



FEDERAL RESERVE BANK OF MINNEAPOLIS

Pursuing an economy that works for all of us

Chris P. Wangen
ASSISTANT VICE PRESIDENT

November 3, 2021

Sent Via Email to adam.cohen@stblaw.com and spencer.sloan@stblaw.com

Mr. Adam Cohen
Mr. Spencer J. Sloan
Simpson Thacher & Bartlett LLP
900 G Street, NW
Washington, D.C. 20001

Dear Messrs. Cohen and Sloan:

The following relates to the application submitted by U.S. Bancorp (“USB”), Minneapolis, Minnesota, the parent of U.S. Bank National Association (“US Bank”), Cincinnati, Ohio, to acquire MUFG Union Bank, National Association (“Union Bank”), San Francisco, California, under section 3 of the Bank Holding Company Act (“BHC Act”). Please provide written responses and the documentation requested in the items listed below, to E-APPS within eight business days from the date of this letter.

1. Indicate whether any applicable state community reinvestment laws must be considered by the Board pursuant to section 3(d)(3) of the BHC Act, and if so, discuss USB’s and US Bank’s record of compliance with such laws.
2. The Preliminary Statement to the application asserts that “Union Bank does not operate a ‘branch’ at the PurePoint Operations Center (or otherwise in the state of Arizona) for purposes of the National Bank Act, the Federal Deposit Insurance Act[,] or the Riegle-Neal Act.” Discuss in further detail whether the office meets the definition of “branch” under the BHC Act. As part of your discussion, indicate whether deposits are received, checks are paid, and/or money is lent at Union Bank’s Arizona office.
3. Provide a copy of the executed versions of the following documents, including all schedules, when available. If currently unavailable, provide a draft if possible (to the extent not already provided), and clarify when USB expects the agreement to be finalized:
 - a. The Sellers’ Disclosure Schedule defined in Article 3 of the Share Purchase Agreement among Mitsubishi UFJ Financial Group, Inc., MUFG Americas Holdings Corporation, and USB, dated September 21, 2021 (“Share Purchase Agreement”);

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- b. The Transitional Services Agreement, as defined in Section 5.22 of the Share Purchase Agreement;
 - c. The Reverse Transitional Services Agreement, as defined in Section 5.22 of the Share Purchase Agreement;
 - d. The Registration Rights Agreement, as defined in Section 5.22 of the Share Purchase Agreement; and
 - e. The Bank Merger Agreement, as defined in Section 2.8 of the Share Purchase Agreement.
4. With respect to the Excluded Assets and Liabilities Transfer described in Section 5.14 of the Share Purchase Agreement:
 - a. Provide a copy of the finalized Excluded Assets and Liabilities Purchase and Assumption Agreement described in Section 5.14(a), including Schedule 4, when available. If currently unavailable, clarify when USB expects the agreement to be finalized; and
 - b. Provide a list of all Excluded Assets and Liabilities, as defined in Section 5.14(a).
5. Discuss how the indemnification provisions in Sections 5.9, 5.20, and 8.1 of the Share Purchase Agreement comply with section 18(k) of the Federal Deposit Insurance Act and the implementing regulations of the Federal Deposit Insurance Corporation.
6. Discuss how the Transitional Services Agreement complies with sections 23A and 23B of the Federal Reserve Act, 12 U.S.C. §§ 371c and 371c–1, and the Board’s Regulation W, 12 CFR part 223. In your discussion, clarify whether Union Bank or US Bank may be required to pay for, or will be liable for, services received by an affiliate under the Transitional Services Agreement, including Sections 3.3(c), 3.4, and 5.1(b) of the agreement.

Financial and Supervisory

7. Provide actual and pro forma balance sheets for USB, on a parent-only and consolidated basis, and for US Bank and Union Bank on a stand-alone and pro forma bases, as of September 30, 2021, and projections for the next three years of operations, when available.
 - a. Provide explanatory detailed footnotes for the debit and credit adjustments.

- b. If not reflected in the explanatory footnotes, provide supporting analysis for the valuation of the transaction.
8. Provide actual and pro forma income statements for USB, on a parent-only and consolidated basis, and actual for US Bank and MUFG Union Bank, on a stand-alone and pro forma bases, showing separately each principal source of revenue and expense for the period ending September 30, 2021, and projections for the next three years, when available. Your response should include relevant adjustments and explanatory detailed footnotes.
9. Provide actual and pro forma capital calculations for USB, US Bank, and Union Bank as of September 30, 2021, when available. Also, provide projected capital calculations for the next three years of operations. Your response should include relevant adjustments and explanatory detailed footnotes.
10. Provide liquidity metrics for USB as of September 30, 2021.
11. Provide actual and pro forma cash flow statements for USB, on a parent-only basis, as of September 30, 2021, and projections for the next three years of operations.
12. Provide related asset quality ratios (with relevant calculations) for USB, US Bank, and Union Bank as of September 30, 2021. The asset quality analysis should include the following:
 - a. A breakdown of actual asset quality information for Union Bank as of December 31, 2020, and September 30, 2021.
 - b. A breakdown of actual asset quality information for USB and US Bank as of December 31, 2020, and September 30, 2021.
 - c. A breakdown of pro forma asset quality information for USB and US Bank as of September 30, 2021.
 - d. A focus on two separate elements: (i) criticized and classified assets, comprised of the four separate categories of other assets especially mentioned (“OAEM” or special mention), substandard, doubtful, and loss (with relevant components of other real estate owned (“OREO”) separately identified in each category),¹ and (ii) nonperforming assets, comprised of the four separate categories of nonaccrual loans, restructured loans in compliance with their terms, OREO, and other repossessed assets. Also, separately provide the category of loans 90 days past due.
 - e. Indicate what level of (i) criticized and classified assets, (ii) nonperforming assets, and (iii) loans 90 days past-due that may be affected by the purchase accounting adjustments and other known events. To the extent not explained elsewhere, discuss the basis and justification for such adjustments.

- f. A calculation of relevant asset quality ratios; for example, the level of criticized and classified assets should be compared to the total amount of tier 1 capital and allowance for loan loss reserves, while the level of nonperforming assets should be compared to the total amount of gross loans and OREO. The numerator and denominator of each calculated ratio must be as of the same point in time. Also, the ratios should be calculated in connection with all actual and resulting pro forma columns.
 - g. The amount of criticized and classified assets should be either as confirmed by relevant examiners at a recent examination or as more recently determined by the applicant's internal credit monitoring systems. Also, the breakdown provided for criticized and classified assets should encompass all such assets on the balance sheet, not just loans.
13. Provide actual and pro forma loan concentration metrics for US Bank and Union Bank as of September 30, 2021, prepared pursuant to SR Letter 07-1, *Interagency Guidance on Concentrations in Commercial Real Estate*.
14. Provide a list of all Union Bank's subsidiaries that will be acquired by USB as part of this acquisition. Your response should include the financial information (balance sheet, income statement, and capital information) for each of these subsidiaries.
15. Regarding your October 26, 2021 response submission, non-confidential portion, to the Federal Reserve Bank of Minneapolis, response to question #2 indicates that, in connection with this proposal, USB expects to issue an additional \$350 million of preferred stock and \$500 million of subordinated debt at a later date. When a decision is made, provide the time and actual amount of capital issuance as well as updated pro forma financial information to the extent applicable.
16. Following consummation of the proposed acquisition, describe changes, if any, to USB's enterprise-wide risk appetite and/or risk capacity. Your response should include, if applicable, anticipated changes to USB's risk management framework and/or total borrowing capacity, and to monitoring of operational and technology risks.

Any information for which confidential treatment is desired should be so labeled and separately bound in accordance with section 261.17 of the Board's Rules Regarding Availability of Information, 12 CFR 261.17. Please also send a copy of your response to the regulators listed below and provide a copy of the public portion of your response (together with any attachments) directly to the commenters listed below.

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Mr. Spencer Sloan
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If you have any questions regarding this letter, please contact Senior Mergers & Acquisitions Analyst Linda Anderson at (612) 204-6404, or by email at lindaa.anderson@mpls.frb.org.

Sincerely,



Chris P. Wangen

CPW/LAA

c:

Board of Governors (w/o enclosures)
Office the Comptroller of the Currency
U.S. Department of Justice, Antitrust Division
Mr. Al Pina
Ms. Marcia Griffin
Mr. John Gamboa
Ms. Dina Harris
Dr. Ruben Guerra, PhD
Mr. Marcos Morales
Ms. Jules Dunham Howie
Mr. Kelvin W. Perry
Mr. Steve Figueroa
Mr. Darrel Saucedo
Ms. Bertha Garcia
Mr. Joey Quinto
Mr. Jose Antonio Ramirez
Mr. Adam Briones

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Mr. Spencer Sloan
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ATTACHMENT
U.S. Bancorp, Minneapolis, Minnesota

Please send a copy of your response to the following regulators:

Mr. John O'Brien
Licensing Manager
Office of the Comptroller of the Currency
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Chicago, IL 60605
largebanks@occ.treas.gov
jason.almonte@occ.treas.gov
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Attorney General
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Antitrust Division
Defense, Industrials, and Aerospace Section/Banking Unit
Liberty Square Building Suite 8700
450 Fifth Street, N.W.
Washington, DC 20530
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Please send the public portion of your response directly to the commenters:

Mr. Al Pina
Chair/CEO, Florida MCRC
Co-Founder, National MCRC
National Minority Community Reinvestment Co-Operative
E-mail: pina@fmcrc.org

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CEO/Founder
HomeFree-USA
8401 Corporate Drive, Suite 600
Landover, MD 20785

Mr. John Gamboa
Chairman
California Community Builders
E-mail: jgamboa@ccbuilders.org

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Ms. Dina Harris
President and Founder
National Faith Homebuyers Program
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Chair, LA Latino Chamber
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