatility to OCI which will reverse over the life of the swaps. Adjusting for the cash flow hedge movements, the first-half total comprehensive income is $2.27 billion and net book value per share as at end-June is $21.67.

Capital adequacy. The group's CET-1 ratio rose 0.2 percentage points from the previous quarter to 14.2%. Profit accretion was partially offset by dividend distributions. Risk-weighted assets were little changed as loan growth was offset by improved netting arrangements implemented during the quarter for exchange traded exposures.

Our CET-1 ratio of 14.2% remained above our target operating range of between 12.5% and 13.5%, while the leverage ratio of 6.2% was more than twice the regulatory minimum of 3%.

Dividends. The Board declared a dividend of 36 cents per share for the second quarter, bringing the first-half dividend to 72 cents per share. Based on yesterday's closing share price and assuming that dividends are held at 36 cents per quarter, the annualised dividend yield is 4.5%.

In summary. We delivered a strong financial performance in the first half despite challenging market conditions. Sustained business momentum and NIM expansion enabled us to offset pressures of markets-related income.

Looking ahead to the second half of the year, we expect continued expansion in NIM on the back of rapidly rising interest rates. While macroeconomic uncertainty persists, we have proven abilities to be nimble and to capture opportunities.

The growth in total income will improve our cost-income ratio in the coming quarters even as we judiciously invest for the future. Ongoing stress tests indicate that our asset quality remains robust.

Piyush Gupta Thanks, Sok Hui.

Regarding the macroeconomic outlook, there is a cone of possibilities but our base case is that we get a soft landing in the US – interest rates hike to about 3.5% and inflation is tempered. There will be some slowdown in energy and commodity prices. I think the base effect is also going to make a difference in headline inflation in the coming months. If that happens, you will see a mild recession. You have already seen a technical recession in the US in the past two quarters.

In that base case, I think the flow-through to Asia will continue to be contained. Asia will slow but I don't see a recession happening. Any currency depreciation will also be manageable and I don't anticipate a taper tantrum.

However, I decided to highlight some tail risks because the cone of possibilities can be quite wide as I have mentioned. Take for example the Russia-Ukraine conflict – if Russia continues to put the squeeze on energy and you have a cold winter, energy prices will flare up in the back end of the year. Food yields are also unclear – Russia has allowed some shipments from their ports but fertilizers have been short. These situations could result in stubbornly high inflation coupled with social unrest in the case of food shortages.

If you have high inflation, I think the central banks will push through with more aggressive interest rate hikes since they have made it clear that combating inflation is their top priority. If you see more aggressive rate hikes, you can expect a significant slowdown which would impact Asia materially and cause a sharp weakening of Asian currencies. However, I think this is a low-probability scenario.

The other uncertainty we have is China. We are unclear if its economy will truly open after October or if Covid containment policies will be protracted. We are also unclear about the possible systemic risks coming from issues in the property sector.

As things are, we see reasonably good momentum on the loan book. First-half loan growth was a tad north of 3% and our pipelines are good. We should be able to get another percentage point of growth from non-trade corporate loans in each quarter, which should get us to the mid-single digits for the full year that we previously gave guidance to.

On fee income, the opening of the economy has given us tailwinds in areas such as cards and transaction banking. Wealth management on the other hand has been the biggest challenge, with its fees down 20% for the first half. I think fees have bottomed out in the second quarter. There might be some upside if markets turn constructive but that remains uncertain. Altogether, our fee income is down about 9% in the first half. Based on such a weak first half, overall fee income for the year should decline.

Overall, the balance sheet looks fine and we are seeing some growth in businesses. Cards and other annuity streams are doing well, whereas Wealth Management and Capital Markets are uncertain. Obviously, the big upside we have is NIM. Interest rate flow-throughs have been quicker and sharper than anticipated. The two massive 75-basis-points hikes by the Fed were unexpected and the flow-through to the Sing dollar has been strong. The flow-through is slower for Hong Kong because Hibor has taken time to catch up.

We are confident of the NIM sensitivity guidance that we've given – $18 million-20 million per basis point of US interest rate increase. As Sok Hui indicated, July's NIM was already 1.80%, which clearly suggests good NIM momentum. Consequently, we think the cost-income ratio will improve and head towards 40% by year-end. We have the capacity to make some judicious investments. As I've indicated before, when the income line is tight we tighten up our belts, and when we have some room to play we can start making prudential investments for the future.

Most importantly, asset quality continues to be resilient. We have done a range of stress tests under conservative assumptions. For instance, we've stress tested for oil to be at $200 a barrel, interest rates to be at 6-7% for our SME portfolio, a deep recession where cash flows and Ebitda of our customers drop by 30%. We feel confident that our asset quality remains resilient in most of these situations. On top of that, we have large general allowance buffers and $1.8 billion of overlays which we haven't touched so far. Even if you do see some unexpected pickup in credit costs, we are in a very good position to handle that. These are the additional comments and observations I have. I am happy to take questions.

Goola Warden (The Edge) Could you explain the difference in repricing for Sora, Sor, and Sibor, and how it affects NIM compared to the past? What portion of your portfolio is on Sora?

Piyush Gupta The rate at which these benchmarks move is different, but in time they all catch up to each other. So all you're looking at is timing differences. At this point in time, three-month Libor is about 2.6%. Sor is about 2.5% because it reacts most quickly among the three rates; Sibor is at 2.05% and will catch up; Sora reacts the slowest and is at 1.9% because it's not a forward-looking rate.

Some mortgage loans, for example, are calculated on three-month Sora. We take the average of the previous three months' daily Sora to price mortgages for the following month. This means that there is a timing difference in mortgage repricing. Our Sora-based loans are about $35 billion, of which $4 billion are mortgages and the remainder corporate. If rates start dropping, NIM will come off more quickly on Sor-based loans and less quickly on Sora-based loans.

Goola Warden What is your outlook for DBS's China business?

Piyush Gupta My outlook is cautious because of the uncertainty. China's GDP growth for the second quarter was only 0.4%. They have given up the targeted 5-5.5% growth for the year. To even get to 4%, they will need to have very strong growth in the back end of the year through both fiscal and monetary policy stimuli.

The slowdown in China is driven by Covid containment policies, and it is anybody's guess as to when they will open their economy. Therefore, we are quite judicious about continuing to grow the China business. While we do not see any problem in the long-term business, short-term growth opportunities are fewer than you would anticipate because the whole economy is running a little slower. Having said that, our loan growth and pipelines are robust and continue to be global, including our China clients.

Goola Warden Finally on allowances and NPLs, was there one quite sizable NPL that you had in the second quarter?

Piyush Gupta NPLs have not been sizable this year. While we had one each in the first and second quarters, our recoveries and repayments more than made up for them. The NPL ratio has been flat.

Chanyaporn Chanjaroen (Bloomberg) I have three questions. First, can I have a NIM guidance for the rest of the year? Second, do you expect to see property market contagions spilling out of China? Third, given your rather strong CET-1 ratio, are you looking at other potential investments? Following China's slowdown, what do you see in India?

Chng Sok Hui Regarding NIM guidance, having achieved an exit rate of above 1.80% in July, we expect to hit 2% sometime between the third and fourth quarters.

Piyush Gupta On your second question about real estate contagion, you can already see how most of the Chinese real estate companies, especially the second-tier companies and private ones, are finding it difficult to access liquidity. Most of them are not able to refinance bonds easily except through the local market. Bonds of most of these companies were sold off in the past few months. The question is whether this situation applies to everybody. Our view is that the state-owned enterprises which are really solid do not get impacted.

On your third question on investment, we continue to invest in technology. Many tech companies are laying people off and have not been able to source and keep their talents. I think it's a great time for us to build our talent bench in such an environment as we continue to grow our data and blockchain capabilities.

We also continue to invest in India. Its growth rates have been strong, with full-year growth rates expected to be about 7%. We are doubling down on the Indian investments for the growth that we need, but this is something that we'd already planned for.

Chanyaporn Chanjaroen Recently the Indian government allowed for more foreign investments in IDBI. Is that something you are looking at?

Piyush Gupta No. We haven't integrated LVB fully. The technology integration will happen in the back end of this year and thereafter we want to sweat that investment and make sure it pays off.

Prisca Ang (The Straits Times) What is your outlook on customers' debt servicing abilities given higher inflation and higher interest rates? Second, could you elaborate on the increase in staff expenses? Lastly, what's the size of the onshore real estate loan book in China?

Piyush Gupta The bulk of our exposure is to large corporates. Their balance sheets have a tremendous degree of resilience and capacity to handle a reasonable increase in interest rates without suffering from cash flow problems. Obviously, this varies across sectors but it is not too much of a problem across the board.

For SMEs, we have stressed our Singapore and Hong Kong portfolios at substantially higher rates than what they pay now. I think we are fine partly because the SME sector has already gone through a lot of stress testing in the past three to four years. We've tightened those exposures over time and ensured that the portfolio is well-secured. We think that delinquencies will go up, but there is nothing to be alarmed about.

For the consumer portfolio, the bulk is the mortgage book in Singapore. Like most banks, we have already factored in a 3.5% interest rate in the TDSR calculations before we give a loan. If you look at the history of Singapore mortgages, they are never impacted too much by interest rates but by unemployment. If you had a massive spike in unemployment, then we'd worry about the delinquencies in the mortgage book a little more.

As for the unsecured consumer book, it's less than $10 billion and not a large part of our business. By and large, interest rates in that book are already high and are capped, so it means that our customers are not that affected when interest rates are raised.

Overall, we have stress tested for high interest rates and we are not seeing too much of a negative impact on our portfolio or asset quality.

Chng Sok Hui On staff expenses, I think it's not unusual to see increases to our base salary for employees when there are pressures on technological resources and people. We have also taken on more people, but we are pacing it and we consider it to be moderate in today's environment.

Prisca Ang Which region are you hiring in?

Piyush Gupta We're hiring across the region. Some of the hiring reflects the in-housing of contract staff in tech.

On your third question about our China property, our onshore book in China is only $2 billion, but our total effective exposure to China property is close to $16 billion. The $14 billion not booked in China are booked in Hong Kong, Singapore, and elsewhere. The bulk of that is booked in large state-owned enterprises, and foreign companies such as Capitaland. We have some Reits which are fine because they are completed projects and generating cashflows. The smallest amount we have is to some privately-owned companies but we have not seen a problem with them since they're at the top end of the market.

Kelly Ng (The Business Times) The bank is rapidly raising deposit rates for customers, which increases the cost of funds. Can you share more about DBS's Casa pricing strategy?

Piyush Gupta Non-interest-paying deposits from corporates form a large proportion of the US-dollar Casa book. For the interest-paying portion, we are responsive to competitive conditions and adjust our interest rates accordingly. For the Sing-dollar book, fixed deposits get repriced rapidly. In addition, Multiplier account rates were increased last week. However, we also have a large proportion of salary crediting and savings accounts which are stickier, and the pace at which interest rates adjust for these accounts tend to be slower.

Lai Oi Lai (Lianhe Zaobao) Can we have a sense of how much SME borrowing costs have increased due to the higher interest rates? Earlier, you mentioned that delinquencies will go up, so will that cause the NPL ratio to go up as well?

Piyush Gupta Fed rates have increased by about 2.5 percentage points. The flow-through to domestic rates has been about 1.75-2 percentage points, which is the increase in borrowing costs that most SMEs are experiencing. If rates continue to rise, delinquencies and thus NPLs will increase, but our stress tests suggest that it would not likely be material.

Heidi Ng (Channel NewsAsia) Are the higher net interest incomes expected to continue making up for the lower investment gains and fee incomes?

Piyush Gupta Yes, they more than make up. 60-65% of our total income is interest income while 35-40% is non-interest income. So when you get big gains on that 65%, it more than makes up for any headwinds on the 35% of non-interest income. Also, the lift in the interest income is quite sizable and I think the non-interest income has pretty much levelled off.

Anshuman Daga (Reuters) From the outlook and the comments you have made, it looks like this is one of the few quarters that you are more cautious than usual. What are some of the biggest changes over the past quarter and what key challenges do you expect?

Piyush Gupta I am not sure if I am so cautious if I am still expecting to grow the loan book at $4 billion-5 billion a quarter. However, there is just too much geopolitical uncertainty right now and it is hard to translate its impact on the macro economy. The biggest uncertainty is inflation and its second-order impact, which is how central banks will respond to control inflation. There is no consensus on whether we will get a deep recession or high inflation.

Anshuman Daga As a bank, you obviously benefit from higher interest rates, but will the rise in interest rates also affect your growth? Is there a growth challenge that you and the banking industry are facing now?

Piyush Gupta Without a doubt, I think there's a slowdown. A slow China impacts all of Asia, even though India is holding up and so are several Southeast Asian countries such as Indonesia. However, if you continue to have a slow China coupled with a slow Europe and US due to rising rates, then of course Asia will slow.

Goola Warden Regarding the slide on page 20, how does the cash flow hedge affect DBS? Is it just the net asset value that it impacts and is the impact temporary?

Chng Sok Hui It is just an accounting asymmetry that regulators tell you not to take into account in the computation of capital ratios. The only impact is to the book value.

Anshuman Daga You highlighted wealth management as one of the biggest challenges in the first half. What is your outlook for that given how Singapore is generally attracting more business flows? Second, is the 16 billion exposure to Chinese property which you mentioned earlier in Sing or US dollars?

Piyush Gupta Sing dollars. On wealth management, we have had a lot of net new money inflows – almost $10 billion of net new money in the first half of the year, of which $6 billion came in the second quarter. That is double of what we normally get. Our AUMs are up compared to most of the private banks, which means that new money inflows made up for whatever asset values that came down from a market selloff.

Like most banks in Asia, our annuity income is on the low side of not more than 10-15%. The bulk of the income we make is through trading activities of our clients. When clients are worried, they step out of the market which is what's happening right now. It is not an easy call to make as to what will happen to markets in the back end of the year. If you had to ask me, I would say that China has bottomed out and started recovering a little in the past quarter. The US markets have seen some recovery in the past week or two despite facing ongoing headwinds. If you assume that markets are starting to recover, then wealth management activity will come roaring back because we have the deposit AUMs.

J P Ong (CNBC) I want to ask about DBS's recent acquisition of Citi's retail operations in Taiwan. Where are we on that timeline? What upsides do you expect from those operations and has your outlook changed given the slightly higher geopolitical tensions surrounding Taiwan over the past couple of days?

Piyush Gupta We are actively working on the integration and we can expect it to be completed around the third quarter next year. We anticipate an impact of about $800 million on the top line and about $250 million on the bottom line. On geopolitical tensions, we are not too concerned as we debated extensively before we decided on the deal. Our overall view is that such tensions are unlikely to adversely affect the consumer banking business in Taiwan. It is a country with 23 million people and has a decent per capita income. It is unclear to me why China would want a massive collapse of Taiwan's economy even if they decided to take over Taiwan. As a bank in Asia, we have made large commitments not just to Taiwan, but to Hong Kong and China as well. If there were a big geopolitical event, I should be worried about one-third of DBS's entire North Asian business, if not all our businesses in Asia, rather than Taiwan alone.

J P Ong I have another question on digital assets and cryptocurrencies. Has the recent meltdown, or crypto winter as some call it, changed the strategy of DBS with regards to its digital exchange and any holdings of cryptocurrency that DBS might have?

Piyush Gupta First of all, we don't have any holdings of cryptocurrency. Interestingly, trading volumes on our digital exchange and the number of coins under our custody have gone up through the crypto winter. I think that's because of our position as a regulated player – our digital exchange is regulated as a market operator, our custodian service is regulated in the bank, and even Vickers which serves as an intermediary is regulated as a payment service operator. Unlike Wild West exchanges, we are a solid exchange. That's going to help us because people are more inclined to deal with situations, players, and counterparties that don't have huge blips where you could lose all your money.

Regarding the pace of growth, it depends on when risk appetites come back and when the value of cryptocurrencies move up, both of which are hard to call. However, we stay committed to opening self-directed online activities for our accredited investors sometime in this quarter. So far, they can only do cryptocurrency transactions through their relationship manager, but they will be able to do those through Digibank and other applications in the back end of this year. We also think that a lot of the Wealth customers are still quite keen on that as an asset class.

Edna Koh That's all the time we have for today. Thank you very much.