Moody's and Algorithmics to Partner in Developing Integrated Portfolio Product Offerings

Products will assist in assessing and managing portfolio credit risk

New York, New York - November 21, 2000 - Moody's Risk Management Services (MRMS) and Algorithmics Incorporated today announced plans for coordinating their products and expertise in the area of default prediction and portfolio credit risk management. MRMS and Algorithmics will link MRMS's suite of RiskCalc default prediction models and Portfolio Credit Risk Engine (PCRE), Algorithmics' credit portfolio analysis software. This integration will enable banks, central banks, asset managers and traders to improve the analysis of the credit risk, credit capital and return profiles of portfolios of risky assets such as bonds, derivatives and corporate loans.

The integrated tool can be used in a variety of ways, including regulatory compliance, capital allocation, analysis of credit value-at-risk estimation of risk adjusted profitability, structuring of derivative hedges, and enterprise wide risk analysis. Using Moody's RiskCalc to estimate the default probability of a counter-party, users such as large financial institutions can update the credit exposure of their portfolios automatically over the Internet, even when the portfolio includes privately owned companies.

Andrew Kimball, Managing Director of Moody's Risk Management Services, said, "Algorithmics is a leader in providing enterprise-wide risk management solutions. We believe that clients of either Algorithmics or Moody's products will benefit from the integration of the two systems."

"By accurately modeling the complex nature of credit exposures and allowing the simultaneous use of various default models for different segments of credit portfolios, PCRE offers a powerful framework for enterprise credit risk management. Moody's suite of RiskCalc products provides key data for our clients to drive these default models" said Dr. Dan Rosen, Director of Research at Algorithmics.

"The ability to analyze the portfolio-wide impact of credit decisions as they occur is a crucial component of prudent credit risk management. Our agreement with Algorithmics offers RiskCalc clients with complex derivatives exposures a powerful tool to understand these risks across their entire credit book," said Roger Stein, Director of Quantitative Risk Modeling at Moody's Risk Management Services.

RiskCalc is part of Moody's family of quantitative credit risk models which includes proprietary default models for privately owned firms and firms with publicly traded equity. Interest in credit models such as RiskCalc has increased due to the advent of new supervisory practices for banks and a series of highly publicized credit events in the capital markets.

The Algo PCRE is Algorithmics' enterprise-wide solution for the integrated measurement of market and credit risk. It estimates portfolio credit risk at the enterprise level, consistently aggregating banking and stochastic trading book exposures. It includes absolute and marginal credit risk reports that identify credit risk concentrations by business line, industry, country credit category or large counterparty.

The integration will be implemented through an XML (eXtensible Markup Language) interface between the Algorithmics and MRMS Web sites that will eliminate the need to export the data from one application and import it into the other in separate steps. While promoting ease of use, it will give users the ability to update -- seamlessly -- the risk exposures on their portfolios as the composition of the portfolios change or as obligors provide new information.

Algorithmics provides an integrated risk management framework through its Algo Suite of products. Algo Suite is an enterprise-wide risk management package geared towards both banking and trading books. Through integrating market, credit and liquidity risk with asset and liability management functions under one methodology and architecture, Algo Suite is designed to enable firms to deploy their capital more efficiently. Algorithmics credit solutions include Algo PCRE which provides comprehensive bank-wide assessment of enterprise credit risk.

About Moody's

Moody's Risk Management Services (MRMS), a wholly owned subsidiary of Moody's Investors Service, is a leading provider of financial software, credit training and both quantitative and judgmental risk assessment models. Its client base ranges from community bank to large credit-granting institutions. MRMS has offices in New York; London; Tokyo; Dublin; Reigate, U.K.; Walnut Creek, California; and South Bend, Indiana. Additional information about Moody's Risk Management Services and its

RiskCalc line of products is available through its web site, www.moodysrms.com.

Moody's Investors Service, a subsidiary of Moody's Corporation (NYSE:MCO), is the leading provider of credit ratings, research and analysis covering debt instruments and securities in the global capital markets. The company, with offices in New York, Tokyo, London, Paris, Sydney, San Francisco, Frankfurt, Dallas, Madrid, Toronto, Hong Kong, Singapore, Limassol, São Paulo, Milan, and Mexico City issues ratings on more than 4,200 corporations and 68,000 public finance debt securities issued by corporations and governments in more than 100 nations. www.moodys.com

Supporting Notes:

Moody's RiskCalc for public firms provides a risk assessment for more than 8,500 U.S. and Canadian public companies. It generates a monthly 1-year and 5-year default probability with 5 years of history. It is based on a hybrid model that combines two credit risk modeling approaches: (a) a structural model based on Merton's options-theoretic view of firms and (b) a statistical model determined through empirical analysis of historical data. RiskCalc's ability to predict default is significantly improved over simpler models based on Merton theory only.

Moody's RiskCalc for private companies provides a risk assessment for firms without traded equity. These companies make up the majority of many banks' portfolios. It is one of the most statistically powerful models currently available for private firm default modeling because it has been specifically calibrated using Moody's unique Credit Research Database (CRD) comprised of 28,000 private firm financial statements and over 1,600 private firm defaults. Additional information on RiskCalc for public and private firms is available at the MRMS web site: www.MoodysRMS.com.

CONTACT:
Mark Laudeman, Moody's Risk Management Services, (219) 236-7613
mlaudeman@moodysrms.com
Dave Paolini, Algorithmics Incorporated, (416) 217-4210
dpaolini@algorithmics.com