

BANKING

Consumer banking deposits surge 30%

DUBAI **Karen Remo-Listana**

Deposits with UAE banks have surged sharply by 25 per cent to 30 per cent in the past few months due to the federal guarantee and the stabilising money markets, senior bankers told **Emirates Business**.

Suvo Sarkar, General Manager, Retail Banking, Emirates NBD, said the bank's consumer banking deposits have shown a substantial growth of more than 25 per cent per annum in the first half of the year, significantly higher than market growth.

"Growth has been across all customer segments, with account acquisition numbers continuing to be healthy indicating a stable mass retail franchise," he said.

Sanjoy Sen, Consumer Bank Head - Middle East, Citibank, said the bank has seen a "flood of deposits" in the past few months.

"Our deposit base has grown by more than 30 per



Suvo Sarkar

cent in a span of mere four months. This inflow continues unabated and we see our deposit base increasing on a daily basis," he said.

Sen said customers have regained confidence in the banking system. And this, along with the government's deposit guarantee scheme, have helped banks across the UAE in retaining funds and attract fresh deposits from other markets.

Citibank, he said, has also



Sanjoy Sen

managed to garner substantial deposits from other markets. The federal government guarantees bank deposits for a period of three years ending in December 2012. The guarantee applies to national banks, branches of foreign banks and foreign deposits.

Sen said the general trend of "chasing deposits" is now over. He said a few banks would still chase deposits but this will have more to do



Nabil Maaloul

with their internal liquidity issues.

Suvo added that retail customers in general are now looking for higher sustained value from their banking relationship rather than only higher deposit rates or lower loan rates.

"In general, we see lesser and lesser number of customers wanting to change banks for the marginally higher interest rate," he said.

UAE banks deposit rates

THE NUMBER

4%

To three per cent are the current deposit rates in the UAE banks, down from the peak of six per cent earlier this year.

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have almost halved to three to four per cent from the peak of six per cent earlier this year. Falling Eibor rates have contributed to the drop in deposit rates. In addition, investors and consumers are keener to put their money in the bank.

"We don't have a diversified asset class in the region. What do you have? We either have the real estate or the stock market. So it is best to keep your money in the bank," said Nabil Maaloul, CEO, Gulf Merchant Bank.

However, although the deposit arena has proved to be better now compared to the first quarter of this year,

Janany Vamadana, banking analyst at HC Securities and Investment, said liquidity in the country remains tight.

She said deposit rates in the UAE remain "competitive" and it is too early to say whether there will be a continuous increase in deposits.

"Deposits in the last quarter was high because banks still offer slightly higher rates," she said.

National Bank of Abu Dhabi CEO Michael Tomalin told Bloomberg that because banks are tight for liquidity, there is still quite a bidding war for deposits, and this is keeping interest rates higher than they should be.