

# Mitsubishi UFJ Financial Group (8306 JP)

## FUNDAMENTAL VIEW <sup>1</sup>

As of 23 Sep 2025

- MUFG is the largest of Japan's three megabanks, and has the most diversified operations by business line and geography. It had also been the most acquisitive till the early part of this decade.
- Core profitability had been weak due to Japan's ultra-low interest rates and growth; that improved post an efficiency drive and a CEO change in April 2020; the bank has improved international margins and fee income, and benefits from rising domestic interest rates.
- Given its size and systemic importance, MUFG is considered too big to fail, and will be supported by the Japanese government if needed.

## RISKS & CATALYSTS

As of 23 Sep 2025

- Its recent divisional performance has been strong, with the domestic businesses benefiting from higher BOJ rates, and robust growth in fee income.
- Credit costs have been rising because of increased exposure to personal unsecured loans in Japan and Southeast Asia, as well as higher-risk lending in Southeast Asia.
- Its close relationship with Morgan Stanley has led it to take large positions in US corporate finance loans, which has been problematic on occasion.
- We see limited risk from rising JGB and USD yields as the large equity unrealised gains dwarf the unrealised losses on the bond portfolio.

## CREDIT QUALITY SCORE (CQS) <sup>2</sup>

As of 25 Sep 2025

### CURRENT CQS

54

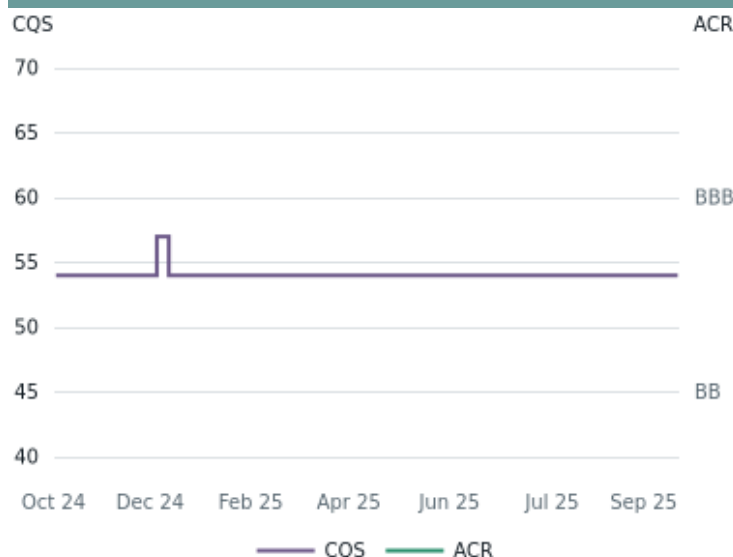
### CQS OUTLOOK <sup>3</sup>

NEGATIVE

STABLE

POSITIVE

### HISTORICAL RATINGS: AVERAGE AGENCY RATING (ACR) <sup>4</sup> VS CQS



## KEY METRICS

As of 23 Sep 2025

| JPY BN                                           | FY21    | FY22    | FY23    | FY24  | 1Q25    |
|--------------------------------------------------|---------|---------|---------|-------|---------|
| Net Interest Revenue/Average Assets              | 0.57%   | 0.79%   | 0.64%   | 0.73% | 0.69%   |
| Operating Income/Average Assets                  | 1.11%   | 1.22%   | 1.23%   | 1.22% | 1.36%   |
| Operating Expense/Operating Income               | 69%     | 65%     | 61%     | 67%   | 60%     |
| Pre-Impairment Operating Profit / Average Assets | 0.34%   | 0.43%   | 0.48%   | 0.40% | 0.56%   |
| Impairment charge/Average Loans                  | (0.30%) | (0.61%) | (0.36%) | 0.00% | (0.15%) |
| ROAA                                             | 0.32%   | 0.30%   | 0.39%   | 0.47% | 0.55%   |
| ROAE                                             | 6.7%    | 6.5%    | 8.1%    | 9.3%  | 10.8%   |
| CET1 post Basel 3 reforms excl. secs gains       | 10.4%   | 10.3%   | 10.1%   | 10.8% | n/a     |

## BUSINESS DESCRIPTION

As of 23 Sep 2025

- The 2 main banks of MUFG are MUFG Bank (earlier Bank of Tokyo-Mitsubishi UFJ or BTMU) & Mitsubishi UFJ Trust & Banking. In the early stages of Japan's long banking crisis, Bank of Tokyo merged with Mitsubishi Bank, and in the late stages they absorbed UFJ (former Sanwa Bank & Tokai Bank) while Mitsubishi Trust absorbed Toyo Trust & Nippon Trust.
- The group includes consumer lenders Mitsubishi-UFJ NICOS & ACOM, and securities/IB joint ventures with Morgan Stanley. MUFG invested in Morgan Stanley in 2008 and now has a ~20% stake. In Dec-22, it completed the sale of its US retail and commercial bank, MUFG Union Bank, to US Bancorp.
- It has a majority stake in Thailand's Bank of Ayudhya (now Krungsri), 20% stakes in Vietnam's Vietinbank and Philippines' Security Bank, and 100% of Indonesia's Bank Danamon.
- In 2019, it acquired Colonial First State from Commonwealth Bank of Australia to strengthen its global asset management business, in 2020 it invested \$700 mn in SE Asia's Grab, and more recently has bought Home Credit's Philippine and Indonesian subsidiaries, Link (an Australian pension fund administrator), auto loan companies in Indonesia, Albacore Capital, StanChart's Indonesian retail operations, and an Indian NBFI.

## GLOSSARY

<sup>1</sup> The **Fundamental View** is our current assessment of credit quality and our expectation of how credit quality will trend over the next year or longer.

<sup>2</sup> The **Credit Quality Score (CQS)** is a number between 5 and 100. It is a medium-term credit score for corporates and financial institutions that utilizes a combination of sector fundamental scores and equity market signals. Values of CQS above 50 generally indicate investment grade credit quality.

<sup>3</sup> The **Credit Quality Score (CQS) Outlook** is the near-term (3 month) outlook for the CQS, based on its trend, volatility and distance from the adjacent CQS risk bucket.

<sup>4</sup> The **Agency Composite Rating (ACR)** is the average senior unsecured rating from one or more major rating agencies.

Quantitative scores provided by CreditSights Analytics, LLC. Scores are shown are for the lesser of (1) 2 years and (2) date of CreditSights inception of quantitative coverage.

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