MOODY'S
INVESTORS SERVICE

SECTOR IN-DEPTH
8 July 2021

TABLE OF CONTENTS

Summary 1
There was a substantial jump in transformational M&A activity during the second quarter 2
The main drivers of consolidation will continue for the next 12-18 months 4
Difficulty forecasting business activity and loan growth, as well as rising bank share prices, may have held back some deals 6

Analyst Contacts

Allen H. Tischler +1.212.553.4541
Senior Vice President
allen.tischler@moodys.com

Benjamin Lippman +1.212.553.9377
Associate Analyst
benjamin.lippman@moodys.com

Andrea Usai +1.212.553.7857
Associate Managing Director
andrea.usai@moodys.com

Ana Arsov +1.212.553.3763
MD-Financial Institutions
ana.arsov@moodys.com

CLIENT SERVICES

Americas	1-212-553-1653
Asia Pacific	852-3551-3077
Japan	81-3-5408-4100
EMEA	44-20-7772-5454

Banks – US

Motivation for mergers will grow as interest rates and loan growth stay low

Summary

The pace of announced mergers among rated US banks has accelerated and is likely to gain steam. The limited prospect of material loan growth makes asset growth via mergers and acquisitions increasingly attractive. And as we anticipated, more banks are favoring large transformational deals. We expect the industry will continue to consolidate in the second half of 2021. Greater size and efficiency will remain primary drivers of consolidation in the face of continued low interest rates, as will the imperative to invest in new technologies at scale.

» **There was a substantial jump in transformational M&A activity during the second quarter.** Four sizable deals were announced in the period, and each envisions an enlarged entity that benefits from greater diversification and economies of scale. All four transactions promise eventual benefits for creditors, but each presents significant execution risk that is an immediate credit negative.

» **The main drivers of consolidation will continue for the next 12-18 months.** Interest rates are unlikely to rise until 2023, increasing the likelihood of a jump in M&A activity. Technology upgrades will require substantial investment, which prospective cost savings from acquisitions can help fund. And loan growth will remain subdued because of the massive deposit holdings of US companies and households.

» **Difficulty forecasting business activity and loan growth, as well as rising bank share prices, may have held back some deals.** The value of an acquisition target is harder to gauge in an uncertain economic and market environment, which likely helped slow overall sector consolidation in 2020 and Q1 2021, but nonetheless did not prevent the prominent deals we highlight in this report.

There was a substantial jump in transformational M&A activity during the second quarter

Following the 2007-08 global financial crisis, US banks became increasingly wary of undertaking sizable acquisitions and generally refrained from doing so for about a decade. Their hesitance reflected not only the execution and integration risks common to all large deals, but also the realization that they would be held liable for activities engaged in by their predecessors. The post-crisis regulatory environment also became more restrictive, particularly for sizable transactions.

However, the regulatory approval process has become more predictable. The late 2019 approval of the Truist Financial Corporation (A3 stable) transaction – which combined BB&T Corporation and SunTrust Banks, Inc., to create the sixth-largest US commercial bank – was an important signal of regulators' comfort with large transformative deals. However, we do not expect that banks designated as systemically important global banks will be allowed to participate in bank consolidation. Instead, their acquisitions will continue to focus on asset- and wealth-management as well as technology ventures.

In addition, there are fewer lingering worries about risks lurking in the businesses and balance sheets of potential acquisition targets. The banking sector has largely purged crisis-era assets and is enjoying an extended period of strong credit quality and reduced litigation. Together, these developments have encouraged rated banks to undertake more large mergers, particularly given other drivers of consolidation, including technological changes and persistently low interest rates.

On top of Truist, the current wave of transformational M&A among rated US banks was jump-started by the 2019 combination of TCF Financial Corporation and Chemical Financial Corporation, another merger of equals.[1]

For purposes of this report, we consider all transactions in which the target was at least half the size of its acquirer, as measured by total assets, to be a large transformational deal. By this definition, there have been nine transformational M&A deals entered into by rated US banks since 2019 (Exhibit 1, bolded rows). In Q2 2021 alone, there were four transformational mergers announced, compared with three in 2019 and two in 2020, a clear acceleration of activity. The table below also highlights other recent notable M&A transactions among rated banks.

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the ratings tab on the issuer/entity page on www.moodys.com for the most updated credit rating action information and rating history.

Exhibit 1

The pace of transformational M&A among rated US banks accelerated in Q2 2021

Transformational transactions, in bold, are those in which the target was at least half the size of its acquirer, as measured by total assets

Announced	Closed	Acquirer name	Acquirer asset size ($B)	Target name	Target asset size ($B)	Target as a % of acquirer	Acquirer BCA	Target BCA	Combined firm BCA
1/27/2019	**8/1/2019**	**TCF Financial Corporation**	**25**	**Chemical Financial Corporation**	**22**	**91%**	**baa1**	**NR**	**baa1**
2/7/2019	**12/6/2019**	**BB&T Corporation**	**237**	**SunTrust Banks, Inc.**	**227**	**96%**	**a1**	**a3**	**a2**
6/17/2019	11/1/2019	Prosperity Bancshares, Inc.	22	LegacyTexas Financial Group, Inc.	11	48%	NR	NR	a3
10/21/2019	9/1/2020	First BanCorp	14	Santander BanCorp	6	44%	b2	ba2	b1
11/4/2019	**7/2/2020**	**First Horizon Corporation**	**47**	**IBERIABANK Corporation**	**32**	**68%**	**baa2**	**NR**	**baa2**
1/27/2020	**6/8/2020**	**South State Corporation**	**17**	**CenterState Bank Corporation**	**19**	**112%**	**NR**	**NR**	**baa2**
10/16/2020	**Expected mid-2021**	**First Citizens BancShares, Inc.**	**50**	**CIT Group Inc.**	**58**	**116%**	**a3**	**baa3**	**Ratings on review**
11/16/2020	6/1/2021	PNC Financial Services Group, Inc.	474	BBVA USA Bancshares, Inc.	104	22%	a2	baa1	a2
12/13/2020	6/9/2021	Huntington Bancshares Incorporated	120	TCF Financial Corporation	48	40%	a3	baa1	a3
1/4/2021	7/1/2021	SVB Financial Group	107	Boston Private Financial Holdings, Inc.	10	9%	a2	NR	a2
2/22/2021	Expected Q4 2021	M&T Bank Corporation	143	People's United Financial Inc.	63	44%	a2	baa1	Ratings on review (People's United only)
4/12/2021	**Expected Q4 2021**	**BancorpSouth Bank**	**26**	**Cadence Bancorporation**	**19**	**73%**	**baa1**	**NR**	**Ratings on review**
4/19/2021	**Expected Q4 2021**	**Webster Financial Corporation**	**33**	**Sterling Bancorp**	**30**	**90%**	**a3**	**NR**	**Ratings on review**
4/26/2021	**Expected Q4 2021**	**New York Community Bancorp, Inc.**	**58**	**Flagstar Bancorp, Inc.**	**29**	**51%**	**baa2**	**baa2**	**baa2**
6/1/2021	**Expected Q4 2021 /Q1 2022**	**Old National Bancorp**	**24**	**First Midwest Bancorp, Inc.**	**21**	**89%**	**a2**	**baa1**	**Ratings on review**
6/3/2021	Expected Q4 2021	United Bankshares, Inc.	27	Community Bankers Trust Corporation	2	6%	a3	NR	a3

NR = not rated.

Source: Company filings, Moody's Investors Service

The exhibit also reveals that large acquisitions can have credit-negative implications. Of the nine transformative M&A transactions listed, we took negative rating actions in five instances because the associated risks were sufficient to dent the credit fundamentals of the stronger bank. In three of those cases, there was a rating differential between the two banks involved, and the higher-rated bank was either downgraded or placed on review for downgrade (BB&T Corporation, First Citizens BancShares, Inc. (Baa1 review for downgrade) and Old National Bancorp (A3 review for downgrade)). In two other instances, only one of the two banks in the transaction was rated (Bancorpsouth Bank (Baa2 review for downgrade) and Webster Financial Corporation (Baa1 review for downgrade)), and both were placed on review for downgrade.

In just four of the nine large, transformative acquisitions were there no credit implications that resulted in rating downgrades or reviews for downgrade. In the transactions for TCF/Chemical and First Horizon Corporation (Baa3 stable)/IBERIABANK Corporation, only one of the two banks in each deal was rated. In the case of New York Community Bancorp (Baa3 stable)/Flagstar Bancorp (Baa3 stable), the banks had similar credit strength before the transaction. And in the case of South State Corporation (Baa3 stable)/CenterState Bank Corporation, neither bank was rated at the time of the merger.

The credit negative attributes common to all large mergers include the significant operational undertaking associated with a large combination, including systems and personnel integrations. There are also cultural risks, such as CEO/management succession and the blending of disparate philosophies and risk appetites. It can take years and significant cost to fully integrate a similarly sized firm, including its businesses, people, platforms and corporate cultures.

Assuming a successful integration following a transformational deal, credit positives may emerge over the long-term. Among the most noteworthy of these is increased franchise diversity, including more diverse loan portfolios, deposit bases and revenue streams. Moreover, if cost synergies are achieved, they can raise the combined entity's ability to invest substantially in the franchise.

The main drivers of consolidation will continue for the next 12-18 months

Each deal has its own motivations, but two broad drivers are propelling most of the industry's consolidation: constrained profitability and changing business/technology dynamics (Exhibit 2). Moreover, we anticipate little change in these drivers over the next 12-18 months, which will encourage continued bank M&A activity.

Exhibit 2
The forces driving industry consolidation can be broken into two broad categories

MULTIPLE FORCES JOIN TO DRIVE MERGERS & ACQUISITIONS AND INDUSTRY CONSOLIDATION

Profitability pressures that motivate consolidation	Business and technology dynamics that drive consolidation
Historically low interest rates have squeezed net interest income	With branch density / presence less important, in-market mergers present significant cost-saving opportunities to help offset revenue pressure
Minimal loan growth over the past year is unlikely to accelerate given the large cash holdings of US corporates and households, increasing the appeal of acquisitions	Greater economies of scale make it easier for banks to obtain and invest in emerging technologies, an imperative in the current environment

Source: Moody's Investors Service

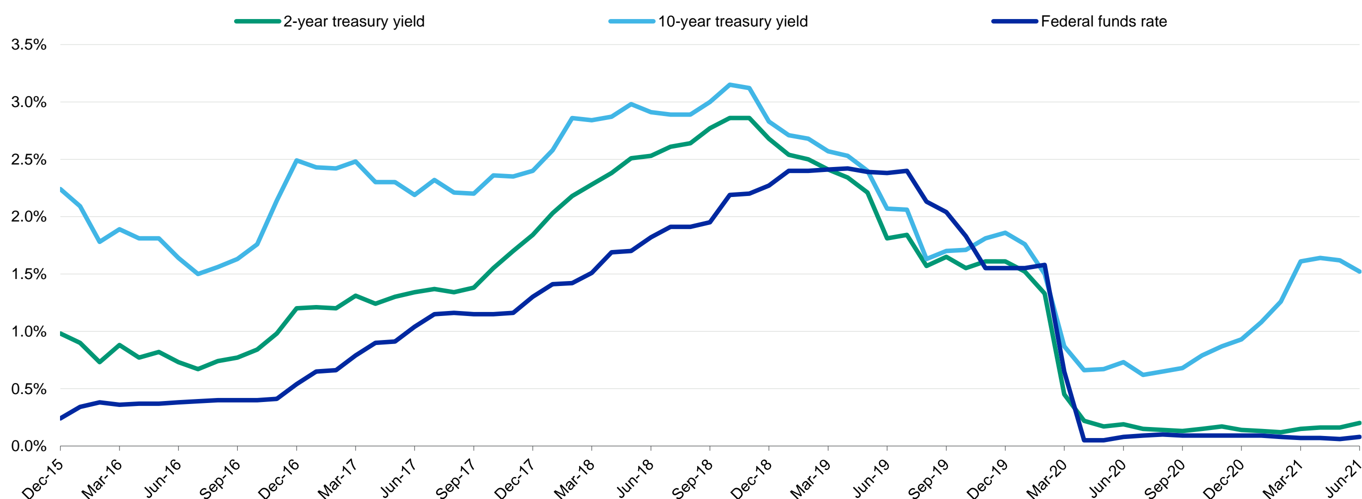
Protracted low interest rates and minimal loan growth are the most acute pressures on US banks' profitability in 2021. Regional banks are highly dependent on net interest income, which accounts for more than half, and in many cases more than three-quarters, of their total revenue (in contrast with the largest US banks with more diversified revenue). Correspondingly, since the Federal Reserve (Fed) slashed rates in March 2020, banks' asset yields have compressed significantly and their deposit costs are nearing zero. Therefore, unless interest rates increase, US banks will have little ability to boost net interest margins, and net interest income, over the remainder of 2021.

The likelihood of a near-term rise in interest rates looks slim. We expect short-term interest rates will remain low until 2023, particularly given the Fed's shift to a flexible inflation targeting framework. And despite a rise in long-term interest rates earlier in the year, on market sentiment of greater economic growth, the 10-year treasury yield declined about 25 basis points in Q2 2021 (Exhibit 3). The drop in long-term rates has negative implications for the reinvestment rate on banks' maturing long-dated assets, such as residential mortgages and investment securities.

Exhibit 3

Interest rates across the yield curve are at, or near, historical lows

Two-year treasury yield vs. 10-year treasury yield vs. Federal funds rate, December 2015 - June 2021



Source: Moody's Investors Service, Federal Reserve

As a result, continued ultralow interest rates will constrain banks' revenue potential and, we expect, motivate more M&A. The ongoing release of loan loss reserves built in 2020, when banks anticipated a deeper pandemic-induced downturn than materialized, will support strong net income in the second half of 2021. But looking ahead to 2022, assuming reserve releases are exhausted, banks will once again confront constrained net income.

Moreover, pressure on net income from low interest rates is unlikely to be offset by robust loan growth because of changes unleashed by the pandemic. In particular, US businesses and households are sitting on massive piles of cash and deposits, thanks to a combination of debt issuance from wide-open capital markets, government fiscal and monetary stimulus, and reduced spending during the height of the pandemic. As an example, rated nonfinancial US companies held a record $2.15 trillion of cash at year-end 2020, up a sizable 32% from a year earlier.

Loan growth, particularly for regional banks, will be further curtailed over the next several quarters by the runoff of loans from the federal government's Paycheck Protection Program (PPP). Many banks will find It difficult to outrun the decline in their PPP loans, which will be paid off by the government, given the strong underlying cash levels of US households and businesses, which reduces their need for fresh bank credit.

Extended periods of declining loan balances are rare, as the Fed's weekly data on US commercial bank loan balances this century shows (Exhibit 4). The two exceptions were following the financial crisis and after the surge in bank borrowing last spring. The latter followed a spike in loan balances at the onset of the pandemic, as borrowers drew down their liquidity facilities to build cash at a time of market turmoil. Since then, most banks' loan balances have receded or stagnated, despite the improving economy. Many banks expect loan balances to rebound, but we think any growth will be modest. An extended plateau in banks' loan balances, their primary asset, will provide further motivation for M&A.

Exhibit 4

US banks' loan growth spiked at the onsets of the last two crises, but then faded for an extended period

Loans and leases of US commercial banks, not seasonally adjusted, 5 January 2000 – 23 June 2021 ($ in millions)

Source: Federal Reserve

Evolving business and technology dynamics are also catalysts for continued consolidation. The pandemic accelerated already budding demand for digitalization throughout the economy. This digital boom has been manifest in financial services, e-commerce and also the rapid adoption of remote work and schooling.

Banks routinely note their investments in technology as a business imperative, an expensive proposition that is easier to bear with greater scale. Moreover, the needed technology upgrades can be funded by the prospective cost savings of a successful acquisition.

More specifically, the widespread adoption of technology has made branch density less important. Some banking services will remain relationship-based, with significant personal interaction, such as middle market commercial lending and private wealth management. However, these activities do not require the dense branch networks that used to characterize US retail banking.

In-market M&A offer banks a particularly attractive opportunity to accelerate their branch-closing initiatives and achieve significant cost savings. Branches will remain an important sales and delivery channel for banks, but reducing their number is both consistent with evolving market dynamics and a way to boost efficiency and fund essential technology investments.

Difficulty forecasting business activity and loan growth, as well as rising bank share prices, may have held back some deals

Notwithstanding the fundamentals highlighted in this report, including the recent jump in M&A transactions by rated banks, the overall pace of sector consolidation slowed in 2020 as the coronavirus pandemic subdued business activity. This held true in Q1 2021, when the annualized number of M&As completed by US commercial banks and savings institutions was 100, down from 172 for all of 2020 and 230 in 2019 (Exhibit 5, green bars, expressed as a percentage of the total FDIC-insured institutions at the start of each year). Our count includes failed institutions – of which there were none in Q1 2021 and four in both 2020 and 2019 – because the loans and deposits of failed institutions are typically absorbed by existing banks through a well-established FDIC resolution process.

A climb in banks' share prices over the past year, which has significantly increased the market value of potential targets, may have also held back some deals. However, even at a temporarily lower rate, M&A is driving sector consolidation.

In part, this is because of the dearth of new banks formed over the past decade (Exhibit 5, blue bars), which illustrates the challenges facing small and mid-sized banks. In earlier periods, more than 100 new banks and savings institutions were chartered per year. But the same factors cited above as driving consolidation, including the need to make substantial investments in technology, have made the traditional banking business unattractive to new entrants. Rather, fintechs and big technology firms have leveraged digital channels

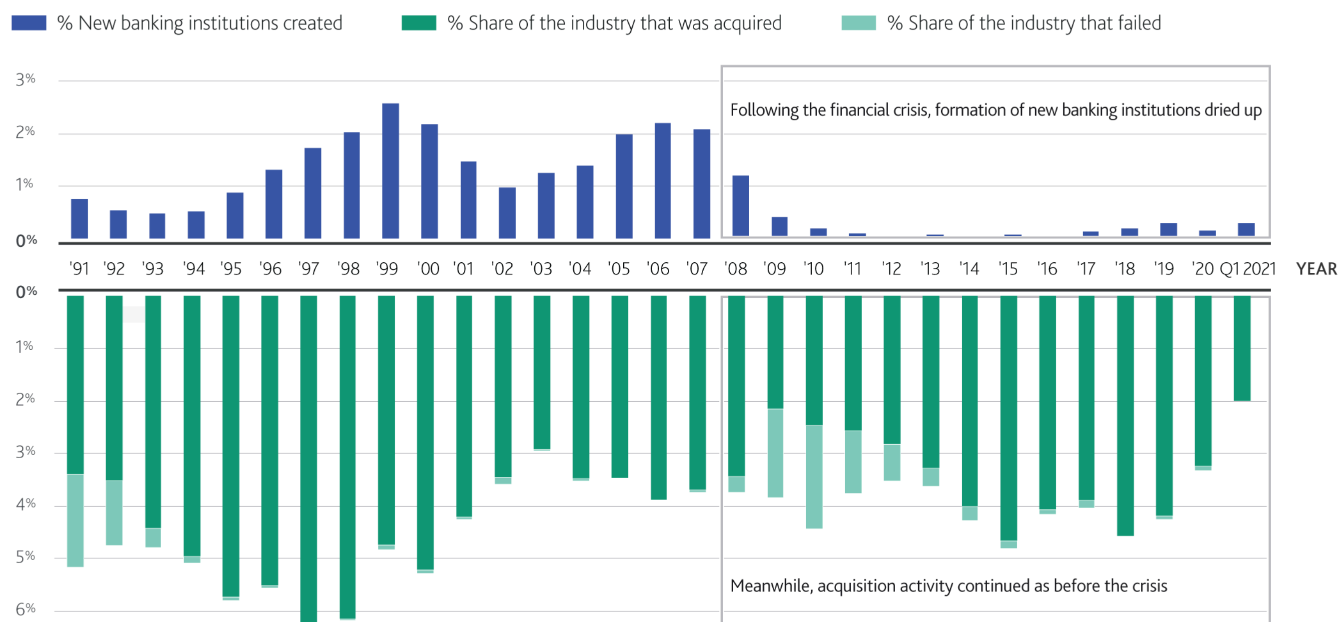
to enter parts of the banking business, such as payments and retail financial services. Many of these entrants opt to partner with incumbent banks.

At the same time, a number of banks have focused their recent acquisitions on non-banking businesses. This strategy can enhance their revenue diversification in a particularly difficult period for generating incremental income from core banking activities. Recent examples include Western Alliance Bancorporation's (Baa2 stable) purchase of AmeriHome Mortgage, a large US residential mortgage company that primarily serves as a correspondent loan acquirer and servicer, and Truist's ongoing acquisitions of insurance businesses, which have further bolstered its large insurance brokerage arm.

The slowdown of bank consolidation in 2020 also reflected the increased difficulty of assessing and realizing the value of an acquisition target in the uncertain economic environment of the pandemic. As an example, in May 2020, Texas Capital Bancshares, Inc. (Baa3 stable) and Independent Bank Group, Inc. agreed to terminate their merger agreement from December 2019 "given the significant impact of the COVID-19 pandemic on global markets and on the companies' ability to fully realize the benefits they expected to achieve." But the recent jump in M&A among rated banks points to a greater pace of overall industry consolidation as the remainder of 2021 unfolds.

Exhibit 5

After the global financial crisis, changing market dynamics eroded the industry's attractiveness to newcomers, but consolidation continued



Note: 2021 M&A rate is annualized from first quarter data.
Source: FDIC

Endnotes

1 The institution that resulted, also called TCF Financial Corporation, was subsequently acquired by Huntington Bancshares Incorporated (Baa1 stable). TCF's balance sheet was only 40% the size of Huntington's, so we do not classify that deal as transformational.

© 2021 Moody's Corporation, Moody's Investors Service, Inc., Moody's Analytics, Inc. and/or their licensors and affiliates (collectively, "MOODY'S"). All rights reserved.

CREDIT RATINGS ISSUED BY MOODY'S CREDIT RATINGS AFFILIATES ARE THEIR CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES, AND MATERIALS, PRODUCTS, SERVICES AND INFORMATION PUBLISHED BY MOODY'S (COLLECTIVELY, "PUBLICATIONS") MAY INCLUDE SUCH CURRENT OPINIONS. MOODY'S DEFINES CREDIT RISK AS THE RISK THAT AN ENTITY MAY NOT MEET ITS CONTRACTUAL FINANCIAL OBLIGATIONS AS THEY COME DUE AND ANY ESTIMATED FINANCIAL LOSS IN THE EVENT OF DEFAULT OR IMPAIRMENT. SEE APPLICABLE MOODY'S RATING SYMBOLS AND DEFINITIONS PUBLICATION FOR INFORMATION ON THE TYPES OF CONTRACTUAL FINANCIAL OBLIGATIONS ADDRESSED BY MOODY'S CREDIT RATINGS. CREDIT RATINGS DO NOT ADDRESS ANY OTHER RISK, INCLUDING BUT NOT LIMITED TO: LIQUIDITY RISK, MARKET VALUE RISK, OR PRICE VOLATILITY. CREDIT RATINGS, NON-CREDIT ASSESSMENTS ("ASSESSMENTS"), AND OTHER OPINIONS INCLUDED IN MOODY'S PUBLICATIONS ARE NOT STATEMENTS OF CURRENT OR HISTORICAL FACT. MOODY'S PUBLICATIONS MAY ALSO INCLUDE QUANTITATIVE MODEL-BASED ESTIMATES OF CREDIT RISK AND RELATED OPINIONS OR COMMENTARY PUBLISHED BY MOODY'S ANALYTICS, INC. AND/OR ITS AFFILIATES. MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND PUBLICATIONS DO NOT CONSTITUTE OR PROVIDE INVESTMENT OR FINANCIAL ADVICE, AND MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND PUBLICATIONS ARE NOT AND DO NOT PROVIDE RECOMMENDATIONS TO PURCHASE, SELL, OR HOLD PARTICULAR SECURITIES. MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND PUBLICATIONS DO NOT COMMENT ON THE SUITABILITY OF AN INVESTMENT FOR ANY PARTICULAR INVESTOR. MOODY'S ISSUES ITS CREDIT RATINGS, ASSESSMENTS AND OTHER OPINIONS AND PUBLISHES ITS PUBLICATIONS WITH THE EXPECTATION AND UNDERSTANDING THAT EACH INVESTOR WILL, WITH DUE CARE, MAKE ITS OWN STUDY AND EVALUATION OF EACH SECURITY THAT IS UNDER CONSIDERATION FOR PURCHASE, HOLDING, OR SALE.

MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS, AND PUBLICATIONS ARE NOT INTENDED FOR USE BY RETAIL INVESTORS AND IT WOULD BE RECKLESS AND INAPPROPRIATE FOR RETAIL INVESTORS TO USE MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS OR PUBLICATIONS WHEN MAKING AN INVESTMENT DECISION. IF IN DOUBT YOU SHOULD CONTACT YOUR FINANCIAL OR OTHER PROFESSIONAL ADVISER.

ALL INFORMATION CONTAINED HEREIN IS PROTECTED BY LAW, INCLUDING BUT NOT LIMITED TO, COPYRIGHT LAW, AND NONE OF SUCH INFORMATION MAY BE COPIED OR OTHERWISE REPRODUCED, REPACKAGED, FURTHER TRANSMITTED, TRANSFERRED, DISSEMINATED, REDISTRIBUTED OR RESOLD, OR STORED FOR SUBSEQUENT USE FOR ANY SUCH PURPOSE, IN WHOLE OR IN PART, IN ANY FORM OR MANNER OR BY ANY MEANS WHATSOEVER, BY ANY PERSON WITHOUT MOODY'S PRIOR WRITTEN CONSENT.

MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND PUBLICATIONS ARE NOT INTENDED FOR USE BY ANY PERSON AS A BENCHMARK AS THAT TERM IS DEFINED FOR REGULATORY PURPOSES AND MUST NOT BE USED IN ANY WAY THAT COULD RESULT IN THEM BEING CONSIDERED A BENCHMARK.

All information contained herein is obtained by MOODY'S from sources believed by it to be accurate and reliable. Because of the possibility of human or mechanical error as well as other factors, however, all information contained herein is provided "AS IS" without warranty of any kind. MOODY'S adopts all necessary measures so that the information it uses in assigning a credit rating is of sufficient quality and from sources MOODY'S considers to be reliable including, when appropriate, independent third-party sources. However, MOODY'S is not an auditor and cannot in every instance independently verify or validate information received in the rating process or in preparing its Publications.

To the extent permitted by law, MOODY'S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability to any person or entity for any indirect, special, consequential, or incidental losses or damages whatsoever arising from or in connection with the information contained herein or the use of or inability to use any such information, even if MOODY'S or any of its directors, officers, employees, agents, representatives, licensors or suppliers is advised in advance of the possibility of such losses or damages, including but not limited to: (a) any loss of present or prospective profits or (b) any loss or damage arising where the relevant financial instrument is not the subject of a particular credit rating assigned by MOODY'S.

To the extent permitted by law, MOODY'S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability for any direct or compensatory losses or damages caused to any person or entity, including but not limited to by any negligence (but excluding fraud, willful misconduct or any other type of liability that, for the avoidance of doubt, by law cannot be excluded) on the part of, or any contingency within or beyond the control of, MOODY'S or any of its directors, officers, employees, agents, representatives, licensors or suppliers, arising from or in connection with the information contained herein or the use of or inability to use any such information.

NO WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY, TIMELINESS, COMPLETENESS, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OF ANY CREDIT RATING, ASSESSMENT, OTHER OPINION OR INFORMATION IS GIVEN OR MADE BY MOODY'S IN ANY FORM OR MANNER WHATSOEVER.

Moody's Investors Service, Inc., a wholly-owned credit rating agency subsidiary of Moody's Corporation ("MCO"), hereby discloses that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by Moody's Investors Service, Inc. have, prior to assignment of any credit rating, agreed to pay to Moody's Investors Service, Inc. for credit ratings opinions and services rendered by it fees ranging from $1,000 to approximately $5,000,000. MCO and Moody's Investors Service also maintain policies and procedures to address the independence of Moody's Investors Service credit ratings and credit rating processes. Information regarding certain affiliations that may exist between directors of MCO and rated entities, and between entities who hold credit ratings from Moody's Investors Service and have also publicly reported to the SEC an ownership interest in MCO of more than 5%, is posted annually at www.moodys.com under the heading "Investor Relations — Corporate Governance — Director and Shareholder Affiliation Policy."

Additional terms for Australia only: Any publication into Australia of this document is pursuant to the Australian Financial Services License of MOODY'S affiliate, Moody's Investors Service Pty Limited ABN 61 003 399 657AFSL 336969 and/or Moody's Analytics Australia Pty Ltd ABN 94 105 136 972 AFSL 383569 (as applicable). This document is intended to be provided only to "wholesale clients" within the meaning of section 761G of the Corporations Act 2001. By continuing to access this document from within Australia, you represent to MOODY'S that you are, or are accessing the document as a representative of, a "wholesale client" and that neither you nor the entity you represent will directly or indirectly disseminate this document or its contents to "retail clients" within the meaning of section 761G of the Corporations Act 2001. MOODY'S credit rating is an opinion as to the creditworthiness of a debt obligation of the issuer, not on the equity securities of the issuer or any form of security that is available to retail investors.

Additional terms for Japan only: Moody's Japan K.K. ("MJKK") is a wholly-owned credit rating agency subsidiary of Moody's Group Japan G.K., which is wholly-owned by Moody's Overseas Holdings Inc., a wholly-owned subsidiary of MCO. Moody's SF Japan K.K. ("MSFJ") is a wholly-owned credit rating agency subsidiary of MJKK. MSFJ is not a Nationally Recognized Statistical Rating Organization ("NRSRO"). Therefore, credit ratings assigned by MSFJ are Non-NRSRO Credit Ratings. Non-NRSRO Credit Ratings are assigned by an entity that is not a NRSRO and, consequently, the rated obligation will not qualify for certain types of treatment under U.S. laws. MJKK and MSFJ are credit rating agencies registered with the Japan Financial Services Agency and their registration numbers are FSA Commissioner (Ratings) No. 2 and 3 respectively.

MJKK or MSFJ (as applicable) hereby disclose that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by MJKK or MSFJ (as applicable) have, prior to assignment of any credit rating, agreed to pay to MJKK or MSFJ (as applicable) for credit ratings opinions and services rendered by it fees ranging from JPY125,000 to approximately JPY550,000,000.

MJKK and MSFJ also maintain policies and procedures to address Japanese regulatory requirements.

REPORT NUMBER 1282635

CLIENT SERVICES

Americas	1-212-553-1653
Asia Pacific	852-3551-3077
Japan	81-3-5408-4100
EMEA	44-20-7772-5454

Moody's
INVESTORS SERVICE