Moody's



Investor Presentation

4Q and FY 2010

Updated on March 1, 2011 with information from 2010 10-K

MARCH 2011

Disclaimer

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 2010 and other forward-looking statements are made as of February 3, 2011, 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 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 securities issued in domestic and/or global capital markets; other matters that could affect the volume of debt securities issued, 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; possible loss of market share through competition; introduction of competing products or technologies by other companies; pricing pressures from competitors and/or customers; the potential emergence of government-sponsored credit rating agencies; both proposed and recently adopted U.S., foreign, state and local legislation and regulations, including the Dodd-Frank Wall Street Reform and Consumer Protection Act; regulations relating to the oversight of credit rating agencies; provisions in the Dodd-Frank Act modifying pleading and liability standards applicable to credit rating agencies in a manner adverse to rating agencies; possible judicial decisions in various jurisdictions regarding the status of and potential liabilities of credit rating agencies; the possible loss of key employees; the outcome of any review by controlling tax authorities of the Company's global tax planning initiatives; the outcome of those legacy tax 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 outcome of other legal actions to which the Company, from time to time, may be named as a party; the ability of the Company to successfully integrate acquired businesses; a decline in the demand from financial institutions for credit risk management tools; and other risk factors as discussed in the Company's annual report on Form 10-K for the year ended December 31, 2010, quarterly reports on Form 10-Q for the quarters ended March 31, 2010, June 30, 2010 and September 30, 2010, and in other filings made by the Company from time to time with the Securities and Exchange Commission. This presentation includes certain non-GAAP financial measures as defined under SEC rules. As required by SEC rules, at the end of this slide presentation we have provided a reconciliation of those measures to the most directly comparable GAAP measures. A copy of this presentation, including the relevant reconciliation slides, is available on Moody's investor relations website http://ir.moodys.com.

Highlights

- Corporate overview
- Business conditions: Moody's Investors Service
- Business conditions: Moody's Analytics
- Financial review and outlook

Moody's Business Structure

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

MOODY'S INVESTORS SERVICE	MOODY'S ANALYTICS
Independent provider of credit rating opinions and related information for over 100 years	Research, data and software for credit risk analysis and related professional services
69% of MCO 2010 revenue: $1,405 million*	31% of MCO 2010 revenue: $627 million*

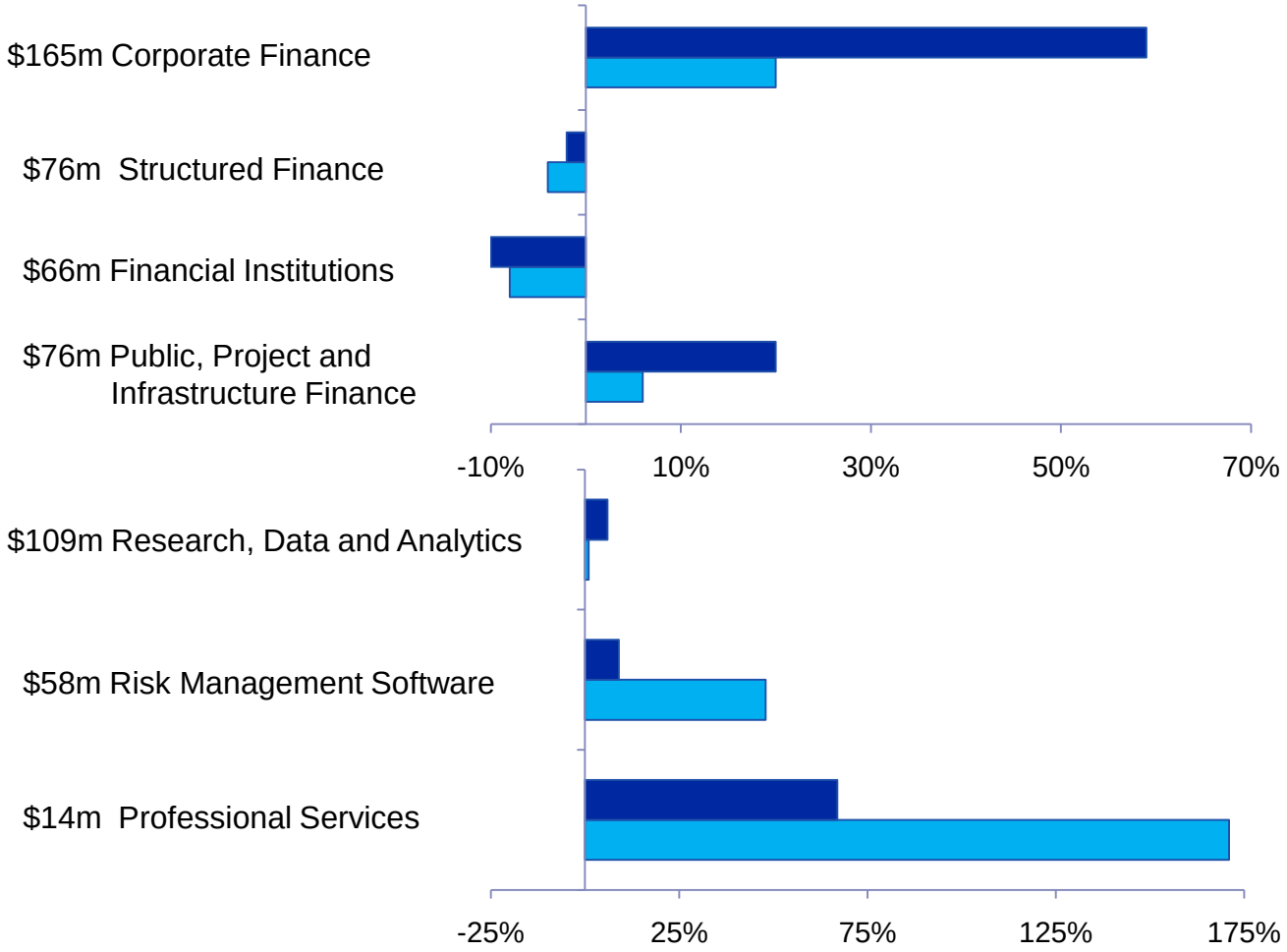
* Represents consolidated financials excluding intersegment royalty and eliminations

Strength in Corporate and Public Finance Ratings and Growth Across Moody's Analytics Drove 4Q Revenue

Moody's Total Revenue
4Q 2010: $564 million

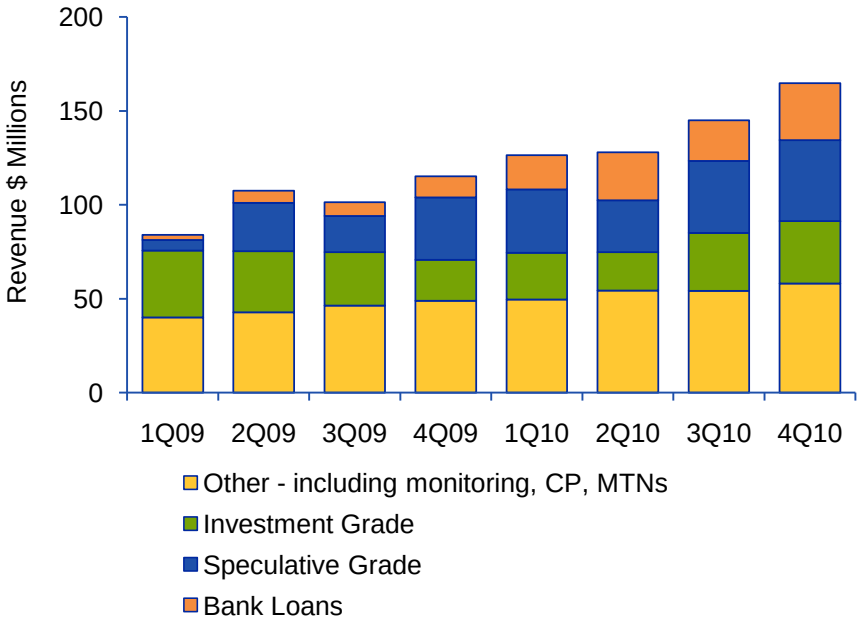
U.S. ↑ 20%
Non-U.S. ↑ 12%

4Q10 Revenue Year-Over-Year Percent Change



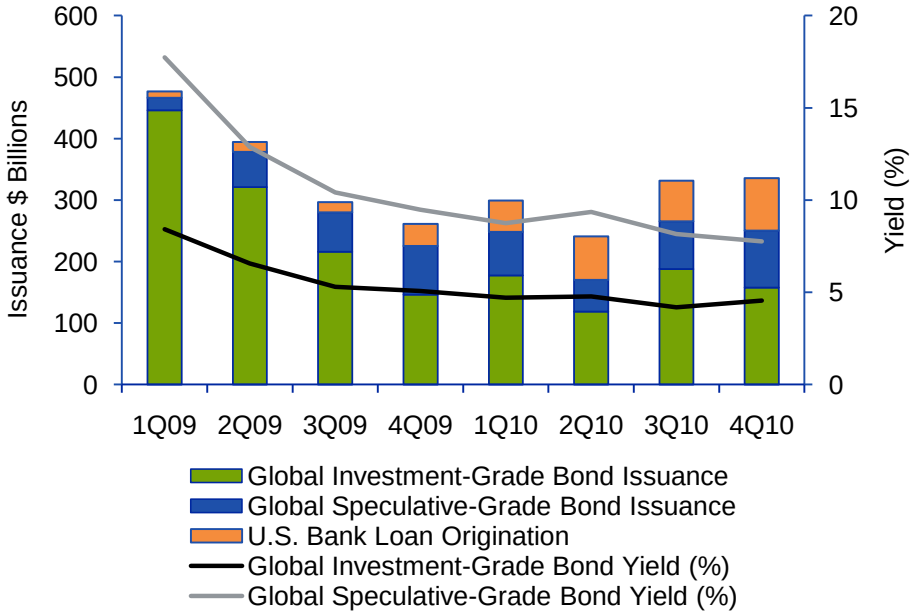
Narrow Credit Spreads and Low All-in Yields Continue to Create a Favorable Environment for Corporate Issuance

Revenue Mix: Corporate Finance



Historical data has been adjusted to conform with current information

Issuance: Global Investment Grade and High Yield Bonds and U.S. Bank Loans

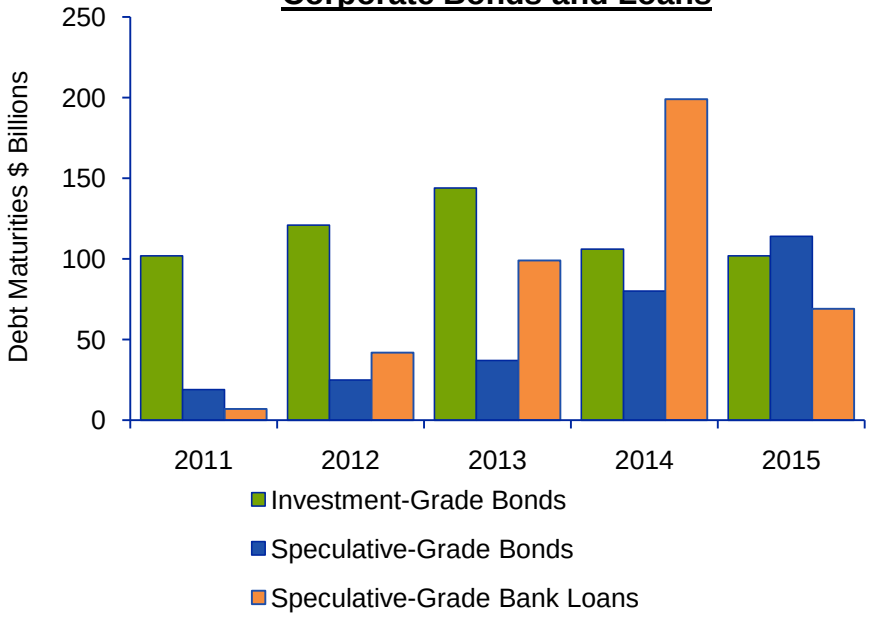


Source: Moody's Capital Markets Research Group, Dealogic
U.S. Bank Loan issuance represents rated new U.S. bank loan programs
Debt issuance categories do not directly correspond to Moody's revenue categorization

- Low yields drove record 2010 high-yield bond volumes and strong U.S. bank loan activity
- Global investment grade issuance significantly eased from early 2009 volumes, which included government-backed transactions

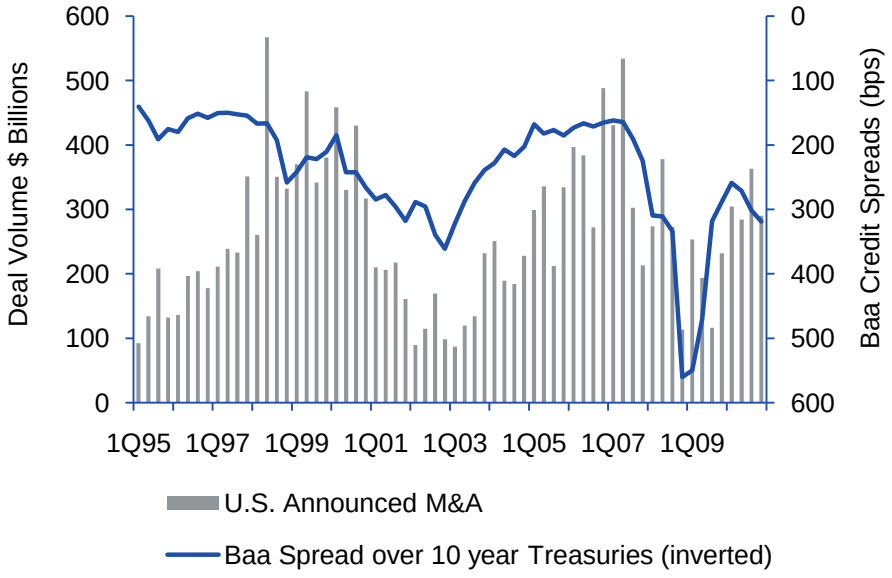
Demand for Financing Likely to Continue, Driven by Refunding, Pre-funding, M&A Activity and Capital Spending

Debt Maturities: U.S. Moody's-Rated Corporate Bonds and Loans



Source: Moody's Investors Service, Feb 2011

M&A Activity: U.S. Deal Volume

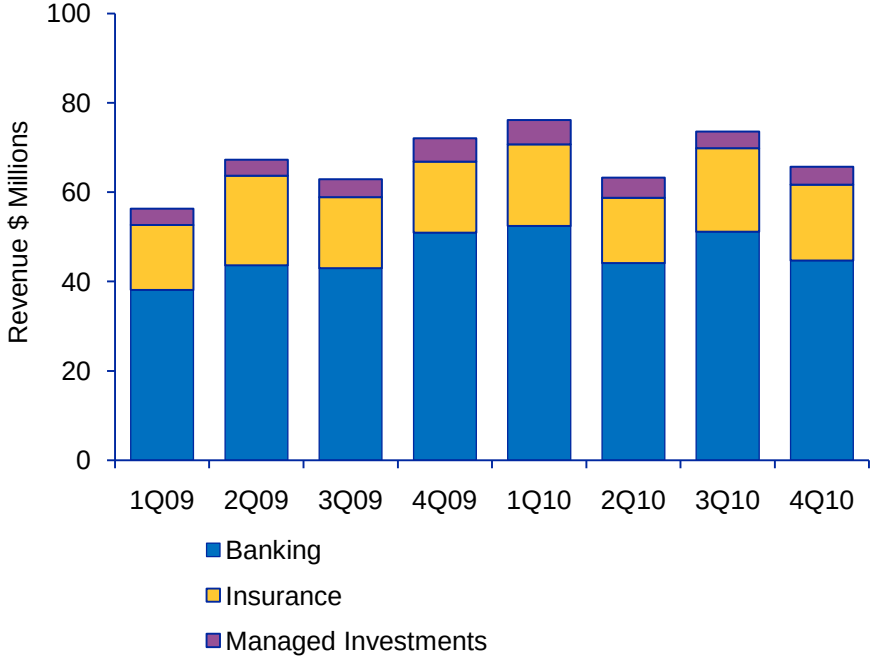


Source: Goldman Sachs

- Refunding requirements over the next five years, particularly for speculative-grade loans, are significant and will help drive issuance activity
- Positive M&A trends have continued in early 2011
- Expect growth in corporate capital spending seen in late 2010 to continue

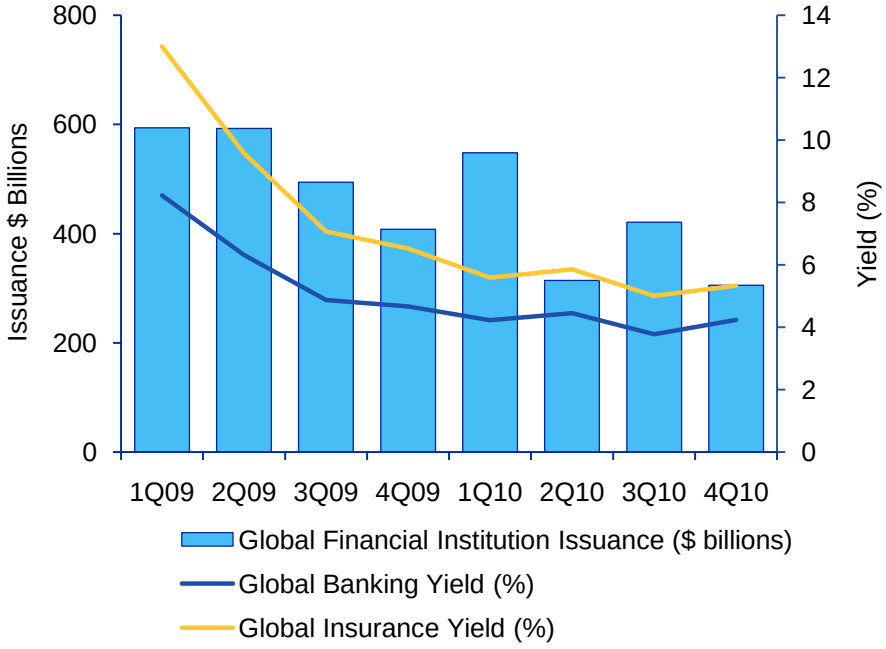
Market Conditions for Financial Institutions Are Improving

Revenue Mix: Financial Institutions



Historical data has been adjusted to conform with current information

Issuance: Global Financial Institutions

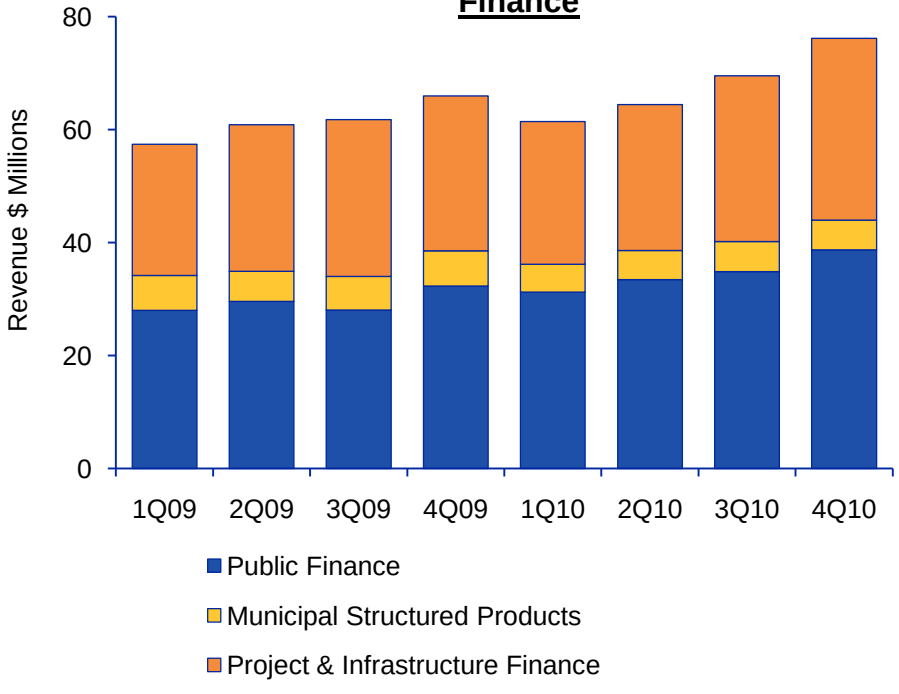


Source: Moody's Capital Markets Research Group, Dealogic
Debt issuance categories do not directly correspond to Moody's revenue categorization

- FIG revenue has a large recurring component and is relatively inelastic to issuance due to predominance of frequent-issuer contracts with larger financial institutions
- Expect revenue growth in 2011 as smaller financial institutions are returning to market opportunistically due to more favorable financing costs

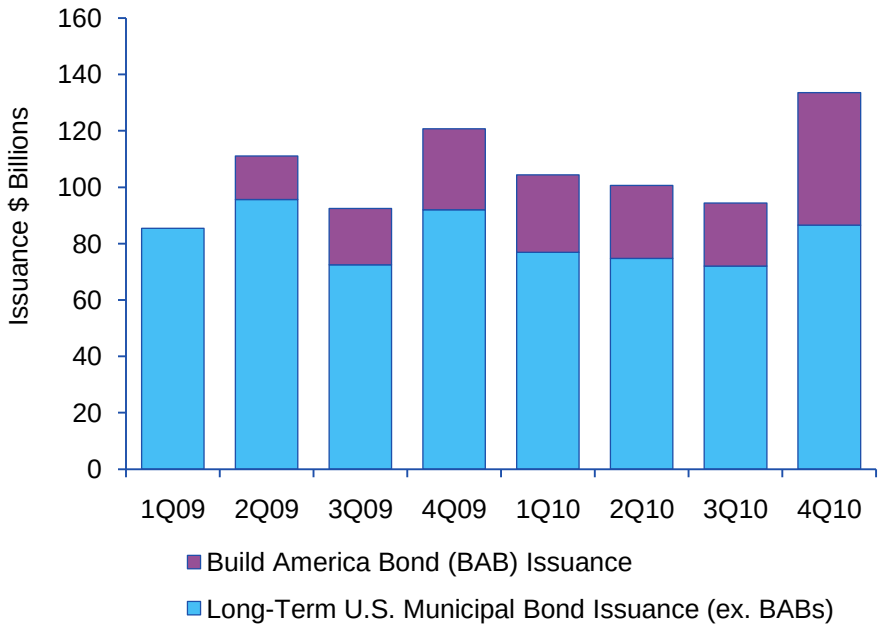
Growth in Public, Project & Infrastructure Finance Revenue To Be Driven by Infrastructure Spending

Revenue Mix: Public, Project & Infrastructure Finance



Historical data has been adjusted to conform with current information

Issuance: U.S. Municipal Bonds

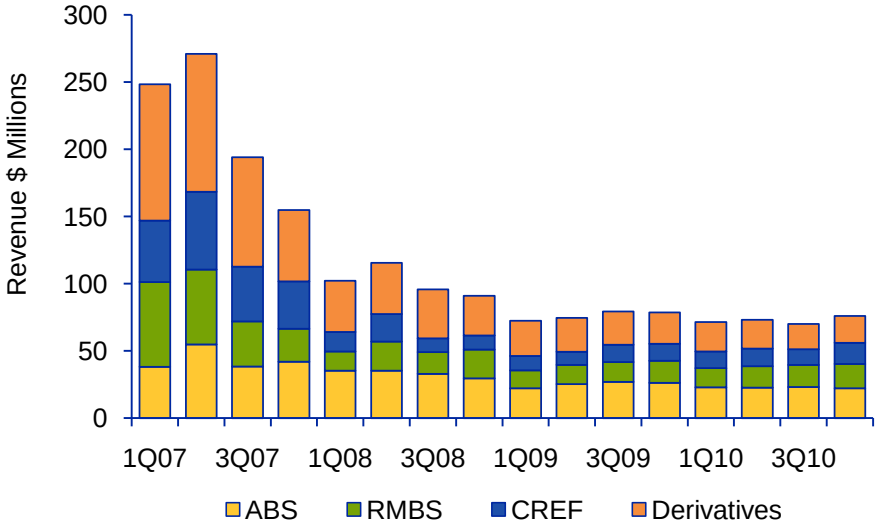


Source: Bond Buyer
Revenue from U.S. municipal finance bonds is included in the Public Finance segment. Debt issuance categories do not directly correspond to Moody's revenue categorization

- Strong 2010 U.S. public finance activity was driven by economic stimulus plan-related issuance, including Build America Bonds
- Higher infrastructure spending outside the U.S. expected to generate growth in 2011

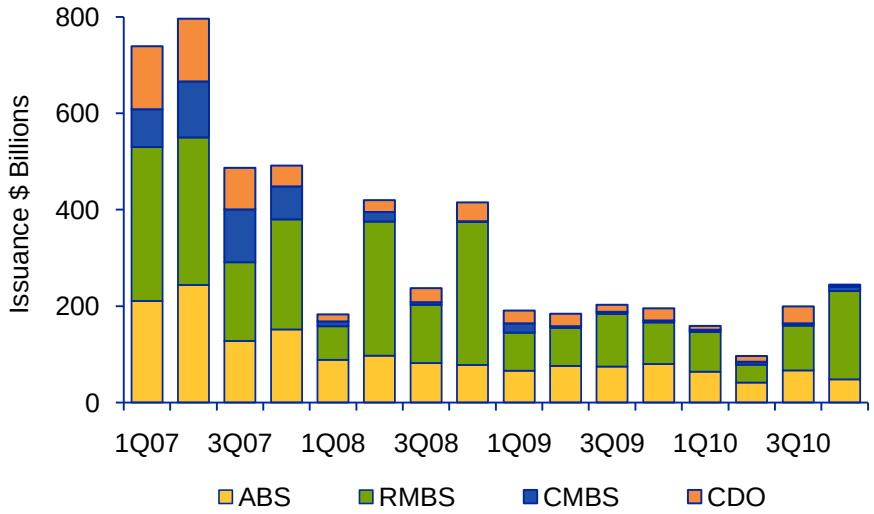
Structured Finance Conditions Have Stabilized

Revenue Mix: Structured Finance



Historical data has been adjusted to conform with current information
ABS includes asset-backed commercial paper and long-term asset-backed securities. CREF includes commercial mortgage-backed securities, real estate finance, and commercial real estate CDOs

Issuance: Global Rated Structured Finance

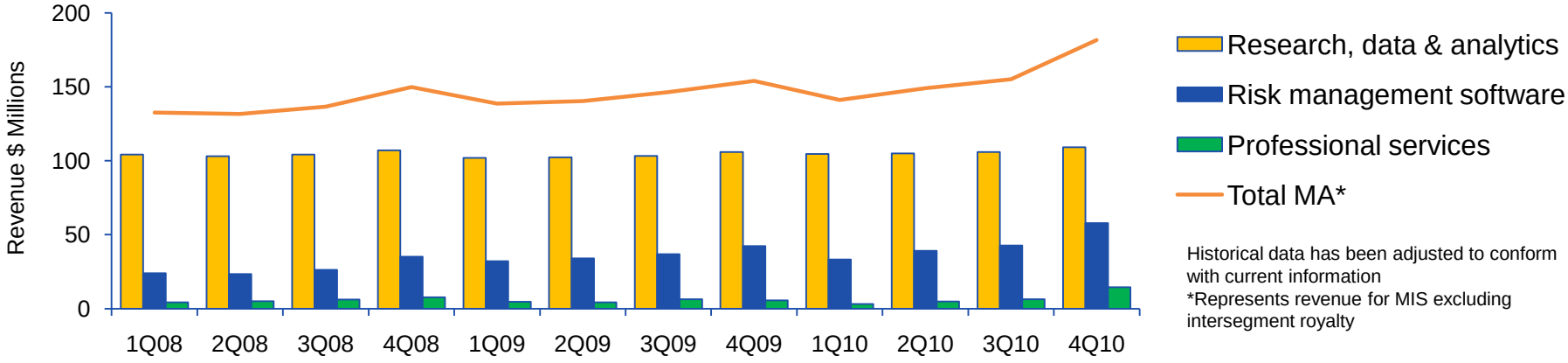


Source: AB Alert, CM Alert, Moody's Corporation
Debt issuance categories do not directly correspond to Moody's revenue categorization

- Regulatory uncertainty continues to weigh on overall structured finance activity
- Expect near-term issuance growth in U.S. CMBS and European covered bonds, gradual return of CLO activity and stabilization in U.S. ABS
- U.S. RMBS recovery unlikely if meaningful government role in housing finance continues

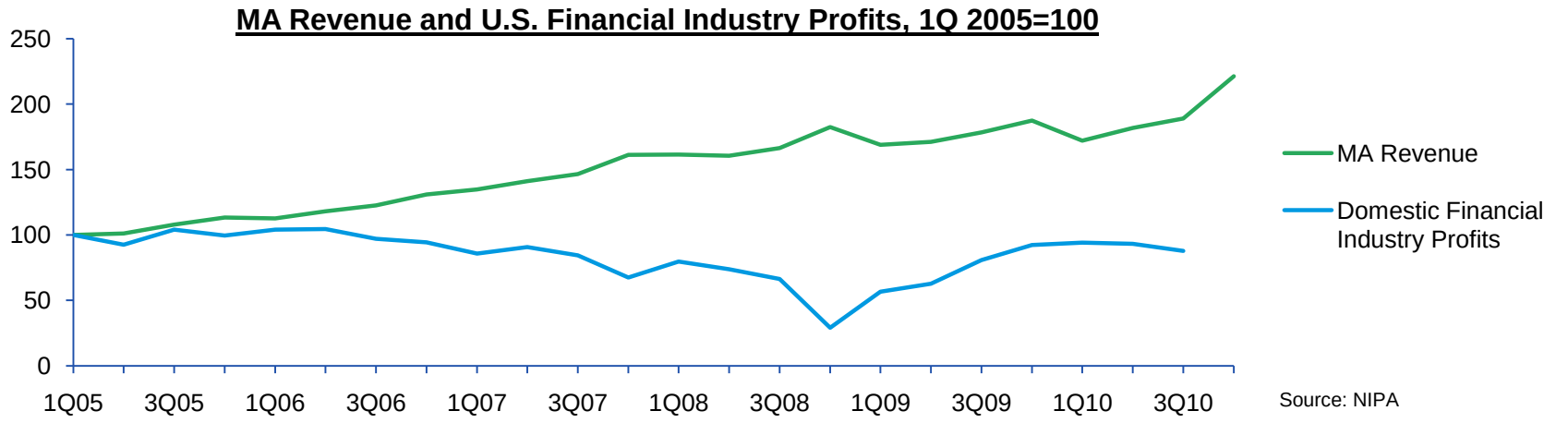
Business Conditions in Moody's Analytics Are Improving

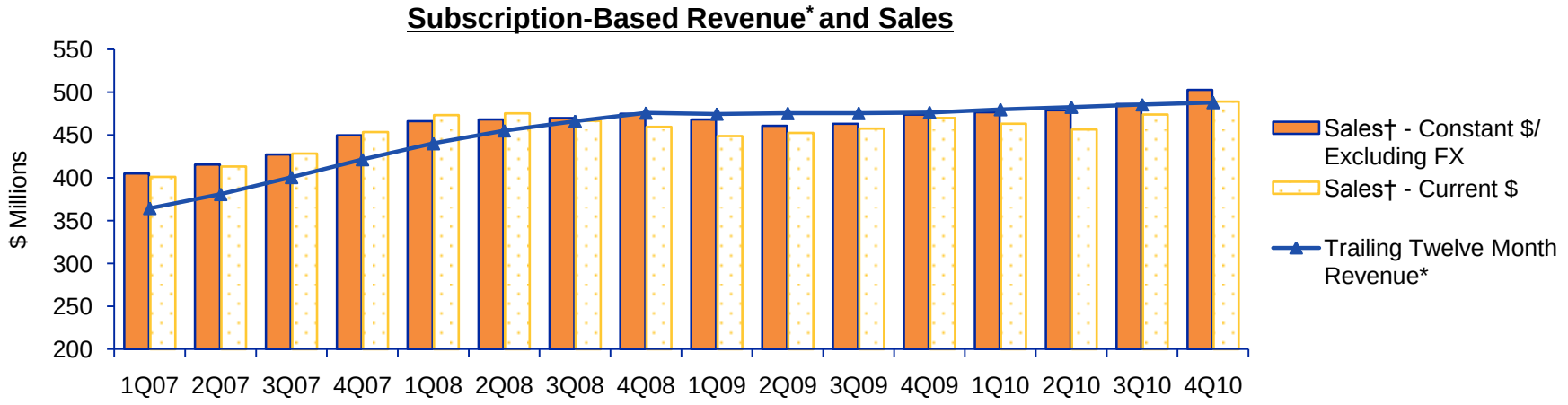
- Research, data and analytics:
  - Increasing capital markets activity is contributing to resumption of growth in customer demand
  - Expect continued sales growth and improvement in renewal rates
- Risk management software:
  - Strong performance expected to continue driven by new regulatory requirements and best practice adoption, including capital adequacy, liquidity and interest rate risk, risk management and reporting
- Professional services:
  - Renewed spending on activities deferred during crisis, including training and advisory projects
  - CSI Global Education Acquisition and iRSQ initiative strengthen Moody's position as provider of standards for the financial services industry



Historical data has been adjusted to conform with current information
*Represents revenue for MIS excluding intersegment royalty

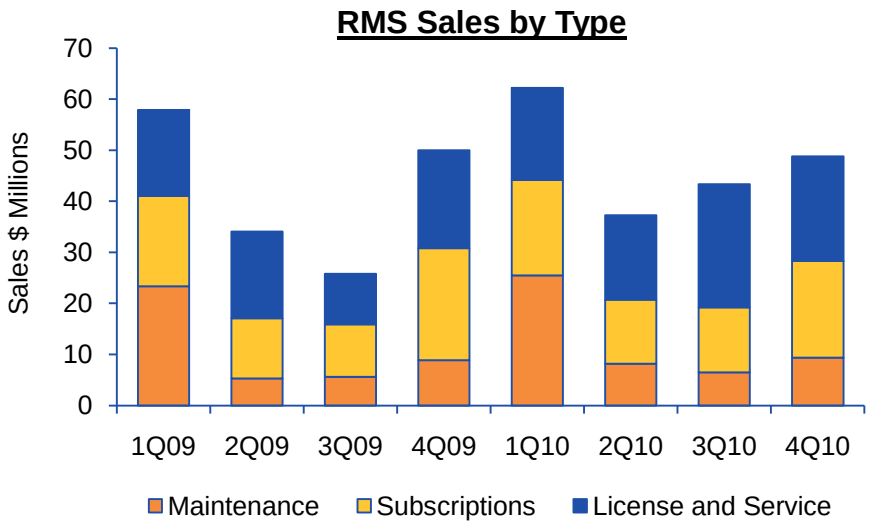
Subscriptions Provide Stable Revenue Stream and Renewed Growth Prospects As Customer Demand Strengthens

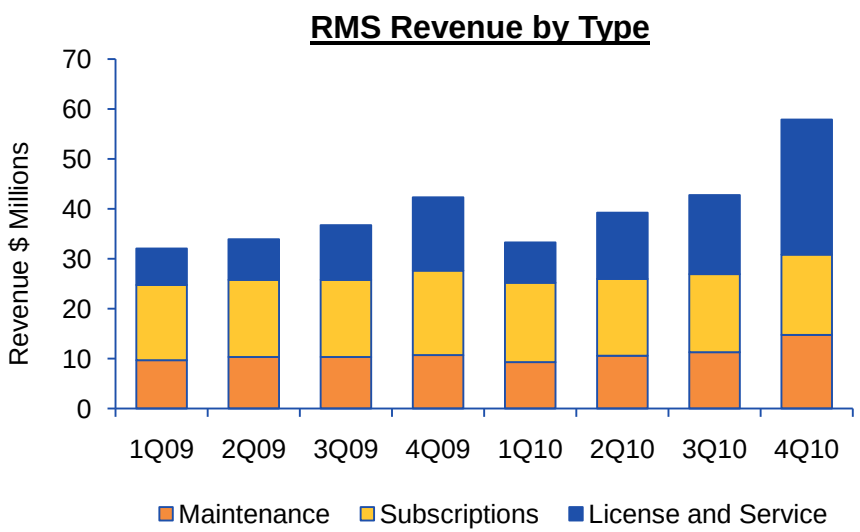




* Represents subscription-based revenue reported in the Research, Data and Analytics and Risk Management Software groupings
† Represents annual contract value

Strong Growth in Risk Management Software Reflects Solid Demand from Global Financial Institutions





- Mix of one-time and recurring revenue (recurring revenue approximately two thirds of total)
  - One-time: License and service revenue recognized when implementation projects are completed, typically 12-24 months after contract
  - Recurring: Subscription and maintenance revenue recognized over contract periods
- Quarterly revenue tend to be “lumpy”, reflecting recognition of revenue as large projects are completed
  - Expect smoother results in 2-3 years, as increased scale leads to higher proportion of recurring revenue from maintenance on installed base

Positive Business Trends and Acquisitions Are Driving Professional Services Growth

Offerings

- Risk Advisory and Professional Development
  - Credit process reengineering and advisory for banks and insurance companies
  - Professional and personal skills training for financial institution staff
- Certification
  - iRSQ: Institute of Risk Standards & Qualifications, launched 2010
    - Applied risk management for bank professionals
    - Endorsed by the UK Financial Services Skills Council
  - CSI Global Education, acquired Nov. 2010
    - Exclusive and co-exclusive provider of Canadian securities industry certification
    - Standards business that enhances Moody's brand and provides attractive cross-selling opportunities

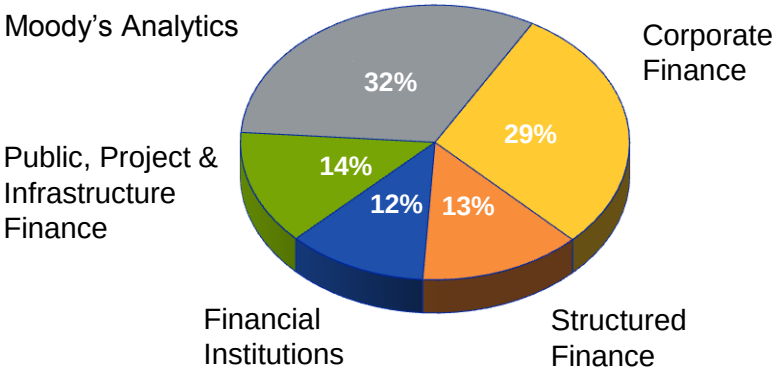
Revenue Drivers

- Increased regulatory scrutiny and new mandates for strengthening risk management infrastructure
- Need for addressing significant gaps in processes and capabilities that have come to light in the wake of the recent crisis
- Improvement in business conditions and profitability of financial institutions
- Capital markets growth, particularly in emerging markets

Global Footprint and Breadth of Moody's Businesses Provide Diversification

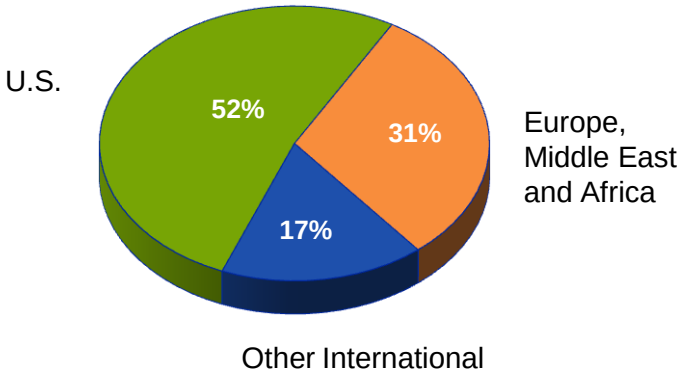
4Q 2010 REVENUE BY BUSINESS

TOTAL $564 MILLION



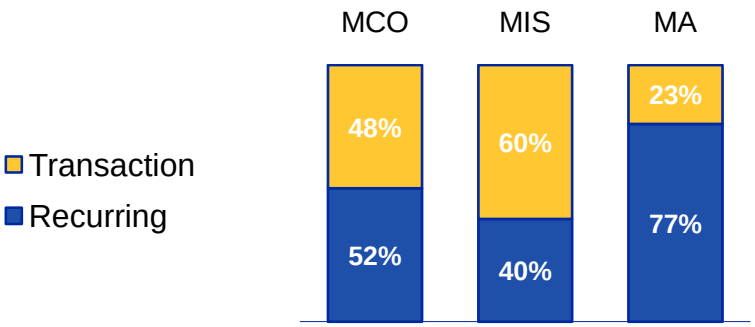
4Q 2010 REVENUE BY REGION

TOTAL $564 MILLION



4Q 2010 REVENUE BY TYPE

TOTAL $564 MILLION



TRANSACTION AND RECURRING REVENUE

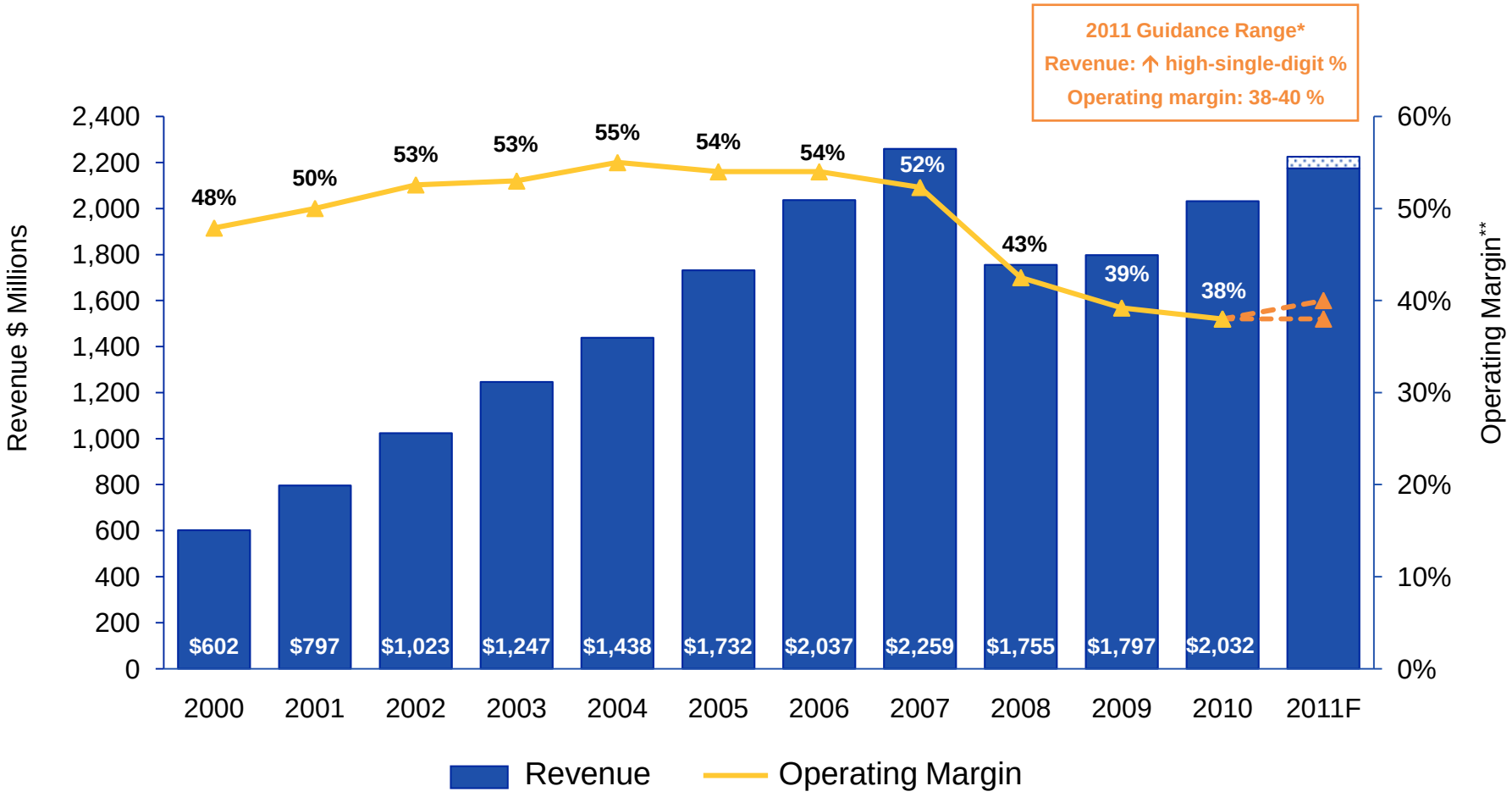
MIS

- **Transaction** revenue recognized when rating published
- **Recurring** revenue recognized ratably over security life

MA

- **Transaction** revenue recognized when service rendered
- **Recurring** revenue recognized ratably over contract period

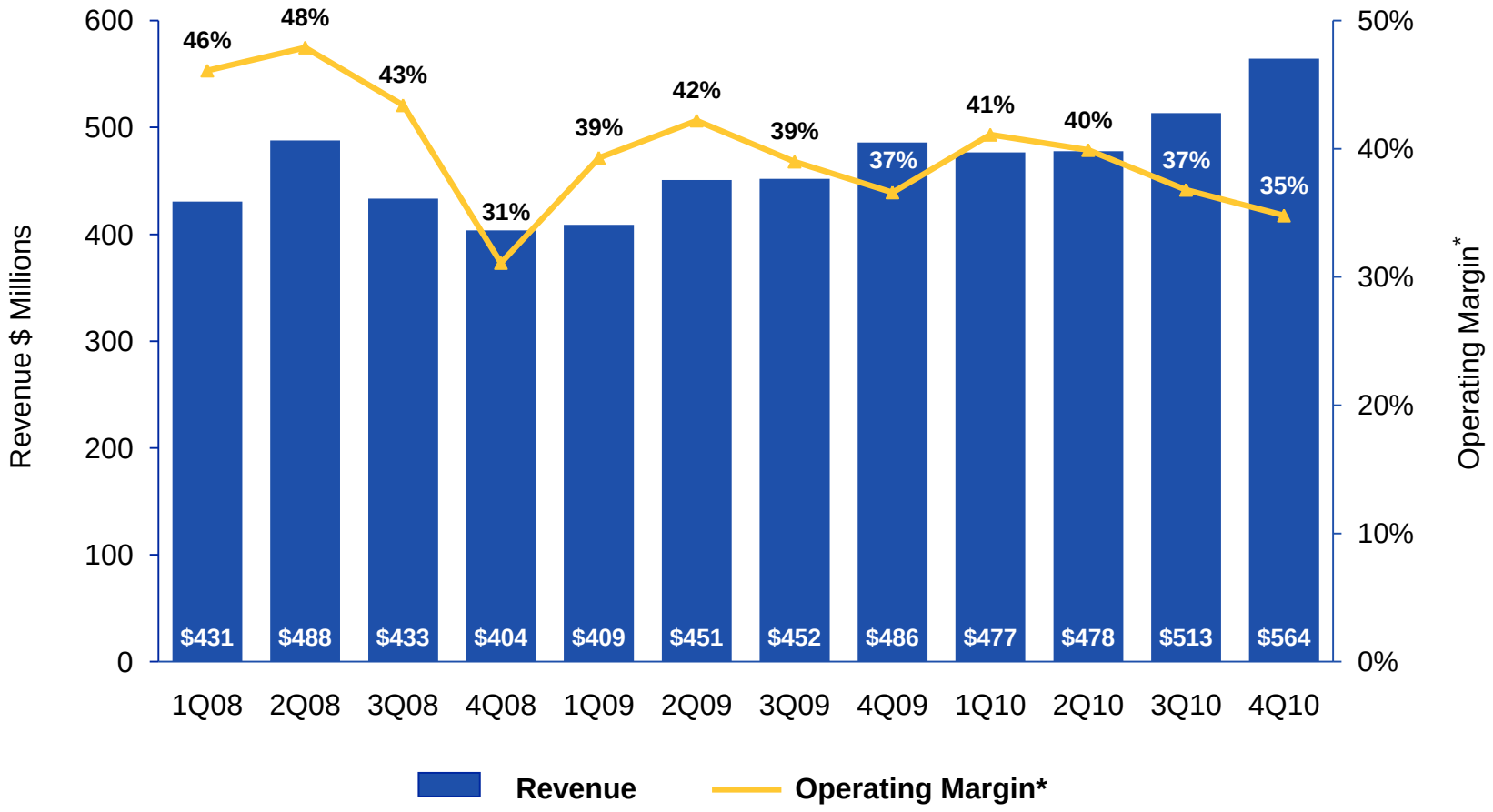
Expect Potential Margin Expansion in 2011 as Expense Growth Moderates



* Represents GAAP guidance provided on February 3, 2011

** Operating margin excludes the gain on the sale of Moody's former NY headquarters building (2006); restructuring charges and related adjustments (2007-2009)

Operating Margin Tends to Follow a Pattern Throughout the Year Due to Typical Quarterly Drivers



* Operating margin excludes restructuring charges and related adjustments

Legislative and Regulatory Developments

- United States
  - SEC is expected to propose rules between January and March 2011 and to adopt rules between April and July 2011 for the majority of provisions relevant to NRSROs under the Dodd-Frank Act

- Outside the U.S.
  - Transfer of oversight of credit rating agencies to the European Securities and Markets Authority (ESMA) to be effective July 2011
  - Submitted application for registration of EU-based entities and for endorsement of non-European credit ratings
  - Continue to advocate for globally consistent approaches that align with the G-20's statements as regulatory reviews and activity occur in other jurisdictions

Full-Year 2011 Guidance as of February 3, 2011

Moody's Corporation

- Revenue:
  - Increase in the high-single-digit percent range
- Operating expenses:
  - Increase in the mid- to high-single-digit percent range
- Operating margin:
  - In the range of 38 to 40 percent
- Effective tax rate:
  - Approximately 36 percent
- Earnings per share:
  - In the range of $2.12 to $2.22

Moody's Has Robust Opportunities in an Improving Environment

Principal Opportunities

- Global credit market issuance driven by economic growth and financing needs
- Disintermediation of financial institutions
- Sustained role as credit opinion provider
- Demand for risk management services

Principal Challenges

- Uneven pace of economic recovery and further macroeconomic risks in sovereign and public finance sectors
- Changing regulatory landscape
- Limited financial innovation

MCO Business Targets

- Long-term revenue growth: Double-digit percent
- Long-term operating margin: Above 40 percent

Moody's



Appendix

Moody's Is a Global Organization

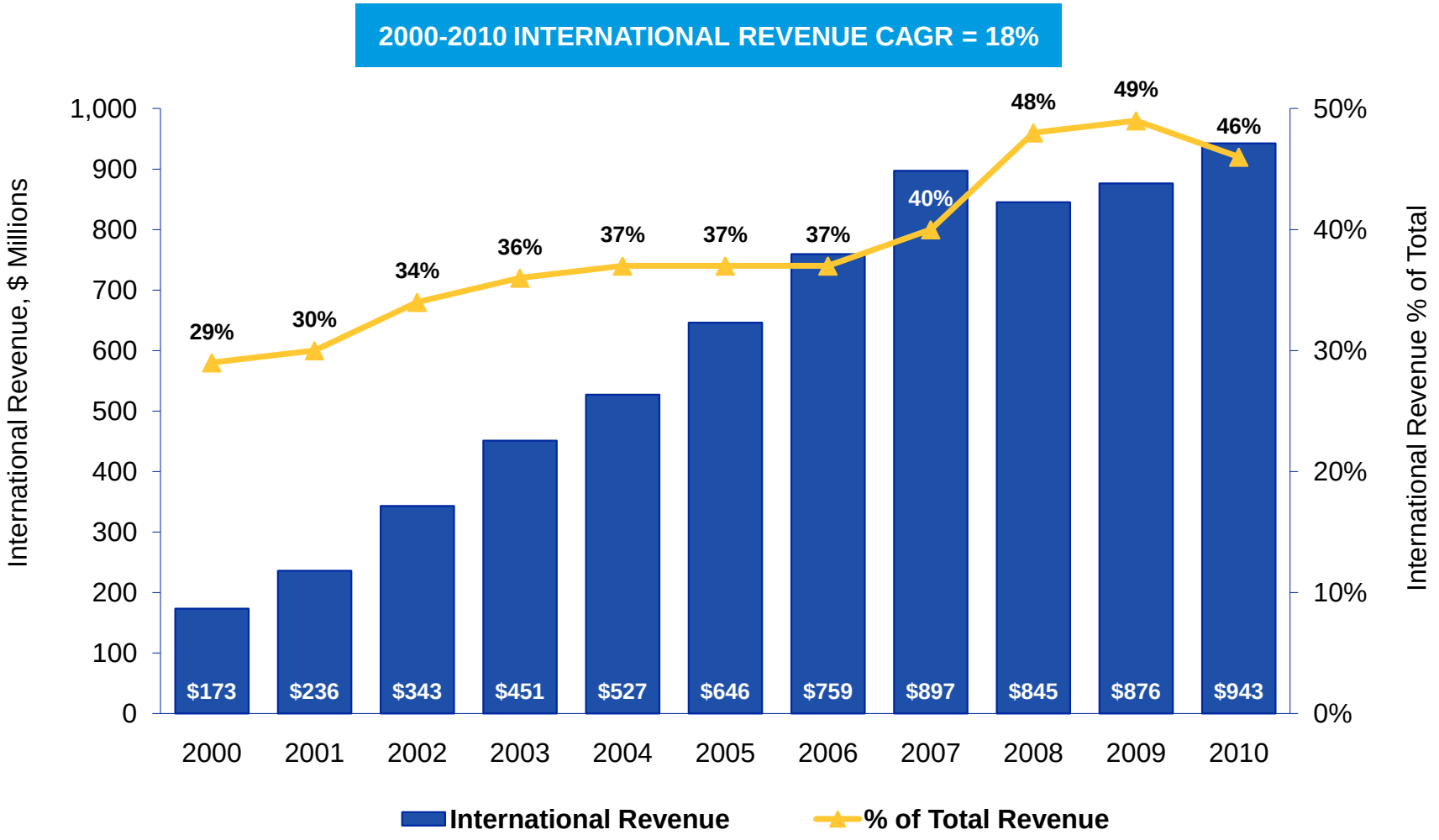


- More than 1,200 analysts
- Approximately 4,500 employees
- Presence in 26 countries

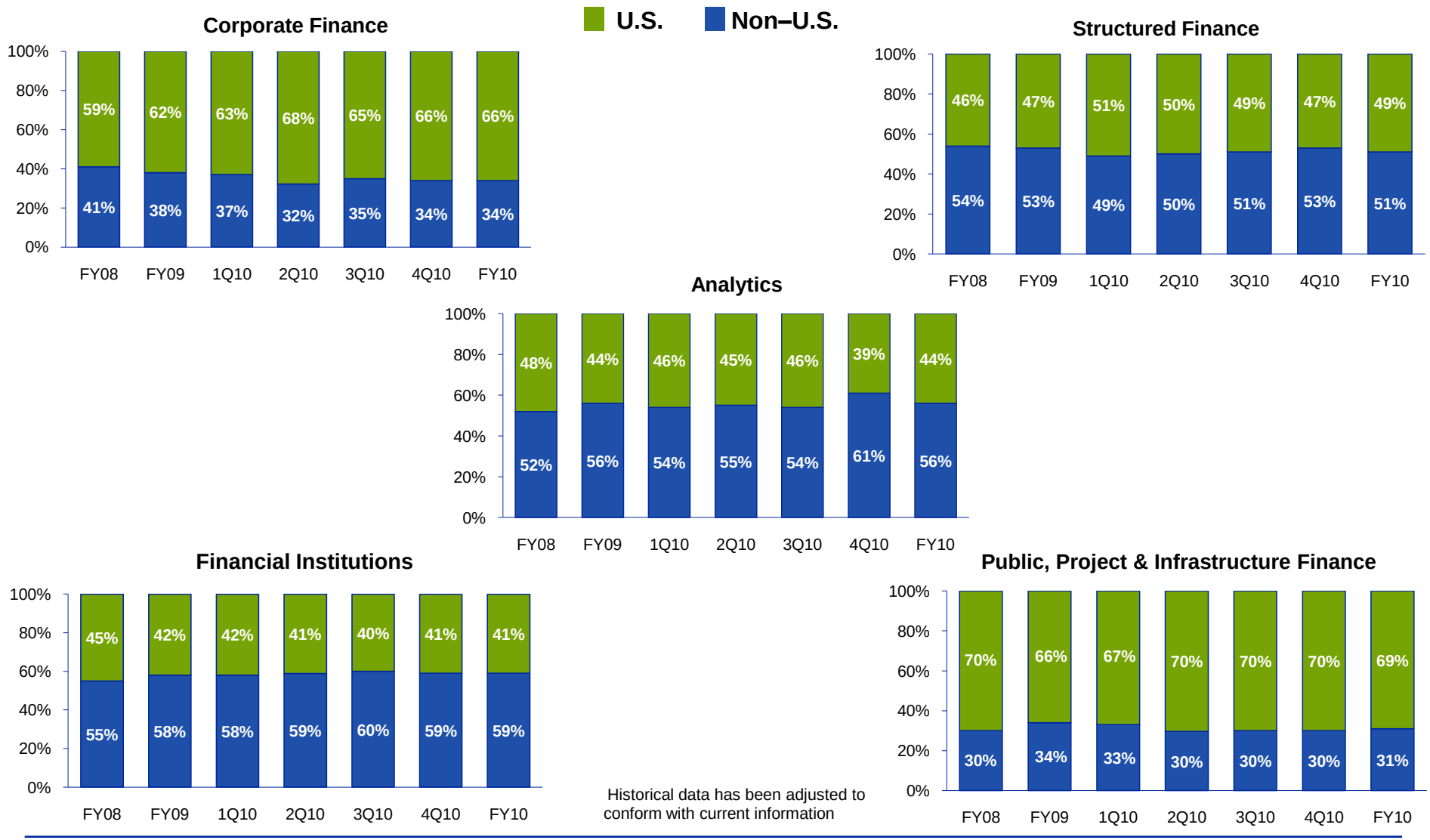
Moody's Global Staffing

	U.S.	Non - U.S.	Total
12/31/2010	2,333	2,128	4,461
12/31/2009	2,144	1,834	3,978

Moody's International Growth



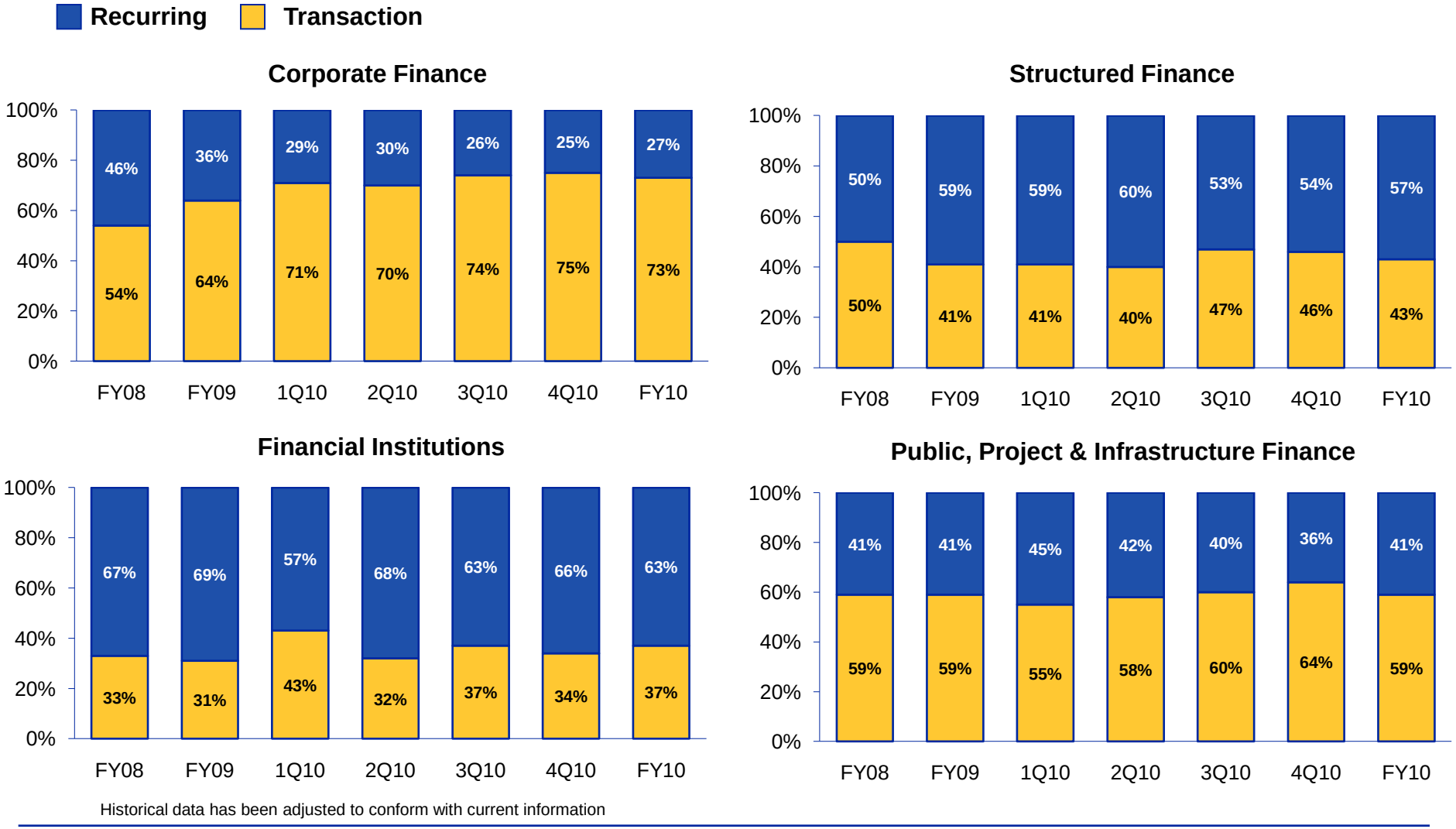
Geographic Revenue Distribution



Historical data has been adjusted to conform with current information

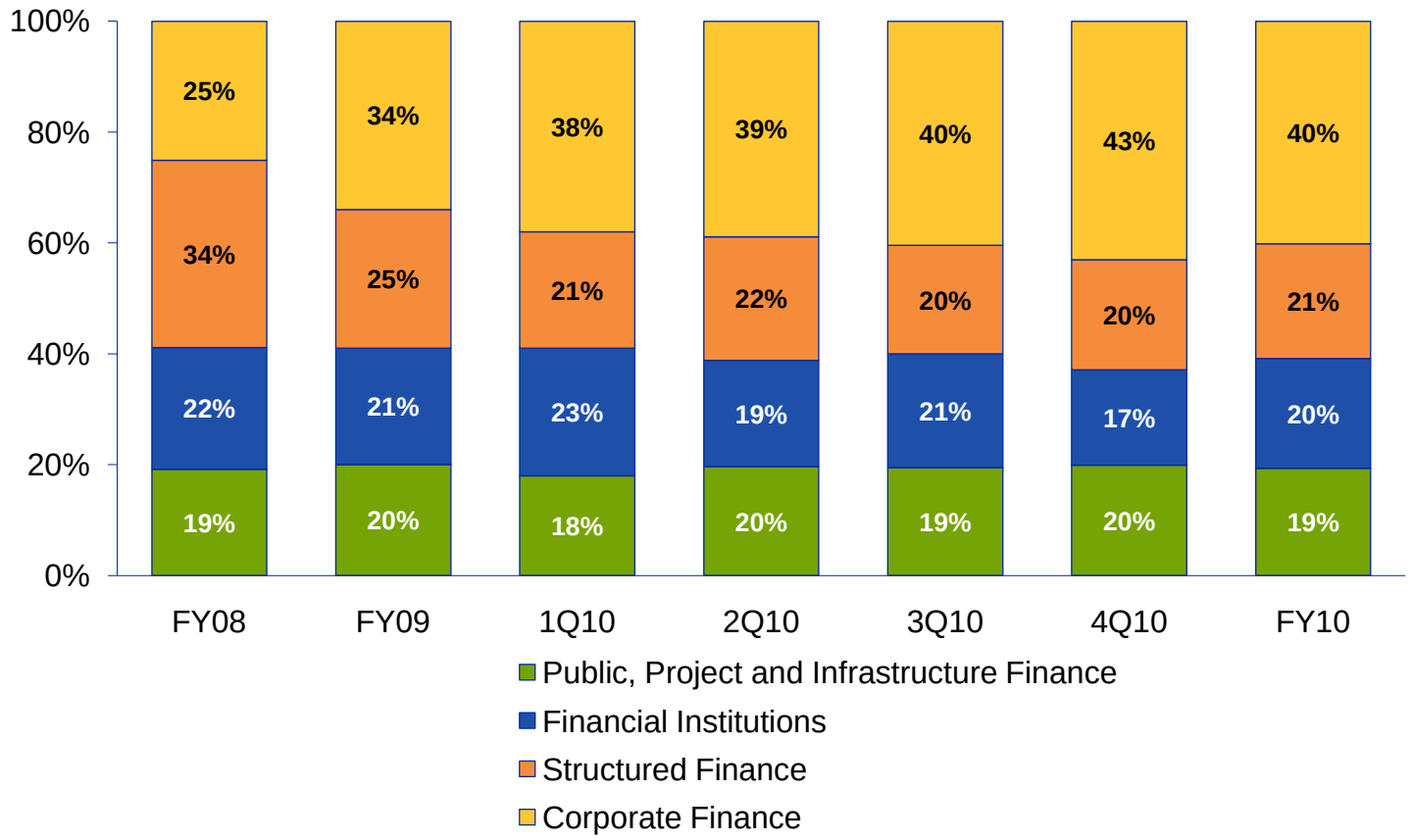
Moody's Investors Service Revenue Mix by Business Line

Transaction vs. Recurring



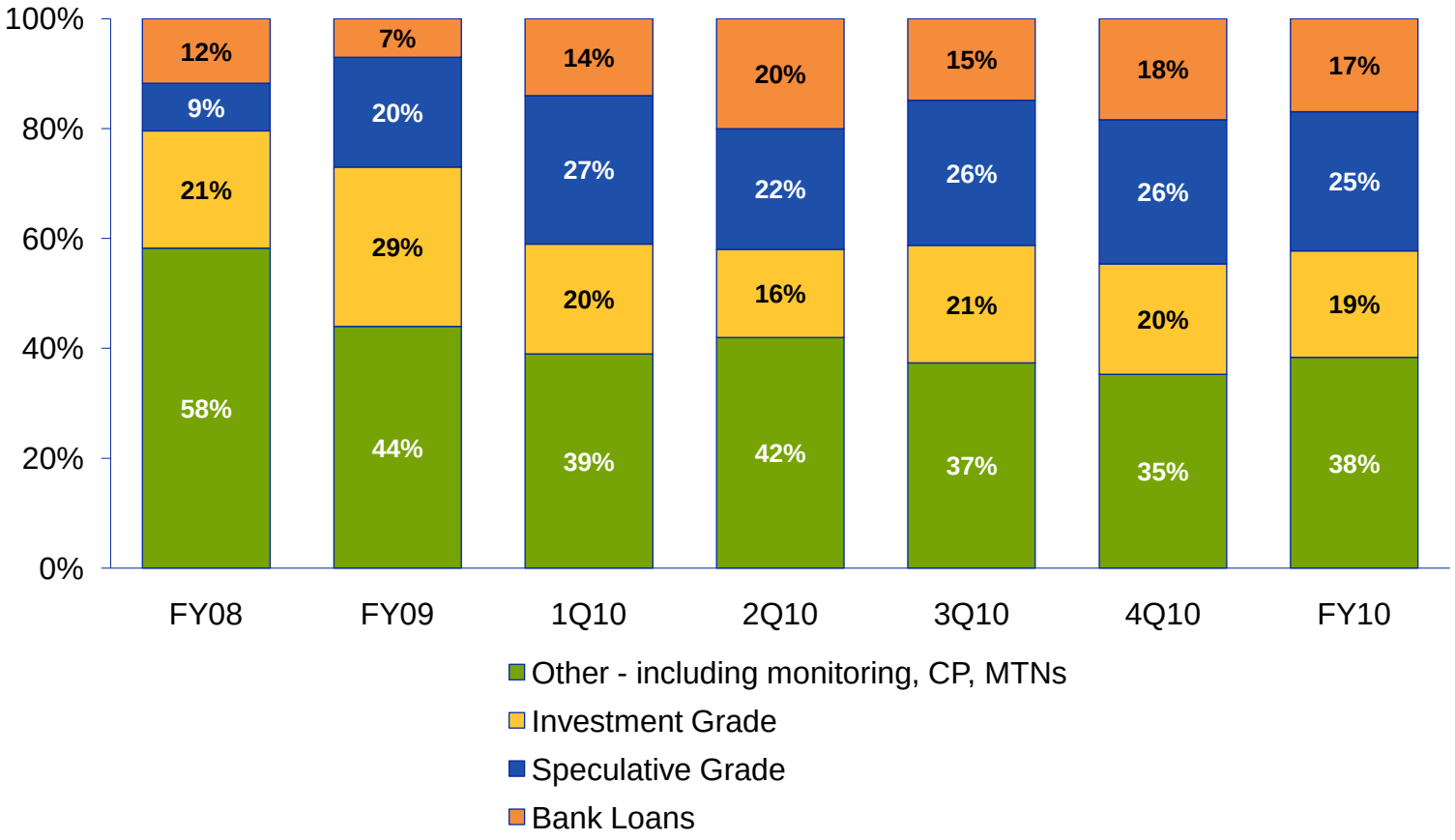
Historical data has been adjusted to conform with current information

Moody's Investors Service Revenue Distribution
by Line of Business



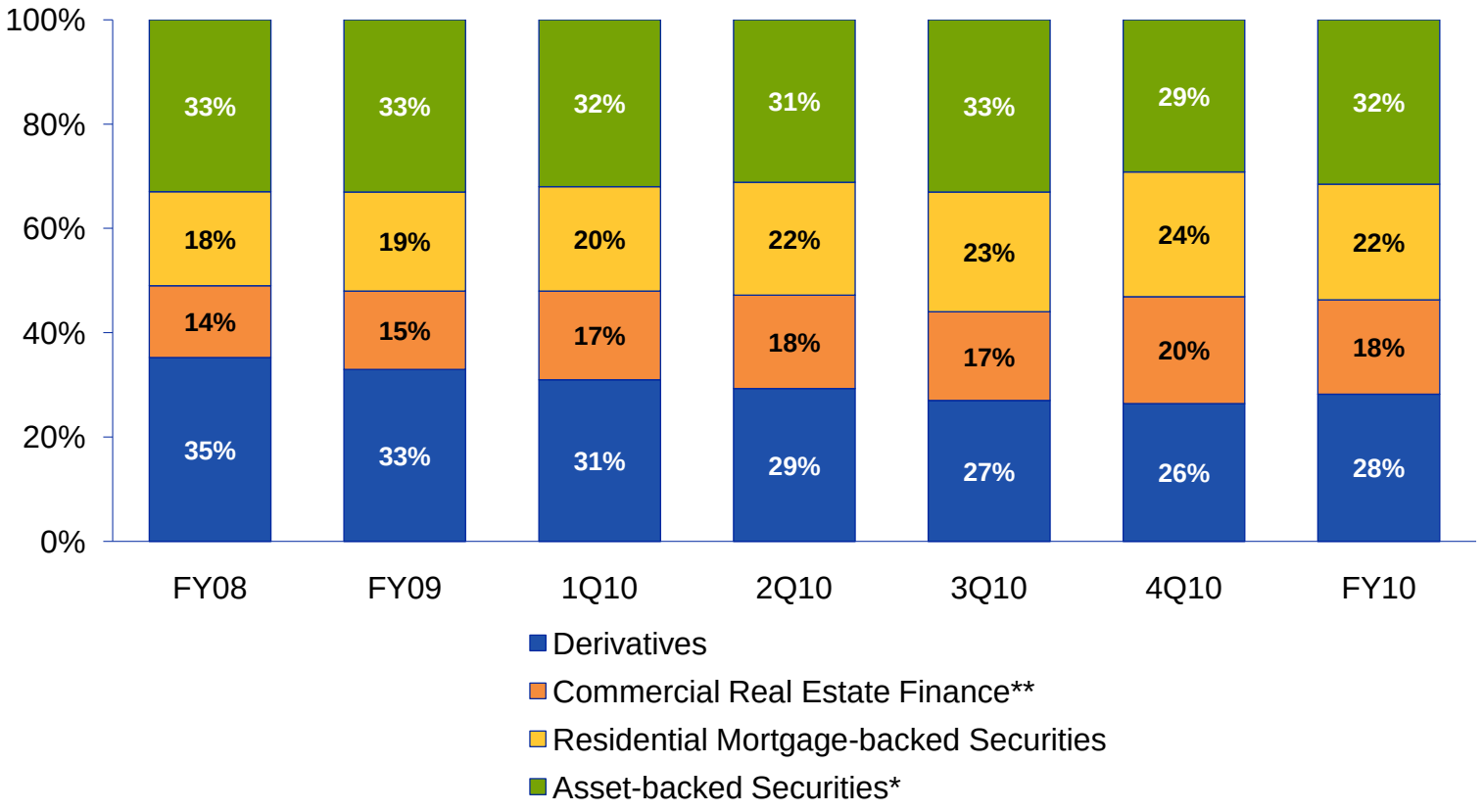
Historical data has been adjusted to conform with current information
Represents revenue for MIS excluding intersegment royalty

Corporate Finance Revenue Distribution
by Product



Historical data has been adjusted to conform with current information

Structured Finance Revenue Distribution
by Asset Class

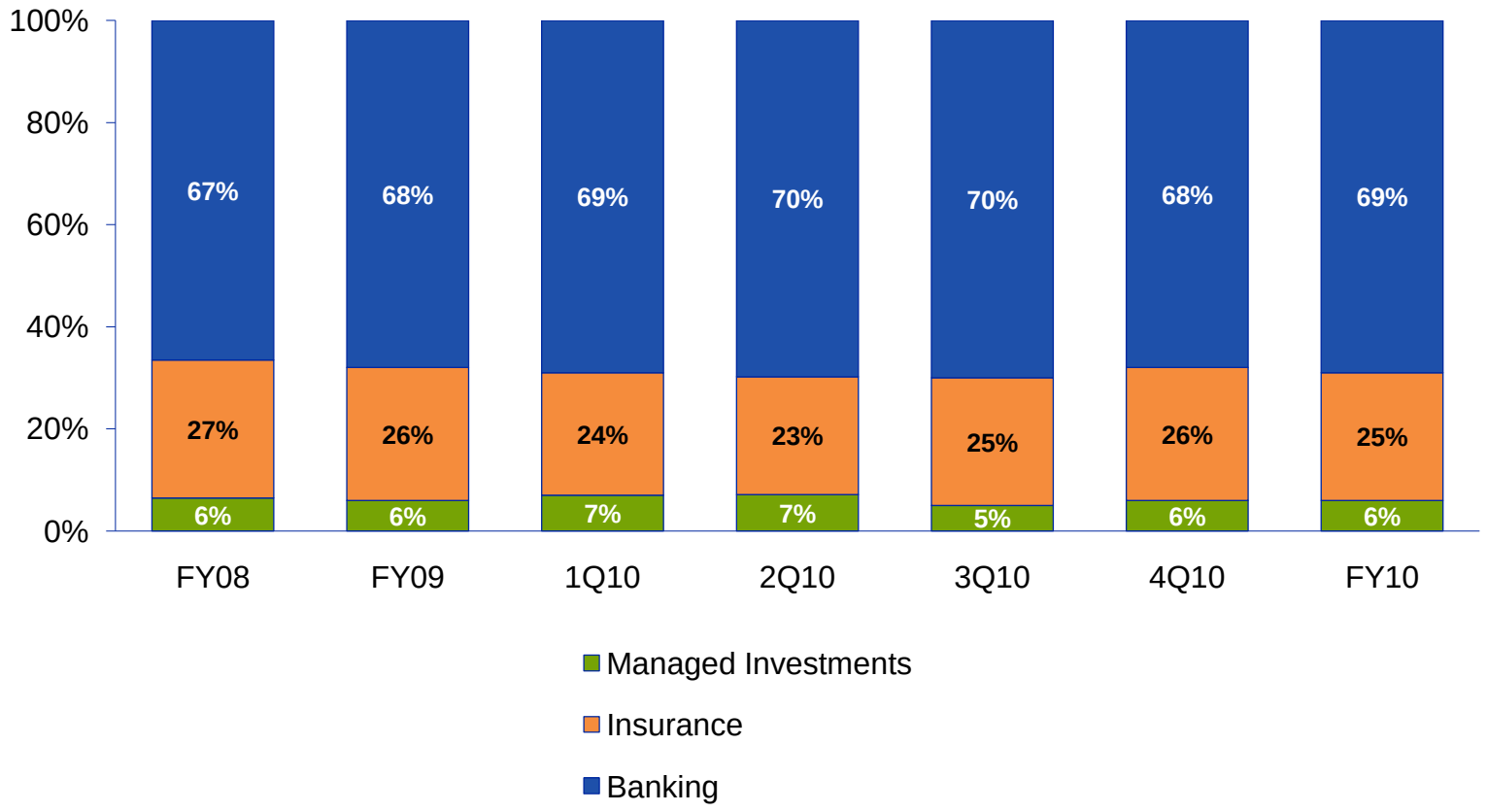


Historical data has been adjusted to conform with current information

* ABS includes asset-backed commercial paper and long-term asset-backed securities

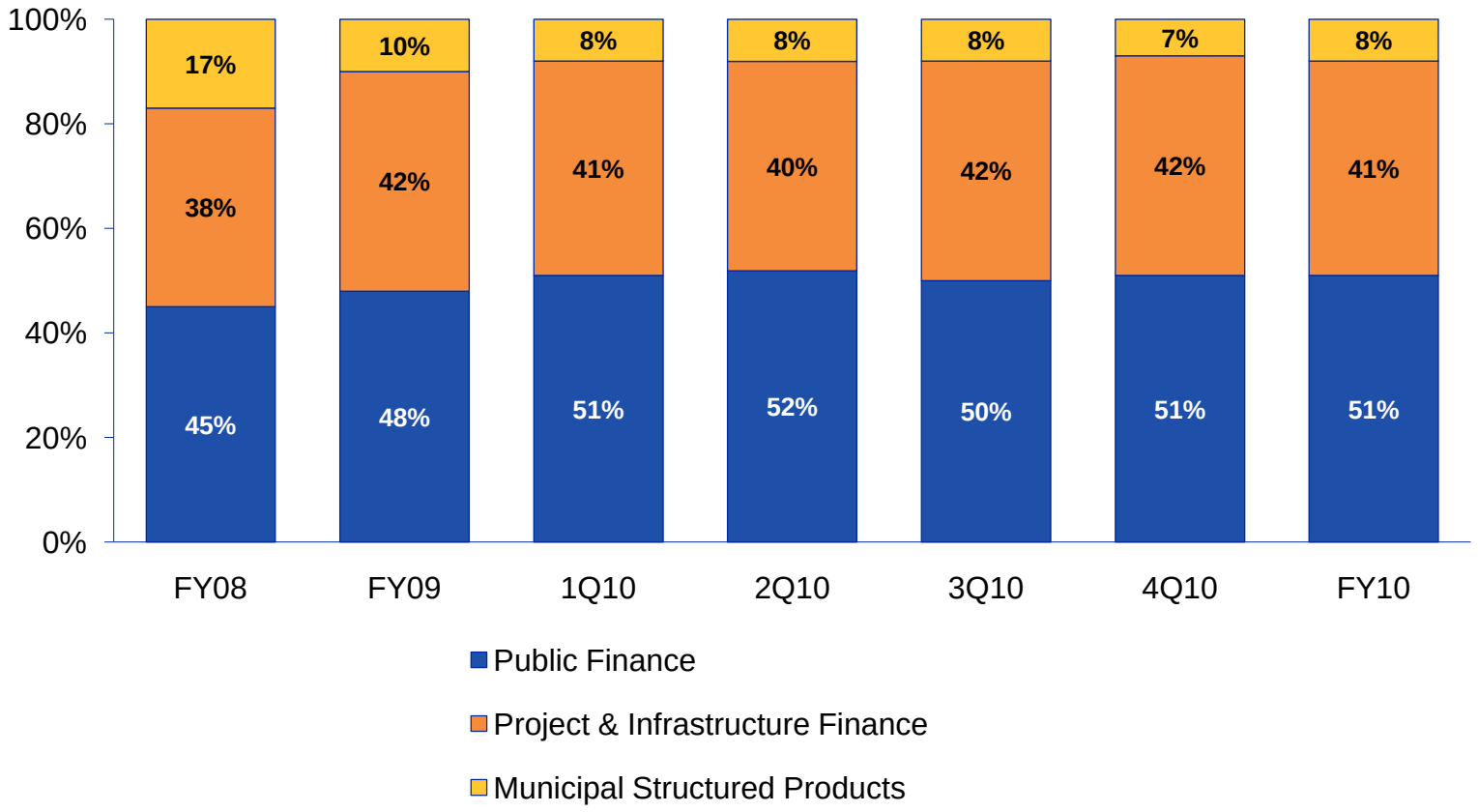
** CREF includes commercial mortgage-backed securities, real estate finance, and commercial real estate CDOs

Financial Institutions Revenue Distribution
by Product



Historical data has been adjusted to conform with current information

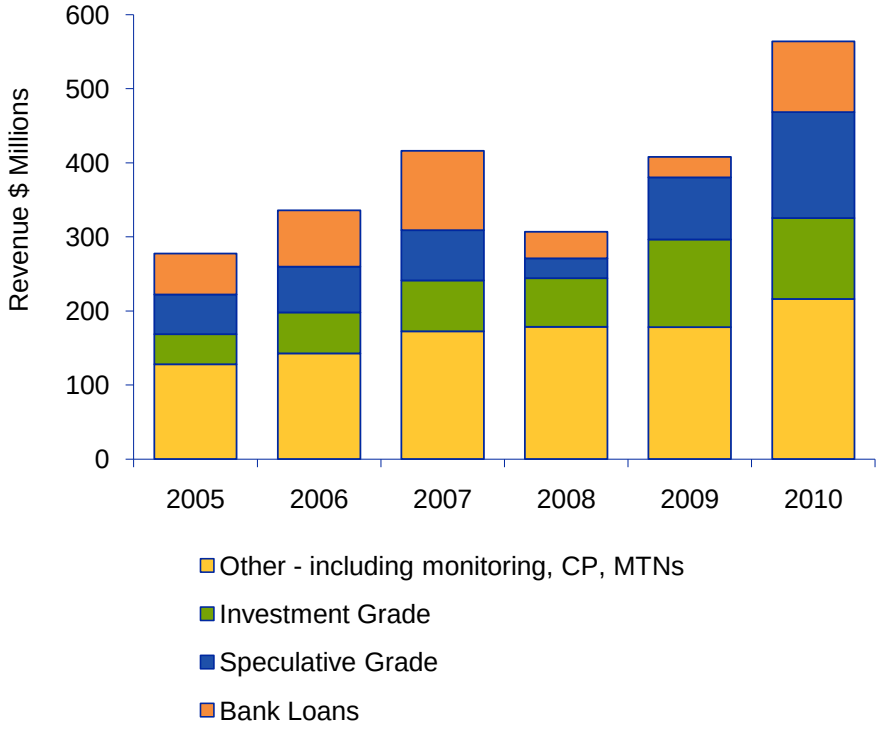
Public, Project & Infrastructure Revenue Distribution
by Product



Historical data has been adjusted to conform with current information

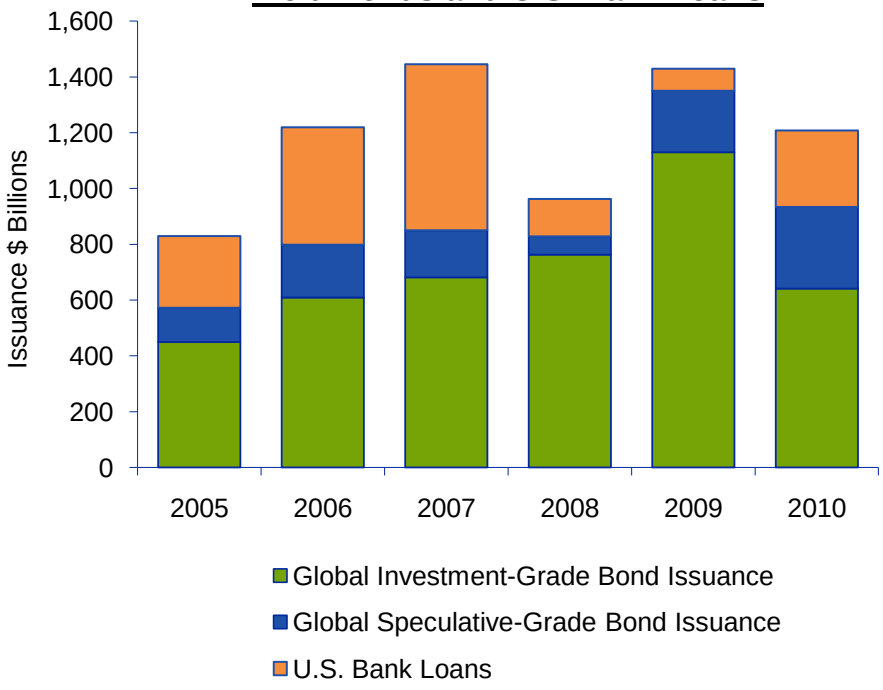
Historical MIS Revenue and Issuance
Corporate Finance

Revenue Mix: Corporate Finance



Historical data has been adjusted to conform with current information

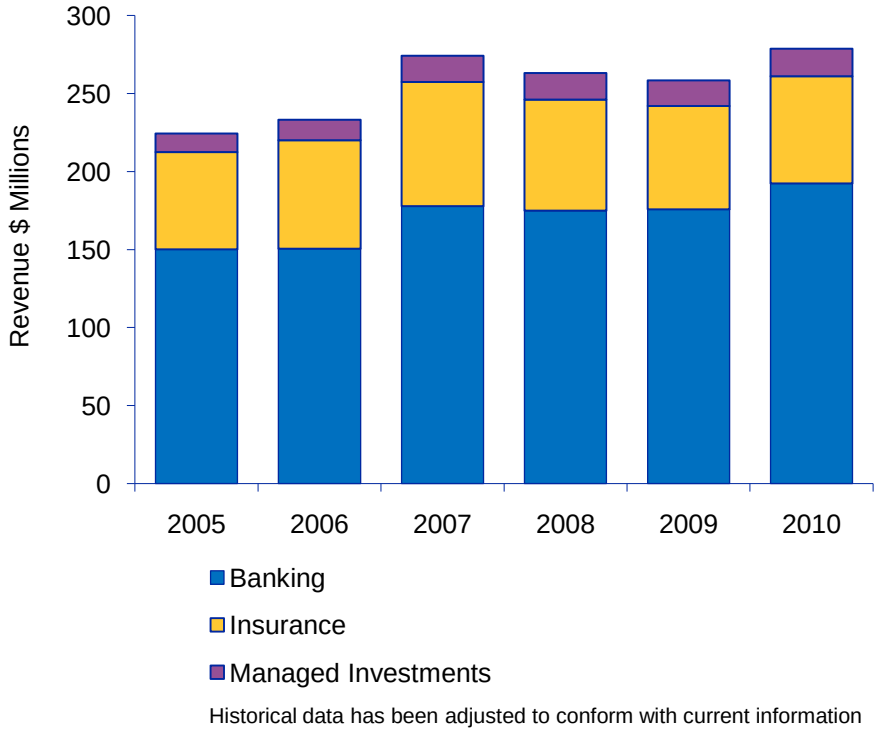
Issuance: Global Investment Grade and High Yield Bonds and U.S. Bank Loans



Source: Moody's Capital Markets Research Group, Dealogic
U.S. Bank Loan issuance represents rated new U.S. bank loan programs
Debt issuance categories do not directly correspond to Moody's revenue categorization

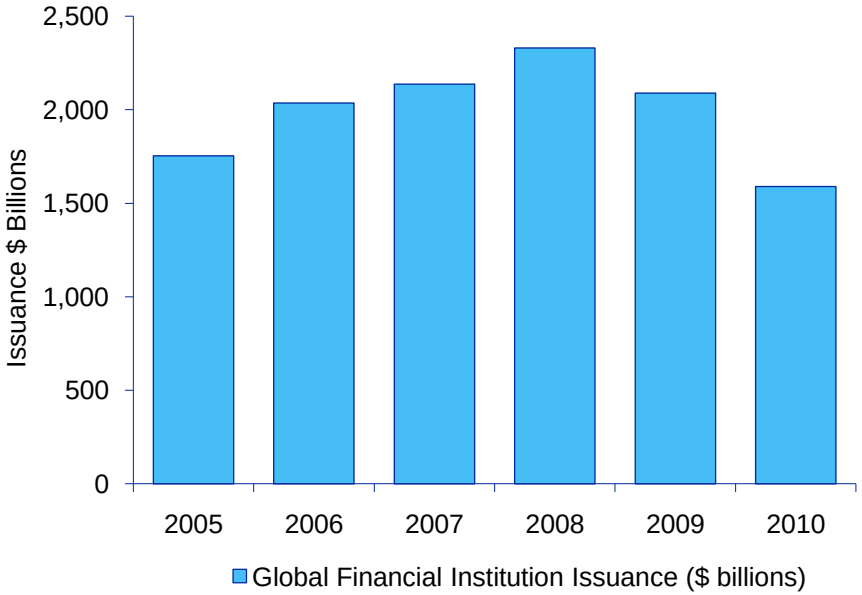
Historical MIS Revenue and Issuance
Financial Institutions

Revenue Mix: Financial Institutions



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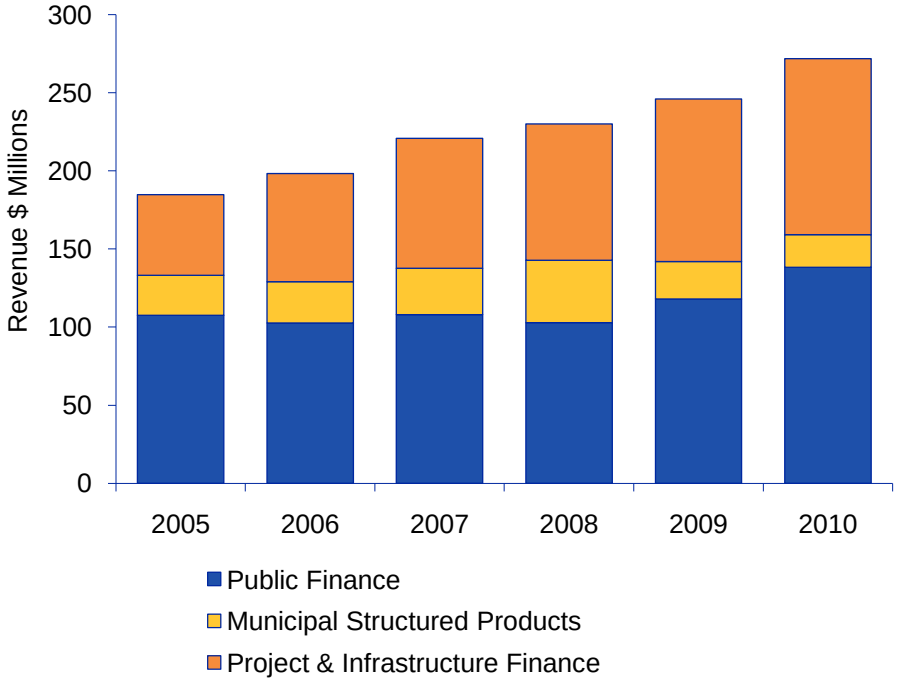
Issuance: Global Financial Institutions



Source: Moody's Capital Markets Research Group, Dealogic
Debt issuance categories do not directly correspond to Moody's revenue categorization

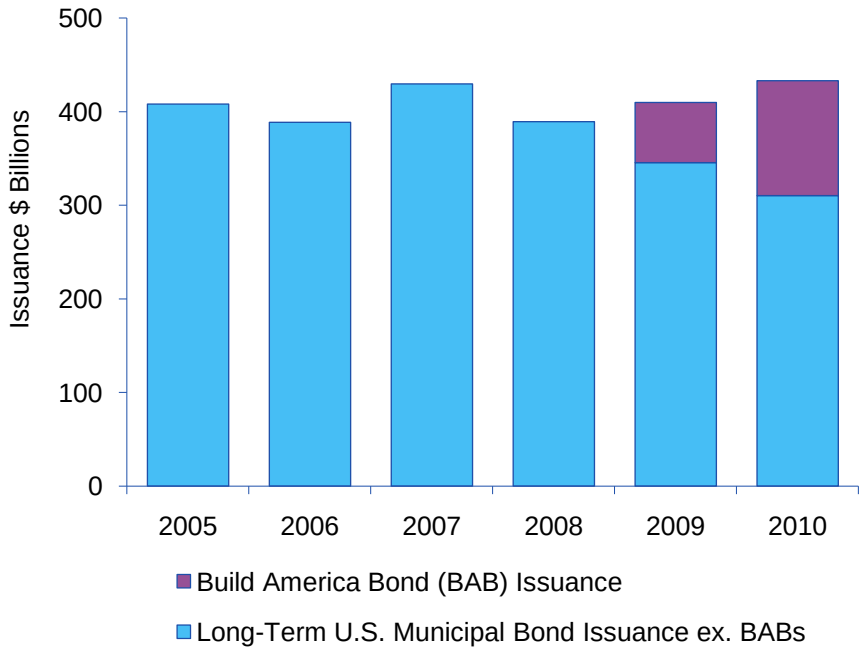
Historical MIS Revenue and Issuance
Public, Project and Infrastructure Finance

Revenue Mix: Public, Project & Infrastructure Finance



Historical data has been adjusted to conform with current information

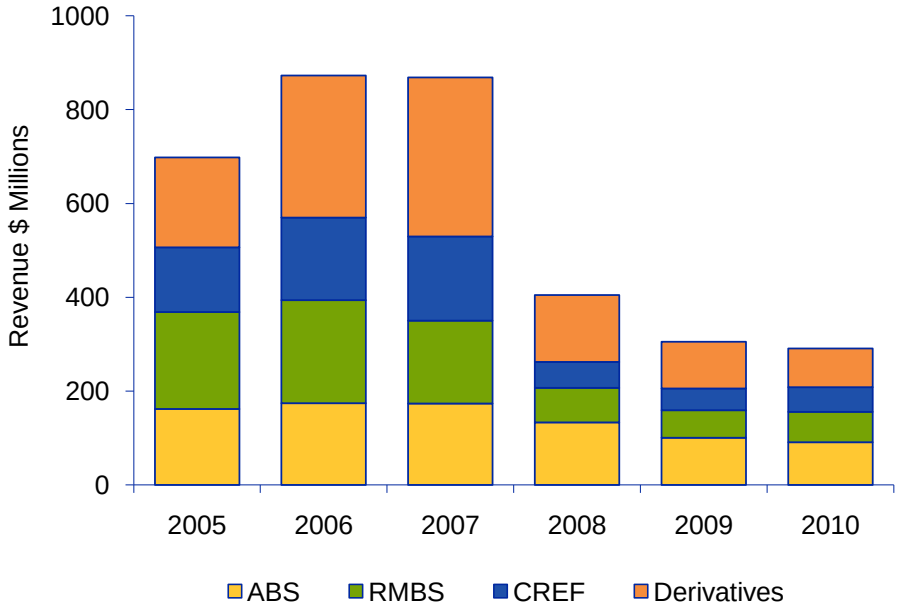
Issuance: U.S. Municipal Bonds



Source: Bond Buyer
Revenue from U.S. municipal finance bonds is included in the Public Finance segment. Debt issuance categories do not directly correspond to Moody's revenue categorization

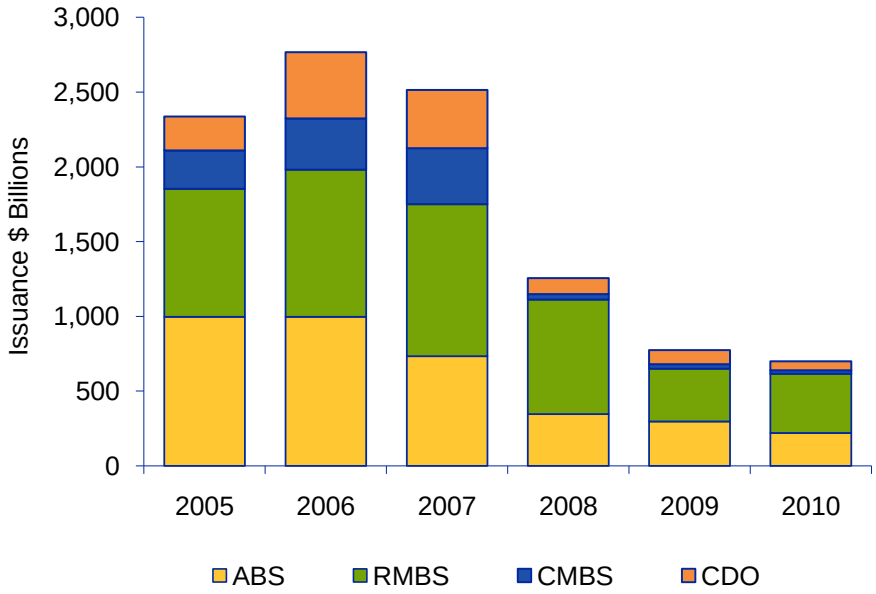
Historical MIS Revenue and Issuance
Structured Finance

Revenue Mix: Structured Finance



Historical data has been adjusted to conform with current information
ABS includes asset-backed commercial paper and long-term asset-backed securities. CREF includes commercial mortgage-backed securities, real estate finance, and commercial real estate CDOs

Issuance: Global Rated Structured Finance

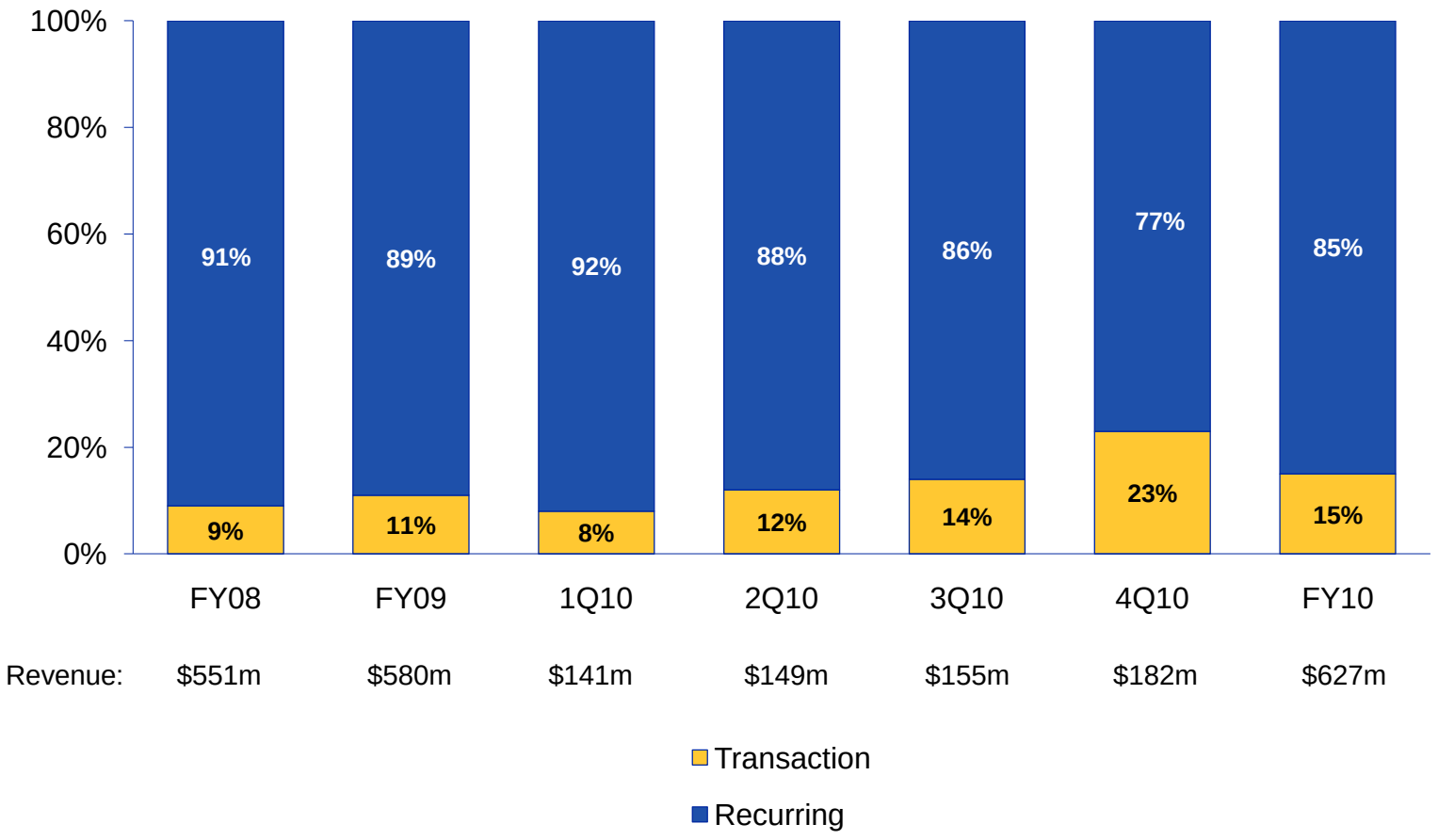


Source: AB Alert, CM Alert, Moody's Corporation
Debt issuance categories do not directly correspond to Moody's revenue categorization

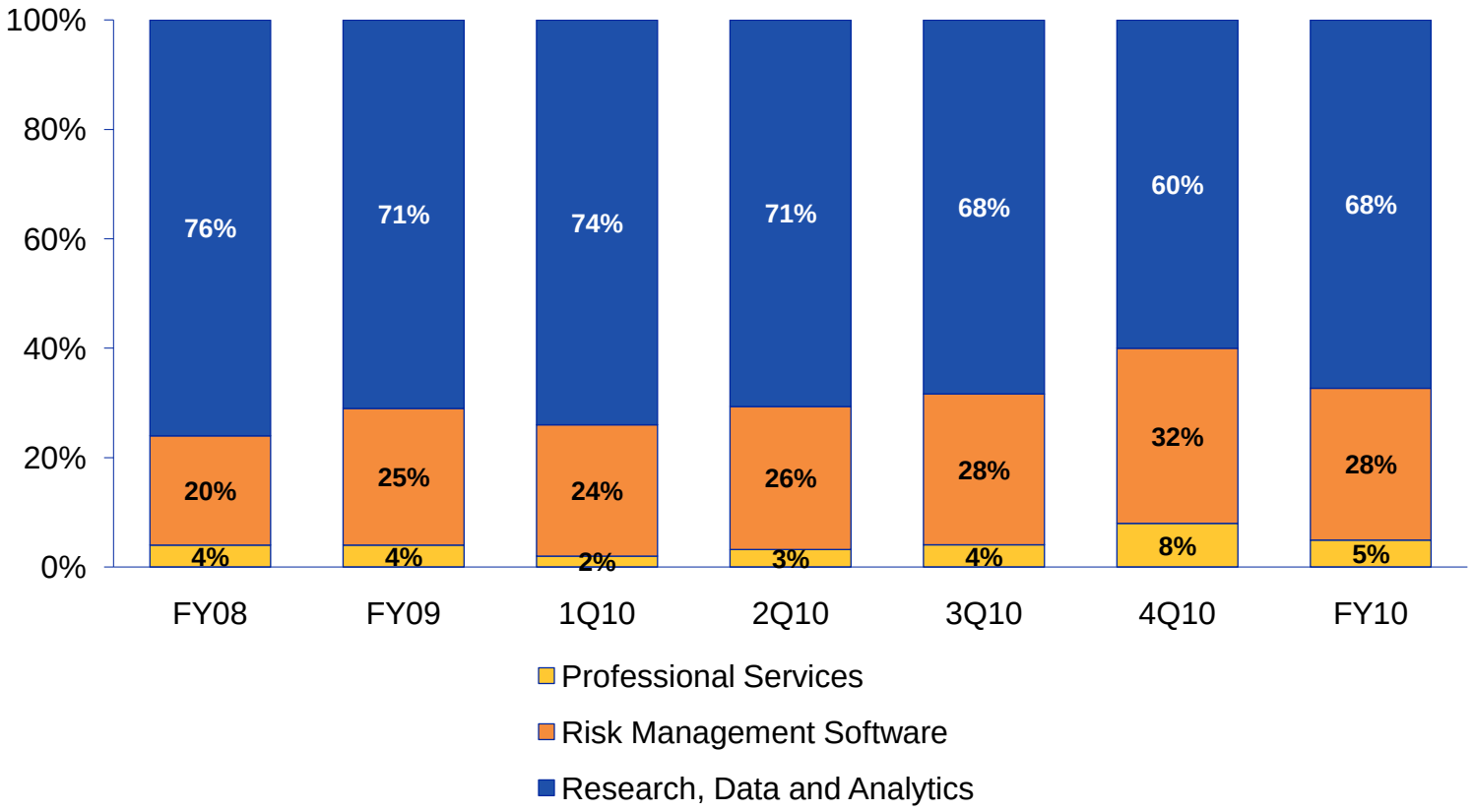
Regulatory Uncertainty Continues to Weigh on New Securitization Conditions

Adopted	» FAS 166/167	» Requirement to consolidate ABCP on sponsor banks' balance sheet may lead to lower ABCP outstanding levels, when combined with potentially higher regulatory capital costs. Also affects credit card safe harbor provisions. May make sale treatment harder to achieve for CMBS.
	» SEC rule 17g-5	» Requires NRSROs hired by arrangers to rate SF products to disclose information about rating engagement to other NRSROs so that they can develop unsolicited ratings
	» Dodd-Frank Act	» Requires retention of an unhedged (and untransferable) 5% credit risk of SF securities potentially dampening U.S. SF issuance. This may cause the SPV to stay on securitizer's balance sheet under FAS 167 if the securitizer manages the SPV in a way that substantially affects its performance
	» FDIC "safe harbor" treatment	» Limited issuance impact, depends on how economical bank-sponsors of securitizations will consider safe harbor compliance, as compared to alternative financing sources
Proposed	» Basel II	» Increases bank capital requirements for securitizations: – Triples capital requirements for resecuritizations in banking book – Treats securitization exposures in trading book as if those were held in banking book, potentially resulting in significantly higher market risk capital charges
	» Revised SEC Regulation AB	» Increases disclosure and may reduce issuance volume – Requires originators to file loan-level information with the SEC – New requirements for shelf registrations, including 5% risk retention – Requirement to disclose credit rating in registration statements was waived indefinitely
	» FASB/IASB joint financial instruments accounting projects	» Requires nearly all financial instruments, including loans, to be carried at fair value. May create disincentive to hold securitized assets but conversely also would incentivize banks to securitize more of their loan portfolios

Moody's Analytics Revenue Mix
Transaction vs. Recurring

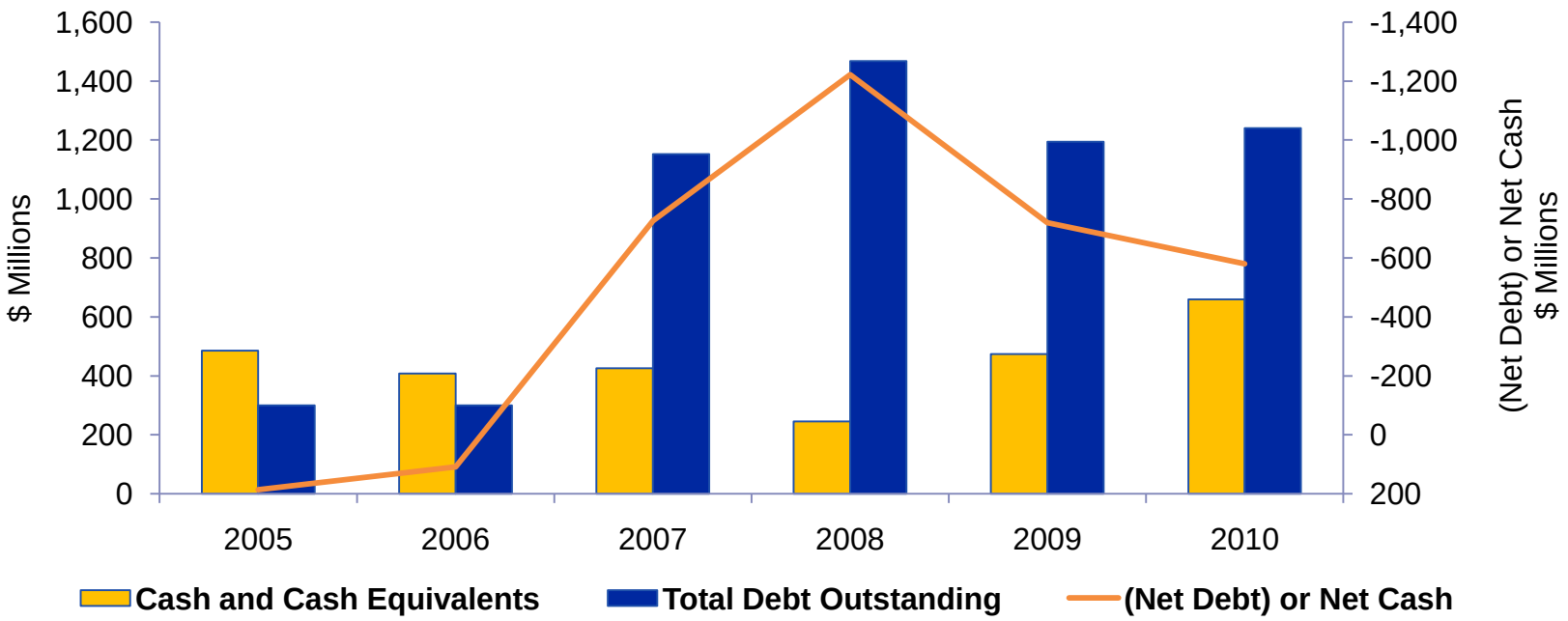


Moody's Analytics Revenue Distribution
by Line Segment



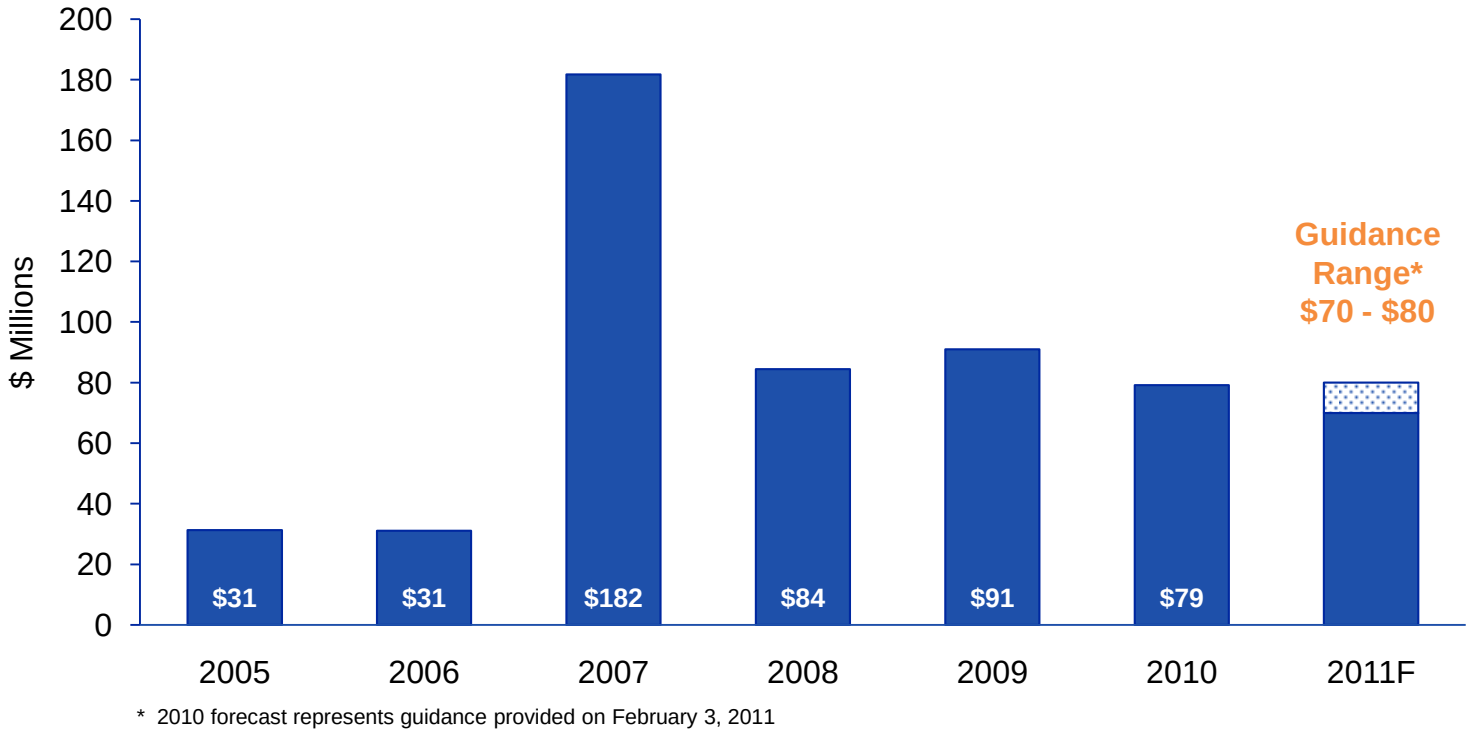
Historical data has been adjusted to conform with current information

Balance Sheet Remains Strong



- Cash flow generation continues to be strong and reflects improvement in fundamentals
- Issued $500 million 10-year senior unsecured notes on Aug. 19, 2010 for general corporate purposes
- Over $1 billion of additional capacity available under revolving credit facility
- No major debt repayment due until 2013

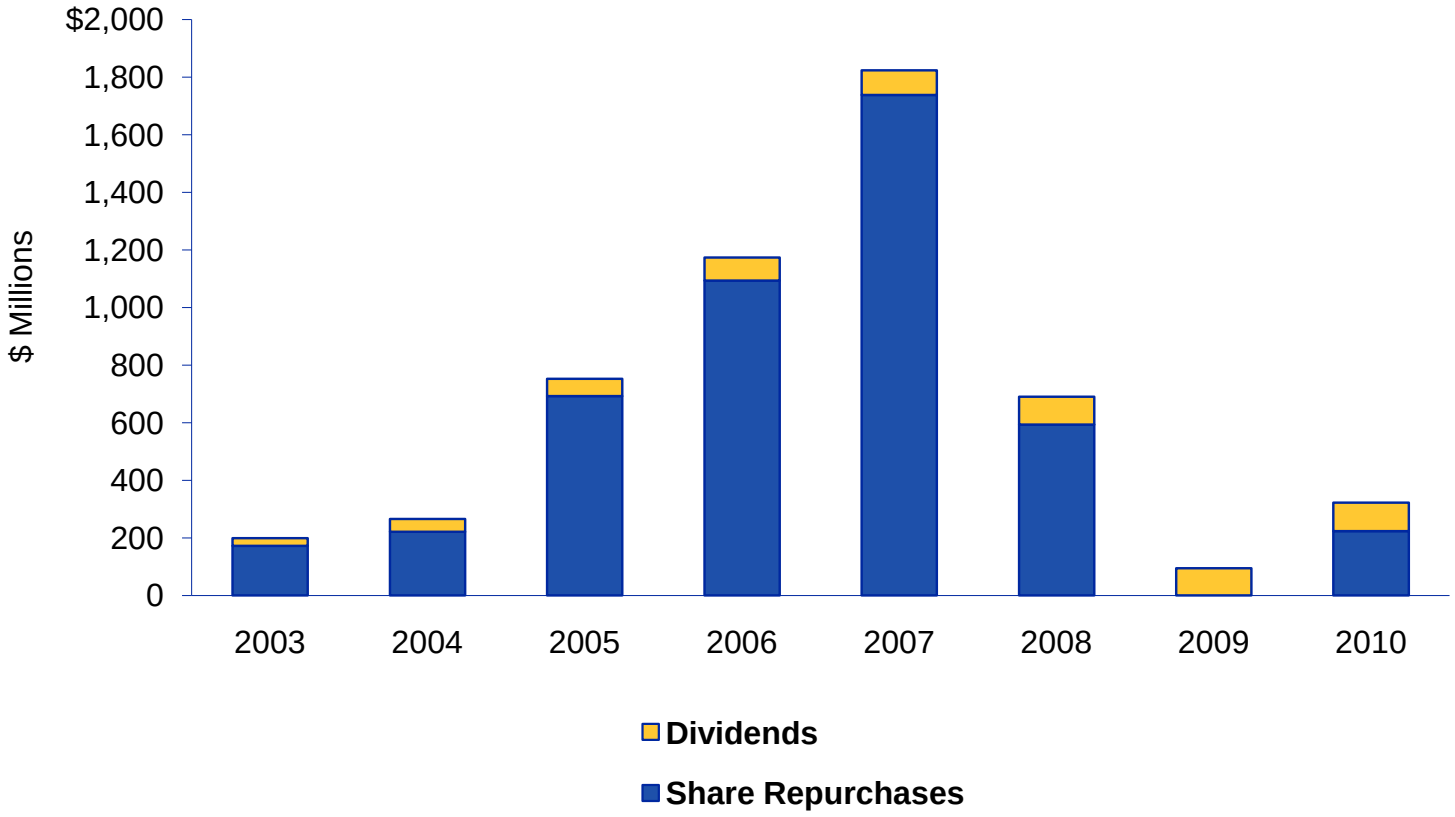
Limited Capital Expenditures to Support Business Needs



* 2010 forecast represents guidance provided on February 3, 2011

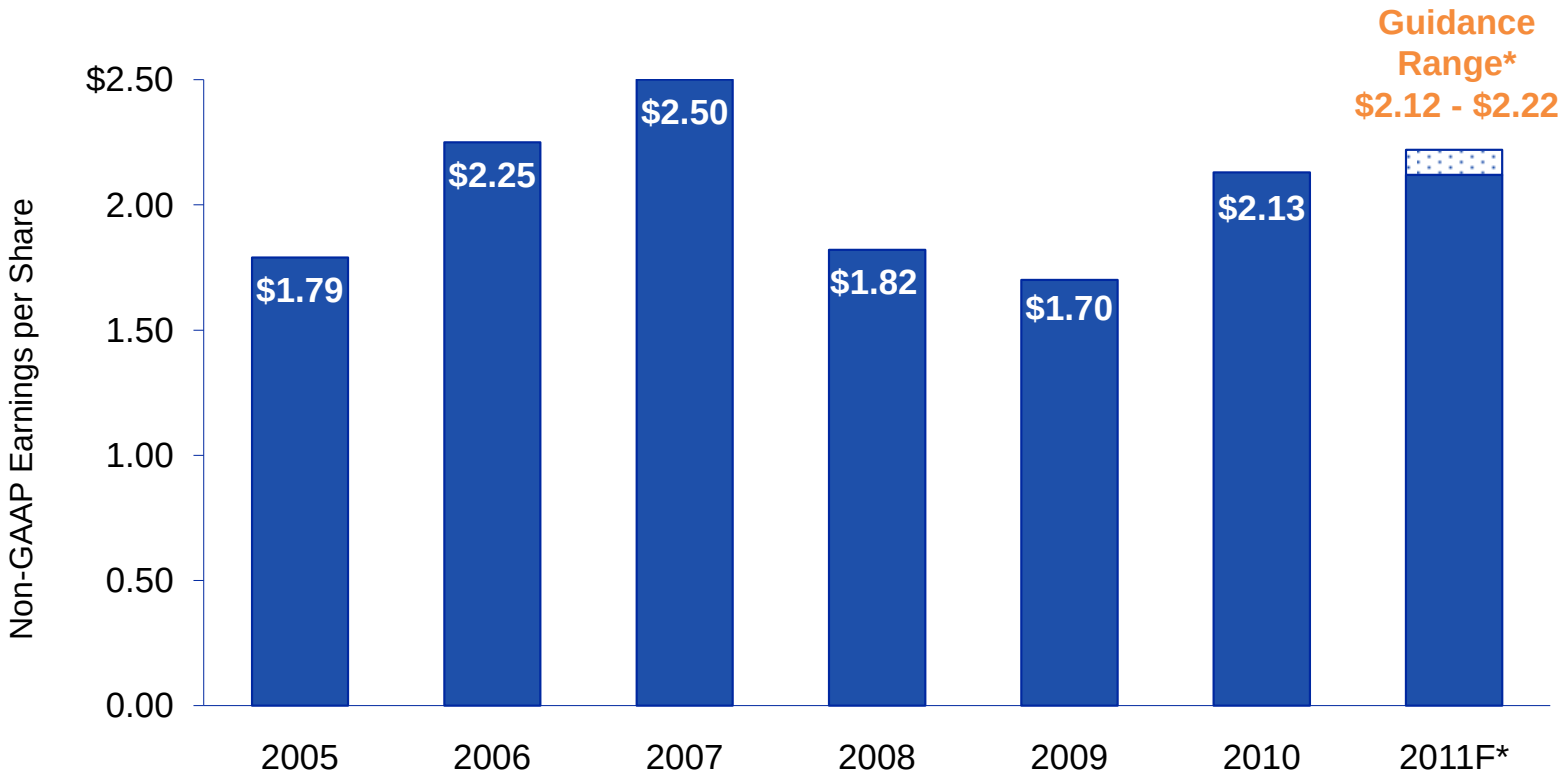
- Near-term spending on technology for compliance and process improvement
- 2007-2010 figures include costs associated with build-out of New York and London offices
- Normalized long-term CapEx expected in the $70 to $90 million range

Share Repurchases to Continue at Modest Pace in 2011



- Balancing return of capital with other capital allocation decisions and liquidity needs
- Declared 9.5% dividend increase in December 2010

MCO Non-GAAP Earnings Per Share



* Represents GAAP guidance provided on February 3, 2011

2010 EPS includes $0.15 of tax benefits associated with foreign earnings and state taxes

EPS is shown on a non-GAAP basis. Non-GAAP basis excludes: certain legacy tax matters and adjustments (2005-2010); restructuring charges and related adjustments (2007-2009); the gain on sale of Moody's former NY headquarters building (2006). 2005 reflects impact of stock compensation expense determined as if FAS123 was adopted on its effective date

All figures adjusted to reflect 2-for-1 stock split effective May 2005

Financial Information by Segment

Year Ended December 31, 2010

	MIS	MA	Eliminations	Consolidated
Total Revenue:	**$ 1,466**	**$ 627**	**$ (61)**	**$ 2,032**
External revenue	1,405	627	-	2,032
Intersegment royalty revenue	61	-	(61)	-
Total Expense:	**817**	**503**	**(61)**	**1,259**
Operating and SG&A	783	471	(61)	1,193
Depreciation and amortization	34	32	-	66
Operating Income - including royalty	**649**	**124**	**-**	**773**
Operating Income - excluding royalty	**588**	**185**	**-**	**773**
Operating Margin - including royalty	**44%**	**20%**	**-**	**38%**
Operating Margin - excluding royalty	**42%**	**30%**	**-**	**38%**

Excludes restructuring charges and related adjustments

Intersegment royalty relates to revenue for MIS and expense charged to MA for the rights to use and distribute content, data and products developed by MIS

“Eliminations” in the table above represents intersegment royalty revenue/expense

Reconciliation of Non-GAAP EPS Measures to GAAP

	2010	2009	2008
GAAP diluted EPS as reported	**2.15**	**$ 1.69**	**$ 1.87**
Non-GAAP adjustments [(a)]:			
Impact of restructuring	-	0.05	(0.01)
Impact of legacy tax items	(0.02)	(0.04)	(0.04)
Non-GAAP diluted EPS	**2.13**	**$ 1.70**	**$ 1.82**
Shares used in diluted EPS calculation (millions)	**236.6**	**237.8**	**245.3**

(a) Non-GAAP EPS adjustments may differ from figures disclosed in earnings releases due to rounding

2008 Revenue MIS Business Line Reclassification

in $millions

Reporting as per 2008 filings	**1Q**	**2Q**	**3Q**	**4Q**	**FY08****
Structured Finance	$ 107.2	$ 120.1	$ 97.7	$ 92.2	$ 417.2
Corporate Finance	71.5	97.4	75.0	56.6	300.5
Financial Institutions	64.0	72.1	64.4	56.5	257.0
Public, Project & Infrastructure Finance	55.5	66.2	59.7	48.6	230.0
Total Moody's Investors Service*	**298.2**	**355.8**	**296.8**	**253.9**	**1,204.7**
Total Moody's Analytics	**132.5**	**131.8**	**136.6**	**149.8**	**550.7**
Total Moody's Corporation	**$ 430.7**	**$ 487.6**	**$ 433.4**	**$ 403.7**	**$ 1,755.4**

Reclass for 2008 and 2009 Business Change: Managed Investments, Credit Estimates					
Structured Finance	$ (4.8)	$ (4.5)	$ (2.0)	$ (1.2)	$ (12.5)
Corporate Finance	1.8	1.6	2.0	1.1	6.5
Financial Institutions	3.0	3.0	-	-	6.0
Public, Project & Infrastructure Finance	-	-	-	-	-
Total Moody's Investors Service	**-**	**-**	**-**	**-**	**-**
Total Moody's Analytics	-	-	-	-	-
Total Moody's Corporation	$ -	$ -	$ -	$ -	$ -

2009 (Current) Business Line Reporting	**1Q**	**2Q**	**3Q**	**4Q**	**FY08**
Structured Finance	$ 102.4	$ 115.6	$ 95.7	$ 91.0	$ 404.7
Corporate Finance	73.3	99.0	77.0	57.7	307.0
Financial Institutions	67.0	75.1	64.4	56.5	263.0
Public, Project & Infrastructure Finance	55.5	66.2	59.7	48.6	230.0
Total Moody's Investors Service*	**298.2**	**355.9**	**296.8**	**253.8**	**1,204.7**
Total Moody's Analytics	**132.5**	**131.8**	**136.6**	**149.8**	**550.7**
Total Moody's Corporation	**$ 430.7**	**$ 487.7**	**$ 433.4**	**$ 403.6**	**$ 1,755.4**

* Excludes intersegment royalty

** FY08 "Reporting as per 2008 filings" represents cumulative total of 10Q filings

In August 2008, the global managed investments ratings group which was previously part of Structured Finance, was moved to the Financial Institutions business. In 2009, credit estimates was moved to Corporate Finance.

2009 Moody's Analytics Revenue Reclassification

in $millions

Reporting as per filings in year		**2008**		**2009**
Subscriptions	$	475.9		n/a
Software		49.2		n/a
Professional Services		25.6		n/a
Total Moody's Analytics	**$**	**550.7**		**n/a**

Reclass for 2009 Realignment*:				
Subscriptions	$	(57.2)		n/a
Software		59.6		n/a
Professional Services		(2.4)		n/a
Total Moody's Analytics	$	-		n/a

2009 (Current) Reporting		**2008**		**2009**
Research, Data and Analytics	$	418.7	$	413.6
Risk Management Software		108.8		145.1
Professional Services		23.2		20.8
Total Moody's Analytics	**$**	**550.7**	**$**	**579.5**

*During the fourth quarter of 2009 the Moody's Analytics ("MA") groupings were realigned and renamed to reflect the reporting unit structure for the MA segment at December 31, 2009. Pursuant to this realignment the Subscriptions grouping was renamed Research, Data and Analytics and the Software grouping was renamed Risk Management Software. The revised groupings classify certain subscription-based risk management software revenue and advisory services relating to software sales to the

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