DBS

Transcript of DBS fourth-quarter 2016 results media briefing, 16 February 2017

Edna Koh: Good morning, everyone, and welcome to DBS's fourth-quarter and full-year results briefing. This morning we reported full-year net profit of $4.24 billion, 2% below last year's number, while fourth-quarter earnings came in at $913 million. And to take us through the numbers today, we have our CEO Piyush Gupta, and CFO Chng Sok Hui. So, without further ado, Sok Hui please.

Piyush Gupta: Edna, the thing is [now] you don't have to stand up and say we're reporting another set of record earnings!

Chng Sok Hui: Good morning everyone.

Highlights. We achieved a strong performance for the full-year despite a challenging operating environment. Total income rose 6% to $11.5 billion from broad-based growth as both net interest income and non-interest income reached new highs. Past investments to digitalise the bank as well as strategic cost management efforts yielded productivity gains which enabled expense growth to be contained at 1%. The cost-income ratio improved two percentage points to 43%. The resulting 10% increase in profit before allowances to $6.52 billion was offset by higher total allowances due to stresses in the oil and gas support services sector. Net profit declined slightly by 2% to $4.24 billion.

For the fourth quarter, the year-on-year operating performance was equally strong. Profit before allowances also rose 10%, to $1.55 billion, as total income grew 5% and expenses fell 2%. The better performance was offset by a doubling of allowances, resulting in an earnings decline of 9% to $913 million. Compared to the third quarter, total income fell 5% due partly to seasonal factors while net profit declined 15%.

The improved operating performance we achieved in challenging conditions underscored the resilience of a franchise built on multiple business lines and financial discipline. Our balance sheet remained sound, with capital and liquidity ratios well above regulatory requirements. Our NPL rate rose to 1.4%.

On 10 February 2017, we announced the divestment of DBS China Square Limited, whose main asset is PWC Building in Singapore. The divestment gains of $350 million, which will be recorded in the first quarter 2017 results, will be set aside as general allowances, raising our general allowance reserves to $3.52 billion and allowance coverage to 104%.

Full-year profit. Full-year net profit was at $4.24 billion, 2% lower than a year ago. Profit before allowances rose 10% as total income growth of 6% exceeded cost growth of 1%.

Net interest income rose 3% or $205 million to $7.31 billion. Net interest margin improved three basis points to 1.80% from Singapore-dollar loans. In both reported and constant-currency terms, loans were 6% or $18 billion higher at $302 billion. Non-trade loans grew 8% or $21 billion from higher regional corporate loan volumes and market share gains in Singapore housing loans. The increase more than offset a 5% or $2 billion contraction in trade loans.

Net fee income rose 9% or $187 million to $2.33 billion. The growth was broad-based and led by double-digit growth in wealth management, cards and investment banking. Other non-interest income increased 19% or $296 million to $1.85 billion from higher trading income and gains from investment securities.

Past investments to digitalise the bank together with cost management initiatives yielded productivity gains. As a result, expense growth was contained at 1% or $72 million to $4.97 billion. The cost-income ratio improved to 43% from 45% a year ago.

Total allowances doubled to $1.43 billion due largely to stresses in the oil and gas support services sector.

Fourth quarter compared to a year ago. Compared to a year ago, total income for the fourth quarter rose 5% to $2.78 billion. Expenses fell 2%, which resulted in profit before allowances growing by 10% to $1.55 billion.

Net interest income was 2% lower at $1.82 billion. Net interest margin fell 13 basis points to 1.71% as Singapore-dollar interest rates were lower compared to a year ago. Loans were 6% higher.

Net fee income increased 6% or $30 million to $515 million, led by double-digit growth in wealth management, cards and trade finance fees. They were partially offset by lower contributions from investment banking and loan-related activities. Other non-interest income grew 40% or $124 million to $437 million from higher trading income and wealth management treasury customer sales.

Expenses fell 2% or $19 million to $1.22 billion as a result of productivity gains from digitalisation and cost management initiatives. Total allowances doubled to $462 million as we made additional allowance buffers for our exposures to the oil and gas support services sector. Net profit declined 9% to $913 million.

Fourth quarter compared to previous quarter. Compared to the previous quarter, total income fell 5% to $2.78 billion from seasonal factors.

Net interest income was little changed at $1.82 billion. Net interest margin fell six basis points to 1.71% from Singapore-dollar loans. In constant-currency terms, loans rose 1% or $3 billion from growth in regional corporate and Singapore housing loans, while trade loans were stable.

Fee income declined 16% or $99 million to $515 million as wealth management and investment banking activities fell from the previous quarter due partly to seasonal effects. Other non-interest income fell 13% or $63 million to $437 million as an increase in trading income was more than offset by lower gains from investment securities. There had also been a gain from the disposal of a property in the previous quarter.

Expenses of $1.22 billion were 2% or $24 million higher. Total allowances were 6% higher at $462 million due to higher specific allowances for oil and gas support services exposures. Net profit of $913 million was 15% lower than the previous quarter.

Net interest income. Fourth-quarter net interest income of $1.82 billion was little changed from the previous quarter as a decline in net interest margin was offset by higher asset volumes. Net interest margin declined six basis points from the previous quarter to 1.71% as Singapore-dollar loans continued to be re-priced in line with lower average interest rates and a more liquid balance sheet was maintained.

For the full year, net interest income increased 3% to $7.31 billion as net interest margin rose three basis points to 1.80% and loans increased 6%.

Net interest margin for 2017 is expected to be higher than current levels on the back of projected US Fed rate hikes.

Loans. In constant-currency terms, loans rose 1% or $3 billion from the previous quarter and 6% or $17 billion during the year to $305 billion.

Consumer loans rose 1% or $1 billion during the quarter, and 6% or $6 billion during the year. The increase was led by market share gains in Singapore housing loans. Non-trade corporate loans grew 1% or $2 billion during the quarter, and 8% or $12 billion during the year. The increase was broad-based across regions and industries. Trade loans were little changed during the quarter. For the year, they were 6% or $2 billion lower as China trade loans shrank.

Our loan pipeline continues to be healthy, and we expect 2017 full-year loan growth to be in the mid-single digits.

Liquidity. We maintained a more liquid balance sheet during the quarter. Deposits were 4% higher than the previous quarter in constant currency terms at $347 billion. The increase was led by US dollar deposits. The overall loan-deposit ratio declined 2% points to 87%. Other funding, comprising mainly commercial papers and medium term notes, was little changed at $28 billion.

The ample liquidity resulted in a liquidity coverage ratio of 133% compared to 115% in the previous quarter. We have been maintaining LCRs that are significantly higher than the final requirement of 100% due in 2019. In addition to the liquidity coverage ratio, our net stable funding ratio also exceeded the requirement of 100% due in 2018.

Fee income. Fourth-quarter gross fee income rose 4% from a year ago to $602 million. Compared to the previous quarter, fee income declined 14% or $100 million due to a seasonally slower fourth quarter.

Wealth management fees rose 32% from a year ago to $158 million from higher bancassurance fees. Compared to the previous quarter, wealth management fees were 21% lower due partly to seasonal effects. Cards fees were 15% higher from a year ago and 12% higher from the previous quarter at $138 million as credit and debit card transactions in Singapore grew. Investment banking fees fell 46% from a year ago to $30 million from lower fixed income issuance fees.

Compared to the previous quarter, investment banking fees declined 44% as both equity underwriting and fixed income issuance fees were lower.

For the full year, gross fee income rose 8% to $2.65 billion, a new high. The increase was led by double-digit growth in wealth management, cards, cash management and investment banking activities.

Institutional Banking. Institutional Banking's full-year total income was little changed at $5.22 billion. Growth in cash management and investment banking income was offset by lower China-related trade and treasury customer activities. In particular, cash management income grew 25% to $835 million as transaction volumes grew.

Expenses were marginally higher by 1% at $1.74 billion. Allowances rose to $1.50 billion due largely to stresses in the oil and gas support services sector. The higher allowances resulted in a 34% decline in pre-tax profit for Institutional Banking to $1.98 billion.

Asset balances rose 3% or $8 billion to $232 billion from growth in non-trade assets. Cash management deposits were 8% higher at $137 billion. Current account deposits accounted for more than 40% of deposits at Institutional Banking.

Consumer Banking and Wealth Management. Consumer Banking and Wealth Management's full-year pre-tax profit rose 51% or $596 million to a new high of $1.77 billion. Total income was 21% or $732 million higher at $4.28 billion. Loan and deposit income increased 26% to $2.51 billion from higher deposit and housing loan volumes as well as improved net interest margin. Investment product income rose from higher bancassurance contributions, while card fees were also higher as transactions rose.

Both the Consumer Banking and Wealth Management customer segments did well. Income from the Wealth Management segment rose 19% to $1.68 billion as assets under management grew 14% to $166 billion, putting DBS among the top five banks in the Asia-Pacific. Income from the retail customer segment rose 22% to $2.60 billion. Our market share in Singapore housing loans increased during the year, while our Singapore-dollar savings deposit market share was stable.

Expenses grew 5% from higher investment, marketing and advertising costs. The increase in expenses was significantly lower than income, resulting in an improved cost-income ratio of 56% compared to 64% a year ago.

Treasury. For the fourth quarter, treasury customer income rose slightly by 2% from a year ago to $255 million while other treasury income was 5% higher. Overall treasury income was 3% higher at $519 million. Compared to the previous quarter, total treasury income was 13% lower partly due to seasonal factors.

For the full year, total treasury income declined 2% to $2.32 billion. Customer income fell 3% to $1.19 billion as there was sharply lower demand from corporate customers for RMB hedging products, partially offset by higher contributions from wealth management customers. Other treasury income was little changed at $1.13 billion. Customer income for the full year accounted for 51% of total Treasury segment income, little changed from a year ago.

Expenses. For the fourth quarter, expenses declined 2% from a year ago to $1.22 billion. For the full year, expense growth was contained at 1% to $4.97 billion. Our success at containing costs was the result of concerted efforts to digitalise the bank and strategic cost management initiatives.

There was strong growth in the digital acquisition of customers at lower unit costs. We also drove more transactions and execution towards digital channels, which have lower cost to serve compared to traditional channels. We had a higher straight-through processing, which reduced or eliminated the amount of manual inputs and paperwork for an increasing number mid- and back-office functions. This enabled us to process higher business volumes with fewer resources, improving operating leverage as additional income earned flowed to the bottom line.

At the same time, a strategic cost management programme initiated in 2012 continued to deliver savings by identifying new ways to streamline more processes, leverage on new technology and manage sourcing costs. One outcome of the productivity gains was a decline in underlying headcount of 300 over the past year even as business volumes expanded.

The full-year cost-income ratio improved from 45% to 43%. We expect the cost-income ratio to be around 43% in 2017.

Hong Kong. For Hong Kong, currency effects for the full-year results were minimal compared to a year ago. Hong Kong reported full year 2016 income of $2.10 billion, an 8% decline from the previous year as it was affected by the slowing economy in China and Hong Kong as well as RMB depreciation. Net interest income was largely stable at $1.32 billion with the improvement in net interest margin of five basis points offset by the drop in volume of RMB trade bills.

Non-interest income decreased 18% to $785 million. Fee income fell by 4% to $495 million due to weaker investment and brokerage activities, partially offset by higher bancassurance and cash management contributions. Other non-interest income was impacted by the drop in treasury sales activities as customer flows were affected by RMB depreciation since August 2015.

Expenses were largely stable from a year ago at $961 million due to effective cost management. Specific allowances rose to $303 million led by higher allowances taken for customers with exposures to RMB hedging derivatives. Net profit declined 35% from a high base in 2015 to $713 million due to the depreciation of RMB impacting treasury sales and the related credit costs.

Non-performing loans. The NPL rate increased from 0.9% a year ago and 1.3% in the previous quarter to 1.4%. The increase was largely due to the oil & gas services portfolio. New NPA formation amounted to $3.56 billion for the year, with half of the amount due to the oil and gas support services sector. New NPA formation in the fourth quarter moderated to $779 million from just over $1 billion in both the second and third quarters.

Specific allowances rose from $622 million for full-year 2015 to $1.49 billion in 2016. We proactively took more specific provisions in the fourth quarter for exposures to the oil and gas services sector.

The new NPA formation as well as specific allowances related to the oil and gas support services sector included three significant exposures. We expect new NPA formation and specific allowance charges to be lower in 2017.

Allowance coverage. As mentioned earlier, we announced that we had sold our stake in DBS China Square Limited, whose main asset is PWC Building in Singapore. The divestment gains of $350 million, which will be recorded in the first quarter 2017 results, will be set aside as general allowances, raising general allowance reserves to $3.52 billion and allowance coverage to 104%. Our allowance coverage after taking collateral into account would remain high at 226%. The value of the collateral is assessed regularly, and conservatively, by applying haircuts to current market valuations.

Capital. Our capital ratios remained strong, with the fully phased-in Common Equity Tier-1 ratio at 13.3%. Our leverage ratio at 7.7% remains more than twice the minimum of 3% under Basel guidelines.

Forthcoming RWA rule changes for derivatives and the trading book that have been finalized by the Basel Committee are not expected to increase RWA significantly. The Basel Committee is considering further rule changes but these are yet to be finalised. We will continue to keep abreast of regulatory developments on this front.

Dividend. We are paying a final dividend of 30 cents per share, unchanged from the previous year. This brings the full-year dividend to 60 cents per share, unchanged from 2015. Based on yesterday's closing price, the annualised dividend yield is 3.3%. The scrip dividend scheme will apply to this dividend. For shareholders electing to receive their dividend in scrip, new shares will be issued at the average of the closing share prices on 4, 5 and 8 May.

In summary. We achieved a strong operating performance in 2016 with full-year profit before allowances increasing by 10%. Total income rose 6% to a record $11.5 billion from higher loan volumes, improved net interest margin and broad-based non-interest income growth, the result of our investments in multiple business engines. Our digitalisation initiatives and cost management efforts yielded productivity gains, enabling us to contain expense growth to 1%.

The strong performance enabled us to meet headwinds related to China and stresses in the oil and gas support services sector. The coming year is likely to continue to be challenging. Geopolitical uncertainty and policy direction of the US and China would have a bearing on Asia's economic growth.

We have strong foundations to meet the challenges. The financial discipline we exercised over the years in building up buffers for capital, liquidity and allowance reserves has ensured that our balance sheet remains resilient. We have the continued momentum in a broad range of businesses from cash management to wealth management. Higher interest rates will be a net positive for us. Finally, the speedy integration of the retail and wealth management businesses of ANZ announced in November 2016 will provide additional support to income and earnings.

Thank you for your attention. I'll now hand you over to Piyush.

Piyush: All right, thanks, Sok Hui. I know we have half an hour [left]. And I'm sure there are a lot of questions. I will try and see if I can address most of the obvious questions.

I'm going to talk about portfolio quality first. Obviously there [is] a lot of interest. Then a little bit about business momentum across several business lines. Some of my slides are actually quite self-explanatory. Productivity – Sok Hui talked a little bit about it. I just want to touch on a couple of points and then [spend] some couple of minutes on where I see 2017.

Let me dive into the portfolio situation. Our NPL rate went up to 1.4%. Our total SPs are close to $1.5 [billion] and both of them were higher than expectation and guidance. Guided NPL was only about 1.3% so [it's] about 0.1% [point] more than we expected. If you look into the portfolio we really had two problem areas. One [of them] is RMB derivatives. We added to NPLs and added to provisions on account of the RMB derivative clients. Altogether we've taken about $200 million of provisions for the RMB derivative book over the [past] 18 months or so.

Our own sense is over the [past] five years [the RMB derivative] business yielded us well over $1 billion in income. So it's not been a bad trade. But the good news is, that issue is behind us [because] that portfolio is pretty much gone. There is nothing much left in that part of the book so [we] don't need to worry about it going forward.

The bigger challenge obviously was the offshore oil and gas support services. I have another slide I'm going to take you through in some detail. [At] the high-level, I think the sector is still challenged. [But] I think [for] 2017, both new NPL formation and SP charges will be substantially lower than last year. Partly that's because we took some chunky NPLs and SPs last year so it's a comparison effect.

Excluding these two problem areas, our NPLs would have been actually quite flattish. They'd be about 0.93%, [up] from 0.9%, which is just a shorthand for saying that there is not that much stress in any other part of [the] portfolio. That includes commodities, that includes Singapore SMEs, that includes retail around the region. We're not seeing too much stress in any other part of the portfolio.

So we're going to take you to the offshore support services [portfolio]. This is the same slide I've used in the [past] couple of quarters. We [took] the total exposure, about $7 billion, and we broke it out. We had about $2 billion which we said is to government-linked shipyards. That has actually come off a little bit, [to] about $1.8 billion. [This left] about $5 billion to the rest. The thing is, it has gone up a little bit [to $5.5 billion]. Some of that is [due to] currency impact. So the currency shift has gone up and there's some marginal increment as we refinanced some companies and so on.

[Let's] take the balance [of] $5.5 billion at this point. We broke it down, as before, into two categories. We said that some half of the exposure, $2.6 billion, is to five chunky names, the larger names. The rest of it is [to] about 90 names, [which comprise] the other half [and amount to] $2.9 billion.

Of the five names, we [had] taken one into non-performing in the third quarter. In the fourth quarter, we added a second [name] to [NPL]. So our total NPLs out of that $2.6 billion [portfolio] are now at about $800 million. The two names that have gone into NPL are actually the more fragile of [the] five.

The name that we added in the fourth quarter is actually not unlike Swiber, [which] is also a contractor in the space. There [was] a lot of new equity and lot of shareholder support that [had] come into that name over the [past] few months. Nevertheless, it was quite clear by year-end that there was a liquidity squeeze in the company – through trade creditors, through charters not being extended and so on. And therefore based on that, the prudent thing to do was to move that to NPL and make some provisions [for] it.

The obvious question is – what about the other three? How comfortable are we with the other three names in that category? The good news [is], first of all, none of the other three names are contractors. So that's helpful – which means their cash flows are a lot more transparent. You don't have any of the build-up of guarantees and other kinds of things you need for supporting contractors.

Of those three, one of them belongs to a very strong conglomerate, [an] Asia-wide conglomerate [with a] lot of resources and [is] very committed to the business. In my conversations with them, [including] over the [past] few days, they're committed to staying in the business and committed to supporting this part of their activities. So I don't anticipate problems. They have ample and huge banking facilities to support them.

The second [name] was able to raise equity last year. [It] has good Ebitda and good cash flows at this point in time, [and] has a reasonable amount of cash on its balance sheet. Our projections for their cash outflow and cash needs relative to the cash flows they're getting, are that they're quite liquid and we don't anticipate them having any problems in the short term.

The third [name] we actually helped with the refinancing last year. We refinanced the loans to be able to match their outflows for P&I [projects and investments] with the cash flows they're getting from their current [charter] rates and current lines of business. They're so far tracking to what the refinance projections are. The Ebitda for the quarter ended December is on track, they're making their cash flows. They have cash on hand and [the cash flows] are [based on] revised contract rates and revised shipment [volumes].

So [for] all three of them the nature of their businesses is different [from contractors]. There's transparency [of cash flows]. And [for] their latest December cash flows, they're all tracking [to plans] and they have the cash to be able to service whatever's required over the next 12, 18 months. We are relatively confident that these should be okay.

If I move to the right-hand side of the chart, [to] the balance 90 names – the $2.9 billion. We said before that half of this portfolio is weak [in] value terms. There are about 20-odd names in that weak portfolio. Three of those names we took into non-preforming [loans] in this quarter [and amount to] about $100 million. Now, I think this side of the sector [the 90 names] will continue to be stretched into 2017.

I [had] earlier broken up this sector into two –exploration and production. On the exploration side, fortunately we don't have too many names. New investments are still not happening. Last quarter I said BP and Total had announced some investments. The Saudis still continue to invest. The Indian ONGC still continues to invest, but none of the other majors have followed through. And at this point in time, it seems to me that either oil prices have to stay stable at roughly circa $60 for a longer period of time or they've got to go up sharply before you're going to see a lot more investment. But like I said, our exposure to that exploration part of activity is inconsequential.

The other part of the business is production support. They're the people who're using the vessels to move people up and down, tug the boats, service the wells, et cetera. The good news is that [it] is a little more resilient because people still need to service their vessels and still need to keep the wells running. I said before that roughly two-thirds of the fleets are currently in use. That number is still about there, about two-thirds of the fleets are in use.

The challenge with that is that contracts got renegotiated down, and therefore the pricing or the margins that people have for that part of the business shrank quite considerably. Those margins are not going up yet. Even though oil prices [have] rebounded off the lows, from everything I can see, none of the oil majors is currently willing to renegotiate those rates with their suppliers. As best as I can tell, it's unlikely that you will see a pick-up in margins or renegotiation in 2017. As a consequence, this part of the sector will continue to be tight.

Many of these names got refinanced last year by the banks. At the current level, their cash outflows match what their [cash] inflows are from the contracts. But as you go through these [names], some of the contracts still get renegotiated and they sometimes still lose some of the contracts. So it is quite likely that you'll see more slippage into NPL from this category in the course of 2017.

Our own view is that, if you take the total and [assume] that half of the portfolio is weak – call it $1.4 billion of the $2.9 billion [portfolio] – [and] if you assume that you will see slippages into NPL for half of that [weak portfolio], that would still be lower than the NPLs that we had to take last year [2016]. So on a year-on-year basis, the NPL formation [from oil and gas support services] will be much smaller than the NPL formation that we had seen in 2016.

The other good news [is that] some of government programmes [are] proving to be helpful. The Spring [Singapore] programme of $5 million working capital per company, $15 million per group, and the IE [Singapore] programme of $70 million for new investments – many of these companies are beginning to avail of those programmes. The $70 million programme is available to finance the new ships that these [companies] have committed to. Therefore, if you have some large ships, you can use the $70 million for that. Then obviously the "up to $15 million working capital" is also quite helpful. So there is some lifeline support from the government which is helpful. Some of the refinancing that has been done by the banks has also been helpful. But nevertheless there will still be some stress overall in this sector.

If we take a look at the overall portfolio we have, our total NPLs for the whole offshore support services are at about 21%. If we exclude the government-linked shipyards, the total NPLs are closer to 30%. And our total provisions against [the NPLs] are running at about 40%.

So the third question, are our provisions adequate and do we have to take a lot more provisions against the sector? If you go back to what we do with our provisioning, for all the NPL cases, we provide for all of the unsecured component. In doing that, we take our latest collateral values – we keep getting collateral values regularly – and we take a sharp discount on the collateral value. After taking a sharp discount to the collateral value, whatever that is [not] covered, we try to provide for that whole [amount] adequately. The question then is, how good are the collateral values and are the collateral values likely to drop off quite sharply? That's tough to say, but anecdotally, in the [previous] quarter even, we have had occasions to look at and see our collateral values. We think that the discounted values are actually not too bad.

Our Swiber exposure has come off by $50 million from the time [it became an NPL]. Some of that has been because guarantees have expired and so on. But in the [previous] quarter, some of that came off because we were able to sell a ship. [For] the ship that we were able to sell, we recovered about 20% more than the [collateral] value we had [marked against] the loan. So it gives you some sense that our [valuation] for the ship was conservative [relative to] what we were able to sell the ship for.

Another one of our clients sold a fleet of nine ships in the [previous] quarter. They were small ships, they're not very huge ships. They were able to recover the value for the ships in excess of the market value for the ships. They're cheaper ships, they're not complex ships. We are [also] in the middle of another negotiation for a client to sell a ship. This is a more complex ship, it's a bigger ship. We're currently conducting the negotiation which is running at about 70% of [the] rack rate, of the original shipping rate. That's in excess of the loan [for] the ship. So anecdotally it seems to me the valuations we have on the collateral and what we're able to get for [it] in this market in the [past] two, three months is not bad. It is possible [that] we might have to top-up provisions [for an NPA, but] if that happens, it's not going to be inordinately huge.

And therefore our own sense is we have [made] reasonably adequate provisions. However, on top of that, just to be abundantly cautious, since we were able to sell PWC Building, and we are making a gain of $350 million, we just decided to add that to provisions anyway. We have put [it] into GP. So even if we're short of [specific] provisions [for a particular NPA] because [the collateral] doesn't sell at the right price, we've [built] a cushion or a buffer [from the additional GP] that should allow us to take care of [it].

We're pretty confident that what is likely to go into NPL from that right side [the $2.9 billion portfolio of 90 names], and the provisions which are likely to come from that, we should be able to handle [through] our [business-as-usual provisions]. Every year, if you remember, we budget [for specific provisions] in the $700-800 million range. It just seems to me, given [that] everything in our portfolio is [generally] okay, [the budgeted amount] should be adequate for being able to address any of the stress and strain that comes from [the 90 names]. All right, so that's it for the portfolio. I'm going to move on to business momentum.

I want to highlight the strengths that we talked about [earlier]. Our loan growth, we've given guidance for mid-single digit loan growth, we got that. [We said] we should be able to get around 6%-7% income growth. We were able to get that. And actually I'm very pleased with that. We saw $700 million of new income, despite taking a drag of almost $400 million because of the China issues. The China issues were basically margin compression and the reduction in the trade book. The [China] trade book came down by [$4 billion] in the year, but more importantly PBOC cut rates six times and that created a lot of headwinds on the top line. We were able to grow [total] income [by] $700 million [at group level] notwithstanding that. So I think that was actually quite good. Expenses we obviously kept flat and so we got a 10% lift in profit before allowances.

I do want to reflect a little bit on top-line income. The year was a complete out of the ballpark, hitting the ball out of the park here for [the] consumer and wealth [business]. Our top line grew 21% [while profit before allowances] grew 47%. We believe a lot of this [has resulted from] the efforts we've made to rethink the customer experience and to digitalise the business [in order to grow] market shares, [which came] through. Our market shares are up [based on] central bank data. Our market shares are up for mortgage, they're up for unsecured, they're up for bancassurance, they're up for wealth across the board.

As you can see in the retail space, we had a 14% Cagr [for income] over the [past] four years, 22% in the [past] year. This was helped a bit by a pick-up in margins [that translated into] only a

three, four basis point pick-up in margins [at group level]. So there's a strong growth in the underlying business. You can see the same in wealth. Again, [it was] a record – we hit $1.7 billion [in income for] our wealth franchise. If you remember, it was about $400 million in 2009, $800 million in 2012. [There was] 19% growth [in income] last year, 21% Cagr [over the past four years]. [AUM is at] $166 billion, [a 14% growth during the year]. The ANZ integration later this year will help lift these numbers further but underlying business momentum in both retail and wealth continues to be very strong.

The institutional investor business [is one] I haven't talked too much about except anecdotally. Three years ago we started focusing on building out an investor-side business to complement our issuer-side business. And over the [past] couple of years, you can see the impact of that. We have had 30% Cagr [over three years] and 60% growth last year. Quite clearly we've been able to see good momentum. We expect to continue to grow the business quite nicely. Over the next three years, we hope to make this a $0.5 billion business and Jeanette's vision is to make this a billion-dollar business over the next few years.

Another area we focus on is investing in the western MNC business. Again I [have] talked about this. We focused and created a team to focus on this two, three years ago. Again we're seeing very good traction - 15% Cagr growth [over three years and] 20% growth last year [in income for] the western MNC space. So [a] nice little lift in the business again, business momentum continues to stay strong.

Cash [management]. If you look at this slide, the beige [portion] at the bottom shows trade. And it's quite clear, as the China trade has been shrinking, the contribution of trade has been coming off – it came down another 20% [last] year. But what's really encouraging is the red bar, the cash management component of the business, which is more than making up for the trade shortfall. And because we don't think the trade can shrink any more from here, going forward, the growth in cash management will start filtering through; it doesn't have to compensate for trade any more. The growth in cash management has been quite remarkable. It's [been growing at] 22% Cagr, 24% year on year between last year and this year, and still continuing to do extremely well. We're now listed quite clearly in the top five cash management providers in Asia by Greenwich and others. And we're beginning to see the impact of that in our numbers. So [there’s] strong momentum in that space.

And finally treasury. Our treasury customer flows came off this year for the first time in many years. The treasury customer business was down 3%. But to me the story is not that. The story is this [included] the $300 million that we gave up on the renminbi [flows]. And so for us to be able to keep roughly $1.2 billion of treasury customer-related revenues after giving up the renminbi flows means we got them from elsewhere. And because we don't see the renminbi flow reducing further this year, if we can continue the momentum on the rest of the business that we're doing, that should start flowing through [to] the bottom line this year as well.

We had an 8% growth in fee income in the course of the year. If you look at the make-up, investment banking grew 15%, cards grew 11%, wealth grew 19%, transaction banking – this is cash and trade together – grew 5%. So if you look at every element of this, we're seeing very

good growth in each of these. The loan-related fee was flat but that tends to be episodic. Bottom line, our business momentum across multiple lines of business, as Sok Hui talked about, is strong. We continue to see that momentum as we go into this year.

The other thing I want to talk about was expenses. We're actually very pleased [with] what we've been able to do to manage expenses. Our cost-income ratio came down to 43%. Some of you might remember I guided that we will continue investing in digital and growth and that would take our cost-income ratio up. It's gone up from around 40% to 45% over the last five, seven years. But I did say it will hold and peak at around [45%]. Then we should start seeing the efficiency going forward. So I'm quite pleased that we are beginning to see that efficiency come through.

There are two numbers that I want to draw your attention to [on the chart]. One is at the bottom. If you look at our headcount, we actually in-sourced about 500 people this year. The insourcing relates to a change in our technology model. Earlier we were using vendors to do most of our technology. We figured since technology is such a core competency for us, we've decided to bring chunks of that in-house. And we're hiring people [for several areas], including Agile, including new technology, including digital, et cetera. But despite that, our tech costs are coming down. Our tech costs came down by 1%, that's the red circle. So insourcing the technology, bringing the people on board, is actually allowing us to do technologies [more cheaply]. [And] in addition to [allowing us to create] intellectual property, [insourcing enables us] to [determine] the [pace and priority of] work that we want.

The other thing that's obvious is [that] our headcount [excluding the insourcing] is beginning to shrink. And that's because the impact of all the digitalisation, both at the front end, the straight-through processing, et cetera, through the system is coming through. It is a fact that as you digitalise and automate, a lot of the low-value mid-office jobs are going to go, and you can see some of the impact of that trickling through already.

Anecdotally, our digital customer acquisition is proving to be extremely helpful. So now 25% of wealth customers [are acquired] digitally; 60% of SMEs customers in Singapore [are acquired] digitally. And the digital bank we launched in India [has now signed] up 800,000 customers. We [are on track to have] a million customers in our first year, all digitally acquired. The cost of digital acquisition is substantially lower than the cost of manual acquisition. And therefore you get the customers at a much lower cost point as you bring them on board.

Once the customers are on board, we're also digitalising the way they execute their ongoing business with the bank. So we're killing paper in terms of the execution. I [have] put some [examples] over here. [For] international [remittances], we increased digital online transfers [by 64%] to over three million transfers [last] year. A 64% increase means a lot of paper got converted to electronic. [For] retail products, 43% of all [transactions are] now being done digitally, and that's up from [37%] last year. Similarly, non-financial [transactions such as] enquiries, [getting] my account changed and so on, are also moving online. We had a 33% lift in [such] transactions [in Singapore]. Each one of these results in less paper, less intervention and therefore lower cost.

And finally our straight-through processing rates. The India digibank that we have [was] created on the back of this concept we call design-for-no-ops. It uses only one-fifth of the total headcount that a comparable traditional bank would use, which is quite remarkable. The chatbot we have [employed], the artificial intelligence, is able to address, even [for] greater volumes, well over 80% of the queries, [which] don't get touched by human beings. Just the computer takes care of them all.

Outside of that we've also been able to see a 12% reduction in our overall manual operation efforts. So [it's] very strong. [And we, obviously, are] the world's best digital bank. In the [past] quarter, we were also named the best in the world for digital distribution. There's [a] ceremony in Spain. So bottom line, the digital agenda that we have, the digital transformation that we're doing, is actually giving us impact both on the revenue line but very visibly on the cost line. We're comfortable that we should continue to see the productivity impact of that as we go forward.

Finally, 2017 outlook. If we look at this, we will still be able to get loan growth and income growth in the mid-single digits this year. If we add in ANZ, we should be able to do better than that. Overall, [other than] the Trump impact, the general economy's not looking bad at all, it is reasonably robust. China's stabilised, we're seeing some pick-up in activity. We're also seeing some pick-up of NIMs coming out of China. [For] the rest of the region, our pipelines are quite good so we think we should be able to get mid-single digit loan and top-line growth.

NIMs came down to 1.71% in the fourth quarter. We expect NIMs to be able to get back to the full-year average of 2016 which was 1.80%, and that's predicated on a couple of rate hikes by the Fed. If we see more than that – and right now the market's pricing in three, maybe even four rate hikes – then there might be some upside to those numbers.

[For] the cost-income ratio, we think we can hold [it] at 43%. [For] our total allowances, we think our provisions are adequate. We think we can handle most of them through [the business-as-usual budget]. We really don't think that our provisions will be much worse than last year ex-Swiber, [which] was a one-off [that should be] backed out.

If you put that together, if we have lower provisions this year than last year and we can hold our income and expense the way we [expect], we think we should be able to get double-digit bottom-line growth. Now, the only other thing is that we will have to take some one-time expenses for the ANZ integration. If you add that, it won't be double-digit [bottom-line growth, it] might be slightly lower. But overall we're quite comfortable that we should be able to get reasonable business growth in the course of this year. Let me stop there and take questions.

Edna: First question. Before that I also wanted to remind everyone to just speak into the mike when you ask your question because we have a webcast so that we can pick up the voice. First question please. Goola.

Goola Warden (The Edge): Yes. Sorry, did you say that you're going to get double-digit growth for 2017 on the bottom line?

Piyush: Given five-odd percent growth in the top line but much lower provision levels compared to last year. Provisions last year were $1.5 billion and we don't think we're going to do anything like that.

Hu Yuanwen (LHZB): Hi. Could I just check, what's your view on the oil and gas sector, do you think the worst is over now?

Piyush: Well, I thought I addressed that in my speech. Because like I said, I don't think the worst is over, I think it'll be prolonged. I think at current – it's hard to say where oil prices will wind up – range of oil price estimates – I've seen them from $55 to $75 – but if you figure oil prices hanging at around the $60-odd level, it's not clear to me that that will attract a lot [of] new investment in the exploration side of the sector. And so I think, at that level, you need oil prices sustained for a longer period of time before investment starts coming back.

Edna: Are there any more questions?

Goola: I know you said you're expecting provisions to come down. I just wondered, what [about] your other sectors, how are your other sectors doing? Like mortgages and other things. Is there no stress in them at all?

Piyush: We're not seeing stress. If you look at mortgages, for example, in the course of [last] year, our 30 DPD – days past due – has gone up by a few basis points. Our 90 DPD is up by a few basis points. Our NPAs are up, they went up by $15 million [in] the fourth quarter. But there's no trend to that, they're episodic. Our SPs on that book are close to zero, so we're not seeing stress in that sector.

If you look at the commodities sector, the broader commodities sector has actually seen the worst already. Commodity prices have stabilised and come back up. We haven't seen, we're not seeing any stress in any components of that sector, whether it's metals, whether it's agriculture, it's all holding up quite nicely at this point.

If you look at Singapore SME, which is another [sector I have said] we should watch carefully, our building and construction portfolio is doing fine. Most of our exposure now increasingly is to government contracts. There's enough contract work over there. The retail and F&B part, we don't really do a lot of front-end F&B. We do the supply chain, that's holding up okay. The retail in the SMEs is quite small. So we have only 2% or 3% of our SME [exposure] in retail. And again, we're not seeing stress in that part of the sector. Things will go wrong from time to time. We're not seeing any major stresses anywhere right now.

Siow Li Sen (Business Times): Just now you talked about how your market share has gone up in mortgages, unsecured loans and bank assurance. Can you tell us your respective market shares in these three areas?

Piyush: The market share for mortgages comes up to 29%. We bottomed at about 25%, so in the [past] couple of years we've been steadily growing our market share for mortgages. Our market share for bank assurance is 31% or 32%. Based on [data compiled] by the insurance [industry], we were number one in [Singapore] for bancassurance last year. I think our market share is just a tad over our competitors. I don't have the number for unsecured [market share] off the top of my head, but I know our receivables market share is up as well, in Singapore.

Rumi Hardasmalani (Today): I have a couple of questions. Could you tell us about the ANZ integration that's going on and other challenges you're facing and how it's coming about, please? Will you be looking at more acquisitions this year and where are the gaps that you see? The other question is on this headcount cut by 307.

Piyush: Headcount reduction; please don't say cut.

Rumi: So which are the areas where you reduced headcount and going forward will you cut more?

Piyush: Our headcount – I don't like to cut – our headcount has increased so please understand, we hired 494 – it's a different kind of headcount – we're hiring more value-added headcount and taking out some of this back. So, before you get me into trouble with everybody in the world…

Your first question is on ANZ. So far the integration efforts are going extremely well. We have a combined team, we have a project management team, we have agreed timelines for integration. [The acquisition] will start flowing through [to our financial results] from the middle of the year. Singapore is the first country we will integrate. We hope to be able to do four of the five countries this year, with Indonesia spilling over to next year [to complete] the integration [process]. All of our work and the diligence we have is looking very good.

The big challenge for us is obviously Indonesia and Taiwan. Those businesses are relatively large and they have businesses we don't have. Where we have the businesses, we're just taking them and folding [them] into our systems. In Indonesia and Taiwan, they're both large credit card businesses and we don't [currently] have credit card businesses. And therefore, the advantage to us is we acquire a customer base we can then do digital banking with. But the challenge is we've got to put in the technology platform, to be able to fold in [the businesses]. And those technology challenges will be our biggest challenge. But our teams are working very well together. We've had a lot of townhalls with the people [on both sides]. We have a combined working team. So I'm quite positive on being able to get this thing done quite well.

Your second question was [on] M&A. Unlikely. We're not looking at any other large M&A, we really want to focus and get [the ANZ] integration done. I want to make it sure we get it done timely so it's unlikely we'll look at anything else in the course of this year. Having said that, we're looking at alternative opportunities [that are] fintech-related. We're looking for partnership tie-ups because we're looking at large ecosystem plays. That doesn't necessary mean we'll do an investment or an M&A. We might just do business tie-ups. But we'll be open to looking at something of that nature.

Your third question was on headcount. The big reductions for us so far have come from [areas such as] our call centre. We can digitise how enquiries are handled as well as digitalise how the responses are done. The computer can do it, so you just don't need that many call centre operators. We're also beginning to see a reduction in our branch banking staff – because you can automate a lot of the stuff and you can see reductions in operations, because you can automate a lot of the things through robotic process automation.

On the other hand, where are we hiring people? We're hiring people with the more value-added skill sets. We're hiring design people, we're hiring Agile people, we're hiring tech people. That's the 480 people we've hired and insourced. So it's a different profile of people that we need as we go forward. It's quite clear to me that for most of our industry over the next few years, the automatable jobs will go, but they will be replaced by a different nature of jobs.

Wong Wei Han (Straits Times): Can you help me understand? As you said, new NPA formation as well as provisions are moderating this year. Can you elaborate how write-offs are going to pan out this year? I mean, in my understanding, that's another aspect of the issue, right? If the rate of write-off increases, is that going to pick up or, I mean...?

Piyush: Actually, that's not material at all. Once we provide for a name it's already in our P&L.

Wei Han: Right, but is that number, even though it's not an issue, is that number creeping up?

Piyush: Listen, I'll come back to it. I just want to make [it clear]. You want to know what provisions or you want to know write-off? Because the write-off is not material. Once I provide it, it's in my P&L. I can at any point reduce [the amount of NPLs by writing them off]. It doesn't impact [the] P&L anymore [because] you [simultaneously] take down the [provision] reserves [that have been made and the NPL], so it's not important.

What is important [are the] provisions because [they] impact the P&L. And the provisions – [which] I'm giving you some guidance on – I don't see provisions like last year, [when we took] $1.5 billion. There's no way we will expect to get to that kind of number in 2017.

Wei Han: Another question – so what is your initial thinking after MAS recently loosened controls over finance [companies]? What are your thoughts in terms of acquisitions of new loans, perhaps not immediately but going forward?

Piyush: I think it'll be more competitive. If you think about what MAS is trying to do, [it] is to increase competition in the SME space [by creating] opportunities for alternative models of financing to come into the market. So when they make it easier for M&A, I have no doubt that many other fintech providers would be attracted to look and see whether they should do an M&A in Singapore and then expand into that space. I think the market space will get more competitive.

Now, the good news is that the total balance sheet size of the three financing firms today is $6 billion or $7 billion. It's not that large in the big scheme of things. The other good news is that traditional banks certainly are also using technology to change our own financing model. So it's not that we're going to get massively impacted by something that we're not doing ourselves.

Edna: Mayuko, you had a question.

Mayuko Tani (Nikkei): Hi, I'm Mayuko from Nikkei, thank you. I've got two clarifications and one question. Firstly, about the [headcount] reduction in the call centre. How many have you cut? Or maybe with digitalisation, how many reductions have you seen? Secondly, about the 2017 bottom line, you've said double-digit growth and you talked about the ANZ acquisition. So double-digit and after that you have to book the ANZ transaction? And that reduction, can you explain that again, please? Lastly about loan, mid-single digit increase forecast for this year. Where does that rise come from?

Piyush: On the first [question], our headcount in the call centre actually peaked at about 700-odd people, and it's now well under 600. There's a lot of natural attrition – most call centres have an attrition rate ranging from 25% to 40%. Ours is at the low end. But people automatically go. That's why I said you don't have to cut the people, all you have to do is just not hire as people attrite and then you can shrink your total call centre headcount.

Your second question was around [the ANZ acquisition]. We think, based on our assumptions and provisions, that we should be able to get roughly 10% [underlying] bottom-line growth. But we will have one-time costs for ANZ integration this year. So if you back these out then it won't be 10%, it'll be a lower number.

Your third question on loan growth. I think loan growth will continue to be diversified. If you look at where we got loan growth from [last] year, we got loan growth from the Singapore consumer market, mortgage in particular. We got $5 billion or $6 billion of loan growth from there. I think we should continue to see robust loan growth from that sector. We got about $12 billion of loan growth in our [non-trade] corporate businesses and that was very widespread. That included companies diversifying and investing outside their home country, both the Singapore companies as well as the Chinese companies. That included following our customers into other parts of the world. A lot of our customers are investing in Australia, investing in the UK, so we've been following them there. That included some M&A and privatisation activity and it included some pick-up in demand in countries like Indonesia and India. It's actually fairly broad-based.

Edna: I think we've time for...

Piyush: Chanya has been trying to get a question in.

Edna: Okay, Chanya and then two more questions.

Chanyaporn Chanjaroen (Bloomberg): I have five questions. Chanyaporn from Bloomberg. The first one, could you clarify when you mentioned double-digit growth in bottom line you were referring to net profit?

Piyush: Yes.

Chanyaporn: Okay, thank you. Second, just a follow-up to Mayuko. The call centre headcount cut, could you tell the geography, is it in Hong Kong?

Piyush: No, Singapore. Our biggest headcount is in Singapore and as we've been digitising, we just don't need to replace people as they come off.

Chanyaporn: I see, okay. I may have missed it but could you tell us the latest?

Piyush: Could you please not say cut in your Bloomberg [report], please? It is the natural attrition of the headcount [that] we're not replacing. But please don't use the word cut.

Chanyaporn: I haven't said anything, just wanted to be sure. Could you tell us about the recovery rate of Swiber, the latest? I think in the last indication it was half.

Piyush: No, I haven't given any recovery rate because it's a long process. We won't have recovered half the money [yet] but since [it became an NPL], we have recovered about $50 million of our exposure. And as projects keep getting completed, we hope to continue recovering.

Chanyaporn: So $50 million out $730 million. Okay. Could you give us the projection for wealth contribution to your overall in 2017?

Piyush: I don't have a prediction for 2017. I mean, directionally we know our total wealth businesses are now making $1.7 billion out of [the group's total income of] $11.5 billion, [which] works out to 15%, 16%. I do think directionally over the next five years we expect our wealth business to get to 20% of the bank. But what happens this year, we don't [have a forecast].

Chanyaporn: And because the US is considering revising Dodd Frank, what's your view, what's the outlook and how you are going to be impacted?

Piyush: Well, it hasn't impacted us negatively really and therefore [any rollback] won't have any direct impact on us. What might change is the competitive position of the US banks, ie, what are the businesses they want to do and don't want to do? The compliance costs around that. That is the Volcker Rule. So then the question is, do the US banks start doing a lot more prop trading on the back of the Volcker Rule change. If they do that, it's actually helpful. It's helpful to us and helpful all around because it'll bring liquidity back into the market. Now, one of my big worries is that the market tends to be illiquid in the fixed income space and so there's a lot of gapping sometimes in prices. So, actually more liquidity is not a bad thing.

Chanyaporn: Thank you.

Edna: Okay, I think Li Sen and then Anshuman and then we have to close off. So, Li Sen.

Piyush: I think she doesn't like you.

Edna: We are running very late! Okay, go ahead.

Li Sen: Clarity on the support services, the update you gave. So the five names and the 90 names. Are those the same names from the last [quarter]?

Piyush Gupta: Yes, yes.

Li Sen: So there's been no change, okay. Then you talked about two names that moved into the NPA. Of the remaining three, so one of them is Swiber? What's the remaining three?

Piyush: No, Swiber is not [among the five names]. When we set up this chart in June we said Swiber [had] already [been put] on the side. It's in the footnote. So [the slide] only gives a view on [the portfolio] after [excluding] Swiber [since it had become an NPL]. That was when we started explaining the portfolio.

Li Sen: Okay, you've recovered $50 million [from Swiber]. Then you talked about two examples. One was you were able to sell a ship and get 20% more of your loan. That's in which, is it one of the three or one of...?

Piyush: That was Swiber. I was just giving you anecdotal examples of what our collateral values are.

Li Sen: Okay, so you got 20% more. That's also Swiber.

Piyush: That was Swiber, [which] we're recovering our money [from]. We're recovering our money to various exposures from projects getting completed and [from vessel sales].

Li Sen: So then there was one more client where you're getting a small ship that was sold and you got in excess of the value of the loan.

Piyush: I said a client who sold nine ships.

Li Sen: So is that Swiber or...?

Piyush: No, that was just another client.

Li Sen: And the one that is negotiating now at 70% of the ship's rate, and covers your loan as well? That's not Swiber?

Piyush: That's not Swiber. I just gave you three examples to the general question "how good are your collateral values and will you recover your loan value when you sell the asset?" And I just wanted to give you three different examples. One was Swiber, and [there were] other cases where the more recent sales suggest that we can recover our value.

Li Sen: Okay. This other question is talk has been that the banks, including DBS, have not been seeing eye-to-eye with the new white knights that some of these troubled oil and gas firms are trying to get in. I think you know what we're referring to.

Piyush: I have no idea what you're referring to.

Li Sen: Okay, what's been reported was Ezra had two Japanese [investors] coming in and pumping in money in a joint venture and then they took huge write-offs just last month or earlier this month. That's been reported, and that in the banks' view that's not playing ball. You know, the bank is a creditor in these cases, and these white knights that the firms are trying to get in and...

Piyush: It just makes no sense at all what you are saying because if any white knight comes in I would love it, right? Why should we have a conflict?

Li Sen: It's always at a price.

Piyush: Yes, but if you take a look at what is in the Japanese investment, [they] came in at really good valuations, we would have no problem with that, we would definitely have no problem with that.

Li Sen: So this is just talk.

Edna: Okay, Anshuman.

Anshuman Daga (Reuters): Anshuman from Reuters. So you seem to be painting a picture of stability in the oil and gas sector. Obviously this had a lot of headlines last year and overall DBS seems to have got caught off-guard by what happened to Swiber. I mean now you're painting a picture of stability.

Piyush: I'm not sure we said stability. I said the sector will continue in a period of protracted pain. [But] we took some big hits [last] year, [and] we don't expect to do that again.

Anshuman: But what's the biggest risk to your assessment? Because, again the Swiber incident showed that things were not under control.

Piyush: Our biggest weakness was the contractor space. In the contractor space, our assumptions around what was the size of the damage were wrong. So we don't have any more of this thing. But what else could go wrong? Fundamentally we assume that there is some value in the ships and anecdotally [we've been] able to get value, but that could change. If it turns out that nobody wants to buy these ships and let's say the oil price goes back [down], nobody thinks there's any future for the ships, then you're going to [have to] sell the ships for scrap value. Then there'll be a much bigger hole than we anticipate right now. That [is what] could go wrong.

Anshuman: And in terms of your other businesses, consumer banking [and] wealth management seem to have got strong growth. But at a time when last year we saw the markets [were] really just punishing the bank stocks, [in the past] few months [there has] been a good run-up. So is there any message to markets. I mean, are you trying to paint a picture that [says] the worst was over in oil and gas exposure that you had. Or that the business is doing well. So whatever valuations are there are okay?

Piyush: Well, I'm not trying to paint any picture, I'm just telling you factually what the story is. However, the valuation pick-up in the banking sector [in the past] two months had nothing to do with any bank's underlying performance. It is to do with Mr Trump. And the fact is [that share price rallies have] been seen in the US banks, the European banks, the Japanese banks, the Aussie banks and the regional banks. We're just going along with the sector so I don't think you should read too much into a pick-up in the stock price because that is a global sector shift towards banking.

The underlying assumption behind that is that up-tick in interest rates will help the banks. That is true for us. We have previously said that every one basis point pick-up in interest rates helps us by $6 million. And if you look at things like Yellen's testimony, you say, well, it does look like the Fed is beginning to get hawkish and people think they may be behind the curve. So if the Fed does wind up with three or four rate hikes this year that will be very helpful to a bank like us. I think that's what the market is reacting to. But the point is there's no [accompanying] expense, so [the top-line increase] actually goes [directly] to bottom line.

Edna: We do have to end. We'll take your question offline. Thank you, everyone, for coming.

Piyush: Okay, all right. Thank you all. Thanks very much.