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## Fixed deposits still popular amid weak market sentiments

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**PETALING JAYA:** With a liquidity-driven equities rally in full swing, both locally and globally, the point of where people are putting their excess cash may seem moot. Many investors are, however, still cautious about stockmarket investing until those famous "green shoots" of economic recovery become "full blooms".

In the interim, savers are still parking their money in fixed deposits (FD). While two major banks have not seen much change in the tenures of their FD accounts, one is receiving more interest in long-term deposits.

CIMB Bank head of retail banking, Peter England, said customers were still rolling over their FD accounts for almost the same period.

"The most popular tenures for FDs have always been between one and 12 months. At present, we have not seen any major change in the behaviour pattern of our customers," said England.

Alliance Bank Malaysia Bhd group CEO Datuk Bridget Lai said: "At Alliance Bank, there has been no significant change in the FD tenures selected by our customers.

"Our new FD placements are evenly distributed for short- and long-term tenures as each customer's preference depends on his or her cashflow requirement and investment appetite. This is because some affluent customers may be on an opportunistic lookout for investment opportunities," she said.

These include customers with currency exposure who may opt for forex FD, current accounts and savings account (CASA), especially when the ringgit is trending upwards.

On the impact of any changes in customer preference on banks' cost of capital, Lai said banks would adjust their loan-deposit balance accordingly.

"Banks' cost of liquidity depends



Datuk Bridget Lai

on its ability to raise affordable funding and effectively manage its loan-deposit ratio. We analyse the fixed and variable growth for both deposits and loan assets to ensure advantageous opportunities for both the bank and its customers.

"As such, we are still able to offer our customers with attractive products and services while maintaining a reasonable return."

However, she reiterated that Alliance's retail deposits profile had not changed materially over the past year. The bank maintains a larger proportion of deposits versus its loan book to avoid being over-dependent on interbank funding.

Even so, there has been some drop in margins for Alliance.

"In recent months, our margins have narrowed, given the contractual maturity of the FD portfolio, as opposed to the immediate base lending rate re-pricing of our variable-rate loans," said Lai.

"To ensure that we are on track with our deposits strategy, we have come up with some attractive product bundling, which involves deposit offerings and other consumer products."

Meanwhile, EON Bank Bhd is seeing more interest in long-term FDs. In a statement to *StarBiz*, EON Bank said:



Peter England

"We have had many requests for long term FDs especially more than 12 months. Some of our customers are anticipating another downward adjustment of interest rates, so they are looking to place their FDs for longer terms so as not be affected."

However, the bank advised that customers should consider whether they needed funds in the short or long term.

"For example, it is not wise to place funds for long tenures and tie up your savings, if you are likely to need them in the shorter term. If, however, we are not sure when these funds are required, we should then consider placing them in a savings account offering flexibility on withdrawal and earning higher interest," it said.

EON Bank said banks offered a wide variety of deposit options to meet various needs.

Irrespective of whether the customer placed money over the long or short term, the bank would appropriately price the deposit and use it to fund its various needs over different tenures according to its obligations.

"Our business strategy is to make this simple and convenient whilst ensuring customers gain maximum value from their deposit accounts," the bank said.