Edited transcript of DBS first-quarter 2021 results media briefing, 30 April 2021

Jean Khong Good morning and welcome to our first-quarter results briefing.

Chng Sok Hui Thanks Jean and good morning everyone.

Overview. We delivered a record performance as quarterly net profit crossed $2 billion for the first time in our history, doubling from the quarter before and increasing 72% from a year ago.

Business momentum was strong and broad-based. Loans grew 3% from the previous quarter boosting net interest income 2% on a day-adjusted basis. Net interest margin was stable. Fee income rose 15% from a year ago to a record, with wealth management fees and transaction service fees at new highs. Treasury Markets and treasury customer income were also at record levels. The broad-based business momentum mitigated the impact of lower interest rates.

Expenses rose 2% from a year ago to $1.59 billion due to the inclusion of Lakshmi Villas Bank (LVB).

Asset quality was healthy with new non-performing asset formation and specific allowances at pre-pandemic levels. The stabilising asset quality resulted in a general allowance write-back of $190 million. Non-performing assets were 2% lower than the previous quarter, the NPL rate was 1.5% and specific provisions were 21 basis points of loans. General allowance reserves remained prudent at $4.13 billion. They were 31% above MAS minimum requirements and $1.3 billion above the amount eligible for consideration as Tier-2 capital. Total allowance coverage was 109%, or 203% after taking collateral into account.

Liquidity remained ample as deposits rose 2% due to current and savings accounts inflows. This was similar to recent quarters with Casa rising to account for 74% of deposits. The liquidity coverage ratio and net stable funding ratio were 136% and 127% respectively. Capital was healthy with the CET-1 ratio at 14.3%, well above the group's target operating range. The leverage ratio of 6.7% was more than twice the regulatory requirement of 3%.

The Board declared a first-quarter dividend of 18 cents per share, in line with MAS's guidance for banks to moderate dividends.

First-quarter performance. Net profit rose 72% from a year ago to $2.01 billion, the first time in our history quarterly earnings crossed the $2 billion mark. Total income was 4% lower at $3.85 billion as strong business momentum was more than offset by the impact of lower interest rates. Had net interest margin been stable, total income would have risen 9%.

Net interest income fell 15% or $375 million to $2.11 billion. The decline was due to a 37-basis-point fall in net interest margin to 1.49% from global interest rate cuts in the first quarter of last year.

Fees rose 15% or $121 million to a new high of $953 million. Record fees from wealth management and transaction services as well as higher investment banking fees more than offset declines in loan-related fees and card fees.

Other income increased 12% or $82 million to $794 million. Trading income doubled as Treasury Markets non-interest income and treasury customer income rose to new highs. Investment gains fell from a high base.

Expenses were 2% or $31 million higher at $1.59 billion due to the integration of LVB.

Stabilising asset quality resulted in a general allowance write-back of $190 million compared to the $703 million that were set aside a year ago. Specific allowances were $183 million lower at $200 million.

Net interest income. Net interest income was $2.11 billion, 2% higher than the previous quarter after adjusting for the shorter day count. The increase was due to constant-currency loan growth of 3%. Net interest margin was unchanged at 1.49% after three successive quarters of decline as loan repricing slowed.

Compared to a year ago, net interest income fell 15%. The impact of a 37-basis-point decline in net interest margin, due to global interest rate cuts, was moderated by loan growth of 7%.

We have guided for 2021 full-year net interest margin to be between 1.45% and 1.50%.

Loans. Gross loans increased 3% or $12 billion over the quarter to $393 billion. Growth accelerated and broadened compared to recent quarters.

Non-trade corporate loans rose 2%, similar to the quarterly run-rate in 2020. The growth was broad-based across the region and across a range of industries.

Trade loans grew 6% as market demand improved and commodity prices rose. This reversed the declines in most quarters of 2020.

Housing loans were 1% higher as strong momentum continued. This was the second successive quarter of growth following declines in second and third quarter 2020. The growth was the result of strong bookings in the second half of last year which continued into the current quarter.

Wealth management loans were also higher from healthy investor risk appetite and strong market sentiment.

Compared to a year ago, loans grew 7% led by non-trade corporate loans.

Deposits. Deposits increased to $478 billion over the quarter, up 2% in constant-currency terms. As in recent quarters, the growth was due to current and savings accounts, which enabled higher cost fixed deposits to be let go.

Casa grew 4% or $14 billion to comprise 74% of customer deposits, a one-percentage-point improvement from the previous quarter and a 16-percentage-point improvement from a year ago.

Fixed deposits fell 3% or $4 billion, continuing the previous quarters' declining trend.

Faster loan growth than deposit growth resulted in the loan-deposit ratio rising one percentage point to 81% after two successive quarters of decline. Liquidity was ample with the liquidity coverage ratio at 136% and the net stable funding ratio at 127%.

Fee income. From this quarter, brokerage fees have been re-classified into transaction services and wealth management to better reflect the business operating model.

Gross fees rose 13% from the previous record a year ago to a new high of $1.09 billion. Record wealth management and transaction service fees as well as higher investment banking fees more than offset declines in card fees and loan-related fees.

Wealth management fees rose 24% to a record $519 million. Strong investor sentiment amidst the low interest rate environment drove demand across a wide range of investment products. Bancassurance fees were also higher, reversing declines throughout 2020. A further $168 million of wealth management income was captured under trading income as these products were structured in-house.

Transaction service fees increased 10% to a new high of $230 million as trade finance, cash management and institutional brokerage fees grew. Investment banking fees increased 36% to $49 million from higher equity and fixed income capital market activity. Card fees were only 2% lower at $169 million as consumer spending continued to recover towards pre-pandemic levels and digital transactions accelerated. These partially made up for travel spending which remained low.

Gross fees increased 25% from the previous quarter. The growth was also broad-based, with card fees the exception due to seasonal factors.

Expenses. Expenses were stable from the previous quarter and 2% higher than a year ago at $1.59 billion due to the integration with LVB. Excluding LVB, costs were stable as higher bonus accruals in line with the better financial performance were offset by lower non-staff costs. The cost-income ratio was 41%.

Non-performing loans. Asset quality was healthy as delinquencies for both corporate and consumer segments continued to be low despite the tapering of loan moratoriums. New non-performing asset formation was at half the quarterly average for 2020 and in line with pre-pandemic levels. NPA formation was more than offset by write-offs and recoveries. As a result, non-performing assets declined 2% from the previous quarter to $6.59 billion. The NPL rate was 1.5%, slightly lower than the previous quarter.

Specific allowances. The stabilising asset quality resulted in lower specific allowances. Specific allowances for credit exposures fell to $199 million or 21 basis points of loans, compared to 31 basis points for full-year 2020, and in line with pre-pandemic levels.

General allowances. General allowances reserves declined 4% from the previous quarter due to write-backs resulting from improvements in portfolio quality. General allowance reserves remained prudent at $4.13 billion, which were $1.0 billion or 31% above MAS minimum requirements. They also exceeded the amount eligible for Tier-2 capital by $1.3 billion, which acts as a buffer for the total capital adequacy ratio. Allowance coverage was at 109%. When collateral was considered, allowance coverage was at 203%.

Capital. Capital continued to be healthy. The CET-1 ratio rose 0.4 percentage points from the previous quarter to 14.3%. Profit accretion and a methodology refinement for market RWA were partially offset by an increase in credit RWA. The CET-1 ratio was above the group's target operating range of between 12.5% and 13.5%. The leverage ratio of 6.7% was more than twice the regulatory requirement of 3%.

Dividends. The Board declared a dividend of 18 cents per share for the first quarter. This was in line with MAS's guidance for local banks to moderate dividends for four quarters starting from the second quarter of 2020. The scrip dividend scheme will be applicable to the first-quarter dividend. Scrip dividends will be issued at the average of the closing prices of the 10th and 11th of May 2021. Based on yesterday's closing share price and assuming that dividends are held at 18 cents per quarter, the annualised dividend yield is 2.4%.

In summary. The first quarter was extraordinary with all businesses recording strong growth. Loan growth accelerated, Casa growth was sustained, while fee income and treasury income both reached new highs. We remained disciplined on costs which were stable from a year ago excluding LVB. Asset quality stabilised, resulting in a general allowance write-back.

The global economic rebound is strengthening, and we are bullish about prospects for the coming year. Our franchise has been enhanced by new growth platforms. This quarter, we announced stakes in Shenzhen Rural Commercial Bank and in Partior to develop blockchain based cross-border clearing and settlement technology. These follow the amalgamation of LVB, our announcement of the China securities joint venture and the launch of the digital exchange last quarter.

We are well placed to continue supporting customers and delivering shareholder returns as the economic recovery takes hold. Thank you.

Piyush Gupta Thanks Sok Hui. The first quarter was a golden quarter for us. Loan growth was strong and broad-based. Corporate lending has been consistently growing for a few quarters. Trade loans also grew for the first time in several quarters. This is partly due to higher commodity prices, but also due to stronger overall import and export activity of our clients. Housing loan growth continued to be strong. Bookings for the first quarter were almost at record levels. Wealth management loans also continued to grow robustly, in line with higher market activity.

Investment banking fee income was broad-based. Last year, while DCM was consistently strong, ECM was very weak. In the first quarter, both segments did well. The deal pipelines also look very good.

While first quarter trading income was great for us, similar to global banks, our Treasury Markets consumer business was also strong. This reflects not only an improvement in market conditions, but structural improvements in the nature of our business.

Business outlook. The global economic prospects this year are looking good. Most countries will see strong growth this year. Annualised first quarter growth in the US was 6.4% year-on-year, while China's was 18%. Even India will likely come through quite strong notwithstanding the second stage of the pandemic. We were previously forecasting about 12% real GDP growth this year for India, but it would likely end up closer to 9% – still a strong recovery from the 7% contraction in 2020.

We are seeing sustained broad-based growth coming from multiple sectors. This is reflected in our loan growth. Last year, new loans mainly came from the TMT and real estate sectors. However, it is coming from multiple sectors so far this year.

Last year, I guided for loan growth this year to be at mid-single digits, in line with the 4% loan growth we achieved in 2020 and 2019. But based on the momentum in the first quarter and the loan pipeline, we think that full-year loan growth will come in at mid-to-high single digits.

Fee income will continue to be robust. My earlier guidance was for double-digit growth for the full year. We achieved 15% year-on-year growth in the first quarter and I think we will be able to maintain the guidance.

Wealth management fees can be volatile and depend on how the market performs. However, we have made structural improvements in the business. We have been promoting the democratisation of wealth management by extending our offerings to retail customers. Retail customers comprise 15-20% of our wealth management income today. We're also seeing more digital adoption of wealth products in the first quarter, both for equities and unit trusts. Digital customers grew substantially more than non-digital customers. We are also offering more annuity products to customers such as our discretionary portfolio service, as well as our barbell strategy accounts. These products have doubled over the past 12 months, which gives better resiliency to our wealth management income. I am overall optimistic on wealth management fee income. Having said that, income trends for this segment may reverse if the markets turn south.

The other area where we are seeing structural improvement is in our Treasury Markets income. Obviously, buoyant markets have helped. But we have made strides in three areas which are structurally improving the business. These are related to our transformation and digitalisation efforts.

The first is in distribution. I've indicated before that we've been increasing the distribution of treasury products to our customers through digital channels. This is getting more entrenched, whether into our payment products or our APIs. That has helped in growing volumes. The second is the use of data. We are increasingly able to use data analytics and data mining for better targeting of our product offerings. Third, we've also been using a lot more automated algorithms for managing our trading positions. Previously, our guidance for trading income was around $225 million a quarter. With the structural improvements, we could achieve closer to $250 million a quarter now.

On expenses, the addition of LVB will add about two percentage points of growth. Apart from that, we will also see increased expenses to support the stronger business activity expected this year. Some of these increases will come from wages. Wage adjustments will be made this year and bonuses will likely go up. Overall, we'll likely see a 3-4% increase in expenses compared to 2019.

Credit outlook. The asset quality outlook is also very encouraging. Our overall portfolio in the first quarter surprised on the upside. Delinquencies are staying really low.

On loan moratoriums, out of around $5 billion of housing loans under moratorium in Singapore, most are now back to regular payments. About half a billion are under extended moratorium and delinquencies have been negligible.

For the Singapore SME book, we also had about $5 billion under moratorium. That was down to $1.1 at the year-end. Another $700 million came off moratorium at the end of the first quarter. We are currently not witnessing any significant pick-up in delinquencies although we only have four weeks of data. The remaining $400 million of loans under moratorium will come off at the end of June.

We have around $5 billion of government-backed ESG loans, which are 90% guaranteed by the government. Thus, our exposure to these loans are only 10%. Half of these customers are paying principal and interest, while the other half are only paying interest. We'll have clarity on the delinquency rate in the second half of the year.

We had a larger amount of loans under relief in Hong Kong. We originally had about $6.6 billion under moratorium. At year end, it was down to about $3.2 billion. Now, it's down to about $2.8 billion. A portion is from large corporate customers, which have higher credit quality. The rest are from SME customers. Because the Hong Kong authorities have extended loan moratoriums into 2022, we won't have clarity on this part of the loan book until then.

However, overall it's quite clear that the delinquencies in all of these portfolios are not anywhere near the levels we initially thought. And so there might be some upside on that.

New NPA formation has been low due to the pick-up in economic activity across sectors. We saw a significant reversal in our general allowances. Our general allowance reserves of $4.13 billion has two components. The main component is model-driven. The second is from the management overlay, which are discretionary allowances set aside to cover potential credit costs not accounted for in our models, such as the loan moratoriums.

The write-backs in the first quarter have all come from the model-driven component, reflecting an improvement in our portfolio quality. We have not reversed any general allowances from the management overlay. We'll continue to observe what happens to the moratoriums before we decide what to do with that.

The improvement in portfolio quality came from two areas. The first is from credit upgrades of customers, where some names we thought as weak improved. The second is from loan repayments. As companies were able to tap the bond market, some exposures got paid back. In the consumer segment, they came from an improvement in the flow rate.

We previously guided for full-year allowances to be about $1 billion. Now, we think allowances may come in below that.

Emerging stronger from the pandemic. When the pandemic broke last year, we said that there might be an opportunity to re-position the bank to emerge stronger from the crisis. We embarked on several initiatives that fall broadly into three categories.

The first is inorganic growth. We previously said that we're always open to bolt-on deals if they make sense.

The second is building new lines of businesses leveraging on our technology capabilities. Several companies have approached us on this. There is a big opportunity to monetise our digital capabilities and to be part of the new digital infrastructure that will be built as the world digitises.

I often use the analogy of the gold rush back in the 19th century to frame this opportunity: the people who made the most money were not the gold miners, but those who sold the picks and the shovels! I think there is an opportunity for us to provide the picks and the shovels of the new world.

Third, we figured that given our digital strength, there are some businesses that we could improve on and accelerate.

Before I elaborate on these new growth platforms in later slides, I will briefly touch on our retail wealth management and supply chain businesses. On retail wealth management, given the take-up of wealth products in the mass market, if you have the appropriate digital platforms and the right product suite, there is an opportunity to do well. We've doubled down on this, and as I've said before, about 15 to 20% of our wealth management income already comes from retail customers. While I'm quite pleased, we are going to improve on that.

Next, as supply chains are rapidly digitising, the fact that we have API protocols to plug into supply chain systems at multiple levels is proving to be very beneficial. It's helping us drive significant volume in our cash and trade businesses and our flow activity. Some of that is also reflected in the big Casa growth we're getting from corporate customers.

Lakshmi Vilas Bank (LVB). I'm pleased that the integration has been going well. We have stabilised the business. The deposit base has grown – Casa was up 14% in the first quarter. We've done this while rationalising deposit costs, reducing the overall cost of deposits by 40 basis points. We have started building up the asset base again and gold loans are up 4% for the quarter.

We have revised the system for SME loans by centralising the credit process and overlaying it with the DBS credit underwriting process. We are a bit more cautious now given the worsening of the pandemic in India. Overall, the key business metrics are good and they're consistent with our expectations when we decided late last year it was a deal worth pursuing, especially on asset quality.

We brought over $212 million of net NPA into our books when we did the deal. That has been reduced to $186 million because of recoveries. Some weak loans that we expected to go into NPL did do so in the first quarter. The specific allowances were not large and we were able to cover them from the general allowances we had taken earlier. Overall, we're not seeing too much stress in the loan book. It will take a few quarters to make the acquisition earnings accretive and we have a full team working quite assiduously to make that happen.

Shenzhen Rural Commercial Bank (SZRCB). We announced this deal recently. It's a small stake (13%), but of a much larger bank as compared to LVB. There are several interesting things to note about SZRCB. First, it is a privately-held bank which has been operating since 2005, with a main presence in Shenzhen. While it started with a licence as a rural commercial bank, Shenzhen has rapidly industrialised in recent years. Hence, the bulk of SZRCB's business is like any other bank's. It is professionally managed, with a very good retail and SME customer base. Its wealth management customer base is slightly up-market.

It is also widely held – the shareholder base comprises 32,000 individuals and a significant number of SMEs. The largest three shareholders each own only about 5% of the bank. The employees also own a good portion of the bank. Our 13% ownership puts us as the single largest shareholder and gives us a degree of influence over the operations of the bank.

SZRCB has been performing very well. Its net profit had a CAGR of 11% over the past five years, with a high ROE at about 17-18%. Its NPL ratio has been low and it is also well-capitalised.

There are three reasons this deal makes sense. First, it's an attractive economic investment as the bank is well-managed and delivers a high ROE. The 13% stake in the SZRCB will be equity-accounted in our financial statements and add around $100 million to our bottom line. The deal is also capital-efficient as the $1 billion investment in SZCRB will translate to about $3.5 billion of RWA, which is about $350 million to 400 million of equity. This gives us a return on allocated equity of about 25%. Another upside is that as SZCRB continues to grow, it will eventually seek a public listing, which will be even more accretive for us.

Second, this deal gives us the opportunity to help build the SZRCB franchise while strengthening our own franchise. SZRCB's customer base is looking for more international services, and some of them are seeking public listings. SZRCB is looking to increase its capabilities, including going digital. That is why it finds us an attractive partner. We have an international presence with strong digital capabilities. We also have a good capital markets team.

As we continue to build up our Greater Bay Area presence, being more entrenched at various levels of the supply chain is important. SZRCB's customer base gives us a really good opportunity to go deep into the first, second and third tiers of the supply chain of our large anchor customers. Hence, this deal gives us business synergies, which benefits both sides and will be value accretive to both DBS and SZRCB.

Third, China's regulations on foreign ownership of companies have changed. They are now open to foreigners owning even 100% of a local bank. As the bank continues to grow, it will require more capital. Thus, I believe that we have opportunities to increase our stake in this bank.

Overall, this deal is a good growth platform for us and is immediately accretive to our earnings.

On the next two slides, I will talk about new businesses. They involve building our digital infrastructure to improve our position in the new economy.

The first is the Digital Exchange, which we launched in December. The first quarter has been steady. As you know, our Digital Exchange capabilities are much like Coinbase. The difference is that Coinbase is mass-market retail while we have been judicious by offering this to accredited investors and institutional counterparties to start with.

Even with the careful expansion, the first-quarter numbers have been encouraging. We have about $80 million of assets under custody today. We have 120 customers with a pipeline of hundreds more. There are $80 million in assets under custody, trading volumes have gone up ten times to $30 million-40 million.

We hope to do the first security token offering in the second quarter. We are also expanding operating hours from the Asian time zone to 24/7. I'm optimistic that from the second half of the year there will be much greater traction in this business.

The second is a technology company we set up with JP Morgan and Temasek to create a platform to change the way cross-border payments and settlements work. Current cross-border payments and settlements are constrained by a T+2 problem. The message to the beneficiary goes out in real-time, but the settlement is delayed because of a hub-and-spoke process. A transaction is routed through the sender's correspondent bank, then through the receiver's correspondent bank, before finally going to the beneficiary.

Blockchain can change the paradigm. Money can be converted into digitised form that has been cleared, which can be sent across for settlement as quickly as the written message. And because settlement can be programmed to happen if conditions one, two, three and four are met, the platform is powerful. It not only removes the latency of the process, but it also creates the capacity to programme instructions.

Our plan is to make it an open platform. The underlying operating hubs will be many. In the first instance, we're doing the Singapore dollar and US dollar. We are actively bringing in other banks so that the euro, sterling, renminbi etc become part of the system. And if we can do that, we will be an important part of a game-changing infrastructure for payments. Being part of a financial infrastructure is helpful and there might be some value in it over time.

It certainly helps us with our own customer value proposition. We can provide clients with a completely different way for not just money transfers, but also things such as delivery-versus-payment and payment-versus-payment, the assets market, the securities market. We think all of them can be reimagined with this platform.

Finally, we will be able to license the technology to third parties to give us a new revenue stream. We will also continue to look for other opportunities where we can provide software as a service to build revenue streams for ourselves.

Finally, I want to talk about the securities joint venture. We own 51%, 25% is owned by an SOE controlled by Shanghai State-owned Assets Supervision and Administration Commission, and 24% by SOEs controlled by Shanghai Huangpu District. We have an option to purchase their stakes in a few years. The approval was for the joint venture was given in September, the legal incorporation was in January, and on-site inspections by regulators were completed in March. The infrastructure is in place and we've hired a team of about 100 so far. We are waiting for the business licence to be issued in the next few weeks now that inspections have been completed.

We're optimistic about this business because two-way flows in and out of China are expanding. Even before this entity, our focus on institutional investors and the custody business in China has been paying dividends. With this entity, we'll be able to accelerate the growth.

Let me stop here. I have given you a sense of the things we're doing to reposition the bank to emerge fundamentally differentiated and much stronger from this crisis.

Rebecca Isjwara (S&P Global Market Intelligence) I have two questions. First, do you think the allowance write-back is too early and do you expect more write-backs this year? Second, how will net interest income pan out and how do you think interest rates will move for the rest of the year?

Piyush Gupta I pointed out that we have two categories of general allowances – one driven by models that reflect economic conditions, the other (of about $1 billion) a management overlay for uncertainties that cannot be captured in the models. The write-back was from the first category as the economic outlook improved and we had repayments. The auditors won't let you change the model-driven result very much. We are not writing back the second category because we think it is still premature to do so.

On the outlook for allowances, overall prospects are looking better than I thought even three months ago. Loans coming out of moratoriums are looking better. We're not seeing weaknesses in any particular sector and consumer repayments are better. So I would not be surprised if we wind up with some write-backs this year we had not expected three months ago.

Our guidance on net interest income and net interest margin hasn't changed. We said net interest margin would be 1.45-1.50% and we think that remains the case. There are a couple of headwinds. While Sibor has been holding, Hibor and Libor are creeping down. We still have some fixed-rate loan repricing that will continue to trickle into the course of this year.

There is some upside from the pick-up in yields at the long end, which provides an opportunity to lengthen duration. I am concerned we might see some inflation, so I'm reluctant to go all the way to the ten-year. In the belly of the curve, there is some pick-up although it is not a lot. When you put all of it together, our guidance of 1.45-1.50% is relatively safe.

Chanyaporn Chanjaroen (Bloomberg) I have three questions. First, are you interested in Citibank consumer assets in Asia? Second, given the recent issues with Huarong Asset Management, is DBS reducing its exposure to China SOEs? Third, could you comment on the property market in Singapore and whether there is a need for further cooling measures?

Piyush Gupta On the first question, you know I spent 27 years at Citi and so have been very interested in its consumer business and assets. Jokes aside, as we have said before, we are always open to assets that can add to our franchise in countries where we are already present. The ANZ deal in 2018 gave us scale and was very accretive. I also want to emphasise we are very disciplined: the economics must make sense and we must have the capacity to integrate. If there turns out to be a bidding frenzy, you might not see us in the middle of that. But the process for Citi's assets hasn't started yet.

On China SOEs, we have been quite circumspect with our exposure for several years already. We stopped relying on state support in our credit assessment five or six years ago, and we evaluate SOEs on a standalone basis. We apply all our standard credit criteria and judgments, and we have been thoughtful about managing exposures to various sectors. Therefore, at this point in time, we have not had any reason to tighten up exposures to China SOEs.

On the Singapore property market, your guess is as good as mine. I do not really have a good sense for what the authorities might do. It is a fact that housing loan bookings have been at record levels and I think some of it reflects buying ahead of possible additional cooling measures. But I don't have further insights than that.

Vivien Shiao (Business Times) First, how does SZRCB stake help in your Greater Bay Area strategy. Second, can you elaborate on your office space requirements.

Piyush Gupta We have said that the GBA is a big part of our agenda, which is not dissimilar to other banks. We have been focused on the GBA for the past two to three years and have had very good traction. Our growth rates there are substantially higher than in the rest of China including Hong Kong. We have achieved that by focusing on new-economy sectors but principally by leveraging supply chain connectivity. We will also be looking at wealth connectivity as it opens up.

The SZRCB partnership will be very beneficial because it brings 170,000 SME customers from across the board. We can work go deeper into the supply chain by leveraging our digital capabilities into the customer base. We can also provide international services for the customers. So the partnership is quite a game-changer in expanding our GBA franchise.

On office space, we're giving employees the flexibility of working from home up to 40% of the time. So when leases come up for renewal, we will be gradually reducing our overall requirements by 20%. We won't see a full 40% cut as we are reshaping our offices to further promote collaboration. We have already announced reductions in Hong Kong and Singapore.

Goola Warden (The Edge) I have three questions. First, how are your general allowances divided between model-driven and management overlay. Second, does the first-quarter CET-1 already include the SZRCB stake? Third, can you provide an update on the progress of digibank in India and Indonesia? And have the new Singapore digital banks provided any competition to you yet?

Chng Sok Hui The general allowance management overlay is $1.3 billion. At the same time, there is a minimum MAS requirement, which we are $1.0 billion in excess of, so that represents the cap on write-backs. The pace of write-backs will depend on economic conditions. I see write-backs from the consumer portfolio first, followed by SME and then the large corporates.

On SZRCB, the CET-1 impact is 0.2 percentage points, so it's not big.

Piyush Gupta On digibank, we've been going slow on growing assets as the environment has not been conducive to do so, particularly in India. On deposits, the consumer portfolio is continuing to do well, and more so in Indonesia than in India partly due to last-mile interfaces which Covid comes in the way of. Overall, we're seeing steady progress.

In Singapore, no digital bank has actually been launched yet so we're not seeing any effect at this time.

Jean Khong Thank you everyone for tuning in.