



# Sale of MUFG Union Bank and Investment in Shares of U.S. Bancorp

**September 21, 2021**



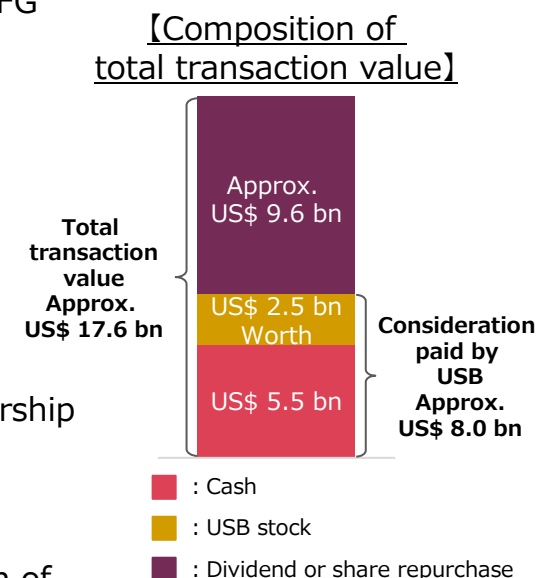
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# Executive summary

- Mitsubishi UFJ Financial Group, Inc. (“MUFG”) reached a definitive agreement with U.S. Bancorp (“USB”) to sell all shares in MUFG Union Bank, N.A. (“MUB”), held through MUFG Americas Holdings Corporation, to USB as the most appropriate decision to unlock MUB’s potential franchise value and contribute to customers and communities in the U.S. as well as to improve MUFG’s capital efficiency and to maximize shareholders’ value of MUFG
- The total transaction value is approx. US\$ 17.6 bn<sup>\*1</sup> and USB will pay a total of approx. US\$ 8.0 bn in the form of cash and stock consideration. MUB will separately release US\$ 9.6 bn<sup>\*2\*3</sup> of capital through a dividend or share repurchase prior to the closing
  - The consideration of approx. US\$ 8.0 bn is 1.28x book value of tangible net assets (estimated value of US\$ 6.25 bn to be delivered at the closing) and 13.5x FY2020 earnings of the in-scope business (US\$ 593 mm<sup>\*4</sup>)
- The composition of the consideration paid by USB is US\$ 5.5 bn of cash and US\$ 2.5 bn worth of USB stock (2.9% ownership<sup>\*5</sup>). MUFG aims to benefit from part of the expected synergies between USB and MUB, and to achieve continued indirect involvement in the U.S. retail and commercial banking businesses through the share ownership in USB. Also, MUFG will discuss forming business alliances with USB
  - USB possesses a strong business foundation as one of the major banks in the U.S., and has strengths in the digital and payment services etc.
- This transaction is a part of the review of the global business portfolio and the optimization of management resource allocation in the U.S. set forth in the current Medium-Term Business Plan (MTBP) to maximize shareholder value by increasing capital efficiency
- The assets and liabilities etc. of MUB’s GCIB<sup>\*6</sup> and Global Markets business to the extent related to GCIB (transactions with clients and investors) as well as certain middle and back office functions etc. will be transferred to MUFG Bank, Ltd. ’s (“MUFG Bank”) U.S. branches or its affiliates prior to the closing, and are not included in the sale. MUFG will focus on corporate transactions through alliances among the bank, the trust bank and the securities firm under MUFG as well as the strategic alliance with Morgan Stanley after this transaction. The importance that MUFG places on the U.S. market remains unchanged
- MUFG’s CET1 ratio is expected to increase as a result of the transaction. The capital released through the transaction will be utilized under the “Capital Triangle” (MUFG’s basic capital policy) and MUFG’s view of capital management



<sup>\*1</sup> Total transaction value is a current estimate and is expected to be adjusted based on the tangible book value at the closing

<sup>\*2</sup> Subject to changes in financial performance etc. of MUB prior to the completion of the share transfer. MUB is under consideration to distribute part of the approx. USD 9.6 billion during CY2021

<sup>\*3</sup> Part of the approx. USD 9.6 billion is to be utilized in the GCIB business etc. <sup>\*4</sup> Internal managerial figure (FY2020)

<sup>\*5</sup> Post-transaction ownership ratio (based on the number of USB shares outstanding as of September 16, 2021)

<sup>\*6</sup> Global Corporate & Investment Banking

# Overview

## Transaction overview

- MUB in-scope (retail and commercial) business sold to USB
- Transaction perimeter<sup>\*1</sup>:
  - US\$ 105.4 bn Assets / US\$ 57.7 bn Loans
  - US\$ 89.9 bn Deposits / 309 Branches
  - US\$ 593 mm Net Income<sup>\*2</sup>
- Out-of-scope business, assets and liabilities: GCIB business and Global Markets business to the extent related to the GCIB business (transactions with clients and investors) etc. will be retained by MUFG (to be transferred to MUFG Bank's U.S. branches or its affiliates prior to the closing)
  - US\$ 22.6 bn Assets<sup>\*1</sup>
- MUFG remains committed to the U.S. market through MUFG U.S. operations and will discuss forming business alliances with USB

## Transaction value and form of consideration

- The total transaction value is approx. US\$ 17.6 bn and is composed of the consideration paid by USB and capital released by the dividend or share repurchase by MUB
- Consideration paid by USB of approx. US\$ 8.0 bn is comprised of cash and USB common stock
  - Cash US\$ 5.5 bn
  - USB common stock US\$ 2.5 bn worth (44,374,155 USB shares, equal to c.2.9% ownership<sup>\*3</sup>)
  - Key Deal Metrics (Consideration of approx. US\$ 8.0 bn)
    - o Price / TBV 1.28x (estimated tangible book value of US\$ 6.25 bn to be delivered at the closing)
    - o Price / Earnings (US\$ 593 mm<sup>\*2</sup>) 13.5x
- MUB plans to separately distribute approx. US\$ 9.6 bn<sup>\*4\*5</sup> through a dividend or share repurchase

## Timeline

- September 21, 2021 Signing of Share Purchase Agreement
- CY2022 H1 (Expected) Closing of the transaction (subject to approvals from relevant regulators and fulfillment of preconditions for the closing)

<sup>\*1</sup> Assets, Loans and Deposits are as of end June 2021. Number of branches is as of end March 2021 <sup>\*2</sup> Internal managerial figure (FY2020)

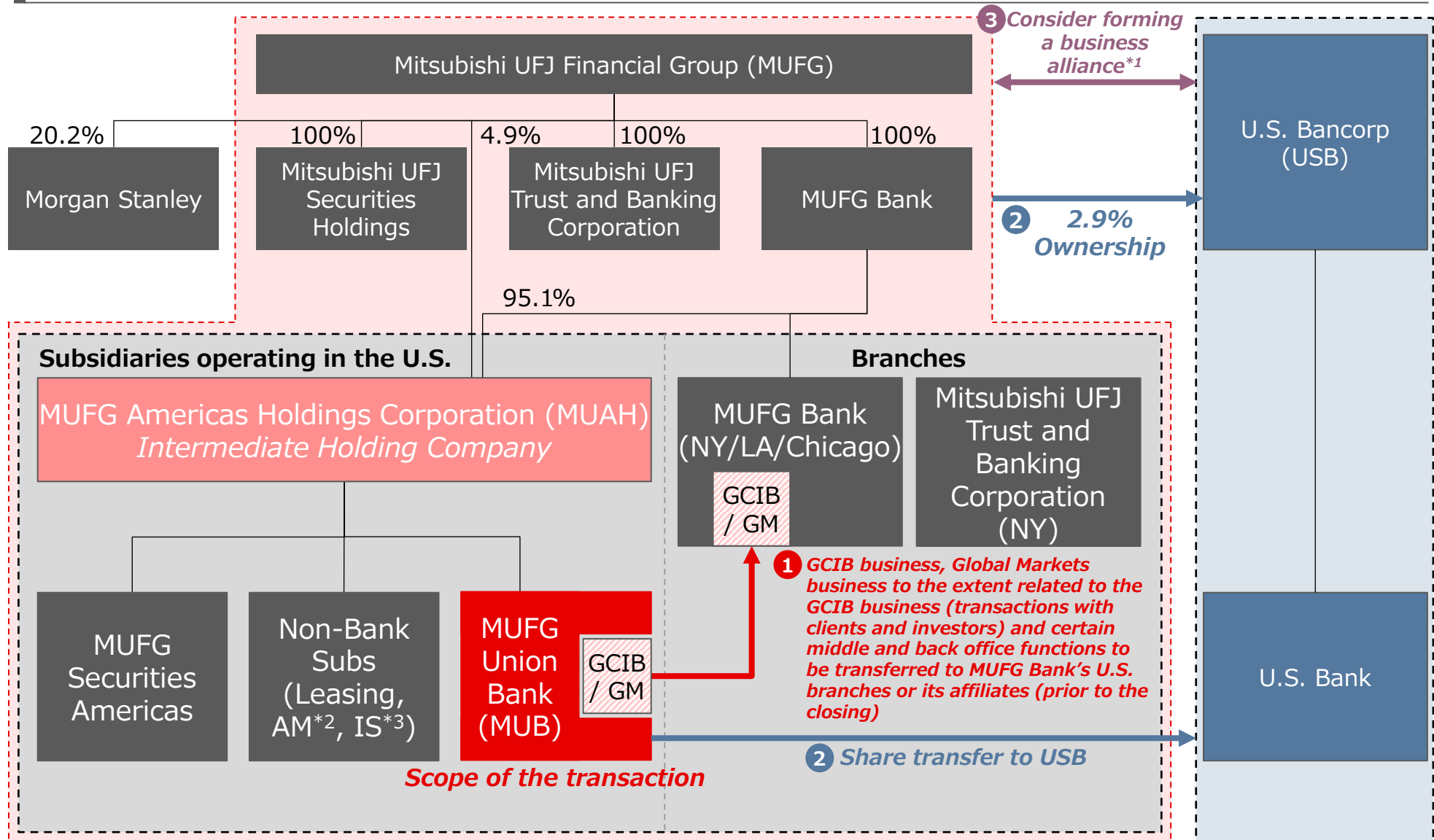
<sup>\*3</sup> Post-transaction ownership ratio (based on the number of USB shares outstanding as of September 16, 2021)

<sup>\*4</sup> Subject to changes in financial performance etc. of MUB prior to the completion of the share transfer. MUB is under consideration to distribute part of the approx. USD 9.6 billion during CY2021

<sup>\*5</sup> Part of the approx. USD 9.6 billion is to be utilized in the GCIB business etc.

# Transaction overview

Certain businesses currently conducted at MUB will be transferred to MUFG prior to the closing



\*1 Plan to discuss forming business alliances with USB after the Share Purchase Agreement is signed

\*2 Asset Management

\*3 Investor Services

# Strategic rationale

## Overseas business portfolio strategy in the current MTBP

### MUFG's major strategy

Reshape global business (Shift to improvement in “quality”)

### The current MTBP

Reshape the existing overseas business portfolio to increase profitability in the next 3 years

Optimization of management allocation through the review of the business portfolio

Continuous consideration of new investments in high growth fields (Digital and global AM/IS etc.)

## Business environment surrounding MUB and future direction

- Increased scale is essential to maintain and strengthen competitiveness due to the need for increased IT investments as part of digital transformation etc.

### Business environment surrounding MUB

Increasing importance of scale and digital investments in retail business areas

Continued low interest rate environment

### Future direction

- Improve capital efficiency by shifting the business portfolio to focus the U.S. business on corporate transactions
- Unlock MUB's potential franchise value by integrating with USB who has a strong platform

# MUFG's overseas business portfolio

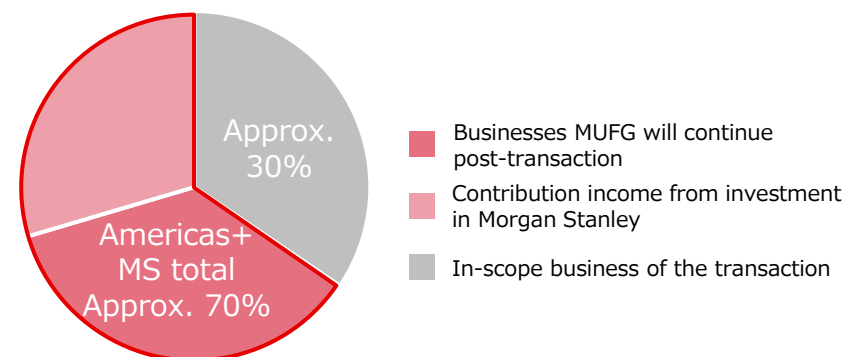
## Strategic importance of the U.S. market remains unchanged

- MUFG will aim for growth and profitability improvement by focusing management resources on corporate transactions through alliances among the bank, the trust bank and the securities firm under MUFG as well as the strategic alliance with Morgan Stanley
- MUFG will still maintain >50% of its Americas business post transaction

### MUFG's U.S. business overview post transaction

Corporate Banking	MUFG Bank
Investment Banking	Deepen collaborations with Morgan Stanley
Wealth Management	MUSA*1. MUFG Bank
Retail & Commercial Banking	New alliance post-closing of the transaction Consider a business alliances with USB
Asset Management & Investor Services	FSI*2·MUFG Investor Services

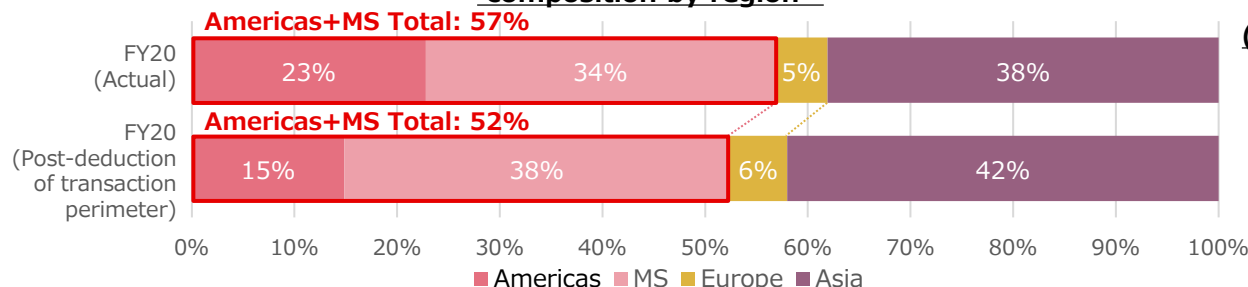
### MUFG's Americas business breakdown \*3\*4 (FY2020)



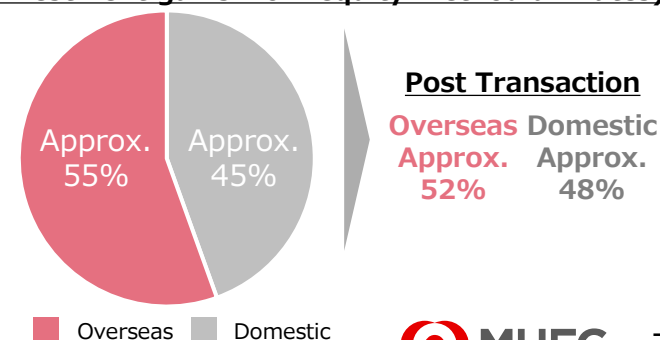
## Review of the overseas business portfolio

- Focus the retail business in Japan and Asia, which has market growth potential and synergies between business groups and partner banks. Specialize in corporate transactions in the U.S. and Europe
- Seek investment opportunities in high growth fields such as digital and AM/IS, and promote the business portfolio strategy

### Net operating profits (MS: investment gains from equity method affiliates) composition by region\*3



### MUFG's overseas business composition\*3\*5 (FY2020, net operating profits (MS: investment gains from equity method affiliates))



\*1 MUFG Securities Americas Inc. \*2 First Sentier Investment \*3 Internal managerial figure

\*4 Proportion of the sum of MUFG's U.S. business' gross profits and investment gains from equity method affiliates from investment in MS. Includes figures of the Bank and the Trust Bank in the U.S.

\*5 Internal managerial figure. (Net operating profits of GCIB and GCB + investment gains from equity method affiliates from investment in MS) ÷ (Net operating profits of customer segments + investment gains from equity method affiliates from investment in MS)

# Overview of USB

## USB is the best partner in the U.S. for both MUB and MUFG's U.S. business

- USB is the 5th largest bank in the U.S.\*<sup>1</sup>, has strengths in the digital and payments areas etc. and has a high level of fee income
- As for MUB, by entrusting its management to USB, MUB can unlock its potential franchise value and provide high quality financial services to its customers
- MUFG aims to ①benefit from the synergies that USB realizes post acquisition of MUB, ②indirect involvement in the U.S. retail and commercial banking businesses (including local payment business) and ③collaborate in businesses with Japanese clients and the digital field through the 2.9% ownership and potential business alliance with USB

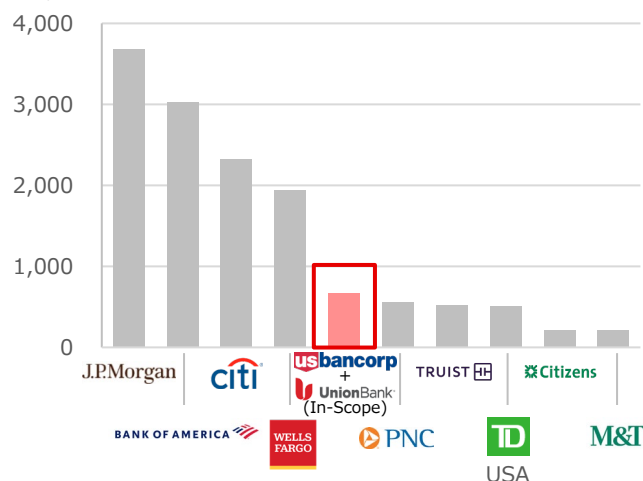
### Overview of USB

Market Data / Rating: As of Sep 20, 2021

CEO & Chairman	Andrew Cecere
Market cap	US\$ 82.6 bn
ROA	1.35% (LTM)
ROTCE	19.75% (LTM)
Ratings* <sup>2</sup>	A2 (Moody's) / A+ (S&P) / AA- (Fitch)
P/'22E EPS* <sup>3</sup>	12.3x
P/TBV* <sup>3</sup>	2.3x

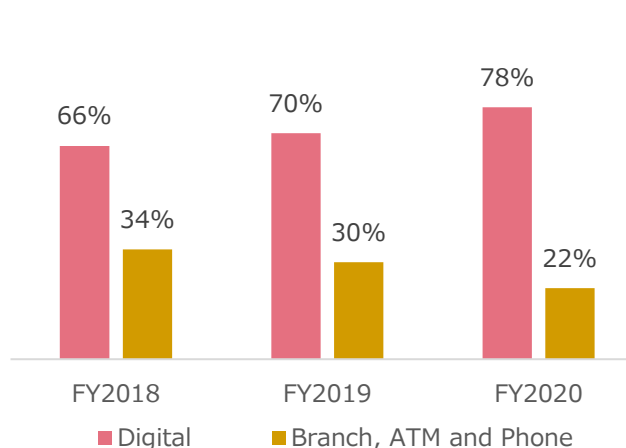
### Total assets of major U.S. banks

US\$ bn / End June 2021\*<sup>4</sup>

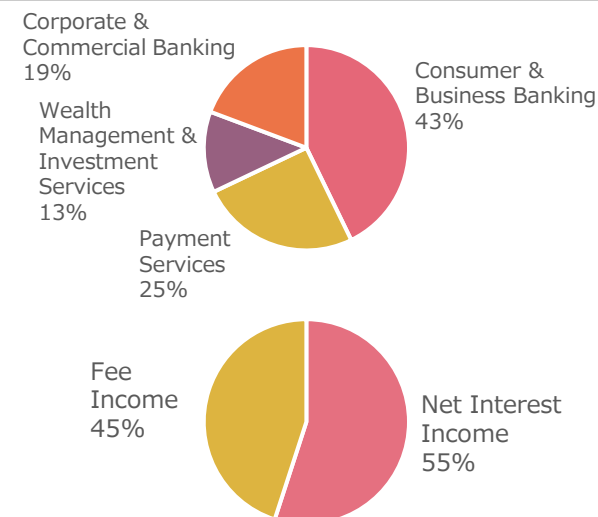


### USB's transaction breakdown: digital adoption trends

% of total transactions



### USB's gross profit mix\*<sup>5</sup> (FY2020)



Source: USB Disclosures, SNL Financial, Capital IQ

\*<sup>1</sup> The rankings within the U.S. are based on USB's total assets after the closing \*<sup>2</sup> Represents long-term issuer rating

\*<sup>3</sup> USB's 2022E EPS is based on analyst consensus, and TBV (tangible book value) is the actual result as of end June 2021

\*<sup>4</sup> Excludes trust, investment, and specialty banks; figures of banks with pending acquisitions as of end June 2021 shown under the assumption that the acquisition is completed (M&T shown in combination with People's United Financial, Citizens shown in combination with HSBC East Coast Branches & Online Deposits and Investors Bancorp)

\*<sup>5</sup> Composition by business excludes Treasury and Corporate Support



# Impact on capital and use of released capital

## Impact on CET1 ratio\*<sup>1</sup> (excl. investment in USB)

Item	Impact on CET1 Ratio
Decrease in RWA	Approx. +50bps
Gain on sale* <sup>2</sup>	Approx. +10bps
Temporary expenses	TBD

## Use of released capital

- Continue involvement in the U.S. retail and commercial banking businesses and gain benefits from the synergies from collaborations through the investment in USB

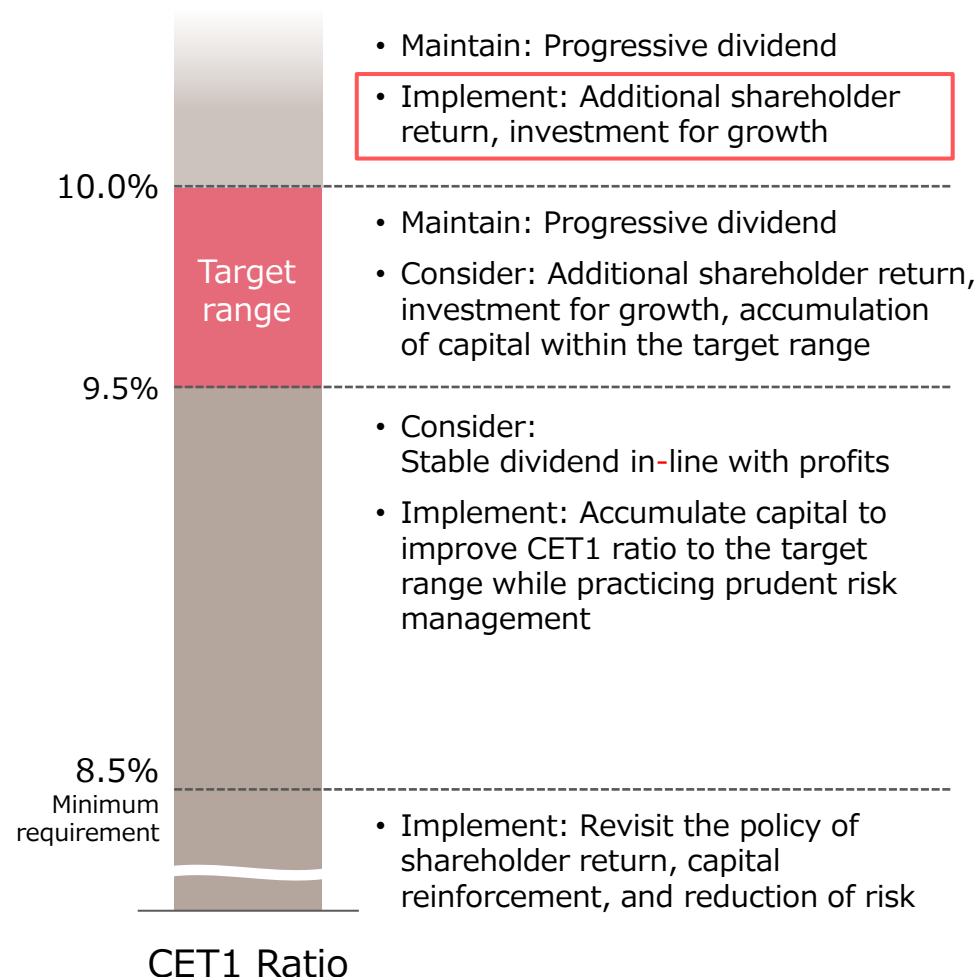
**1** Investment in USB      US\$ 2.5 bn worth (2.9% ownership)  
Impact on CET1 ratio\*<sup>3</sup>: Approx. (15bps)

- Implement “additional shareholder return” and “capital utilization in high growth fields” under the capital management policy in the current MTBP

**2** Shareholder return      Expect to conduct share repurchases post-closing during FY22

**3** Strategic investment      Continue to consider investing in growth areas such as digital and Asset Management / Investor Services

## (Reference) Capital management policy in the current MTBP\*<sup>1</sup>



\*<sup>1</sup> 10.2%: CET1 ratio on the finalized Basel III reforms basis as of end June 2021. Excludes net unrealized gains on AFS securities

\*<sup>2</sup> Post-tax estimate

\*<sup>3</sup> Calculated based on the CET1 capital etc. as of end June 2021. CET1 ratio on the finalized Basel III reforms basis. Excludes net unrealized gains on AFS securities