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BY E-APPS

October 26, 2021

Re: Response to Request for Additional Information Regarding
Application by U.S. Bancorp to Acquire MUFG Union
Bank, N.A.

Chris Wangen
Assistant Vice President, Supervision, Regulation, and Credit
Federal Reserve Bank of Minneapolis
90 Hennepin Avenue
Minneapolis, MN 55401

Dear Ms. Wangen:

On behalf of U.S. Bancorp (the “Applicant”), Minneapolis, Minnesota, enclosed please find a response (the “Response Submission”) to the letter dated October 14, 2021 (as supplemented), from the Federal Reserve Bank of Minneapolis (“Reserve Bank”) requesting additional information on the application by the Applicant to acquire all of the issued and outstanding shares of common stock of MUFG Union Bank, National Association (“Union Bank”) pursuant to Section 3 of the Bank Holding Company Act of 1956, as amended. Each item or question is repeated in the Response Submission, followed by U.S. Bancorp’s response or by reference to an exhibit in which the response is contained.

The Response Submission is divided into a non-confidential portion and a confidential portion. For the confidential portion, which has been marked “Confidential Treatment Requested,” U.S. Bancorp respectfully requests confidential treatment pursuant to the Freedom of Information Act, 5 U.S.C. § 552(b), and the Board’s regulations thereunder, 12 C.F.R. Part 261 (collectively, “FOIA”), on the grounds that the information contained in the confidential portion has been actually and customarily kept confidential by the Applicant and, where relevant, Union Bank and this information is being provided to the Board and the Reserve Bank under an assurance and expectation of privacy.¹ Disclosure of this information would reveal to competitors the internal strategies, transactions, and competitive position of the Applicant and, where relevant, Union Bank, and would place the Applicant and Union Bank at a competitive disadvantage with respect to competitors who do not publicly reveal such information. Accordingly, we respectfully request that the confidential

¹ *Food Mktg. Inst. v. Argus Leader Media*, 139 S. Ct. 2356, 2363 and 2366 (2019).

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portion not be made available for public inspection or copying. In addition, we request that any memoranda, notes, or other writings of any kind whatsoever by an employee, agent, or other person under the control of the Board or the Reserve Bank that incorporate, include, or relate to any of the matters referred to in the confidential portion not be made part of any public record and not be disclosed to any person.

In the event of a FOIA request, we respectfully request notice of such request, as well as a reasonable period of time to respond prior to any release of materials by Board staff or Reserve Bank staff. This request for notice and an opportunity to respond also extends in the case of any part of the confidential portion (including any such memoranda, notes, or other writings by Board staff or Reserve Bank staff) being the subject of a FOIA request or a request or demand for disclosure by any governmental agency, Congressional office or committee, court, or grand jury.

* * *

If you have any questions regarding this Application, please contact me, Lee Meyerson or Spencer Sloan.

Very truly yours,

Adam J. Cohen

Adam J. Cohen

Enclosures

cc: Ms. Alison M. Thro
Board – Legal

Ms. Linda Anderson
Reserve Bank

Ms. Erin Grace
Ms. Shannon Mulligan
U.S. Department of Justice, Antitrust Division

Ms. Patricia Roberts
Mr. John O'Brien
OCC

Mr. Al Pina
National Minority Community Reinvestment Co-Operative

Ms. Marcia Griffin
HomeFree-USA

Mr. John Gamboa
California Community Builders

Ms. Dina Harris
National Faith Homebuyers Program

Dr. Ruben Guerra, PhD
CA Black & Latino Business CRA Council

Mr. Marcos Morales
Hogar Hispano, Inc.

Ms. Jules Dunham Howie
Director, UPC Westside CDC

Mr. Kelvin W. Perry
Black Chamber of Commerce of Greater Kansas City

Mr. Steve Figueroa
Inland Empire Latino Coalition

Mr. Darrel Saucedo
LA Latino Chamber

Ms. Bertha Garcia
Ventura CCDC

Mr. Joey Quinto
CA Journal for Filipino Americans

Mr. Jose Antonio Ramirez
Central CA Latino PAC

Mr. Adam Briones
California Community Builders

Mr. James Chosy
Ms. Cristina Regojo Gedan
Ms. Sarah Flowers
U.S. Bancorp

Ms. Wendy M. Goldberg
Sullivan & Cromwell

RESPONSE SUBMISSION OF U.S. BANCORP

to the

**REQUEST FOR ADDITIONAL INFORMATION OF OCTOBER 14, 2021
(as supplemented)**

from the

FEDERAL RESERVE BANK OF MINNEAPOLIS

relating to the proposal to acquire

MUFG UNION BANK, NATIONAL ASSOCIATION

October 26, 2021

**Submission in Response to the Request for Information dated October 14, 2021
 (“Response Submission”)¹
 October 26, 2021**

Each item contained in the Request for Information dated October 14, 2021 is repeated below, followed by U.S. Bancorp’s response.

- 1. Discuss the assumptions used when formulating earnings and growth projections for Applicant, Applicant’s subsidiary bank (“U.S. Bank”), and Target Bank, including whether the assumptions are realistic. Please discuss in detail any sensitivity analyses, multi-year budgets, or other types of forecasts that were used in producing the projections. While projection of financial performance should be based on realistic considerations of potential economic conditions, particularly in economic downturns we expect that applicant banking organizations will consider conditions that might test their capacity in maintaining their capital adequacy and meeting their financial obligations. Please discuss any forecasts that were intended to test the capacity of Applicant, U.S. Bank, and Target Bank.**

For the information requested by this Question 1, please see Confidential Exhibit A to this Response Submission.

- 2. Applicant indicates that a portion (approx. \$1.25 billion) of the cash consideration of \$5.5 billion may be funded using internal or external financial resources, including securities issuances to the public or private capital. As Applicant’s plans regarding these funding sources develop, please provide information regarding the terms of the funding and updated pro forma financial information that reflects the funding method(s), as applicable.**

The \$1.25 billion of cash consideration intended to be funded through securities issuances is intended to pre-position the combined entity’s total capital on a go-forward basis as Union Bank’s capital will consist solely of common equity at the time of the closing of the Proposed Transaction. The current issuance plan assumes \$750 million of incremental preferred stock issuances and \$500 million of subordinated debt issuances.

U.S. Bancorp successfully issued \$1.5 billion of preferred stock on October 26, 2021. This series of preferred stock has a dividend rate of 3.70% for the first five years, resetting every five years thereafter at the prevailing 5-year U.S. Treasury rate plus a spread of 2.541%. The preferred stock is not redeemable for the first five years except upon the occurrence of certain regulatory capital treatment events. Of the \$1.5 billion of preferred stock issued on October 26, 2021, \$1.1 billion was previously earmarked for a planned redemption of currently outstanding preferred securities related to legacy U.S. Bancorp capital planning and \$400 million will be used to finance a portion of the cash consideration related to the Union Bank acquisition.

¹ Capitalized terms used but not defined herein have the meanings set forth in the Application to the Board of Governors of the Federal Reserve System pursuant to Section 3 of the Bank Holding Company Act, dated October 6, 2021, relating to U.S. Bancorp’s proposed acquisition of MUFG Union Bank, N.A. (the “Application”).

U.S. Bancorp expects to issue an additional \$350 million of preferred stock and \$500 million of subordinated debt at a later date. The timing and terms of any such capital issuances have yet to be determined and will depend on a number of factors, including then-current market conditions. U.S. Bancorp will provide additional information regarding the terms of funding as its plans regarding these additional funding sources continue to develop, and will provide updated pro forma financial information to the extent necessary to reflect any changes to its plans regarding these additional funding sources from those contemplated in the Application.

- 3. Please provide a summary of U.S. Bank’s and Target Bank’s internally classified assets, comprised of the categories of substandard, doubtful, and loss, with relevant components of other real estate owned (“OREO”) separately identified in each category. Please also provide a breakdown of each category of classified loans by type (e.g. commercial real estate, C&I, Residential Real Estate, Consumer) and indicate whether participation loans are included. If the banks have made loans to businesses in the hospitality, travel, or energy sectors, please break out classifications in those portfolios as well.**

For the information requested by this Question 3, please see Confidential Exhibit B to this Response Submission.

- 4. Please provide a list of Target Bank’s directors and senior executive officers and their respective role(s) with Target Bank before and after the proposed transaction and discuss the anticipated allocation of responsibility for overseeing the efforts to remediate the technology and operational risk management deficiencies discussed in the Application. Please provide any relevant documentation (e.g. gap analysis report) related to those remediation efforts.**

For the information requested by this Question 4, please see Confidential Exhibit C to this Response Submission.

- 5. Please send a copy of your response to the regulators listed below:**

- a. Mr. John O’Brien
Licensing Manager
Office of the Comptroller of the Currency
425 S. Financial Place, Suite 2700
Chicago, IL 60605
CE.Licensing@occ.treas.gov**
- b. Attorney General
U.S. Department of Justice
Antitrust Division
Defense, Industrials, and Aerospace Section/Banking Unit
Liberty Square Building Suite 8700
450 Fifth Street, N.W.
Washington, DC 20530
antitrust.bank@usdoj.gov**

shannon.mulligan@usdoj.gov
erin.grace@usdoj.gov

- c. **Mr. Al Pina**
Chair/CEO, Florida MCRC
Co-Founder, National MCRC
National Minority Community Reinvestment Co-Operative
pina@fmcrc.org
- d. **Ms. Marcia Griffin**
CEO/Founder
HomeFree-USA
8401 Corporate Drive, Suite 600
Landover, MD 20785
- e. **Mr. John Gamboa**
Chairman
California Community Builders
jgamboa@ccbuilders.org
- f. **Ms. Dina Harris**
President and Founder
National Faith Homebuyers Program
dinaharris.nationalfaith@gmail.com
- g. **Dr. Ruben Guerra, PhD**
Chairman, Latin Business Association
CA Black & Latino Business CRA Council
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- h. **Mr. Marcos Morales**
Executive Director
Hogar Hispano, Inc.
mmorales@hogarhispanoinc.org
- i. **Ms. Jules Dunham Howie**
Co-Chair, CRA Baltimore
Director, UPC Westside CDC
juleshouse@hotmail.com
- j. **Mr. Kelvin W. Perry**
President
Black Chamber of Commerce of Greater Kansas City
kwperry@bccgkc.org
- k. **Mr. Steve Figueroa**
President

Inland Empire Latino Coalition
scoto@ccbuilders.org

- l. Mr. Darrel Saucedo**
Chair, LA Latino Chamber
darrel@acsgroup-usa.com

- m. Ms. Bertha Garcia**
Executive Director
Ventura CCDC
scoto@ccbuilders.org

- n. Mr. Joey Quinto**
Publisher
CA Journal for Filipino Americans
E-Mail: scoto@ccbuilders.org

- o. Mr. Jose Antonio Ramirez Chair,**
Central CA Latino PAC
scoto@ccbuilders.org

- p. Mr. Adam Briones**
CEO
California Community Builders
abriones@ccbuilders.org

A copy of the public portion of this Response Submission is being sent to the above listed regulators and public commenters.

- 6. [Request of October 18, 2021] Please provide middle market lending data for Union Bank, which is comparable to the information provided by U.S. Bank on the FR Y-14Q:**
 - a. Regarding commercial products for medium-sized businesses, provide Union Bank's state-level 2019 and 2020 total committed credit facilities and utilized funded volume for organizations with (i) \$10M-\$250M and (ii) \$250M-\$5B in annual revenue or sales. State-level totals should be based on the obligor's state, as identified by the obligor's address associated with the credit facility / account. Refer to the Appendix for additional clarifying criteria.:**

For the information requested by this request of October 18, 2021, please see Confidential Exhibit D to this Response Submission.