Moody's

Moody's Analytics

Strengthening Moody's Position in Financial Risk Management

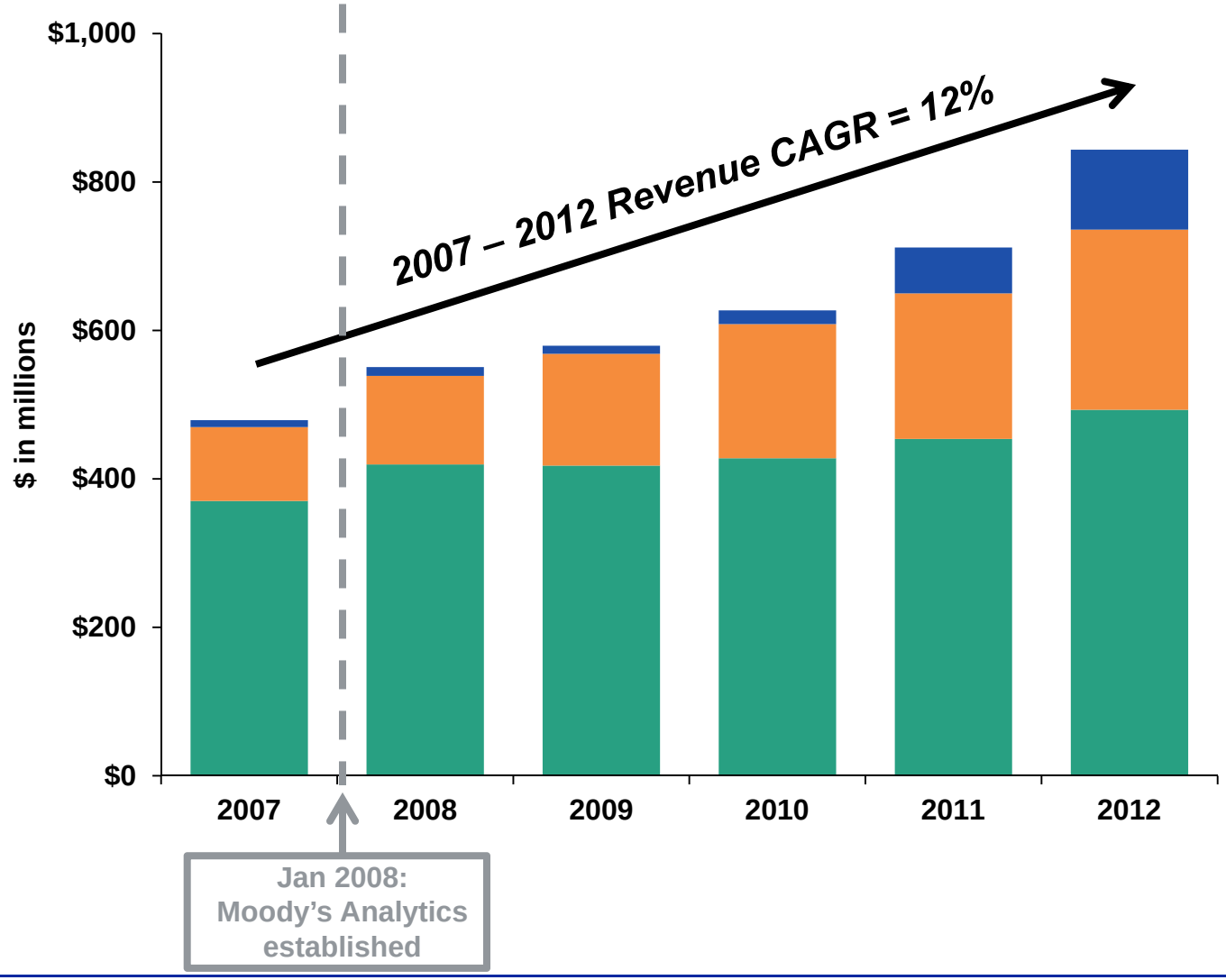
“Safe Harbor”

Certain statements contained in this release are forward-looking statements and are based on future expectations, plans and prospects for Moody’s business and operations that involve a number of risks and uncertainties. Moody’s outlook for 2013 and other forward-looking statements in this release are made as of May 3, 2013, and the Company disclaims any duty to supplement, update or revise such statements on a going-forward basis, whether as a result of subsequent developments, changed expectations or otherwise. In connection with the “safe harbor” provisions of the Private Securities Litigation Reform Act of 1995, the Company is identifying certain factors that could cause actual results to differ, perhaps materially, from those indicated by these forward-looking statements. Those factors, risks and uncertainties include, but are not limited to, the current world-wide credit market disruptions and economic slowdown, which is affecting and could continue to affect the volume of debt and other securities issued in domestic and/or global capital markets; other matters that could affect the volume of debt and other securities issued in domestic and/or global capital markets, including credit quality concerns, changes in interest rates and other volatility in the financial markets; the uncertain effectiveness and possible collateral consequences of U.S. and foreign government initiatives to respond to the economic slowdown; concerns in the marketplace affecting our credibility or otherwise affecting market perceptions of the integrity or utility of independent agency ratings; the introduction of competing products or technologies by other companies; pricing pressure from competitors and/or customers; the impact of regulation as an NRSRO, the potential for new U.S., state and local legislation and regulations, including provisions in the Dodd-Frank Wall Street Reform and Consumer Protection Act and anticipated regulations resulting from the law; the potential for increased competition and regulation in the EU and other foreign jurisdictions; new EU regulations adding a private right of action against credit rating agencies for breaches of EU CRA regulations, requiring rotation of rating agencies for re-securitizations rated within the EU and imposing shareholder restrictions; exposure to litigation related to our rating opinions, as well as any other litigation to which the Company may be subject from time to time; the possible loss of key employees; failures or malfunctions of our operations and infrastructure; any vulnerabilities to cyber threats or other cybersecurity concerns; the outcome of any review by controlling tax authorities of the Company’s global tax planning initiatives; the outcome of those legacy tax matters and legal contingencies that relate to the Company, its predecessors and their affiliated companies for which Moody’s has assumed portions of the financial responsibility; the ability of the Company to successfully integrate acquired businesses; currency and foreign exchange volatility; a decline in the demand for credit risk management tools by financial institutions; and other risk factors as discussed in the Company’s annual report on Form 10-K for the year ended December 31, 2012 and in other filings made by the Company from time to time with the Securities and Exchange Commission.

Building a Solid Franchise and Delivering Strong Results

- **Leading supplier of essential inputs to core activities in financial markets**
- **Strong global distribution network, supported by powerful brand**
- **Broad capabilities, rich experience, deep customer relationships**
- **Unique position across 3 primary businesses**
  - **Information**: stable, highly profitable research business
  - **Infrastructure**: significant growth opportunity in bank risk management
  - **Skills**: good potential in outsourced research & analytics, strong cash flow from certification business

Multiple Platforms for Growth

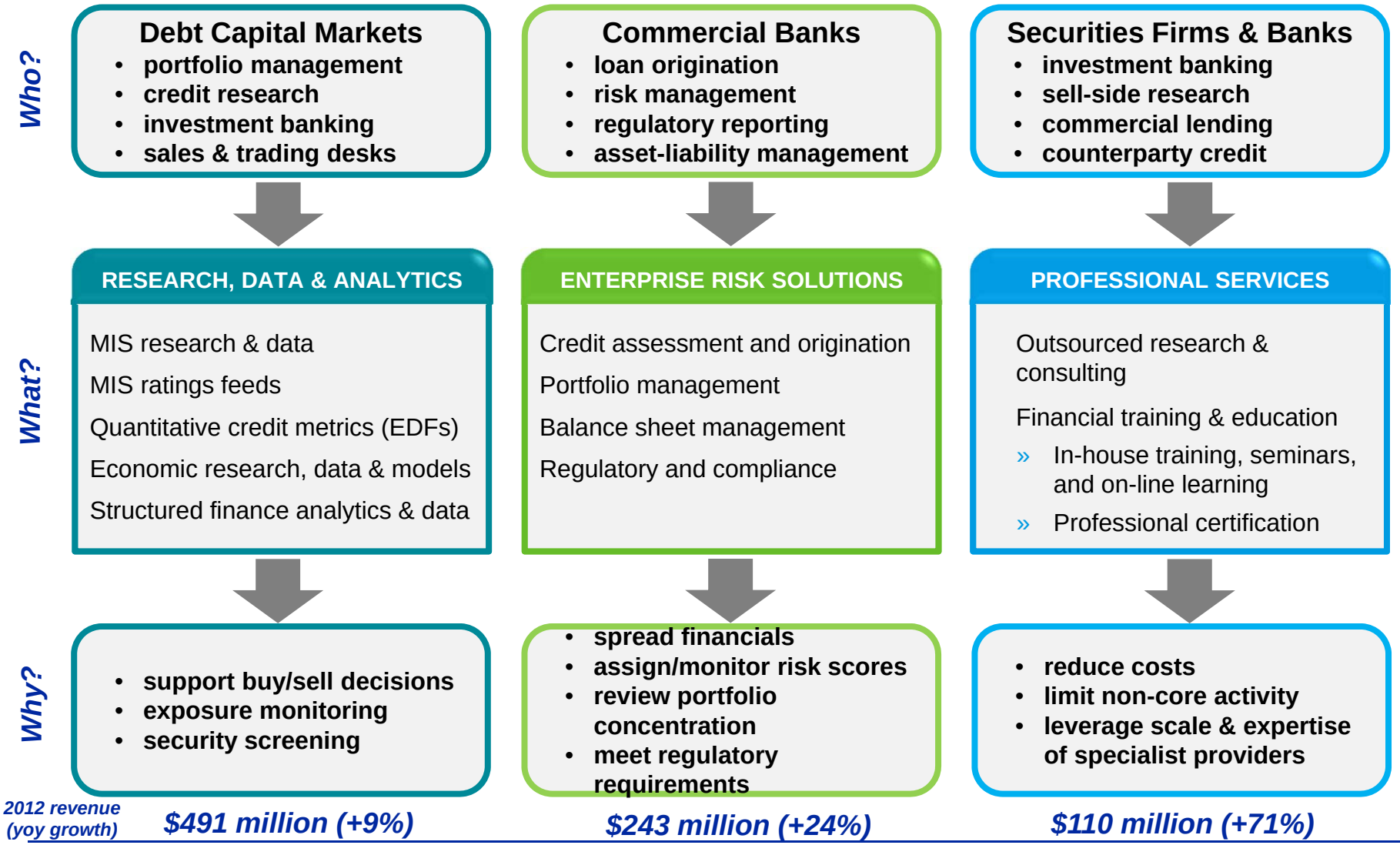


Professional Services
+$98mm, 63% CAGR

Enterprise Risk Solutions
+$143mm, 20% CAGR

Research, Data & Analytics
+$123mm, 6% CAGR

Helping Financial Institutions Manage Risk: Who, What, Why



Opportunity Summary

	Research, Data & Analytics	Enterprise Risk Solutions	Professional Services
Value Proposition	• **Exclusive distributor** of MIS content • **Market-leading quantitative credit risk metrics** • Application of econometric models to portfolio-specific credit risk management • Library of cash-flow models for MBS & ABS	• Domain **expertise in banking & credit risk management** • World-class **software engineering** • Effective project management & execution	• Scalable offshoring model to provide analytical support to front-line bankers • **Exclusive certification franchise** in Canadian securities market
Primary Customers	• Debt capital markets participants – buy-side & sell-side	• Banking • Insurance	• Investment & commercial banks, investment managers, broker-dealers
Demand Drivers	• Moody's **embedded position** in bond markets • New innovations in debt capital markets • Development of regional credit markets • Adoption of enhanced credit risk practices at non-financial companies	• **Regulation (Basel, CCAR, Solvency II)** • Adoption of **global best practices** in risk management • Emerging **"utility" model** for risk management infrastructure	• **Drive for cost reduction** among financial institutions • **Staff recruitment & retention challenges** at large banks • Drive for skill-building in developing markets (esp Asia, Middle East)
Areas of Strategic Focus	• Sustain **high retention rates** (>90%) • Expand tools for **under-served credit markets (esp Asia, unrated companies)** • Leverage expertise to **expand ERS solutions**	• Expand footprint in banking • Extend reach into insurance • Build more recurring revenue • Expand reach via partnerships	• Expand footprint in outsourced research & analytics • Extend Canadian certifications franchise to new markets • Build recurring certification revenue
US / Int'l*	53% / 47%	31% / 69%	14% / 86%
Competitive Environment	Limited competition	Highly competitive	Moderate competition
Market Size	~ $3 billion	> $5 billion	~ $3.5 billion
3-to-5 Year Growth Potential	Mid- to high-single-digits	Low-double-digits to mid-teens	High-single-digits to low-double-digits

** as a percentage of 2012 full-year revenue*

Product Offering Relevant Across Financial Institutions

		Loan markets		Securities Markets			Other	
		Comm'l Lending	Consumer Lending	Investment Management	Investment Banking	Sales & Trading	Risk Mgmt	Treasury
RD&A	MIS research & data	✓		✓	✓	✓	✓	
	Credit market analysis & data	✓		✓	✓	✓	✓	
	Economic research, data, & modeling	✓	✓				✓	✓
	Structured finance analytics			✓	✓	✓		✓
ERS	Software	✓		✓			✓	✓
	Risk modeling	✓	✓				✓	✓
Prof. Svcs.	Training	✓	✓	✓	✓	✓	✓	✓
	Offshore analytical resources	✓		✓	✓	✓		

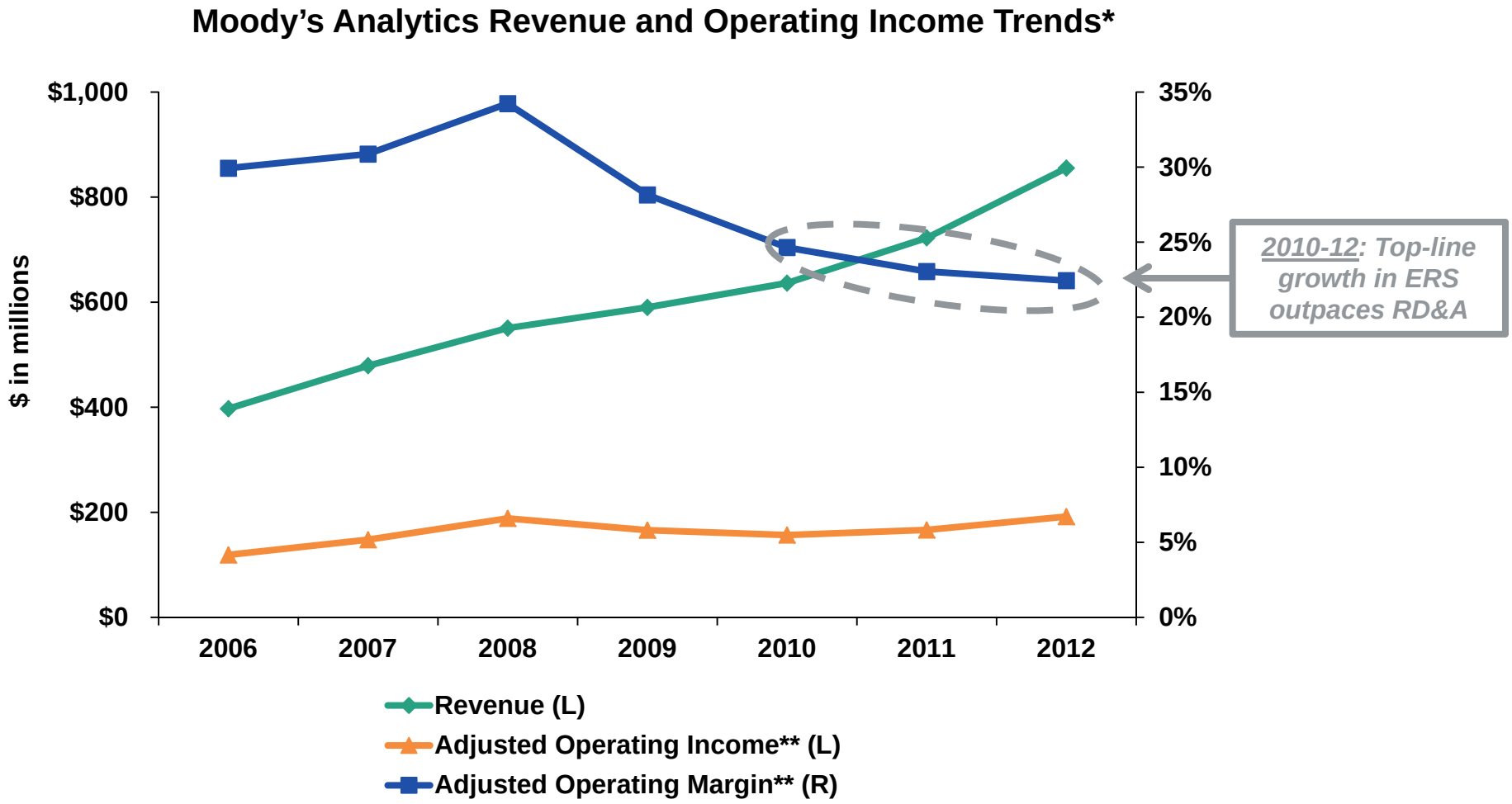
» Centrally managed sales organization leverages established customer relationships, facilitates distribution of new product

Case Study: US Commercial Bank

Total spend in 2012 = $24.6 million

		Loan markets		Securities Markets			Other	
		Comm'l Lending	Consumer Lending	Investment Management	Investment Banking	Sales & Trading	Risk Mgmt	Treasury
RD&A	MIS research & data	*$700k*	*$210k*	*$140k*	*$3,900k*	*$490k*	*$1,400k*	*$210k*
	Credit market analysis & data	*$1,030k*					*$560k*	
	Economic research, data, & modeling	*$340k*	*$210k*		*$80k*		*$170k*	*$40k*
	Structured finance analytics				*$170k*			
ERS	Software	*$1,100k*					*$2,100k*	
	Risk modeling						*$20k*	
Prof. Svcs.	Training						*$40k*	
	Offshore analytical resources				*$11,700k*			

Investing to Realize Potential



* The Company refined its methodology for allocating certain overhead departments to its segments to better align the costs allocated based on each segment's usage of the overhead service. The refined methodology is reflected in the Moody's Analytics results shown in the chart above for 2010-2012 only.

** Adjusted Operating Income/Margin excludes depreciation and amortization, restructuring-related items and a goodwill impairment charge in 2012.

ERS: Winning Significant Business from Banks Worldwide

From 2009 through 2012:

- Total sales of >$200 million from our 15 biggest customers
- Sales of >$5 million each from 28 banks
- Sales of $1-5 million each from another 110 banks
- Over 400 customers worldwide spending at least $50K annually
  - Top 5 markets: USA (147), France (39), Canada (23), UK (22), Germany (21)
  - Selected developing markets: Saudi Arabia (11), UAE (11), South Africa (9), China (8), Lebanon (7), Korea (7)

Conclusion: we are providing "need-to-have" products

Growing Recognition Enhances Competitive Position

Asia Risk Technology Rankings 2012

- #1 in Economic Capital Calculation & Management
- #3 Regulatory Capital Calculation & Management
- #4 Asset Liability Management
- #5 Liquidity Risk Management
- Top 10 Overall Vendor

Risk Technology Rankings 2012

- #1 Risk Capital Calculation, Regulatory
- #1 Risk Capital Calculation, Economic
- #4 Enterprise-Wide Risk Management, Basel III Compliance
- #5 Regulatory Compliance and Reporting

Risk 25 Firms of the Future

- Named a "Firm of the Future" in the Technology Vendors category by *Risk Magazine*
- "…has created a broad portfolio of risk analytical and management capabilities"
- "…a leading provider of compliance packages for new regulation"

Chartis RiskTech100© Rankings 2012

- Voted 7th in Overall Rankings
- #1 in Credit Risk for the 3rd year in a row
- #1 in Organizational Strength

Fintech 100 2012

- Ranked 42nd in Overall Rankings
- Recognized as a preferred vendor in the annual Rankings, published by American Banker and Financial Insights

Insurance Risk Awards 2012

- Barrie & Hibbert voted the "Best Economic Scenario Generation Software Provider"

Structured Products Technology Rankings 2012

- Ranked in the top three in Risk Management - Regulator/Economic Capital Calculation
- Additional recognition: Mortgage Portfolio Analyzer

Structured Credit Investor 2012

- Pricing, Valuation & Risk Management Award
- #1 in customer service in the Pricing, Valuation & Risk Management category

Waters Rankings 2011

- Voted Best "Credit Risk Solution Provider" for the 2nd year in a row
- Award recognizes the best products and services in the financial services industry

Pulsenomics 2011 Crystal Ball Award

- Ranked in the "Top 5" in Zillow's Home Price Expectations Survey
- Chief Economist Mark Zandi & Senior Director Celia Chen, have been awarded the Crystal Ball Award for 2010, 2011 and 2010-2011

Moody's Analytics: Well-Positioned to Drive More Growth

- **Strong operating track record**
  - 21 consecutive quarters of year/year revenue growth
  - 12% revenue CAGR over 2007-2012 period
  - 13 quarters of double-digit growth
  - 2012 adjusted operating margin of 22%
- **Solid market position supporting risk management at financial institutions**
  - Rich product portfolio supported by unique, differentiating features
  - Product offering focused on delivering ***need-to-have*** products and services
- **Big market opportunity**
  - Good penetration of customer base, with plenty of opportunity ahead
  - Addressable market of *at least* $12 billion

Moody's

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