



Building an Asian bank

With most economic indicators and forecasts signalling the Asian century, Singapore-based DBS Bank plans to step up its game by playing to the region’s surging megatrends and relying on its greatest asset – a reliable home-grown brand.

“We are pretty clear we want to be an Asian player,” said **Piyush Gupta**, CEO of DBS, in an interview with INSEAD Knowledge. “We know how to deal with Asian cultures, we know how to deal with Asian peoples, we know how to take risk in the deep markets of Asia and we are not sure some of these are transferable,” he added, referring to possible expansion plans into mature and emerging European markets.

The Development Bank of Singapore, as DBS was initially incorporated in 1968, was set up to fuel the country’s development and industrialisation efforts. It has since transformed itself into a provider of financial services -- consumer banking, enterprise banking for small and medium-sized businesses, private wealth management, corporate and investment banking and treasury services. Its 1998 acquisition of POSB, the Post Office Savings Bank, at the time the largest retail bank in Singapore, added about three million new customers. The acquisition of Hong Kong’s Dao Heng Bank in 2001 gave DBS a foothold into the bank’s second-largest market. Today, DBS has operations in 16 markets with around five million individual and corporate customers.

Tracking Asia’s megatrends

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The bank’s tagline of *‘living, breathing Asia’* reflects its refocused strategy to become exactly that and the much-debated shift of the center of economic gravity eastward makes this “a fantastic time to be in this part of the world,” says Gupta. Rebalancing its geographic portfolio is one aspect of its strategic plans. While Singapore and Hong Kong contributed some 60 per cent and 26 per cent of net profits in the third quarter, DBS has indicated its goal to attain a 40:30:30 split within five years from Singapore, Greater China (China, Hong Kong and Taiwan), and South and Southeast Asia respectively.

The driving force behind these inroads is the creation of wealth and affluence in Asia, explains Gupta, as well as a fundamental secular shift in consumption patterns where Asians are not only consuming more, but consuming a lot more of their own production. He contrasts the notable change from the early 90s when Asians spent 44 cents for every dollar spent in the US. Today, the bank’s research shows Asian spending at \$1.02, says Gupta, boosting intra-regional trade as well. And DBS’s expansion has been helped by developments in Singapore itself.

“Singapore has done such a good job of positioning itself as the new Switzerland, the new wealth hub,” says Gupta of the nation state’s efforts. “One of the

things they've done a particularly good job of, is married [the systems] with a regime, which while, on the one hand, allows for privacy laws, but at the same time corresponds with all the OECD, US and Western world around foreign corrupt practices, around making sure that tax regimes are kosher and Singapore has got that balance extremely well."

Finally, there's the commitment to growing its services to small and medium enterprises (SMEs). "We think the small and medium enterprises are going to grow exponentially over the next decade and our roots allow us to play extremely well in that space," explains Gupta, with DBS providing critical SME services such as hire purchase loans, fixed asset financing, trade and project financing.

Currency wars?

In recent months, newspaper headlines have spoken of a 'currency war' as the Chinese have come under pressure to allow the renminbi or yuan to appreciate. "The pressures are real because everyone wants to keep their currencies weak," said Gupta, and added, "I think the pressures on the yuan to appreciate are going to continue to increase." International currency disputes are expected to top the agenda at the upcoming G20 summit in South Korea this month (Nov 11-12). The United States and Europe say China is purposefully holding down the yuan to make its exports look more attractive. China says expansionary US monetary policy and a weakening dollar is putting pressure on emerging market currencies to appreciate, raising inflation risks.

"One of the things that the Chinese government has been doing this year is (to have) begun a very rapid internationalisation of the renminbi," says Gupta of China's efforts to increase RMB use beyond the mainland. They include the issuing of RMB offshore bonds, allowing companies to settle trade contracts in RMB, using the RMB in currency swaps with emerging market economies, and allowing institutions to issue RMB securities in Hong Kong, actions that Gupta describes as "mind boggling."

"My own view is that they are actively looking to create a trading block to try and see if that's a way to reduce currency appreciation on the dollar front," he says.

Leading an Asian bank

Much of Gupta's 28-year banking career was cultivated at Citibank where he stepped down as the chief executive for South East Asia Pacific, Australia and New Zealand to take over DBS last November. So how do the corporate cultures compare between that of a multinational bank steeped in Western tradition and that of an Asian-bred counterpart?

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"The [Western] firms are focused on individual excellence, individual entrepreneurship and the big challenge for me [at Citi] was to create a culture of shared goals." This is in contrast to his experience at DBS, he says, where the priorities are consensus, moderation and team work. "I am trying to move the pendulum in the other direction," he explains. "There has to be a happy mean somewhere. But certainly the mean is not where I was and not where I am."

During his talk to INSEAD MBA students at the school's Asia campus in Singapore, Gupta addressed the challenge of a talent and skills gap in Asian financial services. From a balance sheet perspective, DBS saw a 28 percent uptick in third quarter net profits from a year ago, of which Singapore contributed about 60 per cent. But it aims at this stage to make Asia its primary focus rather than markets further afield.

"Sticking to our knitting and what we know we are good at, is what drives us to stay in the Asia context," says Gupta.

Piyush Gupta was at INSEAD's Asia campus in Singapore to address MBA students in a panel discussion on financial services in Asia and Europe as part of Benelux week.

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