

Mitsubishi UFJ Financial Group Inc

Japan's MUFG amasses US customer deposits to support expansion

Bank has built up about \$3bn from wealthy clients in Florida, Texas and Illinois

BEN MCLANNAHAN - NEW YORK

Mitsubishi UFJ Financial Group is aggressively gathering deposits in wealthy cities across the US as it seeks sources of steady funds to support its growth plans in the country.

Since February this year Japan's biggest bank has opened new branches in 16 locations across Florida, Texas and Illinois, and this month opened another two in New York. It aims to add another four by the end of the year.

According to Pierre Habis, president of the new banking unit – called PurePoint Financial – the aim is to gather sticky US dollar funding to support activities such as project finance, where the bank is a clear market leader.

Since launching, PurePoint has amassed about \$3bn in customer deposits, according to people familiar with its progress.

“We're an asset generator across the board, from project finance to mortgages to unsecured lending businesses such as credit cards, so it's great to have PurePoint as a funding source,” said Mr Habis, who is also head of consumer banking at MUFG Union, the bank's retail arm in the US.

Senior executives in Tokyo have long said that the bank aims to be among the top 10 lenders in the US, noting that the cost of competing in the world's biggest economy has risen sharply in recent years, with extra layers of regulation.

Most of MUFG's acquisitions to date have been carried out through Union Bank, the San Francisco-based lender it



PurePoint Financial Center on Park Ave. in New York

made a wholly owned unit in 2008. It also owns a 22 per cent stake in Morgan Stanley, acquired during the depths of the financial crisis.

MUFG currently ranks outside the top 20 US banks by assets, with \$151bn at the end of June.

Expansion is costly, however: last month the bank's US holding company reported net income in the second quarter of \$295m, down 12 per cent year on year, thanks largely to a \$51m rise in non-interest expenses.

The bank's determination to build its branch network comes as many big lenders in the US are going the other way, cutting outlets as they try to boost margins.

Citigroup's North American branch count dropped 5 per cent in the second quarter from a year earlier, to 695, while Wells Fargo (5,977) has shut 93 branches this year alone.

For now, PurePoint offers only savings accounts and certificates of deposit, with a minimum account balance of

\$10,000. It plans to increase its product range over time to mortgages, wealth products and unsecured loans.

The branches are small, at about 2,000 square feet, and entirely paperless, according to Mr Habis, who describes the new business as a “hybrid digital bank” designed for “committed savers” among the mass affluent.

PurePoint is offering an instant-access savings account at an annual yield of 1.3 per cent and a one-year certificate of deposit at 1.55 per cent.

Only two banks in the US offer more than that on savings accounts, according to Bankrate.com. The equivalent rates at Bank of America, Citibank and Wells Fargo are 0.01 per cent a year. Chase offers 0.03 per cent.

The two new PurePoint branches in New York are on Park Avenue and in the commuter suburb of Scarsdale, about half an hour north-east of the city. The Westchester-County town is the richest in the US by median income, at \$242,782 in 2015.