Edited transcript of DBS fourth-quarter 2022 results media briefing, 13 February 2023

Edna Koh Good morning and welcome to DBS's fourth quarter results media briefing.

Chng Sok Hui Good morning everyone.

Additional disclosures. Let me start by explaining two changes to the results disclosure format introduced this quarter. First, for the various income items in the Group's profit and loss statement, (i.e. net interest income, fee income and other non-interest income), we have separated out Treasury Markets from the rest of the bank, which is labelled Commercial book. The profit and loss items for Treasury Markets were already previously available in the business unit section of the performance summary, so the information is not new.

What the format change does is to improve the transparency of the performance trends of our customer franchise, principally Institutional Banking and Consumer Banking. In particular, rising interest rates are unfavourable for Treasury Markets revenue booked as net interest income. This is due to higher funding costs for its non-interest bearing and marked-to-market assets where the returns are shown under the non-interest income line as well as net interest margin compression for its fixed income instruments. The Commercial book therefore better represents the underlying net interest income trends of the Group. The new disclosure includes the Commercial book's net interest margin and interest-earning assets, which are additional data to enable the market to understand the key drivers of its net interest income.

The revised format is in line with global banks which have already adopted such disclosure formats for some time.

The net interest income drag from higher interest rates incurred by Treasury Markets is generally offset by gains in other non-interest income. Hence, there is little economic loss from the drag. It is for this reason that our guidance for Treasury Markets has always been on a total income basis. The current guidance is for Treasury Markets total income to average $275 million per quarter or $1.1 billion a year.

The second change is how associate and joint venture income is recorded. Previously, it had been classified under other non-interest income because the amounts were immaterial. Given that Shenzhen Rural Commercial Bank, in which we have a 13% stake, is becoming more material, we are now reflecting associate and joint venture income as a separate line item just above profit before tax in the profit and loss statement. The change in format has a minor impact on the reported cost-income ratio amounting to a rise of 0.3 percentage points in the fourth quarter.

Performance highlights. We achieved a record performance for full-year 2022. Total income rose 16% to $16.5 billion, net profit by 20% to $8.19 billion, and ROE by more than 2 percentage points to 15%.

The results were driven by a 21% increase in Commercial book total income to $15.3 billion. Its net interest income grew 40% due to a 48-basis point increase in net interest margin to 2.11% as well as loan growth of 4%. A decline in wealth management and investment banking fee income moderated the results.

Treasury Markets total income normalised to $1.17 billion from the record high of $1.5 billion in the previous year and was in line with the guided run-rate. The previous year's record results were due to exceptionally favourable market conditions.

Expenses rose 10%, led by higher staff costs. The cost-income ratio improved three percentage points to 43%.

We also achieved record quarterly results for the fourth quarter, which surpassed the previous high in the third quarter. Total income increased 2% to $4.59 billion, net profit by 5% to $2.34 billion and ROE by one percentage point to 17%.

Like for the full year, the results were driven by the Commercial book, whose net interest income grew 14% from the third quarter as a result of a 31-basis point increase in net interest margin to 2.61%.

On an underlying basis, expenses rose 3% from the third quarter and the cost-income ratio was unchanged at 41%.

Asset quality was healthy. Non-performing assets fell 8% from the third quarter due to repayments, write-offs, and currency effects. The NPL ratio fell 0.1 percentage point to 1.1%. Specific allowances were six basis points for the fourth quarter and eight basis points for the full year.

Capital and liquidity were also healthy. The CET-1 ratio rose to 14.6%, while liquidity ratios were well above regulatory requirements.

The Board proposed, for approval at the forthcoming annual general meeting, a dividend of 42 cents per share for the fourth quarter. It also proposed a special dividend of 50 cents per share. The combined payout of 92 cents per share reflects our robust earnings profile and strong capital position. The fourth quarter dividend and the special dividend will bring the payout for the financial full year to $2 per share.

Full-year performance. Full-year total income rose 16% to $16.5 billion. The increase was due to a 21% in Commercial book total income. Net interest income grew 40% to $3.06 billion from higher net interest margin and loan growth. Fee income fell 12% or $433 million as declines in wealth management and investment banking fees more than offset increases in cards and loan-related activities. Other non-interest income was little changed.

Treasury Markets income declined 22% or $335 million to $1.17 billion, normalising from exceptional levels a year ago.

Expenses rose 10% or $621 million, led by higher staff costs.

There was a general allowance write-back of $98 million, $349 million less than the write-back of $447 million a year ago. Specific allowances fell 33% or $164 million. As a result, total allowances were $237 million for the year.

Fourth-quarter performance. Compared to the previous quarter, fourth quarter total income rose 2% to $4.59 billion. Commercial book total income grew 4% to $4.39 billion. Net interest income rose 14% or $416 million as net interest margin increased 31 basis points to 2.61%. Fee income fell 14% or $110 million from lower wealth management fees due partly to seasonal factors. Other non-interest income declined 31% or $142 million interest income declined 31% or $142 million from lower investment gains and treasury customer sales.

Treasury Markets income fell 24% or $65 million due to seasonal factors.

Expenses rose 8% or $138 million. They included a non-recurring accelerated depreciation of fixed assets, a one-time special award to all staff, and some expenses for the integration of Citi Taiwan. Excluding these items, expenses rose 3% and the cost-to-income ratio was 41%.

There was a general allowance write back of $116 million due to transfers to non-performing assets, upgrades and repayments. This compared to a charge of $153 million in the previous quarter to buffer against headwinds in the external environment. This resulted in a positive earnings impact of $269 million quarter-on-quarter.

Specific allowances were $49 million higher compared to the previous quarter, at six basis points of loans compared to two basis points in the previous quarter.

Net interest income. Compared to the previous year, Commercial book net interest income rose 40% to $10.7 billion. Compared to the previous quarter, Commercial book net interest income rose 14% to $3.41 billion, driven by a 31-basis point improvement in net interest margin to 2.61%. The net interest margin increase follows an increase of 45 basis points in the third quarter, 20 basis points in the second quarter, and four basis points in the first quarter. As a result, the quarterly Commercial book net interest margin rose a hundred basis points during the year.

Treasury Markets net interest income declined $561 million compared to the previous year. As explained earlier, the offset is generally seen in gains in the non-interest income line. For the year, Treasury Markets delivered a total income of $1.17 billion. We are maintaining our guidance for total Treasury Markets income to average $1.1 billion in the coming year.

Combining the commercial book and treasury markets, the Group's overall net interest income grew 30% for the full year and 9% from the previous quarter, to $10.9 billion and $3.3 billion respectively.

We expect both the Group’s and Commercial book’s net interest income as well as net interest margin to continue rising in the coming quarters from high interest rates and the lagged repricing of fixed-rate assets.

Loans. Loans declined by $2 billion in constant-currency terms during the quarter.

Non-trade corporate loans fell $3 billion. Some corporates shifted their borrowing to markets with cheaper financing options such as mainland China or used their cash on hand to repay loans they have opportunistically taken when interest rates were low. Underlying loan demand was healthy, as is our pipeline.

Trade loans rose $1 billion.

Consumer loans were lower as housing loan growth of $1 billion was offset by a decline of $2 billion in wealth management loans.

For the full-year, loans rose 4% or $14 billion with broad-based growth in non-trade corporate loans, trade loans and housing loans, partially offset by lower wealth management loans.

Deposits. Deposits rose 2% in constant-currency terms during the quarter to $527 billion, bringing full-year growth to 7%.

Fixed deposits grew 80% or $93 billion during the year. The majority of the growth was in foreign currencies led by US dollars, enabling us to swap less of surplus Sing-dollar Casa deposits as they continued to earn attractive returns.

Casa deposits fell 16% or $60 billion during the year, mostly in the second half, in line with market trends. We continued to have the lion's share of Casa deposits in Singapore, with our market share rising 0.7 percentage points during the year to slightly more than 53%.

Fee income. Gross fee income fell 10% from the previous quarter to $835 million.

Wealth management fees fell 19% to $262 million due mainly to seasonal factors. Loan-related fees declined 35%. Transaction service and investment banking fees were slightly lower. Card fees continued to increase, rising 10% to $245 million as travel continued recovering to pre-pandemic levels.

For the full-year, gross fees fell 9% to $3.70 billion, with declines in wealth management and investment banking fees more than offsetting growth in Cards and loan-related fees.

Expenses. Fourth quarter expenses, as mentioned earlier, included an accelerated depreciation of fixed assets, a special award to staff, and expenses for Citi Taiwan integration. Excluding these non-recurring items, expenses rose 3% from the previous quarter and the cost-income ratio was 41%, unchanged from the previous quarter.

For the full-year, expenses were 10% higher led by staff costs. The cost-income ratio was 43%.

Consumer Banking. Full-year Consumer Banking and Wealth Management income rose 25% from a year ago to $6.65 billion.

Income from loans and deposits increased 77% to $4 billion, driven by an improved net interest margin. This was partially offset by an 18% decline in wealth management investment product income to $1.82 billion. Card income was 5% lower at $717 million as a lower net interest margin on outstanding balances more than offset higher card fees.

Sing-dollar savings deposits fell in line with the market. Over the past 12 months, our domestic market share for savings deposits rose 0.7 percentage points to just over 53%, while our share for housing loans rose 0.3 percentage points to just under 29%.

Wealth Management. Full-year wealth management segment income rose 20% to $3.27 billion.

Weaker non-interest income from lower investment product sales was more than offset by significantly higher net interest income from higher deposit net interest margin.

Assets under management rose 2% or $6 billion in reported terms during the year to $297 billion amid challenging market conditions. In constant-currency terms, the increase was $9 billion for the year, including $8 billion in the fourth quarter. The increase in AUM was helped by record net new money inflows of $24 billion during the year, of which inflows in the fourth quarter amounted to $9 billion.

Institutional Banking. Full-year Institutional Banking income rose 28% from a year ago to $7.69 billion. The growth was broad based, led by cash management and partially offset by lower investment banking income. Cash management income more than doubled to $2.5 billion, driven by higher interest rates and a 6% growth in deposits.

Treasury Markets. Fourth-quarter Treasury Markets income fell from the previous quarter to $204 million due partly to seasonal effects. Treasury product customer income, which is recorded in Institutional Banking and Consumer Banking, was also lower at $372 million.

For the full-year, Treasury Markets total income declined 22% to $1.17 billion, in line with our guided run-rate. Lower income from trading interest rates and equity derivatives was partially offset by a stronger performance in credit and foreign exchange. Gains from the investment portfolio were also lower.

Full-year combined Institutional Banking and Consumer Banking treasury customer income fell 3% to $1.65 billion as sales to Wealth Management customers were affected by weak market sentiment. The decline was partially offset by higher Institutional Banking sales as heightened market volatility resulted in more hedging activity.

Hong Kong. Hong Kong's full-year net profit rose 19% in constant currency terms to $1.45 billion. Total income increased 16% to $2.92 billion from higher net interest income and trading income.

Net interest income rose 30% to $1.84 billion. Net interest margin increased 22 basis points to 1.47% from higher interest rates, with all of the increase occurring in the second half. Loans fell 5% in constant-currency terms, in line with industry trends.

Fee income fell 15% to $672 million from lower wealth management and investment banking fees due to the weak market sentiment. Other non-interest income rose 28% to $407 million from higher trading income.

Expenses rose 6% to $1.14 billion from higher staff costs. The cost-income ratio was 39%.

Total allowances increased to $56 million from $7 million a year ago as there had been a larger general allowance write-back a year ago. Specific allowances declined.

Non-performing loans. Asset quality continued to be resilient in the fourth quarter. Non-performing assets fell 8% from the previous quarter to $5.13 billion. New non-performing asset formation was more than offset by repayments and write-offs, as well as currency effects. The NPL ratio improved from 1.2% in the previous quarter to 1.1%.

Specific allowances. Specific allowances remained low in the fourth quarter at $72 million or six basis points of loans. For the full-year, specific allowances fell 33% to $332 million or eight basis points of loans.

General allowances. Total allowance reserves stood at $6.24 billion, with $2.51 billion in specific allowance reserves and $3.74 billion in general allowance reserves.

There was a general allowance write-back of $116 million in the fourth quarter due to transfers to non-performing assets, upgrades and repayments.

Allowance coverage was at 122% and at 215% after considering collateral.

Capital adequacy. The CET1 ratio rose 0.8 percentage points from the previous quarter to 14.6%. The increase was due to strong profit accretion, a decline in risk-weighted assets, as well as currency effects. The leverage ratio of 6.4% was twice the regulatory minimum of 3%.

Dividends. The Board proposed a final dividend of 42 cents per share, an increase of six cents from the previous payout. The Board also proposed a special dividend of 50 cents per share. The total payout of 92 cents per share reflects our robust earnings profile and strong capital position. With the payout, shareholders will receive a total of $2 per share for the financial full year.

Barring unforeseen circumstances, the annualised ordinary dividend going forward will rise to $1.68 per share.

In summary. We delivered fourth-quarter and full-year results that reached new highs. The record return on equity of 17% for the fourth quarter and 15% for the full-year reflect the benefit of higher interest rates as well as significant structural gains from our decade-long transformation.

The Commercial book total income growth of 21% for the full year and 43% for the fourth quarter attest to the strength of our franchise.

Our pipelines are healthy and asset quality robust. Confidence is returning to markets as interest rate increases ease and China reopens.

The Board proposed, for approval at the forthcoming annual general meeting, a dividend of 42 cents per share for the fourth quarter and a special dividend of 50 cents per share. The combined payout of 92 cents per share will bring the total payout for the financial full year to $2 per share.

Piyush Gupta As Sok Hui elaborated, we had a record quarterly total income, net profit, and ROE. The quarterly commercial book net interest margin was up a hundred basis points from fourth quarter last year which is solid. At a 17% quarterly ROE, we are about four percentage points higher than when net interest margin was last at current levels in 2008. The difference of four percentage points reflects a structural change in our income mix as well as the gains from our decade-long transformation.

We saw loans come off in the fourth quarter as previously guided in the third-quarter briefing. Some customers repaid opportunistic short-term borrowing. Another reason was because our Chinese customers found it cheaper to borrow onshore in China than offshore in international markets. However, underlying non-trade loan momentum continues to be strong in industries such as real estate, energy, and logistics. Our Singapore market shares for consumer and corporate loans were up. We saw strong capex across the region as companies followed through with the China Plus One strategy. We have also seen strong M&A deal flow.

Card fees was at a quarterly record and I expect more tailwinds. For the quarter, travel as a percentage of card spend is up at about 11%. It used to be 15% pre-pandemic so there is room for further increases. As China opens, I expect the travel component of card spends to continue increasing.

Wealth management fees were lower. People were not taking margin financing as rates got higher and animal spirits were low. Nevertheless, we had record net new money inflows of $24 billion for the year, of which inflows in the fourth quarter amounted to $9 billion. A lot of this money is now dry powder waiting to be invested.

On expenses, there was an accelerated depreciation of fixed assets amounting to $50 million-60 million. We also had a one-time special award to staff.

Asset quality continued to be resilient. Non-performing assets declined and the NPL ratio was 1.1%. In the third quarter, additional general allowance overlays of $350 million were taken as a prudent measure. In the fourth quarter, there were more repayments and upgrades and there was a reversal of model-driven GPs. Asset quality is looking very good.

On dividends, we increased our total payout for the quarter to 92 cents per share including the special dividend of 50 cents per share. The full-year dividend payout is $2 per share.

Outlook. My view is that we would see a couple more rate hikes. I think the Fed funds rate could get to 5-5.25% and I do not think we will see rate cuts this year. Inflation will likely come off. Our projection for inflation is for it to be around 3% by year end. Even at a 3% handle, I do not think the Fed will be precipitated about cutting rates.

We are maintaining our guidance for mid-single-digit loan growth and double-digit fee income growth. I think China's opening will benefit the macro environment. As we enter the first quarter of 2023, business volumes appear to be good and loan growth is robust. We see some headwinds in Singapore's mortgage book. Last year, it grew between $2.5 billion and $3 billion. I expect the growth for this year to be half of last year's because mortgage bookings have slowed down, especially with the new policy changes in September. Nevertheless, I think a mid-single-digit loan growth is on the cards.

Last quarter, we guided for Group net interest margin to peak at around 2.25%. I think there is a five to seven basis points downside risk from that earlier guidance. Major headwinds include outflows to T-bills and a faster-than-expected strengthening of the Sing dollar. Additionally, higher Treasury Markets funding costs drag the Group's net interest margin. As Sok Hui mentioned earlier, we have separated Treasury Markets from the rest of the bank, labelled under commercial book, to improve the transparency of the performance trends of our customer franchise. Tailwinds to net interest margin include the lagged repricing of about $180 billion of assets, two-thirds of which will reprice over the next three years. While peak NIM will probably therefore be a tad below 2.20%, our average NIM for the year will be north of 2.10%. And so that's not bad. I think the tailwind means that we will have a greater stability in our NIM as we look forward.

On costs, we've kept the guidance unchanged at between 9% and 10%. However, I think that costs could come in slightly better than that 9% level. Nevertheless, we have some levers to manage expense. If it turns out that we are wrong on the income side, we have the capacity to tighten our belt. So our cost-to-income ratio should be securely below 40% for the year.

On credit costs, last quarter I guided that SPs would normalise at 15 to 20 basis points, which takes into account higher rates. There is uncertainty on what the impact is on parts of the portfolio, particularly the SME portfolio. Toward the end of the year, it was quite clear that things were not looking that bad. SME book is actually looking quite robust. The consumer book is looking robust. We're not seeing any material signs of weakness in any of our portfolios. Thus, we're bringing the guidance down to 10 to 15 basis points. And frankly, there may be some upside to this guidance. As you know, it was only eight basis points for 2022. The reason for guiding to 10 to 15 basis points is to account for the uncertainty at these high interest rates.

We still have over $2 billion of management overly buffers which we haven't touched. So, if we do see some idiosyncratic risk over the course of the year, we will be able to absorb it from the GP buffers we've built.

I will take questions now.

Chanyaporn Chanjaroen (Bloomberg) What will be the annualised dividend for 2023?

Chng Sok Hui The annualised dividend for 2023 is $1.68.

Chanyaporn Chanjaroen How achievable is a $10 billion net profit for this year and what would be the drivers? Are there any share buyback plans given your strong capital base? An analyst is expecting a share buyback programme of $5 billion over two years, is that a reasonable estimate? Lastly, what is DBS's exposure to Adani and what actions are you taking to manage that?

Piyush Gupta There is a lot of uncertainty in the macroeconomic environment. However, looking at our projections on NIM, expenses, and SP, I think we have a shot at getting reach the $10 billion handle for the bottom line. That also depends on how strong the SGD becomes since the translation impact of income from overseas operations can be material. If the Sing dollar strengthens, overseas revenue will be less in SGD terms.

On capital management, we will continue to examine our capital return policy. We are well capitalised even after the dividend increase. There are different ways to return capital depending on circumstances. Share buyback is an option.

On Adani Group, we have an exposure of about $1 billion related to the recent cement company acquisition. The cement company is debt-free and cash-generating. We have another $300 million to various operating companies at project-level. These are backed by cashflows which are ringfenced. We are comfortable with our exposures. We have no exposure to Adani's shares or promoter shares. As such, we are not impacted by the recent collapse in Adani's share price.

Goola Warden (The Edge) What is the impact of Basel IV and what do you plan to do with the two percentage points CAR uplift? When will Basel IV be implemented?

Chng Sok Hui MAS has stated on its website that Singapore banks are expected to implement Basel IV sometime between 1st January 2024 and 1st January 2025. The announcement on the finalised implementation timeline will be made sometime in July this year.

We expect our transitional CAR to be lifted by some two percentage points on Day 1 when Basel IV becomes effective. Given the transitional benefit, refinancing may not be necessary for the Additional Tier 1 and Tier 2 capital instruments which are callable over the near term (redemptions are subject to the MAS' approval). That would benefit our bottom line and Tier 1 capital. CAR on fully-loaded basis is expected to be neutral to slightly above today's levels, assuming other things remaining unchanged.

Goola Warden What is your strategy in the digital asset space and has that changed over the past year? Additionally, does your positive outlook on India remain? Could you give us an update on Digibank?

Piyush Gupta Total traded tokens are up by about 70-80% for the year. In terms of value traded, it's flat compared to a year ago because the value of these tokens fell sharply. However, we're consistent with our strategy in the digital asset space. Being an exchange back by a regulated entity is a benefit when a lot of other exchanges are under scrutiny. We think that total revenues from this business, albeit small, will be up 60-70% this year.

On India, we are still as bullish. Over the quarter, we were able to integrate the technology of Lakshmi Vilas Bank into DBS so we now have a single technological platform for operations in India. We can thus scale up business considerably and expect to see meaningful growth this year.

I mentioned before that our mobile-only Digibank strategy had changed because it was hard to monetise the customer base. Our strategy is now a *phygital* (physical plus digital) one, which was why we acquired Lakshmi Vilas Bank. We overlay our digital capabilities on top of the footprint and brand presence of Lakshmi Vilas Bank, and that's giving us better results in various spaces – consumer, Wealth, and SME.

Goola Warden Is the exposure to Adani Group that you spoke about earlier in USD or SGD?

Chng Sok Hui SGD.

Anshuman Daga (Reuters) Do you expect refinancing cost for Indian groups to rise because of the turmoil at Adani Group?

Piyush Gupta I do not think so. Pricing in India has always been low. In fact, large Indian corporates borrow at levels below India's country risk.

Anshuman Daga Will DBS be holding on to the $1 billion financing to Adani or will the debt be sold off? Would DBS take part in any other refinancing activities of Adani or would you hold off at this point?

Piyush Gupta We are holding on to the $1 billion bridge financing to Adani. On whether we will take part in other refinancing activities of Adani, I think that depends. I have personally looked at the underlying companies, they are well-managed and cash flows are solid. As long as we can ring-fence cash flows and not take exposures on promoter shares, there is no reason for not looking at opportunities.

Anshuman Daga Are there any specific lessons that you take from the recent events surrounding Adani Group and around Indian companies in general? We saw something similar with Olam Group about a decade ago and also several other Indian companies.

Piyush Gupta It's not peculiar to India and is a global phenomenon. The short sellers take a view on the fundamental valuation of companies and decide that some companies are overvalued. The real question is what drives overvaluation in a stock. US tech sector stocks have also fallen significantly.

Anshuman Daga (Reuters) In the case of Adani, short sellers are alleging fraud, similar to Olam and quite dissimilar to the issue with perceived overvaluation of tech companies.

Piyush Gupta Aswath Damodaran's analysis suggests that there is no evidence of any fraud. The operating companies are legitimate businesses, and the cashflows are real.

Takashi Nakano (Nikkei) Many people are discussing about the potential of ChatGPT. How will AI such as ChatGPT change the banking industry? Are there any plans for DBS to use AI in loan processing or loan scoring?

Piyush Gupta We are already using AI for those things. We have over 250 AI models for functions such as loans processing, marketing, compliance, audit, and human resources. We tried generative AI and NLP for Watson in 2013. When we realised that these technologies were not at levels that we could comfortably rely on back then, we came up with chatbots that had guided conversations. Generative AI is obviously at a different level now as we have seen over the last couple of months. ChatGPT is powerful and can be used for many functions like summarising meeting minutes and writing reports. We are currently exploring how we could use it for banking operations.

Prisca Ang (Straits Times) You mentioned that you expect headwinds in the mortgage book. How much do you expect the impact to be? Which property segments or consumer segments do you expect the impact to be most prominent?

Piyush Gupta The impact from the most recent property cooling measures will take around two to three quarters to flow through. In the fourth quarter, bookings are down to about half of third quarter's. By the third quarter of this year, I'd expect the market to absorb the impact and revert to the momentum we seen prior to the cooling measures. However, since bookings in recent months have been low, housing loan growth for the first half of the year will be flattish. We see this both in HDB and private housing loans. Housing loans were up by about $2.6 billion for last year. This year, I expect housing loans to grow between $1.5 billion and $2 billion.

Prisca Ang To follow up, do you expect the headwinds to come from higher interest rates besides the policy changes?

Piyush Gupta It is a mix of both. Mortgage rates generally lag market rates. Our Sora-backed portfolio and FHR portfolio do not reprice immediately so the effect of higher mortgage rates has not fully worked its way to customers.

Anshuman Daga What are the drivers of growth this year? Is China going to be a big driver?

Piyush Gupta I think both the US and Europe will slow. The good news is that they might escape a recession. Our current house view for US growth rate is 0.5-1%. Europe's growth rate could be around zero, but unlikely to be massively negative. China is opening up quicker than expected, so that will benefit Asia in terms of tourism and trade. Our current projection for China's growth rate is 5-5.5%.

Anshuman Daga What is your outlook for the wealth management business?

Piyush Gupta I'm optimistic about the wealth management business. We are probably one of the few houses that saw AUMs increase last year. Net new money inflows of $24 billion made up for the decline in market value of our assets. We opened almost 50% of all new family offices that set up in Singapore over the last few quarters. We have a lot of dry powder and the money is likely to be put to work as market sentiments turn optimistic.

Goola Warden Are there any concerns about the cost of funds, specifically in the wholesale market? Are you planning to tap it? One of your competitors recently issued an AT1 instrument. Have you factored the higher cost of funds in your NIM guidance?

Chng Sok Hui Given current market conditions, covered bonds are cheaper than senior debt financing.

Piyush Gupta The NIM guidance we provided factors in a higher cost of funds. When Basel IV kicks in, we need not refinance Additional Tier 1 instruments and Tier 2 instruments as we are already well-capitalised. Right now, we have around $5 billion of Additional Tier 1 and Tier 2 instruments which we can redeem and lower our interest expense.

Edna Koh Thank you everyone.