

Rating Action: Moody's upgrades MUFG Americas Holdings Corporation (senior to A2)

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New York, October 11, 2017 -- Moody's Investors Service upgraded the ratings of MUFG Americas Holdings Corporation (MUAH) and certain ratings of its bank subsidiary, MUFG Union Bank, N.A. (MUB). At MUAH, the senior unsecured rating was upgraded to A2 from A3 and the subordinate shelf rating was upgraded to (P)A2 from (P)A3. At MUB, the long-term deposit rating of Aa2 and the senior unsecured rating of A2 were affirmed. The MUB subordinate bank note program was upgraded to (P)A2 from (P)A3. The bank's baseline credit assessment (BCA) of a2 was affirmed, and the adjusted BCA was upgraded to a1 from a2. The bank's long-term counterparty risk assessment (CRA) was upgraded to Aa3(cr) from A1(cr). The rating outlook is stable.

A complete list of affected ratings can be found at the end of this press release.

RATINGS RATIONALE

The rating upgrades incorporate a change in Moody's assumption of parental support to MUAH ratings. Moody's noted that MUAH is a 100% owned subsidiary of Mitsubishi UFJ Financial Group, Inc. (MUFG, senior A1 stable) primarily through The Bank of Tokyo-Mitsubishi UFJ, Ltd. (BTMU, BCA a3, senior A1 stable). MUFG is one of the three megabank groups in Japan and Moody's incorporates a very high level of Japanese government support in MUFG's ratings. MUAH is a strategic and material subsidiary of MUFG, accounting for approximately 6% of its assets at year-end 2016. MUAH is also the intermediate holding company for MUFG's US operations and MUAH is included in MUFG's resolution strategy. Moody's assumes a very high probability of support to MUAH from its parent. As a result, the rating agency has increased the benefit from parental support to MUAH's ratings, which is reflected in the upgrade of the adjusted BCA to a1 from a2.

The upgrade of MUAH's debt ratings and CRA is the result of the upgrade of the adjusted BCA to a1 and Moody's Advanced Loss Given Failure (LGF) framework, which is a component of Moody's rating methodology for banks that incorporates MUAH's liability structure. The current notching configuration of MUAH and MUB's ratings is typical of most US regional banks now that MUAH's current liability structure includes a lower volume of debt than in the past. Moody's assumes that MUAH is subject to Title I resolution if it fails, and applies its standard loss assumption for Title I US banks under its LGF framework. Because of this loss assumption, together with depositor preference in resolution and the relative thinness of the company's debt structure, the rating agency sees the loss severity for debt at both the bank and at the holding company to be high compared to that for deposits.

This typical notching from the higher adjusted BCA resulted in the affirmation of MUB's long-term deposit rating of Aa2 and senior unsecured rating of A2, while the subordinate bank note program rating was upgraded to (P)A2 and the long term CRA was upgraded to Aa3(cr). For the bank deposit and senior ratings, Moody's change in assumption of parental support offset the effect of the change from lower debt amounts in MUAH's liability structure.

The holding company ratings were upgraded by one notch following the upgrade of the adjusted BCA and also incorporate the current liability structure.

The affirmation of MUAH's standalone BCA reflects MUAH's strong balance sheet, particularly its conservative asset risk and good capital position. These strengths offset its key challenges of weak profitability and a higher level of wholesale funding.

WHAT COULD MOVE THE RATINGS UP/DOWN

Regarding MUAH's BCA, an increase in MUAH's profitability would drive upward pressure. Moody's believes that improvements in non-interest income and a more efficient operating profile are necessary for MUAH to achieve meaningfully higher profitability. A reduction of wholesale funding would also be positive.

Downward movement of the standalone BCA could occur if MUAH's growth initiatives were perceived as aggressive with potential to increase its risk profile. Signals of this would be a large acquisition, above-average

organic growth, and/or increased leverage. A weakening of MUAH's underwriting discipline would also be negative given that this is a key support to the current above-average BCA.

Change in the adjusted BCA could result from changes in Moody's assumption of parental support or change in the credit profile of MUFG and BTMU.

Upgrades:

..Issuer: MUFG Americas Holdings Corporation

.... Issuer Rating, Upgraded to A2, stable from A3,stable

....Senior Unsecured Shelf, Upgraded to (P)A2 from (P)A3

....Subordinate Shelf, Upgraded to (P)A2 from (P)A3

....Preferred Shelf, Upgraded to (P)A3 from (P)Baa1

....Preferred Shelf Non-cumulative, Upgraded to (P)Baa1 from (P)Baa2

....Senior Unsecured Regular Bond/Debenture, Upgraded to A2, stable from A3,stable

..Issuer: MUFG Union Bank, N.A.

.... Adjusted Baseline Credit Assessment, Upgraded to a1 from a2

.... Long Term Counterparty Risk Assessment, Upgraded to Aa3(cr) from A1(cr)

....Subordinate Bank Note Program, Upgraded to (P)A2 from (P)A3

Outlook Actions:

..Issuer: MUFG Americas Holdings Corporation

....Outlook, Remains Stable

..Issuer: MUFG Union Bank, N.A.

....Outlook, Remains Stable

Affirmations:

..Issuer: MUFG Union Bank, N.A.

.... Baseline Credit Assessment, Affirmed a2

.... Short Term Counterparty Risk Assessment, Affirmed P-1(cr)

.... Issuer Rating, Affirmed A2, stable

.... Short Term Deposit Rating, Affirmed P-1

....Senior Unsecured Bank Note Program, Affirmed (P)A2

....Short Term Bank Note Program, Affirmed (P)P-1

....Senior Unsecured Commercial Paper, Affirmed P-1

....Senior Unsecured Regular Bond/Debenture, Affirmed A2, Stable

....Long Term Deposit Rating, Affirmed Aa2, Stable

The principal methodology used in these ratings was Banks published in September 2017. Please see the Rating Methodologies page on www.moody.com for a copy of this methodology.

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