

# The Americas Strategy

**Mitsubishi UFJ Financial Group**  
**April 2012**

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**This document contains forward-looking statements in regard to forecasts, targets and plans of Mitsubishi UFJ Financial Group, Inc. (“MUFG”) and its group companies (collectively, “the group”). These forward-looking statements are based on information currently available to the group and are stated here on the basis of the outlook at the time that this document was produced. In addition, in producing these statements certain assumptions (premises) have been utilized. These statements and assumptions (premises) are subjective and may prove to be incorrect and may not be realized in the future. Underlying such circumstances are a large number of risks and uncertainties that could cause actual results to differ materially. Please see other disclosure and public filings made or that will be made by MUFG and the other companies comprising the group, including the latest kessantanshin, financial reports, Japanese and U.S. securities reports and annual reports and filings, for additional information regarding such risks and uncertainties. The group has no obligation or intent to update any forward-looking statements contained in this document.**

**In addition, information on companies and other entities outside the group that is recorded in this document has been obtained from publicly available information and other sources. The accuracy and appropriateness of that information has not been verified by the group and cannot be guaranteed.**

**<The Peer Group is comprised of the following 19 banks>**

**Bank of America Corp, JP Morgan Chase, Citigroup, Wells Fargo Co., U.S. Bancorp, PNC Financial Services Group, Inc., SunTrust Banks, Inc., BB&T Corp, Regions Financial Corp, Fifth Third Bancorp, KeyCorp, M&T Bank Corp, Comerica, Inc., Huntington Bancshares Inc., First Niagara Financial Group, Inc., Zions Bancorporation, First Horizon National Corp, Associated Banc-Corp, City National Corporation**

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## Summary

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**Overview of the Americas business**

**The Americas strategy**

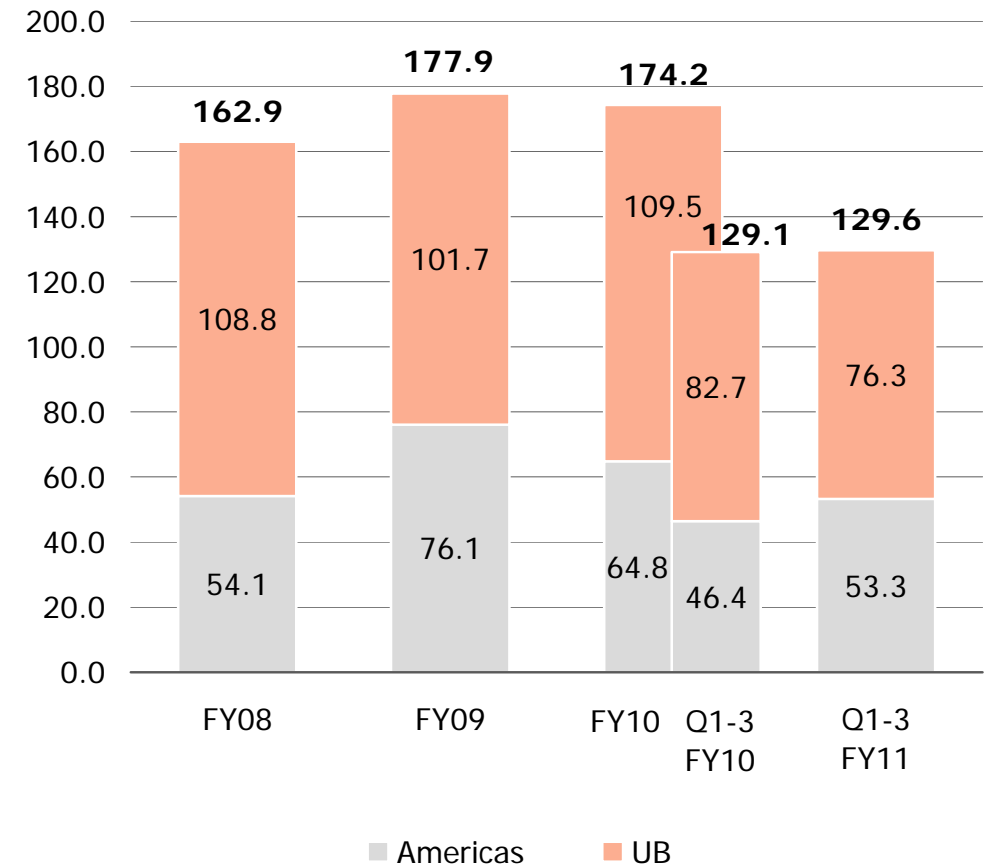
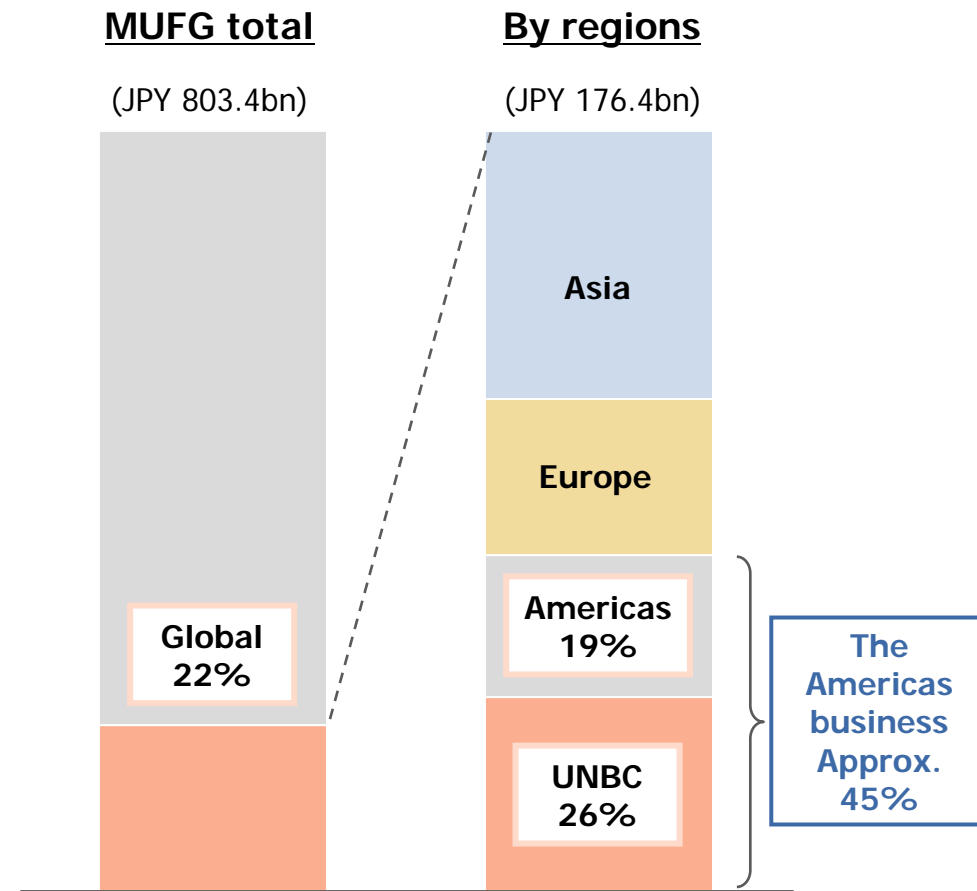
**Regulatory environment**

# Weight of the Americas business within MUFG

- "Global" net operating profits approx. 22% of MUFG's total. The Americas profits approx. 45% of "Global" total.
- More growth of Americas business is one of the key points of overseas strategy

Net operating profits by customer segment (FY11 Q1-3)

The Americas net operating profits (JPY bn) \*1

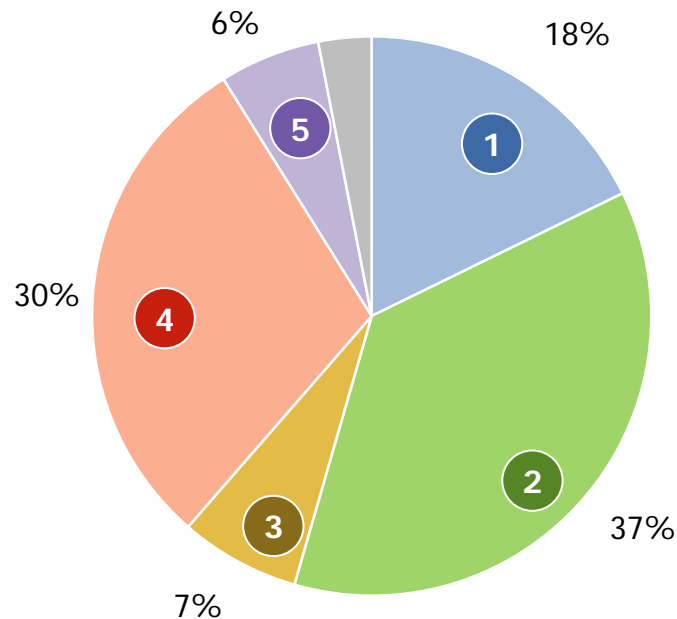


\*1. Exchange rates: Those adopted in our business plan (\$/¥=95, etc.)

# Customer coverage in the Americas

■ Commercial Banking business model with well-balanced customer coverage

Revenues by Segment (Oct-Dec 2011)



- 1 Large corporate customers**
  - Across the U.S.
- 2 Small/Middle corporate customers**
  - Primarily in West Coast (California, Oregon, Washington)
- 3 Asian Corporate**
  - Asian (primarily Japanese) corporate customers
  - Significant customer penetration (Japanese)
  - Across the U.S.
- 4 Retail**
  - 1.05 mn households
  - Primarily in West Coast (California, Oregon, Washington)
- 5 Latin America and Canada**

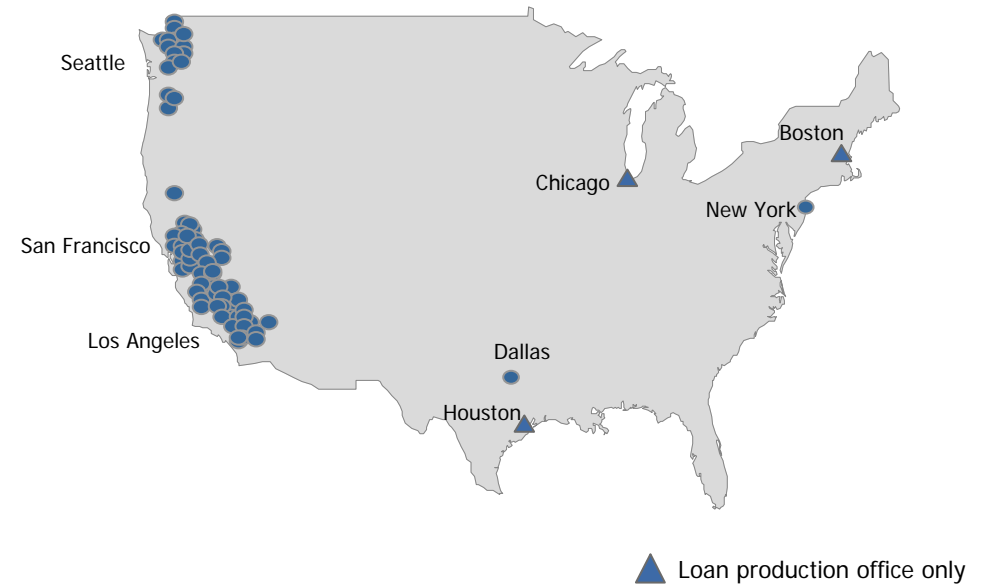
# Extensive network

- BTMU: 17 locations in North America, 7 locations in South America
- UB: 414 branches, mainly in California, good coverage in many desirable west coast

## Network in the Americas



## UB network



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**Overview of the Americas business**



**The Americas strategy**

**Regulatory environment**



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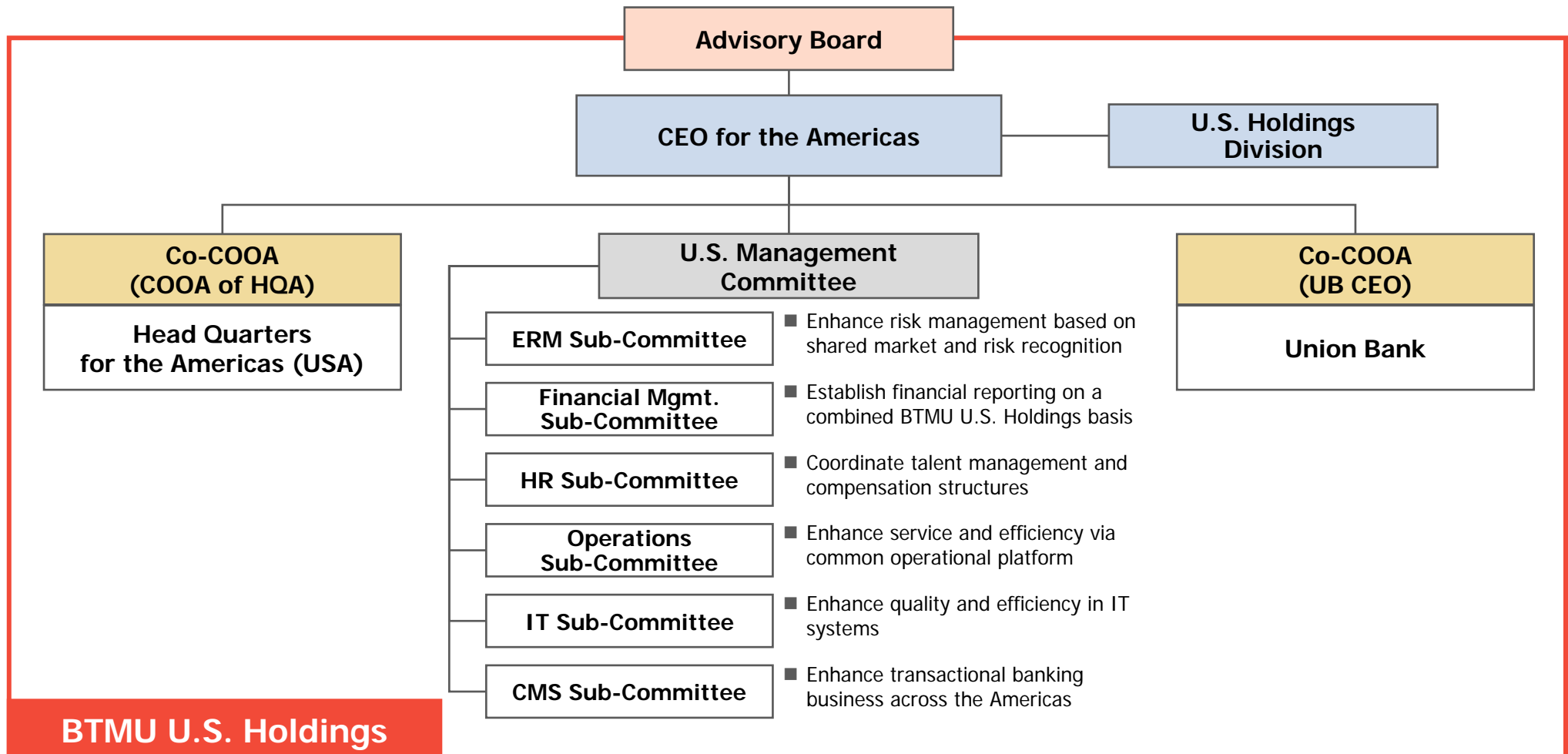
- **BTMU.U.S Holdings**

- Head Quarters for the Americas

- Union Bank

# (1) Organization

- Established on Jul 1, 2011 for enhanced governance and oversight to support large and growing U.S. business.
- Integrated operations of BTMU's Headquarters for the Americas (HQA) and Union Bank (UB) under the single leadership of Chief Executive Officer for the Americas (Single U.S. CEO).



## (2) Achievements

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- **Integrated platform for strategic planning and business promotion, governance and risk management, Infrastructure development and human capital and communication enhancement in the U.S.**

- **Redefined customer segments (large companies, Asia companies including Japanese, mid-ranked/SMEs (commercial), retail customers) and customer coverage to clarify the roles of BTMU HQA and Union Bank. Strengthened business areas where BTMU HQA and UB have competitive advantage through effective use of resources**

- Ranked number one in the project finance league table for the Americas for two consecutive years in 2010-2011. The power & utility segment is the largest contributor where joint marketing has been carried out under MUFG brand
- Integrated CMS and transaction banking platform of BTMU HQA and Union Bank under single leadership (Union Bank's director responsible for corporate deposits)

- **Developed a structure to streamline operations in areas where BTMU HQA and Union Bank had overlapping businesses to seek synergies to improve services and reduce costs**

### (3) Our aspiration in the U.S.

#### BTMU U.S. Holdings "Vision & Aspiration"

**" BTMU U.S. Holdings aspires to achieve a premier position among U.S. banks by becoming one of the top 10 banking groups as measured by size and profitability. "**

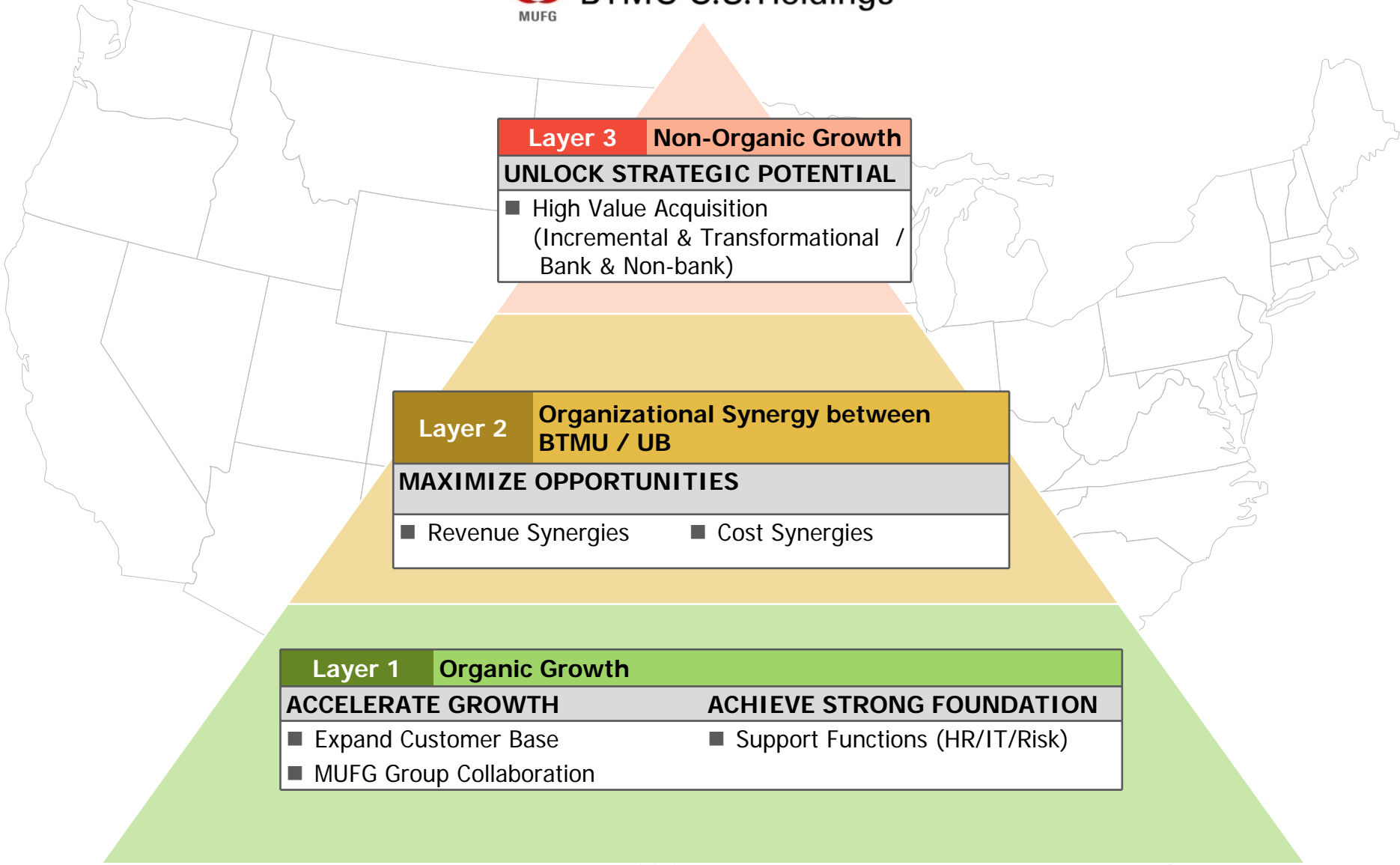
#### Ranking in the U.S. as of Dec 2011

Rank	Bank Holding Company Name	Total Domestic Loans (\$ bn)
1	Bank of America Corp.	869
2	Wells Fargo & Co.	797
3	JPMorgan Chase & Co.	645
4	Citigroup Inc.	390
5	U.S. Bancorp	214
6	PNC Financial Services Group	160
⋮		
10	BB&T Corp.	111
11	Ally Financial Inc.	98
<b>12</b>	<b>BTMU U.S. Holdings</b>	<b>95</b>

Rank	Bank Holding Company Name	Total Domestic Deposits (\$ bn)
1	Bank of America Corp.	957
2	JPMorgan Chase & Co.	852
3	Wells Fargo & Co.	849
4	Citigroup Inc.	343
5	U.S. Bancorp	215
6	PNC Financial Services Group	186
⋮		
10	Capital One Financial Corp.	127
⋮		
<b>16</b>	<b>BTMU U.S. Holdings</b>	<b>81</b>

(Source) SNL

# (4) High level strategy

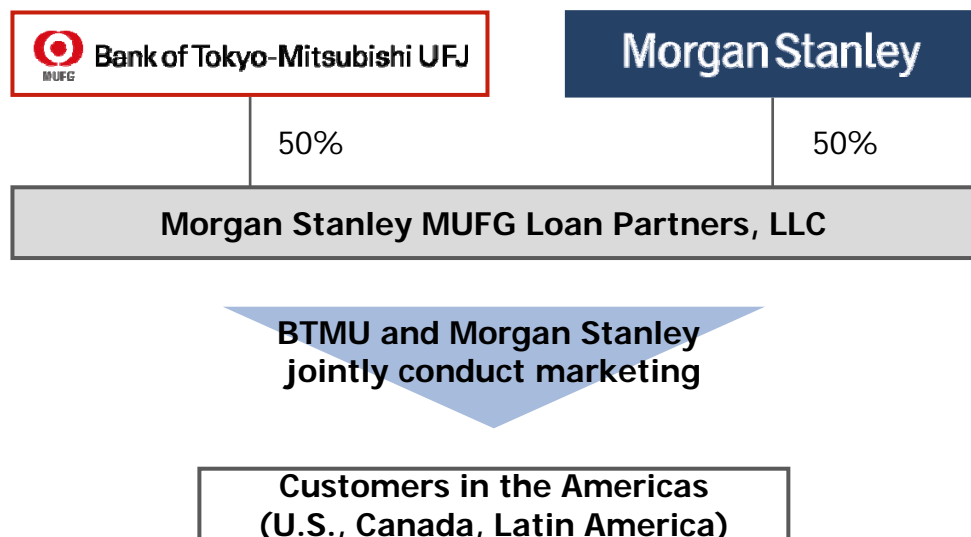


## (5) Alliance with Morgan Stanley

### Alliance with Morgan Stanley in the Americas

#### BTMU and Morgan Stanley

BTMU and Morgan Stanley collaborate through Morgan Stanley MUFG Loan Partners, LLC, a loan marketing joint venture, to provide corporate customers in the Americas with access to world-class lending and capital markets services by leveraging the expertise of MUFG and Morgan Stanley



U.S Syndicated loan (Investment Grade Agent only)			(Jan 2011 to Dec 2011)	
Rank	Bank Holding Company	#	Amount (\$ mn)	Share (%)
1	JP Morgan	600	748,258	18.7
2	Bank of America Merrill Lynch	688	703,640	17.6
3	Citi	267	512,708	12.8
4	Wells Fargo & Company	519	349,960	8.8
5	<b>MUFG+Morgan Stanley</b>	<b>189</b>	<b>212,670</b>	<b>5.3</b>
7	<b>MUFG*1</b>	<b>152</b>	<b>164,295</b>	<b>4.1</b>
14	Morgan Stanley*1	37	48,375	1.2

(Source): Calculated by BTMU based on Loan Pricing Corporation data

\*1. Including U.S. Loans which were not arranged by Morgan Stanley MUFG Loan Partners, LLC

#### UB and Morgan Stanley

UB and Morgan Stanley collaborate through commercial lending and asset management (e.g. marketing of UB investment products through Morgan Stanley Smith Barney's distribution channels).

## (6) Non-organic growth

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- In order to become a top 10 U.S. bank, actively pursue quality acquisition opportunities that meet key strategic and financial criteria

### (Examples of investment criteria)

- Strategic fit
  - Expand geographic reach
  - Improve market share in existing markets
  - Diversify revenue and profit streams
  - Scale benefits
  - Business model fit
- Cost synergies
- Revenue synergies
- Investment return

## (6) Non-organic growth

- In Apr 2010, Union Bank acquired Tamalpais Bank and Frontier Bank through an FDIC-assisted deal
- Union Bank completed the acquisition of both banks as planned, currently transforming commercial mortgage business model to housing loan business model while striving to achieve cost synergies

### Tamalpais Bank

- **Date of acquisition**
  - Apr 16, 2010
- **Assets and liabilities acquired**
  - Assets: USD 0.6 bn (including USD 0.5 bn in loans)
  - Deposits: USD 0.4 bn
- **Branch network**
  - California Marin County: 7 branches
- **Strategic implications**
  - Expansion of branch network and customer base in Marin County having a high concentration of high earners.
  - Enables a smooth entry into the area where branch establishment is highly competitive.



### Frontier Bank

- **Date of acquisition**
  - Apr 30, 2010
- **Assets and liabilities acquired**
  - Assets: USD 3.2 bn (including USD 2.8 bn in loans)
  - Deposits: USD 2.5 bn
- **Branch network**
  - Washington: 47 branches, Oregon: 4 branches
- **Strategic implications**
  - Washington is a highly promising market; market size and population growth ranked high among 50 US states.
  - Establishment of solid branch network in Seattle to create extensive network to cover the entire U.S. West Coast.





## (6) Non-organic growth

- On Mar 12, 2012, UnionBancal Corporation (UNBC) and its primary subsidiary, Union Bank, announced that UNBC has entered into a definitive agreement to acquire Pacific Capital Bancorp, a bank holding company, for USD 46 per share in cash

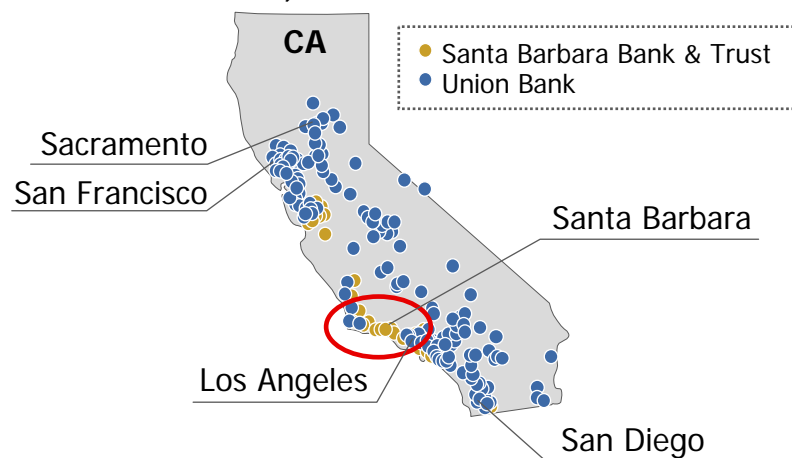
### Pacific Capital Bancorp

#### ■ Outline

- Pacific Capital Bancorp is a NASDAQ-listed bank holding company which owns Santa Barbara Bank & Trust (SBB&T).
- SBB&T is a mid-sized bank operating 47 branches in California's Central Coast area.
- Primary focus is deposits/lending to commercial and small business along with wealth management. Pacific Capital Bancorp retains the top deposit share in Santa Barbara.

#### ■ Branch network

- Operating 47 branches mostly in Santa Barbara (including 4 in-store branches)



#### ■ Assets and liabilities

- Assets: USD 5.9 bn
- Deposits: USD 4.6 bn

#### ■ Deal outline

- Acquisition Price: USD 1,517 mn
- Adjusted tangible book value : USD 941 mn
- Price to adjusted tangible book value: 1.6 times
- Planned closing: fourth quarter of 2012

#### ■ Strategic implications

- Acquisition of a leading bank in Santa Barbara.
- Expansion of retail business and branch network.
- Provision of community-based banking services to customers in Santa Barbara and California's Central Coast area.
- Provision of products and services in commercial and small business lending along with wealth management; expansion of revenue through enhancement of cross-selling and other approaches.

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- BTMU U.S. Holdings

- **Head Quarters for the Americas**

- Union Bank

# (1) Overview

Customer Base	
<b>U.S./ Canadian Corporate</b>	<ul style="list-style-type: none"> <li>■ Primary focus on investment grade customers. Approximately 550 customers</li> <li>■ Stronger tie with UB in wholesale banking business</li> </ul>
<b>Asian Corporate</b>	<ul style="list-style-type: none"> <li>■ Solid Japanese customer base as a biggest Japanese bank</li> <li>■ Customer base recently expanded to Non-Japanese Asian corporates</li> <li>■ 3,500 Asian corporate customers in the U.S. market (Ranked 1st among Japanese Banks)</li> </ul>
<b>Latin American Corporate</b>	<ul style="list-style-type: none"> <li>■ Approximately 150 of existing and prospect Latin American customers</li> <li>■ In Brazil, increase customer base with resource enhancement</li> <li>■ Lima Rep established in Feb 2011 (Chaged Sub-office in Mar 2012) to expand customer base in the Andes</li> </ul>

Management
<ul style="list-style-type: none"> <li>■ CEO for the Americas, Chief Operating Officer for the Americas</li> <li>■ Head of Corporate &amp; Investment Banking</li> <li>■ Head of Asian Corporate Banking</li> <li>■ Chief Risk Officer for the Americas</li> <li>■ Chief HR Officer for the Americas</li> <li>■ Chief Credit Officer for the Americas</li> <li>■ General Manager Planning Division</li> <li>■ Chief Administrative Officer for the Americas</li> <li>■ General Counsel</li> </ul>

Business Lines			
<b>Corporate Banking Division for the Americas No.1</b>	Promote Japanese & Asian corporate business (NY)	<b>Investment Banking Division for the Americas</b>	Promote syndicated loans, asset finance and structured finance in the Americas
<b>Corporate Banking Division for the Americas No.2</b>	Promote Japanese & Asian corporate business (Chicago)	<b>Global Markets Division for the Americas</b>	Promote market business including foreign currency treasury & exchange
<b>Corporate Banking Division for the Americas No.3</b>	Promote Japanese & Asian corporate business (LA and SF)	<b>Overseas branches</b>	Promote Japanese & Non-Japanese corporate business
<b>Corporate Banking Division for the Americas No.4</b>	Promote business with blue-chip Non-Japanese companies mainly included in Fortune 500		

## (2) Overall strategy

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### **Achievement of Stable and Sustainable Growth**

- Expansion of customer base, and enhancement of product line
- Enhanced alliance with MUFG affiliates
- Enhancement of banking model (including local currency deposits)
- Promotion and enhancement of Central and South America business (allocation of resources according to country strategies)

### **Enhancement of Organizational Structure, Infrastructure, and Human Capital across the Americas**

- Development of organizational and governance structures covering the entire Americas
- Enhancement of compliance and risk management structures to accommodate expanding business and tighter regulation
- Drastic reform of local staff management through the establishment of Human Resources Division for the Americas
- Enhancement of communications in the Americas

### (3) U.S. corporate banking strategy

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#### Organic Growth

- Expand client coverage
- Utilize current market challenges to up-tier relationships
- Maximize credit revenue, through increasing quality assets and effectively balancing risk and return

#### Product Development/Expansion

- Continue to develop higher margin products solutions (Supply Chain, Global Financial Solutions)
- Global approach to platform capabilities, close gaps where possible

#### Drive Capital Markets Growth

- Early engagement of DCM and Advisory on Acquisition Finance opportunities
- Tightly integrated coverage with MUS(USA) and Morgan Stanley
- Continue to build platform and capabilities

## (4) Latin America strategy

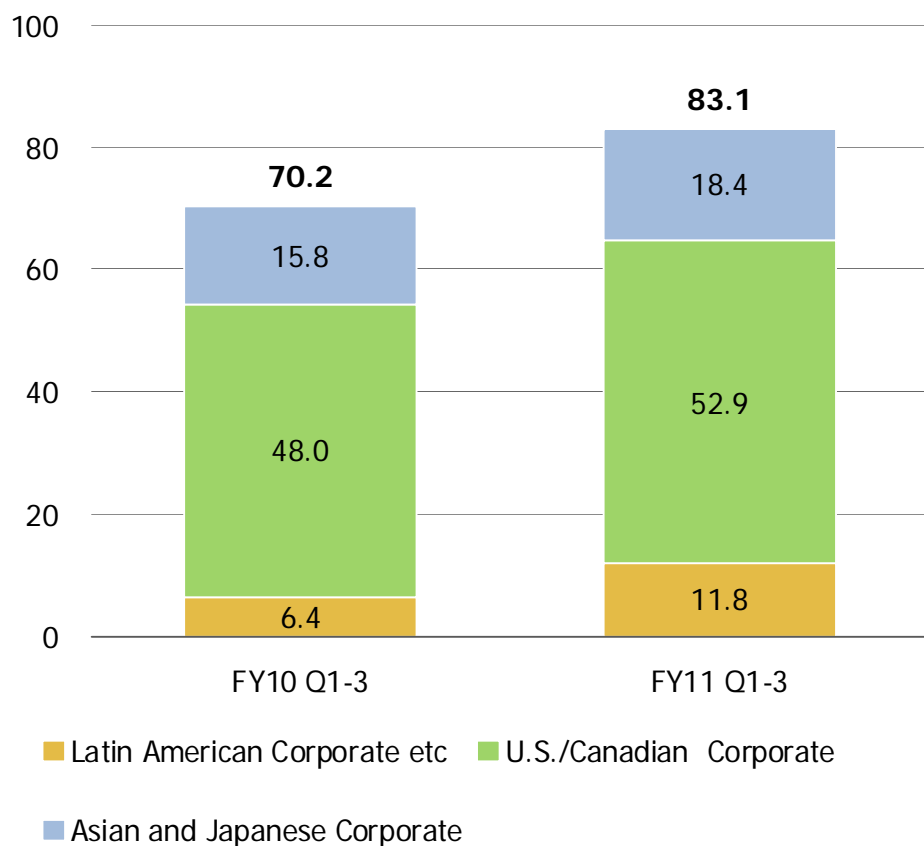
- Business promotion and enhancement are underway in Central and South America based on country-specific strategies by allocating necessary resources and enhancing structures

	Brazil	Mexico	Chile, Argentina, Columbia, Peru, Venezuela
<b>1. Structural Enhancement</b>	1. Made a capital increase of USD 400 mn in Jun 2011	1. Made a capital increase of USD 200 mn in Dec 2011	1. Started marketing activities at Bogota/ Lima rep. offices in Mar 2012
<b>2. Improvement of response to Japanese customer needs</b>	1. Landscape: Growing domestic demand attracting attention globally, Japanese companies reaccelerating entry, existing companies expanding operations 2. Provision of large finance to a Japanese company by raising credit limits per company and using BNDES (Banco Nacional de Desenvolvimento Economico e Social) finance 3. Development of transaction banking business structure	1. Landscape: Japanese companies mainly in the auto sector reaccelerating entry, existing companies expanding operations 2. Provision of large peso denominated finance mainly in long-term operating capital and equipment fund by raising credit limits per company 3. Expansion of wide ranging business (including project finance, transaction banking) by using the capability to provide full banking services	1. Landscape: Japanese companies accelerating activities to secure their interests in resources and energy 2. Use of ECA (Export Credit Agency) finance (resource, infrastructure-related deals)
<b>3. Expansion of prime non-Japanese customer business</b>	1. Landscape: Brazilian companies expanding corporate size, improving financial performance, and gearing towards global expansion 2. Expansion of non-Japanese business building on BTMU's unique strength 3. Enhancement of approaches to companies related to resources, commodities, and infrastructure projects to leverage BTMU's solid global network and product line	1. Landscape: Mexican companies expanding corporate size/improving financial performance, those who have survived fierce domestic competition gearing towards overseas expansion 2. Expansion of global transactions and acquisition of ancillary business by (1) building loan relations (peso, USD) with Mexican companies planning to expand into Asia and (2) supporting their overseas expansion using a business model used for Japanese companies' overseas expansion	1. Landscape: Companies in sectors ranging from oil & gas, utilities, and metal resources and mine expanding business volume 2. Enhancement of approaches by effectively using project finance (non-Japanese resources, sovereign's electric power equipment deals) and syndicated loans (non-Japanese)

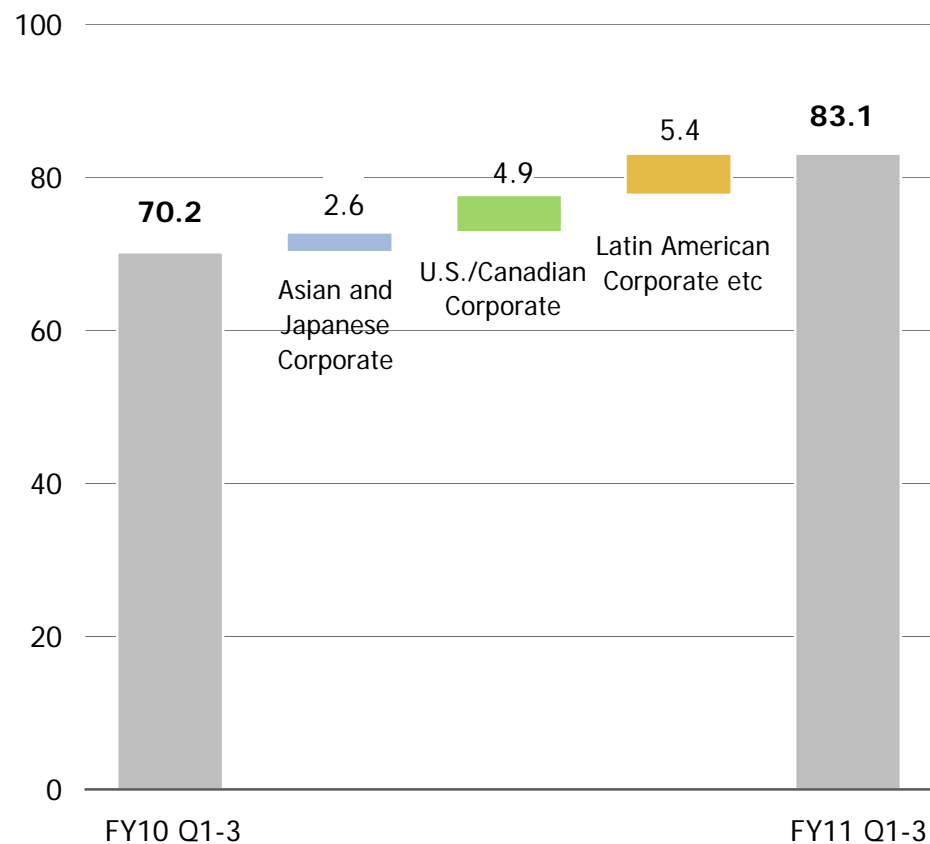
## (5) Financial results Outline of results by business segment

- Gross profits FY11 Q1-3 increased in all segments compared to FY10 Q1-3
- The main drivers were increase of Non-Japanese CIB business (syndicate loan, project finance), and Latin America business

Gross profits by segment (JPY bn)<sup>\*1</sup>



Breakdown of changes in gross profits (JPY bn)<sup>\*1</sup>

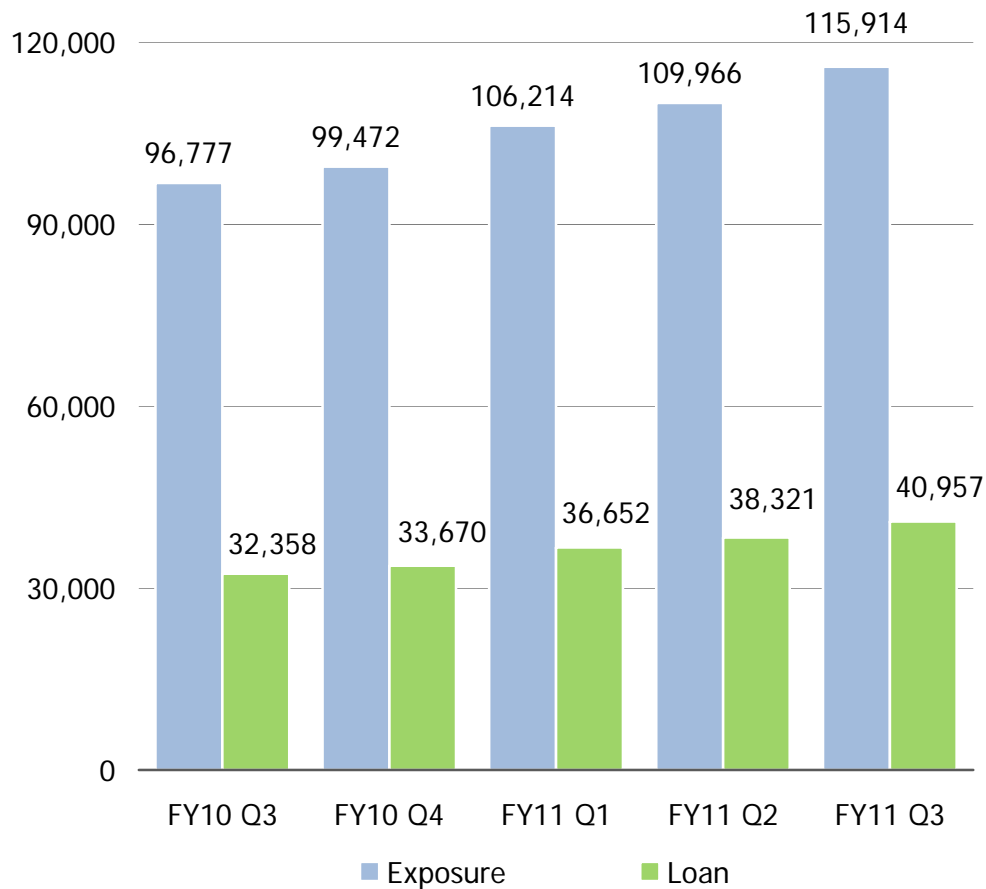


\*1. BTMU consolidated. Exchange rates: Those adopted in our business plan (\$/¥=95, etc.)

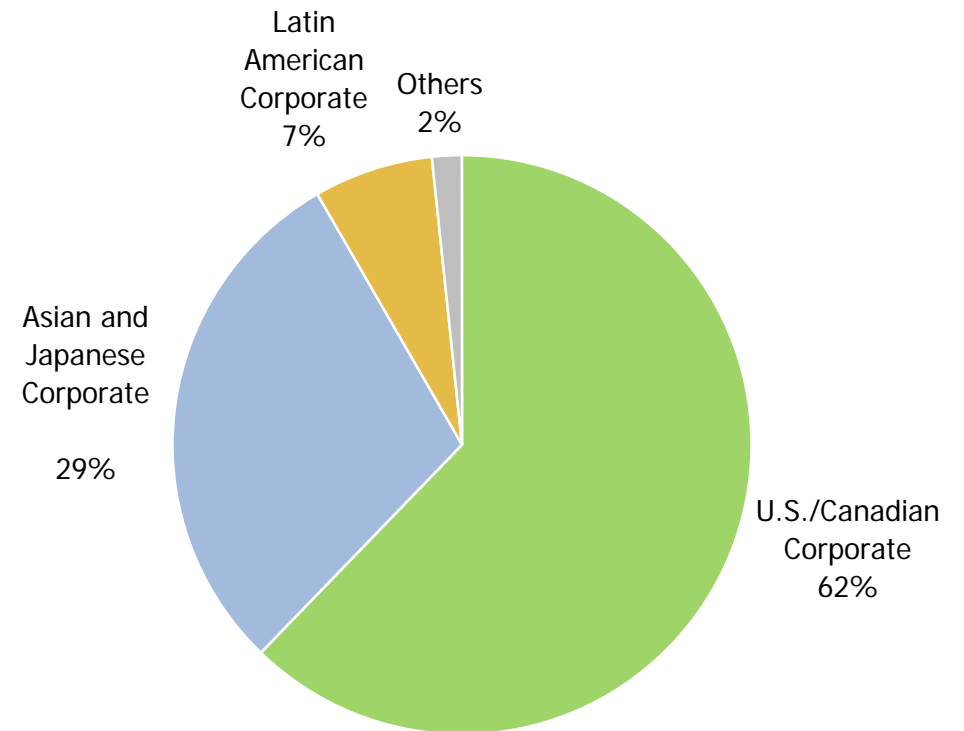
## (5) Financial results Exposures(Loan, Commitment, LC, Securitization)

- FY11 Q3 exposures increased 20% from FY10 Q3
- 62% U.S. and Canadian corporate, 29% Asian and Japanese corporate, 7% Latin American corporate

Average exposures balance / Average loan balance (\$ mn)



Exposures by segment\*1



\*1. Average balance for FY11 Q3



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■ BTMU U.S. Holdings

■ Headquarters for the Americas

■ **Union Bank**

# (1) Overview Company profile and history

- The second largest bank headquartered in California, with approximately 150 years of history



UB Company Profile*1	
Head office	San Francisco
Branches	414 (mainly in California)
Employees	10,437
Total assets	USD 89.6 bn / JPY 7.4tn
Total loans	USD 53.5 bn / JPY 4.4tn
Total deposits	USD 64.4 bn / JPY 5.2tn
Net business profits	USD 879 mn / JPY 72.1bn
Net Income	USD 778 mn / JPY 63.8bn

History	
1864	■ The Bank of California established as the first commercial bank in the west coast of the USA
1883	■ First National Bank of San Diego (later changed its name to Southern California First National Bank) established
1914	■ Kaspare Cohn Commercial and Savings Bank (later changed name to Union Bank) established
1975	■ Bank of Tokyo California acquired Southern California First National Bank to form California First Bank
1984	■ The Mitsubishi Bank acquired The Bank of California
1988	■ California First Bank acquired Union Bank (Union Bank name retained)
1996	■ As a result of the merger of The Mitsubishi Bank and The Bank of Tokyo, The Bank of California and Union Bank merged to form Union Bank of California
2008	■ Became a wholly owned subsidiary of BTMU and Bank name was changed to Union Bank

\*1. Figures are for FY11 or as of end of FY11, converted at 82 yen to a dollar

## (1) Overview Ranking in the U.S.

■ Ranked 21st in the U.S. and 4th in California in terms of total deposits as of Jun 2011

Ranking in the U.S.*1		
	Bank name	Total deposits (\$ bn)
1	Bank of America	949
2	Wells Fargo	761
3	JPMorgan Chase Bank	743
4	Citibank	318
5	U.S. Bank	198
6	PNC Bank	181
⋮		
10	The Bank of New York Mellon	106
⋮		
<b>21</b>	<b>Union Bank</b>	<b>56</b>

(Source) SNL

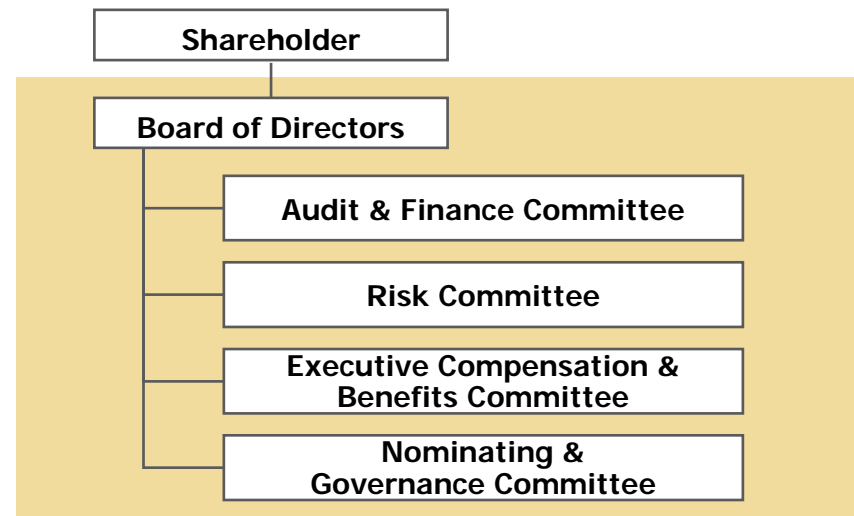
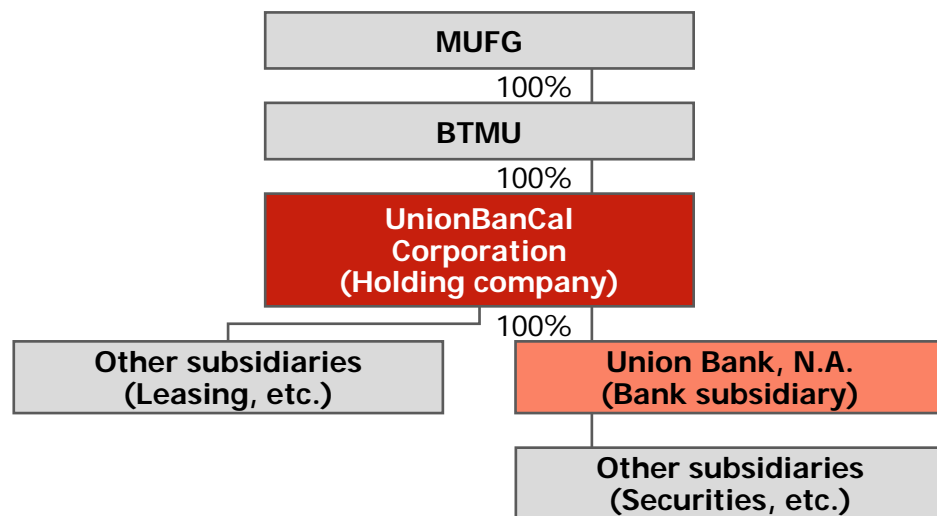
\*1. As of end Jun 2011

Ranking in California*1		
	Bank name	Total deposits (\$ bn)
1	Bank of America	226
2	Wells Fargo Bank	172
3	JPMorgan Chase Bank	65
<b>4</b>	<b>Union Bank</b>	<b>53</b>
5	Citibank	45
6	U.S. Bank	31
7	Bank of the West	26
8	City National Bank	18
9	Onewest Bank	16
10	First Republic Bank	15

(Source) FDIC

## (2) Organization Corporate governance

- UnionBanCal's Board of Directors has 15 members, 11 of which are independent
- Established 4 committees under the Board, all chaired by independent directors
- Committed to good disclosure, including voluntarily issuing quarterly earnings releases
- Filing quarterly and annual financial statements with the SEC



### Directors

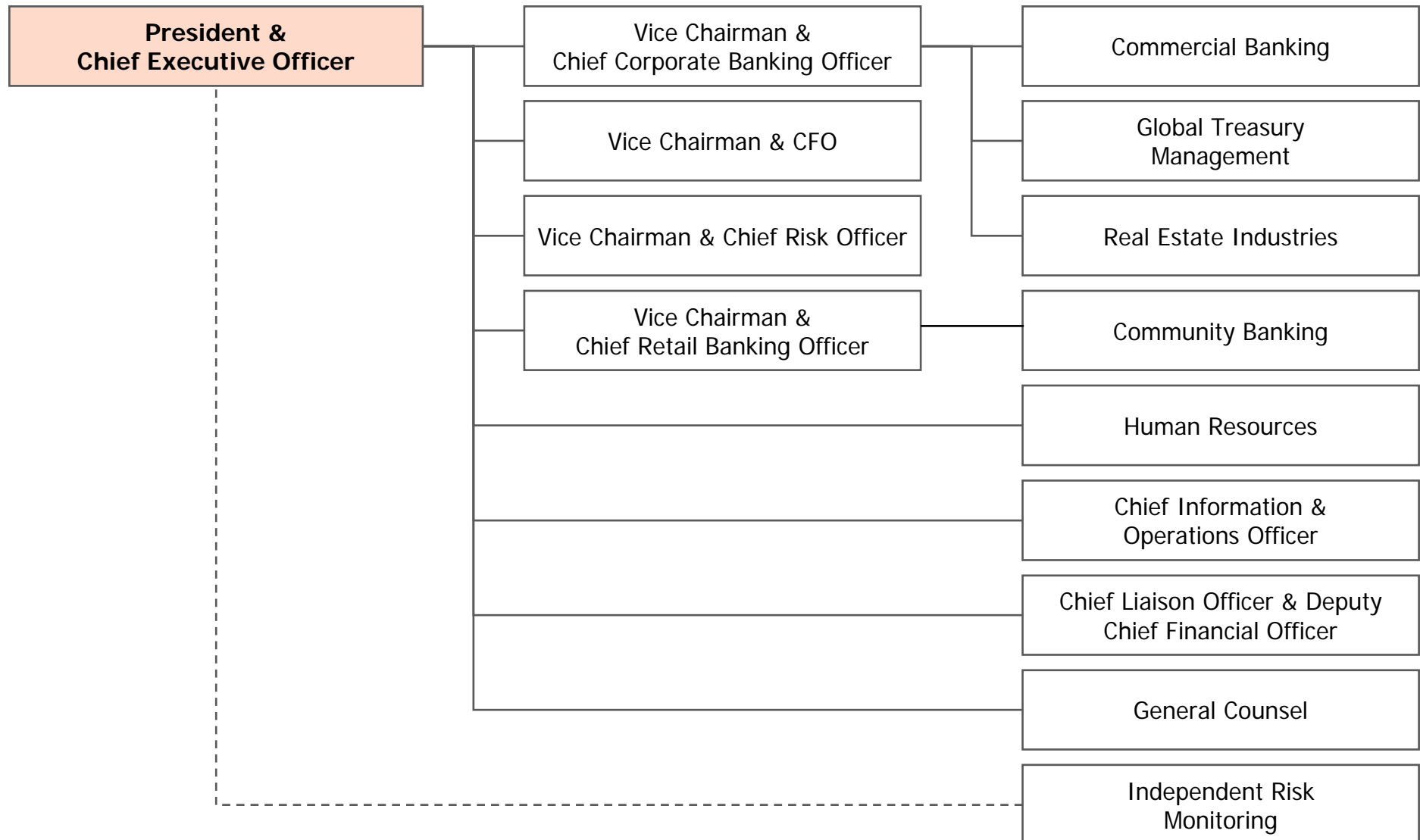
- Nobuo Kuroyanagi (UnionBanCal Corp director only)
- Tatsuo Tanaka (Deputy president of MUFG)
- Masaaki Tanaka (Senior Managing Executive officer, BTMU)
- Masashi Oka (President & CEO)

### Independent Directors

- Aida Alvarez (former Administrator, Small Business Administration)
- David Andrews (retired SVP, Governmental Affairs, General Counsel & Secretary, PepsiCo, Inc.)
- Nicholas Binkley (Partner, Forest Binkley & Brown)
- Dale Crandall (President, Piedmont Corporate Advisors, Inc.)
- Murray Dashe (retired Chairman, CEO & President, Cost Plus, Inc.)
- Mohan Gyani (Vice Chairman, Roamware, Inc.)
- Christine Garvey (former global head of Corporate Real Estate & Services, Deutsche Bank AG)
- Takeo Hoshi (Professor, University of California, San Diego)
- Fernando Niebla (President, International Technology Partners, LLC)
- Barbara Rambo (CEO, Taconic Management Services)
- Dean Yoost (retired Partner, PriceWaterhouseCoopers)

## (2) Organization Management team

- A U.S.-based management team of mostly American executives
- Executive Committee members:



### (3) Business characteristics

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- Portfolio is well balanced between corporate and retail segments

#### **Retail Bank (Approximately One-Third of Revenue)**

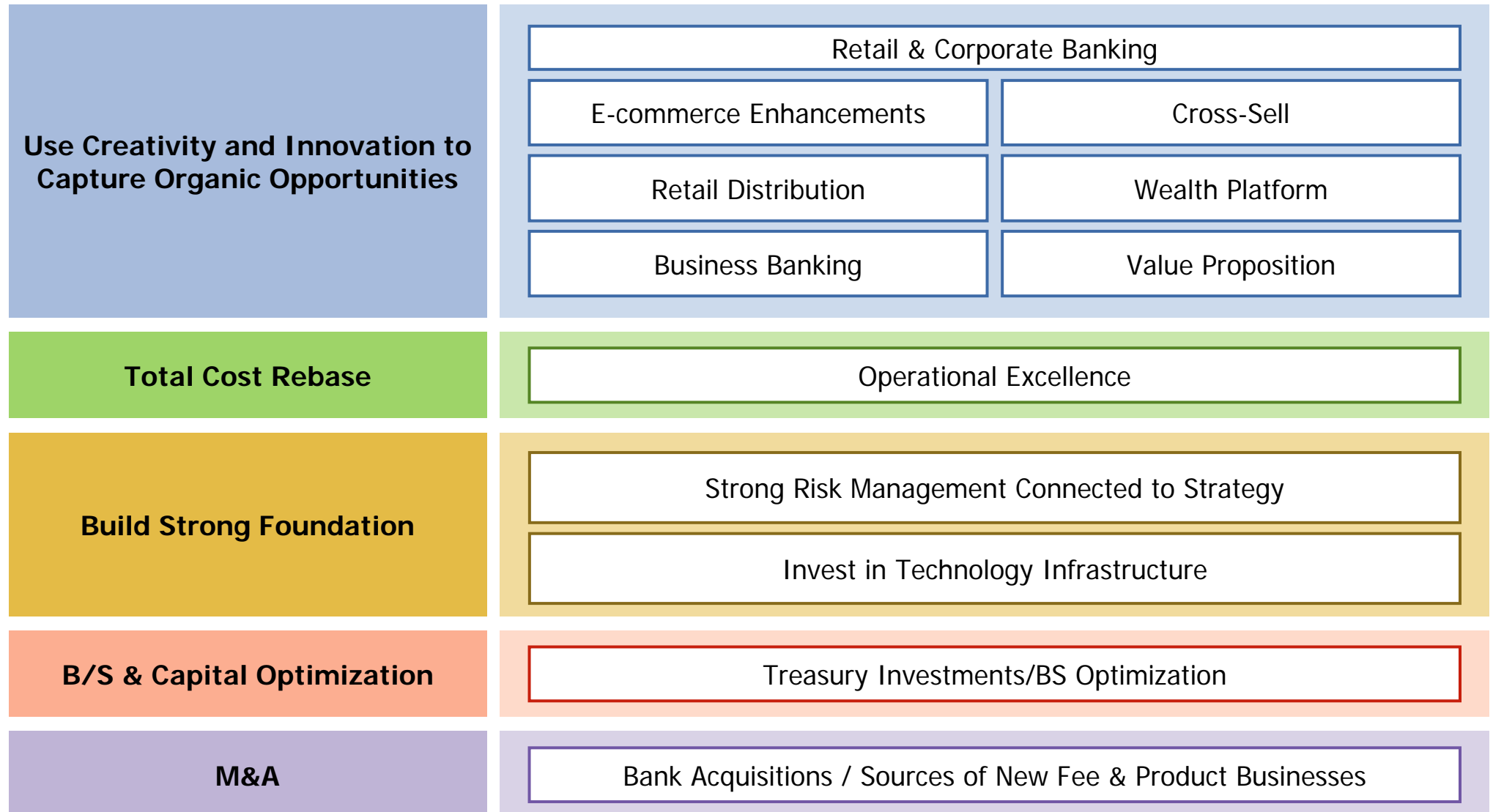
- Deposit and lending products for individuals and small businesses, served primarily through our branches and online banking
- Products include mortgages, home equity lines of credit, small business loans and a broad array of personal and business deposit and investment products
  - Serves approximately 1.05 mn households and small businesses
  - High-touch, high-quality customer service
  - High-quality residential mortgage portfolio

#### **Corporate Bank (Approximately Half of Revenue)**

- Offers a wide array of credit and non-credit products to a variety of customer segments including a focus on the wealth market, as well as middle market and corporate businesses headquartered throughout the U.S.
- Lending activities also centered around several specialized industries such as power and utilities, real estate, technology, healthcare, petroleum as well as general corporate lending in various U.S. regional markets
- Broad product categories:
  - Capital Markets
  - Treasury Management Services
  - Brokerage
  - Asset Management

## (4) Strategy

- Union Bank will use “Strategic Levers” to make focused changes to its business model and address the new operating environment



## (5) Financial results for FY11 Income statement summary

<b>Pre-tax, pre-provision income</b>	<ul style="list-style-type: none"> <li>■ Net interest income increased primarily due to: <ul style="list-style-type: none"> <li>● Higher loan volumes in both corporate and retail banking</li> </ul> </li> <li>■ Noninterest income decreased primarily due to: <ul style="list-style-type: none"> <li>● Declining deposit fees due to regulatory pressures , an industry-wide challenge</li> <li>● Lower gains on the sale of securities (related to gains in FY10 from securities portfolio re-balancing)</li> </ul> </li> <li>■ Operating expenses increased primarily due to: <ul style="list-style-type: none"> <li>● Increase in salaries and employee benefits expense, including acquisition and productivity initiative costs</li> <li>● The increase was partially offset by reduction in significant one-time charges recorded in FY10 and reduction in regulatory assessment expense</li> </ul> </li> <li>■ Pre-tax pre-provision income down 10% due to lower noninterest income</li> </ul>
<b>Provision for loan losses</b>	<ul style="list-style-type: none"> <li>■ Total provision for credit losses was a benefit of USD 202 mn due to improvement in credit quality throughout the portfolio</li> </ul>
<b>Net income</b>	<ul style="list-style-type: none"> <li>■ Strong growth in FY2011 with net income of USD 778 mn</li> </ul>

Consolidated Income Statement (\$ mn)			
	FY10	FY11	Change
1 <b>Total revenue</b>	3,347	3,294	(53)
2 <b>Net interest income</b>	2,424	2,478	54
3 <b>Noninterest income</b>	923	816	(107)
4 <b>Service charges on deposits accounts</b>	250	228	(22)
5 <b>Trust and investment management fees</b>	133	132	(1)
6 <b>Merchant banking fees</b>	83	97	14
7 <b>Brokerage commissions and fees</b>	40	47	7
8 <b>Card processing fees, net</b>	41	37	(4)
9 <b>Trading account activities</b>	111	126	15
10 <b>Securities gains, net</b>	105	58	(47)
11 <b>Noninterest expense</b>	2,372	2,415	43
12 <b>Salaries and employee benefits</b>	1,230	1,385	155
13 <b>Other than above</b>	1,142	1,030	(112)
14 <b>Pre-tax, pre-provision income</b>	975	879	(96)
15 <b>Provision for loan losses</b>	▲182	202	384
16 <b>Income (loss) before income taxes and including noncontrolling interests</b>	793	1,081	288
17 <b>Net income (loss)</b>	573	778	205

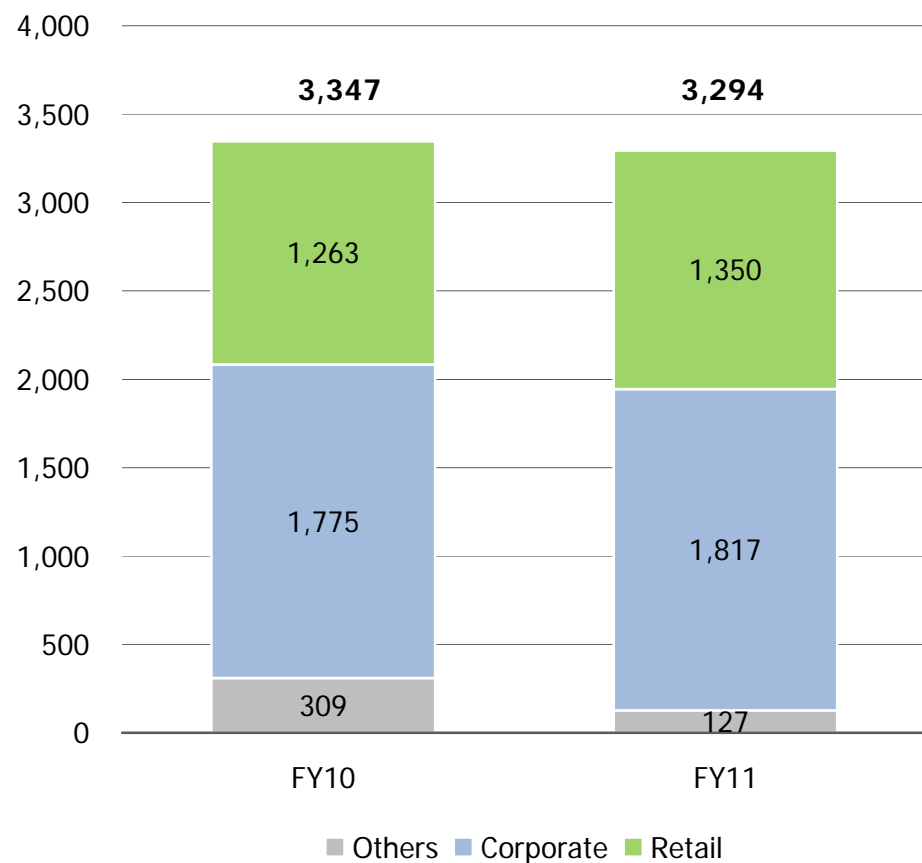


## (5) Financial results for FY11 Outline of results by business segment

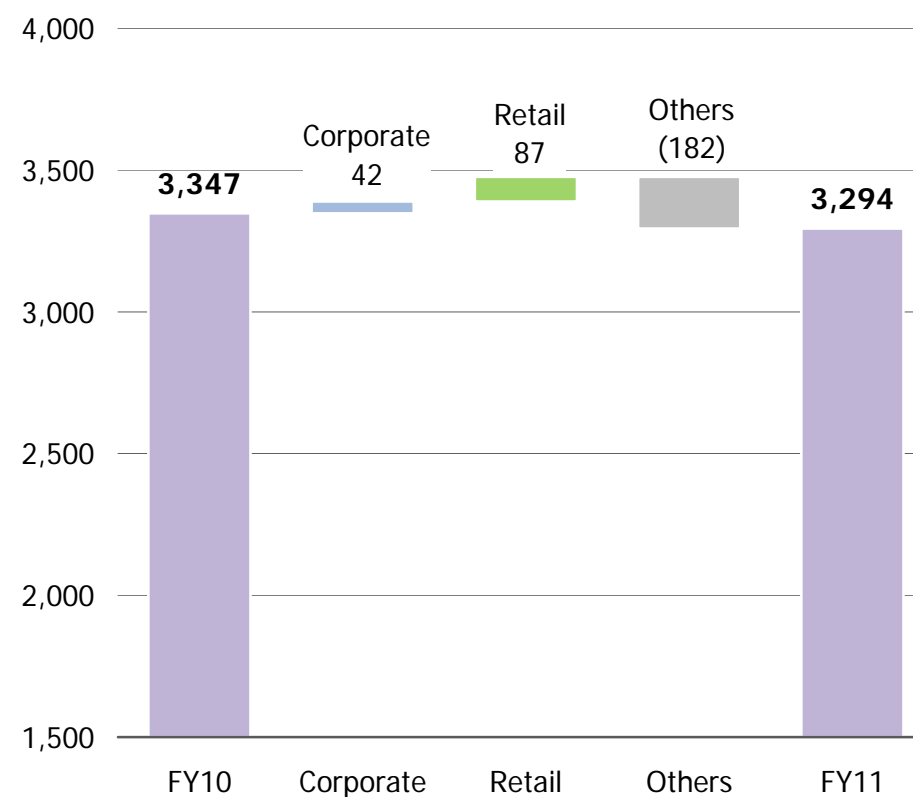
■ Total revenue increased for corporate and retail segments from FY10 to FY11:

- Corporate and retail revenue growth driven primarily by increased interest income due to loan growth
- Other revenue decreased primarily as a result of lower gains on the sale of securities

Total revenue by segment (\$ mn)



Breakdown of changes in total revenue (\$ mn)



## (5) Financial results for FY11 Balance sheet summary

<b>Loans</b>	<ul style="list-style-type: none"> <li>Increased due to loan growth across most loan categories, reflecting improved lending conditions in FY11</li> </ul>
<b>Securities</b>	<ul style="list-style-type: none"> <li>Year-end balance increased due to increase in government sponsored agencies and commercial mortgage-backed securities</li> </ul>
<b>Deposits</b>	<ul style="list-style-type: none"> <li>Year-end balance increased partially due to increase in non-interest bearing deposits</li> </ul>
<b>Non-performing assets</b>	<ul style="list-style-type: none"> <li>NPA levels improved as economy strengthened and asset quality improved across the board</li> <li>NPA ratio*<sup>1</sup> continued to improve to 0.70%, favorable compared to peers</li> </ul>

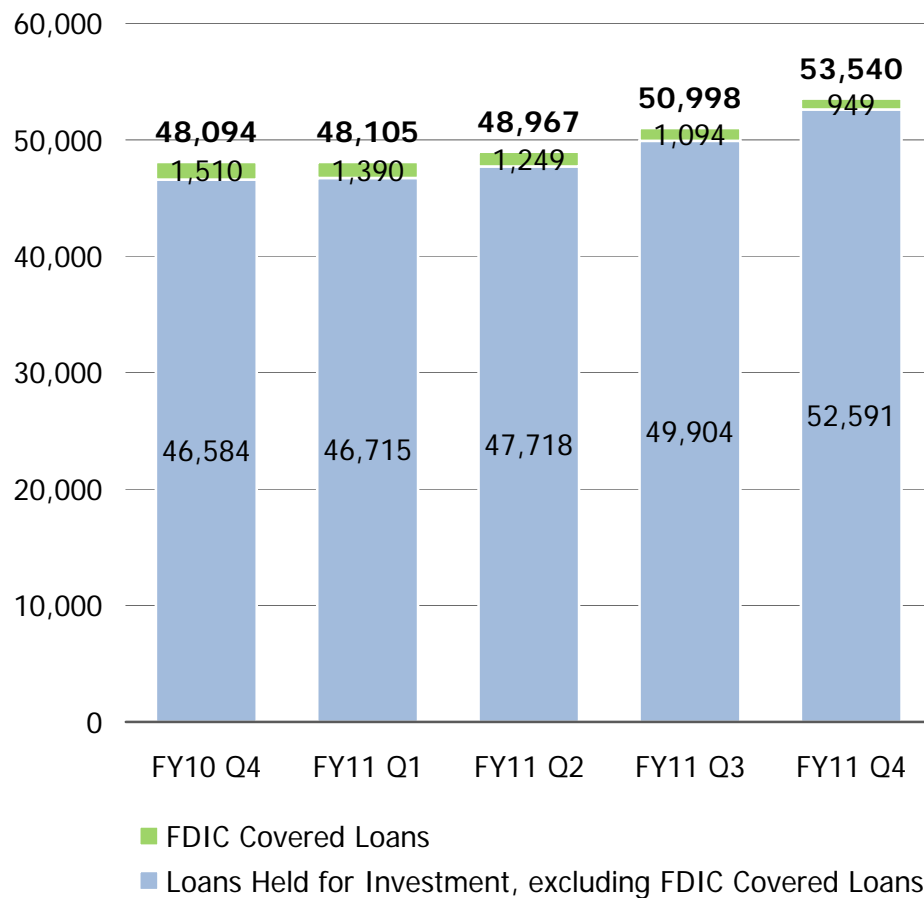
Consolidated Balance Sheet (\$ mn)			
	End Dec 2010	End Dec 2011	Change
1 <b>Total assets</b>	79,097	89,676	10,579
2 <b>Loans</b>	48,094	53,540	5,446
3 <b>Securities</b>	22,114	24,106	1,992
4 <b>Available for sale</b>	20,791	22,833	2,042
5 <b>Held to maturity</b>	1,323	1,273	(50)
6 <b>Total liabilities</b>	68,706	77,846	9,140
7 <b>Deposits</b>	59,954	64,420	4,466
8 <b>Noninterest bearing</b>	16,343	20,598	4,255
9 <b>Interest bearing</b>	43,611	43,822	211
10 <b>Total equity</b>	10,391	11,830	1,439
11 <b>Net interest margin</b>	FY10 3.24%	FY11 3.38%	0.14%
12 <b>Nonperforming assets</b>	1,142	782	(360)
13 <b>Nonperforming assets to total assets*<sup>1</sup></b>	1.15%	0.70%	(0.45%)

\*1. Excluding FDIC covered assets

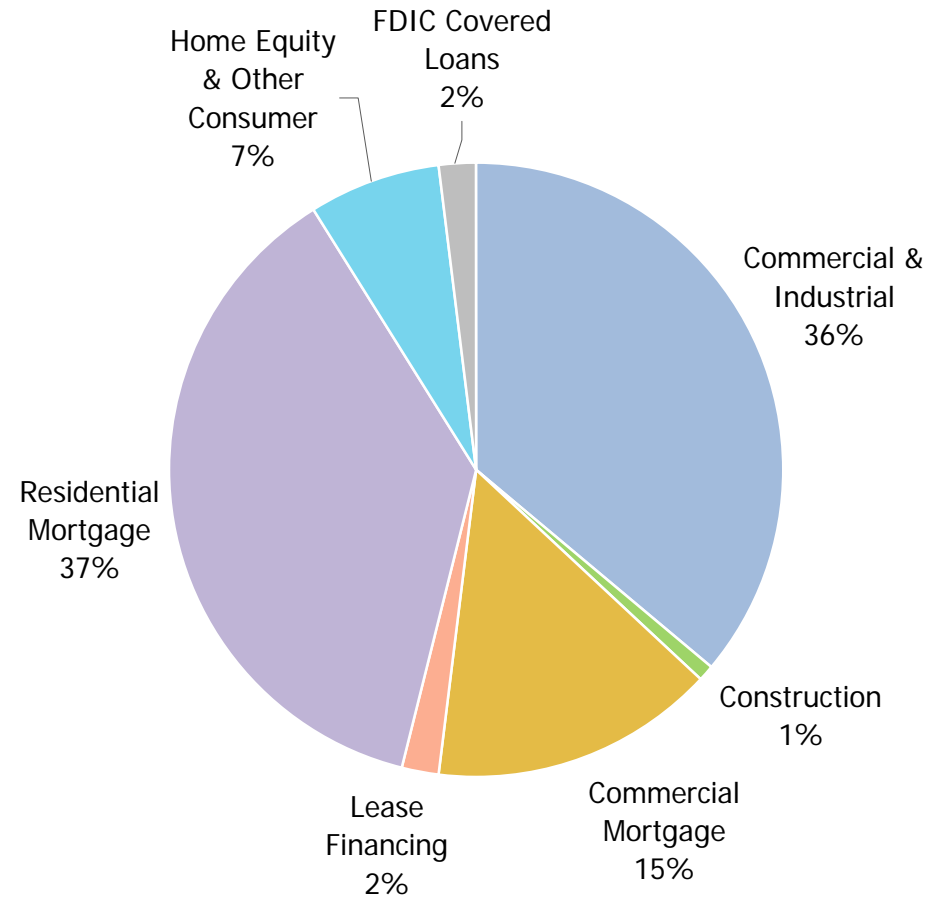
## (5) Financial results for FY11 Loans

- Strong 11% loan growth during FY11 reflects franchise strength and balance
- UB has a well-balanced loan portfolio with a relatively low concentration in CRE

Period-end Loans (\$ mn)



Loan Portfolio\*<sup>1</sup>

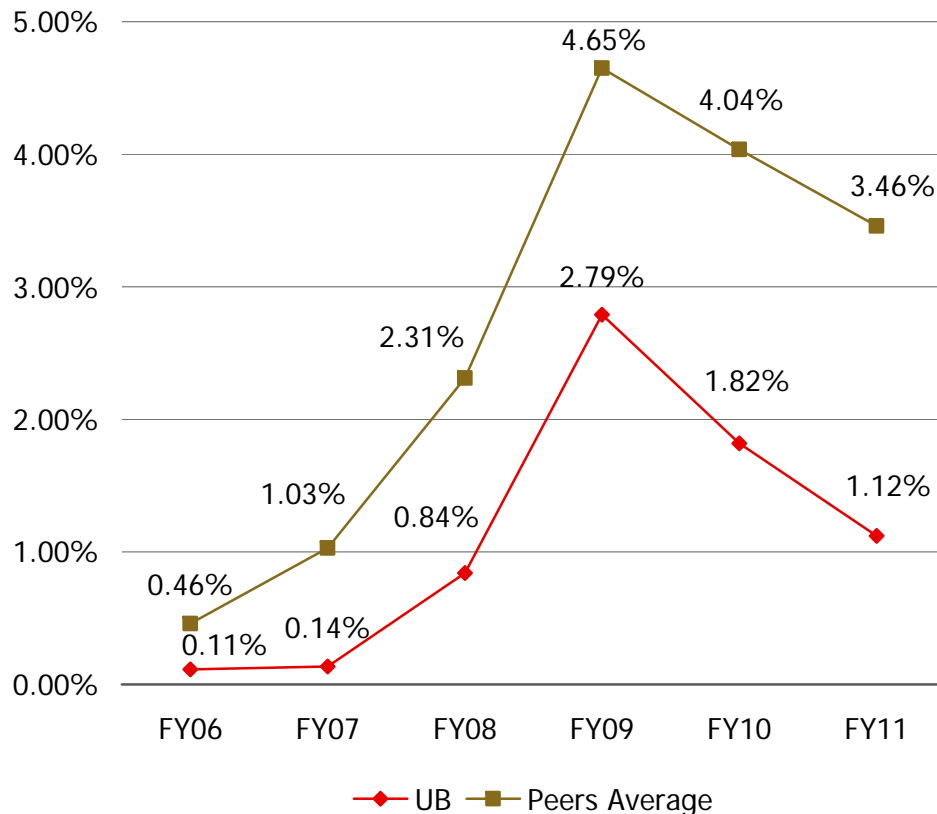


\*1. Loans as of end Dec 2011

## (5) Financial results for FY11 Credit Quality

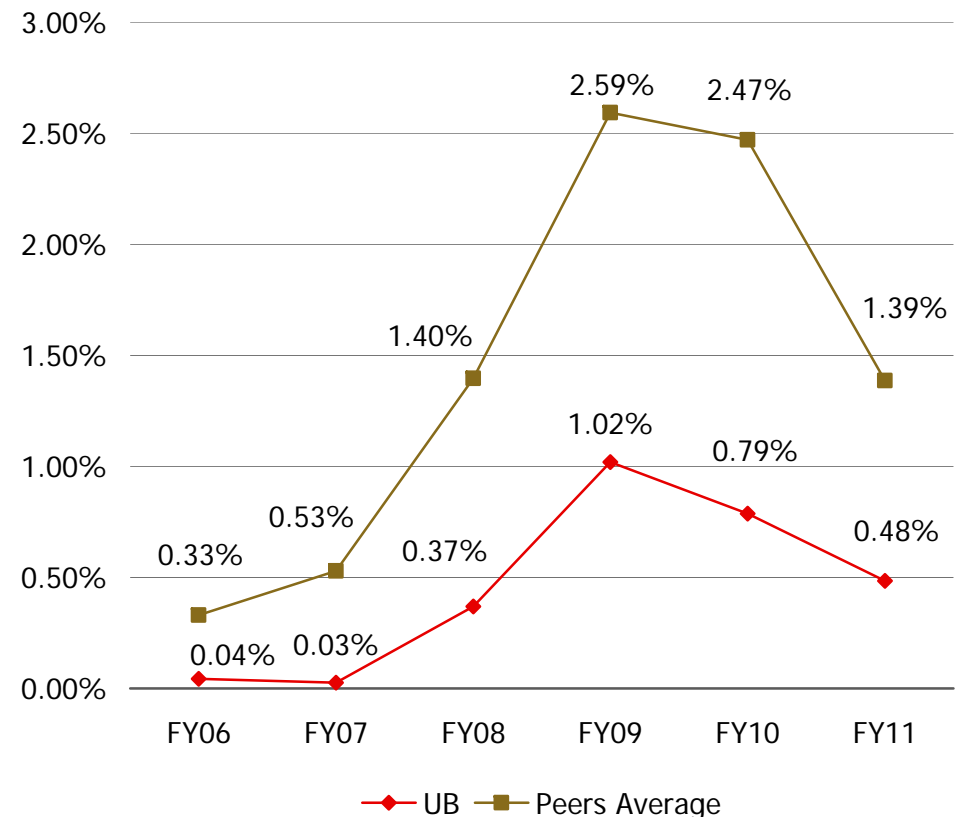
- NPL ratio consistently lower than peers, due to differentiated business model, loan mix, and long-term commitment to conservative credit management
- UB manages risk through portfolio diversification, industry concentration limits, loan limits, geographic distribution, and type of borrower
- No subprime or option ARM residential mortgages loans
- Low residential mortgage delinquency rate due to focus on prime loans, high FICO scores, and low LTVs

NPL/Total loans (at period-end)



(Source) SNL. Excludes FDIC covered assets for Union Bank

Net charge-offs/Average loans (year-to-date)

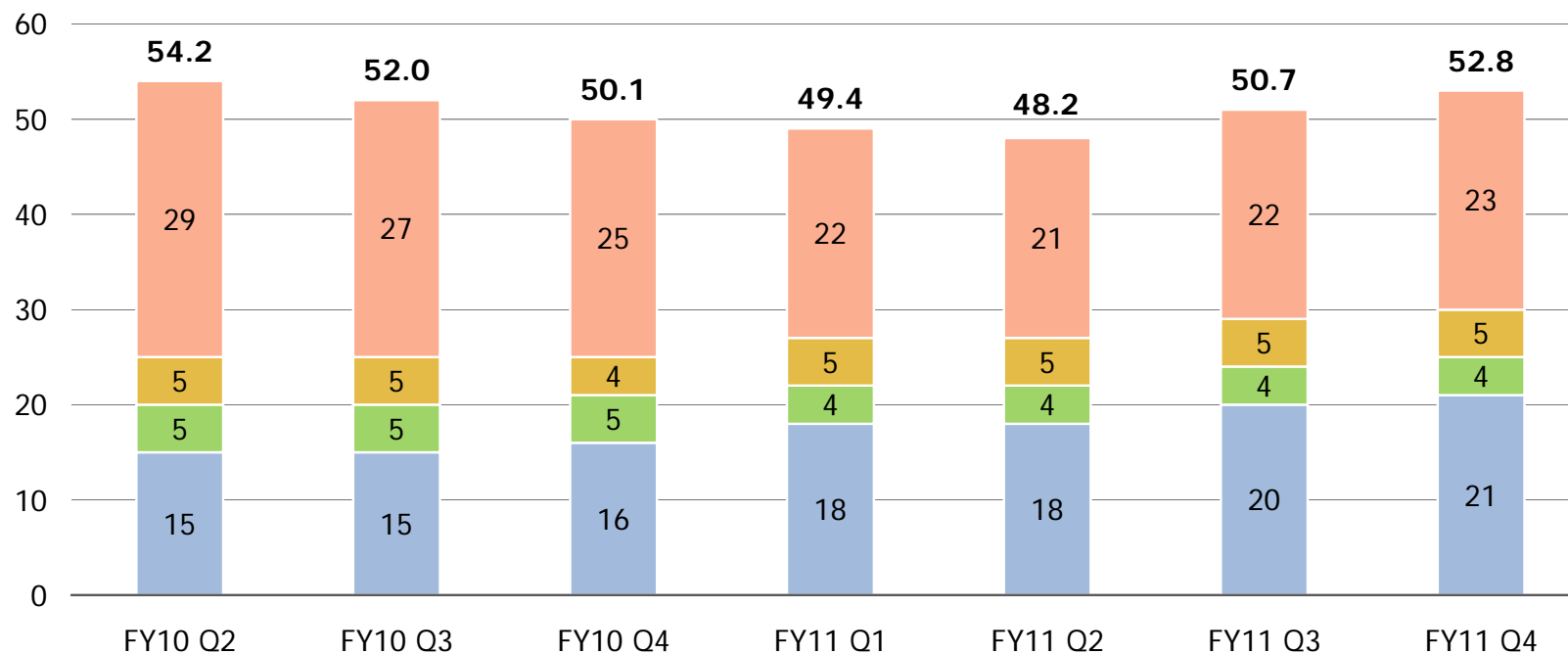


(Source) SNL. Excludes FDIC covered assets for Union Bank

## (5) Financial results for FY11 Deposits

- Recent growth in deposits has been driven by customers with limited investment alternatives due to low interest rates, consistent with industry trends
- Reduction in total and core deposits from early-FY10 through mid-FY11 reflected planned runoff of targeted higher rate deposits; recent return to growth has been in Core Noninterest Bearing Deposits

Period-end Core\*<sup>1</sup> Deposits (\$ bn)



Average cost of interest bearing deposits	FY10 Q2	FY10 Q3	FY10 Q4	FY11 Q1	FY11 Q2	FY11 Q3	FY11 Q4
	0.59%	0.56%	0.50%	0.50%	0.53%	0.53%	0.51%

■ Core Noninterest Bearing Deposits  
 ■ Core Savings

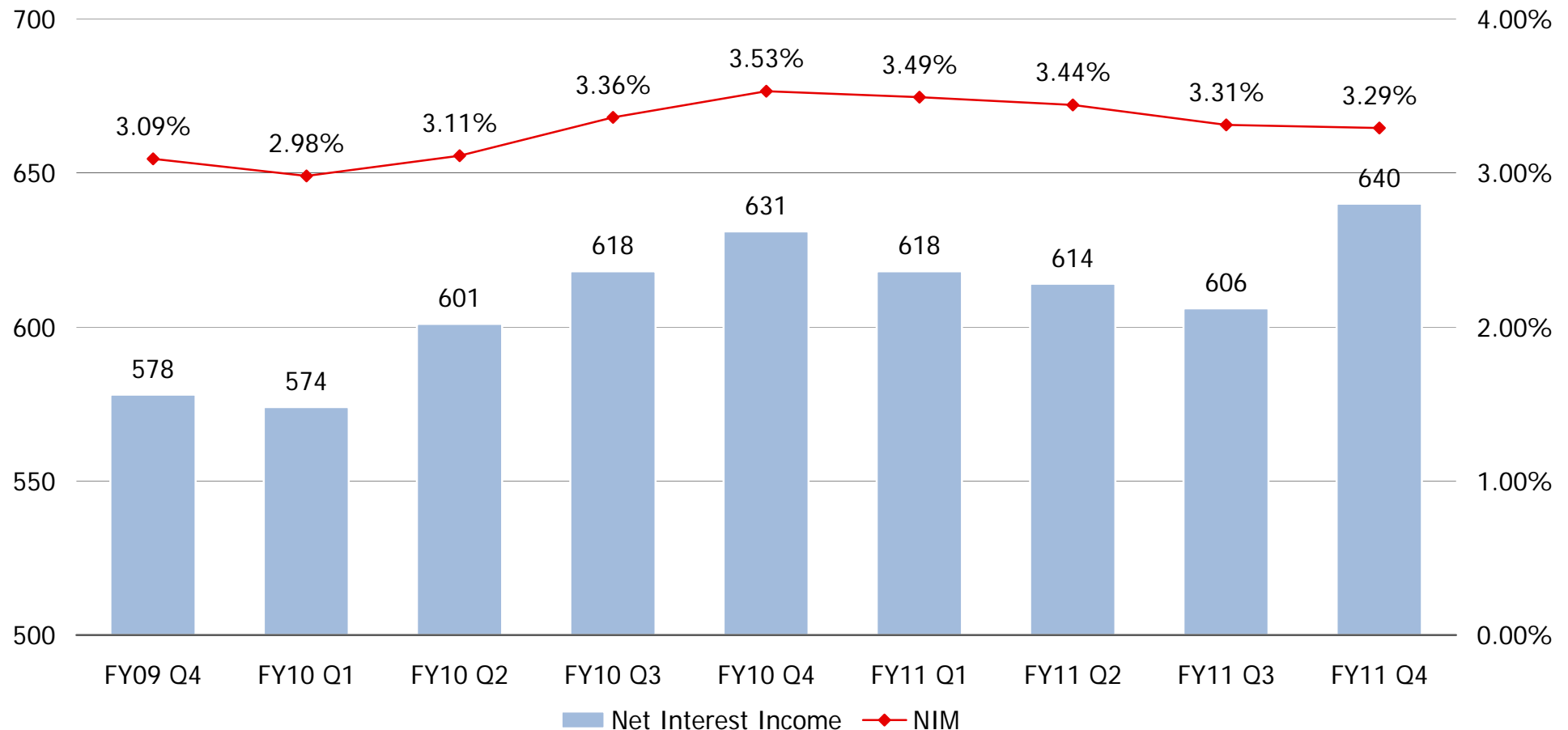
■ Domestic Time <= \$250K  
 ■ Core Transaction & MMA

\*1. Excludes brokered deposits, foreign time deposits, and time deposits > \$250k

## (5) Financial results for FY11 Net interest margin

- Declining trend in net interest margin due to impact of continued low interest rate environment, while the margin is leveling off in recent quarters due to lower average deposit rates
- Net interest income averaged higher in FY11 primarily due to growth in average earning assets, particularly securities and total loans

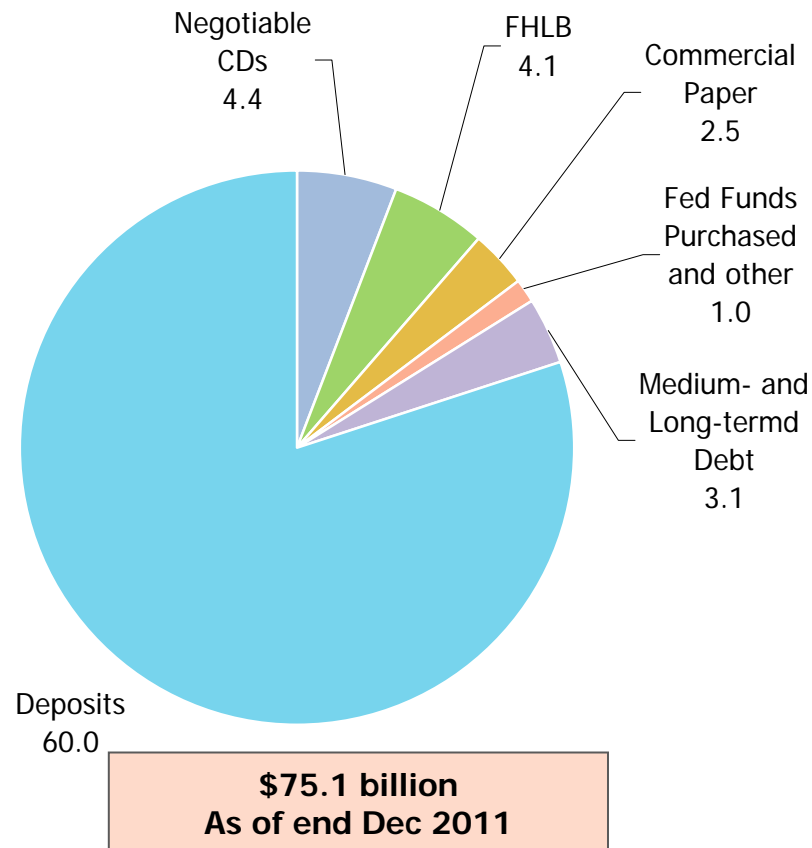
Net Interest Income and Net Interest Margin Trend (\$ mn)



## (5) Financial results for FY11 Liquidity

- UB maintains a robust liquidity profile anchored by a strong deposit base with diverse source of wholesale funding capacity
- Portfolio of high-quality securities, mainly U.S. government bonds and Agency RMBS, can be readily converted to cash or serve as collateral
- UB has secured borrowing facilities with the FHLB and the Federal Reserve Bank (FRB)

### Deposits & Wholesale Funding (\$ bn)



### Securities available for sale (\$ mn)

	Amortized Cost	Gross Unrealized	Fair Value
<b>Total</b>	22,626	207	22,833
<b>U.S. Gov't Sponsored Agency Debentures</b>	6,943	54	6,997
<b>MBS-U.S. Government &amp; Gov't agencies</b>	13,307	178	13,485
<b>MBS-private label</b>	800	(62)	738
<b>ABS and debt securities</b>	1,495	37	1,532
<b>Equity securities</b>	81	0	81

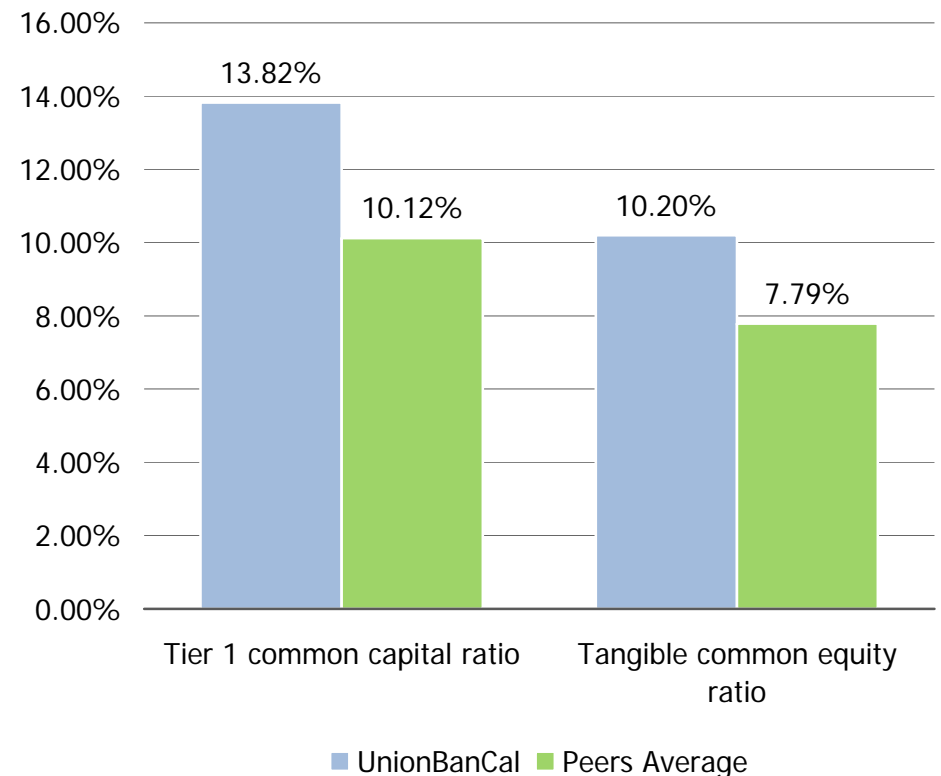
## (5) Financial results for FY11 Capital position

- Tier 1 common and TCE ratios compared very favorably with peers at end Dec 2011
- At end Dec 2011: BIS Tier 1 ratio 13.82%, total capital ratio 15.98%
- No government funds in capital structure
- Sizable capital cushion, available to support organic growth and acquisitions

Select Capital Ratios (\$ mn)

	End Dec 2010	End Dec 2011	Change
1 Total capital ratio	15.01%	15.98%	0.97%
2 Tier 1 ratio	12.44%	13.82%	1.38%
3 Tangible common equity ratio	9.67%	10.20%	0.53%
4 Tier 1 capital	8,029	9,641	1,612
5 Tier 2 capital	1,656	1,501	(155)
6 Total capital	9,685	11,142	1,457
7 Risk-weighted assets	64,516	69,738	5,222

Comparison of Capital Ratios with Peers (As of end Dec 2011)



(Source) Company disclosures



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**Overview of the Americas business**

**The Americas strategy**

 **Regulatory environment**

# Regulatory Environment

## 1. Dodd-Frank Act (as of Mar 2012)

	Description	Implications
<b>Enhanced Prudential Standards for U.S. SIFIs*<sup>1</sup></b>	<ul style="list-style-type: none"> <li>■ Enhanced capital &amp; liquidity standards, single-counterparty credit limit, stress test, etc</li> <li>■ Collins Amendment: Sets BASEL I capital requirements as floor for BHCs and excludes TruPS from Tier 1 Capital</li> </ul>	<ul style="list-style-type: none"> <li>■ Application to MUFG not clear yet. UNBC needs to meet the same requirement as US BHCs</li> <li>■ In Jan 2012, UNBC filed its Capital Plan Review with the Federal Reserve. In Mar, the Federal Reserve notified that it did not object to UNBC's plan as submitted</li> <li>■ Impact of Collins Amendment relatively small for UNBC compared to other US BHCs</li> </ul>
<b>Resolution Plan ("Living Will")</b>	<ul style="list-style-type: none"> <li>■ Annual submission of Resolution Plan required for U.S. SIFIs</li> <li>■ Separately from Dodd-Frank, FDIC has required insured depository institutions with USD 50 bn or more in total assets to submit a resolution plan</li> </ul>	<ul style="list-style-type: none"> <li>■ In the U.S., 2 resolution plans need to be prepared: MUFG U.S. Plan, and UB Plan</li> <li>■ Project underway in accordance with the global Living Will project, which MUFG is requested by the JFSA as G-SIFI</li> </ul>
<b>OTC Derivatives</b>	<ul style="list-style-type: none"> <li>■ Regulating the OTC derivatives transactions</li> <li>■ Swap push-out provision: Banks need to push-out non-traditional swap operation outside the bank. (Different treatment for insured depository and others.)</li> </ul>	<ul style="list-style-type: none"> <li>■ Higher cost and compliance efforts</li> <li>■ Collaboration among the MUFG group in determining the solution for swap push-out</li> </ul>
<b>Volcker Rule</b>	<ul style="list-style-type: none"> <li>■ Prohibition from engaging in proprietary trading and restrictions on fund ownership/investment</li> <li>■ Wide scope of application globally                             <ul style="list-style-type: none"> <li>● Carve-outs for FBOs operations conducted "solely outside of the U.S.", but not for U.S. banks</li> <li>● Heavy concern stated by various actors (foreign governments, agencies, banks, etc.) regarding its extraterritorial effect</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>■ Loss of potential profits from prop trading assumed to be smaller compared to other U.S. and European banks</li> <li>■ Unclear definitions and high compliance burden for conducting permitted activities</li> <li>■ Extraterritorial effect yet to be seen. (Impact to the JGB market, non-U.S. entities, etc.)</li> </ul>

\*1. U.S. & foreign BHCs with USD 50 bn or more in total assets and non-banks supervised by the FRB

# Regulatory Environment (Cont'd)

1. Dodd-Frank Act (cont'd)		
	Description	Implications
<b>Consumer Protection</b>	<ul style="list-style-type: none"> <li>More aggressive consumer regulation by newly established Consumer Financial Protection Bureau (CFPB) in addition to being subjected to additional state consumer protection laws</li> <li>Durbin Amendment: FRB regulating the cap of interchange fees banks can charge on debit card transactions. Applies to banks with USD10 bn or more in total assets only</li> </ul>	<ul style="list-style-type: none"> <li>UB facing new regulators (CFPB and State Agencies), higher compliance burden to be expected</li> <li>Banks and non-banks both being supervised by the CFPB reduces aggressive practice for competition. Inherent scale advantages of large banks in consumer lending</li> <li>Monthly debit interchange income estimated as approximately half of pre-regulation level at UB. Disadvantage compared to banks which have assets under USD10 bn, but other fee changes not competitively feasible</li> </ul>
<b>Others</b>	<ul style="list-style-type: none"> <li>FDIC Deposit Insurance Assessment: Change in assessment method. Banks taking more risks and systemically important to bear higher deposit insurance cost</li> <li>Orderly Liquidation Fund: U.S. SIFIs may have to bear cost of FDIC liquidating a financial institution under its Orderly Liquidation authority</li> <li>OFR assessment fee: U.S. SIFIs would need to bear cost of newly established agencies under Dodd-Frank</li> </ul>	<ul style="list-style-type: none"> <li>For UB, decrease in deposit insurance cost. Larger U.S. banks such as JP Morgan and Goldman Sachs to pay higher cost</li> <li>Higher cost for maintaining business in the U.S</li> </ul>
2. Non Dodd-Frank Item		
	Description	Implications
<b>Basel III</b>	<ul style="list-style-type: none"> <li>Requires higher capital standards (capital ratio, new definitions for capital, leverage ratios, etc.) to be met under phased approach. Also introduces liquidity standards (Liquidity Coverage Ratio and Net Funding Stable Ratio)</li> <li>G-SIFI capital surcharge to be applied within a range of 1% to 2.5%, depending on the bank's systemic importance</li> </ul>	<ul style="list-style-type: none"> <li>MUFG named as one of the G-SIFIs and will be applied capital surcharge . U.S. implementation of Basel III not yet clear and impacts to UB still unknown</li> </ul>

# Summary

One of the top 10 U.S. banking groups as measured by size and profitability

