

MUFG's Transfer of Union Bank Shares—Limited Impact on Creditworthiness at Present

The following is Japan Credit Rating Agency, Ltd. (JCR)'s opinion on the transfer of MUFG Union Bank, N.A. ("MUB") shares announced by Mitsubishi UFJ Financial Group, Inc. ("MUFG") (security code: 8306) and MUFG Bank, Ltd. (security code: -)

- (1) MUFG and MUFG Bank announced on September 21 that they would transfer all shares in MUB, a regional bank and MUFG's subsidiary owned through the subsidiary in the U.S., to U.S. Bancorp ("USB"), a leading U.S. regional bank group. The share transfer is expected to be completed between January and June 2022. MUB's Retail and Commercial Banking businesses will be transferred to USB, while other businesses such as Global Corporate & Investment Banking business, as well as its assets and liabilities, will be transferred to MUFG Bank's branches or its affiliates. As part of the consideration for the share transfer, MUFG and MUFG Bank will receive about 2.9% of USB's outstanding shares in addition to cash, and will engage in discussions with USB on further business alliances.
- (2) According to MUFG, as a result of the series of transactions, MUFG's common equity Tier 1 ratio (CET1 ratio) will be boosted by approximately 50 basis points with a reduction in risk assets. The gain on the sale of the shares will boost the CET1 ratio by about 10 bps, but the effect is expected to be partially offset by one-time transaction costs. On the other hand, the impact of the acquisition of USB shares on the CET1 ratio is expected to be about 15bps.
- (3) JCR believes that the impact of the series of transactions on the creditworthiness of MUFG Group as a whole will be limited at present. This is because: (i) most recent net income of the businesses to be transferred, although not small at approximately USD 600 million, is limited from the perspective of the MUFG Group as a whole; (ii) surplus capital to be generated will be used for shareholder returns and investments in accordance with the existing capital policy; and (iii) it will take some time for the effects of increased revenue from the use of surplus capital and alliance with USB, on which JCR is focusing, to become apparent.

Kenji Sumitani, Tomohiro Miyao

<Reference>

Issuer: Mitsubishi UFJ Financial Group, Inc.

Long-term Issuer Rating: AA- Outlook: Stable

Issuer: MUFG Bank, Ltd.

Long-term Issuer Rating: AA Outlook: Stable

Issuer: Mitsubishi UFJ Trust and Banking Corporation

Long-term Issuer Rating: AA Outlook: Stable

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