Moody's



Moody's Analytics

Strengthening Moody's Position in Financial Risk Management

August 6, 2013

"Safe Harbor"

Certain statements contained in this presentation 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 presentation are made as of July 24, 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; 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; provisions in the Dodd-Frank Act legislation modifying the pleading standards, and EU regulations modifying the liability standards, applicable to credit rating agencies in a manner adverse to rating agencies; provisions of EU regulations imposing additional procedural and substantive requirements on the pricing of services; 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.

Overview of Moody's Corporation

Leading global provider of credit rating opinions, insight and tools for financial risk measurement and management

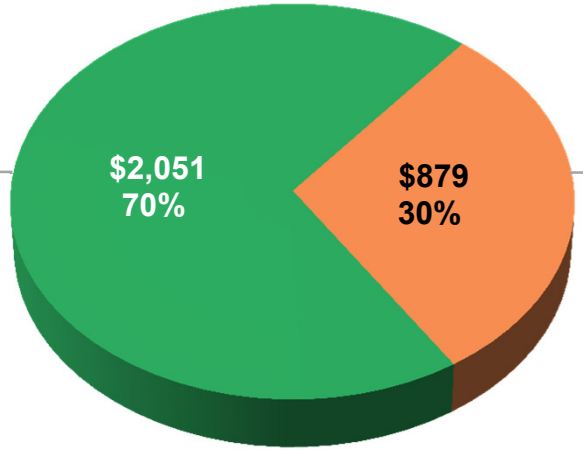
Moody's Investors Service

Independent provider of credit rating opinions and related information for over 100 years

Moody's Analytics

Research, data and software for financial risk analysis and related professional services

Moody's
TTM Revenue: $2.9 billion*

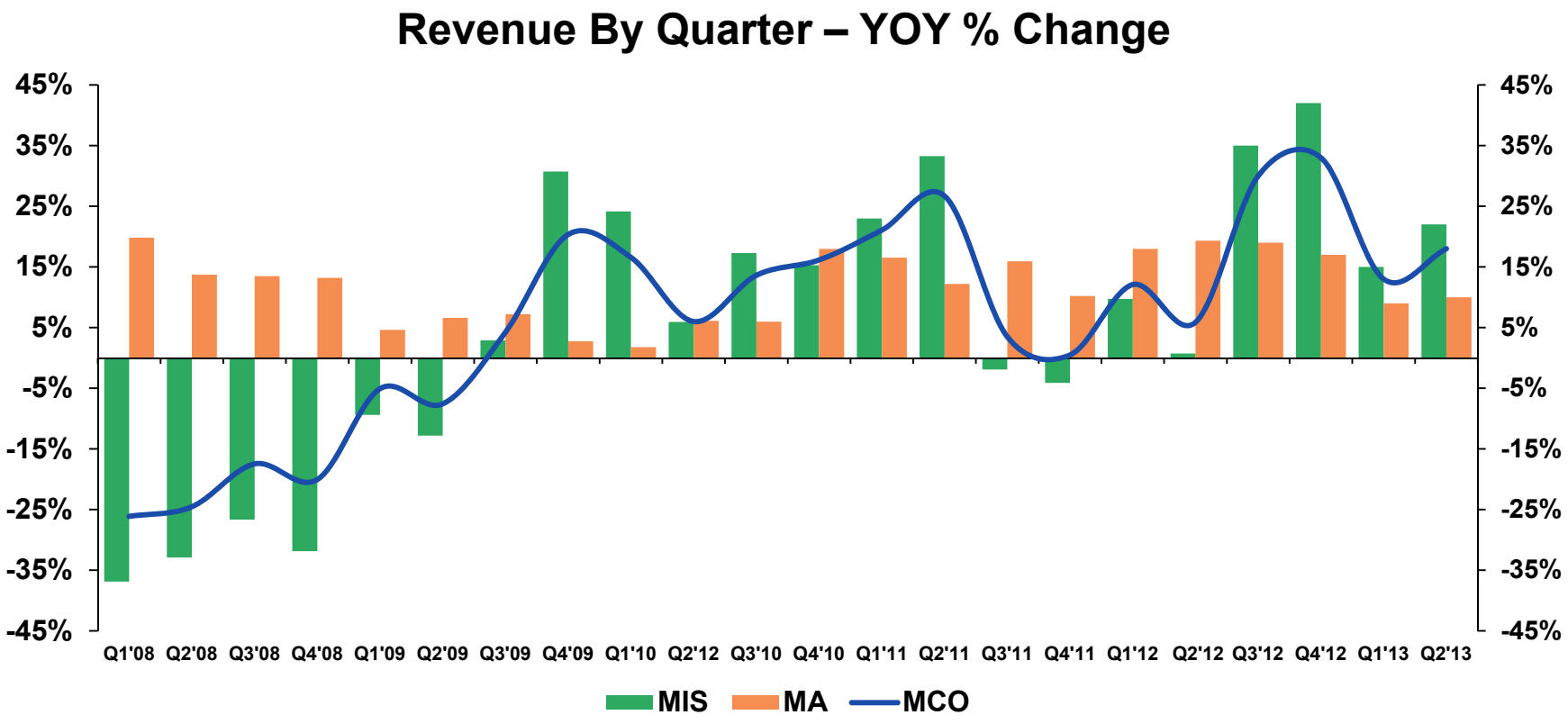


($ millions)

*TTM as of June 30, 2013. Represents consolidated financials excluding intersegment royalty and eliminations.

Steady MA Revenue Growth Balances Variability of MIS Revenue

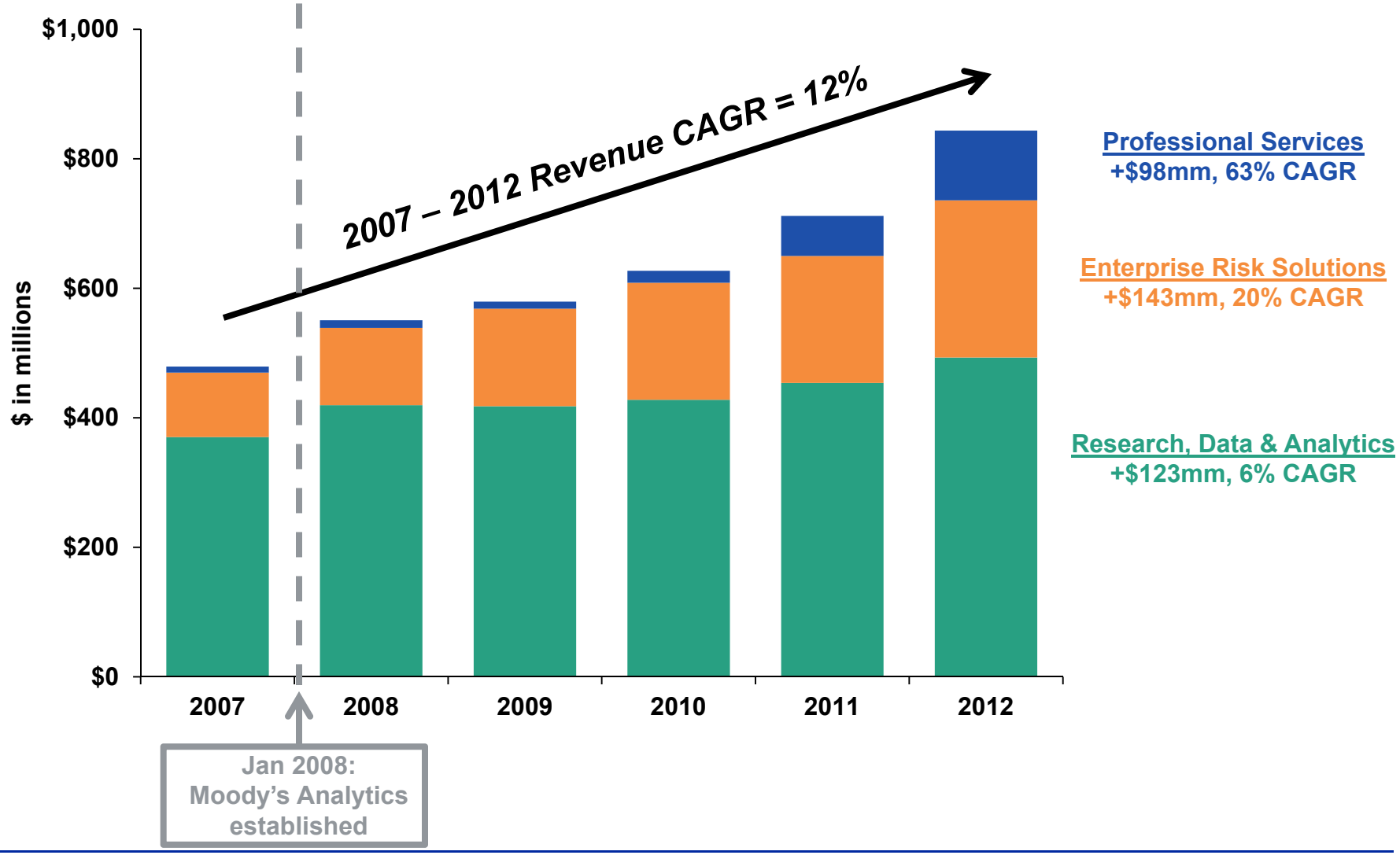
» MA revenue growth steadily up between 2% and 20%, while MIS revenue growth ranges from down 37% to up 42%



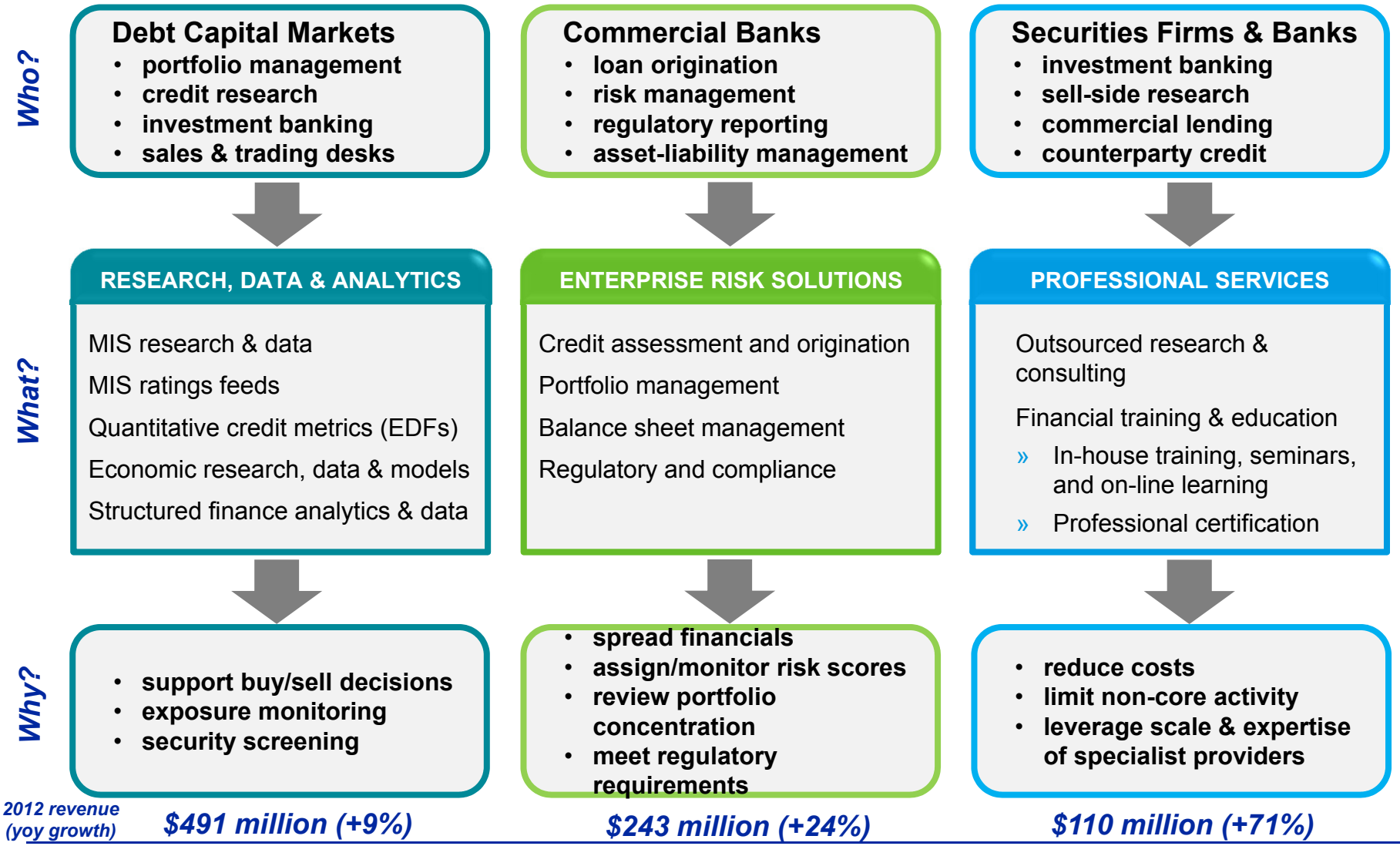
Moody's Analytics:
Building a Solid Franchise and Delivering Strong Results

- 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



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*

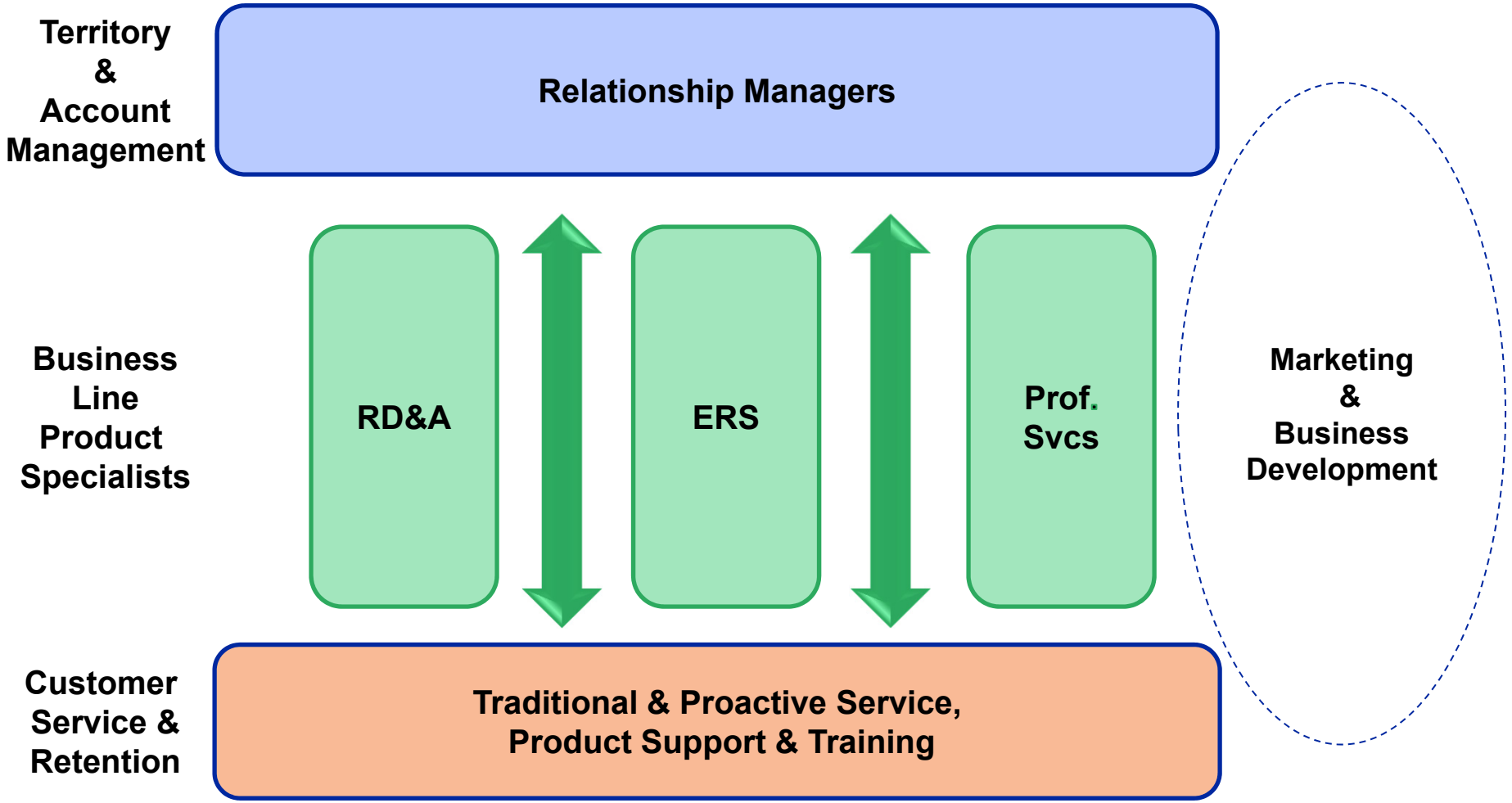
Product Offering Relevant Across Financial Institutions

		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 which facilitates distribution of new product

Large Scale Global Distribution

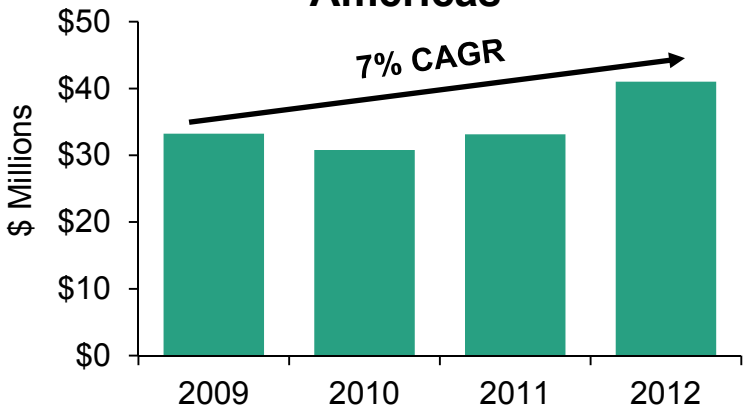
Team Selling Drives Customer Focus & Business Line Results



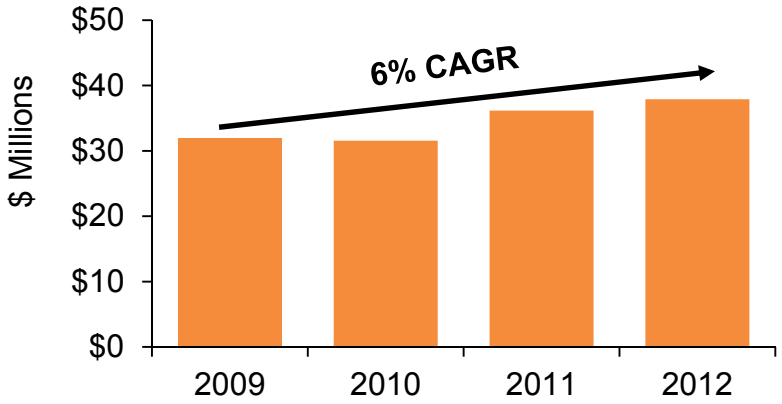
Core Customer Base is Solid, and Continues to Grow

Total RD&A Sales -- 5 Largest Customers by Region

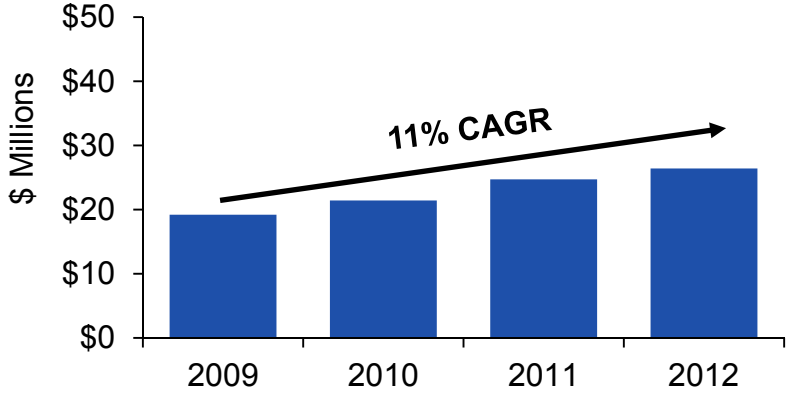
Americas



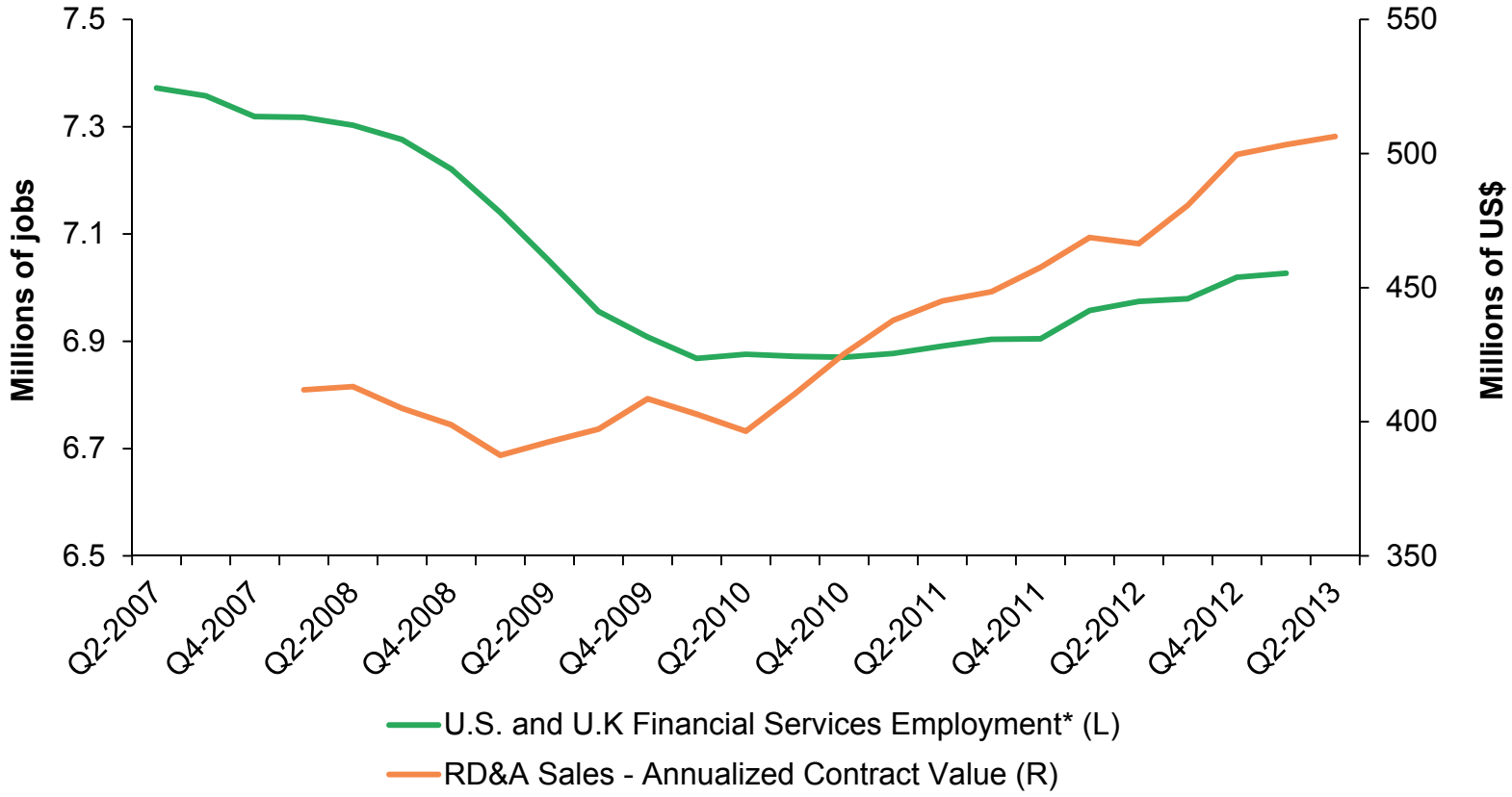
Europe



Asia-Pacific



Pricing Model Limits Exposure to Customer Contraction

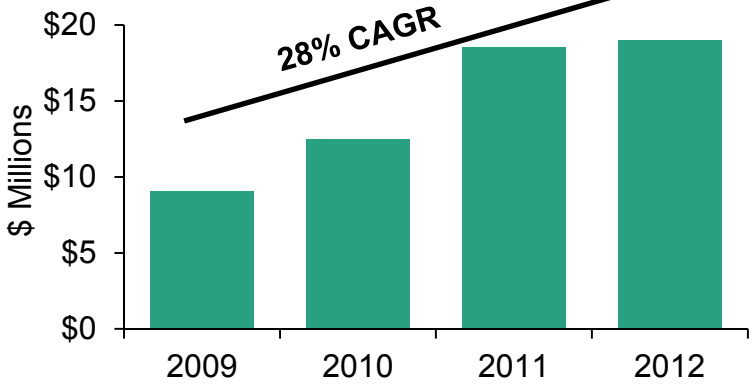


*U.S. and U.K. financial services employment data only available through Q1 2013. Source: U.S. Bureau of Labor Statistics and the U.K. Office for National Statistics, respectively.

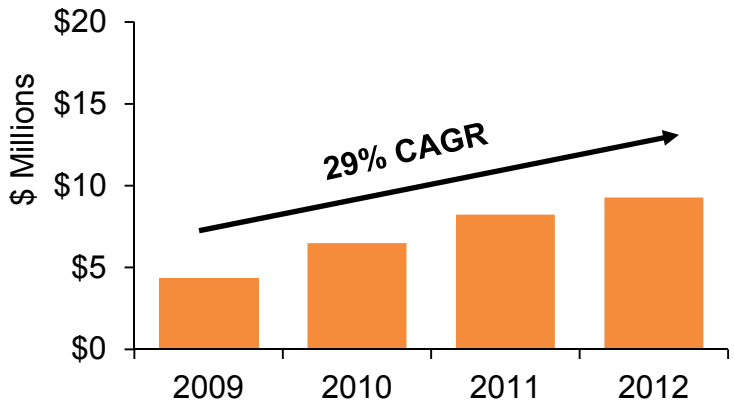
New Markets Delivering Strong Growth

Total MA Sales by Market

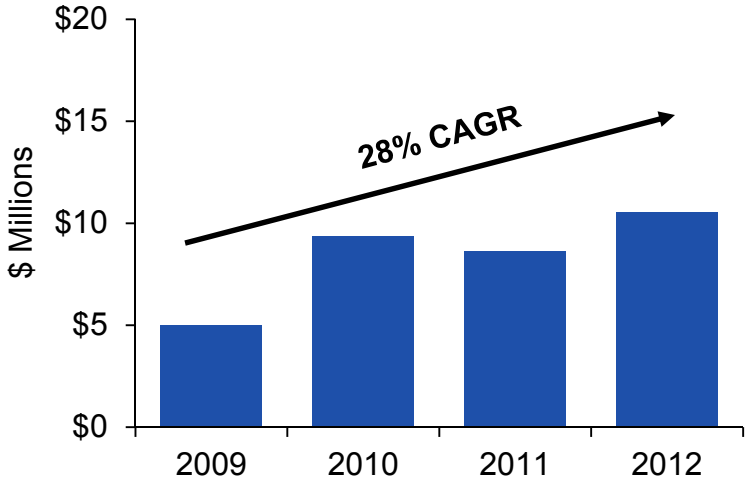
Middle East



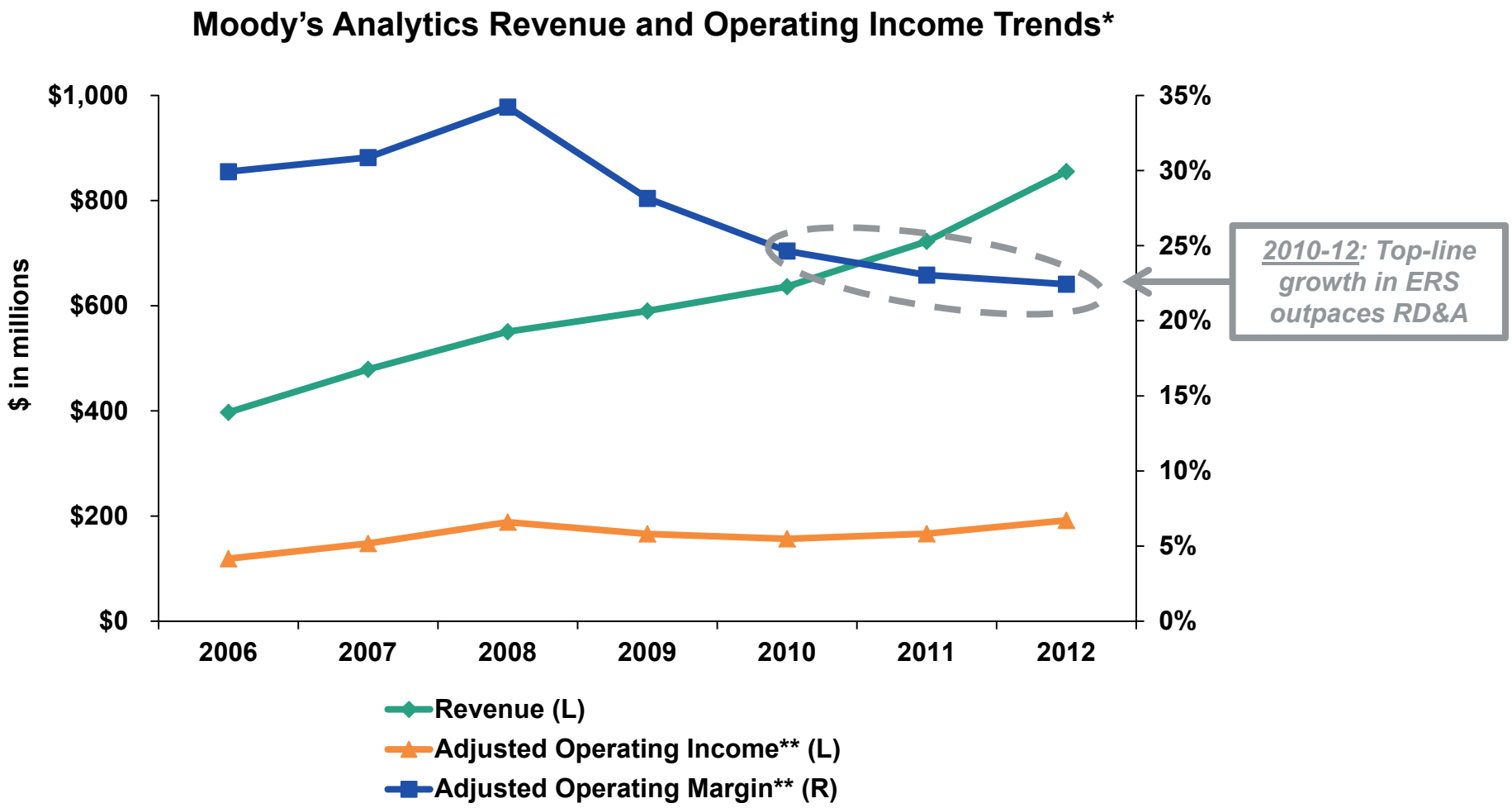
Africa



China



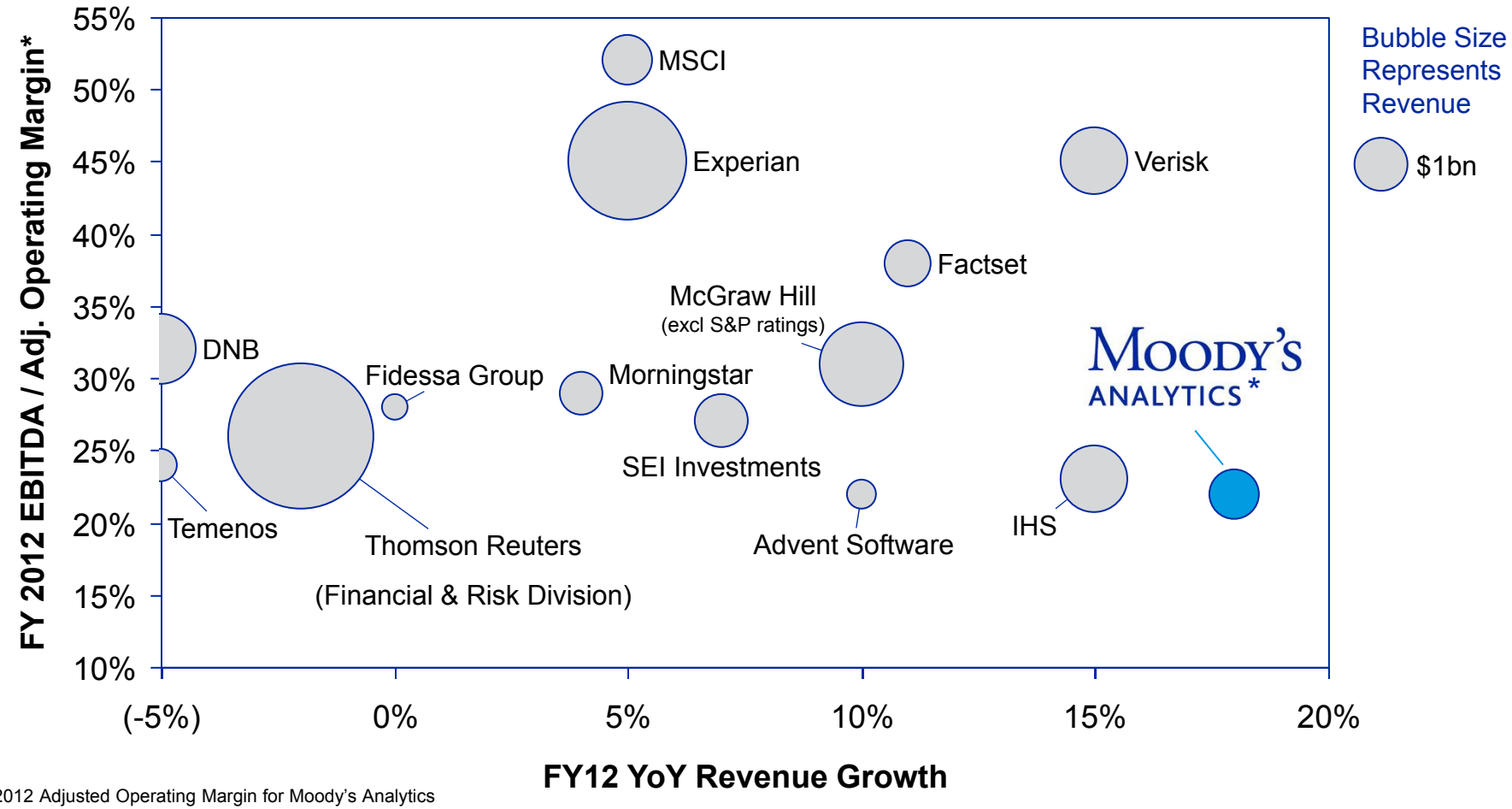
Investing to Realize Potential



* 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.

Emphasizing Top-Line Growth While Maintaining Good Margins



*FY 2012 Adjusted Operating Margin for Moody's Analytics
Data from Bloomberg & Company Filings

ERS: Winning Significant Business from Banks Worldwide

Cumulatively, 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

During 2012:

- Sales > $1 million with 25 institutions in 17 countries *(~20% of total)*
- Over 400 customers worldwide spending at least $50K
  - 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**
  - 22 consecutive quarters of year/year revenue growth
  - 12% revenue CAGR over 2007-2012 period
  - 14 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

moodys.com

Website: http://ir.moodys.com

Email: ir@moodys.com



© 2013 Moody's Corporation and/or its licensors and affiliates (collectively, "MOODY'S"). All rights reserved.

CREDIT RATINGS ISSUED BY MOODY'S INVESTORS SERVICE, INC. ("MIS") AND ITS AFFILIATES ARE MOODY'S CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES, AND CREDIT RATINGS AND RESEARCH PUBLICATIONS PUBLISHED BY MOODY'S ("MOODY'S PUBLICATIONS") MAY INCLUDE MOODY'S CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES. 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. CREDIT RATINGS DO NOT ADDRESS ANY OTHER RISK, INCLUDING BUT NOT LIMITED TO: LIQUIDITY RISK, MARKET VALUE RISK, OR PRICE VOLATILITY. CREDIT RATINGS AND MOODY'S OPINIONS INCLUDED IN MOODY'S PUBLICATIONS ARE NOT STATEMENTS OF CURRENT OR HISTORICAL FACT. CREDIT RATINGS AND MOODY'S PUBLICATIONS DO NOT CONSTITUTE OR PROVIDE INVESTMENT OR FINANCIAL ADVICE, AND CREDIT RATINGS AND MOODY'S PUBLICATIONS ARE NOT AND DO NOT PROVIDE RECOMMENDATIONS TO PURCHASE, SELL, OR HOLD PARTICULAR SECURITIES. NEITHER CREDIT RATINGS NOR MOODY'S PUBLICATIONS COMMENT ON THE SUITABILITY OF AN INVESTMENT FOR ANY PARTICULAR INVESTOR. MOODY'S ISSUES ITS CREDIT RATINGS AND PUBLISHES MOODY'S PUBLICATIONS WITH THE EXPECTATION AND UNDERSTANDING THAT EACH INVESTOR WILL MAKE ITS OWN STUDY AND EVALUATION OF EACH SECURITY THAT IS UNDER CONSIDERATION FOR PURCHASE, HOLDING, OR SALE.

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.

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. Under no circumstances shall MOODY'S have any liability to any person or entity for (a) any loss or damage in whole or in part caused by, resulting from, or relating to, any error (negligent or otherwise) or other circumstance or contingency within or outside the control of MOODY'S or any of its directors, officers, employees or agents in connection with the procurement, collection, compilation, analysis, interpretation, communication, publication or delivery of any such information, or (b) any direct, indirect, special, consequential, compensatory or incidental damages whatsoever (including without limitation, lost profits), even if MOODY'S is advised in advance of the possibility of such damages, resulting from the use of or inability to use, any such information. The ratings, financial reporting analysis, projections, and other observations, if any, constituting part of the information contained herein are, and must be construed solely as, statements of opinion and not statements of fact or recommendations to purchase, sell or hold any securities. Each user of the information contained herein must make its own study and evaluation of each security it may consider purchasing, holding or selling.

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

MIS, 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 MIS have, prior to assignment of any rating, agreed to pay to MIS for appraisal and rating services rendered by it fees ranging from $1,500 to approximately $2,500,000. MCO and MIS also maintain policies and procedures to address the independence of MIS's ratings and rating processes. Information regarding certain affiliations that may exist between directors of MCO and rated entities, and between entities who hold ratings from MIS 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 "Shareholder Relations — Corporate Governance — Director and Shareholder Affiliation Policy."

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 61 003 399 657, AFSL 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 clients. It would be dangerous for retail clients to make any investment decision based on MOODY'S credit rating. If in doubt you should contact your financial or other professional adviser.