

Citibank sees 'flood' of deposits

DUBAI **Karen Remo-Listana**

Citibank's loan-to-deposit ratio is now "significantly" lower than the Central Bank's 100 per cent mandate, thanks to improved liquidity in the country and flood of deposits from retail customers.

Sanjoy Sen, Citibank's Consumer Bank Head, Middle East, said the bank's loan-to-deposit ratio in the last two quarters of 2008 was higher than required due to a drying up of liquidity and a decrease in deposit volumes.

"In the third and fourth quarters of last year a lot of clients wanted to move out their money from banks but starting from January 2009 there has been a lot of liquidity coming in this market," he told **Emirates Business** in an interview.

"There is a lot of comfort for our clients to put their money with Citibank and now we are running at a liquidity level that is significantly higher than what is required by the regulators."

“

We are running at a liquidity level significantly higher than what is required by the regulators

Sanjoy Sen, Citibank

Sen said in addition to government's deposit guarantee, liquidity is re-entering the market as more and more clients who planed to move their money overseas are bringing it back to the UAE.

"There are signs of revival in this economy, which has to do with Abu Dhabi, Dubai and the Middle East as a whole. Another point is that a lot of money, which previously would have been invested in the property market, is now being put in the bank," he added.

"We are significantly higher than the 1:1 ratio, all our



deposits are getting renewed, we are receiving a flood of new deposits."

The improved liquidity has also helped push down the rates from 5.6-6 per cent in January to the current 3-3.5 per cent on dirham deposits.

"We are offering attractive returns to our customers but we are not paying anything that is out of sync with the market. Those who offer ultra high returns provide signs that they need money desperately," Sen said.

The bank's non-performing loans (NPLs), however, have increased in the first half of

2009, with unbudgeted loss running at single digit higher than expected. But with collection as the frontline strategy of the bank, recovery rates from NPLs on average stand at 25-30 per cent.

"By our norms, losses/NPLs are higher than last year, but we are still at very profitable levels. Compared to the market, we are significantly better. We have seen this cycle in some markets so we have analytics tools to measure against that, to take preventive measures so in troubled times, we are more mature and seasoned players," Sen said.

The bank, which has never had any job cuts, is cutting its operational costs but is not slashing its marketing budgets. It is looking at modest growth in wealth management and SME segments and is expecting a flat/modest growth in other segments.

Citibank, which has five full-fledged banks and five financial centres in the country, will be launching one more financial centre.